

# Annual Report *2024*

# L-Bank in Figures

## OVERVIEW 2020 – 2024 in EUR millions

	2020	2021	2022	2023	2024
Total assets	86,759.63	89,597.02	93,226.58	95,118.26	91,838.23
Equity	3,064.38	3,101.72	3,144.31	3,194.62	3,344.74
Net interest income <sup>1</sup>	263.20	254.75	320.02	513.86	565.93
Net income	50.42	37.33	42.60	50.31	150.12

	2020	2021	2022	2023	2024
'Hard' Tier 1 capital ratio (CET1 ratio)	20.39%	20.99%	20.61%	21.23%	22.47%
Total capital ratio	22.29%	22.79%	22.12%	22.51%	23.62%
Return on equity	4.33%	5.13%	5.56%	6.05%	10.33%
Cost-income ratio	57.90%	64.11%	59.48%	61.31%	39.08%
Leverage ratio	4.56%	7.82%	7.05%	7.00%	7.38%

2024	Moody's	Standard & Poor's
Rating	Aaa	AA+

<sup>1</sup> Based on business operations

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# A Letter to Our Business Partners

2024 was a difficult year for everybody. While many of us hoped that we would see an end to the recent string of crises, such hopes proved vain.

Meanwhile, the ongoing economic slump is having a steadily worsening effect on Germany and Baden-Württemberg. Since the end of 2023, unemployment has risen and the number of corporate insolvencies has increased significantly. While falling interest rates have triggered cautious optimism in the construction industry, high energy prices, bureaucratic red tape, infrastructural inadequacies and labour shortages in certain industries have dampened expectations of an impending recovery. Consequently, companies and private households are still reluctant to invest. This is further exacerbated by the unresolved conflicts in the Middle East and Ukraine, as well as the looming – and actual – trade disputes between Europe and the USA, and between the USA and China.

Baden-Württemberg is more severely affected by these unfavourable conditions than other parts of Germany. Structurally, our economy is dominated by small and medium-sized enterprises with a significant industrial bias and a focus on mechanical engineering and automotive manufacturing. Our heavy dependence on exports currently makes us especially vulnerable to the complex situation on global markets.

As a major development bank involved in a broad range of activities, we continue to pursue our core mandate: to support people and businesses with the financial resources they need to invest in the future. Baden-Württemberg is still powerful, and we are still exceptionally well positioned to actively pursue our mandate by encouraging, supporting and inspiring our federal state's citizens and entrepreneurs to complete the digital, sustainability-focused transformation we all need. As important as our mission is in good times, it is even more important in the current polycrisis.

Once again, we introduced a wide variety of development incentives in 2024 as we strove to resist the downward trend. Together with the state government and our partners Kreditanstalt für Wiederaufbau (KfW), Landwirtschaftliche Rentenbank, Bürgschaftsbank Baden-Württemberg and the many commercial banks operating in our federal state, we created opportunities for municipalities, companies and families to invest in and pave the way for future developments and a more competitive position.

Despite the demanding conditions we all experienced in 2024, our fiscal year was a success, showing that in terms of both development support and operational optimisation, we achieved what we set out to do. Our ability to respond to global and regional movements – and in turn to the needs of businesses and society – by adapting or creating new development offerings played a key role in this success. For this, I give my warmest thanks to L-Bank's employees and partners in particular. Through your hard work and commitment, you show just how highly you value the future of Baden-Württemberg and all who live here.

In 2024, we celebrated our centenary; 2025 is the first of another 100 years. I draw great strength and confidence from contemplating our eventful history and seeing how it shaped the L-Bank of today. We have big plans for the coming years: We aim to become one of Europe's most modern development banks – sustainable, digital, fast-moving and financially robust.

We are convinced that pursuing this ambitious vision without the game-changing technology of artificial intelligence (AI) is no longer an option. This does not just apply to us as both business and bank – it also applies to our development programmes and our optimisation of development incentives to encourage businesses in Baden-Württemberg to use AI. Hence our decision to focus on AI in this year's annual report. We have taken a close look at the use of future technologies and how today's business models are already adopting them – with, of course, the help of a broad range of forward-looking development funding instruments provided by L-Bank.

I hope our report will also inspire our readers to engage with this transformative technology – for the future of Baden-Württemberg, and for an L-Bank determined to build that future.



Edith Weymayr  
Chief Executive Officer, L-Bank



## Greetings from the State Premier

This is a time of global crises and disruptions. The resulting economic uncertainty poses a major challenge to companies and institutions seeking the right way forward over the long term. For Baden-Württemberg, in particular, as a hub of innovation that depends on small and medium-sized enterprises, it is crucial to strike a balance between stability and progress. L-Bank plays a key role in finding such a balance by supporting businesses and local communities with carefully targeted development programmes.

During 2024, L-Bank saw a drop in demand for development loans among SMEs in Baden-Württemberg due to the weak economy and regulatory constraints. Even so, support for business start-ups remained high, as exemplified in particular by the Start Finance 80 programme. In addition, the level of development funding for climate change mitigation and energy projects rose to over EUR 785 million. This trend shows that more and more businesses are recognising the economic benefits and competitive advantages of an improved carbon footprint.

Economic success and social prosperity do not just happen by themselves – they are the results of tireless hard work. In this sense, L-Bank is not just a strong, reliable partner, it is also a regular source of support and inspiration, helping to keep Baden-Württemberg competitive and resilient – not least by stimulating the digital transformation and, in particular, the adoption of artificial intelligence. AI is much more than just a technology – it is a key factor in achieving economic autonomy. L-Bank's support for this transformation includes a new AI development funding line under the Innovation Finance 4.0 programme, made available to SMEs in Baden-Württemberg at the end of 2024. The new programme offers companies investing in AI technologies low-interest loans and repayment subsidies, whether they are developing an AI-based strategy or incorporating smart processes into their workflow.

2024 was a successful year for Baden-Württemberg's housing construction industry: 3,000 new social housing units were built – 15 percent more than last year, and almost twice as many as in 2019. In addition, the Bank issued low-interest loans to almost 1,100 families, and L-Bank's Living with Children, Living with a Future and Combined Home Loan programmes saw a significant, 32-percent boost in subsidised rental housing construction.

All in all, L-Bank can look back over a very demanding year during which the Bank nevertheless succeeded in providing valuable economic stimulus despite the challenging conditions. So I would like to sincerely thank L-Bank and all L-Bank employees for all your hard work and commitment, and wish you all every success in fiscal year 2025!



Winfried Kretschmann  
State Premier of the State of Baden-Württemberg



# Statement by the Chair of the Supervisory Board and Minister of Finance for the State of Baden-Württemberg

**Ladies and Gentlemen,  
my dear Colleagues at L-Bank,**

2024 was yet another year in which L-Bank's activities had a positive impact on the lives of many of our fellow citizens, and on the development of many businesses. In view of the economic situation in Germany, which continues to be very challenging, the fact that the Bank paid out EUR 10.7 billion in loans and financial assistance is a very good result. Baden-Württemberg is innovative by nature and continues to invest in digitisation, education, research and development.

Even so, the economic situation has unsettled many people and businesses, so that they are finding it increasingly difficult to make investment-related decisions. So it is all the more important for us to provide attractive development funding opportunities that act as incentives to invest in the future. This is precisely what L-Bank succeeded in doing last year, and I am confident that the Bank will continue to do so in 2025. Young families, businesses and municipalities can and should turn to L-Bank as a strong, dependable partner.

This strength is based on a very successful 2024 fiscal year. The Bank succeeded in making investments for the future, further increasing its Tier 1 capital ratio and, even after deducting its own development contribution of EUR 100 million, generating an annual surplus (net income) of EUR 150 million.

By doing so, L-Bank also created the ideal conditions for continuing the Bank's modernisation and transformation process, which is already making very positive progress.

I would like to express my sincere thanks to all L-Bank employees for their enormous commitment and highly competent work.

Best wishes,



Dr Danyal Bayaz  
Minister of Finance for the State of Baden-Württemberg

# AI-driven Transformation

## – the key to staying competitive

A long time ago, we set ourselves a key development goal: to drive forward Baden-Württemberg's digital transformation. But this transformation, initially defined as the conversion of analogue data and processes into digital formats, has acquired – at least since the very public launch of ChatGPT in 2022 – a radical new dimension that has impacted society as a whole: artificial intelligence, or AI.

The question is no longer about 'digital' superseding 'analogue'. Now people are asking whether – and if so, how – they can optimise digital processes with the help of AI systems, and how they can use digital data more intelligently. Global corporations are not the only businesses seeking suitable answers and solutions; so are SMEs in all industries, from medicine to healthcare, from skilled trades to international finance.

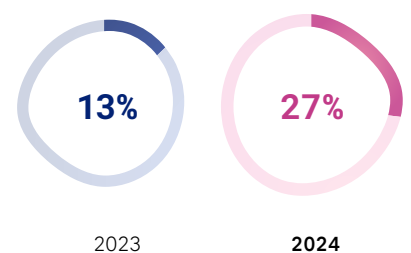
By using complex algorithms and artificial neural networks, AI systems are capable of supporting – and even replacing – human intelligence in a wide variety of fields, such as data analytics, forecasting, planning and problem-solving. The ability to act 'rationally' makes AI one of the most important technologies of the future. It is now regarded as a crucial resource for enabling individual companies, as well as major business centres and indeed, entire regional economies, to remain innovative and competitive.

In this report – L-Bank's annual report for 2024 – we take an in-depth look at the whole subject of artificial intelligence. For those reading our report online, we have used AI to create an AI-driven avatar named Lea, based on real employees currently working at L-Bank, who is capable of answering your questions about our annual report. In it, we include seven examples from our various development programmes to demonstrate just how effectively AI can help researchers, SMEs and business start-ups.

According to the ifo Institute's Business Survey conducted in June 2024, at least 27 percent of companies in Germany now use some form of AI technology. Just 12 months earlier, the figure was only around 13 percent. This indicates that the business community has recognised the opportunities associated with AI applications.

### German companies using some form of AI technology

According to ifo Business Survey in June 2024



L-Bank offers a broad range of development options to help SMEs through the AI transformation

As Baden-Württemberg's development bank, one of L-Bank's increasingly important tasks is to support companies seeking to develop AI-based solutions with appropriate development funding. We are steadily expanding our development offerings while simultaneously adapting them to our clients' needs.

Even as 2023 drew to a close, we added a suitable development funding line to our most popular programme for entrepreneurial innovation. The new option, part of our **Innovation Finance 4.0** programme, not only offers attractive interest rates on loans taken out by SMEs investing in AI – it also offers a higher repayment subsidy. This makes it easier for them to make investment decisions with the specific aim of incorporating artificial intelligence into their business and production processes.

Development funding for artificial intelligence is also becoming an increasingly important element in our more traditional programmes – especially, as you might expect, in our development programmes for business start-ups.

Companies like Aleph Alpha, Aurivus, NEURA Robotics, paretos and many other firms which have since made a name for themselves all benefit or have benefited from our support, either through our venture capital investments or through our business start-up programmes such as **Start-up BW Pre-Seed** or **Start Finance 80**. In the second half of 2024, around two-thirds of the companies involved in our Start-up BW Pre-Seed programme were somehow involved in software development and AI.

*Increasingly, young entrepreneurs  
are using AI to generate ideas and  
innovations.*

The AI developments and applications we support are extremely diverse. Many companies are using AI-assisted software to optimise their warehousing and ordering processes – essentially, to modernise their business models. Others are developing AI-based software and platforms so they can offer them as products or services. For these companies, AI itself is the business model. Companies in the healthcare industry are using artificial intelligence for diagnostics and ther-

opies, while others are using AI to speed up and simplify laborious administrative or planning processes in the justice system, civil engineering and architecture.

Increasingly, young entrepreneurs are using AI to generate ideas and innovations, while established companies use AI to speed up transformation and change processes.

Implementing artificial intelligence is now a sine qua non

Artificial intelligence is also very high on our strategic agenda at L-Bank. As we strive to become one of Europe's most modern development banks, the systematic, intensive use of AI represents an indispensable way forward for the L-Bank of the future. Assisted by AI, we will be able to streamline our in-house processes and workflows – and above all, raise our client relationships to a whole new level.

*With AI, we will be able  
to raise our client relationships  
to a whole new level.*

By using artificial intelligence for development funding applications, data analytics, application processing and client services, we will make our development business faster, more efficient, more transparent and more flexible – so we can provide our clients with more personalised, needs-based support.

After laying the organisational foundations for our own AI transformation last year, we are now developing our first AI prototypes in a test environment that is secure in both the technical and regulatory sense. We aim to use AI to become more service-focused and efficient, while simultaneously enhancing our risk management.

To achieve this, we have identified three key action areas in which to implement and use artificial intelligence at L-Bank:

- 1. Interactions with clients:** the transition to AI-assisted, accessible, service-focused communication, application submission and application processing must be seamless.
- 2. Employees:** the cultural transformation associated with the introduction of AI technologies requires sensitivity, transparency and expertise. Employees must be empowered to use AI confidently, securely and without anxiety. AI applications will help them to do their work.
- 3. Processes:** internal and external workflows, as well as risk management, may change out of all recognition as a result of using artificial intelligence. Automating processes will require a cautious, sensitive approach that complies with regulations and is technically secure.

Within these action areas, we are of course also fulfilling the requirements for the secure, legally compliant use of AI systems set out in the EU AI Act of May 2024. The EU AI Act stipulates, for example, that prohibited AI systems such as manipulative AI, social scoring systems and AI that monitors emotions in the workplace should not be used, and that people working with AI applications must have the appropriate AI skills.

## Introducing AI carefully and cautiously builds security and acceptance

Working in a heavily regulated sector such as finance, and especially as a state-owned bank, we are committed to exercising the utmost care and caution when introducing AI technologies which, while offering great opportunities, also involve certain risks. We are fulfilling this commitment by following a clearly defined AI utilisation roadmap covering the technological, organisational and regulatory aspects, as well as the cultural issues. This tight integration of strategic coordination, technical development and change management should ensure that AI is embedded in our institution in a sustainable manner that complies with the law and adds long-term value. Our current priorities include, among others:

- Analysis and implementation of ethical and legal provisions – to ensure compliant, responsible use of AI.
- Development and implementation of a data strategy – to create a stable, powerful data infrastructure.

- Development of an AI use-case portfolio – to identify and prioritise relevant use cases.
- Selection and implementation of the underlying technology for our AI applications.
- Organisation of training and upskilling courses – to provide employees with the skills to enhance AI expertise throughout the Bank.
- Implementation of change management as part of our cultural transformation – to support organisational changes and build an AI-friendly corporate culture.

*AI systems are key to preserving our ability to provide funding and respond to our clients' needs over the long term.*

## AI is part of our future world

Artificial intelligence already provides – largely unnoticed – support for many of our most commonplace activities: search engines on the Internet, spam filters in e-mail systems, voice assistants such as Alexa, Siri or Cortana. Even personalised advertising and recommendations by streaming services are driven by artificial intelligence. And in the future, AI will play an even more important role in our everyday lives – in, for example, medical diagnostics, therapies for chronic diseases, architecture and civil engineering. And someday, perhaps, as the enabling technology in autonomous driving.

Increasingly, AI is acting as a source of ideas and inspiration for young entrepreneurs, and as a 'transformation accelerator' for established companies. This is why L-Bank, as the state development bank, has prioritised support for Baden-Württemberg's AI transformation as a key development policy. This is why we have also prioritised the systematic and intensive use of AI in our own operations. AI systems are key to preserving our ability to provide development funding and respond to our clients' needs over the long term, as well as enabling us to become one of Europe's most modern development banks on behalf of Baden-Württemberg.

# Artificial intelligence and L-Bank

Artificial intelligence will play a vital role in driving growth and increasing competitiveness. AI will fundamentally transform our thinking and our ways of doing business. Many companies are already using artificial intelligence – some of them have based their business propositions on AI. At L-Bank, we support both developers and users. On the following pages, we introduce you to some of them.



All interviews and posts by the companies concerned can also be accessed at [gb2024.l-bank.info](https://gb2024.l-bank.info)

Or simply scan the QR code to link directly to Chapter 02 'Enhancing intelligence'

## Spotlight on AI: paretos GmbH, Heidelberg

**Supporting decision-makers: paretos in Heidelberg provides Decision Intelligence, helping companies to make difficult decisions.**

Business success depends on making the right decisions. But the more factors a business must consider, the more complex the correlations to be made, the more difficult it becomes to take the right decision. This is where artificial intelligence can help. Or more specifically, 'Decision Intelligence': a solution that uses AI to analyse and correlate complex data and dependencies before a (potentially far-reaching) decision is made. Heidelberg-based company paretos offers such a Decision Intelligence platform. And some of the venture capital which a company like paretos needs to implement its innovative ideas and establish itself in the marketplace was provided by L-Bank's **LEA Venturepartner**.



Examples of what the user-friendly platform looks like. Screenshots: paretos



 paretos

Co-founders left to right: Thorsten Heilig (CEO) and Fabian Rang (CTO). Photo: paretos

## In conversation with **Thorsten Heilig**

### Narrator:

**Everyone's talking about paretos. Founded by Fabian Rang and Thorsten Heilig, the company is really taking off. Their Decision Intelligence platform is in high demand, with a long list of customers like Edeka, the Otto Group, Hermes, HelloFresh, ARMEDANGELS and many others. With its AI-assisted platform, paretos is opening the door to a new era of planning and decision-making, bringing the technology into everyday business practice.**

### Thorsten Heilig:

As a solution or key, as a technology, AI has been around for quite a while. And it's been really hyped over the last two or three years and it's clear that it could be the key to many things. But there are still major shortcomings in the way it's applied. Precisely in such critical but rather boring areas such as planning, operations – in short, everything that actually forms the backbone of every business – people use very little technology. A lot of it is done in Excel. So we set ourselves the task of providing a technology that's very easy for companies to use.

### Narrator:

**Goods must be in stock when needed, supply chains must run smoothly. Companies should be as well prepared as possible for unexpected disruptions in production, warehousing and distribution.**

**And ideally, decisions should take account of market trends and developments. Of course, this has always been true, but it is increasingly difficult to meet the resulting needs. Because the world has become more complex:**

**Thorsten Heilig:**

Complexity has a lot to do with change, too. You need to consider market dynamics: consumption is changing in drastic ways; supply chains have become less reliable. More and more disruptive influences are emerging every day. And consumption has become more personalised, so products are more diverse than ever. All these things make it much, much more difficult to manage your business. I'd say that if Excel is all you need to do all these things, that's great. But for most of us, Excel is no longer enough.

**Narrator:**

**How can artificial intelligence support daily, multi-criteria decision-making in such a complex environment? This is the question paretos claims to answer with the Decision Intelligence platform.**

**Thorsten Heilig:**

It adds an extra layer between technical AI models and client applications. An automation layer that orchestrates this interaction, as it were.

**Narrator:**

**This is how Thorsten Heilig describes the innovative idea – and solution – for which paretos has also filed a patent. Heilig defines three application tiers for Decision Intelligence. First, as a complex, reliable data analytics tool for improving decision-making parameters. Second, as a 'digital adviser' that makes recommendations on what the decision could look like. And third, as an actual decision-maker that manages processes autonomously – on its own. The company calls these three tiers 'Support – Augmentation – Automation'. However, it is always the customer who decides how much trust to place in AI.**

**Thorsten Heilig:**

Yes, it's up to the company, and I think that's the right way to go. For us, for instance, it's really important that we should be able to offer all three levels on our platform. And I believe that human-machine interaction is the key here, and this may also vary depending on the specific use case.

Narrator:

**paretos was launched four and a half years ago, during the coronavirus pandemic.**

**Thorsten Heilig:**

In my home office in the middle of lockdown, while our noisy children were building a slide on the front steps outside. And we sat there and tried to work out what this kind of product could look like by validating the idea with at least 100 or 200 companies.

Narrator:

**And where do you raise the capital needed to start a business? Right from the start, it was clear to paretos founders Thorsten Heilig and Fabian Rang that developing an innovative Decision Intelligence product was a VC case, meaning they would need venture capital.**

**Thorsten Heilig:**

If you want to build a product you can offer to corporate customers – and we had a very, very ambitious plan for building something like that –, you need to finance it in advance with venture, or more specifically, risk capital. So in the first round, we decided to work with LEA Partners – a German early-stage investor. They were precisely the right fit for us in terms of their understanding of technology, trends and the market. Plus we had a really good feeling about the team! This turned out to be the right decision, because we now have a very good relationship, built on trust, and we've been working together for a long time.

Narrator:

**LEA Partners is an investor, and L-Bank capital represents a major stake. Without this capital, the business would not have worked – nor would it work in the future, emphasises Heilig. Because paretos aims to keep growing:**

**Thorsten Heilig:**

We have the opportunity and the market to really develop this product into a highly relevant global player. As long as we see opportunities to do that, we'll continue to invest. We have the chance to think even bigger, and that's why we're really going for it.

[paretos.com](https://paretos.com) ↗

## Spotlight on AI: ELLIS Institute, Tübingen

**Exploring the fundamentals: the ELLIS Institute in Tübingen is unique in Europe. The objective? A Europe-wide network of AI expertise.**

Somewhat less than two years ago, a European institute for researching the fundamental principles of artificial intelligence made its home in the Tübingen-Reutlingen Technology Park (TTR): the ELLIS Institute, part of the European Laboratory for Learning and Intelligent Systems, a pan-European network of AI excellence with research centres in 17 countries. The aim of the network is to establish Europe as a globally competitive AI research hub. Tübingen's ELLIS Institute offers the perfect working environment for fulfilling this ambition: offices and laboratories, plus the nearby university and Max-Planck Institute for Intelligent Systems, as well as substantial financial backing. The CEO of the ELLIS Institute in Tübingen is Volker-Maria Geiss.



ELLIS Institut.  
Photo: L-Bank



Volker-Maria Geiss. Photo: Max Planck Institute for Intelligent Systems.



### Mr Geiss, what's special about the ELLIS Institute?

We're a large – and above all, pan-European – AI research network that aims to grow even larger. That in itself is pretty special! The institute was founded by Professor Bernhard Schölkopf, one of the world's leading AI research specialists. ELLIS has one big advantage – as an institute, we enjoy greater independence than most other research institutes or associations.

We enjoy greater independence because all our research work is privately funded, so we're not dependent on government funding. This gives us greater freedom and flexibility, along with less red tape. Which in turn allows us to respond very effectively to whatever the researchers working here need or require. Only our administration and technical support activities are financed by the State of Baden-Württemberg.

'Our big advantage: we enjoy *greater independence* than most other research institutes.'

#### **So who funds the ELLIS Institute?**

Our research funding, currently standing at EUR 100 million over our first 10 years, is provided exclusively by the Hector Foundation II, while the State of Baden-Württemberg contributes another EUR 25 million for IT and administration. The state also indirectly finances our offices here in L-Bank's TTR. For us, it is extraordinarily important to work in an environment that supports cutting-edge research, like the Technology Park.

Before we hire them, our senior researchers are headhunted and recommended by a high-calibre team of international scientists. They're all amazing people, and they come together here to work on a very wide variety of specialist areas. Here, they find like-minded people they can share ideas with, and thanks to our partnership with, for example, the Max Planck Institute for Intelligent Systems in Tübingen, they also enjoy ideal conditions for intensive research.

#### **What does that mean in practice?**

It means we can pay our researchers well, and we're able to get hold of the equipment and materials they need for their research quickly, without red tape. We also give them as much freedom as possible, so they're not bogged down by external targets or time-consuming reporting requirements. They can also travel abroad to conferences or for research purposes whenever they want to. Top researchers are strong characters – not the kind of people you order to be at their desks by eight in the morning. At the ELLIS Institute, we encourage and empower them to develop their skills and ideas as they wish. This is reflected by the fact that we don't have

any prescribed areas of research. Practically anything goes – as long as it's related to AI. I always say, my goal is to create a little paradise for happy researchers!

### **Which areas of interest are your researchers working on at the moment?**

At the moment we have six 'lead investigators', meaning senior researchers, working here with their research teams; we're expecting two more to start this summer. Their research covers, for example, machine learning in social contexts, security and efficiency in machine learning, and the optimisation of image processing programs with the specific aim of reducing the discrepancies between machine and human perception.

This is all classic foundational research, it's not research for purely contractual purposes. To give just one example, we're not developing medical devices as such – that'll happen later, elsewhere. At the same time, one of our aims is to strengthen Tübingen in particular and Baden-Württemberg more generally by incubating business spin-offs. We want to streamline the business start-up process by removing as much red tape as the legal and statutory framework allows.

### **Where are you taking this?**

We're aiming to make our network even stronger. We're planning more ELLIS Institutes in other countries – and looking to intensify the collaboration between them. Our objective is to prevent Europe from falling behind in AI research. ELLIS wants to offset Europe's notorious regulatory and bureaucratic disadvantages with respect to research by building effective structures and a cross-border research network.

‘Our objective is to prevent  
Europe *from falling behind in*  
*AI research.*’

### **Will new companies emerge from your research at Tübingen's ELLIS Institute? Are you planning business start-ups?**

They're not something you can plan, but of course we need to deliver results and justify the use of the money we're spending – by, for example, founding business start-ups with business propositions based on the original research we're doing

here at the ELLIS Institute. So yes, I'd say business start-ups are both desirable and feasible.

**Mr Geiss, a last question on the future and significance of machine learning:  
What role will artificial intelligence play in the future?**

That's hard to say. My personal belief is that AI will quickly start to play a role in all areas of human activity, and that AI will facilitate or even take over much of the work in the service sector in particular. In one of our key areas, medical diagnostics, there's no question that AI will benefit us hugely and revolutionise the healthcare system.

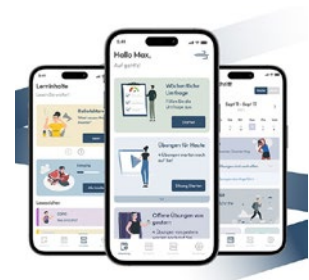
Of course, this prospect makes people anxious, but it's a development we can't just stop. We can manage it, however, and there are plenty of questions to answer with respect to each individual use case.

[institute-tue.ellis.eu](https://institute-tue.ellis.eu) ↗

## Spotlight on AI: Breathment GmbH, Breisach am Rhein

**Closing the care gap: Breathment uses artificial intelligence to support the treatment of chronic lung diseases.**

The healthcare industry – among many others – has great hopes of artificial intelligence. AI is suitable for use in, for example, diagnostics, where it can rapidly draw correct conclusions from vast quantities of patient data. In the medium term, this could ease some of the pressures on the healthcare system – including financial pressure. But artificial intelligence can also be very useful in treating diseases and delivering therapy, as shown by the example of Breathment, a start-up based in Breisach am Rhein.



Breathment therapy app user interface.  
Screenshots: Breathment



Cofounders from left to right: Yalvaç Top, Elçin Can Çavuşoğlu and Baturay Yalvaç.  
Photo: Breathment



Breathment specialises in COPD – chronic obstructive pulmonary disease. COPD is one of the leading causes of death in Germany and around the world. Some seven million people in Germany suffer from the disease, explains Baturay Yalvaç, one of Breathment's three founders: 'Therapy can help to alleviate the condition, and our AI-assisted patient programmes help by guiding participants through physiotherapy exercises – anytime, anywhere.'

## ‘AI does the analysis; *humans provide the care.*’

From prevention to rehabilitation, patients are given the physical and behavioural support they need to manage their condition, according to the Breathment website. The COPD patient programme comprises various modules: patient education and information, a symptom checker, a lung exercise module (the therapeutic core of the programme, as it were), a patient diary and a chat module for communicating with the Breathment team, which includes medical professionals and physiotherapists.

‘AI does the analysis, humans provide the care,’ confirms Yalvaç. ‘It’s important to take a proactive approach to managing the disease by taking the exercises seriously and not allowing them to lapse. Often, patients have to make significant changes to their behaviour – one of the most difficult aspects of treating diseases. That’s when you need support structures and actual people who can help you through the entire process. Without them, your therapy won’t be effective or successful.’

When it comes to analysis, however, AI is at least on a par with humans. Breathment has even filed a patent for AI-driven breathing pattern recognition. The AI also measures and analyses each patient’s thoracic mobility and movement patterns, using the data to determine whether the therapeutic exercises are being performed correctly and precisely. The rehabilitation programme, which includes respiratory training as well as exercises for strengthening the lungs and increasing lung capacity, is always tailored to the individual.

Breathment is still a very young company. Currently, 40 to 50 patients use the Breathment programme every day and follow the AI trainer’s instructions when performing their exercises. The AI trainer has already completed more than 15,000 exercise sessions. In total, 250 people are registered on the programme.

## ‘As a founder, *you need a lot of patience and staying power.*’

The start-up was founded in autumn 2022. Early-stage capital became available after it was accepted into the **Start-up BW Pre-Seed** programme run by the Baden-Württemberg Ministry of Economic Affairs and L-Bank.

The company expects to be in the black for the first time by the end of this year, with a target of 1,000 registered COPD patients.

'As a founder, you need a lot of patience and staying power,' says Yalvaç. 'We're glad to have the funding we need to establish ourselves and show modest growth thanks to the public Pre-Seed development funding and our co-investor's support.'

The healthcare sector is a difficult market, he says, but a rewarding one for artificial intelligence. For Yalvaç, among the factors driving the adoption of AI are the enormous cost pressures in the healthcare system, a shortage of medical and therapeutic specialists, and the urban-rural divide.

*'There are major care gaps in this area, and maybe artificial intelligence can help to close them.'*

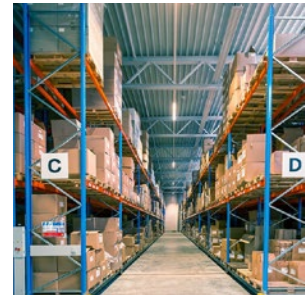
'Everyone can get medication, but to get the therapy you need, you have to find the right people, plus it's often expensive and tied to a specific practice. There are major care gaps in this area, and maybe artificial intelligence can help to close them.' Breathment's potential partners and customers include, first and foremost, the cost bearers in the healthcare system, such as health and nursing care insurers. But Breathment is also targeting hospitals, medical and therapeutic practices, as well as retirement and nursing homes. Currently, their efforts are limited to Germany, but they intend to expand into other European countries as soon as they can.

[breathment.com](https://breathment.com) ↗

## Spotlight on AI: Wäschekrone GmbH & Co. KG, Laichingen

**Always in stock: hotels and restaurants rely on Wäschekrone in Laichingen. And Wäschekrone relies on AI.**

The textile industry in the Swabian Highlands used to be a model industry with a long and proud tradition. Until, that is, production became too expensive during the 1970s and 1980s. Factories were forced to close or else relocate production and jobs to low-wage countries, mainly in Asia. Even so, some of them managed to survive, defying the shifting structures by reinventing themselves. Based in Laichingen, Wäschekrone is one such company, set up by seven independent firms that joined forces to combat the textile industry's decline. Today, Wäschekrone is not so worried about survival, but more about new issues – such as digital transformation.



A view of the warehouse.  
Photo: Wäschekrone



CEO Matthias Wagner. Photo: L-Bank

Wäschekrone 

In conversation with **Matthias Wagner**

**Narrator:**

A relaxed Matthias Wagner is sitting in one of the conference rooms at his company's head office in Laichingen, his laptop in front of him. On his left, at the other end of the conference table, is a huge screen for online videoconferencing and presentations. Behind him is a gallery, with a good view into the warehouse.

**Wagner is CEO and CIO of Wäschekrone and, since 2007, the moving force behind the company's digitisation across all areas of activity.**

**Matthias Wagner:**

We don't pursue digitisation for its own sake; we simply look at where we can best apply the greatest leverage. Where will digitisation most benefit us? Where can we achieve the most with the resources at our disposal – after all, they're not unlimited? And then we make our decisions accordingly.

**Narrator:**

**Wäschekrone is a traditional company dating back to the 1960s. The business exemplifies the long history of textiles in the Swabian Highlands and the linen-weaving town of Laichingen. Initially, the company's main business consisted of textiles for dowries. Sales reps would go from door to door selling trousseau linen.**

**Matthias Wagner:**

Of course that's changed over time. Linen for dowries has steadily declined, and now we sell mainly to the hotel and catering industries. If you run a hotel, you'll find all the textiles you could possibly need in our range. In that sense, we're a full-range supplier.

**Narrator:**

**The company's products range from kitchen towels and aprons to terry bathrobes, from tablecloths to silk bedlinen – in the colours of your choice, embroidered with your hotel logo or family initials. Wäschekrone even offers mattresses and slatted bedframes. And of course the company also makes special products to order.**

**Matthias Wagner:**

Yes indeed, we can produce tablecloths for unusually shaped tables, such as tables designed to fit into a specific corner of a particular dining room. That's something we can do relatively easily. Obviously we also work with weaving partners abroad. That's where we produce our high-volume products, so we can remain competitive. We wouldn't last long if we produced everything here in Laichingen.

Narrator:

**Because it's a big market: Wäschekrone serves around 25,000 customers in Germany and abroad, including many of the country's leading hotels and restaurants. Nearly 80 employees and around 17,000 active products generate annual sales of EUR 12 million. For a long time, the company wrestled with business process optimisation in order and inventory management. But for the past 12 months, Wäschekrone has been working with artificial intelligence and now uses AI-assisted software – financed with help from L-Bank.**

**Matthias Wagner:**

A tool that uses high-quality algorithms or AI simply checks that the right goods are available in the right quantities, so we can cover any delays and minimise any disruptions in the ordering process. That's why we applied for the funding – and also, so we could buy the software. We decided we had to do it in November 2023, and we started implementing the project in January 2024. By then, we'd already commissioned the software and made all the relevant decisions.

Narrator:

**Wäschekrone took advantage of L-Bank's Digitisation Premium Plus development programme, which is designed for precisely such cases – small and medium-sized enterprises that have recognised the crucial importance of digital transformation for remaining competitive. Using AI to optimise the ordering process and inventory management was an obvious step. While artificial intelligence does indeed do some things better than humans, the main thing is that it is faster.**

**Matthias Wagner:**

AI is a tool, which you provide with a lot of data on very specific areas. Based on this data, it draws conclusions and makes recommendations. It's very good at analysing, interpreting and making suggestions. I like to simulate different scenarios so I can make even faster decisions.

Narrator:

**When calculating order quantities and frequency, the AI system takes holiday periods and public holidays into account, as well as potential delivery bottlenecks and experiences with suppliers in previous processes. By factoring in as many parameters as possible, the AI ensures that the products needed most often and at short notice are always in stock.**

**Less popular products are stocked in significantly smaller quantities or not at all. This has reduced excess inventory in the warehouse by up to 40 percent. Costs have fallen, and where several dispatchers used to work in purchasing, one is now enough. Thanks to AI, the company has achieved its goal of continuing to supply customers with exactly what they need, reliably and on time, says Matthias Wagner.**

**Matthias Wagner:**

Quite simply, we focus on satisfying our customers by meeting their deadlines.

[waeschekrone.de](https://www.waeschekrone.de) ↗

## Spotlight on AI: Aurivus GmbH, Ulm

**Making risks visible: Germany's nuclear age is over, and Aurivus is using AI to support the dismantling of nuclear power stations.**

For architects and engineers, digital 3D models of buildings are just part of everyday life. You need them for planning major renovations, refurbishing old buildings or repurposing entire building complexes. The models are exact digital representations of reality. But the actual modelling process is very complex. Or at least, it was. Ulm-based start-up Aurivus is changing things – with the help of artificial intelligence.

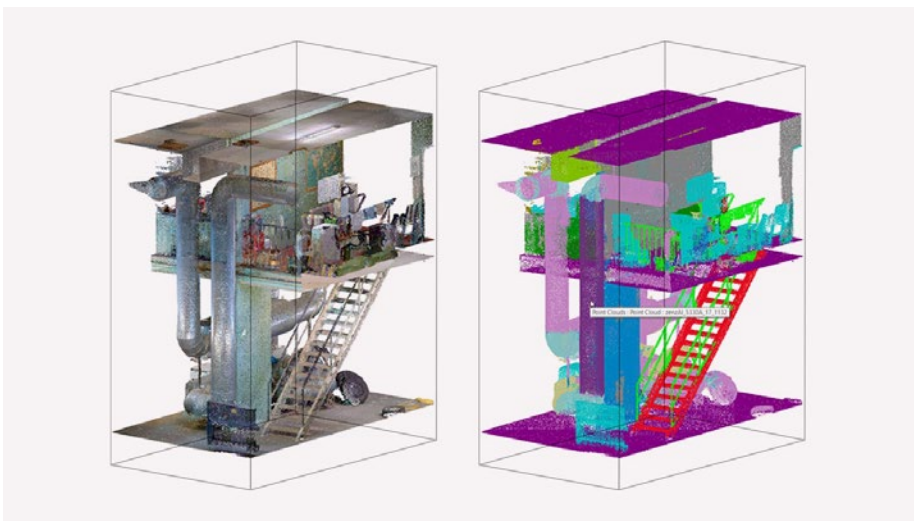


Diagram of a 'scan-to-BIM' using the example of a building. Illustration: Aurivus

*'Laser scans are cutting-edge and extremely accurate. Post-processing, on the other hand, is more or less manual work.'*

In the beginning was the 3D laser scanner – and that is still the case. Laser scanners are used to scan the surface of a building, point by point. Depending on the building, this may involve millions of individual data points. The data from the scan – the point cloud – must then be processed and converted into a digital 3D model. ‘People used to do this manually,’ explains Martin Bach, CTO and co-founder of Aurivus. ‘Laser scans are cutting-edge and extremely accurate. Post-processing, on the other hand, is more or less manual work and very time-consuming. This discrepancy is what gave rise to our business idea.’

In technical jargon, the digital modelling process is known as ‘scan-to-BIM’, where BIM stands for Building Information Model(ling). Aurivus has developed a scan-to-BIM AI, making it possible to build better digital 3D models faster. Bach assures us that: ‘Our trained neural network can process and analyse the scanned data very fast indeed, reliably showing us exactly what the scanned object looks like.’

In the construction industry, which is still characterised by countless smaller firms, AI is still revolutionary. This is why a company like Aurivus has a hard time gaining a foothold. ‘It takes a lot of persuasion,’ says Bach, ‘especially since our technology actually comes from outside the industry. It’s based on research into autonomous driving, which is what brought me and my Aurivus co-founder Stefan Hörmann together at university. The challenge is similar – to use laser scanning devices mounted on cars to create an incredibly fast and accurate profile of the vehicle’s surroundings.’

Bach and Hörmann’s basic idea was to use technologies from automated driving to achieve significant improvements and efficiency gains in construction planning.

‘Our AI is capable *of telling individual objects apart.*’

They have now expanded on this idea and discovered a new market for applications of their AI software, dominated by larger customers: the dismantling of power stations – nuclear power stations in particular.



Machine learning engineer and co-founder Martin Bach.  
Photo: Aurivus

'Our AI is capable of telling individual objects apart, so for example power station components like girders and stanchions, pipe fittings, valves and containers, and automatically identifying, counting, measuring and even weighing them based on measurement data. All this information is extremely important when you're planning a dismantling project.' Germany's nuclear phase-out programme has already brought Aurivus new customers. Bach estimates that worldwide, around 200 power stations are due for decommissioning, which immediately suggests a viable roadmap for Aurivus over the next few years.

'Streamlined programme pathways,  
*effective, non-bureaucratic communication,*  
managed and processed by L-Bank.'

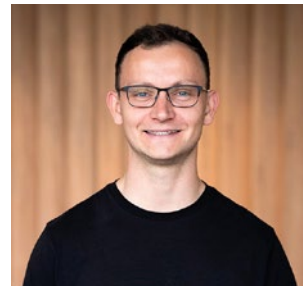
'We couldn't have done it without public-sector funding,' says Martin Bach as he reflects on their progress. He is full of praise for the State of Baden-Württemberg's **Start-up BW Pre-Seed** programme. 'Streamlined programme pathways, with effective, non-bureaucratic communication, all managed and processed by L-Bank – that's what really helped us in the early days.'

[aurivus.com](https://www.aurivus.com) ↗

## Spotlight on AI: timberleicht by ModuGen GmbH, Kehl

**Improving the planning process: timberleicht's software uses artificial intelligence for efficient planning and sustainable building construction.**

For timberleicht in Kehl, combining craftsmanship with IT expertise is the recipe for success. The company, until recently known as ModuGen, is an engineering firm specialising in timber building construction. It was founded in 2020 by a computer scientist working with an engineer from a family-owned carpentry business. At timberleicht, tradition and cutting-edge technology, wood and AI, come together in perfect harmony. The company offers fast, reliable design and planning services for efficient, sustainable timber construction.



Maximilian Franz, CEO and co-founder. Photo: timberleicht



Feasibility study for a supermarket extension. Illustration: timberleicht



In terms of both design and implementation, timber construction is something very special, believes Maximilian Franz, CEO of ModuGen and timberleicht. What applies to conventional concrete construction does not necessarily apply to timber construction. 'Very often, construction industry designers are engineers who've never built in timber, who've never actually put up a timber house on a construction site, so they don't understand the issues. In Germany, it's still a niche market, not a standard.'

‘We want to sustainably transform  
*the way we build in the future.*’

*timberleicht*’s corporate philosophy and vision are literally reshaping the way things are done. ‘We want to make timber construction the standard and sustainably transform the way we build in the future,’ is how Maximilian Franz defines their proposition.

Specialist expertise is the key to success. ‘In a sense, we translate the idea of what a residential or office building should look like into a functional, timber-based design. We provide all the necessary engineering services under one roof – structural engineering and structural analysis, including plans for thermal and noise insulation, as well as fire prevention – but all focused on timber construction. And we guarantee that what we plan and design together will end up working as it should.’

At first glance, *timberleicht* is simply a specialised engineering firm, like so many others. What makes it unique is that large parts of its design services are automated and assisted by AI. Maximilian Franz and his colleagues have developed software that simplifies and improves the modular planning of timber-built houses. A typical example:

‘In structural engineering, you need plenty of joists and relief beams to support a building’s ceiling and ensure stability. Our software takes seconds to tell a designer whether they need an extra joist and where it should go. The software does the maths and suggests a solution.’ It can also plan and propose multiple options in parallel. This makes it easier and cheaper to alter designs – and faster and easier to add extra design benefits relating to energy, structure and materials.

‘The software does the maths *and*  
*suggests solutions.*’

The AI uses existing data and practical examples to make its calculations and suggestions, whilst also applying the rules of physics. So nothing special, then? In the construction industry – generally somewhat conservative – it certainly is. Innovations are often slow to catch on: builders tend to stick with what they know and trust. And they trust human intelligence more than the artificial kind.

As a result, timberleicht uses their software as an in-house tool rather than a standalone product for sale to other design bureaux. 'We use it to improve the quality and speed of our design and planning, and this sets us apart from the rest,' explains Franz.

This is also reflected in the structure of the company's workforce – 40 percent of the staff are software developers. An incredibly high proportion for an engineering firm, but essentially, they are the reason that timberleicht's turnover doubled last year. The software makes everything more efficient.

Now comes the next step: back in August 2024, timberleicht – then still ModuGen – took out a loan under L-Bank's Innovation Finance 4.0 programme. The company aims to expand its software for automatically calculating structural analyses of timber buildings to include an innovative customer platform. Customers will be able to communicate with the company by working directly on the 3D model.

'Technology is the only way to achieve  
*top quality, speed, flexibility and good  
customer service in the planning process.*'

Artificial intelligence will be the key enabler of this automated communication, automatically aggregating messages and executing change requests. This is an innovative idea for further digitisation – and eligible for funding. 'L-Bank's development funding is what makes it possible for us to continue down the path we've chosen and expand our software solution.'

[timberleicht.de](https://timberleicht.de) ↗

## Spotlight on AI: Codefy GmbH, Heidelberg

**Streamlining bureaucracy: 1,000 pages in one second – Codefy in Heidelberg is using AI to revolutionise document analysis.**

‘Review 1,000 pages in 1 second’ – is the slogan used by Heidelberg-based AI company Codefy on its website to describe the performance of its product. Codefy is an AI-based analysis infrastructure capable of capturing and processing very large amounts of data at very high speed. It optimises the previously very time-consuming process of document analysis for judicial and administrative purposes, but also helps project managers in the construction industry, where complex tendering and design processes are a necessary evil. The innovative, red tape-slashing AI tool needs only a fraction of the time previously required to check documents for compliance with legal, commercial or technical requirements. Codefy was founded in 2019 by Tianyu Yuan; in 2024, he won Baden-Württemberg’s State Prize for Young Companies.



Tianyu Yuan with State Premier Winfried Kretschmann. Photo: KD Busch



## An interview with **Tianyu Yuan**

### **Mr Yuan, how would you describe Codefy in simple terms?**

We're an AI start-up for streamlining judicial and administrative procedures. The technology we've developed allows very large, complex processes to be reviewed at content level in fractions of a second.

### **And how does that work?**

Specifically, we've created a technology that allows you to review the content of very, very large quantities of documentation in fractions of a second. We're currently using this technology to speed up very extensive, complex proceedings for the judiciary in Baden-Württemberg and other federal states, as well as for various government departments in Germany.

### **Your innovative achievements were recently recognised at the highest level: Codefy won last year's State Prize for Young Companies. The award was presented by the Baden-Württemberg State Ministry and L-Bank – how important was it for your start-up?**

It means an awful lot to us precisely because we're a start-up, and we work in a very atypical area for start-ups, that is, for the judiciary and government agencies in Germany. So winning this award is a huge boost because, as a start-up, you've got a built-in problem: your company hasn't been around for very long. Is your company serious or not? Yes, of course it is! But just being awarded a prize like this shows our potential customers that what we're doing actually makes sense – it has legs.

### **What actually prompted you and your co-founders to set up Codefy?**

Well, we decided to found the company itself because we realised that in Germany, we've got a problem when it comes to the rule of law. In recent years, this problem has reared its ugly head again due to the shortage of skilled workers, which of course also affects the judiciary and administration.

And because our team of co-founders had – still has – a mix of legal and IT expertise, we said to ourselves, we could use this expertise to make a difference: that is, we could use digital technologies, which don't necessarily have to be just AI-based, to enhance the skills of judges and government officials.

**So first came your business proposition, then came AI, and the combination was a success?**

Exactly – we had the business idea first: computers already existed, and AI in the traditional sense was already a thing. And the whole thing really took off with ChatGPT, which effectively shook up the entire sector in late 2022.

**Codefy was founded in 2019 – so where do you see your company in five years?**

In five years, I'd like to see Codefy offering our technology nationwide, enabling justice ministries and government departments to not just speed up decisions, but also improve their quality – all with the help of our technology. I also see us successfully taking our work international. We already have large corporate customers using our technology in Scandinavia, Central Europe, and North and South America. So we're definitely looking to gain a foothold at international level and bring the innovation we've created here in Baden-Württemberg to the rest of the world.

**In your opinion, what role will AI play in the future, and where do you see the opportunities – but also the risks – associated with this technology?**

It's clearly going to play an increasingly important role. This means that the opportunities will also continue to grow, as well as the – obvious – need for a proper understanding of how best to use this technology. Of course the risks will grow in tandem, but only if it's used with, let's say, an inadequate or total lack of understanding. I believe that over the next few years, the important thing is that we learn to use this new technology responsibly and with full understanding. And we're simply trying to help this process along.

# Enterprise development: – as reliable and effective as ever

Many of us hoped that in 2024, we would see an end to years of crisis. After all, the Covid pandemic was over – inflation appeared to have been tamed, the risk of gas and oil shortages to have been averted.

But it was a false hope. In December 2023, the cautious optimism that had begun to emerge started to fade – and the mood became even gloomier during the spring months of 2024. This trend continued throughout the year. As 2024 turned into 2025, the L-Bank/ifo Business Climate Index fell to its lowest level in four and a half years. And Baden-Württemberg's economy contracted for the second year in a row – even more sharply than in 2023. Instead of a moderate recovery, 2024 brought a further downturn in gross domestic product.

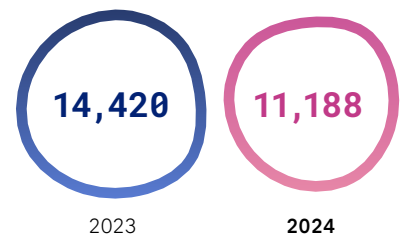
A pessimistic mood, declining sales figures among export-driven small and medium-sized enterprises, an increase in insolvencies and unemployment, and few positive, hopeful signs from politicians – all these issues were also reflected in L-Bank's enterprise development business. Overall, development lending declined, mirroring a cautious wait-and-see attitude and, as a result, restrained investment on the part of many entrepreneurs. Positive exceptions included the Bank's **business start-up programmes**, Innovation Finance 4.0 programme, and programmes offering a **Sustainability Bonus**.

## New business in 2024 declined as expected

In 2024, demand for development loans and financial assistance for enterprise development fell below pre-coronavirus levels for the first time. L-Bank approved just under EUR 3.2 billion in funding (2023: EUR 3.7 billion), representing a 14.5 percent decline in new business. Covid-related aid programmes only played a minor role, with just under EUR 22 million approved in 2024 (2023: EUR 98 million). With our loans and grants, we were able to help 11,188 companies to modernise and develop their businesses (2023: 14,420); 2,268 of them were start-ups. In view of the challenging economic environment described above, none of these figures came as a surprise. EU regulations governing state aid also had a negative impact on the Bank’s development lending business: the high EU reference rate meant that SMEs swiftly reached the limits of permissible aid.

### Number of companies in receipt of funding

compared to previous year



### Enterprise development

compared to previous year

#### Total volume



2023

**3.7** billion euros



2024

**3.2** billion euros

#### thereof in Covid-related aid



2023

**97.6** million euros



2024

**21.9** million euros

### Thereof start-ups

**2,268**

These unfavourable conditions affected, for example, L-Bank’s **Investment Finance** programme for business investment in rural areas. In 2024, the volume of new business fell by around 64 percent compared with the previous year, from EUR 246 million to EUR 89 million. And there was virtually no demand for the **Energy Finance** programme last year, although almost EUR 213 million had been approved under the programme in 2023.

**Volume of new business**

compared to previous year

**Investment Finance**



**Energy Finance**



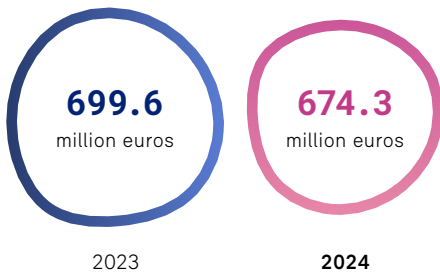
Development funding for start-ups remained strong

The start-up scene continued to perform very well in 2024 despite the difficult economic circumstances. Demand for the Business Start-up Finance programme, which we use to support new businesses and company acquisitions, remained high. The figures show that Baden-Württemberg and the financial support available to start-ups continue to attract young entrepreneurs. In turn, their innovative ideas are helping to modernise the state and make it fit for the future.

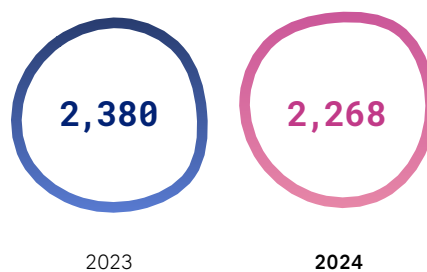
**Development funding for business start-ups**

compared to previous year

**Total volume**



**Companies in receipt of funding**

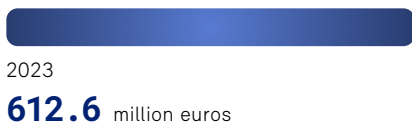


A total of at least EUR 674 million was paid out to young companies in 2024 (2023: EUR 700 million). The Bank provided 2,268 companies with support, compared to 2,380 in the previous year. Once again, the **BW Start-up and Growth Finance** programme was most in demand. There are two versions of the programme: one for established companies, another for young SMEs. One of the programme’s special features is the option to apply for an additional interest-rate reduction, known as the **Sustainability Bonus**, by submitting a corporate carbon footprint audit and a plan for reducing carbon emissions. Last year, the total amount of start-up and growth funding granted to young companies in Baden-Württemberg under the **BW Start-up and Growth Finance** programme came to just under EUR 585 million (2023: EUR 613 million).

**BW Start-up and Growth Finance**

compared to previous year

**Total volume**



**Companies in receipt of funding**

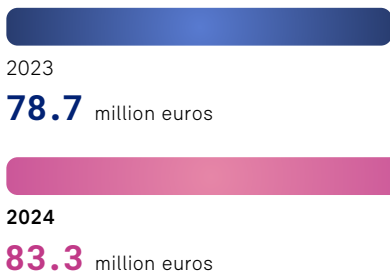


Once again, demand for the **Start Finance 80** programme was higher than in the previous year. This programme for smaller companies is particularly attractive because 80 percent of the loan is secured by an additional risk-reducing default guarantee provided by Bürgschaftsbank Baden-Württemberg. Approved loans came to EUR 83 million, up from EUR 79 million in 2023, representing strong growth. We were able to support 883 start-ups with this funding.

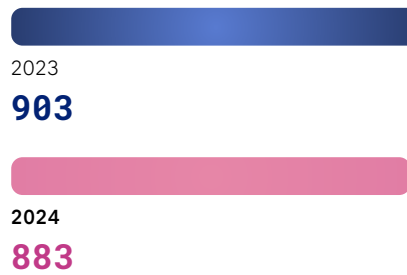
### Start Finance 80

compared to previous year

#### Volume of funding approved



#### Number of start-ups supported

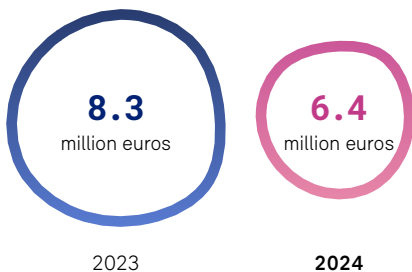


These two programmes are complemented by the **Start-up BW Pre-Seed** programme, offered by L-Bank in conjunction with Baden-Württemberg’s Ministry of Economic Affairs. This provides companies at the earliest start-up stage with significant financial scope for further development. In most cases, the total grant comes to EUR 200,000, of which 20 percent is covered by a co-investor. Only start-up-related costs – meaning operational purchases or running costs such as personnel expenses – are eligible for funding. In 2024, 41 companies were accepted into the programme and supported with over EUR 6 million in funding. In the previous year, approved development funding came to a total of around EUR 8 million.

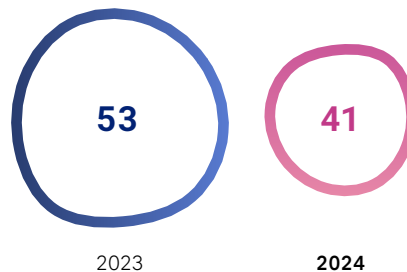
### Start-up BW Pre-Seed

compared to previous year

#### Volume of funding



#### Companies in receipt of funding



## InnoGrowth BW supplements L-Bank’s existing start-up support

In 2023, the Baden-Württemberg Ministry of Economic Affairs, Labour and Tourism joined with L-Bank to launch the **InnoGrowth BW** development programme, with the aim of strengthening the equity capital base of start-ups in Baden-Württemberg. The programme enables private investors and investment companies to limit the risks of investing in innovative start-ups by securing their investments with an interest-free loan complete with a liability waiver provided by L-Bank. **InnoGrowth BW** is a similar concept to the state’s mezzanine investment programme, which helped many young companies to survive the impacts of the Covid pandemic. While **Mezzanine BW** was intended to ensure survival, **InnoGrowth BW** is focused on investing in the future by enabling companies to become competitive and grow. In 2024, a total of just under EUR 13 million was approved under **InnoGrowth BW**.

The programme is also open to established, high-growth SMEs, an innovative business model being the basic prerequisite.

Demand for L-Bank’s **Counter-Guarantee** programme, which we use to secure corporate loans from commercial banks by guaranteeing up to 50 percent (to a maximum of EUR 15 million), was more subdued in 2024 than in the previous year. While the Bank assumed 21 sureties and guarantees totalling EUR 40 million in 2023, the number of guarantees in 2024 came to just eight, for a total of EUR 17 million.

## SMEs hesitant to invest in 2024

Including surety and guarantee programmes, L-Bank approved EUR 1.9 billion in development funding for established SMEs in 2024. This is more than 21 percent down on 2023 (EUR 2.4 billion), representing one of the lowest figures in the past ten years. Only in Covid year 2021 was the approved total even lower, at EUR 1.8 billion. The four major programmes showed very different trends. For example, **BW Start-up and Growth Finance** for established companies and **Innovation Finance 4.0** were in greater demand than in the previous year, whereas demand for the **Liquidity Loan** and **Investment Finance** programmes declined.

### Total funding approved under InnoGrowth BW

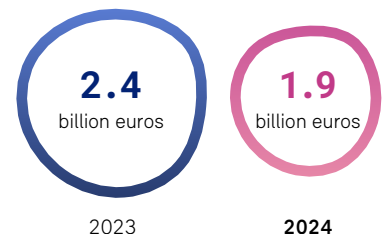
13 million euros

### Corporate loans under the Counter-Guarantee programme

17 million euros

### Volume of funding for established companies

compared to previous year



## Development funding ‘push’ campaign hits the mark

The **Innovation Finance 4.0** transformation programme showed very positive development. This was due to the development funding campaign launched by L-Bank, which in some cases saw a tripling of repayment subsidies for innovative projects, digitisation projects and new business models. The programme is intended to motivate companies to prioritise sustainable and digital transformation and, where appropriate, new business models. Small and medium-sized enterprises in particular have been keen to take advantage of the programme, with the result that a total of more than EUR 732 million was approved for 1,298 companies (2023: 976), compared to EUR 693 million in the previous year.

In addition to the existing lines of funding available under **Innovation Finance 4.0**, L-Bank introduced another investment incentive at the end of 2024 in the form of a new funding line for AI-related projects. Companies developing solutions based on artificial intelligence (AI), or implementing an AI application for their own use, are eligible for support. This is linked to an **AI Bonus**: compared to the other funding lines in the programme, AI funding for SMEs offers a higher repayment subsidy.

### Companies supported by Innovation Finance 4.0 programme

compared to previous year

#### Total volume



2023

**692.9** million euros



2024

**732.3** million euros

#### Number of companies



2023

**976**



2024

**1,298**

We continue to offer the **Digitisation Premium Plus** programme aimed at SMEs seeking to progress their digital transformation. The programme is AI-independent, so projects involving IT hardware, software, training and cybersecurity are eligible for funding. Companies may take out loans or, in the case of smaller projects, apply for grants. Demand for both options declined in 2024. Approved loans fell from EUR 28 million to EUR 19 million, and just EUR 5 million was paid out in grants compared to almost EUR 9 million in the previous year.

As in the previous year, the **BW Start-up and Growth Finance** (GuW BW) programme for established companies continued to expand. Almost EUR 519 million in funding was granted to 1,280 companies under GuW BW (2023: 1,384 companies). Compared to EUR 506 million in the previous year, this represents an increase of just over two percent.

**Loans approved under Digitisation Premium Plus**

**19.3** million euros

**Grants approved under programme**

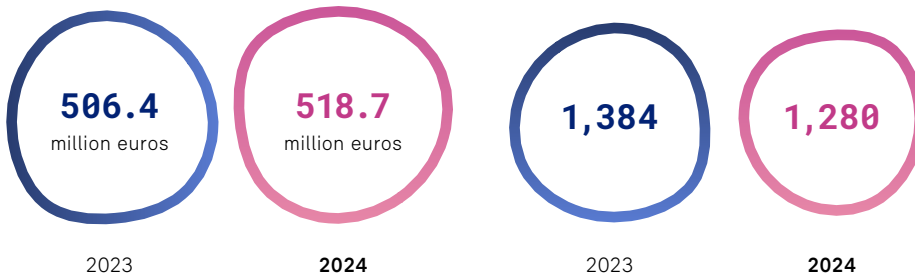
**5.0** million euros

**Volume of funding under BW Start-up and Growth Finance**

compared to previous year

**Total volume**

**Established companies supported**



## Key stabilisation assistance settles down

In 2024, the **Liquidity Loan** programme changed direction. As the name suggests, the programme helps to improve corporate liquidity over the short and medium term, thereby mitigating financing risks. In 2023, for example, companies facing unexpectedly high energy costs and paying significantly higher prices for materials made extensive use of **Liquidity Loan** options. They were further encouraged by the additional repayment subsidy provided by L-Bank to relieve the high pressure placed on companies by the effects of the war in Ukraine. This one-off option was no longer available in 2024, meaning that the volume of approved funding fell from EUR 404 million to EUR 160 million: 387 companies took advantage of the loan, compared to 732 in 2023. However, demand in 2024 was still 25 percent higher than in 2022 (EUR 120 million/285 companies), clearly reflecting the continuing high demand for stabilisation assistance.

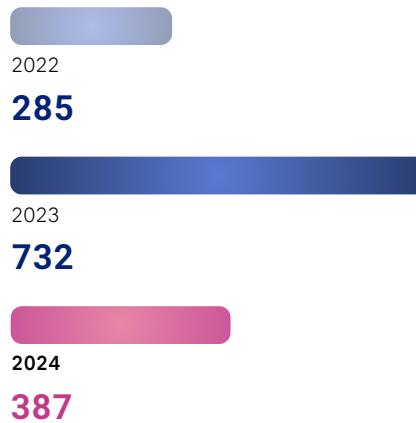
### Liquidity Loan Plus development programme

compared to previous year

#### Total volume



#### Number of companies



For many years, we have provided SMEs in rural areas with support for their investments through our **Investment Finance** programme. Companies can use the programme to finance the acquisition costs of land, buildings or machinery for business expansion or modernisation. This also applies to business takeovers or relocations. In 2024, the total funding approved came to EUR 89 million, which, according to a 10-year comparison, is the lowest level ever for the **Investment Finance** programme (2023: EUR 246 million). As already mentioned, this weak demand is explained by unfavourable EU regulations governing state aid. Only some 100 companies used **Investment Finance** to secure funding for their projects in 2024.

## More companies are prioritising sustainable investment

One of our key development funding priorities is to provide support for the sustainable transformation of Baden-Württemberg, thereby contributing to the state government’s climate change mitigation and sustainability goals. Consequently, we also include climate change mitigation and sustainability criteria in our housing and infrastructure development programmes.

The Bank’s **Investment Finance** programme is one of three which we recently made eligible for a **Sustainability Bonus**. Other eligible programmes include **BW Start-up and Growth Finance** and **Tourism Finance Plus**. The **Sustainability Bonus** is essentially an additional interest-rate reduction applied to loans issued under one of the above programmes.

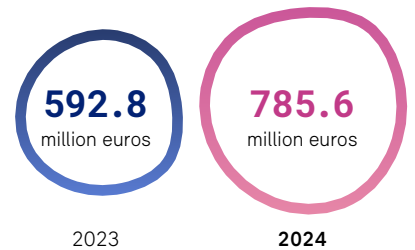
The bonus has been an integral part of our development offerings since mid-2022. Every year, more and more companies take advantage of it and commit to improving their carbon footprint. We offer the **Sustainability Bonus** in three funding tiers that build on each other and are linked to specific additional interest-rate reductions for loans under one of the above-mentioned programmes. Last year, L-Bank approved a total of EUR 785 million for loans that included a **Sustainability Bonus** – 28 per cent more than in the previous year. This amount corresponds to approximately 63 percent of the total funding volume granted under the above-mentioned programmes (that is, both with and without a **Sustainability Bonus**). In 2023, the Bank approved EUR 593 million with **Sustainability Bonus**, representing roughly 41 percent of the total funding volume.

## L-Bank expands equity investments

In addition to the traditional instruments of state funding (loans and grants), equity investments that replace loans (credit-equivalent shareholdings) are playing an increasingly important role in our development business. Last year, as planned, L-Bank expanded its involvement in **venture capital funds** that invest in promising companies working in industries with a bright future. By the end of 2024, L-Bank held stakes in 19 funds totalling EUR 260 million (book value and contribution commitment) – almost EUR 50 million more than in 2023. Just over half of this amount (EUR 145 million) is invested in **venture capital funds** that support established companies engaged in particular in the digital transformation of products and value chains, and in medical technology. Our investment in **venture capital funds** (EUR 115 million euros) helps to support technology-driven companies with potential for growth.

### Total volume of funding approved with Sustainability Bonus

compared to previous year



### Total stake in venture capital funds

145 million euros

### Total stake in VC funds focused on low-risk venture capital

115 million euros

Around 80 percent of this represents ‘anchor investments’, meaning a stake of more than 10 percent in the fund’s assets. Through these investments, we encourage new funding models, support new fund managers, and make a significant contribution to the development of a comprehensive venture capital resource in Baden-Württemberg. We also achieve a significant leverage effect: in the wake of our investments in funds, other investors interested in funds and portfolio companies are becoming involved with forward-looking, innovative companies and projects in areas such as artificial intelligence, Industry 4.0, the healthcare industry and environmental technologies. This is also helping to create new jobs for highly qualified people in research and development, IT and digitisation. Annual job growth in portfolio companies financed by the venture capital funds averaged around 45 percent.

Our technology and business parks in Stuttgart, Tübingen-Reutlingen, Mannheim, Karlsruhe and Freiburg also serve our aim of boosting development and growth opportunities for forward-looking companies. We have been operating these parks for over 40 years and are gradually expanding them to meet steadily growing demand. In 2024, we completed another new building with office and laboratory space in Reutlingen, as well as a building in Karlsruhe with rental space for young companies. We offer SMEs the infrastructure they need to evolve while simultaneously creating opportunities for efficient knowledge and technology transfers from academia to the business community.

As well as supporting business development, our technology parks also serve to develop specific business zones. As attractive centres for the businesses of the future, our parks are all located near universities and other research institutions, thereby strengthening key industries in their respective regions.

**Total volume of business zone development**

compared to previous year



In 2024, we supported the development of business zones by providing our technology parks with EUR 88 million in funding. A total of 304 companies rent or lease space in the five parks, together employing around 12,350 people.

**Job growth driven by portfolio companies financed by venture capital**

Around **45%**

**Number of people employed in technology parks**

**12,350**

**Companies based in the parks**

**304**

## Outlook

2025 is set to be a year of new beginnings. Following the federal elections, Germany needs to reposition itself, while Europe needs to find a strategy for dealing with the new U.S. administration that will enable it to respond to the highly volatile politics of the United States in a way that is both self-confident but also cooperative. The risk of trial-and-error politics by the Trump administration, at least during the first 12 months, is likely to put additional strain on the political and economic climate, which is already characterised by considerable uncertainty. At the same time, Germany must try to spark new economic dynamism and restore lost confidence in the federal government.

In view of the pessimistic economic forecasts and investment-hampering conditions, L-Bank expects new business figures for 2025 to remain at the same level or decline slightly.

‘2025 is set to be a year *of new beginnings.*’

## Closing the gap – successes in housing development

Simple fact: there is a general shortage of needs-based, affordable housing in Baden-Württemberg. The housing market has been overburdened for many years. High rents and high property prices make it difficult, even impossible, for people on low incomes in particular to find suitable housing or afford to buy their own home. The comparatively high interest rates charged for construction in recent years, combined with significantly higher building construction costs, have further hampered positive developments on the housing market.

Providing affordable rental and owner-occupied housing of sufficient size is one of the public sector's most important remits. Citizens – especially young families and individuals whose incomes do not permit high levels of expenditure – must be able to rely on the federal state to fulfil this remit.

The state meets this demand by offering subsidised funding that benefits social housing construction and young families in particular.

In Baden-Württemberg, these subsidies are provided by the Ministry of Regional Development and Housing in the form of earmarked loans and grants which are processed by L-Bank. L-Bank also offers its own subsidy programmes, used primarily in support of sustainable home ownership for young families.

## 2024 was a good year for housing development

In 2024, the level of funding for housing development rose by almost 15 percent over the previous year. In total, new business exceeded EUR 1.7 billion, after reaching an already impressive EUR 1.5 billion in 2023.

The volume of new business in home ownership development rose to just under EUR 1.1 billion (2023: EUR 768 million), while the volume of new business in rental housing development stood at EUR 640 million (2023: EUR 675 million). To this should be added EUR 34 million in loans to homeowners’ associations for the energy-efficient, barrier-free modernisation of residential buildings (2023: EUR 15 million), as well as EUR 23 million in financial assistance under the Housing for Refugees programme (2023: EUR 67 million), which expired at the end of 2024.

Last year, we were able to provide funding for a total of 12,264 residential units across all development programmes; the previous year’s figure was just under 9,900. This means that we substantially exceeded our target of 10,600 residential units. All in all, 2024 was a very good year for housing development in Baden-Württemberg.

### Residential units in receipt of funding

12,264

### Loans for modernisation of homeowner association units

33.6 million euros

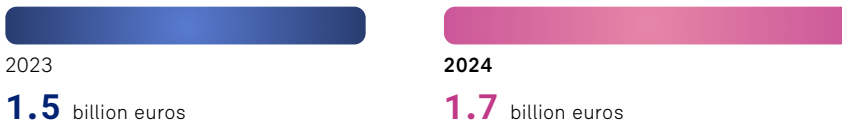
### Financial aid for housing for refugees

23.3 million euros

### Housing development

compared to previous year

#### Total volume



#### Home ownership development



#### Rental housing development



## State housing development further expanded in 2024

The largest housing development programme in the rental and owner-occupied housing sectors is the **BW Housing Construction** programme run by the federal state. Under this programme, L-Bank approved loans totalling just over EUR 760 million (2023: EUR 688 million) – around EUR 413 million (2023: EUR 469 million) for rental housing and around EUR 348 million (2023: EUR 218 million) for home ownership (excluding support for homeowners' associations).

L-Bank also offers a whole range of its own programmes and supplementary financing. The Bank approved EUR 703 million and EUR 228 million for home ownership development and rental housing development, respectively.

## Social rental housing stocks grow

The Bank's positive overall performance in 2024 was especially evident in the social housing market.

According to a study of future housing demand commissioned by L-Bank and carried out by the Prognos Institute in 2017, at least 1,500 new social housing units must be built in Baden-Württemberg every year if the overall stock of housing comprising controlled and regulated tenancies is to remain at more or less current levels. In 2024, this target was achieved or exceeded for the third time in a row. In addition to approved funding for almost 2,350 new residential units, existing residential units were also acquired for use as social housing. The bottom line: in 2024, we added 3,000 new residential units subject to controlled and/or regulated tenancies to Baden-Württemberg's social housing stock. This represents 400 residential units more than in 2023. If we deduct the number of units for which the regulated or controlled tenancy provisions have expired, or which are no longer available on the social housing market for other reasons, we arrive at a total of 54,636 social housing units in Baden-Württemberg: 1,036 more than at the end of 2023 (53,600).

### Total funding approved under BW Housing Construction programme

**760.2** million euros

### Total funding approved under L-Bank programmes

**702.9** million euros

### Development funding approvals for social housing

**2,348**

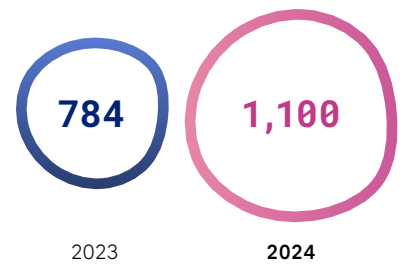
## Strong demand for home ownership assistance

To this should be added home ownership assistance for low-income families. In 2024, we approved development funding for 1,100 homes under the federal state’s **BW Housing Construction** programme, so that young families below certain income ceilings could buy or build their own homes by taking out low-interest loans. This too represents a significant increase on the previous year (784 units).

As in the two previous years, the number of applications for assistance – that is, the demand for loans – once again exceeded the planned programme volume. For the second time in a row, this ‘bow wave’ highlighted the highly appealing and successful nature of state housing development efforts in 2024. Although additional funds were made available towards the end of the year, the Bank was obliged to carry forward almost 1,600 applications for around 7,000 residential units to the new fiscal year. Over 4,000 of these relate to new social housing units.

### Home ownership assistance approvals for low-income families

compared to previous year



## The housing market must become more sustainable

The construction and housing markets are also committed to the federal state’s sustainability goals. For example, the reduction of carbon emissions from residential and non-residential buildings represents a key factor in climate change mitigation. By 2030, buildings in Baden-Württemberg are expected to cut greenhouse gas emissions to around half of 1990 levels. This means that ambitious energy conservation standards must be applied to both new and existing buildings. Hence the federal state’s housing development programme and L-Bank’s supplementary development programmes are not just about quantitative gains, but also about qualitative added value from, for example, the energy-efficient renovation or barrier-dismantling modernisation of homes and residential units.

## L-Bank’s housing development programmes also expanded in 2024

We support sustainable home ownership for young families through our L-Bank programmes **Living with Children**, **Living with a Future** and **Combined Home Loan**. These programmes continued to see strong demand throughout 2024 with EUR 683 million in approved funding, representing an increase of almost 32 per cent over the previous year.

L-Bank’s basic home ownership development programme, **Living with Children**, which provides families with children with low-interest loans of up to EUR 100,000 for the construction or purchase of an owner-occupied home, grew from EUR 268 million in 2023 to EUR 322 million in 2024.

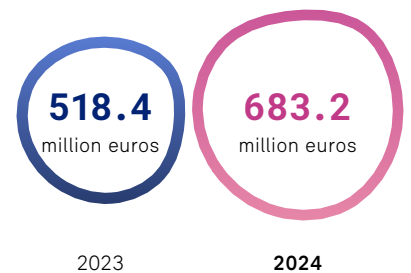
At EUR 349 million, the level of new business under the **Combined Home Loan** programme was also significantly higher than in the previous year (EUR 230 million).

This programme helps people to invest in climate-friendly, energy-efficient properties. We also provide additional support for ambitious renovation projects through the federal state’s **Climate Premium**. To be eligible for funding, applicants must already have a development loan under the basic **Living with Children** programme, the federal state’s housing development programme, or a federal programme for the purchase or construction of an owner-occupied home. The premium helps to close any remaining funding gaps.

Only the **Living with a Future** programme performed worse than in the previous year. The programme supports the energy-efficient modernisation of existing properties, such as the purchase and installation of photovoltaic systems at private residences, as well as investments in battery storage systems. In 2024, EUR 12 million were approved compared to EUR 20 million in 2023.

### Volume of funding for sustainable home ownership by young families

compared to previous year



### Volume of the Bank’s own development programmes

compared to previous year

#### Living with Children



2023

**268.4** million euros



2024

**322.2** million euros

#### Combined Home Loan



2023

**229.8** million euros



2024

**349.3** million euros

#### Living with a Future



2023

**20.2** million euros



2024

**11.7** million euros

## Outlook

The housing shortage is not a phenomenon of the 2020s. Even 100 years ago, when L-Bank was first founded, housing development was a key objective of state government policy. In recent years, a certain amount of progress has been made towards closing the gap in social housing provision, and in formulating development programmes that better meet the pressing need for housing assistance among young families.

However, despite the undeniable demand, the construction industry remains overwhelmingly pessimistic. High energy prices and the increased cost of building materials continue to act as a brake on construction business. Order books are nowhere near full enough for building construction activity to act as an economic stimulus.

It therefore makes good sense for the state government to continue to expand this year's development programme. There is a clear link between development funding options and construction activity, and the number of applications is high. Funding the development of rental accommodation and home ownership continues to present a challenge – this year and in years to come.

‘Funding the development of rental accommodation and home ownership *continues to present a challenge – this year and in years to come.*’

# High-quality development assistance

## builds social cohesion

Alongside enterprise and housing development, one of L-Bank's core functions is to support families by fostering social integration and creating educational opportunities. The target groups are often financially disadvantaged people, people in difficult circumstances, or people facing challenges due to their backgrounds. We support their personal development and help them to become fully integrated members of society by providing financial subsidies for a range of programmes.

One of our development programmes is of particular interest: family allowances. Accounting for more than one billion euros a year, this is one of our top-priority development activities, representing the core of our support for young families in Baden-Württemberg. Family allowances are designed to support families after the birth of a child, when parental income is reduced because parents must interrupt their careers or reduce their working hours so they can look after their new child. Family allowances relieve the burden on mothers and fathers in the challenging few months immediately after a birth, helping them to find their feet as a new family, strengthen their emotional bond with their child and give it a good start in life.

We give parents and families further assistance by providing grants and subsidies for childcare, family support services and family centres. We also support language tuition, educational and training programmes, healthcare and nursing care, as well as social psychiatric services and self-help groups.

## Approved funding for families, education and social projects stayed stable in 2024

Last year, L-Bank provided a total of around EUR 1.4 billion in financial assistance for families, education and social projects, very slightly down on last year (EUR –46 million).

As expected, the level of family allowances – L-Bank’s largest subsidy programme – was exceptional, accounting for almost EUR 1.1 billion. Thus the Bank’s family allowances programme is still the central support service for fathers and mothers who want to devote themselves to their child or children and young families at the early postnatal stage.

**Volume of financial assistance for families, education and social projects**

**1.4** billion euros

*‘The family allowances programme is still the central support service for fathers and mothers.’*

## Family allowances fell slightly in 2024

Despite the huge significance of family allowances for young families, the programme enjoyed somewhat less success in 2024 than in 2023. Although more than 134,400 family allowance applications by mothers and fathers were approved, this represents a decline of almost 11 percent. Family allowances for 95,000 single and multiple births were approved in 2024, compared to around 105,000 births in the previous year. The level of funding approved for family allowances fell by around EUR 88 million to EUR 1.1 billion. In relation to the number of births, the ‘paternity quota’ came to just over 47 percent, which also represents a slight decline: fathers either applied alone or together with the other parent for (approved) family allowances in respect of just over 44,700 births.

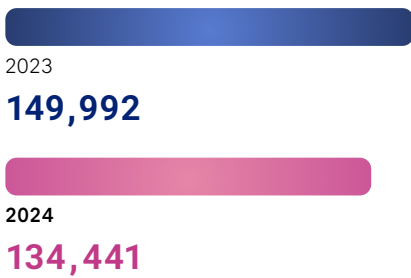
**Number of births**  
in 2024

**94,997**

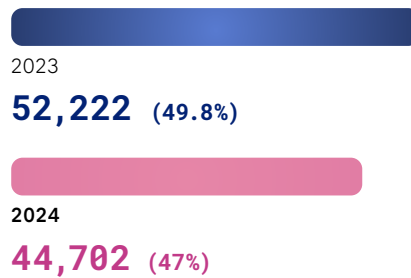
**Family allowances in Baden-Württemberg**

compared to previous year

**Applications approved**

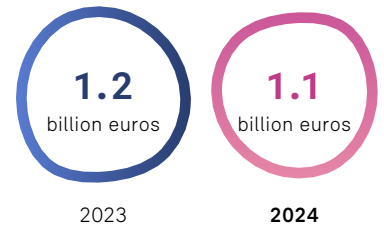


**Paternity quota**



**Volume of funding for family allowances**

compared to previous year



It is not possible to say with any certainty whether the income ceilings governing eligibility for family allowances, which were lowered by the federal government in April 2024, had a negative impact on family allowance uptake. It is unlikely, however, that this change had a decisive influence. In actual fact, the figures show a clear correlation between the number of births and the demand for family allowances: a decline in the number of births is reflected by a fall in the demand for family allowance payments.

**End-to-end digitisation of applications and approvals in 2025**

In Germany, Baden-Württemberg is the nationwide leader in enabling parents to make digital applications for family allowances. This year, the entire process, from application right through to approval, will be handled digitally for the first time. This marks a milestone in L-Bank’s digital transformation, enabling us to reduce processing times and improve our customer service. In 2024, around 63 percent of mothers and fathers took advantage of the option to apply for family allowances online. Almost all of the applicants also used the option to upload and submit the necessary documentation to L-Bank online.

**Proportion of family allowances applied for online**

**62.8%**

‘Baden-Württemberg is the nationwide leader in *enabling parents to make digital applications for family allowances.*’

## Level of school construction funding remained high in 2024

In addition to family allowances, L-Bank subsidised numerous projects, services and programmes in the social and educational sectors in 2024, paying out a total of almost EUR 347 million – EUR 42 million more than in 2023. The increase is mainly attributable to funding for school construction and school development, which rose from just under EUR 157 million in 2023 to almost EUR 224 million in 2024. Educational subsidies also rose sharply, with approved grants totalling almost EUR 23 million (2023: just over EUR 3 million). By contrast, the demand for grants to fund language tuition declined in 2024: approved funding came to slightly less than EUR 28 million (2023: just under EUR 39 million).

### Grants paid out for projects, services and other activities in social and educational sectors

compared to previous year

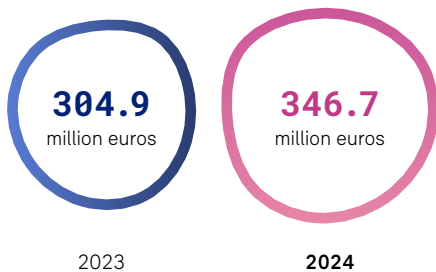
### Educational assistance

compared to previous year

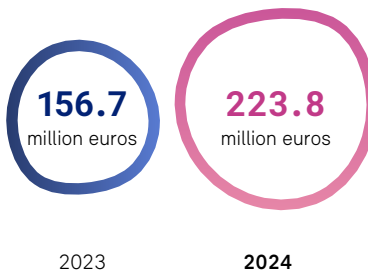
#### Grants approved



#### Total volume



#### For school construction and development



# Development finance by business segment: 1 January to 31 December 2024

DEVELOPMENT FINANCE ACROSS ALL LINES OF BUSINESS	VOLUME OF COMMITMENTS	COMMITMENTS	
	<b>4,514,726,167.94</b>	<b>16,607</b>	
	VOLUME OF COMMITMENTS	COMMITMENTS	RESIDENTIAL UNITS*
HOUSING DEVELOPMENT	<b>1,747,564,264.42</b>	<b>8,302</b>	<b>12,307</b>
<b>Home Ownership Assistance</b>	<b>1,050,573,723.02</b>	<b>7,519</b>	<b>6,023</b>
Home Ownership Finance – BW including Finance for Growing Families – Structured Loans (State Housing Development)	347,701,086.24	1,515	1,177
Top-up and Miscellaneous Loans	19,678,315.02	189	22
Living with Children	322,211,081.60	3,328	3,863
Living with a Future	11,650,379.93	479	615
Combined Home Loan	349,332,860.23	2,008	346
<b>Rental Accommodation Assistance</b>	<b>640,159,906.23</b>	<b>600</b>	<b>3,711</b>
Rental Accommodation Finance – BW – Newbuilds – MW15/MW25 (State Housing Development)	365,521,100.00	243	2,046
Rental Accommodation Finance – BW – Approval of Regulated Tenancies (State Housing Development)	29,163,500.00	247	511
Rental Accommodation Finance – BW – Modernisation (State Housing Development)	17,779,000.00	14	254
Rental Accommodation Finance – L-Bank – Newbuilds	86,636,650.00	23	489
Rental Accommodation Finance – L-Bank – Modernisation	37,556,500.00	25	411
Top-up Loans (Newbuilds/Modernisation)	103,503,156.23	48	0
<b>Support for Homeowners' Associations (State Housing Development)</b>	<b>33,542,925.00</b>	<b>98</b>	<b>2,573</b>
<b>Housing for Refugees</b>	<b>23,287,710.17</b>	<b>85</b>	<b>0</b>

	VOLUME OF COMMITMENTS	COMMITMENTS	
INFRASTRUCTURE DEVELOPMENT	<b>164,247,471.00</b>	<b>104</b>	
Municipal Investment Loan, direct	160,972,141.00	102	0
Energy from the land – wind power	3,275,330.00	2	0

	VOLUME OF COMMITMENTS	COMMITMENTS	COMPANIES
ENTERPRISE DEVELOPMENT	<b>2,602,914,432.52</b>	<b>8,201</b>	<b>7,609</b>
<b>Business Start-up Finance</b>	<b>674,343,490.22</b>	<b>2,523</b>	<b>2,268</b>
Start Finance 80	83,256,747.93	886	883
BW Start-up and Growth Finance (GuW-BW) for Young SMEs	584,646,742.29	1,596	1,344
Pre-Seed Finance Grant	6,440,000.00	41	41
<b>Finance for SMEs</b>	<b>1,891,971,079.30</b>	<b>5,549</b>	<b>5,220</b>
Energy Finance	191,000.00	2	2
BW Start-up and Growth Finance (GuW-BW) for Established SMEs	518,698,471.22	1,409	1,280
Tourism Finance	56,416,103.00	109	104
Liquidity Loan	160,235,607.00	393	387
Investment Finance	89,046,050.80	127	102
Rural Area Development programme	27,595,755.00	34	32
Combined SME Loan	80,008,891.00	23	22
Other Financing Instruments	160,000,000.00	19	12
Guarantees/Sureties	43,145,400.02	44	37
Innovation Finance	732,382,396.74	1,445	1,298
Digitisation Premium	24,251,404.52	1,944	1,944
<b>Agricultural Development Finance</b>	<b>36,599,863.00</b>	<b>129</b>	<b>121</b>
Agricultural Growth	15,659,863.00	87	83
Loans for Environmental and Consumer Protection, Sustainability, New Energy Sources	9,643,000.00	29	25
Working Capital Loans – Growth in the Agri-food Industry	11,297,000.00	13	13

\* The total includes multiple counting, as the various home ownership finance programmes may be combined in certain cases.

# Corporate Governance Report 2024

L-Bank, in its capacity as the State of Baden-Württemberg's development bank, has a statutory remit to support the federal state in the performance of its public duties and, in doing so, to implement and manage various development initiatives. A sound and responsible attitude to corporate governance is a self-evident component of the Bank's approach to these non-commercial, public-service activities. L-Bank has incorporated the Public Corporate Governance Code of the State of Baden-Württemberg into the Bank's standard operating procedures by resolutions of both the Board of Management and Supervisory Board, and observes all the provisions of the latest version of the Code. This Corporate Governance Report covers fiscal year 2024, and the following declaration applies in full as at the reporting date, 31 December 2024.

## Declaration of compliance

The Board of Management and Supervisory Board of L-Bank declare that:

We have observed, and continue to observe, the recommendations of the Public Corporate Governance Code of the State of Baden-Württemberg (PCGK BW) to the extent that such recommendations apply to L-Bank in its capacity as a public-law institution.

## Proportion of women on the Board of Management and Supervisory Board, and in executive management positions

As at 31 December 2024, two women were represented on the three-strong Board of Management. As at the reporting date, six of the 18 members of the Supervisory Board (33.3%) and 83 of the 206 employees in executive management positions (40.3%) were women.

An overview of the remuneration paid to members of the Board of Management and Supervisory Board is set out in the Notes to the Annual Financial Statements.

The Board of Management

The Supervisory Board

# Management Report – Report of the Board of Management of L-Bank for fiscal year 2024

## Background

Landeskreditbank Baden-Württemberg – Förderbank (L-Bank) is the development bank of the German federal state of Baden-Württemberg. It has its head office in Karlsruhe, with a branch office in Stuttgart. L-Bank is wholly owned by the State of Baden-Württemberg and, as a public-law institution, is subject to the supervision of the state government. L-Bank is also supervised by the Federal Financial Supervisory Authority (BaFin) in cooperation with Deutsche Bundesbank.

The Bank's business activities are governed by its statutory remit, namely, to support the state government of Baden-Württemberg in the fulfilment of its public duties, especially in terms of structural, economic and social policy, by implementing development programmes that comply with European Union (EU) regulations governing state aid. L-Bank's development goals and operational targets – such as the Bank's customer segments and development priorities – are influenced by the state government's political priorities and defined by L-Bank together with the state government, always in accordance with the L-Bank Act. Specific details are usually set out in the programme guidelines for individual development programmes.

## Economic Report

### Basic parameters

The German economy continued to stagnate in 2024. Adjusted for price changes, the country's gross domestic product (GDP) contracted by 0.2%, declining for the second year in a row. As a result, economic output in Germany is languishing at roughly the same level as in 2019, representing the longest period of stagnation in post-war history. Despite positive wage agreements and significant real wage increases, consumption by private households in 2024 was characterised by caution and uncertainty. Companies too were very cautious in their investment behaviour, especially in the industrial and construction sectors. The high costs of energy and materials also had a negative impact, as did the European Central Bank's still somewhat restrictive monetary policy and, especially in the construction sector, stringent regulatory and bureaucratic requirements.

The challenging economic situation also exerted an increasingly negative influence on the German labour market in 2024, further increasing the propensity of private households to save.

On a seasonally adjusted basis, the number of people in employment gradually declined between June and September; by the end of the year, the number of people in employment was slightly below the previous year's level. Over the past year, the average unemployment rate in Germany was three-tenths of a percentage point above the previous year's level, at 6.0%. Following huge price increases in recent years, the inflation rate saw a substantial decline in the course of 2024 and, at an annual average of 2.2%, remained within the European Central Bank's target range for inflation.

In recent years, Germany's international competitiveness has declined due, among other things, to a massive increase in energy costs as a result of the war in Ukraine, as well as glaring infrastructural deficiencies. As a business hub focusing on industry and exports, Baden-Württemberg has been disproportionately affected by these developments and thus also by the current economic downturn. Despite the growing global economy, the volume of exports from Baden-Württemberg declined in 2024, falling 3.1% below the previous year's level in the period from January to September according to the State Statistical Office. Exports to China, which has lost its status as a growth driver for Baden-Württemberg and Germany, slumped by 15%. Information available at the time of writing also indicates that the decline in Baden-Württemberg's GDP for 2024 was more pronounced than at federal level. The average unemployment rate in Baden-Württemberg over the past year was, however, in line with the trend at federal level, reaching 4.2%: three tenths of a percentage point above the previous year's level and thus at its highest since 2010.

## Business performance

As a development services and finance provider, L-Bank's mandate is to provide the State of Baden-Württemberg with the best possible support as it strives to become one of the world's most attractive, climate-neutral regions for research and business by 2040. Based on this vision, the main priorities of the Bank's development activities over the past reporting year remained unchanged, with a clear focus on SMEs, business start-ups and housing development programmes, while continuing to act as the central family allowance service centre for Baden-Württemberg. The challenging economic conditions at both federal and state level were reflected in declining demand for development funding from small and medium-sized enterprises (SMEs) in Baden-Württemberg. Development funding for start-ups, however, remained at a high level. The volume of housing development business increased, driven primarily by strong growth in home ownership assistance. Infrastructure development reflected the robust demand in the public sector. Looking at all development activities as a whole, L-Bank continued to serve as a reliable partner to the state government and citizens of Baden-Württemberg over the past fiscal year.

## Enterprise development

To support the structural transformation of Baden-Württemberg's economy and safeguard jobs, L-Bank works with commercial banks to finance investment projects by business start-ups and established SMEs, and to provide financial assistance for projects in rural areas. The Bank grants low-interest loans and subsidies, and also systematically assumes risks.

The volume of new enterprise development business came to a total of EUR 4,869.8 million (2023: EUR 6,186.4 million). This decline is primarily attributable to adverse economic trends and the resulting reluctance of small and medium-sized enterprises to invest. Another obstacle hampering the development loan business over the reporting period was EU legislation governing state aid: restrictive management of the EU reference interest rate by the EU often pushed SMEs to the limits of the permissible state-aid framework. A decline in special financing arrangements with other development banks and agencies compared to the previous year also had a significant impact on the volume of enterprise development funding. Over the reporting period, the Bank only granted Covid-related aid to a marginal extent – the total business volume came to EUR 21.9 million (2023: EUR 97.6 million).

L-Bank's enterprise development programmes (excluding Covid-related aid programmes) aim to support the sustainable, climate-friendly transformation of Baden-Württemberg's businesses. In the process, the Bank counteracts the difficult economic situation by providing development finance, an important stimulus for investment. Overall, new business in L-Bank's development support for primarily small and medium-sized enterprises was weaker in 2024 than in the previous year. Excluding the special Covid-related aid programmes, the total volume of new enterprise development business came to EUR 3,167.4 million (2023: EUR 3,628.8 million). In addition, L-Bank purchased bearer bonds totalling EUR 1,680.0 million (2023: EUR 2,460.0 million) as part of special financing arrangements for other development banks and agencies.

L-Bank's development programmes for business start-ups aim to assist entrepreneurs seeking to start their own businesses either to become independent or to acquire and expand existing companies. The volume of new business in development funding for business

start-ups remained high over the reporting period, at EUR 674.3 million (2023: EUR 699.6 million). While new business figures for the Start Finance 80 programme rose to EUR 83.3 million (2023: EUR 78.7 million), demand for the Baden-Württemberg Start-up and Growth Finance for Young SMEs programme declined to EUR 584.6 million (2023: EUR 612.6 million). For businesses in the early stages, these lending programmes are supplemented by the Start-up BW Pre-Seed programme, which the Bank implements on behalf of the state. The programme provides young, innovative companies with seed capital in the amount of – as a rule – EUR 160,000 if a private investor also takes a stake of at least EUR 40,000 in the start-up. Over the reporting period, EUR 6.4 million (2023: EUR 8.3 million) were disbursed under the Start-up BW Pre-Seed programme.

The amount of finance approved for the development of established enterprises during the reporting period came to EUR 1,887.0 million (2023: EUR 2,400.1 million). The volume of funding approved under the Innovation Finance programme, which supports companies that are introducing innovative business models or wish to finance innovative projects, showed positive development; the programme also supports any investment projects by innovative companies. As part of a development funding campaign, the Bank increased repayment subsidies for SMEs engaging in innovative projects, digitisation projects or new business models – tripling them in some cases. Against this backdrop, the volume of new business under the Innovation Finance programme rose to EUR 732.4 million (2023: EUR 693.0 million). However, the Liquidity Loan programme showed a contrary trend: the volume of approved funding declined to EUR 160.2 million over the reporting period (2023: EUR 404.0 million). This major decline is due to a one-off effect from the previous year, when additional repayment subsidies to mitigate the impact of the Russia-Ukraine conflict on companies in Baden-Württemberg drove new business levels to a record high.

The Energy Finance and Investment Finance programmes proved less attractive than other development programmes in the reporting period due to legal restrictions on state aid. This is why the volume of new business under the Investment Finance programme, under which loans are granted for business investment in rural areas, fell to EUR 89.0 million (2023: EUR 245.7 million). The volume of funding approved under the Energy Finance programme came to just EUR 0.2 million (2023: EUR 212.7 million).

On the other hand, the strong demand for funding under the BW Start-up and Growth Finance – Established SMEs programme, which helps established companies to finance investments of all kinds, continued unabated: the volume of approved funding rose to EUR 518.7 million (2023: EUR 506.4 million). The Tourism Finance Plus programme, which provides businesses in the tourism sector with low-interest loans for the construction, refurbishment and modernisation of their infrastructure, and the Digitisation Premium programme, which provides companies with loans in conjunction with a repayment subsidy so they can digitise their processes, products and services, both showed a decline. The funding approved under Tourism Finance Plus came to EUR 56.4 million (2023: EUR 67.0 million) and to EUR 19.3 million (2023: EUR 27.8 million) under the Digitisation Premium programme. Introduced in 2024, the InnoGrowth BW programme aims to finance innovative companies in Baden-Württemberg. The funding is provided through private intermediaries, which invest their own funds in parallel. In the reporting period, the volume of funding approved through this co-investment approach under the InnoGrowth BW programme came to a total of EUR 20.7 million, with a public stake of EUR 13.0 million.

The volume of new business in the agricultural development segment fell to EUR 36.6 million (2023: EUR 52.1 million). The decline in demand for finance is due to a continuing, industry-wide reluctance to invest, as well as higher financing costs (higher interest rates). Under the Agriculture – Growth development programme, which provides funding for investments that reduce production costs or improve production and working conditions, the lending volume fell to EUR 15.7 million (2023: EUR 24.7 million). New business figures for the Agri-Food Industry – Environmental and Consumer Protection programme, which supports investment projects aiming to improve energy efficiency, reduce emissions and improve consumer protections, fell to EUR 9.6 million (2023: EUR 21.8 million).

### Housing development

L-Bank uses low-interest loans and grants to help businesses and private individuals in Baden-Württemberg to build, purchase and modernise both rental and owner-occupied housing. In addition, the Bank helps to improve the energy efficiency of and physical access to existing properties. The volume of new business rose to a total of EUR 1,747.6 million (2023: EUR 1,524.9 million), driven in particular by the demand for home ownership assistance. Due to the increased level of funding per case – due to a strong push for social housing development – demand continues to exceed the level of funding available, as reflected in the growing gap between applications and approvals. As in the previous year, 2024 was characterised by the early exhaustion of funds for subsidies. Additional funding from state and federal budgets was made available towards the end of the year, reactivating the approval process; even so, a large number of applications for a substantial amount of funding were carried forward to fiscal year 2025.

The various rental housing development programmes provide funding for the construction and renovation of rental accommodation in Baden-Württemberg. In 2024, the volume of new rental housing development business settled at the previous year's level, well below the record levels achieved in 2021 and 2022. New business figures fell to a total of EUR 640.2 million (2023: EUR 675.2 million), mainly as a result of the early depletion of subsidy funds for social rental accommodation. The volume of approvals under the State Housing Development programme, which focuses on the development and maintenance of socially regulated rental housing, fell to EUR 412.5 million (2023: EUR 469.2 million). The volume of funding approved under the Bank's own development programmes, which supplement the state's social rental accommodation programmes, rose during the reporting period to EUR 227.7 million (2023: EUR 206.0 million). This was due in particular to higher demand for funding to finance the construction of new rental properties, which dovetailed with the modification and realignment of the Bank's own Life & Housing (Leben & Wohnen) development programme.

Development funding for homeowners' associations in support of the energy-efficient refurbishment or barrier-free modernisation of residential buildings showed positive growth over the reporting period. The approved lending volume increased to EUR 33.5 million (2023: EUR 15.1 million), reflecting the need for the energy-efficient renovation of existing housing stock under the programme, backed by the federal state's counter-guarantee.

The Housing for Refugees programme provides grants for the accommodation of refugees on behalf of the federal state. Over the reporting period, the Bank approved financial aid totalling EUR 23.3 million (2023: EUR 66.8 million). The programme expired at the end of 2024.

New business under the Bank's various home ownership development programmes rose to EUR 1,050.6 million (2023: EUR 767.9 million). One reason for this development was the increase in the number of approvals under the State Housing Development programme: the approved lending volume rose to EUR 347.7 million (2023: EUR 218.4 million). A large number of pending applications carried over from fiscal year 2023 were approved during the reporting period; at the same time, the Bank was unable to approve many otherwise valid applications due to the shortfall in subsidy funding. The Living with Children programme, which helps families with children to buy or build their own homes, showed positive development. The volume of approved loans rose to EUR 322.2 million (2023: EUR 268.4 million). There was also strong demand for the Combined Home Loan programme, with new business figures rising well above the previous year's level to EUR 349.3 million (2023: EUR 229.8 million). This programme is used to supplement existing development programmes by covering additional financing needs for the construction, purchase or renovation of owner-occupied housing. Demand for other top-up finance options showed a decline, with new approvals down to EUR 16.9 million (2023: EUR 29.6 million).

### Other developments

L-Bank strengthens Baden-Württemberg's position as a business hub by providing financial solutions for municipal and social infrastructure projects, and supports the public-sector implementation of infrastructure projects in the federal state by issuing loans or using other financing instruments. Generally speaking, demand in the public sector remained robust in 2024, although the number of approvals was down on the previous year, which had been influenced by one-off items under individual programmes. In the reporting year, new business levels came to a total of EUR 2,616.2 million (2023: EUR 3,974.9 million).

As a service provider to the State of Baden-Württemberg, L-Bank is responsible for awarding and managing a wide range of financial assistance solutions. The funding is provided by state, federal and European Union resources. In 2024, excluding Covid-related aid, the Bank processed a total of 13,226 new approvals (2023: 18,502), representing total funding of EUR 1,896.9 million (2023: EUR 2,565.3 million). The decline is due in particular to much weaker demand for hospital finance. The approved lending volume under this programme fell to EUR 693.7 million (2023: EUR 1,471.2 million). By contrast, approved funding for school construction showed an increase (from EUR 156.7 million in 2023 to EUR 223.8 million). A total of EUR 188.1 million (2023: EUR 187.8 million) was approved for investments in water, wastewater, flood protection, site decontamination and hydropower projects. As a result of the high take-up of development funding for modern, low-emission rail vehicles, the lending volume provided under the Local Transit Finance programme rose to EUR 258.3 million (2023: EUR 14.1 million). The Bank paid out EUR 103.9 million (2023: EUR 163.4 million) for technology and enterprise development, and another EUR 75.2 million (2023: EUR 125.7 million) for urban development. EUR 43.7 million was approved under the European Regional Development Fund (ERDF) programme (2023: EUR 87.1 million). L-Bank also supported families on behalf of the federal and state governments, in particular by awarding family and parental allowances. At EUR 1,070.5 million, the volume of funding approved for family allowances did not reach the level achieved in 2023 (EUR 1,158.4 million).

L-Bank's investment portfolio comprises strategic and credit-equivalent shareholdings in Baden-Württemberg companies, as well as shareholdings in subsidiaries involved in the regional development of business zones in Baden-Württemberg. As at the balance sheet date, the book value of the portfolio as a whole amounted to EUR 519.3 million (2023: EUR 463.8 million).

By year-end 2024, the book value of strategic investments held by L-Bank on behalf of the State of Baden-Württemberg had risen to EUR 375.7 million (2023: EUR 328.0 million). The increase is due to capital calls on a stake in SWK Beteiligungs GmbH & Co. geschlossene Investment KG. A 'southwest consortium' composed of a large number of financial and insurance institutions in Baden-Württemberg used this vehicle to indirectly acquire a 24.95% stake in transmission system operator TransnetBW.

As part of its statutory mandate, L-Bank makes venture capital available to companies in Baden-Württemberg. In doing so, L-Bank's pursues business policies that aim primarily to leverage public finances while simultaneously diversifying risk within L-Bank by investing in funds. As before, SME fund LEA Mittelstandspartner and venture-capital fund LEA Venturepartner both play key roles in this investment strategy. The Bank also has other shareholdings in funds that focus on key Baden-Württemberg industries, primarily in the venture capital segment. Funds focused on established companies (in which L-Bank has a total stake of around EUR 220.0 million) help established companies to tackle upcoming challenges associated with the digital transformation of products and value chains (Industry 4.0), and in the medical technology sector. The venture-capital funds (in which L-Bank has a total stake of around EUR 118.1 million) provide venture capital to high-tech companies with growth potential. In the reporting year, the Bank further developed its venture capital activities as planned by making additional investments in fund participations. The total book value of all credit-equivalent shareholdings at the balance sheet date came to EUR 133.7 million (2023: EUR 128.0 million).

Through subsidiaries, L-Bank operates technology and business parks on sites close to universities and research institutions. By doing so, the Bank aims to provide real-estate hubs for supporting the transfer of technology from academia to industry.

As at 31 December 2024, the technology park companies owned a total of 17 buildings with a leasable area (rental space) of approximately 89,300 square metres. What most clearly differentiates the parks from other commercial leasehold premises is their building facilities, the way they are managed and the additional services on offer, including conference and training rooms, as well as nursery and primary schools. As planned, the Bank continued to expand its scheduled site development activities. During the reporting period, two buildings in Karlsruhe and Reutlingen were completed and handed over to tenants, and a new construction project continued to make progress in Mannheim. By 31 December 2024, L-Bank had provided companies involved in business zone development with a total of EUR 88.5 million in funding (2023: EUR 83.5 million).

## Assets, financial performance and financial position

### Financial performance

The following breakdown of operating income helps to clarify L-Bank's financial performance. Additions to the development fund, which under commercial law should be treated as interest expenses or other operating expenses, are shown here as payments to the State of Baden-Württemberg, hence as an appropriation of profits. Net interest income, which continues to be L-Bank's most important source of income, was up on the previous year – and the previous year's forecast – at EUR 565.9 million (2023: EUR 513.9 million). Interest-rate trends in the reporting year, as well as changes in the ECB's investment and open market policy and a general widening of credit spreads, made a significant contribution to this.

As in previous years, net commission income consisted primarily of cost reimbursements by the State of Baden-Württemberg for services provided by L-Bank. These included, in particular, the granting of

financial assistance and the distribution of family benefits (especially family allowances).

As anticipated, administrative expenses – which include depreciation on tangible assets as well as personnel and general expenses – were substantially lower than in the previous year at EUR 241.7 million (2023: EUR 344.3 million). While personnel expenses were slightly higher, general expenses fell significantly following the disappearance of a one-off item. The Bank's modernisation strategy, together with measures taken to meet regulatory requirements, continued to have a significant impact on L-Bank's administrative expenses.

The net result from other operating income and expenses came to EUR –2.0 million (2023: EUR –2.4 million).

As expected, the operating result before risk provisioning/valuations was significantly higher at EUR 389.5 million (2023: EUR 223.3 million).

The net result from asset revaluation came to EUR –58.7 million (2023: EUR –31.9 million), primarily due to an allocation to contingency reserves.

The Bank's operating result increased to EUR 330.8 million (2023: EUR 191.4 million). L-Bank's distributable income came to EUR 330.1 million (2023: EUR 190.3 million).

Thanks to the development fund system, L-Bank's current development contributions had no impact on earnings in 2024. Of the total development fund (provision) of EUR 117.2 million set aside for the year under review, EUR 113.7 million was utilised. The development fund available for development services in 2025 is EUR 103.4 million. An amount of EUR 100.0 million was appropriated to the development fund from the Bank's earnings for 2024 for development funding contributions in 2026. EUR 80.0 million was added to the fund for general banking risks (2023: EUR 20.0 million).

Net income for the year totalled EUR 150.1 million (2023: EUR 50.3 million). Taking account of the profit carried forward from the preceding year, distributable net earnings totalled EUR 150.7 million. The Board is

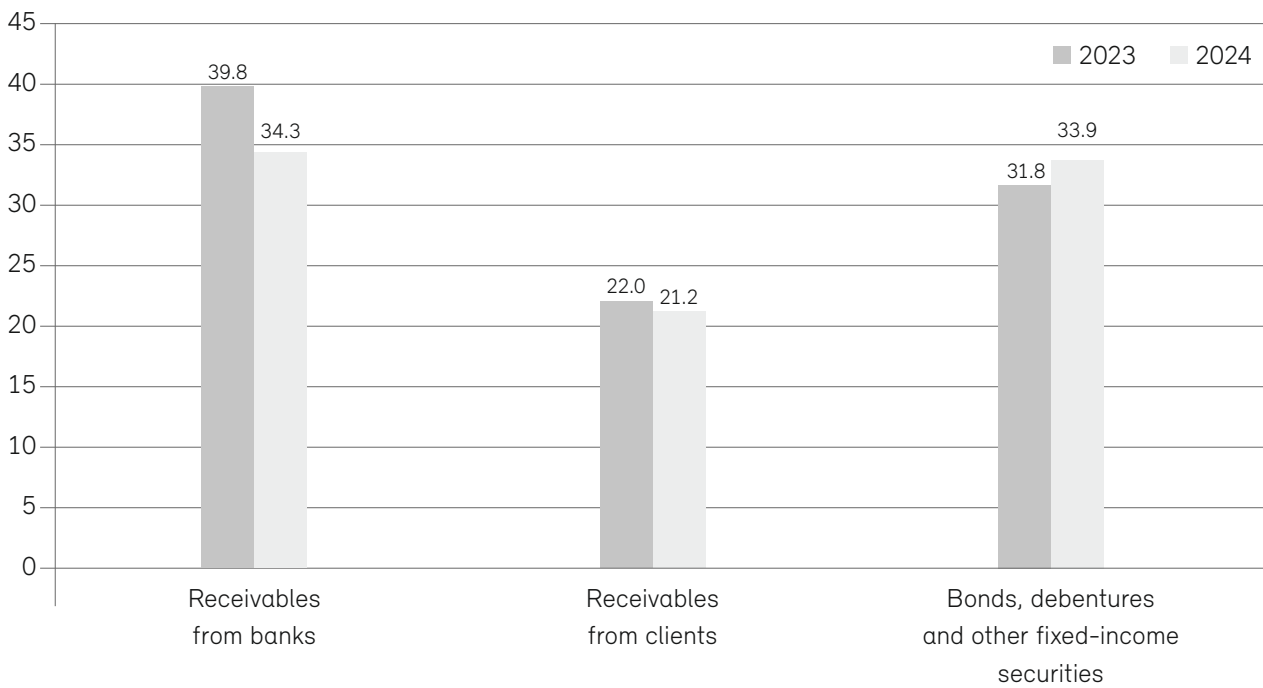
planning to transfer EUR 100.0 million of this income to other retained earnings in order to increase the Bank's Tier I capital ratio, and to carry forward the remaining EUR 50.7 million.

#### BREAKDOWN OF OPERATING INCOME in EUR millions

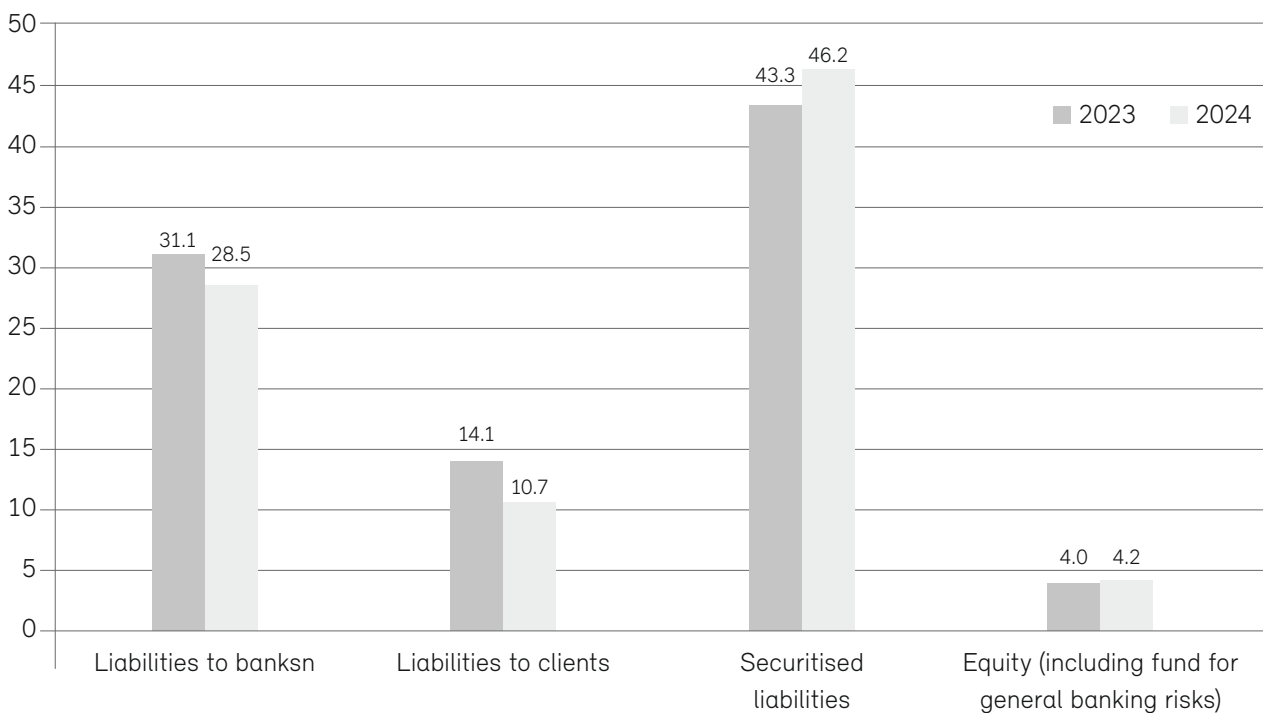
	01.01.2024 to 31.12.2024	01.01.2023 to 31.12.2023	Change	Change in %
Net interest income	565.9	513.9	52.0	10.1
Net commission income	67.3	56.1	11.2	20.0
Administrative expenses	241.7	344.3	-102.6	-29.8
Net result from other income/expenses	-2.0	-2.4	0.4	-16.7
<b>Operating result before risk provisioning/ valuations</b>	<b>389.5</b>	<b>223.3</b>	<b>166.2</b>	<b>74.4</b>
Net income from asset revaluation	-58.7	-31.9	-26.8	84.0
<b>Operating result</b>	<b>330.8</b>	<b>191.4</b>	<b>139.4</b>	<b>72.8</b>
Taxes on income	0.7	1.1	-0.4	-36.4
<b>Distributable income</b>	<b>330.1</b>	<b>190.3</b>	<b>139.8</b>	<b>73.5</b>
Addition to development funds (provision)	100.0	120.0	-20.0	-16.7
Addition to fund for general banking risks	80.0	20.0	60.0	> 100.0
<b>Net income</b>	<b>150.1</b>	<b>50.3</b>	<b>99.8</b>	<b>&gt; 100.0</b>

Assets and liabilities

SELECTED ITEMS UNDER ASSETS in EUR billions



SELECTED ITEMS UNDER LIABILITIES in EUR billions



L-Bank's total assets fell slightly by 3.4% to EUR 91,838.2 million (2023: EUR 95,118.3 million). On the assets side, the decline in receivables from banks was partially offset by higher receivables from securities. On the liabilities side, maturities of liabilities to banks and customers were partially offset by an increase in securitised liabilities.

The business volume, which also encompasses contingent liabilities and irrevocable lending commitments, declined by 3.8% to EUR 95,910.4 million as at the balance sheet date (2023: EUR 99,732.5 million).

### Financial position

As the State Bank of Baden-Württemberg, L-Bank benefits from the federal state's maintenance and public (statutory) guarantee obligations, as well as an explicit state guarantee. The latter means that L-Bank's de facto credit rating is identical to that of the State of Baden-Württemberg. Consequently, credit-rating agencies Moody's Investors Service (Aaa), Fitch Ratings (AAA) and Scope (AAA) continue to give L-Bank their top ratings. As in previous years, rating agency Standard & Poor's gave both the State of Baden-Württemberg and L-Bank its second-best AA+ rating. Banks can continue to count L-Bank bonds towards their short-term liquidity coverage ratios (LCR) as assets with the highest liquidity standing, pursuant to Commission Delegated Regulation (EU) 2015/61 on liquidity coverage requirements, Article 10 (1) (e) item (ii). Furthermore, in accordance with the Capital Requirements Regulation (CRR, Regulation [EU]

575/2013 Article 116 (4) in conjunction with the relevant EBA list of named privileged public entities/development institutions), a risk weighting of 0% can be applied to receivables from (exposures to) L-Bank.

During the year under review, L-Bank was once again able to make flexible use of the refinancing options on offer to meet its objectives in terms of funding volumes, maturity profiles and structure. This year, maturities fell primarily in the two-year range. The principal instrument used here is the Bank's Debt Issuance Programme, with a funding limit of EUR 30,000.0 million, of which EUR 22,551.9 million were utilised as at 31 December 2024 (2023: EUR 20,663.5 million). The total volume of medium- and long-term refinancing on the capital markets amounted to EUR 7,587.98 million (2023: EUR 5,412.7 million). As at year-end, utilisation of the Commercial Paper Programme, which is used for short-term refinancing and was assigned a new upper funding limit of EUR 30,000.0 million on 31 October 2024, amounted to EUR 19,291.9 million (2023: EUR 19,315.9 million).

For certain development programmes, L-Bank also made use of refinancing products available from other development agencies such as KfW and Landwirtschaftliche Rentenbank, to the extent that such products were compatible with the Bank's own programmes.

During the past fiscal year, the Bank's liquidity was assured, and the Bank complied with all regulatory requirements at all times.

Capital adequacy is calculated in accordance with the requirements of the Capital Requirements Regulation (CRR). The following table provides a breakdown of the Bank’s equity as at 31 December 2024, prior to approval of the annual financial statements by L-Bank’s Supervisory Board.

EQUITY in EUR millions	
‘Hard’ Tier I capital after deductions	4,003.5
Additional Tier I capital after deductions	0.0
Supplementary capital after deductions	204.2
Total equity	4,207.7

### Summary of the Bank’s business development and position

In terms of business development, financial performance, net assets and financial position, L-Bank had a successful reporting year.

### Financial and non-financial performance indicators

#### Financial performance indicators

The operating result before risk provisioning/valuations came to EUR 389.5 million for the reporting period; as predicted, this was significantly higher than the previous year’s result of EUR 223.3 million. Net interest income was 10.1% up on the previous year.

From the Bank’s distributable income of EUR 330.1 million (2023: EUR 190.3 million), an amount of EUR 100.0 million (2023: EUR 120.0 million) was appropriated to the development fund. Taking account

of the planned appropriation to retained earnings, the Bank’s Tier I capital ratio came to 23.48% as at 31 December 2024 (2023: 21.61%).

Development finance business across all development funding activities came to a total of EUR 10.7 billion for the reporting period (2023: EUR 13.1 billion), declining as anticipated. The volume of funding totalled EUR 4.9 billion (2023: EUR 6.2 billion) for enterprise development, EUR 1.7 billion (2023: EUR 1.5 billion) for housing development, and EUR 2.6 billion (2023: EUR 4.0 billion) for infrastructure development. A total of EUR 1.4 billion (2023: EUR 1.5 billion) was disbursed in development funding for families, education and social projects. During the year, development aid business – in respect of which L-Bank conducts most transactions with capital-market participants – came to a total of EUR 3.9 billion (2023: EUR 5.6 billion).

#### Non-financial performance indicators

For L-Bank, the ecological added value of its development activities is crucially important. To focus the Bank’s development activities even more strongly on programme implementation and monitoring, the Sustainability Bonus was further developed over the reporting period and expanded to include a third tier for repeat applicants. This makes it possible to assess carbon emission reductions achieved to date. As part of this development, the additional interest-rate reduction was adjusted to 5 basis points for tier 1 and 20 basis points for tier 2.

As a responsible employer, L-Bank regards safe, healthy working conditions, as well as long-term staff development, personnel planning and recruitment, together with a well-balanced work and family life, as key instruments in its corporate activities. In the year under review, building on the ‘L-Bank Future Forum’ attended by all employees in March, the focus of our activities was on developing L-Bank into one of

Europe's most modern development banks and on various aspects of the cultural transformation required to achieve this.

In particular, L-Bank fulfils its social responsibilities by supporting entrepreneurship and the social added value of its development activities. During the reporting year, L-Bank continued to provide comprehensive support for young companies and SMEs at various stages of development and in all kinds of business circumstances by using appropriate instruments, such as lending programmes like BW Start-up and Growth Finance, but also with programmes like Start-up BW Pre-Seed or venture capital provided by the external LEA Venturepartner funds. The Bank also uses sponsorship to provide systematic support for education, art and culture, with a strong focus on accessibility and the facilitation of social inclusion. During the reporting period, L-Bank introduced the AI Bonus as part of the Innovation Finance 4.0 programme, as a way of encouraging SMEs in Baden-Württemberg to use state-of-the-art technologies. Since mid-2024, the Combined SME Loan programme has also covered various facilities used for social purposes, such as care facilities or day-care centres. In addition, the circle of applicants has been extended to include non-profit organisations.

L-Bank treats international human rights as a top priority in everything it does, and with respect to its business activities, ensures that the personal data of clients, business partners and employees is protected; it also guarantees compliance with its employees' labour rights.

Because L-Bank is responsible for combating bribery and corruption, the Bank takes appropriate organisational steps to ensure that money laundering, terrorism financing and other criminal acts are pre-empted or obviated. For example, training courses

in the prevention of money laundering and fraud, securities compliance and data protection, as well as information security (infosec), were once again mandatory for new and existing employees during the year under review.

## Personnel

In early 2023, L-Bank finalised its personnel strategy – based on the Bank's business strategy – and initiated the implementation process. The Bank is actively supporting the other sub-strategies and funding the continuing professional development of its managers and employees.

The personnel strategy's four action areas include 'Management and Leadership', 'Employee Experience', 'Transformation and Change', and 'Processes and Structures'. The Bank's attractiveness as an employer remains a key factor.

During the coronavirus pandemic, the Bank gained positive experience of remote working and continues to provide employees with opportunities to work flexibly in both time and space. For L-Bank's 1,642 active employees (2023: 1,528), this flexibility is important. It is also one of the key factors behind the Bank's ability to attract skilled workers in an increasingly competitive labour market.

When organising individual working hours, L-Bank offers employees multiple options, ranging from personalised part-time models through to a flexitime model. By doing so, L-Bank supports a good work-life balance and enables employees to adjust their working lives to their personal circumstances. A total of 492 employees were working part-time as at the reporting date (2023: 478).

For L-Bank, the provision of in-house training for junior staff is an important recruitment pathway. Junior staff include apprentices, trainees and students on work-study programmes, but also recruits who have previously worked for the Bank as interns, work-experience trainees or legal interns. In fiscal year 2024, L-Bank hired 73 junior staff (2023: 74). As well as teaching specialist skills, the Bank's continuing education programme also gives high priority to personal development.

L-Bank's staff development strategy encompasses all the instruments and initiatives for developing employees, executives and indeed, the Bank's corporate culture as a whole, based on an outcome-focused, sustainable approach to learning, development and change processes. As well as designing and implementing tailor-made staff development programmes, L-Bank's in-house continuing education catalogue offers a comprehensive range of training courses on interdisciplinary topics involving communication, digitisation, change, and the Bank's development mandate, as well as self-management and work organisation.

In addition, the Bank's forward-looking staff development strategy includes a significant sustainability and transformation component. To strengthen occupational health management (OHM), the 'Evermood' platform was added to the range. The platform offers a wide range of options, including support for mental and physical health. And in 2024, the Bank held a mental health campaign for the first time. The aim of the campaign was to raise employees' and managers' awareness of mental health issues and destigmatise them by organising a range of initiatives and events.

As at the reporting date, 40.3% of all the Bank's executive managers were women (2023: 35.2%). Overall, L-Bank employs more women than men: female employees account for 56.2% of the workforce (2023: 56.8%).

L-Bank continues to offer employees a phased retirement programme for helping them manage the transition to retirement. As at the reporting date, 64 people (2023: 68) were taking part in the retirement programme's active phase. The programme helps the Bank to make succession plans for filling strategically important positions over the long term. This is especially important in view of the fact that members of the 'baby boomer' generation will be retiring over the next few years. The last four years have seen significantly more retirement-related departures from L-Bank than in previous years. The average employee age has dropped from 46.1 in 2020 to 45.0 in 2021, then from 44.1 in 2022 and 44.0 in 2023 to 43.1 in 2024. The Bank is able to offset age-related departures by recruiting significantly younger employees. The staff turnover rate also declined to 6.7% (2023: 8.1%).

## Sustainability Report

The sustainability of business operations, development business, and capital-market activities is one of L-Bank's top strategic objectives. In collaboration with the state government, L-Bank uses development funding as both incentive and lever for the sustainable development of Baden-Württemberg's economy and society. L-Bank introduced a sustainability management system in 2013 and since then, has steadily developed the structures underlying its sustainability apparatus. The resulting structures, including increased staffing levels, ensure that the management and implementation of sustainability measures are consistently focused on achieving the strategic sustainability goals enshrined in the Bank's business and sustainability strategies. In 2023, L-Bank adopted a separate sustainability strategy that both supplements and further defines the Bank's business strategy; this separate strategy was revised in 2024 in response to external and internal developments, as part of the Bank's annual strategy process. Impact management was established as a new, separate

action area, with the aim of making the impact of development programmes and initiatives on, for example, the United Nations Sustainable Development Goals (SDGs) fully transparent.

The Bank reaffirmed its commitment to meeting Baden-Württemberg's climate targets, including the Paris Climate Accord's 1.5-degree target, across the Bank's own business operations, lending portfolio and investment portfolio. With this in mind, the Bank set up a central sustainability management system to cover Bank-wide topics, and a Sustainability Board was also established to oversee operational implementation in the relevant departments. L-Bank's Sustainability Code serves as an overarching framework for enshrining key principles and precepts such as the SDGs and national and international climate targets in Bank-wide activities – as well as Baden-Württemberg's own ambitious goal: to become climate-neutral by 2040.

In 2024, L-Bank joined the Partnership for Carbon Accounting Financials (PCAF). The project aims to meet stakeholders' increasingly exacting requirements concerning the transparency of climate-related financial information. Joining PCAF is a prerequisite for the provision of comprehensive reports on financed emissions, in line with internationally established standards. In 2024, the Bank began to draw up a preliminary climate transition plan outlining a roadmap for making L-Bank completely climate-neutral. In this context, joining PCAF makes it possible to continuously improve the Bank's reporting of financed emissions, so that the Bank can further refine the transition plan in 2025. As one of more than 500 financial institutions worldwide to join PCAF, L-Bank's accession will help to harmonise emissions reporting in the financial sector worldwide.

Launched at the end of 2022, the ESG data integration project aims to make a significant contribution to the Bank's compliance with the extended sustainability reporting required by regulators and various

groups of stakeholders, as well as operationalising the Bank's strategic sustainability goals and strengthening the focus of the Bank's development finance activities on sustainable development. In 2024, the project prioritised the conceptualisation of ESG data requirements, as well as the adaptation of technical requirements to changing internal and external circumstances. Due to the still outstanding nationwide implementation of the Corporate Sustainability Reporting Directive (CSRD), the Bank will be unable to finalise the ESG data concept until 2025.

We fulfil our statutory reporting obligations under the CSR Implementation Directive (CSR-RUG) by issuing a Non-financial Report as a separate part of our annual report. This year, we have based our Non-financial Report on the recently released European Sustainability Reporting Standards (ESRS). Our annual report is published on L-Bank's website ([www.l-bank.info](http://www.l-bank.info)).

## Outlook

It is unlikely that we will see a significant economic recovery in Germany during 2025. Donald Trump's victory in the U.S. presidential election and the end of the coalition government in Germany have only served to increase economic and political uncertainty. Furthermore, the fact that the 2025 federal budget has not yet been finalised means that the future development of public investment remains unresolved. In these conditions, private consumption is unlikely to be particularly dynamic, and it is probable that companies will remain reluctant to invest for the time being. The inflation rate in Germany is likely to average around 2.5% in 2025. If the European Central Bank uses any leeway that may emerge in the course of 2025 to support the economy as a whole by making interest-rate cuts, this could benefit the construction industry in particular, enabling it to achieve some degree of stability after years of stagnation.

It may be, then, that we will see signs of new economic impetus from mid-year onwards, possibly supported by a new federal government's growth-stimulating initiatives. Overall, however, we predict that Germany's GDP will only show very modest growth in 2025, ranging from 0.2 to 0.5%.

The causes of the current crisis are primarily structural, meaning that a dependable return to sustainable growth could prove difficult – especially for Baden-Württemberg. Given the decline in industrial competitiveness, we do not anticipate any significant impetus from export business, either. Added to this is the risk that the Trump administration will introduce new tariffs on European goods, which could further increase the fragmentation of the global economy and have a severe impact on Baden-Württemberg's export-oriented economy. In view of these factors, both the business and export expectations of companies in Baden-Württemberg are decidedly pessimistic, as reflected by the L-Bank/ifo Business Survey at the turn of the year. In view of the challenging changes in the automotive, mechanical engineering and systems engineering industries, we expect Baden-Württemberg's economic output either to decline again in 2025, or at best stagnate, contrary to the trend at federal level. Specifically, GDP growth is likely to range between  $-0.3$  and  $\pm 0.0\%$ . Crucially, further movements on the labour market will depend on the severity and duration of current job losses in industry. If, as forecast, the economy picks up from summer 2025 onwards, this could have a positive impact on the labour market. However, such effects are likely to be relatively minor in 2025, so we expect the average unemployment rate over the year to show another slight increase.

In particular, the volatile geopolitical situation and ongoing uncertainties regarding the exact direction of U.S. trade policy and the composition of a new

federal government in Germany mean that all economic forecasts for the coming year are subject to greater uncertainty. If, for example, coalition negotiations at the federal level prove complex and protracted, consequently delaying any government-driven growth initiatives, this would have a negative impact on economic development in the coming year. Overall, the downside risks for economic growth currently outweigh the upside risks.

In 2025, L-Bank will continue to focus its business activities on providing enterprise development support for small and medium-sized businesses in Baden-Württemberg, prioritising investments, start-ups, transformation and sustainability, as well as social housing development. Essentially, the Bank plans to continue its development funding activities through the existing programmes. Based on economic forecasts and general developments, L-Bank expects new business figures to stagnate or even decline slightly compared to the previous year.

The pervasively gloomy economic outlook is likely to have a negative impact on the volume of new start-up and SME financing business. This should be offset by the reduced EU reference rate announced at the beginning of 2025, which should lower the barriers to development business. With respect to venture capital activities, the Bank is expecting to make further investments in fund shareholdings, in line with the current business and risk policy framework. At the same time, L-Bank is working strategically with the State of Baden-Württemberg to restructure its venture capital activities. L-Bank also intends to enhance its business zone development activities, in particular by adding new sites for technology parks; the expansion of existing sites and the sale of technology park properties remain integral to the Bank's overall strategy.

In view of the challenging conditions in the construction and housing industry, overall new business figures for housing development are expected to remain flat in 2025. Due to the situation in the marketplace, the number of applications for home ownership assistance is expected to remain similar to 2024. Rental housing development is also expected to remain at roughly the same level as in the previous year. New business figures in home ownership and rental housing development will remain largely dependent on the allocation of funding by the state and federal governments. In this case, early federal elections and the associated drafting of the federal budget could cause delays in the allocation of federal funds, with a concomitant impact on approvals of housing development applications.

The Bank is not expecting to see a repeat run of the reporting year's exceptionally good operating result before risk provisions/valuations. In 2025, L-Bank predicts higher net commission income, although this will not fully offset lower net interest income. Both personnel and general expenses for banking operations will be higher than in the reporting year. Based on current estimates, the net result from asset revaluation will not differ substantially from the reporting year. L-Bank plans to appropriate another EUR 100.0 million of its 2025 net income to the development fund. In 2025, total assets are expected to remain more or less the same as in the reporting year. For 31 December 2025, the Bank forecasts a Tier 1 capital ratio of 20.9%.

With respect to refinancing, L-Bank expects to be able to continue to raise funds on the capital market without any problems, thanks to its very good rating. The Bank is well positioned on the national and international money and capital markets, with good, diversified sources of funding.

Overall, L-Bank is forecasting that the volume of new business in 2025 will decline slightly compared to 2024. No significant changes in the Bank's financial performance, financial position or net assets are anticipated.

## Opportunities and Risk Report

The aim of the Bank's risk management model is to ensure that even in the event of unexpected losses, the Bank's enduring survival should be assured without the support of the State of Baden-Württemberg. To manage the risks associated with L-Bank's business activities, the Bank has installed a risk management system so that it can:

- Ensure the Bank's risk-bearing capacity and solvency at all times.
- Assess the Bank's overall risk exposure at all times.
- Identify, assess, communicate and manage material individual and concentration risks at an early stage.
- Identify risk-related developments, together with alternative courses of action.

The State of Baden-Württemberg devises development programmes that target specific market segments in need of financial support while simultaneously defining regional priorities for the Bank's business activities. In return, the State of Baden-Württemberg explicitly and unconditionally guarantees the Bank's liabilities through a public (statutory) guarantee and maintenance obligation.

L-Bank was explicitly excluded from the scope of the CRD with effect from 27 June 2019. However, as CRR regulations apply to all German lending institutions pursuant to Section 1a of the German Banking Act (KWG), L-Bank must continue to comply with these regulations.

## How risk management is organised

The core elements of the Bank's risk management approach are defined by the Board of Management in the form of internal guidelines (policies). In particular, the Board of Management regulates the implementation of risk inventories, methods for determining the materiality of risks, risk quantification methods, minimum criteria for validation, the performance of internal stress tests, procedures for reviewing risk-bearing capacity, the capital planning process, the definition of risk tolerances, risk reporting, and the processes and powers for managing and monitoring risks. The Board of Management has delegated the implementation of internal guidelines to various risk managers, as well as the Risk Controlling function, the Compliance function, the head of Internal Audit and the Corporate Security unit in the Governance & Compliance department. Within the L-Bank hierarchy, these functions report directly to the Board of Management. To assist them in fulfilling their remits, they have set up a Stress Test team, a Regulatory Compliance Committee, a Risk Management Working Group, an Information Risk Management Committee and an Outsourcing Commission.

With respect to the Bank's lending and trading business, the front-office and back-office areas at L-Bank are strictly separated at all levels, up to and including Board of Management level. In 2024, Divisions I and III were front-office areas, and the back-office and Risk Controlling functions were part of Division II. The Head of Division II (the Chief Risk Officer) bears bank-wide responsibility for assessing and monitoring all counterparty, market price, liquidity and operational risks, and as Head of the Risk Controlling function, reports exclusively on these risks.

The Board of Management regularly briefs the Supervisory Board on the risk situation, risk management, risk controlling and any other risk-related issues, and reports on specific incidents as and when necessary.

The Supervisory Board has set up various committees to deal with specific areas of activity, as follows:

At meetings of the Risk Committee, the Board of Management reports on counterparty, market price, liquidity and operational risks. The Risk Committee is also briefed on the Bank's risk strategies and on any matters which, in view of the associated risks, are especially significant. For its part, the committee advises the Board of Management on questions relating to the Bank's overall risk appetite and risk strategies.

The Audit Committee is primarily responsible for discussing the audit report with the auditor, and for preparing the Supervisory Board's adoption of the annual financial statements and the resolution on the appropriation of profits. It also discusses the Internal Audit department's reports, as well as the Compliance function's annual report.

The Personnel Committee is primarily responsible for preparing Supervisory Board resolutions relating to appointments to the Board of Management; it adopts resolutions setting out contractual and other formal matters relating to Board of Management members, with the exception of remuneration.

The Remuneration Control Committee is primarily responsible for preparing Supervisory Board resolutions relating to the remuneration of Board of Management members.

In consultation with the Risk Committee/Supervisory Board, the Board of Management defines various risk management policies that are also used to determine the Bank's risk appetite. Each of the relevant units must adhere to the risk management policies as they perform their respective activities:

→ Thus the Board of Management defines, for example, an interest-rate risk and currency-risk profile for

the investment book; the Treasury department is responsible for implementing this profile. The Treasury department is also responsible for managing liquidity risk and refinancing risk, whilst also ensuring that the control parameters specified by the Board of Management are observed.

- Counterparty risk is managed by various methods, including the setting of portfolio-related and client-related limits approved by the Board of Management; these may be determined by the Bank's individual lending departments according to a system of competencies.
- Operational risks – including information and communication technology (ICT) risks within the meaning of Article 3 (5) of the Digital Operational Resilience Act (DORA) – are managed by risk managers. The latter are divided into central risk managers, who manage operational risks affecting the entire Bank, and decentralised risk managers, who manage the risks associated with specific working procedures. These include projects and risks arising from the procurement of external services.

The quantitative and qualitative assessment and communication of risks is primarily the responsibility of the Controlling department, which also performs the duties of the Risk Controlling function. Assessments are based on a company-wide database containing standardised records detailing all the Bank's operations, transactions and business partners. The analyses (of counterparty, interest-rate and liquidity risk) produced as part of the risk management process are regularly compared to balance sheet-based analyses, as well as data used for reporting purposes. The Controlling department is also responsible for monitoring compliance with all risk management policies, and for reporting on the risk situation to the Board of Management.

The Board of Management has set up a Stress Test team which, taking existing risk concentrations into account, designs stress scenarios across multiple risk types and proposes suitable settings for model parameters to the Board of Management. In addition,

the Stress Test team proposes sensitivity analyses at the level of individual risk types.

The Credit Analysis department assesses the credit standing of individual borrowers and specific portfolios, and proposes appropriate borrower-based lending limits to the Board of Management, as well as lending limits for portfolios and countries. In the case of business decisions involving risk, the Credit Analysis department also acts as the back office and casts the back-office vote.

Taking a risk-based, process-independent approach, the Internal Audit department reviews and assesses the effectiveness and adequacy of the Bank's risk management system, as well as the orderly conduct of all L-Bank's material activities and processes. It does so on behalf of the Board of Management, to which the unit reports directly. The Internal Audit department carries out its duties independently and impartially, and is not required to accept instructions regarding the evaluation or reporting of audit results.

The Governance & Compliance department is responsible for regulatory compliance and securities market compliance. A departmental unit is responsible for the prevention of money laundering and fraud. The Data Protection Officer, who is part of the Legal Affairs department, is responsible for ensuring compliance with data protection regulations.

The Governance & Compliance department's Corporate Security unit assists the Board of Management in all matters of corporate security, and in addition to the information security (infosec) guidelines, is responsible for the resulting security policies and for managing emergencies. This includes coordinating information security and all associated measures, monitoring the effectiveness of security measures, ensuring the continuous improvement and further development of security and emergency procedures (especially for countering cybercrime) and providing regular reports as appropriate.

## Business and risk strategies

In the Bank's business strategy, the Board of Management sets down policies and other guidelines that must be applied when devising risk strategies based on the Bank's overall business strategy. The Bank's statutory public-service mandate results in concentrations of counterparty risks (cluster risks) in particular industries, types of collateral and regions. To achieve a balanced aggregate risk profile, the Board of Management defines quality requirements for the portfolio structure as a whole in the Bank's business strategy. These include policies that define the credit rating criteria (risk categories, a.k.a. 'exposure classes') for new business which must be satisfied by borrowers who are not involved in the Bank's development programmes.

In its risk strategy, the Board of Management specifies the procedures that should be used to review the Bank's capital adequacy and liquidity adequacy, lays down policies for new products and markets, and defines the strategies for dealing with counterparty risk, market price risk, liquidity risk and operational risk.

As part of a quantitative assessment of the Bank's capital adequacy, the Board of Management defines the Bank's risk appetite in the risk strategy by specifying the amount of risk coverage capital that should be set aside as cover for losses.

With respect to managing credit risk, the risk strategy includes policies that clearly specify borrowers' minimum credit ratings and risk margins, and requires business units to secure loans against collateral classified as recoverable. In addition, the lending volumes for the next four years are defined for each line of business. Budgets for development programmes are based on the amount of subsidy funding that has been made available in each case. Budgets for other development business are based primarily on levels of demand from the commercial banks with which

L-Bank cooperates. Lending business associated with development aid business is primarily determined by the refinancing options available. Any investments made for this purpose must meet exceptionally high standards of creditworthiness. The risk strategy shows the projected scope of future counterparty risks and their impact on the Bank's risk-bearing capacity, while making due allowance for existing risk concentrations.

With respect to market price risks, the Bank pursues a strategy of following projected interest-rate movements to generate predictable levels of income with acceptable levels of risk, primarily within maturity bands of up to 24 months. The underlying projections of interest-rate movements are derived from capital market parameters. Due to the general volatility, these transactions are intensively monitored on a daily basis, with ongoing reviews being conducted at least weekly by the Board of Management. In view of the long-term investment of equity capital, a market price risk is shown for maturity bands exceeding 24 months. The Bank makes use of the national and international capital markets to obtain refinancing on optimised structural and cost terms. The public guarantee and maintenance obligation provided by the State of Baden-Württemberg means that the Bank benefits from the latter's excellent credit standing on the capital markets. Potential refinancing risks due solely to a substantial downgrade of the federal state's credit rating are permanently classified as negligible.

With regard to operational risk, L-Bank pursues an avoidance strategy while adhering to the principle of profitability. This means that – regardless of existing comprehensive internal control procedures and regardless of statutory or regulatory requirements – the Bank only takes special mitigation or avoidance measures if the potential loss exceeds the costs of taking such measures.

## Risk-bearing capacity

Risk-bearing capacity represents the highest and most comprehensive level at which the Bank's risk exposure is analysed. It includes verification of the Bank's capital adequacy and liquidity adequacy. It is the basis for the operational implementation of the Bank's risk strategy, because when the risk strategy is formulated, explicit risk tolerance limits are specified in the form of risk-weighted-asset (RWA) limits for counterparty risk, value-at-risk (VaR) limits for counterparty risk, market price risk, refinancing risk and operational risk, and nominal minimum and maximum limits for insolvency risk. As part of establishing these limits, a deliberate decision is made regarding the scope of potential future risks. Because planned new business activities can only be implemented if the resulting risks are covered by risk coverage capital or potential liquid resources, the analysis of risk-bearing capacity effectively determines the maximum scope of potential new business (especially development aid business), providing a timely indication of any capital increase or liquidity measures that may be required. The review of the Bank's risk-bearing capacity is supplemented by analyses of the expected shortfall, adverse scenarios across multiple risk types, sensitivity analyses, and an inverse stress test. This is supplemented by long-term projections extending beyond the regular risk analysis horizon.

The risk-bearing capacity review process essentially consists of the following subcomponents:

- Risk inventory, including determination of risk relevance and risk materiality.
- Determination of risk exposures and comparison with existing risk coverage capabilities from economic and normative perspectives, using normal scenarios and various adverse scenarios across multiple risk types that include projections of equity,

- liquidity adequacy and related risk exposure.
- Validation of risk measurement methods.
- Sensitivity analyses and inverse stress testing.

## Risk inventory

The starting point for reviewing risk-bearing capacity is a risk inventory, carried out at regular intervals. During the risk inventory, of the generally conceivable risks that could impact the Bank's net assets, financial performance, and/or liquidity position (financial position), those risks are first selected that present not just theoretical hazards, but are likely to materialise as genuine threats. These risks are described as 'relevant' risks, and they are assessed in terms of their materiality. If, when considering the Bank's net assets, financial performance, and/or liquidity position, a relevant risk exceeds at least one of the defined thresholds, that risk is material. The risk inventory is used to check whether the risk management system takes account of all material risks (risk coverage). Then follows a critical analysis to determine whether risk assessment, risk management and risk reporting permit an appropriate evaluation of all risks identified by L-Bank.

Risk management takes account of all relevant risks either by means of risk quantification or by applying other risk management policies. During reviews of the Bank's risk-bearing capacity, potential losses are calculated and management limits specified for all material risks as a matter of course. Potential losses are calculated on the basis of a 99.9% confidence level and a 12-month reference period. Where these potential losses cannot be meaningfully assessed against the value at risk (VaR), the risks are limited using other management instruments.

The 2024 risk inventory confirmed that material risks

include: counterparty risk, market price risk, liquidity risk and operational risk, including associated risk concentrations. The risk inventory did not identify any new relevant risks. In the case of liquidity risk, a distinction is made between refinancing risk and insolvency risk. Environmental, social and governance (ESG) risks are still not treated as separate risks, but as risk drivers that have an impact on material risks that have already been identified. An explicit ESG scenario covering multiple risk types is also used to analyse the possible economic consequences of regulatory action as part of the economy's ongoing transformation process. In addition, the impact of ESG risks is evaluated using risk type-specific sensitivity analyses.

### Potential risks and risk coverage capability

The Bank's risk-bearing capacity is monitored from a normative and an economic perspective. The results are reported to the Board of Management on a monthly basis. The Risk Committee and the competent supervisory body are informed of the Bank's risk-bearing capacity in the quarterly risk report.

The Bank implemented three normal scenarios. In the baseline scenario, net interest income and risk provisioning expenses in particular were projected on the basis of parameters derived from the parameters existing on the balance sheet date (e.g. forward rates for interest, multi-year default rates calculated from current transition matrices).

In the baseline assumption used for the empirical economic forecast model, the overall state of the economy at the end of the scenario period is predicted on the basis of the current economic situation, taking account of current political and economic circumstances. This forecast also takes account of

international trade relations (global political aspect), the ECB's monetary policy (European monetary aspect) and any structural shifts or changes in Baden-Württemberg's economy (local economic aspect).

Pursuant to Article 7 (2) of the Bank's articles of association, L-Bank is required to draw up an economic plan. The scenario in the economic plan should be used to analyse the extent to which the Bank is able to transfer an appropriation from its income to the development fund. Funds transferred to the development fund are used to plan future development programmes. The amount of the annual development fund provision is determined by the state budget. To provide a high degree of political planning certainty, the economic plan scenario is based on conservative – but not adverse – conditions. Consequently, the Board of Management decides which yield curve should be used to project net interest income (e.g. forward curve, fixed yield curve at the budgeting date, expert opinion) and what valuation adjustments – under the rules of applied accounting practice – should be expected.

Given L-Bank's business model, it does not make sense to use a macroeconomic forecast model (satellite model) for modelling adverse scenarios. For this reason, the Bank develops an adverse scenario on the basis of the current economic situation and emerging economic trends, which is then updated every quarter. Other scenarios each target a different economic 'event space': a severe global economic downturn, inflation in the eurozone, the impact on Germany of a liability union, a structural crisis in Baden-Württemberg, plus two ESG scenarios. The Bank derives relevant risk parameters from historical events and stress-tests them against the various adverse scenarios.

In these adverse scenarios, due to the Bank's business model, only implausible events are capable of generating significant stress effects on the Bank's capital ratios. So the Bank also produces a suitably adverse stress scenario by deriving the negative effects on the annual result from value-at-risk calculations. To round off the assessment of the Bank's future risk-bearing capacity, a regulatory stress scenario is also applied, based on sudden changes in supervisory requirements which would disadvantage the Bank.

### Normative perspective

From the normative perspective, the Bank's risk-bearing capacity is deemed to be adequate if the Bank continuously complies with all regulatory and supervisory capital requirements and constraints for at least 36 months from the reporting date under observation. For this purpose, the Bank projects the total capital ratio, Tier I capital ratio and leverage ratio on a quarterly basis.

From the normative perspective, the Bank's risk coverage capability corresponds to the total or Tier I capital calculated in accordance with CRR. Under the normative perspective, CRR requires that counterparty risk (credit risk), market price risks in the trading book, foreign-exchange (FX) risks in the investment book, operational risk and credit valuation adjustment (CVA) risk should all be assessed. The Bank uses the following procedures to quantify the risks under consideration:

→ Counterparty risk: calculation of risk-weighted exposure levels to credit and counterparty credit risk (CCR) using the standardised approach to credit risk set down in Articles 111-141 CRR or using the Standardised Approach for Measuring Counterparty Credit Risk (SA-CCR) set out in Articles 274-280f CRR.

→ Market price risk: the Bank has no trading books. For the investment book, the total risk exposure to foreign-exchange risk (Articles 351-354 CRR), commodities risk (Articles 355-361 CRR) and settlement risk (Articles 378-380 CRR) is calculated in accordance with the standardised methods.

→ Operational risk: the Bank's total risk exposure to operational risk is calculated using the basic indicator approach described in Articles 315-316 CRR.

→ CVA risk: The Bank's total exposure to the risk of adjusted credit valuations of OTC derivatives is calculated using the standardised method set out in Article 384 CRR.

When projecting future capital adequacy, scenario-dependent assumptions are made regarding the future development of, in particular, net interest income (taking possible interest-rate movements into account), personnel expenses, general expenses and risk provisioning expenses (in each case taking planned new business and interest-rate adjustment operations into account). In the case of risk provisioning expenses, the Bank distinguishes between specific and non-specific risk provisions. Specific risk provision for the unsecured part of a non-performing exposure (NPE) is calculated using a standardised expected-loss model. Non-specific risk provisions are calculated for performing exposures (PEs) using the methodology applied in standard accounting practice.

Under the normative perspective, normal scenarios must comply with all relevant capital requirements, that is to say, the regulatory capital requirement, the Bank-specific SREP capital requirement including an individual capital supplement (P2R), the combined buffer requirements (capital conservation buffer, countercyclical capital buffer, capital buffer for systemic risks) and the own funds recommendation (P2G). To ensure compliance with capital requirements, an appropriate early-warning threshold has been defined in the form of a 'management buffer' (a decision-making window).

The buffer means that management can take action in good time even in the event of unforeseen developments. An additional internal markup can be specified to provide for possible future regulatory demands.

The Bank prepares projections of future capital adequacy and capital requirements at the end of each quarter. The following table shows the development of the Bank's equity, Tier I capital, total risk exposure and resulting capital ratios.

FISCAL YEAR 2024	31.03.2024	30.06.2024	30.09.2024	31.12.2024
Total risk exposure in EUR millions	18,114.9	18,211.7	17,927.8	17,817.0
Tier I capital in EUR millions	3,932.7	4,003.7	4,003.6	4,003.5
Equity in EUR millions	4,158.6	4,223.9	4,215.1	4,207.7
Tier I capital ratio in %	21.71	21.98	22.33	22.47
Total capital ratio in %	22.96	23.19	23.51	23.62
Leverage ratio in %	7.05	7.26	7.52	7.38

As at 31 December 2024, the Bank was able to comply with the mandatory minimum ratios over the projected period in all normal and adverse scenarios, both under the current CRR II regulations and under Basel IV regulations (projections for 2025–2028).

To ensure future compliance with the minimum capital ratios, risk-weighted assets (RWA) are limited to business unit level. The RWA ceiling is distributed

across the individual lines of business, and takes account of new business planning and the associated risk concentrations.

The following table shows the RWA limits as at 31 December 2024 and in 2025, as well as their respective maximum utilisation in fiscal year 2024. The maximum utilisation of RWA limits per line of business and in total is based on monthly calculations.

In EUR millions	RWA LIMIT 2024	MAXIMUM UTILISATION 2024	RWA LIMIT 2025
Total credit risk (CRSA)	21,500	16,981.6	20,250
Thereof for:			
Private clients	3,750	2,969.8	3,250
Companies	8,500	6,259.7	7,000
Financial institutions	8,000	7,323.0	9,500
Public sector	750	468.3	500

### Economic perspective

In the review of the Bank's capital adequacy from an economic perspective, the net present value (NPV) of all existing assets and liabilities, less associated administrative expenses and anticipated risk provisioning expenses, is presented as risk coverage capability. Thus the hidden charges on fixed assets from avoiding write-downs at the lower of cost or market are also taken into account. This risk coverage capability (also known as internal capital) is compared with all identified material risks that could cause an economic loss and hence reduce internal capital, irrespective of any capital adequacy requirements set out in the CRR. As a matter of principle, all risks are calculated with a confidence level of 99.9%.

As at the balance sheet date, the business portfolio's NPV is calculated as EUR 5,663.5 million. This is offset by NPV administrative expenses totalling EUR 483.2 million, plus imputed NPV risk provisioning costs of EUR 196.5 million, resulting in an NPV-based risk coverage capability of EUR 4,983.8 million. As at the reporting date, 51.88% of this was taken up by values at risk (VaR) totalling EUR 2,585.7 million. Even in adverse scenarios, the Bank's risk coverage capability exceeds the additional losses foreseen in all scenarios. The Bank complied with the specified aggregate loss ceiling (ALC: upper limit of all value-at-risk sub-limits) of EUR 4,300.0 million on all key reference dates in the last fiscal year. On all reporting dates, the ALC remained below the potential ceiling (maximum limit based on internal capital less a management buffer of EUR 200 million). For risk management purposes, an ALC of EUR 4,600.0 million was specified for 2025 based on higher limits for market price risk (cred-

it-spread risk plus interest-rate risk). This means that the ALC for 2025 is below the maximum limit (internal capital less EUR 200 million management buffer) specified on the budgeting date (30 June 2024), totalling EUR 5,308.4 million.

To manage risks, the specified ALC is distributed across the individual risk types in the form of (sub-) limits.

#### VALUE-AT-RISK LIMIT 31.12.2024

in EUR millions

Aggregate loss ceiling	4,300.0
Thereof for:	
Counterparty risks	1,600.0
Credit-spread risks	900.0
Interest-rate and FX risks (IRRBB)	1,000.0
Embedded options	25.0
Refinancing risks	500.0
Operational risks	85.0
Biometric pension risk	20.0
Real-estate risk	10.0
'Occupational pension scheme' option risk	10.0

### Adequacy of Bank's liquidity

The Bank manages insolvency risk by means of liquidity coverage ratios (LCR), net stable funding ratios (NSFR) and survival timeframe performance ratios. The Bank must comply with these ratios both in a

credible baseline scenario and in an appropriately Bank-specific adverse scenario. Furthermore, the Board of Management has placed limits on maximum liquidity requirements per month, as well as the cumulative liquidity requirement over the three-month, six-month and 12-month periods following the review date, and stipulated that the portfolio of securities in the ECB deposit account may not fall below a specified minimum threshold. The Bank must also comply with the requirement to ensure that a sufficient liquidity buffer is always available, so that all payment obligations over the next 7 or 30 days are covered in both normal and stress scenarios.

The basis for the operational management of insolvency risk is a computer-assisted liquidity forecast that depicts all anticipated cash flows over the next ten years. The system produces a daily analysis for the current month and the following two months. A monthly analysis is produced for any remaining months in the current fiscal year, and for the following fiscal year. Annual analyses are produced for subsequent years. When producing this liquidity forecast, the Bank assumes that contractual maturities will apply.

In fiscal year 2024, neither the LCR, NSFR nor the survival timeframe ratios ever fell below the internally specified minimum thresholds. The projections performed on 31 December 2024 confirmed the Bank's future liquidity adequacy.

Because the internally specified survival timeframe is longer than the period stipulated in the Minimum Requirements for Risk Management (MaRisk) for checking the adequacy of the free liquidity buffer, the available liquidity buffer is always sufficient to ensure the Bank's compliance with the specified survival timeframe.

All risk management policies were complied with at all times during fiscal year 2024.

### Validation of risk measurement methods and performance of sensitivity analyses and inverse stress testing

To ensure that the value-at-risk figures are as informative as possible, the underlying risk measurement methods are validated, which involves subjecting the applied parameters to various sensitivity analyses. In addition, an inverse stress test is used to verify the validity of the value-at-risk figures. The annual validation procedures are carried out by an office that has no connection with, or involvement in, model development and application. The validation methods, scope of the individual validation procedures and responsibilities for these procedures, as well as the regular intervals at which they should be applied, are explicitly defined for each type of risk. For all types of risk, standardised report templates are used to summarise the key findings of the validation processes for the Board of Management. If the findings of these validation exercises result in adjustments to measurement procedures or their underlying assumptions for internal risk management purposes, all such adjustments must first be approved by the Board of Management. The Controlling department informs the Board of Management of the results once a year. The 2024 validation cycle reconfirmed the appropriateness of the methods and procedures used.

Under the economic perspective on the Bank's risk-bearing capacity, the actuarial models used to measure risk showed the limitations of their predictive value at various points during the financial market crisis. In view of the fact that actuarial models cannot, by their very nature, depict all possible events, the Bank's quantitative assessments of individual risks are continuously supplemented by comprehensive sensitivity analyses. By performing these analyses, the Bank identifies risk factors that could have a particularly significant impact on the Bank's net assets, financial performance and/or liquidity.

In the course of these analyses, scenarios relating to a single type of risk are developed and assessed in terms of impact. The information obtained is taken into account when modelling the adverse scenarios and stress scenarios used to review the Bank's risk-bearing capacity.

The analytical system described above does not entirely preclude the possibility that certain scenarios jeopardising the Bank's continued existence may never be identified. Consequently, to establish the limits of the models used to review the Bank's risk-bearing capacity, certain assumptions are made regarding loss-related exposure; these assumptions are used to retroactively determine the conditions under which such losses might occur. This inverse stress test is performed once a year. The Controlling department informs the Board of Management of the results in a separate report. The Risk Committee/Supervisory Board is informed of the results when they receive the risk report.

The statutory liability mechanisms (maintenance obligation, public guarantee obligation and explicit guarantee of all the Bank's liabilities) mean that the State of Baden-Württemberg is obliged to take any capital and/or liquidity strengthening measures necessary to maintain the Bank's business operations. The inverse stress test findings indicate that it is highly unlikely that these liability mechanisms will need to be invoked.

The definition of the scenario for the 2024 inverse stress test takes account of effects impacting the entire capital market, as well as idiosyncratic effects. The scenario assumes that existing international conflicts will result in supply chain disruptions, triggering an economic crisis. As a result, the creditworthiness of private individuals, companies, financial institutions and the public sector will deteriorate significantly, the realisation of recovery proceeds will decline, and interest rates will fall. In addition, the Bank's idiosyncratic parameters – refinancing spreads and new

business – will be affected. The design of the scenario is tailored to the Bank's specific characteristics, in particular its HGB-compliant accounting, use of the standardised approach to credit risk, and the fact that a large part of the Bank's programme-related business is not refinanced on the capital market but passed on to KfW. In short, while the occurrence of this hypothetical scenario appears possible in principle, the stipulated minimum capital ratios would only be breached in the presence of a highly compressed timeframe for which there is no historical precedent.

## Risk management and risk control

In addition to identifying material risks as part of the risk inventory process, the Bank's risk management and risk controlling processes include the assessment, management, monitoring and communication of material risks.

## Counterparty risk

Default risk refers to the risk that a business partner will not (fully) meet its contractual obligations. These obligations may arise from a lending transaction as defined in the German Banking Act (Section 19 KWG), or from a performance obligation relating to a transaction involving settlement on completion. The reason for non-fulfilment of a contract may be specific, relating to the borrower's credit standing or particular circumstances (e.g. home country, industry sector). Migration risk is the risk of a decline in value due to borrowers' deteriorating credit ratings. Concentration risk arises when the solvency of a large number of borrowers depends on an identical condition or event and, due to the uneven distribution of these borrowers, losses are incurred that threaten the Bank's solvency. Even a single borrower's default may have a significant impact on a financial institution's solvency if the loan amount is sufficiently high.

## Assessment of counterparty risk

The qualitative assessment of default and migration risk – which also includes issuer, counterparty and performance risk – is carried out by classifying the borrower's creditworthiness and appraising the collateral provided for the loan. As part of classifying borrowers' creditworthiness, each borrower is assigned a credit rating expressed as a risk category (a.k.a. 'exposure class'). When assigning individual ratings, in addition to the client's ability to service their debt, the Bank also pays particular attention to industry affiliation and other risk-related characteristics (e.g. home country, exposure to ESG risks). For borrowers making use of development finance for owner-occupied housing, the homogeneity of the client group means that they are assigned a group rating based on the average probability of default. Certain kinds of collateral are taken into account in the qualitative assessment of loss exposure. Loans guaranteed by municipalities and real-estate loans secured on residential properties in Baden-Württemberg are assigned to risk category 1. Where collateral in kind is provided in the form of residential property in Baden-Württemberg – independently of the real-estate loan, but within the relevant lending value – the borrower is assigned to risk category 4. In the case of *Pfandbriefe* and similar bond issues (e.g. covered bonds), the external issue rating is used.

The quantitative assessment of all material risk subtypes of counterparty risk is linked to the results of the qualitative assessment. A value at risk is calculated for the entire loan portfolio with the help of a Monte Carlo simulation based on migration and default probabilities, correlations, and loss rates. Migration and default probabilities are allocated on the basis of the rating grade to which each client is assigned during the Bank's qualitative assessment. The classification of borrowers into rating grades happens in strict rotation. Due to the ongoing crisis-

ridden geopolitical situation (Russian invasion of Ukraine, conflicts in the Middle East, supply chain issues, inflation), the Bank has also been carrying out portfolio analyses on an ad-hoc basis. To date, there has been no negative impact on borrowers' ability to service their debt. The Bank continues to monitor borrowers' creditworthiness very closely. Where analyses show any deterioration in borrowers' credit ratings, their rating grades are adjusted accordingly.

In the case of private and corporate clients in the rental housing segment, a sufficient default history is already available, so the Bank can incorporate its own historical borrower correlations into the assessment. In other business segments, regulatory borrower correlations are applied. When calculating the amount of the loss, for reasons of prudence, only security provided in the form of cash collateral and/or loans granted to end-borrowers in accordance with the 'borrower's bank' principle are taken into consideration. For the remaining unsecured portion, the historically estimated loss rates are compared with the regulatory loss rates for all business segments except 'Companies in the financial sector' and 'Public sector', and the higher (more conservative) value is applied in each case. Because the Bank has no history of losses in the two excluded business segments, the regulatory loss rate is applied directly in both cases. The Bank applied the regulatory (IRBA) loss rate of 10% (Article 164 (4) CRR) to the Baden-Württemberg Home Ownership Assistance and Saxony Home Ownership Assistance programmes, and a loss rate of 45% to all other business segments (Article 161 (1a) CRR). As at the reporting date of 31 December 2024, regulatory loss rates had been applied to all business segments. A loss rate of 75% was assumed for all securities eligible for bail-in (Article 161 (1b) CRR), as their servicing is prioritised over any subordinated exposure claims for which the regulatory loss rate is 75%. In the case of shareholdings, the Bank applies a conservative loss rate of 100%.

The following table shows the default probabilities for individual risk categories (a.k.a. 'exposure classes') and shows internal risk categories against the corresponding external risk categories.

RISK CATEGORIES AND CORRESPONDING DEFAULT PROBABILITIES														
Risk category (exposure class)	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Range of probability of default in %	0.01	0.02	0.04	0.09	0.19	0.39	0.80	1.65	3.35	6.70	12.95	23.55	100	100
	0.02	0.04	0.09	0.19	0.39	0.80	1.65	3.35	6.70	12.95	23.55	100		
Mean probability of default in %	0.01	0.03	0.06	0.13	0.27	0.56	1.15	2.35	4.75	9.37	17.63	30.72	100	100
External (S&P)		AA+		A		BBB			BB-	B	CCC+	CC	Default	Default
	AAA	AA	A+	A-	BBB+	BBB-	BB+	BB	B+	B-	CCC	C		
		AA-									CCC-			
	Investment grade						Non-investment grade							

The value-at-risk calculations for default and migration risk are based on a holding period of one year and a confidence level of 99.9%.

Risk concentrations arising primarily from the Bank's public-service mandate are assessed both qualitatively and quantitatively. A qualitative assessment of concentration risks associated with industries, collateral and countries is performed on the basis of the Herfindahl-Hirschman Index (HHI).

Using the parameters applied to the value-at-risk calculation (in particular rating grade/probability of default, recovery rate, correlations) and the fact that

a portfolio model is involved, the risks arising from concentrations on individual borrowers, industries, countries and collateral are included in the value at risk calculated for the default or migration risk. The value at risk is calculated on the basis of a Monte Carlo simulation that takes account of borrower correlations, whereby individual borrower concentration risks are included in the assessment. The quantitative assessment of individual borrower concentrations is made possible by a comparative value-at-risk assessment.

For this purpose, a value at risk is calculated for the entire portfolio on the basis of the Gordy model, which assumes total granularity. The difference between the total value at risk calculated on the basis of the Monte Carlo simulation and the total value at risk calculated on the basis of the Gordy model shows the individual borrower concentration.

To ensure that all risk factors are adequately considered in both quantitative and qualitative assessments, the Bank performs a variety of sensitivity analyses. The inventory of sensitivity analyses is regularly reviewed and expanded as necessary.

### Managing, monitoring and controlling counterparty risk

To limit the risk of loss, comprehensive risk management policies must be observed both when granting loans and as part of ongoing loan processing.

The following table shows the minimum credit ratings which borrowers in each of the individual business segments must normally satisfy at the time the loan is granted. Any exceptions to these requirements must be decided by the Board of Management.

Business segments	Risk category (exposure class)
Loans provided under programmes	Credit ratings required for programme-related development business are stipulated in the development programmes agreed between the State of Baden-Württemberg and L-Bank, and in the Bank's in-house SOPs
Other loans (including securities and financial investments)	1 to 5
Loans in non-programme-related development business that aim: – to finance a growing company or – to support the technological transformation of a company in Baden-Württemberg	Within specified limits, potentially classifiable in risk categories 6 to 8 if the borrower submits a plan for improving their business situation within a specified period that appears both coherent and plausible (Board of Management resolution required)
Loans in non-programme-related development business that meet the federal state's development targets, especially for – enterprise and infrastructure development and – venture capital investments	Classifiable in risk categories below 5, possibly after taking account of collateral provided; lending decision to be taken by the Board of Management
Interest-rate derivatives without collateral	1 to 3, but currently no new business
Interest-rate derivatives with collateral	1 to 5
Countries (currency transfer risk)	1 to 12 Development aid business focused on risk categories 1 and 2

In addition, adequate collateralisation must be assured when granting loans. The type of collateral to be provided in programme-related development business is specified in the corresponding programme guidelines. In non-programme-related development business, care must be taken to obtain sufficient and sustainable collateral, insofar as this is customary in banking and reasonable on the basis of the client's legal form or credit rating. At the same time, the value of the collateral provided must not depend on the borrower's credit rating. L-Bank has specified acceptable types of collateral, and has also specified the maximum value that should be assigned to each type when determining the unsecured portion of the loan. Collateral that, for material or formal reasons, may not be assigned any explicit collateral value must still be accepted when granting loans if the acceptance of such collateral is standard industry practice and if, in the event of enforced realisation, the Bank can expect to realise recovery proceeds.

Furthermore, loans may only be granted if appropriate individual limits have been set for issuer, counterparty and borrower risks. The maximum loan amount that L-Bank may issue to borrowers incurring commercial risks outside the Federal Republic of Germany is restricted by appropriate limits set at country level (country limits). Issuer, counterparty, borrower and country limits are set by the Board of Management based on an internal analysis of credit quality and monitored on a daily basis by the Controlling department. If a limit is exceeded, the heads of the divisions concerned are informed on the same day and appropriate risk-response measures are initiated. The Risk Committee/Supervisory Board is informed of significant limit overruns in the quarterly risk report.

To offset possible losses from counterparty risks, risk-based margins should really be charged when granting loans. Given L-Bank's business model, however, it is not possible to set individual risk-based margins for

development loans issued under the Bank's development programmes. With respect to development aid business, most transactions are conducted with capital-market participants. For these borrowers, the Bank mainly trades in credit spreads on the capital market, meaning that L-Bank only has limited influence on margins. For all loans where margins are not fixed by third parties (programme loans) and where conditions are not set on the capital market, a risk margin is calculated on the basis of the probability of default and incorporated into the decision-making process.

To prevent unbalanced lending decisions, two approving votes (front office/trading and back office) are mandatory for all trading transactions and for all risk-related credit transactions prior to conclusion of the transaction.

Furthermore, the Bank has installed an early risk detection system so that it can identify early-stage deterioration of borrower creditworthiness at the level of both individual transactions and the portfolio as a whole, and subsequently gear ongoing loan processing and risk management to such changes in borrowers' credit ratings.

Due to the Bank's business model, it is not really possible to limit concentration risks by applying new-business policies. However, to ensure that portfolio structures which could endanger the Bank's existence are identified at an early stage, concentration risks are analysed at portfolio level and constrained by value-at-risk (VaR) limits and RWA limits for default and migration risk.

Housing development is associated with a low collateral concentration risk based on the collateralised real estate. Because development funding is restricted to the jurisdiction in which the guarantor is located, the Bank's housing development activities are also associated with a geographical concentration risk.

Residential property prices in Baden-Württemberg declined between mid-2022 and April 2024; they are now slightly below the – still high – level seen at the end of 2021 (–1.4%). As things stand, the risk of loss has not (yet) increased. Nevertheless, the Bank is already preparing appropriate sensitivity analyses due to the particular significance of price trends on Baden-Württemberg's residential property market. Guarantees are subject to another collateral-related concentration risk. Of the guarantees received (without public guarantee or maintenance obligation) worth around EUR 8,370.7 million, the State of Baden-Württemberg accounts for some EUR 7,973.7 million. Due to the State of Baden-Württemberg's credit standing, L-Bank regards this risk as negligible.

L-Bank's business model also shows a low concentration risk associated with industry sectors. At EUR 50,955.9 million, the highest volume of receivables is due from companies in the financial sector. Also included in this amount are receivables from central banks and other public bodies that need not be taken into consideration when determining the degree of interdependency between an institution and the financial system pursuant to Commission Delegated Regulation (EU) 1222/2014 of 8 October 2014. However, the contagion risk to which L-Bank is exposed through receivables from companies in the financial sector is classed as moderate. L-Bank extends loans for enterprise development purposes via borrowers' commercial banks. The Bank's exposure to these borrowers' bank loans amounted to EUR 21,518.6 million as at 31 December 2024. These loans to banks are secured by the assignment to L-Bank of claims on end-clients. Alongside these loans to borrowers' banks, L-Bank engaged in other development business with companies in the financial sector totalling EUR 8,939.8 million, of which EUR 5,032.0 million is

secured by public guarantee/maintenance obligation and another EUR 3,224.1 million was lent to multilateral development banks. EUR 20,497.5 million of the Bank's total lending commitment to companies in the financial sector relate to transactions associated with development aid business and risk management, whereby the Bank invests low-cost funds from refinancing in low-risk or risk-free issuers. Of the above-mentioned EUR 20,497.5 million, an unsecured amount of EUR 7,940.2 million remains after deducting receivables from central banks (EUR 12,527.6 million) and *Pfandbriefe* (EUR 29.7 million). Roughly 98.7% of this is assigned to risk categories 1 to 4 and only around 1.3% to risk category 5. Consequently, the concentration in the financial sector does not currently represent any particular risk of loss for the Bank.

In regional terms, the Bank's public-service mandate means that it is exposed to a very high concentration risk for the region 'Germany'. A total of 81.9% of the risk-relevant portfolio is assignable to Germany, of which 63.9% in turn relates to the State of Baden-Württemberg. Some 12.9% of the risk-relevant portfolio is located in the eurozone (primarily in France, the Netherlands, Austria and Belgium) or with international organisations (such as the European Union and the World Bank). A total of 5.2% of the risk-relevant portfolio is attributable to transactions in countries outside the eurozone, which are performed for purposes of risk management or capital investment.

Ongoing and ad-hoc (incident-related) creditworthiness and collateral classifications are intended, above all, to ensure that the Bank can take early risk-response measures at the level of individual transactions (e.g. by increasing the collateral requirement) in the event that a client's credit standing should deteriorate.

But the classification also enables the Bank to carry out real-time assessments of the entire portfolio’s risk structure. The following table shows the loan portfolio’s risk structure as at 31 December 2024.

**RISK STRUCTURE OF THE LOAN PORTFOLIO AS AT 31.12.2024** in EUR millions

Risk category (exposure class)	Private clients	Com-panies and self-employed persons	Companies in the financial sector	Public sector	L-Bank total	Allocation in %
1	133.4	178.5	18,760.8	17,906.6	36,979.2	38.1
2	1.3	582.2	10,061.9	12,483.2	23,128.7	23.8
3	8.5	2,207.5	16,200.6	207.1	18,623.7	19.2
4	11.1	2,783.7	4,747.7	115.6	7,658.1	7.9
5	4,888.1	3,291.1	563.4	2.5	8,745.2	9.0
6	77.1	388.5	53.5	2.8	521.9	0.5
7	12.6	352.9	265.4	17.6	648.5	0.7
8	0.8	223.0	36.1		259.9	0.3
9	1.6	83.6	6.6		91.8	0.1
10		23.8	0.1		23.9	0.0
11		11.9	139.0		150.9	0.2
12		92.6	120.6		213.2	0.2
13	11.8	77.8			89.6	0.1
14	13.7	20.7	0.1	0.0	34.5	0.0
<b>Total</b>	<b>5,160.0</b>	<b>10,317.8</b>	<b>50,955.9</b>	<b>30,735.3</b>	<b>97,169.0</b>	<b>100.0</b>

In addition to RWA limits, which are used to safeguard the Bank’s risk-bearing capacity from the normative perspective, credit risks are also limited by setting a VaR limit at portfolio level. The following table provides

an overview of the proportion of the aggregate loss ceiling taken up by counterparty risks in the course of 2024.

## VALUE AT RISK FOR COUNTERPARTY RISKS IN 2024 in EUR millions

	31.12.2023		31.03.2024		30.06.2024		30.09.2024		31.12.2024	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,358.5	4,300.0	2,452.0	4,300.0	2,438.6	4,300.0	2,314.4	4,300.0	2,585.7
Share of counterparty risks in %	37.2	32.3	37.2	29.3	37.2	30.0	37.2	28.3	37.2	29.8
Counterparty risks	1,600.0	762.9	1,600.0	717.7	1,600.0	730.7	1,600.0	654.1	1,600.0	769.3

Potential losses associated with counterparty risks in 2024 remain largely unchanged from the previous year.

As part of its ongoing loan processing activity, the Bank ensures that potential losses are minimised or averted by defining rigorous procedures for the treatment of non-performing exposures (NPEs). For example, a regulated dunning procedure is specified to ensure that claims are upheld and settled as soon as possible. For this purpose, loans are classified as problem loans if there are strong indications that, to avert or minimise losses, actions may be required that go beyond the normal scope of client support, intensified client contact, and the provision of additional collateral as part of the intensive support process. Loans are classified as NPEs if they meet any one of the following criteria:

- The client is in material default of payment, i.e. is more than 90 days in arrears with a payable to the Bank exceeding 1% of the total debt and greater than EUR 100 (in the case of retail businesses) or at least EUR 500 (in the case of other clients).

- According to the Bank's internal rating, the client is in risk category 13 or 14.

- An individual risk provision has been made against the client.

- Collateral provided to L-Bank by the client is realised (by compulsory auction excluding partition by auction).

- The client is classified as 'forborne' and is under problem-loan processing.

'Forborne loans' are balance sheet assets where the Bank has given a borrower in financial difficulties extra concessions as part of the restructuring process (e.g. in the form of debt deferral agreements, maturity extensions, repayment holidays or debt rescheduling) in order to re-establish or assure the borrower's debt-servicing capability in the event that the latter has ceased to exist or is acutely at risk. Such a loan must be reported as an NPE and forborne loan for a period of one year after the financial difficulties have been resolved. The loan must then be classified exclusively as a forborne loan for a further two years (forbearance period).

The following table shows the NPE portfolio at the end of 2024. When classifying NPEs, the Bank dis-

tinguishes between restructuring exposure (risk category 13) and workout exposure (risk category 14).

#### NPE PORTFOLIO AS AT 31.12.2024 in EUR millions

	Total risk portfolio	NPE portfolio		Restructuring portfolio		Workout portfolio	
		total	in %	total	in %	total	in %
Private clients	5,160.0	25.4	0.49%	11.8	0.23%	13.7	0.26%
Rental housing construction clients	7,391.2	5.5	0.07%	1.9	0.03%	3.6	0.05%
Companies in the financial sector	50,955.9	0.1	0.00%	0.0	0.00%	0.1	0.00%
Other companies	2,926.6	93.1	3.18%	75.9	2.59%	17.1	0.58%
Public sector	30,735.3	0.0	0.00%	0.0	0.00%	0.0	0.00%
<b>Total</b>	<b>97,169.0</b>	<b>124.1</b>	<b>0.13%</b>	<b>89.6</b>	<b>0.09%</b>	<b>34.5</b>	<b>0.04%</b>

The total NPE portfolio as at 31 December 2024 includes forbore loans in the amount of EUR 29.1 million. Another EUR 2.3 million in forbore loans are in the forbearance period and consequently not included in the reported NPE portfolio.

To ensure that risks are identified early, the Bank has installed various early-warning indicators. These include: deteriorating credit ratings (number and volume) over the portfolio as a whole, as well as for a selection of ten specific 'indicator companies' that play a significant role in multiple business segments and/or industries (including, for example, regionally important employers); trending NPE and NPL ratios; trending collateral values, and changes in recent payment arrears in the residential housing construction market. The fact that residential property prices declined between mid-2022 and April 2024 does not

yet indicate that losses will increase significantly, because price levels are still high. As at the reporting date, and indeed over the whole of fiscal 2024, none of the other early-warning indicators suggested a future increase in default risk.

#### Early and adequate risk provisioning

L-Bank makes appropriate allowance for default risks that have become acute by setting aside specific risk provisions. The Bank also forms general risk provisions for certain portfolios where the risk structure could cause acute default risks to arise in the future. Based on various instruments for the early identification of risks, the Bank has set up stringent processes for forming specific and general risk provisions, and issued corresponding guidelines.

The unsecured portion of NPEs, as determined after prudent valuation of the collateral provided, is fully covered by risk provisions.

## Market price risk

Market price risk refers to potential losses caused by unfavourable price movements on the money and capital markets. Market price risk mainly exists in the form of credit-spread risks, interest-rate risks and, to a negligible extent, foreign-exchange (FX) risks. As the Bank does not maintain trading books, interest-rate risks essentially apply to the long-term investment of equity capital. As well as interest-rate and FX risks, lending and refinancing transactions in the bank book also give rise to market price risks in the form of option risks, because some of the transactions include option-linked features (such as call rights).

## Assessing market price risks

The interest-rate and FX risks in the investment book are quantitatively assessed based on the value at risk and historical simulations. For this purpose, euro or FX receipts collected on the basis of interest-rate risks are compared with euro or FX disbursements made on the basis of interest-rate risks, and a market value is calculated for the resulting gap. L-Bank does not separate out funds invested to cover pension commitments to employees, so these investments form part of the euro bank book. Consequently, for the purposes of assessing interest-rate risk, anticipated disbursements for covering pension commitments have been taken into consideration on the basis of the payments used to calculate these pension commitments. As of 1 January 2024, occupational pension investments for new scheme participants

are no longer made by L-Bank, but by a trustee. Since explicit non-behaviour-dependent options should always be perfectly hedged, there is no need to include them in the euro and FX cash flows.

To monitor risk-bearing capacity, interest-rate and foreign-exchange risk are assessed from the economic perspective on the Bank's risk-bearing capacity, based on a historical simulation over a reference period of 2,500 days with a confidence level of 99.9% and a 250-day holding period. For daily control purposes, a value at risk is calculated on the basis of a 10-day holding period.

A qualitative assessment of the interest-rate risk and FX risk in material foreign currencies is performed using the supervisory standard test and supervisory early-warning indicators.

Risks arising from explicit behaviour-dependent options, as well as risks associated with implicit options, are quantitatively assessed on the basis of the risk factors identified for market price risks as part of the value-at-risk assessment, taking historical observations into account.

Real-estate risk is quantitatively assessed using the value at risk, based on a historical simulation covering changes in rental income for office buildings.

The informative value of the above-mentioned quantitative assessments is verified by means of back-testing and sensitivity analyses. In fiscal year 2024, there was no need to adjust the model on the grounds of incorrect calculation of the stated value at risk. Sensitivity analyses are used to explore possible losses resulting from varying degrees of extreme interest-rate and exchange-rate changes that are not always reflected over the historical reference period applied.

These scenarios are also used to determine the risk of loss due to interest-rate changes that did not occur over the last 2,500 trading days but may occur in the future. The sensitivity analyses confirm the suitability of the risk factors applied. The credit-spread risk is quantitatively assessed by analysing the value at risk, based on a historical simulation covering tradable securities and promissory note loans in favour of capital market-related borrowers in the investment book. Because the Bank generally holds securities from issue to term, this risk only needs to be considered from the normative perspective if a trading option is assumed to result in sales. As at 31 December 2024, this was not the case in projections in either the normal or adverse scenarios.

To monitor the Bank's risk-bearing capacity from an economic perspective, the credit-spread risk is assessed on the basis of a historical simulation of changes in industry-dependent and rating-dependent CDS spread curves. The reference period is 2,500 days with a confidence level of 99.9% and a 250-day holding period. To support these assessments, sensitivity analyses are also performed.

### Managing, monitoring and controlling market price risk

The management of interest-rate and foreign-exchange risks for the investment book as a whole is essentially based on the risk strategy laid down by the Board of Management, which specifies that only longer-term equity investments may give rise to exposures in maturity bands above 24 months. Compliance with this requirement is verified by specifying a corresponding

target risk structure. In the latter, the Board of Management specifies the target interest-rate risk profile, together with deviations per maturity band that are permissible for efficient implementation.

The risk exposure arising from different receipt and disbursement dates for lending and refinancing operations is hedged primarily by means of interest-rate swaps and cross-currency interest-rate swaps. As at 31 December 2024, the portfolio of interest-rate swaps had a nominal value of EUR 83.6 billion. Cross-currency interest-rate swaps had a nominal value of EUR 19.1 billion, currency swaps a nominal value of EUR 12.8 billion.

Furthermore, the Board of Management has resolved that, at the level of individual transactions, all explicit non-behaviour-dependent options in lending and refinancing transactions must be hedged by an identical offsetting transaction as a matter of course. In the Bank's programme-related development business, it is exposed to implicit options under Section 489 of the German Civil Code (BGB). Any potential losses arising from this exposure are offset by the structure of the various development programme mechanisms. Risks associated with behaviour-dependent or embedded options that cannot be hedged are assigned separate limits. As at 31 December 2024, embedded option-related risks were assessed at EUR 21.2 million.

The potential loss on the Bank's real-estate subsidiaries/business parks relates to any write-down that may be required as a result of a decline in expected rental income. The associated real-estate risk amounted to EUR 7.8 million as at 31 December 2024.

As part of the process of safeguarding the Bank's risk-bearing capacity, the Board of Management also sets a VaR limit for interest-rate and foreign-exchange risk (including explicit non-behaviour-de-

pendent options). The following table provides an overview of the proportion of the aggregate loss ceiling taken up by these market price risks in the course of 2024.

**VALUE AT RISK FOR INTEREST-RATE AND FX RISKS IN 2024** in EUR millions

	31.12.2023		31.03.2024		30.06.2024		30.09.2024		31.12.2024	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,358.5	4,300.0	2,452.0	4,300.0	2,438.6	4,300.0	2,314.4	4,300.0	2,585.7
Share of interest-rate and exchange-rate risks in %	20.9	29.3	23.3	29.6	23.3	31.7	23.3	28.4	23.3	27.4
Interest-rate and exchange-rate risks	900.0	690.0	1,000.0	725.8	1,000.0	772.3	1,000.0	656.3	1,000.0	709.1

Potential losses associated with interest-rate and exchange-rate risks remain largely unchanged from the previous year. On 1 January 2024, as a result of the major interest-rate changes, the VaR limit was raised from EUR 900 million to EUR 1,000 million.

A qualitative assessment of the interest-rate risk is made by calculating the loss of net present value (NPV) resulting from a parallel upward or downward shift in the yield curve by 200 basis points relative to the Bank's available equity capital according to Article 72 CRR (standard supervisory test), as required by the regulator. This interest-rate risk coefficient is limited to 20% in L-Bank's internal risk management system, with an early-warning threshold of 16%. In addition, the loss of NPV relative to Tier I capital is calculated in six scenarios specified by the supervisory authority pursuant to Article 25 CRR, with the aim of determining supervisory early-warning indica-

tors (BaFin Circular 06/2019 (BA) – Interest-rate risks in the investment book). Consequently, L-Bank has set a limit of 15% for the supervisory threshold, and an internal early-warning threshold of 14%. These key indicators are calculated and reported to the Board of Management on a daily basis.

EBA guidelines on the management of interest-rate exposure in the investment book (EBA/GL/2018/02) call for the measurement and management of interest-rate risks in the investment book from both NPV and earnings perspectives. When calculating earnings risk, L-Bank uses the same scenarios used to assess NPV. In each case, the effects of these scenarios on the net interest surplus over the next 12 months are determined on the basis of two assumptions: that the interest-rate exposure is retained, and that it is fully closed out. These figures are calculated and reported to the Board of Management every month.

The Controlling department is responsible for monitoring interest-rate risk and foreign-exchange risk by comparing the VaR figures calculated each day with the specified limits. The Board of Management is informed of market price risks in a daily risk report and a monthly aggregated report, which is distributed to the Risk Committee/Supervisory Board on a quarterly basis.

As part of safeguarding the Bank's risk-bearing capacity, the Board of Management also sets a VaR limit for the credit-spread risk. The increase in credit-spread risks in the course of the year was primarily due to new securities business and the inclusion of promissory note loans (in favour of externally rated borrowers) in the fourth quarter. The following table provides an overview of the proportion of the aggregate loss ceiling taken up by this risk in the course of 2024.

#### VALUE AT RISK FOR CREDIT-SPREAD RISK IN 2024 in EUR millions

	31.12.2023		31.03.2024		30.06.2024		30.09.2024		31.12.2024	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,358.5	4,300.0	2,452.0	4,300.0	2,438.6	4,300.0	2,314.4	4,300.0	2,585.7
Share of credit-spread risks in %	20.9	26.1	20.9	28.2	20.9	27.6	20.9	31.1	20.9	33.1
Market-wide spread risks	900.0	615.1	900.0	691.8	900.0	673.8	900.0	719.6	900.0	855.7

#### Loss-free valuation of the non-trading portfolio (bank book)

The Bank uses what is known as the loss-free valuation of interest-rate derivatives to determine a possible provision for impending losses. This is because the bank book derivatives are in a hedging relationship with recognised financial instruments with corresponding or opposing risk profiles. Accordingly, a provision for

impending losses would have to be formed if, as a consequence of this hedging relationship, a so-called commitment surplus was to result from the valuation of the interest-rate book as a whole after a comparison of its book value with its NPV. As at 31 December 2024, these calculations show significant hidden reserves on which even a negative change in the yield curve, determined on the basis of the value-at-risk calculation, would only have a very limited impact.

## Refinancing risk

Refinancing risk refers to the risk that the Bank may not be able to obtain sufficient liquidity on the expected terms when required.

### Assessing the refinancing risk

The refinancing risk for existing transactions (i.e. without taking account of new and interest-rate adjustment transactions) is measured quantitatively by calculating a value at risk with a 250-day holding period and a 99.9% confidence level. This value at risk is calculated on the basis of credit-spread changes observed on the market in the past, based on the underlying assumption that the Bank is only able to refinance net disbursements on less

advantageous terms. Sensitivity analyses that assume a certain deterioration in funding conditions, or a widening of the funding gap, are used to confirm the validity of the calculated results.

### Managing, monitoring and controlling the refinancing risk

To limit the refinancing risk, the calendar-year requirement to refinance the Bank’s open position – in terms of liquidity – from portfolio operations may not exceed EUR 10 billion. This target was met throughout the fiscal year.

The Bank complied with the VaR limit granted under the economic perspective on risk-bearing capacity throughout fiscal year 2024.

#### VALUE AT RISK FOR REFINANCING RISK IN 2024 in EUR millions

	31.12.2023		31.03.2024		30.06.2024		30.09.2024		31.12.2024	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,358.5	4,300.0	2,452.0	4,300.0	2,438.6	4,300.0	2,314.4	4,300.0	2,585.7
Share of refinancing risks in %	14.0	9.6	11.6	9.3	11.6	7.0	11.6	8.3	11.6	6.4
Refinancing risks	600.0	225.4	500.0	227.2	500.0	171.1	500.0	192.7	500.0	164.9

Potential losses associated with refinancing risks are down on the previous year’s figure. The decrease is attributable to the lower refinancing gap used to

determine the value at risk following the reduction of the ECB’s base rate in Q4 2024.

The Controlling department is responsible for monitoring the refinancing risk by comparing the value-at-risk figures calculated each month with the specified limits. The risk of possible future price increases due to higher expenses for follow-up (rollover) refinancing is assessed with the help of various early-warning indicators, based, among other things, on the owner’s creditworthiness and an increase in the cost of short-term refinancing.

The Board of Management is informed of the refinancing risk in a monthly aggregated report, which is distributed to the Risk Committee/Supervisory Board on a quarterly basis.

### Operational risk

Operational risk represents the risk of losses due to the inadequacy or failure of internal processes (including models), individuals or systems, or as a result of external events. This definition includes ICT risks (ICT = ‘information and communication technology’ as defined in Article 3 (5) DORA) and legal risks.

Operational risks resulting from unlawful actions detrimental to the Bank are assessed by means of a threat analysis. Risks arising from outsourced services that fail to comply with contractual terms are accounted for in the materiality assessment of out-

sourced contracts. Whereas central risk managers are appointed by the Board of Management, the role of decentralised risk manager is generally fulfilled by the heads of the various specialist departments, who may also delegate specific tasks to their staff as part of their organisational remit.

### Assessment procedures and management

The size and scope of operational risks are identified and assessed across the specialist departments and in projects with the aid of structured interviews. These interviews are held throughout the year. Any risks identified are assigned to one of five loss-level or loss-frequency classes. These are measured by the impact on L-Bank’s financial position of a potential risk if it was to materialise, as well as the anticipated frequency of such an occurrence. The Bank is obliged to resort to estimates simply because, to date, the Bank has only experienced a minimal number of loss events associated with operational risks, and the consequential damages have been negligible. Hence it is not possible to calculate the value at risk on the basis of historical loss events alone. A loss distribution is derived from expert estimates with the help of a Monte Carlo simulation, and an aggregated value at risk for operational risks is calculated for the Bank as a whole.

#### VALUE AT RISK FOR OPERATIONAL RISK IN 2024 in EUR millions

	31.12.2023		31.03.2024		30.06.2024		30.09.2024		31.12.2024	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,358.5	4,300.0	2,452.0	4,300.0	2,438.6	4,300.0	2,314.4	4,300.0	2,585.7
Share of operational risks in %	1.4	2.3	1.4	2.3	2.0	2.5	2.0	2.6	2.0	2.0
Operational risk	60.0	54.3	60.0	57.0	85.0	60.6	85.0	60.1	85.0	51.6

The Controlling department is responsible for monitoring operational risk by comparing the value-at-risk figures calculated each quarter with the specified limits. The Board of Management is informed of operational risk in the monthly risk report, which is distributed to the Risk Committee/Supervisory Board on a quarterly basis.

On 30 June 2024, the value-at-risk limit for operational risk was raised from EUR 60 million to EUR 85 million. Potential losses associated with operational risks remain largely unchanged from the previous year. The increased VaR in the first three quarters was due to mark-ups for project and outsourcing risks which might not have been identified in full. Following a comprehensive reassessment of ICT and outsourcing risks, the potential losses calculated for Q4 2024 were reduced.

In addition to the usual insurance policies taken out to mitigate the business impact of certain loss events, the internal control system acts as the basis for avoiding operational risks. It includes comprehensive implicit and explicit procedures for safeguarding the Bank's processes and workflows. Typically, these include two-person verification, random spot checks, explicit steps to take in the event of changes to operating processes or structures, an IT permissions management system that excludes conflicts of interest between incompatible activities, and rigorous selection criteria for new recruits. The system as a whole is based on the Bank's written documentation, which takes a modular approach to the formulation of the rules governing corporate structures and workflows.

To ensure that the Bank only enters into business transactions that it can process and manage in a manner commensurate with the associated risk, a new-product process is applied to all new types of business. Prior to first-time acceptance, the Bank

determines the extent to which existing processes and procedures are sufficient to treat the new type of business. The Bank then develops a processing model which is used to depict all HR, organisational, IT, accounting and fiscal consequences associated with the new business. Test cases are used to check the assumptions underlying this model, as well as the adequacy of the processes put in place.

Operational risk is also reduced through ongoing monitoring of conformity with relevant statutory and regulatory provisions (e.g. compliance, prevention of money laundering and fraud, data protection). The Compliance function aims to exclude risks that could arise from non-compliance with legal requirements. Consequently, the Compliance function's role is to help implement effective procedures to ensure that L-Bank complies with the statutory regulations and policies that govern the Bank's activities, and to put in place the necessary controls. Compliance with these requirements is assured by appropriate organisational measures and the ongoing monitoring of relevant business transactions.

Given the Bank's portfolio structure, transfer and conversion risks are generally of very limited significance. The risk that L-Bank might suffer losses due to restrictions on payment transactions and/or currency convertibility as a result of statutory interventions in or against the countries concerned is regarded as negligible. Even so, it is capped by country limits.

When assessing operational risk, any hazards resulting from the provision of Internet-based communication technologies and automated data processing are treated as information risks. To effectively manage such risks, L-Bank's information security strategy is based on the 'IT Baseline Protection Manual' issued by the German Federal Office for Information Security (BSI).

The rules governing corporate structure specify which business activities are carried out in which organisational unit (organisation chart and schedule of responsibilities). The rules governing 'management and representation' specify who may carry out specific business activities. Finally, service agreements and employment policies are used to comply with statutory requirements pertaining to employment law and industrial relations.

With respect to workflow organisation, the Bank makes a distinction between strategy documents, which represent overarching guidelines for all documents governing standard operating procedures, and policies, which represent binding prescriptions for action. These policies define processes for ensuring compliance, assign responsibilities, and regulate the chronological sequence of workflows.

## Outlook for risk situation

In the year under review, the State of Baden-Württemberg's guarantee meant that the Bank was able to obtain refinancing on terms that continued to favour both the Bank and its investors' interests. International demand for liquid, safe investments will provide the Bank with reliable, broadly diversified opportunities to raise capital for the foreseeable future.

The Bank's market price risk is primarily due to longer-term equity investments. In the reporting year, hidden reserves and hidden charges remained extremely stable. The interest-induced hidden charges on securities held as fixed assets are offset by interest-induced hidden reserves in derivative transactions.

The rise in interest-rate levels since mid-2022 continues to bring in higher investment income despite the decline in interest rates towards the end of 2024. Any risk to earnings lies in the possibility that interest rates on long-term loans will continue to decline.

The German economy is experiencing an ongoing slump, now also reflected in growing unemployment. Economic stresses on the country's export-oriented economy caused by the very challenging conditions worldwide are being exacerbated by structural weaknesses in the national business environment and low domestic consumer demand. The newly elected U.S. President's foreign trade policy, which is sharply focused on U.S. interests, is generating economic downside risks. The recent elections of members of Germany's federal parliament (Bundestag) carry the risk that the rise of populist parties could hamper the formation of a new government, hence also the Federal Republic's ability to take political action. Adequate risk provisions are in place.

## Opportunities

Because of the Bank's business model – as development bank of the State of Baden-Württemberg – the opportunities for improving the Bank's net assets, financial performance and financial position are limited. With respect to programme-related development business, the Bank works on behalf of the federal state and receives appropriate cost reimbursements for these services. The transformation of maturities to improve liquidity does offer certain opportunities to earn more income, because as far as liquidity is concerned, the refinancing of the investment portfolio (loans and securities) is not entirely based on matching maturities. However, the opportunity to generate income using this method is associated with the assumption of corresponding risks, which are strictly limited. On the other hand, the Bank avoids any interest-rate risks associated with changes in the general interest-rate level by engaging in derivative interest-rate swaps. All else being equal, it may be possible to increase income if L-Bank's borrowing margin (spread of refinancing transactions over the risk-free yield curve) improves compared to 2024.

Income from new development aid business could rise if the termination of the ECB's bond purchase programme results in further differentiation of credit spreads. Income may also increase if interest rates increase in 2025, because the Bank invests equity in longer-term, risk-free positions. In general, opportunities exist wherever risks fail to materialise, and existing provisions can be reversed at a later date.

## Key Features of the Internal Control and Risk Management System: the Accounting Process

With respect to the accounting process, L-Bank has put a comprehensive internal control and risk management system in place that is continuously reviewed and refined. The system includes specific rules relating to corporate structure and workflow management. These rules ensure compliance with existing accounting standards and regulations, as well as the regularity and reliability of the Bank's accounting functions. The accounting process set down in this system covers everything from the booking and processing of a business operation through to the preparation of the annual financial statements and management report. L-Bank's senior management team is responsible for defining the Bank's internal control and risk management system as it relates to the accounting function. System implementation is the responsibility of the Accounting department, in collaboration with the Controlling department and the Payment Transactions and Trade Settlement department. In addition, the Internal Audit

department carries out regular, process-independent checks to monitor the reliability of the internal control and risk management system as it affects accounting.

L-Bank prepares its financial statements in accordance with the provisions of the German Commercial Code (HGB) and German Bank Accounting Directive (RechKredV), with due regard for generally accepted accounting principles (GAAP). The practical interpretation of these regulations is set out in internal manuals and operating procedures governing the various workflows within L-Bank. The Accounting department is responsible for monitoring internal documents on a regular basis, and for adapting them in line with any statutory or regulatory changes. The comprehensive in-house management reporting function and the Accounting department's involvement in the standardised process for introducing new products also help to ensure that the accounting treatment of new products is correct.

The documentation of the accounting process is carefully organised so that it is easy to understand. All relevant documents are stored and archived in compliance with the statutory timeframes.

The departments most heavily involved in the accounting process have clearly separated functions. The Payment Transactions and Trade Settlement department manages subledgers for loans, securities, and debt and equity accounting. The data is transferred to the general ledger via an automated interface. The Accounting department is responsible for managing the general ledger, laying down rules for assigning items to accounts, operating the bookkeeping and ledger management system, and administering the financial accounting system.

L-Bank uses standard software for its financial accounting. This provides:

- Protection against unauthorised access through a system of permissions based on authorisation levels.
- Avoidance of errors by means of plausibility checks.
- Detection of errors by means of two-person verification, standardised reconciliation routines, and comparisons of budgeted with actual figures.

At the same time, these measures serve to ensure that assets and liabilities are correctly recognised and reported, and also plausibly valued.

The annual financial statements and management report are derived from the Bank's financial accounting system. For the management report in particular, financial and risk controlling data is obtained from the internal management information system, which is subject to a comparable system of internal controls.

The annual financial statements and management report are also subject in their entirety to additional manual controls based on the two-person verification principle (routine double checks).

Up-to-date, reliable and relevant reports on the risk management system as it applies to accounting are regularly submitted to senior management and heads of department. Senior management provides the Supervisory Board and its committees with regular updates on the progress of the Bank's business activities. They also provide ad-hoc reports on exceptional events, as and when they occur.

Karlsruhe, 25 February 2025

Edith Weymayr

Dr Iris Reinelt

Johannes Heinloth

# Separate Non-financial Report – Report of the Board of Management of L-Bank for fiscal year 2024

based on the European Sustainability Reporting Standards (ESRS)

## ESRS 2 General disclosures

### [BP-1] General basis for preparation of the sustainability statement

**Landeskreditbank Baden-Württemberg – Förderbank – (henceforth referred to as L-Bank) has its head office in Karlsruhe and a branch office in Stuttgart. As the state development bank, L-Bank serves the public interest as part of the informal state administration architecture. Ensuring that all L-Bank's activities are sustainable is both a mission and an obligation. As both employer and financial institution, L-Bank has played a role in multiple areas, including social and ecological contexts, for many years.**

Consequently, as required by Section 340a (1a) of the German Commercial Code (HGB), L-Bank has prepared a non-financial statement in accordance with Sections 289b to 289e HGB. This is published as the 'Separate Non-financial Report – Report of the Board of Management of L-Bank for fiscal year 2024' (henceforth referred to as 'Sustainability Report') and for the first time, is based on the European Sustainability Reporting Standards (ESRS). In doing so, L-Bank has made use of the option permitted by the IDW circular dated 16 December 2024, in that the Bank has applied ESRS Set 1 in part only as a preparatory framework for the report. The departure relates to the place of publication: the report

is published separately from the Bank's Management Report. Even so, L-Bank recognises the importance of the ESRS as an international reporting standard.

As with the Bank's previous non-financial reports, this report covers all material non-financial matters stipulated in Section 289c as statutory requirements for all reporting on the impacts of L-Bank's business activities.

As per the FAQs published by the European Commission on 2 February 2022 (OJ C 385/1 of 6 October 2022), L-Bank, as a public-law institution, does not fall within the scope of the 'EU Taxonomy Regulation' (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088). Due to ongoing changes in the regulatory environment, this status is regularly reviewed.

In fiscal year 2024 and up until the reporting date, L-Bank's business activities did not give rise to any material non-financial risks with, or very likely to have, severely negative impacts on reportable matters.

The disclosures in the non-financial report were subjected to a limited-assurance engagement by auditing firm KPMG in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) and an unqualified opinion was issued on the basis of this limited-assurance engagement.

The Sustainability Report was prepared on a non-consolidated basis.

Pursuant to Section 290 (5) HGB in conjunction with Section 296 (2) HGB, L-Bank is not required to prepare consolidated financial statements. Consequently, the Bank did not prepare either consolidated financial statements or a consolidated management report combined with a consolidated sustainability report. Nor did the Bank consolidate subsidiaries or shareholdings in accordance with Article 18 of Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation). This Sustainability Report covers L-Bank's upstream suppliers and service providers as well as downstream client groups – private individuals, business organisations and municipal authorities – insofar as any matters affecting them were assessed as material (e.g. in terms of bought-in energy, financed emissions; for further details see also section E1-6).

This report covers the period from 1 January 2024 to 31 December 2024.

In this report, no use was made of the option to omit specific items of information relating to intellectual property, expertise, or the results of innovations. Nor were any of the exemptions in Articles 19a (3) and 29a (3) of Directive 2013/34/EU applied with respect to the disclosure of impending developments or matters currently under negotiation.

### [BP-2] Disclosures in relation to specific circumstances

In accordance with ESRS requirements, short-, medium- and long-term time horizons are defined respectively as one year or less, one to five years, and more than five years.

Slightly different timeframes apply to scenario analyses undertaken as part of the existing risk management process. In this case, the short-term time horizon is one year, the medium-term time horizon is up to four years,

and the long-term time horizon is more than four years. This discrepancy is due to the application of standard risk strategy methodologies.

### Value chain metrics based on estimates and/or indirect sources

In some cases, this Sustainability Report refers to industry-standard external sources, for example with respect to calculating greenhouse gas (GHG) emissions. In addition, the Bank's portfolio impacts are analysed by reference to industry data (see section E1-6).

The greenhouse gas emission factors for **calculating Scope 1, 2 and 3 GHG emissions** (categories 1–14) from business operations are applied using the VfU Environmental Metrics tool (VfU Kennzahlen-Tool 2024 update V1.4) provided by the German Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V.). To calculate GHG emissions in Scope 3, Category 15 – Financed Emissions – the Bank uses external data on emission factors. The ESG impacts of L-Bank's portfolios are analysed using the UNEP FI Impact Analysis Tools, which refer to industry-specific data on the various positions and exposures in the portfolio.

Thus in some cases, the data used consists of approximations, hence does not necessarily reflect the exact situation. L-Bank is endeavouring to improve the breadth of data used as the basis for future analyses, for example by making greater use of L-Bank's own client data, instead of industry averages.

### Sources of estimates and measurement uncertainty

Metrics that are not based on measured values (but on estimates) are subject to uncertainty. This applies in part (see following paragraph) to the calculation of greenhouse gas emissions.

Such uncertainty is due to the quality of the data obtained from the above-mentioned external sources. Here, the Bank has made certain assumptions concerning the calculation of greenhouse gas emissions.

No property-specific data is available for financed real estate assets. In this case, calculations are based on the greenhouse gas emissions of direct counterparties (included in Scope 3, Category 15 – see section E1-6). For financed emissions, the Bank has applied the methodology provided by the Partnership for Carbon Accounting Financials (PCAF) initiative (also in Scope 3, Category 15). This is based on the corresponding assumptions of the Global Greenhouse Gas Accounting and Reporting Standard. Here, the financial share of a given investment is deemed to be the proportion of total emissions associated with this investment. Due to the challenging situation concerning the data used to calculate emissions from investments, PCAF uses a five-level ranking system to score data quality.

#### **Changes in the methodology used to prepare and present sustainability-related information compared to the previous reporting period**

This Sustainability Report is the first to be prepared in accordance with the ESRS framework. Consequently, there are no changes which are directly comparable with previous reporting periods.

#### **Information stemming from other regulations, legislation or generally accepted sustainability reporting obligations disclosed in this report**

In this report, L-Bank does not use any data published in other regulatory sustainability-related disclosures.

Consequently, the report contains no references to data-points stipulated by other disclosure requirements.

L-Bank has applied all ESRS to analyse impacts on environment and society (impact materiality) as well as sustainability-related risks and opportunities (financial materiality) as part of a double materiality assessment. Topics E1, S1 and G1 emerged as material. The Bank has made use of the options for phased-in disclosure.

#### **Material sustainability matters in the Bank's business model and strategy**

The Bank's business model is based on the L-Bank Act of 11 November 1998 (henceforth referred to as 'L-Bank Act'). The Act mandates the Bank to support the federal state in the performance of its public duties, especially with respect to structural, economic and social policies. In fulfilling its mandate, due consideration must be given to both **mitigating climate change** and adapting to the unavoidable consequences of climate change. The state government's Climate Change Mitigation and Adaptation Act (*Klimaschutz- und Klimawandelanpassungsgesetz*) expanded L-Bank's development finance mandate accordingly.

With respect to transforming the federal state's economy into a low-emission, resource-efficient one, L-Bank's development funding programmes help to support private-sector companies and undertakings. Development finance is provided in accordance with the principle of subsidiarity: L-Bank provides a lever for investment without hindering or crowding out private-sector activities in the process, thereby stimulating investments which might not otherwise have materialised. This also applies to investment projects related to the transformation of the state economy.

L-Bank's long-term success depends on the hard work of its **employees**. Part of L-Bank's strategy is to ensure that its own workers enjoy a working environment characterised by trust and mutual respect.

In view of the Bank's state mandate and its role in the indirect administration of the State of Baden-Württemberg, good **corporate governance** (business conduct) in full compliance with the law is fundamental. Elements of the relevant legal framework include: constraints on L-Bank's business activities; the federal state's statutory liability mechanism for securing good-quality refinancing, and the Bank's non-profit status.

L-Bank defines its client base and development funding priorities in close consultation with its owner, the State of Baden-Württemberg, on the basis of the L-Bank Act.

L-Bank has identified the following sustainability matters as material and is gradually setting specific targets for dealing with them.

Dimension	Topic	Sub-topic	Sub-sub-topic	Targets
Environment	E1: Climate change	<ul style="list-style-type: none"> <li>– Climate change adaptation</li> <li>– Climate change mitigation</li> <li>– Energy</li> </ul>		<ul style="list-style-type: none"> <li>– Zero-emissions targets</li> <li>– Incentives for clients to engage in transformation</li> </ul>
Social	S1: Own workforce	Working conditions	<ul style="list-style-type: none"> <li>– Adequate wages</li> <li>– Social dialogue</li> <li>– Freedom of association, existence of works councils and workers’ rights to information, consultation and participation</li> <li>– Collective bargaining, including ratio of workers covered by collective agreements</li> <li>– Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>– Employee commitment measured against the Employee Commitment Index</li> </ul>
		Equal treatment and opportunities for all	<ul style="list-style-type: none"> <li>– Gender equality and equal pay for work of equal value</li> <li>– Diversity</li> <li>– Actions to prevent violence and harassment in the workplace</li> </ul>	
Governance	G1: Business conduct	Corporate culture		
		Protection of whistleblowers		
		Combating corruption and bribery	Prevention and detection including training and/or case studies	

Table 1: Material sustainability matters and targets

In terms of reducing emissions, L-Bank has made progress. The aim is to upgrade business operations and portfolios such that the Bank achieves **climate neutrality** by 2040. In the reporting year, L-Bank began to draw up a (preliminary) **transition plan** as scheduled, and finalised a preliminary draft. Specific actions will be added to the plan over the coming months. Another goal is to enable enterprise clients in receipt of development finance to achieve climate neutrality. For this purpose, L-Bank is offering a Sustainability Bonus as an incentive for companies and undertakings to submit a carbon footprint audit and a roadmap. The target is for 20 per cent of companies in receipt of the relevant development funding to submit the necessary instruments. The positive response to this incentive has gained momentum in recent years. With respect to **working conditions**, L-Bank successfully concluded an employee survey by the end of the year. The analysis of the results will be translated into specific actions.

The following **strategies** in the Environment, Social and Governance domains reflect the sustainability of the Bank's business policies:

- E1: L-Bank's business strategy defines sustainability as a fundamental requirement for all business activities, as well as the Bank's strategic vision, objectives and initiatives. L-Bank's **sustainability strategy** is the practical expression of this business strategy. To reduce climate-harming emissions from the Bank's own operations, and from upstream links in the Bank's value chain, L-Bank is working on a **transition plan** which forms part of the sustainability strategy. The Bank's **risk strategy** takes account of sustainability-related risks.
- S1: L-Bank's **Code of Ethics and Conduct** forms the basis of teamwork and respectful interaction at L-Bank. The code formulates binding principles, values and standards of conduct for all Bank employees. The Bank has emphasised its commitment to the principle of an appreciative, inclusive, prejudice-free working environment by signing the Diversity Charter. The Bank's **personnel strategy** forms part of its strategic business conduct. Among other things, it includes areas of responsibility and

action, as well as instruments for strategic and operational staff development. It covers all activities with the aim of meeting future challenges related to training, qualifications and job security for the benefit of both workforce and Bank. To provide safe, high-quality working conditions, L-Bank complies with all statutory and legal requirements for worker protection and co-determination, and clearly defines them in a series of **policies** and **work agreements**. These include, for example, provisions for integrating severely disabled employees into working processes, the flexible scheduling of working hours, and an occupational health and safety policy.

- G1: L-Bank has incorporated the **Public Corporate Governance Code** of the State of Baden-Württemberg into its standard operating procedures by resolutions of both the Board of Management and the Supervisory Board, and complies with all the code's provisions. The Bank has set up a system for protecting whistleblowers. As a financial institution, the prevention of money laundering, fraud and the terrorist financing is especially important to L-Bank. In organisational terms, the **Governance & Compliance** department and Anti-Money Laundering unit, together with the supervisory functions represented by the Compliance Officer, **Anti-Money Laundering Officer** and their respective deputies, all report directly to the Board of Management. Other important policies cover the Bank's clearly formulated **risk culture**, as well as its **data protection** policy.

L-Bank also addresses the (potentially) negative impacts of its activities. These include challenges typical of the financial services sector, which are managed using the concepts and policies outlined above. L-Bank uses the full scope of action available to it as a state development bank with a statutory mandate to incorporate the monitoring, avoidance and elimination of negative impacts into its strategies, policies and systems for managing targets and objectives. The Bank has taken the following specific **actions**:

- E1: L-Bank is drawing up a **climate transition plan** in order to achieve its zero-emissions target. This plan is currently under development – the Bank drew up

a preliminary transition plan in the reporting year. L-Bank also awarded an additional interest-rate reduction to certain companies and undertakings which submitted a carbon footprint audit and/or a climate change mitigation plan. In addition, L-Bank worked on updating its development impact management system to better assess and manage sustainability-related impacts.

→ S1: To avoid negative impacts on all Bank employees, L-Bank took certain actions in the reporting year. First, the **personnel strategy** was updated. Second, L-Bank invested in a broad range of **training programmes** for employees' continuing education and professional development – not least in respect of sustainability. And third, L-Bank continued to pursue

the Bank's own internal transformation by deploying **transformation coaches**.

→ G1: As the state development bank, L-Bank bears significant responsibility for the wellbeing of Baden-Württemberg's economy and population. Compliance failures or even worse, incidents of money laundering or other criminal offences would have far-reaching consequences (such as reputational damage) and harm the economy of Baden-Württemberg and indeed Germany as a whole. We therefore ensure compliance with all relevant rules and regulations through our compliance organisation and regular **training courses**.

L-Bank discloses the following sustainability-related metrics:

E1	S1	G1
Energy consumption and mix	Number of employees, also by type of contract and gender	Anti-corruption and anti-bribery training courses
	Employee turnover	
Greenhouse gas emissions	Collective bargaining coverage and social dialogue	Number of convictions for violation of anti-corruption and anti-bribery laws
	Gender distribution at top management level	
Intensity of greenhouse gas emissions	Distribution of employees by age group	Amount paid out in fines for violations of anti-corruption and anti-bribery laws
	Percentage of employees covered by occupational health and safety systems	
	Number of fatalities in own workforce and among external workers	
	Recordable work-related accidents (absolute figures and percentage)	
	Gender pay gap	
	Pay ratio	
	Total number of reported incidents of discrimination	
	Number of complaints	
	Number of severe human rights incidents	
	Total amount of fines, penalties and compensation paid out as a result of the incidents described above	

Table 2: Sustainability-related metrics

[GOV-1] The role of the Bank’s administrative, management and supervisory bodies

**Gender-based breakdown of Board members**

Composition of Management and Supervisory Boards	Board of Management	Supervisory Board
Total number of Board members	3	18 (15 with voting rights, 3 in an advisory capacity)
Number of employee representatives	0	3 (in an advisory capacity)
Number of executive members	3	-
Number of non-executive members	0	-
Number of men	1	12
Percentage of men	33%	66%
Number of women	2	6
Percentage of women	66%	33%
Gender diversity (average ratio of female to male Board members)	2	0.5
Percentage of independent Board members	0	The 15 Board members with voting rights are independent (83%). The 3 advisory members are employed by L-Bank.

Table 3: Composition of Board of Management and Supervisory Board

**Board of Management, Supervisory Board and the Bank’s sustainability apparatus**

L-Bank’s **Board of Management** bears joint responsibility for sustainability matters and regularly concentrates on them. To ensure that Board members are jointly and severally capable of fulfilling their duties and obligations in full at all times, the Bank has put processes in place for regular and ad-hoc assessments of their aptitude and competencies. The Personnel Committee is responsible for implementing aptitude assessments for the Board of Management (for further details, see also G1-GOV-1).

The members of the Board of Management were selected on the basis of their knowledge, skills and experience. All members of L-Bank’s Board of Management have many years of experience of the financial sector and its specific products. Two of the three Board

members have lengthy experience of, and expertise in, the public banking sector. L-Bank provides its services exclusively in Baden-Württemberg.

Supervisory Board members with voting rights are appointed by the state government (Section 9 (2) of the L-Bank Act); L-Bank has no influence on this process. The current members of the Supervisory Board have close ties to Baden-Württemberg, and all have extensive experience of the federal state’s economy, administration, associations and/or politics. The members of both Management and Supervisory Boards have access to the professional experience, information channels and structures described herein, and have completed collective and individual training courses on the management of sustainability matters. Above and beyond this, they do not hold any specific sustainability-related qualifications.

In more detail, each member of the Board of Management has the following responsibilities with respect to sustainability:

- **Edith Weymayr:** Chair of the Board of Management, responsible in particular for business strategy (including sustainability management), housing construction, information technology and digitisation, as well as personnel, organisation and transformation
- **Dr Iris Reinelt:** responsible in particular for risk controlling, governance and compliance, back office and problem loan processing
- **Johannes Heinloth:** responsible in particular for enterprise development, financial aid and treasury

The members of the Board of Management are jointly responsible for managing L-Bank's sustainability-related impacts, risks and opportunities. For example, they review and update the Bank's sustainability strategy once a year. Furthermore, the Board of Management has also taken note of the results of the materiality assessment, including the sustainability matters identified.

Pursuant to the L-Bank Act, the **Supervisory Board** establishes the guidelines for L-Bank's business activities and monitors the work of the Board of Management, including work relating to sustainability matters. The Board of Management reports directly to the Supervisory Board; details of the information to be provided by the Board of Management are defined in the Supervisory Board's standard operating procedures. The Supervisory Board has set up the following standing committees: the Risk, Audit, Personnel and Remuneration Control Committees.

The Management and Supervisory Boards work closely together in all matters concerning sustainability-related impacts, risks and opportunities. Whereas the Board of Management is mandated to adopt the annual revisions of the Bank's business, risk, IT and sustainability strategies, the Supervisory Board's mandate is to monitor and approve the latter. In addition, the Risk Committee deals with risk-related sustainability matters. In the year under review, the separate non-financial report for fiscal year 2023 was submitted to the Audit Committee.

The two committees' deliberations precede the approval of the relevant matters by the Supervisory Board. Following the first-time completion of the double materiality assessment in accordance with ESRS procedures, L-Bank aims to conduct an annual review. For this purpose, sustainability-related impacts, risks and opportunities will be reviewed in a structured process and, if necessary, updated prior to submission to the Board of Management (for further details, see also section IRO-2 in this chapter). With respect to sustainability matters, the Board of Management has defined in-house tasks and responsibilities and created a structure for achieving the Bank's sustainability targets. During the year under review, the Bank's **sustainability apparatus** – upon which the Board of Management can draw – was restructured. The selection process for filling positions in the sustainability apparatus took account of specialist skills and qualifications. A representative of the central **Sustainability Management** unit (part of the Corporate Communications & Strategy department) generally reports on sustainability-related issues to the Board of Management at least once a month or, if necessary, on an ad-hoc basis. The unit also prepares regular reports. In addition, Sustainability Management coordinates the review and, if necessary, updating of the materiality assessment of impacts, risks and opportunities, as well as other sustainability-related issues. To do so, it consults specialist departments and stakeholders while keeping the Board of Management informed.

The Sustainability Management unit also coordinates the **Sustainability Board**, through which specialist departments across the bank can submit their own requirements and have an opportunity to play an active role. The Board organises regular meetings (of which four are scheduled for 2025 onwards) for the discussion of specific work packages based on the sustainability strategy or in action areas relating to ESG regulations. Sustainability Management reports directly to the Board of Management.

In particular, Sustainability Management notifies the Board of Management of all progress made in sustain-

ability-related areas. Every quarter, the risk report updates Supervisory Board members on sustainability-related risk matters, and the strategy report informs them of progress in pursuing sustainability-related goals and targets. Responsibility for these reports lies with the Controlling and Corporate Communications & Strategy departments.

The Bank's **sustainability-related targets** are reviewed annually, as part of the routine process of updating L-Bank's business and sustainability strategies. For this purpose, the Board of Management initiates the strategy review process and sets the guiding principles for the Bank's strategy. The Corporate Communications & Strategy department is responsible for drawing up and internally coordinating the updated strategy, as well as checking its consistency with the Bank's IT and risk strategies. The Board of Management then adopts the strategy and its targets and submits them to the Supervisory Board for approval. Every quarter, the Management and Supervisory Boards are advised of progress made towards achieving the various targets in the strategy report. To maintain the professional skills and aptitudes of the Management and Supervisory Board members for the duration of their respective mandates and thus ensure that they have the necessary level of knowledge concerning sustainability and other matters, L-Bank has established **a continuing professional development (CPD) programme**. Training courses for members of the Management and Supervisory Boards are generally held twice a year. Participation is voluntary. The programme includes a general section, supplemented as required by training courses on specific topics (such as risk management, compliance, prevention of money laundering and other criminal offences, corporate governance, sustainability, etc.). To address L-Bank-specific subject areas, the programme also calls upon the expertise of in-house specialists. In the autumn, for example, Supervisory Board members were given the opportunity to take part in a training course on CSRD-compliant sustainability reporting. Potential optimisation needs and topical training requirements are identified in the course of the annual assessment.

In addition to this programme, Management and Supervisory Board members may take part in individual training courses at any time. In these cases, suitable training programmes are set up in consultation with the Board members concerned.

Finally, **Internal Audit** acts as a control body for reviewing the implementation of the Bank's sustainability strategy and the reporting of sustainability-related targets. The Internal Audit department carries out its duties independently and reports directly to the Board of Management.

### [GOV-2] Information provided to, and sustainability matters addressed by, the Bank's administrative, management and supervisory bodies

The Board of Management regularly discusses material sustainability matters at its weekly meetings. The Supervisory Board meets three times a year and discusses sustainability-related issues at these meetings. The various Supervisory Board committees also address sustainability-related topics on a regular basis. Even as this report was being prepared in the year under review, a materiality assessment was carried out, discussed several times by the Board of Management, and finally adopted. The Board of Management also took advantage of a conference involving all L-Bank heads of department to inform them how to identify and assess material impacts, risks and targets, and encourage them to monitor the latter on an ongoing basis.

The Board of Management was involved in the materiality assessment as a stakeholder, in the form of an interview. The Board addressed the need to adjust policies and strategies to changing circumstances and requirements at the Board's monthly strategy meetings. These included, among other things, revisions of the Bank's sustainability and business strategies. The strategies adopted by the Board of Management were previously discussed by the Risk Committee

(on 3 June 2024) and approved at the Supervisory Board meeting on 1 July 2024. During this meeting, the Supervisory Board also took note of the Bank's personnel strategy. Both Management and Supervisory Boards were provided with relevant information by way of the reporting processes described in the previous section.

Following completion of the first materiality assessment in accordance with ESRS procedures, the Bank now intends to review and update sustainability-related impacts, risks and opportunities on an annual basis. The Board of Management will address sustainability matters as part of this process.

Both Management and Supervisory Boards are also kept informed of progress towards achieving sustainability-related targets and trends in the corresponding metrics by a quarterly strategy report.

Sustainability is one of the fundamental principles behind L-Bank's strategic orientation. Consequently, it represents a fundamental prerequisite for the targets and actions adopted in the Bank's business strategy, which is formulated through a series of practical decisions by the various administrative bodies involved. The Supervisory Board, for example, specifies exclusion criteria for certain kinds of lending transactions associated with non-programme-related development business. These include the exclusion of controversial business activities, companies or undertakings, and countries.

The risk management process takes due account of sustainability-related **risks** as part of reviewing and revising the Bank's risk strategy, which happens on an annual basis. Like all other risks, they are recorded, assessed and reported as part of the annual risk inventory.

Sustainability-related **impacts** are taken into topical consideration whenever strategies are revised or actions formulated on the basis of the latter. So for example, the Board of Management takes the impacts of greenhouse gas emissions into account when revising the sustainability strategy. Impacts that affect the workforce are

included as factors in the revision of the personnel strategy.

At present, there is no single process affording structured, holistic consideration of all sustainability-related impacts, risks and opportunities.

Where necessary, expert judgements by the Sustainability Management unit are included in the material used to prepare documents for administrative, management and Board meetings.

In the course of addressing the materiality assessment and sustainability reporting, the Board of Management took account of all material impacts, risks and opportunities (see Table 1).

### [GOV-3] Integration of sustainability-related performance in incentive schemes

As a financial institution, L-Bank's incentive schemes are based on the German Regulation Governing Executive Remuneration at Institutions (*Institutsvergütungsverordnung*) and comply with the guidelines for a sound remuneration policy set out in Directive 2013/36/EU. Following consultation with the German Federal Financial Supervisory Authority (BaFin), L-Bank pays fixed remuneration exclusively, in accordance with its legally standardised business model, hence completely dispenses with variable remuneration components. In this respect, L-Bank does not have any sustainability-related incentive or remuneration schemes in place for members of the Bank's administrative, executive and supervisory bodies.

The Personnel Committee prepares Supervisory Board resolutions on the appointment of Board of Management members; the committee decides on all matters relating to the service and other contractual elements of Board of Management members' contracts, with the exception of remuneration. The Remuneration Control Committee is specifically responsible for preparing Supervisory Board resolutions on Board of Management members' remuneration.

[GOV-4] Statement on due diligence

The Bank’s practices for fulfilling its due diligence obligations are covered in various sections of this report. The following table provides a condensed overview.

Material aspects of due diligence	Sections of this report	Commentary
a) Embedding due diligence in governance, strategy and the business model	ESRS 2-GOV-2 26. a), b)  ESRS 2-SBM-3 48. a), b)	The Board of Management and Supervisory Board regularly address sustainability-related matters.  The Board of Management and Supervisory Board (including the latter’s committees) regularly address sustainability-related risks.
b) Engaging with affected stakeholders at all key stages of the due diligence process	ESRS 2-SBM-2 45. a) i.-v., S1  ESRS 2-IRO-1, 53. b) iii.  ESRS E1-2 24  ESRS S1-1 19	The undertaking’s key stakeholders (federal state, Board of Management, employees) are continuously involved via multiple points of contact.  Stakeholders were involved in identifying and defining materiality by means of standardised interviews.  As stakeholders, the Board of Management and federal state (via the Supervisory Board) are both involved in drawing up climate change policies (sustainability strategy, transition plan).  Employees (via the Staff Council) are involved in formulating policies related to the Bank’s own workforce.
c) Identifying and assessing adverse impacts	ESRS 2-IRO-1 53. a), e), g)  E1 20. a), b) ii., c) i., 21  ESRS 2-SBM-3 48. a), b)	Experts from several L-Bank departments were involved in the process of identifying and assessing impacts. The process included multiple feedback loops, with opportunities for corrections to be made. The Board of Management was involved in the process.
d) Taking actions to address those adverse impacts	ESRS E1-3 28  ESRS S1-4 37	Suitable actions are always initiated, devised and implemented by the specialist departments responsible, with ultimate responsibility lying with the Board of Management. The Governance & Compliance and Internal Audit departments provide additional safeguards for all processes.
e) Tracking and communicating the effectiveness of these efforts	ESRS E1-4  ESRS S1-5	Targets are set as part of the strategy process and reviewed by Internal Audit. The achievement of strategic goals and targets is communicated to the Board of Management, Supervisory Board and via the Bank’s intranet on a quarterly basis.

Table 4: Disclosures on the fulfilment of the Bank’s due diligence obligations

### [GOV-5] Risk management and internal controls over sustainability reporting

To comply with sustainability reporting requirements, L-Bank follows a risk-based approach. Reporting is a multi-stage process that draws upon the expertise of various L-Bank departments. The entire process is subject to the dual-control principle. The report is approved by the Head of Corporate Communications & Strategy and the Board of Management. The report is submitted to the Audit Committee and the entire Supervisory Board. To assess and prioritise potential risks, the process involves calling on the professional judgements of those in-house departments or experts who already have experience of reporting processes for, in particular, previous separate non-financial reports (e.g. when presenting business models, strategy and emission metrics) and risk management issues (e.g. when presenting sustainability-related risks). Potential risks include risks of incompleteness and inconsistency. There is also the risk of greenwashing, as well as the risks associated with inaccurate data, data input and manual errors in the reporting process as a result of combining data from different systems. To minimise these risks, internal controls have been implemented throughout the report preparation process. These controls are applied at the level of the individual specialist departments responsible for providing the data as well as to the central reporting function. As far as possible, content – especially content of a quantitative nature – is collected from existing systems using existing reporting processes (e.g. as used for financial reporting). In the future, Internal Audit will also monitor the report preparation process. Furthermore, L-Bank is planning to implement a standardised, metrics-based process for embedding the sustainability report in the Bank's reporting mechanisms. Both the Management and Supervisory Boards are involved at multiple stages in the report preparation process.

### [SBM-1] Strategy, business model and value chain

The following sections provide a more detailed description of L-Bank's business model and strategies, each of which is based on L-Bank's statutory development bank mandate as prescribed by the State of Baden-Württemberg.

#### Services

As the federal state's development services provider, L-Bank uses a wide variety of development funding instruments to fulfil the federal state's development mandate. The Bank's development goals and operational targets are all guided by the federal state's development policy. The instruments include development funding for **municipal infrastructure projects** and **housing construction** programmes. By funding new-builds and modernisation projects, L-Bank is making vigorous attempts to improve both the housing supply and the quality of accommodation on offer. At the same time, the Bank is seeking to optimise energy efficiency and support the implementation of environmental and climate-related goals for residential properties.

In addition, L-Bank supports companies, undertakings and entrepreneurship through its **enterprise development** activities, which include consulting, awareness-raising, training and continuing education programmes, as well as development funding programmes. L-Bank's mission and remit is to work closely with the State of Baden-Württemberg to create attractive conditions for entrepreneurship, thereby creating and preserving jobs in Baden-Württemberg. L-Bank supports young and medium-sized undertakings at various stages of development and in all kinds of business circumstances by using appropriate instruments. Thus L-Bank uses instruments such as development loans issued directly or using the 'pass-through' principle (that is, through the borrower's bank or other development banks such as Kreditanstalt für Wiederaufbau (KfW), the federal development bank), as well as financial aid, parental allowances, sureties and guarantees, and equity assistance.

Furthermore, to secure the Bank’s development funding capability, L-Bank also engages in what is termed **development aid business**. The Bank refinances its lending business – inasmuch as the latter does not consist of investing equity capital – by recourse to other development banks and by means of appropriate transactions with institutional investors on the capital market. With respect to climate change, another key sustainability guideline is emerging: to maintain the Bank’s development aid and refinancing activities, L-Bank needs to operationalise the 1.5-degree target established by the Paris Climate Accord, as well as the targets set by the Baden-Württemberg Climate Change Mitigation and Adaptation Act, by applying these targets to the securities in the Bank’s financial investment portfolio and to new business, and by developing suitable new business guidelines. As part of its development aid business, L-Bank makes use of favourable investment opportunities to generate income over and above earnings from equity investments, thereby supplementing the development finance budget provided.

There were no changes to this broad range of activities and instruments during the reporting period. No bans or prohibitions apply to the development funding products and services offered by L-Bank. L-Bank does not derive any income or revenues from the exploration, mining, extraction, production, processing, refining or distribution, including transportation, storage and trade, of fossil fuels, coal, oil or gas. Nor is L-Bank in any way involved in the production of chemicals or controversial weapons, or in the cultivation or production of tobacco.

**Clients**

L-Bank’s business model focuses on the needs of the following groups of clients in Baden-Württemberg:

- Private individuals and families.
- Companies and undertakings, including housing companies, self-employed entrepreneurs and non-profit organisations, as well as credit institutions and other financial services institutions.
- The public sector.

There were no changes in the groups of clients targeted in the reporting year.

**Workforce**

As at 31 December 2024, L-Bank had a total of 1,642 employees. For further details, see section S1-6.

**Income**

Revenues totalled EUR 2,722.1 million during the year under review, broken down as follows:

Type of income	Amount (in EUR millions)
Interest income	2,636.8
Current income from shareholdings	9.3
Commission income	69.8
Other operating income	6.2

Table 5: L-Bank’s revenues, disaggregated

**Sustainability-related targets**

As the Bank’s most important stakeholder, the State of Baden-Württemberg has assigned L-Bank a statutory development mandate which covers, among other things, the mitigation of climate change accompanied by ongoing adaptation to the unavoidable consequences of climate change (Climate Change Mitigation and Adaptation Act). This translates into a series of sustainability-related goals. Like all L-Bank’s activities, these goals are tailored to Baden-Württemberg.

L-Bank will continue to work with the federal state to offer development funding programmes that assist private individuals, companies and undertakings and municipalities in Baden-Württemberg to engage in the necessary transformation. In doing so, the Bank aims to help the federal state to achieve climate neutrality. Even now, L-Bank’s sustainability strategy – for example – includes a target for the proportion of companies in receipt of loans that have submitted a carbon footprint audit and/or an emissions reduction roadmap (for further details, see section E1-4). At the same time, L-Bank aims to strengthen its position as a sustainable capital-market player.

L-Bank is also driving forward digitisation on behalf of its clients, so that their requests can be processed quickly and cost-efficiently while maintaining a suitably high level of security. Digitisation is one of L-Bank's key strategic goals. Thus the development finance portal and the Bank's Digital Filing system are enabling L-Bank to process development funding applications faster and more efficiently. L-Bank's philosophy and actions prioritise the provision of excellent service, and this priority is also expressed through the reliable, systematic recording, processing and evaluation of complaints. L-Bank achieves this goal through a complaints management system that fulfils the relevant regulatory requirements.

#### **Services that support sustainability-related targets**

To assess the Bank's ESG impacts, the sustainability strategy aims to introduce holistic **impact management**. This target is based on measurable, comparable impact indicators. L-Bank has already reached the first milestones on the way to creating this system: the Bank regularly measures the economic value-adding impacts of the Bank's activities with the help of an estimation model of Baden-Württemberg's economy based on the region's total output. The Bank also uses the broader approach of the United Nations Sustainable Development Goals (SDGs) to analyse the extent to which L-Bank's development programmes align with the 17 goals. The analysis focuses on the positive contributions made by each year's newly approved development loan applications. As a development agency with a regional focus on the State of Baden-Württemberg, the issues of climate and environmental action (measured against SDGs 7 and 13), transformation and digitisation (SDG 9) and equal opportunities (SDG 10) are especially important to L-Bank.

Starting in 2022, L-Bank added a **Sustainability Bonus** to the two development programmes most in demand by SMEs in general: the Baden-Württemberg Start-up and Growth Finance (GuW-BW) programme and the Investment Finance programme. Companies that sub-

mit a carbon footprint audit and develop their own climate strategies are awarded an additional interest-rate reduction on their development loans. In 2023, the Sustainability Bonus was extended to include the Tourism Finance Plus programme, and the development funding incentive was made even more attractive by increasing the interest-rate reduction. This enhancement also takes account of one of L-Bank's core strategic objectives: to align its development finance products more closely with sustainable development.

Through the **Energy Finance** programme, for example, L-Bank supports companies, undertakings or organisations that aim to generate, distribute or store renewable energy. L-Bank's housing development products also include incentives for energy-efficient construction and eco-friendly refurbishment projects.

In addition, InnoGrowth BW is a **development programme for start-ups** that aims to strengthen corporate equity and enable growth-focused investment. As part of this development programme, L-Bank is introducing an 'ESG Premium' in support of social and/or ecological business models.

#### **Outlook**

The sustainability of business operations, development funding and capital-market activities (that is, portfolios) is enshrined as a basic premise in L-Bank's business and sustainability strategies. The State of Baden-Württemberg is pursuing ambitious goals on the way to greenhouse gas (i.e. climate) neutrality. For L-Bank, policies for dealing with this challenge include a transition plan and effective development impact management. The Bank is currently working hard on both solutions (see chapter E1). As a development bank, L-Bank plays a strategic role as both transformation enabler and facilitator. By offering bespoke financing packages, L-Bank is able to leverage private-sector investment to facilitate the climate-neutral transformation of the state's economy. In the future, the Bank aims to develop new funding products that will help to fulfil this mission.

**Description of business model and value chain**

L-Bank's business model consists of providing development services such as loans to generate positive stimuli for private individuals, companies and undertakings, and municipalities. In doing so, the Bank supports the federal state in the performance of its public duties, especially with respect to structural, economic and social policies.

To achieve this, L-Bank must recruit and retain well-qualified and motivated employees on the **input side**. This is a fundamental prerequisite for providing the Bank's clients with high-quality services. Consequently, L-Bank aims to be a highly attractive employer, not least by further developing its corporate culture through a wide range of initiatives as set out, for example, in the personnel strategy (see also chapter S1).

On the **output side**, the outcome of the Bank's business activities consists of organising and executing legally compliant development programmes and initiatives. These include, for example, social housing construction and the energy-efficient renovation of existing properties. In this way, L-Bank supports the economic and social policies of the Bank's owner and key stakeholder, the State of Baden-Württemberg.

In particular, L-Bank exerts positive impacts on the federal state's residents, companies and undertakings in the areas of development covered by the Bank's statutory mandate, namely: safeguarding and improving the state economy's SME-focused structure; state-funded housing development; provision of venture capital; structural development of towns, cities and municipalities; infrastructural projects; development of commercial sites; establishment of companies and commercial

undertakings; environmental protection and action, including actions to mitigate climate change and adapt to the unavoidable consequences of climate change; technology and innovation initiatives; purely social projects, especially in support of families, students and social institutions; agroforestry projects; cultural and scientific projects.

L-Bank is at the centre of a value chain comprising upstream and downstream actors. The **upstream value chain** comprises L-Bank's suppliers and service providers, who work primarily in the 'information and communication', 'manufacturing' and 'construction' sectors. An analysis of the service providers who together account for 80 percent of L-Bank's procurement expenditure identified 'freelance scientific and technical services', 'other business services' and 'information and communication' as the most important sectors.

L-Bank's **own operations** include banking operations, programme- and non-programme-related development finance activities, and development aid business. Other areas of activity (such as financial aid) are not material for the purposes of this report.

The **downstream value chain** comprises the following groups of clients: private individuals, companies and undertakings, and municipalities in the State of Baden-Württemberg who benefit from development services. Borrowers' banks (principal banks) act as intermediaries in 'pass-through' or on-lending business, ensuring that clients are eligible for loans granted under the 'borrower's bank' procedure for economic development, and providing L-Bank with evidence that the public development funding awarded was used as intended once the project concerned has been completed.

## [SBM-2] Interests and views of stakeholders

L-Bank has analysed its internal and external stakeholders based two criteria: material influence and material interest, i.e. the extent to which they or their interests either affect or are affected by the Bank's activities (see the following table). This analysis also identifies L-Bank's Board of Management as a stakeholder, although it plays a special role in its capacity as an executive board of L-Bank and publisher of this report. As the beneficiaries of L-Bank's services, the Bank's clients (as described in the previous section) are also important. Due to the Bank's statutory mandate, however, their ability to influence the Bank is limited.

The three L-Bank stakeholders with the highest ratings (based on the criteria described above) are:

- The Bank's owner, the State of Baden-Württemberg, as reflected by the state's Investment Management function and several Supervisory Board mandates.
- The Bank's employees.
- The Bank's Board of Management.

The above stakeholders are involved or engaged with or by L-Bank on an ongoing basis.

The Bank engages with the interests of **employees** by, for example, arranging regular meetings between the Bank's senior management and the Staff Council, as well as feedback sessions between the Head of Personnel and the Board of Management member responsible for the personnel function. The workforce is consulted and updated at staff assemblies, during which the Board of Management also answers employees' questions. In addition, an online employee survey was conducted in autumn 2024 (for further details, see section S1-2); the results were presented to the Board of Management. Identifying stakeholder interests is a key principle behind the systematic, outcome-focused development of the Bank's ongoing sustainability-related activities. For example, the results of the employee survey are being used to formulate suitable actions for personnel work.

The survey results were still being evaluated at the end of the reporting year.

As a state-owned development bank, L-Bank has a particular commitment to the **State of Baden-Württemberg**. The requirements of the federal state as a stakeholder are reflected in the overall direction of L-Bank's business policies. As part of the Bank's engagement with the federal state, this dialogue takes place in scheduled meetings between the Supervisory Board and its committees, and in ad-hoc meetings with representatives of various state ministries. As a stakeholder, the federal state is represented on the Supervisory Board and monitors the Board of Management (see section ESRS 2-GOV-1). The Board of Management is required to report directly to the Supervisory Board. The stakeholder's requirements must always be satisfied in full, and are incorporated into L-Bank's strategies as part of, for example, the annual review. Thus the state government's goal of achieving net greenhouse gas neutrality (climate neutrality) in Baden-Württemberg by 2040 is enshrined in L-Bank's business strategy. The instruments and actions by which L-Bank is striving to achieve its sustainability-related goals in general and the climate neutrality target in particular have been incorporated into the Bank's sustainability strategy. They include, for instance, the transition plan, which L-Bank started to formulate during the reporting year, and the further development of the Bank's development impact management system (see chapter E1).

The **Board of Management** and Supervisory Board are closely involved with the Bank's most important stakeholder, the State of Baden-Württemberg: various state views and interests are represented on the Supervisory Board. In turn, the latter monitors and supervises the work of the Board of Management. The Board of Management is made aware of the federal state's views and interests in, for example, joint meetings. It is highly unlikely that anything in the Bank's relationships with these stakeholders will change. The Supervisory Board also includes three advisory members who represent the interests of the workforce.

L-Bank’s most important stakeholders		Role	Nature of engagement	Frequency
Internal stakeholders	Board of Management	The Board of Management conducts L-Bank’s business on the basis of applicable legislation and the L-Bank Statutes, and is responsible for implementing the Bank’s sustainability strategy.	Decisions Information	Ongoing
	Supervisory Board	The Supervisory Board establishes the guidelines for the Bank’s business activities and monitors the Board of Management’s implementation of the Bank’s business, sustainability, IT and risk strategies.	Supervision Decisions Information	Supervisory Board meetings (three times a year)
	Employees	Employees play a key role in implementing the Bank’s sustainability-related activities. They also have an interest in permanently safe and fair working conditions.	Co-participation through surveys, intranet Consultation through Staff Council, staff assemblies Intranet provides information on the Bank’s processes, business strategy, etc. Information provided in Bank’s written policies and procedures (incl. Code of Ethics and Conduct) on the intranet	Ongoing
	Investment Management	L-Bank has a statutory development mandate, on which all the Bank’s activities are based. The owner’s interests are represented by the Investment Management function, which supports and monitors L-Bank from technical, business and organisational viewpoints.	Ad-hoc exchanges on a wide variety of topics Participation in Supervisory Board meetings	Ongoing
External stakeholders	Clients	L-Bank’s services are client-centric. Clients have an interest in the Bank’s ability to provide development funding and securely organise its services.	Information provided on L-Bank website Consultation through complaints management system	Ongoing
	Investors	Investors play an important role in refinancing the Bank.	Dialogue at forums, trade fairs, etc.	Several times a year
	Commissioning ministries	Commissioning ministries provide part of the Bank’s development funding from the state budget and specify development goals and programme conditions.	Ad-hoc exchanges on a wide variety of subjects Certain mandates represented on the Supervisory Board	Ongoing

Table 6: Overview of stakeholder engagement

### [SBM-3] Material impacts, risks and opportunities and their interaction with the Bank's strategy and business model

The material impacts, risks and opportunities identified in the course of L-Bank's materiality assessment are presented in Table 7.

Most of these sustainability matters relate to L-Bank's banking operations. There are no material impacts, risks or opportunities in the upstream and downstream sections of the value chain. L-Bank's business model relates to Baden-Württemberg exclusively and is defined by the Bank's statutory public-service mandate: the Bank itself cannot change it. This is the basis of the Bank's regular, ongoing strategic development, which requires the approval of the Supervisory Board, as well as other representatives of the federal state. The same applies to L-Bank's value chain. As the Bank's owner, the State of Baden-Württemberg decides on whether and how best to utilise any opportunities. L-Bank maintains a constant dialogue with the Bank's owner (for details of the collaboration between L-Bank and the federal state, see also the various explanations in sections GOV-1 and SBM-2). However, L-Bank includes sustainability-related developments in its annual strategy process. For example, the formulation of a transition plan to reduce greenhouse gas emissions is enshrined in the Bank's sustainability strategy, and the Bank started to draw up the plan during the reporting year. L-Bank is thus setting itself a roadmap for responding to the negative impacts of climate change (E1). With respect to the Bank's own workforce, L-Bank pursues a personnel strategy that aims to further improve working conditions and avoid potentially negative impacts.

These material impacts, risks and opportunities are not incorporated into L-Bank's business model or strategies. Instead, under the development mandate prescribed by the State of Baden-Württemberg, sustainability is a fundamental strategic requirement for L-Bank. The Bank works with policies, actions and initiatives to mitigate or avoid negative impacts and achieve positive impacts through development finance incentives.

L-Bank's business relationships have material **impacts** on the Bank's development funding and development aid business: this is where the Bank exerts an indirect influence on climate change and its consequences by providing development finance and support for climate-intensive industries and activities.

The material **risks** identified do not have a material impact on the Bank's current financial performance or financial position, and do not negatively affect L-Bank's cash flows (liquidity). Based on information currently available, there are no indications that such risks will materialise. Again, based on information currently available, there is no reason to expect any material adjustment to the carrying amounts of the assets and liabilities reported in the relevant financial statements. Risk provisions are directly recognised as expenses in the statement of income and reduce the balance sheet total. L-Bank's financial strength and solvency is secured at all times by the statutory guarantee provided by the State of Baden-Württemberg.

L-Bank assumes that the Bank's **strategy and business model** are suitable for managing the risks and impacts identified. In the short term (up to one year), the Bank's recently updated business and sustainability strategies provide a basis for dealing with risks and impacts, for example by obliging the Bank to draw up a transition plan. In the medium term (up to five years), the Bank assumes that the regular reviews of L-Bank strategies provide an appropriate framework for any further development work that may be necessary. Because sustainability is a fundamental premise for L-Bank, continuous adaptation to the resulting necessities is already built into L-Bank's policies and directives. Furthermore, and in the long term, L-Bank's business model is governed by the Bank's statutory mandate and defined by the State of Baden-Württemberg. Thus the federal state – as a client – also decides on how best to use potential opportunities. Working together with the state, L-Bank will continue to evolve as necessary in a way that maintains its ability to provide development funding. The Bank has not yet conducted a quantitative analysis (on this subject,

see also the details of the Bank's resilience analysis in section E1-SBM-3).

L-Bank has not identified any material impacts, risks or opportunities arising from disclosure requirements other than those covered in the ESRS. Even so, the Bank has added sector-specific and/or undertaking-specific disclosures in chapter G1 because they are closely related to the requirements for sustainable corporate

governance: in the first instance, these consist of disclosures on the prevention of money laundering, terrorist financing and other criminal offences – a complex which is especially significant for L-Bank as a financial institution. The Bank has also added disclosures concerning data protection. Because of the overarching importance of this topic (protecting the data of employees, clients, etc.), these disclosures are also included in chapter G1.

	<b>Material impacts, risks or opportunities:</b> description and effects	Category	Value creation stage	Time horizon	(Planned) actions
	L-Bank is working on a transition plan for making its development business, banking operations and capital market activities (development aid business) climate-neutral by 2040. Further actions in detail:				
	<b>Refinancing risk:</b> non-taxonomy-compliant financing may result in less favourable refinancing conditions for L-Bank.	Risk	Development business, development aid business	Medium term	Risks are addressed by L-Bank’s risk management process and where necessary, by appropriate risk provisioning.
	<b>Loss of value:</b> the materialisation of increasing physical risks (impact of acute and chronic consequences of climate change) and transition risks (impact of e.g. carbon price trends on GHG emissions-intensive sectors of the economy) may result in declining levels of investment and financial market losses.				
E1	<b>Financed emissions:</b> L-Bank’s development funding and support programmes may sometimes target emissions-intensive industries and activities, exerting an amplifying influence on climate change and its consequences.	Negative impact	Development business, development aid business	Short term	Sustainability Bonus  Expansion of development impact management system
	<b>Own emissions:</b> L-Bank’s operations cause greenhouse gas (GHG) emissions, hence exert an amplifying influence on climate change and its consequences.	Negative impact	Banking operations	Medium term	EMAS certification
	<b>Transformation financier:</b> L-Bank supports the energy transition and energy-saving initiatives (reduction of GHG emissions) by financing energy-efficiency projects and investing in renewable energy. This is enabling L-Bank to reduce its influence on climate change and its consequences.	Positive impact	Development business	Medium term	Sustainability Bonus

	Material impacts, risks or opportunities: description and effects	Category	Value creation stage	Time horizon	(Planned) actions
S1	<b>Shortage of skilled labour:</b> filling vacancies with qualified specialists may pose a growing challenge, which could result in financial pressures and competitive disadvantages.	Risk	Banking operations	Short term	Risks are addressed by L-Bank's risk management process
	<b>Employment:</b> L-Bank provides good jobs with attractive working conditions for its employees.	Positive impact	Banking operations	Short term	Revision of Bank's personnel strategy
	<b>Stressful working conditions:</b> day-to-day work may cause health problems affecting employees' mental health in particular.	Negative impact	Banking operations	Short term	Organisational transformation Training and continuing education
	<b>Working atmosphere:</b> an anxiety-inducing, intolerant working atmosphere may affect employees' wellbeing and impair their ability to work.	Negative impact	Banking operations	Short term	Sustainability-related professional development
G1	<b>Growing demands:</b> operational and legal risks caused by regulatory requirements may cause financial pressures.	Risk	Banking operations	Short term	Risks are addressed by L-Bank's risk management process
	<b>Reputational damage affecting the economy:</b> as the state development bank, L-Bank bears significant responsibility for the wellbeing of Baden-Württemberg's economy and population. Compliance failures or even worse, instances of money laundering or other criminal offences would have far-reaching consequences and harm the economy of Baden-Württemberg and Germany.	Negative impact	Banking operations	Short term	Regular training courses

Table 7: Material impacts, opportunities and risks

## [IRO-1] Description of the processes for identifying and assessing material impacts, risks and opportunities

### Methodologies and assumptions

In 2024, L-Bank carried out its first double materiality assessment in accordance with ESRS requirements. This involved identifying and assessing L-Bank's impacts on people and the environment, as well as the Bank's financial risks and opportunities. The result of this assessment forms the basis for the disclosures in this sustainability report.

The underlying **assumption** is that sustainability-related matters may appear at various points along the value chain. On the one hand, the assessment covered the Bank's own business activities, more specifically L-Bank's programme-related development business, non-programme-related development business and development aid business. On the other hand, it also covered the upstream and downstream sections of the value chain.

The upstream section of the value chain includes suppliers and service providers. The downstream section includes primarily private individuals, companies and undertakings, and municipalities, who all represent the end-clients using the Bank's services. To cover all these areas, the assessment processed judgements by in-house experts as well as internal and external stakeholders. The assessment also drew on industry-standard sources and methodologies in each value-adding area:

- **For assessing suppliers and service providers:** use of NACE codes to assign suppliers to sectors; use of UNEP FI Sector Impact Mapping to assess impact materiality.
- **For assessing the Bank's own business operations:** use of existing data, for example from the EMAS-certified management system.
- **For assessing programme-related development business,** i.e. lending under the federal state's statutory mandate: use of L-Bank's SDG analysis to

assess impact materiality, i.e. the material impacts of the Bank's development business; use of UNEP FI Impact Radar to translate the results of the SDG analysis into UNEP FI Impact Radar logic so they can be mapped onto the ESRS.

- **For assessing development aid business and non-programme-related development business:** use of UNEP FI Portfolio Impact Tool to assess the impact materiality of loans; use of UNEP FI Investment Portfolio Impact Tool to assess the impact materiality of the Bank's development aid business; use of UNEP FI Impact Radar to map the impacts onto the ESRS.

### Assessment of impacts

The list of sustainability topics, sub-topics and sub-sub-topics in ESRS 1 AR 16 served as the starting point for **identifying** potentially material matters, from which a group of in-house experts selected the most relevant. The subsequent **assessment** of the potential impacts on people and the environment was based on the ESRS stipulations: the three indicators for each matter – scale, scope and rectifiability – were added together and multiplied by the probability of occurrence. If the result falls within the top 40 percent of the materiality scale, the matter is considered material. For matters related to the Bank's own business operations, the Bank calculated averages at topical level by aggregating the sub-topics assessed as material and performed a final assessment in each case. Matters related to the Bank's development and development aid business were assessed at topical level.

To **prioritise** and consolidate matters across all links in the value chain, an ESRS-based weighting was applied. Thus for example, only the Bank's own business operations could impact the situation of its own workforce, hence the weighting applied to chapter S1 (own workforce). On the other hand, as a service provider, L-Bank has comparatively little direct impact on environmental matters compared to manufacturing companies and undertakings. Here, the Bank's impact is primarily indirect, as a result of its development and development aid activities. So for the environmental standards, these links in the value chain were weighted more heavily.

The fact that L-Bank only has offices in Baden-Württemberg and only provides services within the federal state was also taken into consideration when analysing risks and impacts. Overall, this procedure puts sustainability matters arising from the Bank's development business and own business operations into a reasoned, realistic perspective – hence also those areas of activity in which a heightened risk of adverse impacts might be expected. These potential and actual material impacts of L-Bank's business model form an important part of the materiality assessment's outcomes.

L-Bank's internal and external **stakeholders** were included in the materiality assessment. The relevance of a stakeholder's inclusion was calculated from the average of the stakeholder's influence and interest. The key stakeholders identified by the analysis included the State of Baden-Württemberg's Investment Management function, the Bank's Board of Management and Staff Council, a selection of investors, and the Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. – VfU). At least one interview was held with representatives of all these groups. The procedure did not involve any prioritisation of negative (adverse) impacts.

### Assessment of risks and opportunities

Generally speaking, the Risk Controlling function uses a 'permanent risk inventory' to continuously identify and assess the potential impacts of financial risks and the financial impacts of 'non-financial risks' on the Bank as a whole.

The process of **identifying** financially material topics was conducted at the level of the Bank as a whole, because financial risks and opportunities are considered holistically and managed by means of a comprehensive risk management system. First of all, the Sustainability Management unit longlisted all potentially material topics in accordance with the ESRS. These topics were then subjected to an initial assessment by Risk Management. In-house experts from L-Bank's specialist departments then discussed, validated and where

necessary corrected these topics. Finally, the resulting list of financially material topics was **assessed** and **ranked in order of priority**.

The entire process was observed and facilitated by representatives of L-Bank's Sustainability and Risk Management teams. This made it possible to take due account of the interplay of impacts on people and the environment with financial risks and opportunities. As explained above in section SBM-3, no material risks were identified that would have a material impact on the Bank's current financial performance and position. Furthermore, it is now possible to assume that even the correlations of impacts and dependencies with risks would not necessitate any adjustments to L-Bank's strategies. It should be noted that L-Bank's business model cannot be changed unilaterally (see section SBM-3). Any fundamental change to the Bank's business strategy or business model would require a legal amendment to the Bank's development mandate or the L-Bank Act by the State of Baden-Württemberg. The Bank did not engage in further systematic consideration of the correlations between impacts and risks.

To assess financial risks and opportunities, the Bank used the criteria recommended in the ESRS: scale and probability of occurrence. Cardinal scales were defined for both criteria, and verbal descriptions were assigned to the rankings. For example, the verbal description 'observable impact' was assigned to level 2 for 'scale [of impact]'. At the same time, the probability of occurrence of level 2 impacts was described as 'highly unlikely and long-term'. The Sustainability and Risk Management teams ranked impacts against the cardinal scales and then combined and multiplied them to produce an overall score. Where the result fell within the top 40 percent of the materiality scale, the matter was considered material. The risks were not ranked in order of priority.

The decision-making process incorporates multiple feedback loops, and Risk Management was involved throughout. To obtain the broadest possible risk perspective, in-house experts from L-Bank's specialist departments were also involved when considering

specific points. The outcomes were discussed with other stakeholders and included in multiple reports to the Board of Management, which ultimately endorsed the results. The broad involvement of multiple in-house stakeholders in a multi-stage process ensured multilateral cross-checking and control.

Sustainability-related risks (ESG risks) are included in L-Bank's risk management system. However, the system does not treat them as separate risks, but rather as risk drivers that may affect the risk factors characterising individual risk types, hence also have a potential impact on the Bank's assets, financial performance and financial position. The 7th amendment to the Minimum Requirements for Risk Management (MaRisk) came into force in June 2023, for the first time setting out mandatory requirements for checking and auditing ESG risks in the Bank's business and risk strategies, risk management processes and lending processes. L-Bank is implementing these requirements by, for example, including the relevant risks in borrowers' risk classifications (ratings). The risk driver analysis which was carried out in order to assess ESG risks as part of L-Bank's double materiality assessment in compliance with the Corporate Sustainability Reporting Directive (CSRD) informs the existing risk inventory and is thus an integral part of L-Bank's general risk management process. As at 31 December 2024, neither the Bank's assets nor its financial position were impaired by ESG risks defined by MaRisk as 'material risks'.

Opportunities are not included in this process.

For the first time, a structured approach was taken to incorporating risks into the materiality assessment, without recourse to previous assessments or analyses.

The Bank had already determined materiality in previous reporting periods, as part of preparing the separate non-financial report. In the reporting year, L-Bank followed the above ESRS-compliant procedure for the first time. From now on, the identified impacts, risks and opportunities will be monitored as part of an annual review of the Bank's materiality assessment.

### **Processes for identifying and assessing material impacts, risks and opportunities of sustainability matters that are not material**

The identification and assessment of the materiality of financial and impact-related considerations are based on the judgements of an in-house team of L-Bank experts. The starting point is a compilation – in the form of a longlist – of all potentially material topics set out in the full table in ESRS1 AR16. A key tool for the further identification and assessment of material impacts is L-Bank's own SDG analysis, which records the positive impacts of L-Bank's development activities on the United Nations Sustainable Development Goals (SDGs). With the help of the UNEP FI Impact Radar, the Bank mapped the results of this analysis onto the relevant ESRS topics. In addition, the UNEP FI Portfolio Impact Tool was used to analyse the impact materiality of the Bank's loans, and the UNEP FI Investment Portfolio Impact Tool was used to analyse the impact materiality of the Bank's development aid business. The result is a shorter, more refined list of topics. Where appropriate, the analysis also covers sub-topics. The final selection and assessment are based on ESRS specifications, ultimately resulting in the final list of material topics. The assessment focuses on the Bank's own business operations, as well as the upstream and downstream value chain. In many cases, no definitive statements can be made on the impact of the Bank's portfolios due to a lack of available data and insufficient information. Consequently, the following remarks focus primarily on L-Bank's own operations.

In the results of the analysis, the sustainability matters covered in topical standards E1, S1 and G1 emerged as material, those in E2, E3, E4, E5, S2, S3 and S4 as not material. In the part of the analysis concerned with business conduct (ESRS G1), the Bank's location, activity and sector were used as criteria (for further details of the Bank's business conduct, see chapter G1).

With respect to all **environmental topics**, L-Bank uses an environmental management system accredited under the EU's Eco-Management and Audit Scheme (EMAS) and certified as ISO 14001-compliant. The system is

used to identify and assess direct and indirect environmental matters and impacts. In the process, it is used to analyse potential and actual positive and negative impacts, as well as financial risks. The analysis also takes account of the Bank's impacts on climate change, including L-Bank's greenhouse gas emissions. As part of L-Bank's risk analysis, Risk Controlling addresses climate-related physical risks in banking operations, which includes identifying climate-related hazards and assessing the extent to which L-Bank's assets and business activities may be exposed and sensitive to these climate-related hazards in terms of gross physical risks. The analysis also considers climate-related transition risks by identifying climate-related transition events and assessing the extent to which the Bank's assets and business activities may be exposed to such climate-related events as a result of the emergence of gross transition risks. Risks in the upstream and downstream value chain were analysed as part of the double materiality assessment. To identify and assess short-, medium- and long-term physical and transition risks, the Bank carried out a climate-related scenario analysis by estimating the probability of loan defaults due to rising carbon prices and damage to collateral caused by extreme weather events (for further information on the topic of climate change mitigation, see chapter E1).

It is also clear that environmental risks such as pollution, the loss of biodiversity, and water shortages can have a negative impact on portfolio values or the creditworthiness of individual borrowers. Due to the Bank's business model and the geographical location of its business activities, the risks, as well as the positive and negative impacts, of these matters (ESRS E2 through to E5) were classified as not material in terms of risk management.

In more detail, the reasons for this 'not material' classification are as follows:

- **E2 Pollution:** To identify potential risks, opportunities and impacts connected with pollution within the Bank's own business activities and in the upstream or downstream value chain, L-Bank's assets and business activities were reviewed during the double materiality assessment. The Bank did not consult the communities concerned. Only small quantities of waste and emissions (similar to domestic levels) are generated in the course of banking operations.
- **E3 Water and marine resources:** To identify potential risks, opportunities and impacts connected with water and marine resources within the Bank's own business activities and in the upstream or downstream value chain, L-Bank's sites and business activities were reviewed during the double materiality assessment. The Bank did not consult the communities concerned. No material impacts on water or marine resources are generated by banking operations or as a result of the Bank's geographical positioning or the nature of the Bank's business activities.
- **E4 Biodiversity and ecosystems:** Potential risks, opportunities and impacts connected with biodiversity and ecosystems at the Bank's own sites and in the upstream or downstream value chain were identified and assessed during the double materiality assessment. In principle, the assessment corresponded to the general procedure described above, but in addition, it included findings from a site analysis of the Bank's own sites (conducted under the EMAS protocol). Dependencies on biodiversity and ecosystems and their output were also identified and assessed. The analysis did not consider ecosystem-related services that are or are likely to be

affected by disruptions. During the risk analysis, transition, systemic and physical risks were also analysed in this context wherever the current data situation made it possible to identify them. The Bank did not consult the communities concerned. L-Bank's sites are located in or near protected areas, including Stuttgart's water source conservation area and Karlsruhe's hardwood forest. Because the Bank is a service provider, its office locations do not in themselves exert any negative impact on these areas. Consequently, the Bank concludes that it does not need to take any mitigation measures with respect to biodiversity. Biodiversity is closely linked to climate change; climate change is a driver of biodiversity decline, so the Bank anticipates that physical and transition risks associated with climate change may result in financial risks in the future.

→ **E5 Circular economy:** To identify potential risks, opportunities and impacts connected with the circular economy within the Bank's own business activities and in the upstream or downstream value chain, L-Bank's assets and business activities were reviewed during the double materiality assessment. The Bank did not consult the communities concerned. Certain resources are utilised in the course of banking operations. Due to its sector, L-Bank has few points of contact with the circular economy. Consequently, it is not bound by special disposal regulations. Hence no separate costs are anticipated, and the financial materiality is low.

### [IRO-2] Disclosure requirements covered by the sustainability statement

This sustainability report was prepared in accordance with ESRS requirements. The primary objective was to provide recipients with clear, useful information. To fulfil this requirement, content from previous separate non-financial reports was reviewed and refined. Experts throughout L-Bank were involved in preparing the report, with the aim of aligning the report's content with the information needs of external stakeholders in compliance with disclosure requirements. The results of the materiality assessment served as the starting point. This was followed by a gap analysis, with the aim of allocating potential report content to the datapoints to be disclosed and identify possible gaps. The results were discussed in-house with the specialist departments – thus the content for possible inclusion in chapter S1 was discussed with L-Bank's personnel management. As the process continued, content was finally mapped to requirements (policies, actions, targets). The result was presented to and endorsed by the Board of Management.

This report does not contain any datapoints associated with European legislation or standards other than the ESRS.

A **list of material ESRS datapoints** is presented below. These datapoints have been selected on the basis of the double materiality assessment. The list also contains datapoints that, despite their materiality, are subject to phased-in disclosure requirements and therefore omitted from this report.

## ESRS 2 General disclosures

- [BP-1] General basis for preparation of sustainability statements
- [BP-2] Disclosures in relation to specific circumstances
- [GOV-1] The role of the Bank's administrative, management and supervisory bodies
- [GOV-2] Information provided to and sustainability matters addressed by the Bank's administrative, management and supervisory bodies
- [GOV-3] Integration of sustainability-related performance in incentive schemes
- [GOV-4] Statement on due diligence
- [GOV-5] Risk management and internal controls over sustainability reporting
- [SBM-1] Strategy, business model and value chain
- [SBM-1] Breakdown of total revenue, as included in financial statements, by significant ESRS sectors (no information provided in this report due to phased-in disclosure requirements)
- [SBM-1] List of additional significant ESRS sectors (*no information provided in this report due to phased-in disclosure requirements*)
- [SBM-2] Interests and views of stakeholders
- [SBM-3] Material impacts, risks and opportunities and their interaction with the Bank's strategy and business model
- [SBM-3] Anticipated financial effects over the short-, medium- and long-term (*no information provided in this report due to phased-in disclosure requirements*)
- [IRO-1] Description of the processes for identifying and assessing material impacts, risks and opportunities
- [IRO-2] Disclosure requirements covered by the sustainability statement

## E1 Climate change mitigation

- [GOV-3] Integration of sustainability-related performance in incentive schemes
- [SBM-3] Material impacts, risks and opportunities and their interaction with the Bank's strategy and business model
- [IRO-1] Description of the processes for identifying and assessing material climate-related impacts, risks and opportunities
- [E1-1] Transition plan for climate change mitigation
- [E1-2] Policies related to climate change mitigation and adaptation
- [E1-3] Actions and resources in relation to climate change policies
- [E1-4] Targets related to climate change mitigation and adaptation
- [E1-5] Energy consumption and mix
- [E1-6] Gross Scopes 1, 2, 3 and Total GHG emissions
- [E1-7] GHG removals and GHG mitigation projects financed through carbon credits
- [E1-9] Anticipated financial effects from material physical and transition risks and potential climate-related opportunities (*no information provided in this report due to phased-in disclosure requirements*)

**S1 Own workforce**

[S1-SBM-2] Interests and views of stakeholders

[S1-SBM-3] Material impacts, risks and opportunities and their interaction with the Bank's strategy and business model

[S1-1] Policies related to the Bank's own workforce

[S1-2] Processes for engaging with the Bank's own workforce and workers' representatives about impacts

[S1-3] Processes to remediate negative impacts and channels for the Bank's own workers to raise concerns

[S1-4] Taking action on material impacts on the Bank's own workforce, and approaches to mitigating material risks and pursuing material opportunities related to the Bank's own workforce, and effectiveness of those actions

[S1-5] Targets related to overcoming material negative impacts, advancing positive impacts, and managing material risks and opportunities

[S1-6] Characteristics of the Bank's employees

[S1-7] Characteristics of non-employee workers in the Bank's own workforce *(no information provided in this report due to phased-in disclosure requirements)*

[S1-8] Collective bargaining coverage and social dialogue

[S1-9] Diversity metrics

[S1-10] Adequate wages

[S1-11] Social protection *(no information provided in this report due to phased-in disclosure requirements)*

[S1-12] Persons with disabilities *(no information provided in this report due to phased-in disclosure requirements)*

[S1-13] Training and skills development metrics *(no information provided in this report due to phased-in disclosure requirements)*

[S1-14] Health and safety metrics

[S1-14] Disclosures in relation to work-related ill-health, injuries, accidents and fatalities *(no information provided in this report due to phased-in disclosure requirements)*

[S1-15] Work-life balance metrics *(no information provided in this report due to phased-in disclosure requirements)*

[S1-16] Compensation metrics *(pay gap and total compensation)*

[S1-17] Incidents, complaints and severe human rights impacts

**G1 Business conduct**

[GOV-1] The role of the Bank's administrative, management and supervisory bodies with respect to business conduct

[IRO-1] Description of the processes for identifying and assessing material impacts, risks and opportunities

[G1-1] Business conduct policies and corporate culture

[G1-3] Prevention and detection of corruption and bribery

[G1-4] Confirmed incidents of corruption or bribery

[G1-MDR-A] Actions and resources in relation to business conduct

[G1-MDR-T] Incidents of corruption and bribery

## Environment (E)

### E1 Climate change mitigation

The Bank identified the following material impacts and risks associated with climate change mitigation.

#### Negative impacts

- **Own emissions:** L-Bank's operations cause greenhouse gas (GHG) emissions. In this sense, the Bank exerts an amplifying influence on climate change and its consequences.
- **Financed emissions:** L-Bank's financing activities and development programmes may in certain cases also support emissions-intensive industries and activities. In this sense, the Bank exerts an amplifying influence on climate change and its consequences.

#### Positive impacts

- **Transformation financier:** L-Bank supports the energy transition and resultant energy savings (thereby reducing GHG emissions) by financing energy efficiency projects and investments in renewable energy. In this sense, the Bank is helping to reduce the impact of climate change and its consequences.

#### Risks

- **Refinancing risk:** Non-taxonomy-compliant financing may result in less favourable refinancing conditions for L-Bank.
- **Loss of value:** Driving factors, including growing physical risks (impact of acute and chronic consequences of climate change) and transition risks (impact of e.g. carbon price trends on economic sectors responsible for intensive GHG emissions), may result in declining levels of investment and financial market losses.

### [GOV-3] Integration of sustainability-related performance in incentive schemes

As a state-owned development bank, L-Bank's sustainability management is aligned with the needs and

requirements of the State of Baden-Württemberg. Climate change mitigation has been enshrined in state legislation since 2013. In early 2023, Baden-Württemberg's state parliament passed the new Climate Change Mitigation and Adaptation Act (Klimaschutz- und Klimawandelanpassungsgesetz), which expands L-Bank's statutory development mandate. In 2020, L-Bank signed a climate action agreement with the federal state in which L-Bank specified that it is aiming to achieve climate-neutral business operations by 2030. The Board of Management, Supervisory Board and the Bank's management teams are all working together to achieve the associated targets. L-Bank remuneration does not include an explicitly climate-related component. The Bank currently implements the relevant banking supervisory regulations for incentive and compensation schemes (for further details, see chapter ESRS 2).

### [SBM-3] Material impacts, risks and opportunities and their interaction with the Bank's strategy and business model

Climate change and its consequences are a global, multigenerational challenge. In the future, the business world must play a key role in driving the necessary change processes. L-Bank sees both transition and physical risks associated with climate change.

- The first climate-related **transition risk** lies in the possibility that refinancing conditions may deteriorate if investors shun L-Bank's refinancing instruments due to inadequate sustainability-related requirements, or if they demand higher returns. This would put pressure on the amount of development funding that could be financed.
- The second climate-related **transition risk** arises from the impact of, for example, carbon price trends on GHG emissions-intensive business sectors, which could impair their profitability and hence their ability to service their debt as borrowers.
- In addition, there is a climate-related **physical risk** associated with acute and chronic events such as flooding. This too could cause investments to lose value or result in financial market losses, which in

turn could have an adverse impact on the amount of development funding which L-Bank could finance.

These climate-related risks are subsumed into L-Bank's risk management approach (see also the 'Risk Management' section) and like all other risks, are recorded, assessed and reported as part of the Bank's risk inventory. During this process, **sensitivity analyses** have shown that climate-related risks do not pose a threat to the Bank's business model. None of the physical or transition risks were excluded from these analyses. No account was taken of service providers or suppliers in the upstream value chain other than to analyse the risk to the Bank's data centres.

A sensitivity analysis is a stress test used to analyse the quantitative impact of one risk factor at a time on the Bank's assets, earnings and/or financial position. The analysis is performed at a specific point in time and may focus on a specific portfolio or on the Bank as a whole. All sensitivity analyses are used to identify the relevant risk drivers for the individual risk types. This is done as part of the annual risk inventory process, which also takes climate-related physical and transition risks into consideration. Sensitivity analyses are carried out for the risk types classified as 'material' in accordance with the relevant regulations (MaRisk).

The sensitivity analyses were used to estimate the probability of loan default as a result of, firstly, rising carbon prices and, secondly, the impairment of collateral caused by extreme weather events (such as flooding). In the latter case, it was assumed that housing companies in receipt of development funding would only be able to renew housing stocks after some delay, due to a lack of tangible economic resources. It was also assumed that the housing companies would not be able to pass on the costs in full, which would reduce the profitability of their properties and hence their credit ratings. In addition, it was assumed that with respect to residential properties, the use of technology or an advanced energy mix would not have any effect on the companies' credit ratings.

It is probable that housing companies will experience rising property management costs.

The sensitivity analyses were based on the gross outstanding loan amounts – i.e. without taking account of risk mitigation measures or the realisation of collateral. Both estimates of probable loan defaults produced low values. The risk profile resulting from climate change is regularly and continuously monitored by the Bank's risk management system. In the future, a resilience analysis will also be performed as part of the planned expansion of the ESG risk management system.

In the existing risk management system, risk drivers are analysed using stress tests in the form of **scenario analyses**. Here, the aim is to describe possible future developments and situations and then use this description to analyse alternative courses of action for addressing risk exposure. For stress testing purposes, the scenario analyses are based on assumptions which, in the case of climate-related risks, are informed by the scenarios developed by the Network for Greening the Financial System (NGFS). Where local physical risks are concerned, the NGFS climate scenarios are supplemented by selected local climate-related risk analyses (such as the risk of flooding in Baden-Württemberg). The outcomes of these scenario analyses are taken into consideration in the Bank's business strategy and resulting risk strategy, especially when determining the Bank's risk appetite.

As a state-owned development bank with a statutory remit to support the federal state in the performance of its public duties, especially with respect to structural, economic and social policies, L-Bank's business model is prescribed by law. For this reason, a separate resilience analysis (within the meaning of the ESRS) of the Bank's strategy and business model was not carried out. The Bank is planning to introduce such an analysis as part of the ongoing expansion of the ESG risk management system.

L-Bank's scenario analyses are based on the following time horizons:

- Short-term: 1 year
- Medium-term: < 4 years (materiality assessment: < 5 years)
- Long-term: > 4 years (materiality assessment: > 5 years)

The scenarios informing the analyses are based on various NGFS scenarios (e.g. 'Hot house world'), with a time horizon broken down into 10-year increments from 2020 to 2050.

In the year under review, the Bank did not conduct a separate **resilience analysis** of L-Bank's strategy and business model. Scenario analyses are a fundamental component of L-Bank's existing risk management system. L-Bank's resilience is improved by incorporating the findings from scenario analyses into risk assessment and risk management, for example in the form of general loan-loss provisions and other provisions for risk exposures.

The Bank's **strategy and business model** are designed to manage risks and impacts. In the short term (up to one year), the Bank's business, risk and sustainability strategies provide the basis for dealing with risks and impacts, for example through the Bank's commitment to the formulation of a climate transition plan (on which L-Bank is currently working). In the medium term (up to five years), L-Bank assumes that regular strategy reviews will provide a suitable framework for any further developments that may prove necessary. For L-Bank, sustainability is a fundamental strategic requirement, which is why continuous adaptation to ongoing requirements is already a basic premise. In addition, and over the long term, the Bank's business model is determined by its statutory mandate as prescribed by the State of Baden-Württemberg. By law, the federal state bears a maintenance obligation together with a public-law obligation to secure the Bank's economic basis at all times and ensure that it remains fully functional for the entire

duration of its existence. Thus the resilience of L-Bank's business model is not the result of a quantitative analysis but rather of its statutory mandate, in conjunction with the guarantor's liability provided by the State of Baden-Württemberg.

### [IRO-1] Descriptions of the processes for identifying and assessing material climate-related impacts, risks and opportunities

The Bank's identification of material climate-related impacts was based on in-house expert judgements and validated by selected stakeholders (for a detailed description, see chapter ESRS 2-IRO-1). Other procedures were used to identify impacts on climate change and greenhouse gas emissions: with respect to business operations, test calculations were performed using the tool provided by the Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. – VfU). Calculations of financed emissions were based on the Partnership for Carbon Accounting Finance (PCAF) standard.

L-Bank uses stress scenarios to assess **climate-related risks**: to do so, the Bank draws up a multi-year narrative to describe how the relevant risks affect L-Bank. This scenario is populated by capitalising the parameters impacting L-Bank, which are then used to determine the strength of the capital ratio response when the parameters are extrapolated.

The physical risks associated with business operations are included in the measurement of operational risk (operational value at risk). They are regarded as subordinated risks. Physical risks that could impair credit quality are more significant (for further details, see ESRS 2). If the 'high emissions' case (described by NGFS as the 'Hot house world' scenario) is used as a basis for the risk assessment (as well as the 'Delayed' scenario), the creditworthiness of energy-intensive companies could be impaired by rising carbon prices.

The Bank did not identify any short-term impacts on L-Bank's risk profile. This is why the process works with short-, medium- and long-term time horizons (see also ESRS 2).

The impact on the Bank's risk-bearing capacity is assessed for all risk types and risk subtypes identified as 'material' during the risk inventory process. This involves analysing how the occurrence of a risk could impact the Bank's assets, financial performance and liquidity situation (synonymous with financial position).

As part of the risk analysis, L-Bank carries out scenario analyses for the time horizons specified above. In these scenario analyses, L-Bank assesses the risk of default or business interruption due to climate-related events such as flooding by using geospatial coordinates to evaluate the likelihood of occurrence and potential magnitude of such events. The analysis covers the Bank's own sites in Baden-Württemberg as well as relevant links in the upstream and downstream value chain.

The Bank uses NGFS scenarios, including the 'Hot house world' scenario, as the basis for these scenario analyses. In addition, the Bank considers an ESG scenario that also includes transition risks. To further develop its climate-related scenario analyses, the Bank is planning to incorporate a 1.5 degree-compatible NGFS scenario.

L-Bank also uses NGFS climate scenarios to design the scenarios in existing sensitivity analyses so that the latter can be integrated into the risk management process (for further details of sensitivity analyses, see section E1-SBM-3).

For details of the processes for identifying and assessing climate-related impacts, see section ESRS 2-IRO-1. Climate-related risks are identified during the risk inventory. L-Bank analyses the underlying risk drivers. Risks classified as relevant are then divided into 'material' and 'not material' risks based on their impact on the Bank. Risks that have a direct impact on the Bank are assigned to specific risk types based on their causes.

ESG risks do not represent a distinct risk type; they are regarded as risk drivers associated with 'environment', 'social' and 'governance'. They may impact the Bank's assets, financial performance and financial position either directly, for example through environmental disasters, or indirectly, through counterparty, market price or liquidity risks. The relevance of a given risk is regularly reviewed during the Bank's ongoing risk inventory process. This involves checking whether a given risk or specific subtype is relevant to L-Bank. A relevant risk's materiality is assessed on the basis of its potential impact on the Bank's risk-bearing capacity (capital and/or liquidity adequacy). Stress tests and sensitivity analyses are performed for material risks.

Transition events related to global warming are incorporated into the risk analysis as risk drivers associated with 'social' and 'governance'. Risk management sensitivity analyses explore diverse scenarios based on NGFS climate scenarios among others. A specific scenario (ESG scenario) takes account of the economy's transformation process as motivated by climate-related policies. Scenario analyses combine a narrative description of the potential course of events (including information on risk drivers) with a calculation of impacts on the Bank's assets, financial performance and liquidity situation. The emergence of gross transition risks does not pose a threat to L-Bank's business activities and assets. Further development of scenario analyses is one element in the ongoing evolution of the ESG risk management process (this may also include the introduction of a 1.5-degree scenario).

As part of the risk analysis process, L-Bank carries out scenario analyses over the time horizons described above. The scenarios informing the analysis are based on NGFS scenarios (in particular, 'Hot house world') with a time horizon broken down into 10-year increments from 2020 to 2050.

No assets or business activities were identified in the Bank's own business operations that are incompatible with the transition to a climate-neutral economy or would require significant efforts to align with this transition.

L-Bank performs business sector screenings across its portfolios to identify energy-intensive companies for which the transition to a climate-neutral economy presents particular challenges. Exclusion criteria applied to the Bank's new business identify any assets that are incompatible with such a transition as ineligible for loans.

Climate-related risks are assessed in the scenario analysis covering medium- to long-term time horizons. The Bank does not treat transition risks as a distinct risk type in themselves, instead including them in the analysis of risk drivers.

A risk mitigating general loan-loss provision is recognised in the statement of income (also covering sustainability-related risks).

### Risk management

The main approach to the management of climate-related risks is embedded in L-Bank's risk strategy.

The Bank's risk strategy defines the scope of application, responsibilities and general requirements of L-Bank's risk management function. It includes targets for minimum capital adequacy and minimum liquidity adequacy, as well as additional management objectives and early warning indicators.

The risk management and controlling processes include the

- identification,
  - assessment,
  - management, monitoring and
  - communication
- of material risks.

The Risk Controlling function is responsible for devising, maintaining and developing the related processes.

The risk strategy's scope of application covers L-Bank's business activities, concentrating in particular on the material risks defined in the regulatory provisions of the German Federal Financial Supervisory Authority (BaFin).

All Board of Management members are jointly responsible for the good conduct of the Bank's business organisation and its ongoing development, irrespective of the internal allocation of individual responsibilities. This joint responsibility also applies to all material elements of the Bank's risk management system, taking outsourced activities and processes into consideration. Each member of the Board of Management is responsible for establishing appropriate controls and monitoring arrangements.

By signing the climate action agreement with the State of Baden-Württemberg, L-Bank became a member of the Baden-Württemberg Climate Alliance. The agreement aims to reduce greenhouse gas emissions and energy consumption, becoming climate-neutral in the process. By signing the agreement, L-Bank is committed to taking action to reduce its carbon footprint. This includes, for example, the gradual conversion of the Bank's vehicle fleet to electric vehicles (for further details, see section E1-1).

As L-Bank's key stakeholder, the federal state is involved in the Bank's strategy process as a matter of course via the Supervisory Board and, in particular, the latter's Risk Committee. The Supervisory Board has approved the Bank's risk strategy. The risk strategy is accessible to all employees via the Bank's intranet.

## [E1-1] Transition plan for climate change mitigation

As part of the Bank's sustainability management approach, L-Bank has had an environmental management system in place since 2016, accredited under the European Union's Eco-Management and Audit Scheme (EMAS). The system provides a solid foundation for systematic environmental protection and climate change mitigation. The climate action agreement with the State of Baden-Württemberg, enshrined in EMAS, was another step on the way to developing a climate change mitigation strategy featuring specific actions. L-Bank is now working on a comprehensive transition plan for mitigating the impacts of climate change (transition plan). In it, the Bank is developing a detailed procedure for sustainably transforming L-Bank and its portfolios.

L-Bank's transition plan will:

- Include L-Bank's **climate commitments and targets**, based on the State of Baden-Württemberg's climate targets, which align with the 1.5-degree objective.
- Explain how these targets are to be embedded in the Bank's **strategies**.
- Describe the responsibilities for the operationalisation of these targets based on specific **actions and initiatives** across the Bank's business operations, development business and development aid business.
- Present the **implementation** of the Bank's climate strategy.

The transition plan's goals and targets will align with the Paris Climate Accord's ultimate objective: to limit global warming to just 1.5 degrees. In addition, Baden-Württemberg's even more ambitious climate targets have imposed a binding commitment to make the federal state as a whole climate-neutral by 2040.

In this way, L-Bank is fulfilling its responsibility for climate change mitigation on two fronts: first, as a development bank complying with its statutory mandate to provide suitable incentives for private individuals, municipalities and businesses to invest in environmental protection and climate change mitigation – for example by improving

their energy efficiency or implementing environmental protection and climate change mitigation targets in residential properties. And second, as an organisation acting as a role model for business and society through its own actions, thus by pursuing the climate-neutral development of the Bank's own sites and investment portfolio.

L-Bank does not have any material tangible assets other than its owner-occupied buildings. Consequently the Bank assumes that there are no significant greenhouse gas emissions associated with these assets. Such emissions do not threaten the attainment of the Bank's emission reduction targets or amplify the Bank's transition risks.

L-Bank is not exempt from the EU reference values agreed under the terms of the Paris Climate Accord.

The goal of formulating a transition plan is embedded in L-Bank's sustainability strategy. The milestones for implementing the transition plan are tracked and regularly reported to the Board of Management and Supervisory Board. The transition plan will be submitted to the Board of Management for approval and adoption.

During the year under review, the first step was to draw up a preliminary transition plan. L-Bank intends to gradually refine the plan by defining reliable pathways that are easy to plan and underpin with appropriate actions, with the ultimate aim of becoming climate-neutral by 2040. The Bank is aiming to complete the transition plan by the end of 2025.

### Further information on the transition plan

The transition plan will address L-Bank's business operations and portfolios. L-Bank is under no external obligation to draw up a transition plan. In aiming to achieve climate neutrality by 2040, the transition plan takes direct account of the objectives of L-Bank's key stakeholder, the State of Baden-Württemberg. All L-Bank employees will be able to access the Bank's transition plan via the intranet. The Bank has yet to decide whether to publish the plan on other media channels.

## [E1-2] Policies related to climate change mitigation and adaptation

The Bank's sustainability strategy fleshes out L-Bank's business strategy with respect to climate-related issues and is updated every year.

The sustainability strategy covers the following areas:

- Climate change mitigation.
- Climate change adaptation.
- Energy efficiency.
- Use of renewable energy.
- Other related issues.

### Sustainability strategy

L-Bank's sustainability strategy defines the Bank's strategic sustainability targets. The latter addresses L-Bank's impacts on climate change and climate change mitigation in particular, acting as a guideline for the further transformation of the Bank's business operations as well as its investment and lending business. To do so, it sets strategic goals, a number of which have been operationalised using specific metrics (see section E1-4).

L-Bank's business operations themselves cause emissions that are harmful to the climate. More significant, however, are the greenhouse gas emissions financed through the Bank's development funding and development aid business. Consequently, L-Bank is pursuing the following objectives:

- **Net greenhouse gas neutrality:** to make L-Bank as a whole climate-neutral.
- **Development impact measurement:** to make the impact of the Bank's development activities on the three sustainability dimensions (ESG) and its contribution to sustainable development fully transparent.
- **Development products:** together with new development funding incentives for empowering and developing the competencies of companies seeking sustainable transformation, to develop and refine attractive development products that support and encourage investment in sustainable projects.

Other important elements in the sustainability strategy include:

- Setting up training and continuing education programmes that develop awareness and knowledge of ecological, social and economic matters.
- Establishing regular reports on sustainability matters.
- Setting benchmarks for the sustainable configuration of development funding activities.
- Describing an impact management system.
- Setting benchmarks for sustainable refinancing.
- Commissioning assessments of L-Bank's progress by sustainability agencies.
- Setting benchmarks for strengthening the Bank's sustainable corporate culture and embedding sustainability within the organisation.

The Bank's sustainability strategy guides L-Bank's actions.

The latest version was adopted by the Board of Management on 15 May 2024. Following consultation with the Risk Committee, the Supervisory Board also approved the strategy.

L-Bank's sustainability strategy represents the Bank's response to various external stipulations and objectives. All public institutions are responsible for protecting the natural environment and its resources for future generations. Climate change mitigation (climate action) has been enshrined in Baden-Württemberg's legislation since 2013. In 2023, Baden-Württemberg's state parliament passed the new Climate Change Mitigation and Adaptation Act. Key elements of the Act include goals set for 2030 and 2040. In addition, the adoption of the Climate Change Mitigation and Adaptation Act extended L-Bank's statutory development mandate to include climate change mitigation, as well as adaptation to the unavoidable consequences of climate change. The European Commission is working with European supervisory and regulatory bodies and other standards organisations on practical, real-world projects and policies for building a sustainable real and financial economy, based on the UN's 2030 Agenda for Sustainable

Development, the Paris Climate Accord (including the 1.5-degree target), the 'Fit for 55' package of reforms, and the EU's 'Financing Sustainable Growth' action plan. At regional level, the federal state's Coalition Agreement, as well as state policies such as the Baden-Württemberg Public Corporate Governance Code (PCGK), represent key guidelines underpinning L-Bank's sustainability strategy.

As a signatory of the State of Baden-Württemberg's WIN Charter, L-Bank regularly reports on how it is implementing the Charter's 12 guiding principles. The Bank also publishes an annual EMAS environmental statement describing L-Bank's holistic approach to environmental management. In 2023, L-Bank signed up to the UN Principles for Responsible Investment (PRI). By doing so, the Bank undertook to adhere to the six PRI principles, which require the integration of ESG criteria along with corresponding reports into the investment process for the securities investment portfolio.

Baden-Württemberg's state government and civil society as, respectively, L-Bank's owner and the focus of L-Bank's activities, are represented on the Supervisory Board by their own democratically elected representatives. The Supervisory Board decides on L-Bank's strategies, thus also on the sustainability strategy. As a result, L-Bank's actions are democratically legitimised.

By becoming a member of the United Nations Environment Programme Finance Initiative (UNEP FI) back in 2015, L-Bank reaffirmed its commitment to incorporating environmental and sustainability matters into every aspect and at all levels of the organisation, thereby aiming to act as a role model for other banks in Germany.

The Bank's sustainability strategy is available to all employees on the intranet. It is also accessible to the public on L-Bank's website.

### [E1-3] Actions and resources in relation to climate change policies

L-Bank takes specific actions on the basis of the sustainability strategy. L-Bank is already engaged in climate-related transformation. During the year under review, the Bank continued its efforts to improve transparency and measurability, and to embed climate change mitigation in the Bank's development business. These actions include:

- Awarding a **Sustainability Bonus**, in the form of an additional interest-rate reduction, to corporate borrowers who are embarking or have already embarked on the path to climate change mitigation.
- L-Bank has been accredited under the European Union's Eco-Management and Audit Scheme (**EMAS**) for many years, hence is also certified as ISO 14001-compliant.
- The Bank's **development impact management** system was further refined with the aim of enabling the systematic analysis of the sustainability-related impacts of the Bank's development activities. With this in mind, the Bank continued to map its development activities to the UN SDGs.

#### Sustainability Bonus

The Sustainability Bonus is the Bank's most important climate change mitigation initiative. The bonus is a preferential interest rate, granted if a company or undertaking seeking an enterprise development loan submits a carbon footprint audit and/or a roadmap. L-Bank regards this initiative as an incentive for companies and undertakings to implement the relevant instruments. The bonus also aligns with L-Bank's statutory development mandate.

The Sustainability Bonus presupposes that the applicant fulfils the development funding criteria of the three corresponding enterprise development programmes. The Bank has no plans to phase out the Sustainability Bonus. Indeed, it is possible that the Bank will extend other development programmes to include this compo-

ment. Other actions to remedy actual climate-related damage were not required. Another new service introduced in the reporting year was the introduction of a Stage 3 for repeat applications: undertakings applying for a loan under one of the relevant programmes must provide evidence of the actions they have taken so far to meet bonus-related criteria.

The Sustainability Bonus can be used as a lever to encourage decarbonisation among development programme clients. Firstly, by encouraging transparency (carbon footprint audit). Secondly, by acting as an incentive to define practical emission-reducing actions (roadmap). Any Stage 3 undertakings in receipt of a development loan are expected to provide evidence of the specific emission reduction actions they take in the future.

L-Bank is unable to estimate the extent to which this action will reduce emissions in the future.

### EMAS certification

As in previous years, L-Bank implemented an EMAS-accredited environmental management system for its own business operations throughout 2024. The Bank's system was re-certified in the reporting year. GHG emissions are used as the key benchmark for EMAS certification. This serves as preparation for certifications in coming years.

Certification covers L-Bank as a legal entity, as well as its various sites. The EMAS supervisory audit by a state-approved environmental auditor was completed in 2024. The auditor did not report any findings that required corrective actions. For the first time, the audit also included test calculations for 'Scope 3 category 15' emissions.

Among other things, EMAS certification requires that Bank create an environmental programme specifying concrete actions for reducing emissions. One of the environmental programme actions implemented by the Bank was a 'Managing your organisation's carbon foot-

print' poster, published by the Baden-Württemberg Ministry of the Environment, Climate and Energy jointly with L-Bank. This communication tool provides companies, government agencies, educational institutions and interested members of the public with the most important indicators, milestones, actions and legal conditions for managing climate action in undertakings, as well as details of the support and development programmes offered by the Ministry of the Environment, Climate and Energy in collaboration with L-Bank.

The poster did not bring about any direct GHG emission reductions. In itself, this action is not expected to result in future GHG emission reductions.

### Enhancement of development impact management system

The development impact management system embodies L-Bank's efforts to carry out a comprehensive analysis of the sustainability-related impacts of its development activities. In the year under review, the Bank extended its target of implementing a holistic development impact management system by turning it into a separate key area in L-Bank's sustainability strategy. An important step in this respect was the further development of the Bank's ESG database, for which L-Bank has defined suitable metrics.

L-Bank intends to develop a separate ESG policy for the Bank's investment business, which will also incorporate approaches used in the development impact management system.

As things stand, most loan-financed development funding is included in the analysis of development impacts. In 2025, the defined metrics will be included in a dedicated development impact report for the first time. Corrective actions were not required. The target of creating a holistic development impact management system is now firmly embedded in the latest version of the Bank's sustainability strategy, marking a departure from the previous version.

Development impact management can act as a lever for decarbonisation by providing starting points for the design of future development programmes. Development programmes and development funding conditions are specified by the state government.

This initiative did not achieve any direct GHG emission reductions because quantifiability and controllability have not yet been implemented in the system. L-Bank is unable to estimate future emission reductions.

The most important requirement for achieving these goals is dependable, high-quality data as a major step towards enabling end-to-end transparency. This will meet the information needs of the stakeholder group of investors in particular.

#### [E1-4] Targets related to climate change mitigation and adaptation

L-Bank has set itself the following targets related to climate change mitigation:

- Zero-emission targets.
- Incentives for client-side transformation.

All targets are derived from and enshrined in the Bank's sustainability strategy.

Over the next few years, the state government intends to transform Baden-Württemberg into Europe's leading climate-action state. By steadily reducing emissions, Baden-Württemberg aims to achieve net climate (greenhouse gas) neutrality by 2040. The Climate Change Mitigation and Adaptation Act also extended L-Bank's statutory development mandate. The Bank now intends to underpin this extended mandate with the appropriate initiatives and actions.

The Bank's emission reduction targets are based on the federal state's own objectives rather than an analysis of the Bank's GHG inventory.

The Bank intends to define the specific details (sub-targets, potential offsets, carbon credits, etc.) as part of the transition plan. The Bank is also defining the baseline as part of formulating the transition plan. The Bank's GHG emission reduction targets are not based on scientific research. They are compatible with the aim of limiting global warming to 1.5 degrees.

L-Bank's targets are aligned with Baden-Württemberg's Climate Change Mitigation and Adaptation Act, as well as the federal state's development mandate. Consequently, the Bank is steadily adapting its development services to the overarching emission reduction targets. It is currently not possible to quantify the overall contribution of these efforts towards achieving the above targets.

L-Bank is working with the scenarios described in section E1-SBM-3.

#### Disclosure of methodology used to achieve targets

##### → Zero-emission targets

The Bank uses the VfU Environmental Metrics tool (Kennzahlen-Tool 2024 update V1.4) provided by the Association for Environmental Management and Sustainability in Financial Institutions (VfU) to measure emissions across Scopes 1, 2 and 3 (categories 1-14) based on GHG emission factors. To calculate GHG emissions in 'Scope 3, category 15' – i.e. financed emissions – the Bank uses external data on emission factors. The ESG impacts of L-Bank's portfolios are analysed using the UNEP FI Impact Analysis Tools, which refer to industry-specific data on the various positions and exposures in the portfolio. For the future, L-Bank is endeavouring to improve the analytical quality of the data, for example by making greater use of L-Bank's own client data instead of industry averages.

L-Bank uses recognised sources and methodologies (VfU, PCAF). Calculations are partially validated by the environmental auditor (EMAS). The Bank's external auditor is also commissioned to carry out a limited-assurance engagement.

→ **Incentives for client-side transformation**

This metric covers the number of companies who have carried out a carbon footprint audit and/or the number of companies with a carbon roadmap as a proportion of all companies in receipt of development funding. It shows the extent to which L-Bank is succeeding in incentivising companies and undertakings to take emission-reducing actions.

Companies in receipt of loans must show a neutral, external body that they are fulfilling the associated requirements. The evidence is presented to L-Bank. The number of companies that meet the requirements is calculated as a proportion of the total number of companies in receipt of development funding. L-Bank assumes that companies in receipt of development loans as a result of carbon footprint audits and roadmaps are more likely to reduce emissions than they would be if they did not have incentives to develop these instruments.

[E1-5] Energy consumption and mix

<b>Total energy consumption in connection with own operations</b>	2024
Total fossil energy consumption (MWh)	5,263
Share of fossil energy sources in total energy consumption (percent)	45
Consumption from nuclear energy sources (MWh)	0
Share of nuclear energy sources in total energy consumption (percent)	0
Fuel consumption for renewable sources (MWh)	0
Consumption of purchased or acquired electricity, heat, steam or cooling from renewable sources (MWh)	6,387
Consumption of self-generated non-fuel renewable energy (MWh)	0
Total consumption of energy from renewable sources (MWh)	6,387
Share of renewable energy sources in total energy consumption (percent)	55
Total energy consumption (MWh)	11,650

Table 8: Energy consumption and mix

→ Data on energy consumption is taken from utility bills or statements, which are based on meter readings. Data sources for estimates include, for example, energy performance certificates or consumption figures from previous years. Energy consumption for rental premises is based on meter readings at the point of consumption and deducted accordingly.

→ Individual consumption figures are extrapolated (if, for example, no utility bills are available for rental premises). The extrapolations are based either on energy performance certificates or on L-Bank's figures for energy consumption per employee at other Bank sites. It is assumed that the energy consumption per employee is roughly comparable in view of the similarity of workplace layouts (office workplaces).

→ The data is not subject to external validation.

	Zero-emission targets	Incentive for client-side transformation
Relationship of target to policy objectives	L-Bank aims to achieve climate neutrality across all its business operations and portfolios. The Bank's sustainability strategy defines the relevant targets. The Bank's transition plan defines the specific actions required to meet these targets.	L-Bank aims to support development loan clients seeking to achieve climate neutrality. The Bank's sustainability strategy includes this target.
Defined target level	0	20
Absolute or relative target; unit of measurement	Absolute in CO <sub>2</sub> equivalent (CO <sub>2</sub> eq)	Percent
Scope of target	Sub-targets have been defined for L-Bank's business operations and portfolios.	Clients in receipt of development funding.
Baseline value	To be defined in the transition plan.	–
Base year	To be defined in the transition plan.	–
Period to which target applies	By 2040	2027
Milestones or interim targets	Targets for the years ahead: – 2030: for L-Bank's business operations – 2040: for L-Bank's portfolios	Milestones for the years ahead: 2027: 20%
Methodologies and significant assumptions used to define targets	L-Bank's zero-emission targets are based on Baden-Württemberg's Climate Change Mitigation and Adaptation Act. The details (sub-targets, offset options, carbon credits, etc.) will be defined in the transition plan.	Number of companies/undertakings which have conducted a carbon footprint audit and/or produced a carbon roadmap as a proportion of all companies in receipt of development funding.
Is the target related to environmental matters based on conclusive scientific evidence?	No	There is no direct correlation with environmental matters.
Involvement of stakeholders	Targets were set by L-Bank's key stakeholder, the State of Baden-Württemberg.	The targets were adopted by the Board of Management during the strategy process and approved by the Supervisory Board.
Changes in target	No	No
Performance analysis	It will only be possible to assess performance once a transition plan with a clearly defined base year has been adopted.	This metric will be measured on a quarterly basis, making it possible to monitor the underlying trend(s). The Bank achieved its target during the year under review.

Table 9: Targets related to climate change and climate change mitigation

[E1-6] Gross Scopes 1, 2, 3 and total GHG emissions

	Retrospective			Milestones and targets		
	No disclosures for previous years	2024	Comparative disclosures not yet possible	2030	2045	Base-year comparisons not yet possible
<b>Scope 1 Greenhouse gas (GHG) emissions</b>						
Gross Scope 1 GHG emissions (tCO <sub>2</sub> eq)		190.7				
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)		0				
<b>Scope 2 GHG emissions</b>						
Gross location-based Scope 2 GHG emissions (tCO <sub>2</sub> eq)		2,851.5				
Gross market-based Scope 2 GHG emissions (tCO <sub>2</sub> eq)		424.4				
<b>Significant Scope 3 GHG emissions</b>						
Gross Scope 3 GHG emissions (tCO <sub>2</sub> eq)		13,363,563.0				
3.1	Purchased goods and services	9,501.2				
3.2	Capital goods	804.5				
3.3	Fuel and energy-related activities (not included in Scope 1 or Scope 2)	502.7				
3.4	Upstream transportation and distribution					
3.5	Waste generated by operations					
3.6	Business travel	9.0				
3.7	Commuting employees	1,729.1				
3.8	Upstream leased assets					
3.9	Downstream transportation					

		Retrospective			Milestones and targets		
		No disclosures for previous years	2024	Comparative disclosures not yet possible	2030	2045	Base-year comparisons not yet possible
3.10	Processing of sold products						
3.11	Use of sold products						
3.12	End-of-life treatment of sold products						
3.13	Downstream leased assets						
3.14	Franchises						
3.15	Investments		13,351,062.5				
<b>Total GHG emissions (tCO<sub>2</sub>eq)</b>							
Total GHG emissions (location-based) (tCO <sub>2</sub> eq)			13,366,695.2				
Total GHG emissions (market-based) (tCO <sub>2</sub> eq)			13,364,268.2				

Table 10: Greenhouse gas emissions (tCO<sub>2</sub>eq)

→ Total emissions are based on actual, estimated or extrapolated data. L-Bank accounts for carbon emissions according to Scopes 1, 2 and 3 defined in the GHG Protocol, where:

- Scope 1 includes direct GHG emissions from sources owned or controlled by the Bank.
- Scope 2 includes indirect emissions from the generation of purchased or acquired electricity, steam, heat or cooling from sources outside the Bank.
- Scope 3 covers all other indirect upstream or downstream emissions. The latter include emissions from the production or transportation of purchased goods, or the distribution and utilisation of the Bank’s own products or waste disposal; emissions generated by business travel are also included, as are emissions financed by the Bank’s financial services.

Emissions from the Bank’s own business operations and value chain (Scope 1 and Scope 2, as well as

Scope 3 categories 1 to 14 (where emissions exist in these categories)) are accounted for using the VfU Environmental Metrics tool (Kennzahlen-Tool 2024 V1.4). This covers the material and energy flows typical of the financial sector. As well as a carbon footprint analysis that complies with the GHG protocol, the tool provides indicators for the reporting of metrics in accordance with ESRS E1-6. The ‘ESRS Significance Analysis’ spreadsheet makes it possible to accurately identify significant sources of carbon emissions, as required by the ESRS. To identify significant Scope 3 categories, the ESRS refer to the criteria proposed by the GHG Protocol for determining relevant Scope 3 activities. For the weighting and selection of the significance threshold, the Bank used the values proposed by the VfU tool. The majority of these emissions originate in the value chain. Goods and services purchased externally (Scope 3, category 1), which are accounted for using expenditure-based estimates, are the largest source of such

emissions. As a financial institution, 'Scope 3, category 15' is particularly relevant to the Bank's financed emissions. Emissions caused by financial support provided to clients (Scope 3, category 15) are accounted for using the PCAF standard, based on exposure data.

- To calculate financed emissions, L-Bank uses the Global Greenhouse Gas (GHG) Accounting & Reporting Standard for the Financial Industry, a standard for measuring GHG emissions developed and made available by the Partnership for Carbon Accounting Financials (PCAF). By using this standard, financial institutions can apply standardised methodologies to the measurement of financed emissions. L-Bank signed up to the PCAF initiative in December 2024. The standard is divided up into seven asset classes, of which the four listed below are relevant to L-Bank (the Bank's portfolios do not include finance for commercial properties or motor vehicles; off-balance-sheet business activities are also not included):
- (1) Listed equity and corporate bonds
  - (2) Business loans and unlisted equity
  - (3) Mortgages (on residential properties)
  - (4) Sovereign debt

Calculations are based on the assumptions formulated in the PCAF methodology. Data quality is evaluated in accordance with the PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry. Depending on the data used for the respective calculations, data quality is given a score between 1 (highest quality) and 5 (lowest quality). The average score for L-Bank is based on the mean score across

the four asset classes under review, weighted by the outstanding amount of debt. For asset classes (1), (2) and (4), the Bank draws on a high proportion of verified primary data (from the Bloomberg database) to calculate financed emissions. Here, the data quality is relatively high (score less than 2). For asset class (3), the Bank includes mortgage estimates in the calculation, so that the overall score is substantially lower than for the other asset classes. The average weighted score across all asset classes is 2.31. When calculating Scope 3, category 15 emissions, L-Bank does not use unverified third-party estimates from data providers supplying low-quality data.

- The tonnage of CO<sub>2</sub>eq pertaining to sovereign debt at federal state and provincial level is not covered by the PCAF system. Consequently, the relevant share of emissions generated by these L-Bank investments is not included in the result. This means that the calculations cover 62 percent of the balance-sheet assets analysed.

L-Bank assumes that PCAF's broad database and standardised calculation methods deliver reliable data. Changes to the underlying data and methodologies may have an impact on the estimated results over time.

- An emission factor of zero is applied to market-based emissions from electricity consumption, because the Bank has contracted green electricity suppliers. Specific emission factors provided by the respective utilities are used to account for district heating. Financed emissions are calculated internally by L-Bank; they are not validated by an external body. The Bank uses emission factors from third-party sources.

The intensity of greenhouse gas emissions is calculated on the basis of L-Bank’s total revenues pursuant to section ESRS 2-SBM-1, as shown below:

GHG intensity per total revenue	No disclosures for previous years	2024	Comparative disclosures not yet possible
Total GHG emissions per total revenue, location-based (tCO <sub>2</sub> eq/euro)		0.0049	
Total GHG emissions per total revenue, market-based (tCO <sub>2</sub> eq/euro)		0.0049	

Table 11: Greenhouse gas intensity

	Upstream	Own operations	Downstream
Gross Scope 1 GHG emissions (tCO <sub>2</sub> eq)	-	190.7	-
Gross Scope 2 GHG emissions (location-based)	2,851.5	-	-
Gross Scope 2 GHG emissions (market-based)	424.4	-	-
Gross Scope 3 GHG emissions (tCO <sub>2</sub> eq)	12,591.0	-	13,351,062.5
Percentage of primary data used	4.0 %		29.5%
<b>Total GHG emissions (location-based)</b>	<b>15,442.5</b>	<b>190.7</b>	<b>13,351,062.5</b>
<b>Total GHG emissions (market-based)</b>	<b>13,015.4</b>	<b>190.7</b>	<b>13,351,062.5</b>

Table 12: Greenhouse gas emissions throughout the value chain

The Bank’s carbon footprint was calculated with the help of the methodology provided by the Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. (VfU)), Kennzahlen-Tool 2024 V1.4. In addition to GHG Protocol-compliant accounting in CO<sub>2</sub>eq, this tool makes it possible to create indicators for the reporting of metrics in accordance with CSRD/ESRS E1-6. The tool also includes an ESRS Significance Analysis that makes it possible to accurately identify significant sources of CO<sub>2</sub>eq emissions, as required by the ESRS. This system of indicators records material and energy flows that occur in the course of a financial services provider’s ongoing operations over a 12-month period. L-Bank’s sites in Karlsruhe and Stuttgart are also accounted for.

**[E1-7] GHG removals and GHG mitigation projects financed through carbon credits**

The Bank did not remove (sequester) or store any greenhouse gases.

Every year, L-Bank offsets the reported emissions from its business operations – L-Bank’s carbon footprint – with the help of (Gold Standard) carbon credits obtained through the Baden-Württemberg Climate Action Foundation. The Bank uses these credits to cover Scopes 1, 2 and to some extent 3 (i.e. all categories relating to the Bank’s business operations). Offsets are always retrospective, hence relate to the 2023 reporting year.

L-Bank has set itself a zero-emissions objective. With respect to the Bank’s own business operations, this

objective is entirely achievable. With respect to the value chain as a whole, L-Bank is currently formulating specific actions as part of the transition plan (see section E1-1).

The use of (Gold Standard) carbon credits is consistent with the emission reduction targets which L-Bank has set itself under the terms of its climate action agreement with the State of Baden-Württemberg. The carbon credits will become part of L-Bank's transition plan and support the Bank's zero-emissions objective. The type of carbon credit involved is internationally recognised.

## Social (S)

### S1 Own workforce

The Bank has identified the following material impacts and risks in relation to the Bank's own workforce.

#### Positive impacts

→ **Employment:** L-Bank creates good jobs with attractive working conditions for employees.

#### Negative impacts

→ **Stressful working conditions:** day-to-day work may cause health problems affecting employees' mental health in particular.

→ **Working atmosphere:** an anxiety-inducing, intolerant working atmosphere may harm employees' wellbeing and impair their ability to work.

#### Risks

→ **Shortage of skilled labour:** increasingly, filling vacancies with appropriately qualified specialists may pose a challenge that could result in financial pressures and place the Bank at a competitive disadvantage.

### [S1-SBM-2] Interests and views of stakeholders

L-Bank's employees represent a key group of stakeholders for the Bank. The material negative impacts and risks mentioned above are neither inherent in L-Bank's **business model** nor caused by its strategies. On the contrary: L-Bank uses its strategies to create a framework for mitigating or avoiding negative impacts (see also section S1-1).

L-Bank's **business strategy** takes account of its employees' interests. It enshrines the goal of creating a positive corporate culture that aligns with L-Bank's core values, which include – among others – respect, trust and the satisfaction of all employees. In its business strategy, the Bank has also formulated the strategic goal of initiating a planned, systematic and long-term process of change and further development at L-Bank with the highest possible level of participation by all those affected. One of the resulting actions is the further development of employees to become transformation coaches (see section S1-3), a role in which participants continue to learn and pass on their new knowledge to their colleagues. In this way, L-Bank actively involves employees in the ongoing change process at the Bank. L-Bank adheres to the Code of Ethics and Conduct as well as the State of Baden-Württemberg's Public Corporate Governance Code, not least in respecting human rights as the basis for its strategic development. The Bank's personnel strategy spells out this commitment in specific detail (see section S1-1).

L-Bank's business model is prescribed by law; the Bank has no influence over it. Employee **involvement** in personnel-related decisions is through their legal representative, the Staff Council. In addition, employees can also voice their opinions in an anonymised online survey. The survey serves to provide feedback on employee concerns regarding L-Bank's business strategy. The results of the 2024 employee survey will be incorporated into future strategic development and/or specific follow-up actions. Further details of the co-participation of employees and the Staff Council may be found in chapter ESRS 2.

### [S1-SBM-3] Material impacts, risks and opportunities and their interaction with the Bank's strategy and business model

Many people work together on L-Bank's day-to-day business. In addition to permanent employees, this includes individuals working on temporary contracts for specific work or services, or working for L-Bank through external suppliers. L-Bank employees are affected by the material impacts mentioned above. This includes all personnel who have employment contracts with L-Bank, who make up the majority of the Bank's total workforce. The following explanations focus on all Bank employees who might be affected by material impacts. This does not generally include non-salaried employees. However, non-salaried employees are included in explanations of the Bank's occupational health and safety approach (see section S1-1), in the Bank's policies for the prevention of money laundering, terrorist financing and other criminal offences, and in the Bank's data protection policies (see chapter G1).

L-Bank's **business model** is predicated on the employment of highly qualified staff. Most Bank employees work in an office environment on the Karlsruhe and Stuttgart sites. L-Bank's business strategy takes due consideration of this employee profile and aims to use strategic instruments to ensure that the Bank is and remains an attractive employer for current and future employees (see also details of the Bank's personnel strategy in the following section). The Bank aims to create a positive corporate culture while ensuring that suitably qualified staff are always available. The shortage of suitably skilled workers represents a potential future risk for L-Bank's business model.

The material **negative impacts** identified are considered normal for an institution with employees who work almost exclusively in an office environment. The impacts

are not caused specifically by L-Bank's business model. Other negative impacts related to forced or child labour do not exist because L-Bank only has offices in Baden-Württemberg and is not active in regions or industry sectors where such labour practices are widespread. The impacts are not related to individual incidents (such as industrial accidents). The material negative impacts are neither inherent in L-Bank's business model nor caused by the Bank's strategies. On the contrary: L-Bank uses its strategies to create a framework for mitigating or avoiding negative impacts.

L-Bank exerts material **positive impacts** on its employees by offering them qualified, secure, flexible, inclusive and well-paid jobs.

Demographic change harbours a financial **risk**. Employees are the cornerstone of L-Bank's ability to provide development products and services. It is probable that the (non-)availability of qualified staff will pose an increasing challenge for L-Bank in the future. Sluggish recruitment accompanied by higher staff turnover and temporary vacancies could put the Bank under financial pressure. The material risks are neither inherent in L-Bank's business model nor caused by the Bank's strategies.

To assess the material risks and potential impacts, expert judgements by Staff Council members (including the body representing severely disabled employees) and the Personnel department were included in the materiality assessment. The Bank was unable to identify any material impacts on the workforce arising from the transition to greener, climate-neutral activities. The Bank did not identify any groups that were particularly affected as the result of job profiles or locations. L-Bank is committed to protecting all employees from potential negative impacts (see also the remarks on protection against discrimination in section S1-1).

## [S1-1] Policies related to the Bank's own workforce

L-Bank uses the following policies to manage potentially negative impacts on its employees and to address the risk associated with staffing levels. They apply to the entire workforce unless otherwise indicated in specific cases (the personnel strategy, for example, only applies to salaried employees).

### Fundamental principles

**Human rights** are fundamental rights that protect the freedom and autonomy of every single human being. Respect for human rights is a core value that applies to all L-Bank's business activities and is part of its DNA as a publicly owned institution. The Bank's **Code of Ethics and Conduct** (see following section) combined with the State of Baden-Württemberg's **Public Corporate Governance Code** (see section G1-1) represent fundamental guidelines for respectful interaction between personnel within the Bank. L-Bank is a signatory of the **Diversity Charter**, a nationally recognised commitment to diversity in the workplace. While these policies were not formulated to align specifically with relevant internationally recognised instruments, they do partially overlap with such instruments. They are consistent with, for example, the United Nations Guiding Principles on Business and Human Rights, specifically with respect to the general principle of non-discrimination with a particular focus on the rights and needs of individuals from social groups or population segments exposed to a greater risk of vulnerability and marginalisation (such as individuals with disabilities).

These guiding principles embody L-Bank's approach to safeguarding human rights. The senior management team and Personnel department collaborate with the Staff Council as the legal representative of the Bank's own employees, thereby involving the latter (for further details, see section S1-2).

The Bank has a mechanism for reporting and remediating potential human rights violations (see section S1-3). L-Bank also has a policy for preventing accidents in

the workplace (see section on occupational health management).

As a public-sector contracting authority, L-Bank complies with the EU Public Procurement Directives when awarding contracts. This ensures that all companies involved comply with their legal obligations when performing a contract.

### Code of Ethics and Conduct

The Code of Ethics and Conduct is a cornerstone of the Bank's personnel policies, underpinning the high standards of cooperation between all L-Bank employees. The Code sets down binding guidelines, values and standards of conduct. Areas covered include, for example, legally impeccable behaviour, personal integrity, collaboration in a spirit of trust, open communication, and support for individual health and wellbeing. It forms the basis for a working environment that is free from unequal treatment and discrimination. The Code applies to L-Bank and all employees working in the Bank's own business operations. The Board of Management adopted its implementation and is ultimately responsible for the latter.

The Bank is under no legal obligation to draw up a code. The Code was produced in consultation with the Staff Council. It can be accessed by all employees on the Bank's intranet.

### Personnel strategy

The Bank's personnel strategy serves to safeguard and improve working conditions, generating positive impacts for employees and avoiding negative impacts. At the same time, it addresses the risk arising from the increasing competition for skilled labour. The personnel strategy defines the action areas for HR policies and sets out the actions required to achieve the Bank's strategic goals in terms of staffing and personnel. By following this strategy, the Bank is creating working conditions in which employees can thrive, flourish and grow (for details of specific actions, see section S1-4).

The personnel strategy covers four action areas, which in turn address a range of personnel-related topics:

- **Management and Leadership:** This action area deals with topics such as understanding leadership, management development programmes, career models, employee dialogue and healthy leadership.
- **Employee Experience:** This action area deals with topics such as the employee lifecycle, training and continuing education, compensation and benefits, digital active sourcing, media strategy, higher-education marketing, talent relationship management, corporate pension schemes, and health management.
- **Transformation and Change:** This action area deals with topics such as the training of transformation coaches, the 'Work hacks' programme, the New Work project platform, methodology training and peer consultation.
- **Processes and Structures:** This action area deals with topics such as the ongoing development of the Personnel Controlling function, restructuring of process management, and digital workflows.

L-Bank's personnel strategy covers the Bank's own current and future employees. The Board of Management adopted its implementation and is ultimately responsible for it. The Bank is under no legal obligation to draw up a personnel strategy.

To involve Bank employees in the development of the personnel strategy, L-Bank set up interactive booths on the Karlsruhe and Stuttgart sites. This initiative was accompanied by a Bank-wide communication and discussion event. The personnel strategy is accessible to all employees on the Bank's intranet. The Bank used and continues to use targeted communications on the intranet (in the form of news ticker updates) and interactive booths to draw employees' attention to and develop their awareness of the strategy.

### Occupational health management

The aim of occupational health and safety at L-Bank is to protect employees' lives and health, maintain their ability to work, and organise work in a human-friendly

manner. Occupational safety encompasses all preventative measures designed to avoid workplace accidents. Workplace healthcare includes all preventative measures for avoiding work-related health problems and ill health. Thus the aim of occupational health and safety is to protect employees from accidents and injuries as well as physical, mental or emotional harm or disorders affecting the entire person.

L-Bank's occupational health and safety (OHS) programme includes, for example:

- Implementation of an OHS organisation.
- Organisation-specific assessments of health hazards in the workplace.
- Implementation of protective measures.

The Bank offers a wide **range of exercise options** (in health centres) on both sites. These include, for example, courses to strengthen the back or cardiovascular system. The Occupational Health & Safety Officer is responsible for equipping and operating the health centres and for organising the various courses on offer.

As a service provider, L-Bank is especially attentive to the **mental health** of its employees with the aim of preventing mental illnesses such as burnout. Employees are able to access a platform covering health-related themes via the Bank's intranet: this includes articles with advice on topics such as relaxation, teamwork and conflict resolution. They can also use it to contact external coaches or psychologists.

The **company doctor** is available for personal consultations on all matters relating to health in the workplace and elsewhere. In autumn 2024, for example, the Bank offered free influenza vaccinations. With respect to **addiction support**, L-Bank offers help for individuals at risk or in ill health.

The underlying OHS policy covers the entire L-Bank workforce (including persons employed on a temporary basis). L-Bank contractually obliges external contractors to comply with the relevant OHS provisions.

The Board of Management has appointed an Occupational Health & Safety Officer. The Bank's existing commitments in relation to OHS are based on a number of German laws, including the Occupational Health and Safety Act (Arbeitsschutzgesetz – ArbSchG), Occupational Safety Act (Arbeitssicherheitsgesetz – ASiG), Social Code Book VII, Employment Accident Insurance (Siebtes Sozialgesetzbuch, gesetzliche Unfallversicherung – SGB VII) and Accident Prevention Regulations of the German Social Accident Insurance association (Unfallverhütungsvorschriften der gesetzlichen Unfallversicherung – DGUV-V). The Staff Council was involved in drafting the underlying policy.

The Bank's occupational health and safety policy is available to all employees via the Bank's intranet. In addition, the intranet's My Work ('Meine Arbeit') section provides copious information on occupational health and safety.

### Special instruments

L-Bank also has a broad range of special personnel policy instruments at its disposal to establish and preserve good working conditions. These include:

- Protection of personal data (GDPR-compliant data protection).
- Collective labour agreement for public-sector banks and/or job evaluation system for positions not covered by collective agreements.
- Options for flexible working hours.

By organising working hours and working locations more flexibly, the Bank aims to support matters stemming from the need for work-life balance, or in the case of people with severe disabilities, the need to participate in working life. L-Bank offers a modular support programme, as well as a wide range of part-time models which are used by around one quarter of the Bank's employees. A work agreement on remote working gives employees the opportunity to respond flexibly to family matters. Under the remote-working arrangement, employees are paid an allowance for IT accessories (e.g. monitor, mouse).

The above instruments essentially apply to all employees working in L-Bank's own business operations. The Board of Management has adopted the relevant policies and is ultimately responsible for them. Legal provisions are implemented as required, for example with respect to the protection of personal data (for more details, see also chapter G1). Inasmuch as these instruments are the result of policies specific to L-Bank, they are based on a legal agreement between the Board of Management and the Staff Council. The policies are available to all employees via the Bank's intranet.

### Participation

L-Bank offers employees multiple opportunities to have their say or make complaints. These include:

- Direct access to managers.
- Direct contact with the Personnel department.
- Direct contact with members of the Staff Council as employee representatives, or with special representatives of people with disabilities, or of young people and trainees.
- Anonymous whistleblower system.

These channels can also be used to raise concerns about human rights violations. They each represent an initial point of contact for addressing and eliminating negative impacts. In addition, all employees may follow the procedure described in section S1-3.

For further details of employee participation, see also the following section S1-2.

### Protection against discrimination

As a signatory of the **Diversity Charter**, L-Bank is explicitly committed to creating a working environment in which all employees are appreciated and supported equally, regardless of age, ethnic origin or nationality, gender or gender identity, physical or mental abilities, religion or beliefs, sexual orientation or social background.

L-Bank's **Code of Ethics and Conduct**, as well as the work agreement covering the integration of persons with severe disabilities into the work process (**inclusiveness**

**agreement**), describe specific approaches for eliminating discrimination, supporting equal opportunities, and other pathways for promoting diversity and inclusivity. People with **disabilities** are especially dependent on society's protection and solidarity. To integrate people with severe disabilities or of equivalent status into working life in accordance with the statutory provisions (of Social Code Book IX in particular), L-Bank employs a number of people with disabilities or of equivalent status, who currently make up 4.4 percent of the Bank's workforce. This means that the Bank does not meet the statutory 5 percent requirement.

To report possible cases of discrimination, employees may avail themselves of the channels listed in the 'Participation' section. These cases are processed in accordance with the procedure described in section S1-3.

Every year, L-Bank uses **Diversity Day** to promote plurality on the Bank's intranet. During the year under review, the Bank organised a participatory photo campaign for the occasion, with the aim of raising awareness of the importance of plurality within the organisation.

### [S1-2] Processes for engaging with the Bank's own workforce and workers' representatives about impacts

L-Bank employees are directly and indirectly involved in personnel-related decisions through the Staff Council.

The **Staff Council** is the legal representative of the Bank's employees, dealing – among other things – with the impacts on the workforce described at the beginning of chapter S1. The State of Baden-Württemberg's Staff Representation Act governs the representation of employees' interests at L-Bank, hence also employees' operational participation (co-determination). Staff interests are represented by a Central Staff Council, responsible for handling issues across all Bank locations, and by two local Staff Councils in Karlsruhe and Stuttgart, which deal with site-specific issues. The workforce is

updated on the work of both Central and local Staff Councils at regular staff assemblies. This includes details of how their feedback has been incorporated into Board decisions. Staff Council members in Karlsruhe and Stuttgart were newly elected during the year under review, as were the members of the Central Staff Council.

The senior management team and the Staff Council work together in a spirit of partnership and trust, in conformance with German legislation and collective bargaining agreements, for the benefit of all employees. The Staff Council exercises its participation rights through co-determination, collaboration and consultation, as required by law.

The Personnel management team and Staff Council (including representatives of severely disabled employees) meet once a month to exchange information. In addition, quarterly meetings are held between the Chair of the Central Staff Council and the Board of Management. There are also regular interchanges between unit heads in the Personnel department and the individual Staff Council chairpersons. As required by law, the Personnel department involves the Staff Council in any personnel-related proceedings at an early stage; the Staff Council is updated, consulted or involved in the relevant decisions. Where the Staff Council has a right to co-determination, by law its feedback must be included in the decision-making process. In the spirit of trust that governs collaboration within the Bank, suggestions and feedback from the Staff Council are also taken into consideration in other areas of operational activity.

As a rule, the Staff Council also has a right to co-determination with respect to impacts resulting from the reduction of carbon emissions and the transition to greener, climate-neutral activities. As part of the Bank's business planning, the Staff Council has its own budget. The Staff Council can use this budget to organise or arrange for training courses, events, expert opinions and so on. In addition, members of the Staff Council are released from their work to the extent required by law. The Staff Council also has its own secretary.

The Chair of the **Board of Management** (CEO) is the Board member responsible for the Personnel function. The **Head of Department** of Personnel, Organisation & Transformation reports directly to the CEO. In addition, the Chair of the Central Staff Council and the two Chairs of the Karlsruhe and Stuttgart Staff Councils sit on L-Bank's **Supervisory Board** in an advisory capacity, as consulting members.

The senior management team works together with employees and/or their representative body, the Staff Council, in a spirit of trust and cooperation. This assessment is based on the monthly consultative meetings between the two parties. The employee survey, which gives all employees an opportunity to provide direct, anonymous feedback, provides further evidence of the quality of internal collaboration. Finally, the Personnel department tracks the number of complaints submitted to L-Bank by the Staff Council and/or submissions to the Dispute Resolution Committee, regarding such submissions as a yardstick for the quality of in-house collaboration. No complaints were submitted and no appeals were made to the Dispute Resolution Committee during the reporting year.

To gain further insights into the perspectives of specific employee groups, L-Bank maintains a representative body for employees with severe disabilities, as well as a representative body for young people, trainees and apprentices.

### [S1-3] Processes to remediate negative impacts and channels for the Bank's own workers to raise concerns

L-Bank has a procedure for handling complaints submitted by employees (including those relating to human rights) and for participation in the implementation of remedial actions. Employees can submit complaints through various channels (see 'Participation' section in S1-1). Complaints are forwarded to the Social Welfare unit, which processes these cases. The Social Welfare unit seeks to clarify the facts of each case, for example by holding interviews with the managers concerned, the person making the complaint and the person who is the subject of the complaint. Where necessary, escalation procedures or mediation are used to resolve grievances. If necessary, the Legal department is also involved. There is no standardised review of outcomes.

L-Bank has a number of in-house channels through which employees can express their concerns or complaints to the Bank and have them reviewed:

- Direct contact with the employee's own manager.
- Contact with the Personnel, Organisation & Transformation department.
- Submission to the Complaints Office in accordance with the General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz).
- Submission to the Staff Council, the youth and trainee representative body or the representative body for employees with severe disabilities.

In addition, the Bank has set up a whistleblower system in accordance with the EU Whistleblower Directive (for further details, see section G1-1).

The procedure described at the beginning of this section applies. This procedure and the various channels described are available to all employees. This also applies to the contact details of the relevant contact persons in each case. Beyond that, L-Bank does not follow a standardised procedure for tracking and monitoring issues that are raised and addressed, or for ensuring the effectiveness of the various channels.

It is assumed that all employees have been made aware of the various reporting channels through exchanges with their managers and worker representatives, as well as by notices and information published on the intranet (by, among other bodies, the Staff Council). No survey is conducted to establish whether this is the case.

In the event of reports or allegations, L-Bank has procedures in place to protect individuals against reprisals or retaliation.

### [S1-4] Taking action on material impacts on the Bank's own workforce, and approaches to mitigating material risks and pursuing material opportunities related to the Bank's own workforce, and effectiveness of those actions

L-Bank has taken various actions to prevent or mitigate negative impacts on employees.

In the reporting year, these actions consisted primarily of the following:

- The personnel strategy was revised; resulting actions were implemented on an ongoing basis.
- The Bank continued the holistic development of its organisation by training and deploying transformation coaches.

→ Employee skills and competencies were managed and expanded through systematic training and continuing education.

→ Special training courses raised participants' awareness of sustainability-related change processes.

### New version of the personnel strategy

A key action in maintaining and improving the Bank's working environment was the revision of the personnel strategy, including the step-by-step implementation of individual activities and the addition of new actions in specific areas. In the reporting year, L-Bank focused on further developing and refining an enhanced in-house management and collaboration culture. Relevant actions included workshops and other initiatives to strengthen cross-departmental cooperation. In response to regulatory requirements (BaFin), the Bank also prioritised, for example, training programmes on subjects such as information security.

The target group for the latter included L-Bank staff with managerial responsibilities.

Like the ongoing refinement of the personnel strategy as a whole, this initiative is intended as a response to the constantly changing conditions in which the Bank operates (such as special training needs due to new regulatory requirements). Consequently, it is an iterative process. This update was not expected to eliminate specific negative impacts that occurred in the reporting year.

The revision of the personnel strategy helped to drive forward the realignment of the Personnel department to concentrate on organisational development and sustainability, initiated in 2022.

The Bank is not making disclosures on the use of associated financial resources.

The Bank has not defined any measurable, outcomes-oriented targets for this initiative. Even so, its effectiveness was monitored over the course of the year in a

series of workshops, during which the progress made in implementing the personnel strategy was evaluated and discussed.

The Bank is not planning to introduce a measurable target. The reason for this is that the set of management tools already available (such as workshops) is considered sufficient.

### Organisational development and transformation

In 2023, a total of 36 employees were trained as transformation coaches. During the year under review, they took up their new roles and now act as points of contact for managers and employees. They are available to contribute their expertise whenever their respective departments carry out change-related projects, thereby helping to support the Bank's transformation processes.

In March 2024, an event was held to define the objectives of the Bank's transformation more precisely. On this occasion, the transformation coaches acted, for example, as event facilitators while cultural behaviours and expectations were considered and discussed. The discussions were supplemented by training sessions that introduced methodologies such as peer consultation and cross-departmental network meetings.

To strengthen the network and set it up properly for the future, the Bank is planning to hold the next round of training courses in February 2025, during which up to 12 more transformation coaches will be trained. The programme will continue without a definite end date.

By supporting in-house transformation through transformation coaches, L-Bank aims to ensure that the various change processes are kept as free of negative impacts as possible. In this sense, the Bank's policy is preventative and does not presuppose that these processes will harm employees. The Bank has already used the expertise and skills of the transformation coaches to, for example, merge new organisational units into the Compliance department and contribute to the programme for modernising L-Bank's lending departments. There is no quantitative monitoring of progress.

The Bank is not making disclosures on the use of associated financial resources.

The Bank has not defined any measurable, outcomes-oriented targets for this action.

The Bank is not planning to introduce a measurable target. The reason is that the transformation coaches should be regarded as voluntary support, available to call upon as needed.

### Training and continuing education

By offering an extensive training and staff development programme, L-Bank provides employees with attractive development opportunities, attracts young talent and equips skilled workers with the knowledge they need to perform their tasks efficiently.

L-Bank also runs a **talent management** programme for employees' continuing professional development (CPD). Based on L-Bank's skills profile, the programme opens up a wide variety of CPD options for employees by focusing on their strengths. The design of the talent management programme is discussed and approved by the interdepartmental Personnel Development committee.

In addition, L-Bank offers a continuing education catalogue from which employees can select and assemble suitable CPD courses. The catalogue offers a comprehensive range of interdisciplinary topics in five key areas, including Cooperation & Collaboration, Transformation, IT Applications, L-Bank's Development Mandate, and Workplace Practices.

With a view to the future, attractive apprenticeships are an important component in L-Bank's **development of junior talent**. The range of training courses on offer is constantly reviewed and adjusted as necessary. To deliver this training, L-Bank works closely with the Baden-Württemberg Cooperative State University (DHBW). L-Bank offers high-school graduates work-study places as students specialising in Business Administration for Banks, Computer Science and Business IT. Other training opportunities include a trainee

programme and specialist IT training, as well as work experience and internships.

The above programmes offer all employees access to training and/or professional development (via the continuing education catalogue). Courses are continuous, all year round. No information is available on participants who may have been harmed by these programmes.

No quantitative or qualitative information is available regarding the progress of actions or action plans disclosed in previous reporting periods.

The Bank is not making disclosures on the use of associated financial resources.

The Bank has not defined any measurable, outcomes-oriented targets for this action.

The Bank is not planning to introduce a measurable target. The reason for this is that the set of management tools already available is considered sufficient.

### Sustainability-related skills development

In the year under review, L-Bank offered its employees a range of continuing education initiatives related to sustainability. These included, for example, mandatory onboarding courses, project days, and customised training programmes from the continuing education catalogue. Other learning formats were defined which are also eligible for inclusion in the number of official training hours logged, such as courses on health (including health days) and transformation, as well as courses in support of collaboration and identification.

These programmes are open to all employees. This initiative was implemented in the reporting year, with the aim of making employees more aware of sustainability-related change processes and embedding sustainability in the Bank's corporate culture.

The target for the reporting year was four sustainability-related professional development hours per employee. This target was achieved.

The Bank is not making disclosures on the use of associated financial resources.

A measurable, outcomes-oriented target was defined for this initiative. Accordingly, the number of sustainability-related training hours actually completed was recorded centrally. On average, more than four hours were completed per employee. Thus the target was exceeded.

### Other actions or initiatives to prevent or mitigate negative impacts or achieve positive impacts on the Bank's workforce

L-Bank fulfils its duty of care by using **occupational health and safety (OHS)** practices to protect its employees from health hazards arising at or through work. To ensure that these practices are steadily developed, the Occupational Safety Committee held four meetings over the year. At these meetings, the committee discussed any issues arising, agreed remedial actions, and monitored their implementation. As part of the **EMAS audit**, an external environmental auditor checks whether the Bank is complying with the relevant environmental protection and occupational safety regulations and standards. Such an audit was carried out in the reporting year at the Bank's Karlsruhe site (for further details, see also section E1-3). In addition to the ongoing health and safety actions and initiatives, L-Bank also held **Vitality Days** at both locations during the year under review. Lectures, workshops and information kiosks were used to make employees aware of mental health issues, both as a preventative measure and so they could ask for specific advice.

### Evaluation and outlook

The **effectiveness** of these actions and initiatives is tracked and assessed by the Personnel, Organisation & Transformation department as part of their regular processes. Action summaries from the personnel strategy reflect the extent to which each action or initiative has been fulfilled. To avoid negative impacts, the department adapts the personnel strategy and actions specified therein to the needs of the workforce while conducting the annual review. For this purpose, the department organises action workshops several times a year. The progress of individual personnel actions is tracked at regular cluster meetings. Needs are determined on the basis of the Bank's business strategy, by reference to external megatrends, through stakeholder analyses, and by reference to the needs of employees, applicants and partners in cooperative ventures. As an employer, L-Bank uses an entire spectrum of instruments – including employee co-determination, compliance with labour law, in-house policies and work agreements, as well as intensive dialogue with the workforce via multiple channels – to prevent or avoid negative impacts on the workforce.

The actions and initiatives described in the previous section help to create good working conditions and hence to enhance the Bank's **attractiveness as an employer**. This is how L-Bank is addressing the risk of job vacancies and a potential decline in employee recruitment. L-Bank depends on highly qualified specialists, and yet the competition for such specialists is intensifying (due to a shortage of skilled labour and demographic trends). This risk is covered by L-Bank's risk management process (see chapter ESRS 2). Thus L-Bank continues to work on strengthening L-Bank as an attractive employer brand, to make qualified specialists aware of the Bank's qualities as an employer. In the reporting year, the Bank organised workshops and interviews to identify and define L-Bank's strengths and action areas from multiple

viewpoints (e.g. those of employees, management, alumni). Based on the results of these exchanges, the Bank was able to define its employer branding, which was subsequently validated in three separate workshops. The finalised employer brand will ultimately be used to develop creative campaigns for strengthening employee loyalty and recruiting new employees.

There were no actual material impacts within the meaning of the ESRS that would have required remedial action.

L-Bank does not engage in any practices that generate material negative impacts on the Bank's own workforce. No such practices exist in relation to procurement, sales and data use. L-Bank has not identified any negative impacts resulting from actions taken by the Bank in making the transition to a green, climate-neutral operating model. With respect to the protection of personal data, L-Bank applies a data protection policy that complies with the relevant legislation (for further details, see chapter G1).

The Bank has not identified any negative impacts on employees as a result of the transition to a greener, climate-neutral economy. As the state development bank, L-Bank is assisting the economy of the State of Baden-Württemberg through this transition, thereby fulfilling both its own development mandate and the federal state's goal of becoming climate-neutral by 2040. L-Bank is supporting this development by organising systematic in-house sustainability-related training programmes (see the section on training and continuing education).

The Personnel, Organisation & Transformation department has been entrusted with the actions and initiatives described above and is staffed accordingly.

[S1-5] Targets related to overcoming material negative impacts, advancing positive impacts, and managing material risks and opportunities

To manage material impacts and risks affecting the workforce, L-Bank has introduced a target metric as part of its strategy process. The metric is **employee commitment** as measured against the Employee Commitment Index.

Employee commitment encompasses employees' motivation and willingness to perform (satisfaction and engagement), as well as the organisation's overall performance, and is consequently regarded as an indicator of employees' loyalty to L-Bank and a measure of the latter's quality as an employer.

The target was developed as part of the strategy process; employees were not directly involved (for further details of the strategy process, see chapter ESRS 2).

In quarterly reports on the Bank's progress towards achieving this target, the responsible departments notify the Corporate Communications & Strategy department of their current status. Employees are not involved in this status review. The results are made available to all employees via the intranet, as part of the strategy report. A news ticker update on the intranet draws their attention to the report.

The Staff Council was not involved in setting this target. The results of the employee survey in the reporting year are regarded as the baseline. Further surveys will be held in the coming years; based on their results, the Bank will determine action areas and necessary actions. The Staff Council will be involved in implementing these actions.

Employee commitment	
Relationship of target to policy objectives	L-Bank is pursuing the strategic business goal of enhancing the commitment of all employees. One of the purposes of the employee survey is to measure employee commitment.
Defined target level	Employee Commitment Index across all departments exceeds 58
Absolute or relative target; unit of measurement	Percent
Scope of target	All employees in an active employment relationship with L-Bank (excluding fixed-term employees such as temporary staff, interns and working students)
Baseline value	–
Base year	The survey conducted in the reporting year will serve as the future baseline.
Period to which target applies	By 2028
Milestones or interim targets	Target values for the years ahead: – 2025: 59 – 2027: 63 – 2028: 64
Methodologies and significant assumptions used to define targets	Aggregated from seven weighted topics: overall satisfaction, reapplication, recommendation, identification, motivational atmosphere, current and future performance, based on the assumption that this aggregate figure is a suitable measure of employee commitment.
Is the target related to environmental matters based on conclusive scientific evidence?	The target is not related to environmental matters.
Involvement of stakeholders	The Personnel department and Staff Council were involved in designing the survey.
Changes in target	No
Performance analysis	The target value was exceeded in 2024. This represents the baseline value. Subsequent Commitment Index surveys will be used to monitor further developments.

Table 13: Target in relation to Bank's own workforce

[S1-6] Characteristics of the Bank’s employees

Gender	Number of employees (headcount)
Male	720
Female	922
Other	0
Not specified	0
Total number of employees	1,642

Table 14: Number of employees by gender

L-Bank does not employ any staff outside Baden-Württemberg.

2024				
Female	Male	Other	Not specified	Total
Number of employees (headcount)				
922	720	0	0	1,642
Number of permanent employees (headcount)				
726	581	0	0	1,307
Number of fixed-term employees (headcount)				
196	139	0	0	335
Number of employees with no guaranteed hours (headcount)				
0	0	0	0	0
Number of full-time employees (headcount)				
519	631	0	0	1,150
Number of part-time employees (headcount)				
403	89	0	0	492

Table 15: Number of employees by gender and type of contract

Disclosures on **personnel structure:**

The majority of L-Bank’ employees are permanent, full-time staff. Fixed-term contracts are used in particular for trainees, apprentices, students on work-study university courses and interns, as well as staff substituting for employees on parental leave. Some of the state development programmes processed by the Bank are time-limited. Consequently, some of the staff employed

to process these programmes may be on fixed-term contracts. In the vast majority of cases, the use of part-time contracts is requested by the employees themselves.

→ Metrics include the number of L-Bank employees (headcount) at the end of each year (as at 31 December). Genders are disclosed by the individuals them-

selves. The figures also include interns, students, temporary staff and volunteers.

- All salaried employees of L-Bank are included in the count, as defined by the Bank’s personnel system.
- Figures are calculated internally by L-Bank and are not validated by an external body.

**Disclosures on staff turnover:**

In the reporting year, 91 employees left the Bank. The turnover ratio was 6.7 percent.

- This metric comprises the number of unsolicited departures (headcount) during the year under review, as a proportion of the average number of employees over the year.
- The ratio was calculated as the number of unsolicited departures as a proportion of the mean value of all month-end figures for the total number of employees.
- Figures are calculated internally by L-Bank and are not validated by an external body.

All data is recorded on personnel registration forms and stored in the personnel system.

The Bank records both the headcount and full-time equivalents. Full-time equivalents are calculated as the ratio of the number of contractual hours to regular working hours. The disclosed figures are year-end values. The data is calculated using the standard methodology and does not require a separate explanation to be understood. These figures correspond to the personnel figures disclosed in the Bank’s management report.

**[S1-8] Collective bargaining coverage and social dialogue**

The proportion of all L-Bank employees covered by collective agreements was 74 percent.

- This metric includes the number of employees whose payments are exclusively governed by a collective bargaining agreement.
- All salaried employees of L-Bank are included in the count, as defined by the Bank’s personnel system.
- Figures are calculated internally by L-Bank and are not validated by an external body.

Coverage rate	Collective bargaining coverage		Social dialogue
	Employees – EEA (for countries with > 50 employees representing > 10% of total workforce)	Employees – non-EEA (estimate for regions with > 50 employees representing > 10% of total workforce)	Workplace representation (EEA only) (for countries with > 50 employees representing > 10% of total workforce)
0–19%			
20–39%			
40–59%			
60–79%	Germany		
80–100%			Germany

Table 16: Collective bargaining coverage and social dialogue

- The ‘Social dialogue’ metric includes all L-Bank employees.
- All L-Bank employees are included in the count.
- Figures are calculated internally by L-Bank and are not validated by an external body.

[S1-9] Diversity metrics

Distribution of employees at top management level	2024
Number of women at top management level	10
In %	37
Number of men at top management level	17
In %	63
Number of people with diverse gender identities at top management level	0
In %	0
Total	<b>27</b>

Table 17: Gender distribution at top management level

Distribution of employees by age group	2024
Employees: under 30 years of age (headcount)	296
In %	18
Employees: 30–50 years of age (headcount)	772
In %	47
Employees: over 50 years of age (headcount)	574
In %	35

Table 18: Distribution of employees by age group

- These metrics include the number of employees (headcount) at the end of the reporting year.
- Age is determined by the date of birth on the employee’s identity card when they are first registered.
- Figures are calculated internally by L-Bank and are not validated by an external body.

Top management level comprises L-Bank’s Board of Management and heads of department.

[S1-10] Adequate wages

All employees receive appropriate remuneration. The vast majority of L-Bank employees are compensated in

accordance with the terms of the most recent versions of collective agreements for public-sector banks. Basic remuneration under collective agreements is based on the currently valid versions of the collective labour agreement and collective salary agreement, according to pay scale and number of years of professional experience. Collective bargaining agreements ensure that remuneration is always in line with industry standards and that the balance of interests within this framework is fair. Remuneration of employees not covered by collective agreements is based on predefined salary bands in work agreements and objectively assessed against the following criteria: knowledge, problem-solving, communication, responsibility and people management.

[S1-14] Health and safety metrics

<b>Health and safety</b>	2024
Proportion of employees covered by an occupational health and safety management system that complies with legal requirements and/or recognised standards (in percent)	100

Table 19: Health and safety coverage ratio

- This metric refers to L-Bank’s entire workforce (see explanations in section S1-1).
- The Bank does not use a separate data collection method.
- Figures are calculated internally by L-Bank and are not validated by an external body.

<b>Number of fatalities</b> in own work-force as a result of work-related injuries or ill health	2024
Number of fatalities (headcount):	0

Table 20: Number of fatalities in Bank’s own workforce

- This metric refers to L-Bank’s salaried employees (see explanations in section S1-1).
- The Bank does not use a separate data collection method.
- Figures are calculated internally by L-Bank and are not validated by an external body.

<b>Number of fatalities</b> among external workers as a result of work-related injuries or ill health	2024
Number of fatalities (headcount):	0

Table 21: Number of fatalities among external workers

- This metric refers to non-salaried workers (see explanations in section S1-1).
- The Bank does not use a separate data collection method.
- Figures are calculated internally by L-Bank and are not validated by an external body.

<b>Recordable work-related accidents</b>	2024
Number of recordable work-related accidents:	9
Ratio of recordable work-related accidents (recordable accidents per million gross hours worked):	3.09

Table 22: Recordable work-related accidents

- This metric is calculated as the number of recordable accidents as a proportion of the total number of all commuting or work-related accidents.
- To calculate the ratio, the number of recordable work-related accidents was correlated with the total number of scheduled working hours for all L-Bank employees in 2024 (2,916,191.07 gross working hours).
- Figures are calculated internally by L-Bank and are not validated by an external body.

[S1-16] Compensation metrics  
(pay gap and total compensation)

<b>Gender pay gap</b> (in percent):	15.1
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Table 23: Pay gap

- This metric indicates the difference between the average gross hourly pay levels of female and male employees, expressed as a percentage of the average income of male L-Bank employees.
- All L-Bank employees are included in the count.
- Figures are calculated internally by L-Bank and are not validated by an external body.

<b>Compensation ratio:</b>	13.43
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Table 24: Compensation ratio

- This metric shows the ratio of the annual total remuneration of the highest-paid individual to the median annual total remuneration of all L-Bank employees.
- All L-Bank employees are included in the count.
- Figures are calculated internally by L-Bank and are not validated by an external body.

**Notes on the pay gap:** As a general rule, jobs at L-Bank are graded and evaluated independently of the job holder. The higher hourly pay level of male L-Bank employees is primarily due to the fact that on average, men hold higher-graded jobs. L-Bank ensures that all job advertisements and recruitment processes are gender-neutral.

**Notes on the compensation ratio:** Total annual remuneration is calculated using the parameters set out in ESRS S1 AR 101 (b), thus corresponds to all financial benefits and benefits in kind (including pension benefits) received by a typical employee in 2024 in return for their professional work. In line with the Bank’s exclusively fixed remuneration system, no variable compensation components or profit-sharing bonuses were paid out. The following should be noted with respect to the ratio of the total remuneration of the highest paid individual to the median remuneration of all other employees: annual total remuneration is calculated on the basis of the actual remuneration paid out to all employees. Consequently, the ratio is significantly affected by the Bank’s many part-time employees. The large number of junior and temporary staff is another driving factor. The latter are paid less than the Bank’s highly qualified specialists and managers.

[S1-17] Incidents, complaints and severe human rights impacts

Human rights	2024
Total number of incidents of discrimination, including harassment, recorded over the reporting period	0
Number of complaints filed through the channels for raising concerns available to L-Bank employees	0
Number of severe human rights incidents associated with the Bank's workforce	0
Total amount paid out in fines, penalties and compensation for damages as a result of the incidents described above	0

Table 25: Disclosure of key metrics related to human rights

- L-Bank provides employees with the channels described in section S1-1 for reporting incidents of discrimination, making complaints, raising concerns, or reporting serious cases of human rights violations. These channels include the Bank's anonymous whistleblower system. Incidents are dealt with according to the procedure described in section S1-3, with the involvement of the Social Welfare unit. In the reporting year, there were no incidents involving the Social Welfare unit. L-Bank does not systematically record, count or analyse the frequency of incidents reported via the abovementioned channels.
- The methodology available for measuring the frequency of incidents is to consult the Social Welfare unit. This consultation is the basis for the metrics shown above.
- Figures are calculated internally by L-Bank and are not validated by an external body.

## Governance (G)

### G1 Business conduct

L-Bank identified the following material impacts and risks in connection with the Bank's own workforce.

#### Negative impacts

→ **Reputational damage affecting the economy:** as the state development bank, L-Bank bears significant responsibility for the wellbeing of Baden-Württemberg's economy and population. Compliance failures or even worse, incidents of money laundering or other criminal offences would have far-reaching consequences and harm the economy of Baden-Württemberg and indeed Germany as a whole.

#### Risks

→ **Growing demands:** operational and legal risks caused by regulatory requirements may in turn cause financial pressures.

#### [GOV-1] The role of the Bank's administrative, management and supervisory bodies with respect to business conduct

The L-Bank Act mandates the Bank to support the federal state in the performance of its public duties, especially with respect to structural, economic and social policies, by implementing and managing development programmes that comply with European Union regulations governing state aid. In this sense, the fundamental orientation of the Bank's business conduct is based on the state government's political premises. The Act also stipulates that the **Supervisory Board**, on which the federal state is represented, shall determine the guidelines for the Bank's business activities and supervise the conduct of its affairs. The Board may at any time request information concerning any aspect of the Bank's activities. The **Board of Management** represents the Bank and conducts its affairs. The Chairperson of the Board of Management is responsible for ensuring that the guidelines issued by the Supervisory Board are

observed and for coordinating the Bank's departments within the framework of resolutions adopted by the Board of Management. Every year, the Board of Management submits the Bank's business and sustainability strategies to the Supervisory Board for approval.

In addition to specialist **expertise**, all members of the Board of Management have many years of business conduct experience. Role profiles are defined for Board of Management appointments which, among other things, cover the 'aptitude' requirements of Section 25c of the German Banking Act (KWG). To ensure that Board of Management members, as well as key function holders, are suitably qualified to perform their duties and obligations in full as required, the Bank has put processes in place for regular and ad hoc suitability assessments:

- The Personnel Committee is responsible for implementing aptitude assessments for the Board of Management. When assessing individual aptitude and suitability, the Supervisory Board judges whether Board of Management members are reliable, have the necessary professional qualifications and expertise, and are able to devote sufficient time to the performance of their duties.
- The Board of Management is responsible for assessing the aptitude of key function holders. In principle, the same process and – as far as possible and reasonable – the same criteria are used for this assessment as for the assessments of Board of Management members. In this case, however, the assessment is confined to selected matters.

To ensure that members of the Management and Supervisory Boards remain suitably qualified for their positions for the duration of their mandate, hence ensure that they have the required levels of knowledge and expertise, L-Bank is constantly developing **training programmes** for continuing education and professional development. In the reporting year, these included – for example – courses on improving cybersecurity in response to the Digital Operational Resilience Act (DORA), and on sustainability reporting.

In addition to maintaining their personal expertise, Management and Supervisory Board members are kept informed of corporate governance matters through a comprehensive reporting system (for further information on reporting mechanisms, see G1-3).

### [IRO-1] Description of the processes for identifying and assessing material impacts, risks and opportunities

Material impacts, risks and opportunities, as well as matters related to other topical standards, were identified in the course of the materiality assessment. The materiality assessment process is further explained in chapter ESRS 2.

In the course of the materiality assessment, expert judgements were used to identify the scope, scale, rectifiability and likelihood of impacts. These judgements were discussed and confirmed in interviews with relevant stakeholders.

The assessment also identified the impacts, risks and opportunities described at the beginning of this chapter.

### [G1-1] Business conduct policies and corporate culture

#### Fundamental principles

In terms of responsible corporate governance, L-Bank's corporate vision is reflected in the Bank's **Code of Ethics and Conduct**, which codifies the Bank's core values. The individual sections summarise the most important rules and standards of conduct and behaviour. In particular, the various topics include compliance with legal and regulatory requirements, prevention of money laundering, corruption and other criminal activities, and the importance of working together in a spirit of respectful, non-discriminatory partnership (for further details, see chapter S1).

Core principles for actions, operational processes and workflows are also set out in binding form in the Bank's written policies and procedures, to which all L-Bank employees have access at all times via the Bank's intranet. To assess the Bank's corporate culture, L-Bank conducted an employee survey towards the end of the reporting year (see section S1-5). Final outcomes and resulting actions will be determined in the new year.

#### Public Corporate Governance Code

The State of Baden-Württemberg's Public Corporate Governance Code (PCGK) aims to reduce financial risk and avert negative impacts, and serves to support responsible corporate governance. L-Bank has enshrined the Public Corporate Governance Code in its own rules and regulations through resolutions adopted by the Management and Supervisory Boards. The Code applies to the entire organisation. Every year, when preparing the annual financial statements, the Board of Management and Supervisory Board re-declare the Bank's compliance with the Code. The Code contains material provisions from current legislation pertaining to the management and supervision of companies and undertakings, as well as nationally and internationally recognised standards of responsible corporate governance. These principles are intended to improve the management and supervision of the Bank by its executive and supervisory bodies; they also take account of the special characteristics of a state-owned institution. The Code is available to the public on the website of the Baden-Württemberg Ministry of Finance. It is also available to all Bank employees via the intranet.

#### Risk culture

The Bank's risk culture aims to reduce financial risk and avert negative impacts. The corresponding policy includes procedures for supervising L-Bank's risk culture and remedying any deficiencies which may be identified. The policy explains the understanding of risk culture as practised and refined at L-Bank. Key elements in the ongoing development of the Bank's risk culture include a particular emphasis on in-house communication to ensure that the appropriate attitude is shared across the workforce; this will be implemented after the

reporting year. The policy also defines and describes the Bank's operationalisation of risk culture in a series of steps and topical areas described in, among other places, the Bank's strategy documents, policies, guidelines, standard operating procedures and processes. In particular, the Bank's risk culture is characterised by the senior management team's clear commitment to risk-aware behaviour, consistent compliance by all employees with the Bank's clearly communicated risk appetite, employees' responsibility for their actions relating to risks, and the creation and cultivation of transparent, open dialogue on risk-related topics. The policy applies to all L-Bank employees across the entire organisation. The Board of Management has adopted the risk culture policy and is responsible for its implementation.

The regulatory provisions of the European Banking Authority (EBA) were set out by the German supervisory authority in the Minimum Requirements for Risk Management (MaRisk – circular 09/2017, published on 27 October 2017) and further refined in the seventh MaRisk amendment (circular 05/2023, published on 29 June 2023). The further development, management, monitoring, cultivation and integration of an appropriate risk culture within the Bank are all covered in MaRisk AT 3 and AT 5 No. 3 (g). The German Federal Financial Supervisory Authority (BaFin) regards a procedure for managing and developing a bank's risk culture and defining related strategic objectives – including the comprehensive communication of these objectives within the bank, a clear definition of risk appetite, and requirements for controls or control functions – as vitally important. Furthermore, BaFin is also planning to introduce regulations governing the organisation of structures and processes, as well as the allocation of remits, competencies and responsibilities.

The Board of Management was involved in drawing up the risk culture policy. The Bank organised an online employee survey on the current status and ongoing development of the Bank's risk culture. The various components of the Bank's risk culture are disseminated throughout the organisation over the Bank's in-house

communication channels (intranet) and management hierarchy. The topic was, for example, addressed in the L-Bank Board of Management podcast.

### Compliance and prevention of criminal acts

As a credit institution, L-Bank is very aware of the sector-specific risk of potential fraud, especially when granting loans, subsidies and development funding. L-Bank has procedures in place for immediately, independently and objectively investigating incidents related to corporate governance.

The Governance & Compliance department is working with the Anti-Money Laundering unit to implement effective procedures for complying with the legal regulations and provisions of material relevance to the Bank. They report regularly to the Board of Management and Supervisory Board (for further details of reporting mechanisms, see section G1-3).

In the event of suspected misconduct, and if further **investigation** is required in individual cases, or if there is a significant risk to the Bank or its Board members or employees, the Anti-Money Laundering & Fraud Prevention Officer submits an ad-hoc report to the Board of Management and convenes an internal working group to look further into the matter. In addition to representatives of the department concerned, the Internal Audit department, the Governance & Compliance department and the Legal department, the working group may also include representatives of other Bank departments, units or functions.

Incidents of suspected misconduct may be detected by checks and controls performed by the Compliance function to ensure compliance with the relevant regulations. They may also be uncovered by a tip-off (whistleblower's report). With this in mind, L-Bank has set up an internal reporting centre to which employees who wish to report possible violations of legal provisions applying to L-Bank may turn, for example by sending an e-mail to a dedicated address. No such reports were received during the year under review.

Whistleblowers are protected under the terms of the German **Whistleblower Protection Act** (Hinweisgeberschutzgesetz). It is strictly forbidden to obstruct or attempt to obstruct reports or communications between a whistleblower and the reporting centre following the submission of a report. In addition, reprisals, threats of reprisals or attempted reprisals against whistleblowers are also prohibited. If a whistleblower suffers any adverse treatment related to their professional activities, it is assumed that such treatment amounts to a reprisal; the burden of proof is reversed. The Compliance Officer and his/her deputies are responsible for the reporting centre, which is operated by staff from the Compliance function. Employees are informed of the whistleblowing system as part of their onboarding. They can consult the Bank's intranet for further information on, for example, internal and external reporting channels and FAQs. The Compliance Officer and his/her deputies are the key points of contact for employees with questions about the process.

L-Bank also pursues a comprehensive **training strategy** as a preventative action. This covers all employees (for further details, see section G1-3).

### [G1-3] Prevention and detection of corruption and bribery

L-Bank has a system of structural and procedural elements in place to prevent, detect and/or combat potential incidents of corruption and bribery. The most important policy is the Code of Ethics and Conduct (see section G1-1). In addition to this codified set of values, other more detailed structural elements, regulations and process descriptions are specified in the Bank's internal guidelines (policies). The most important of them are described below.

### Organisational structure and reporting mechanisms

Several departments in the **L-Bank organisation** serve to prevent, detect and combat misconduct:

→ In organisational and technical terms, the **Governance & Compliance** department and the **Anti-Money Laundering** unit, together with the supervisory functions of the Compliance Officer and Anti-Money Laundering Officer, as well as their deputies, report directly to the Board of Management. As the Bank's process-dependent supervisory and control bodies, they support the specialist departments with advice on processes and implement the necessary controls for such processes.

As part of preparing the non-financial report, the Compliance function, which forms part of the Governance & Compliance department, provides the Board of Management with quarterly reports on regulatory risks associated with banking supervisory regulations and regulatory projects which have been identified as relevant, as well as the results of ongoing (operational) controls related to corporate and securities compliance.

Furthermore, following due consideration of the external provisions of MaRisk AT 4.4.2 No. 7, an annual report is prepared for the Board of Management which serves as an additional source of information on the Compliance function's organisational structure and remits, as well as its activities within the Bank. The annual report is forwarded to the Supervisory Board and Internal Audit department. It summarises the processes and control-related activities associated with corporate and securities compliance in particular.

→ The **Central Office for the Prevention of Criminal Activities** is part of the Anti-Money Laundering unit. It enjoys the full support of the Board of Management. The office implements all internal security actions required under the terms of Section 25h of the German Banking Act (KWG) in conjunction with Section 6 of the German Anti-Money Laundering Act (GwG). The unit reports on the prevention of money laundering, terrorist financing and criminal offences. Conclusions from the relevant working groups are

submitted to the Board of Management in a separate final report and are also described in a regular quarterly report. In the event of specific incidents, the Anti-Money Laundering Officer prepares ad-hoc reports (for further details, see the end of this chapter). In addition, the Anti-Money Laundering Officer submits a report on his/her activities to the Board of Management at least once a year.

- Taking a risk-based, process-independent approach, the **Internal Audit** department works on behalf of the Board of Management to review and assess the effectiveness and adequacy of the Bank's risk management system, as well as the orderly conduct of all L-Bank's material activities and processes. It performs its duties independently and impartially, and is not required to accept instructions regarding the evaluation or reporting of audit results. Internal Audit reports directly to the Management and Supervisory Boards.

### Procedures and policies

Material procedures and policies continue to support the prevention, detection and response to potential allegations or incidents.

The **multiple-control principle** is applied throughout the Bank. This ensures that important decisions which must be made when, for example, onboarding new clients, are not made by a single individual, and that critical activities are not performed by a single person. In addition to the multiple-control principle, powers of authorisation are clearly defined in and governed by an internal policy.

As part of its corruption prevention programme, L-Bank regulates how **gifts and benefits are accepted and granted**. Even gifts and benefits under the corruption threshold are prohibited if they could result in conflicts of interest – it is important to avoid even the appearance of impropriety. The acceptance of cash, cash equivalents or items that can be exchanged for cash is strictly prohibited, in line with the Bank's rigorous policies.

The Bank's **securities compliance policy** implements the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and Regulation (EU) 596/2014 (EU Market Abuse Regulation – MAR). These include, among others, the obligation to report insider trading by managers, the maintenance of an insider list, the publication of insider information and reports on managers' own (insider) transactions, as well as any suspicious activity. This prevents conflicts of interest and establishes procedures to prevent the unauthorised disclosure of compliance-related information.

The policy also includes L-Bank-specific rules for monitoring employees' personal trading in financial instruments (employee transactions) on the basis of the German Banking Act (KWG) in conjunction with a BaFin circular prohibiting transactions based on insider information, as well as employee transactions that conflict with the interests of L-Bank or L-Bank's clients.

If there are grounds for suspicion and an investigation is initiated, the investigators or investigation committee is separated from the management reporting chain involved. The investigators submit ad-hoc reports to the Board of Management as required. This information is forwarded to the Supervisory Board (for more on reporting formats, see also section GOV-1 at the beginning of this chapter).

At L-Bank, all employees are included in a preventative system based on awareness and transparency:

- All policies are accessible to all employees at any time under the Bank's **written policies and procedures** on the intranet.
- **Managers** are available to respond to employees' questions in individual cases.
- In addition, a system of regular **training courses** ensures that employees are made aware of the relevant risks and trained in acceptable conduct and behaviour (see following section).

### Training courses and programmes

When new employees join L-Bank, they are required to take part in a mandatory classroom training course on the prevention of fraud and money laundering, securities compliance, data protection and information security (infosec). In departments that are potentially exposed to money laundering, employees are also required to take part in a supplementary web-based training course every two years (the course was last held in 2023). The Anti-Money Laundering unit organises the online training course and tracks participation. Key content includes definitions of money laundering and terrorist financing, descriptions of how they might manifest, and actions for combating them (including the legal and regulatory principles involved and due diligence obligations, as well as rules of conduct in the event of suspicious activity). To prevent other criminal offences, all employees are required to attend an online training course every two years. Key content includes the legal basis of white-collar crime and associated preventative measures, as well as potential types of fraud.

Functions within the Bank are covered by training courses as follows:

- Proportion of functions covered by basic training: 100%
- Proportion of functions at risk of money laundering (potentially seven) covered by relevant training: 100%
- Proportion of functions covered by fraud prevention training: 100%

Department and unit managers are regarded as particularly exposed persons due to their powers of representation and associated involvement in information flows.

L-Bank's business model as a development bank that does not accept deposits from the public and has neither branches nor cash operations is considered to mitigate the risks associated with money laundering and terrorist financing.

L-Bank also provides training courses for members of the **Board of Management and Supervisory Board**. The programme consists of a general section, supplemented as required by training courses on specific topics (such as risk management, compliance, prevention of money laundering and other criminal offences, corporate governance, sustainability, etc.).

Training content – Number of participants – Frequency – Mandatory or voluntary participation	Workforce (incl. Board of Management)
<b>Training coverage</b>	
New employees in total	324
Total who attended training courses	321 (three new employees hired in December 2024 attended training courses in January 2025)
<b>Delivery method and duration</b>	
Classroom training for new L-Bank employees	1.0 hour
Computer-based training on following topics: Prevention of fraud and money laundering (voluntary participation possible at any time); last mandatory cycle was in 2023; next cycle is scheduled for 2025	Approx. 2 hours and 35 minutes (total)
Voluntary computer-based training	As required
<b>Frequency</b>	
How often is training required?	Classroom training for new employees, plus computer-based training every two years (mandatory)
<b>Topics covered</b>	
Definition of corruption	X
Duties of care and due diligence	X
Procedures to follow in cases of suspicion/detection	X
Prevention of money laundering and terrorist financing	X
Causes and motives of white-collar crime	X
External and internal criminal offences	X

Table 26: Overview of training courses as initiative for combating corruption and bribery

**[G1-4] Confirmed incidents of corruption or bribery**

- Number of convictions for violations of corruption or bribery laws and regulations: 0
- Amount paid out in fines for violations of corruption or bribery laws and regulations: EUR 0

**[G1-MDR-A] Actions and resources in relation to business conduct**

No incidents of corruption, bribery or other criminal offences occurred. Consequently, L-Bank has no current plans for further action.

## [G1-MDR-T] Incidents of corruption and bribery

No incident-specific metrics are available.

## Sector and Bank-specific disclosures

### Specific disclosures on the prevention of money laundering, terrorist financing and other criminal offences

L-Bank applies a set of rigorous policies to the combat and prevention of money laundering, terrorist financing and criminal offences. In general, this is based on the Code of Ethics and Conduct (for further details, see section S1-1). L-Bank does not allow itself to be misused for purposes of money laundering, terrorist financing or other criminal acts. By continuously monitoring compliance with relevant statutory and regulatory provisions, such as laws on the prevention of fraud and money laundering, operational risk is reduced and the proper conduct of L-Bank's business is assured. L-Bank's management approach to the prevention of money laundering and terrorist financing, as implemented by the Board of Management, applies to the Bank as a whole as well as the technology parks. For disciplinary purposes, the Head of the Anti-Money Laundering unit and the Anti-Money Laundering Officer have both been reporting to the Head of Division II, Board of Management member Dr Iris Reinelt, since 1 May 2024, so that all risk-related functions are bundled together in accordance with MaRisk requirements. Before this date, the functions reported to the Chair of the Board of Management.

L-Bank fulfils the requirements of Section 6 of the German Anti-Money Laundering Act (GwG) in conjunction with Section 25h of the German Banking Act (KWG). These include in particular:

- The development of internal policies, procedures and controls related to the management and mitigation of risks pursuant to Section 6 (1) GwG.

- Client due diligence requirements pursuant to Sections 10-17 GwG.
- The obligation to terminate business relationships under certain circumstances.
- Fulfilment of the reporting obligation pursuant to Section 43 (1) GwG.
- The recording and retention of documentation pursuant to Section 8 GwG and compliance with other provisions under anti-money laundering law.
- The development and updating of appropriate measures to prevent the abuse of new products and technologies for committing money laundering and terrorist financing or for the purpose of promoting the anonymity of business relationships or transactions.
- The risk-focused implementation of IT monitoring systems.
- Risk-based actions to safeguard the reliability of employees.
- The reviewing of the abovementioned principles and procedures in an independent inspection where such a review is appropriate given the nature and size of the business
- Obligations to correspondent banks.
- Provision of a data file for the retrieval of account-related data pursuant to Section 24c KWG

The State of Baden-Württemberg has an interest in ensuring that L-Bank, as a state-owned undertaking, strictly complies with all statutory and regulatory provisions for the prevention of money laundering, terrorist financing and criminal offences. When the Bank designs its processes, it complies with all such provisions and does not take account of any specific stakeholder interests that deviate from these provisions. Internal policies, directives and controls are set out in the Bank's written policies and procedures, which can be accessed via the intranet. Every new employee who joins L-Bank is given mandatory training on money laundering and fraud prevention, securities compliance and data protection, and information security. Depending on the employee's role, further mandatory training is given at regular intervals.

### Specific disclosures on data protection

When fulfilling its remits, L-Bank inevitably comes into contact with personal data, whether from clients, business partners or its own workforce. L-Bank is well aware of the risks that may arise from this exposure. Data security, so above all the protection of personal data from unauthorised access, is an integral part of data protection. The Bank's data security policy governs the relevant in-house processes.

In accordance with this policy and in compliance with all applicable statutory and regulatory provisions (e.g. the EU General Data Protection Regulation – GDPR, Baden-Württemberg's State Data Protection Act – Landesdatenschutzgesetz, and the German Federal Data Protection Act – Bundesdatenschutzgesetz), L-Bank handles all sensitive, privacy-related data with care. L-Bank's data protection system comprises multiple elements:

- L-Bank's Data Protection Officer advises and monitors the Bank's specialist departments and employees so that they are able to comply with data protection requirements in the workplace. The Data Protection Officer's remit is to protect the rights of data subjects and prevent or eliminate any breaches of data protection regulations.
- The Central Data Protection Management (CDM) office is operationally active and responsible for specific and policy-related issues connected with data protection legislation at L-Bank. CDM is also responsible for developing Bank-wide data protection governance, erasure policy and governance, project support, contractual provisions relating to data protection, and administrative tasks connected with GDPR regulations. CDM is the central point of contact for departmental data protection administrators.

- Data processing is subject to internal and external controls. Two supervisory authorities are responsible for monitoring data protection:
  - The Bank's own Data Protection Officer.
  - External supervisory authorities (in Baden-Württemberg, the State Commissioner for Data Protection).
- L-Bank maintains a register of automated procedures used to process personal data (record of processing activities pursuant to Article 30 GDPR). The register is managed by the Data Protection Officer.

The Board of Management bears overall responsibility for data protection at L-Bank. Responsibility for data protection at departmental level lies with the respective heads of department. The Bank complies with the provisions of the GDPR, Federal Data Protection Act, State Data Protection Act and specific individual laws. L-Bank assumes that compliance with all statutory and regulatory provisions covers the interests of the data subjects concerned. By complying with the GDPR, State and Federal Data Protection Acts, the Bank ensures that the interests of the data subjects concerned are given top priority. Beyond this commitment, the Bank has no further involvement. The Bank arranges a mandatory annual online training course on privacy, data protection and information security for all employees. The Data Protection Officer conducts classroom training sessions for new trainees and work-study students. L-Bank ensures that the privacy of data subjects whose data is processed by third parties commissioned by the Bank is protected by contractual agreements.

Karlsruhe, 4 March 2025

Edith Weymayr    Dr Iris Reinelt    Johannes Heinloth

# Independent Auditor's Report on a Limited-assurance Engagement pertaining to a Separate Non-financial Report

For Landeskreditbank Baden-Württemberg – Förderbank –, Karlsruhe

## Assurance conclusion

We have performed a limited-assurance engagement on the separate Non-financial Report of Landeskreditbank Baden-Württemberg – Förderbank –, Karlsruhe, for the fiscal year from 1 January 2024 to 31 December 2024, drawn up to comply with Sections 289b to 289e HGB (hereinafter "Non-financial Report").

Based on the assurance procedures performed and the assurance evidence obtained, nothing has come to our attention that causes us to believe that the accompanying Non-financial Report for the fiscal year from 1 January 2024 to 31 December 2024 has not been prepared, in all material respects, in accordance with Sections 289b to 289e HGB and the more detailed criteria set out by the legal representatives of this public-law institution.

## Basis for this assurance conclusion

We conducted our limited-assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB).

In a limited-assurance engagement, the audit procedures performed differ in type and timing from, and are less extensive than, the audit procedures performed in the course of a reasonable-assurance engagement. Consequently, the level of assurance obtained is substantially lower than the level of assurance that would have been obtained if a reasonable-assurance audit had been performed.

Our responsibilities under ISAE 3000 (Revised) are further described in the section entitled 'Auditor's responsibilities for the limited-assurance audit of the non-financial report'.

In accordance with European law as well as German commercial law and regulations governing the profession, we are independent of the Bank and have fulfilled our other German ethical and professional responsibilities in accordance with the aforementioned requirements. Our auditing practice applied the requirements pertaining to quality assurance systems set out in the IDW Quality Management Standard: Requirements for Quality Management in Auditing Practice (Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis (IDW QMS 1 (09.2022)), published by the Institute of Public Auditors in Germany (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

### Emphasis of a particular matter – General basis for preparation of the non-financial report

Without modifying our conclusion, we refer to the disclosures in the non-financial report which describe the principles according to which the non-financial report was prepared. According to these disclosures, the public-law institution applied the European Sustainability Reporting Standards (ESRS) to all sections of the non-financial report.

The non-financial report is published separately from the institution's Management Report. Here, Landeskreditbank Baden-Württemberg – Förderbank –, Karlsruhe, has used an option permitted by an IDW Circular, dated 16 December 2024, whereby the report has only applied ESRS Set 1 as a preparatory framework in part. The restriction 'applied in part' relates exclusively to the place of publication.

### Responsibilities of the legal representatives and Supervisory Board for the non-financial report

The legal representatives are responsible for preparing the non-financial report in conformity with the applicable German legal requirements and European statutes, as well as the more detailed criteria presented by the public-law institution's legal representatives. They are also responsible for designing, implementing and maintaining the internal controls they deem necessary to enable the preparation of a non-financial report that complies with the aforementioned provisions and is free from material misstatement due to fraud (manipulation of the non-financial report) or error.

The responsibility of the legal representatives also includes establishing and maintaining the process underlying the materiality assessment; selecting and

applying suitable methodologies for preparing the non-financial report; making assumptions and estimates, and identifying forward-looking information on individual sustainability-related disclosures.

The Supervisory Board is responsible for overseeing the process of preparing the non-financial report.

### Inherent limitations in the preparation of non-financial reports

The relevant German legal and European statutory provisions contain wording and terms which are subject to considerable uncertainty of interpretation and for which no comprehensively conclusive interpretations have yet been published. Because such wording and terminology may be interpreted differently by regulators or the courts, the legality of measurements or assessments of sustainability-related matters based on such interpretations is uncertain.

These inherent limitations also apply to the audit of the non-financial report.

### Auditor's responsibility for the limited- assurance audit of the non-financial report

Our objective is to express a limited-assurance conclusion based on the audit we have performed as to whether any matters have come to our attention which lead us to believe that the non-financial report has not been prepared, in all material respects, in accordance with the applicable German legal requirements and European statutes, as well as the more detailed criteria presented by the public-law institution's legal representatives, and to issue an auditor's report that includes our limited-assurance conclusion concerning the non-financial report.

In the course of our limited-assurance audit in accordance with the International Standard on Audit Engagements (ISAE) 3000 (Revised), we exercise our professional judgement and maintain professional scepticism. We also:

- Gain an understanding of the process used to prepare the non-financial report, including the process underlying the materiality assessment performed by the institution to identify the disclosures to be included in the non-financial report.
- Identify disclosures in which there is a probable risk of material misstatement due to fraud or error; plan and perform audit procedures that address these risks, and obtain evidence that supports our limited-assurance conclusion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting material misstatements resulting from errors, as fraud may involve collusion, falsification, intentional omission, misrepresentation and/or the overriding of internal controls. Furthermore, the risk of not detecting a material misstatement in information on the value chain obtained from sources that are not under the institution's control (value-chain information) is generally higher than the risk of not detecting a material misstatement in information obtained from sources under the institution's control. This is due to the fact that both the legal representatives of the institution and we as auditors are generally subject to restrictions on direct access to sources of value-chain information.
- Assess any forward-looking information, including the appropriateness and adequacy of the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking information.

### Summary of the auditor's activities

A limited-assurance engagement entails performing audit procedures to obtain evidence concerning the sustainability-related information provided. The nature, timing and scope of the selected audit procedures are subject to our professional judgement and discretion.

When performing our limited-assurance engagement, we:

- Assessed the overall suitability of the criteria presented by the legal representatives in the non-financial report.
- Made inquiries of the legal representatives and relevant personnel involved in preparing the non-financial report concerning the preparatory process, including the materiality assessment process carried out by the institution to identify the disclosures to be reported in the non-financial report, as well as the internal controls relating to this process.
- Assessed the methodologies used by the legal representatives to prepare the non-financial report.
- Evaluated the reasonableness of the estimates disclosed by the legal representatives and the related explanations.
- Conducted interviews on selected information in the non-financial report.
- Inspected a selection of individual supporting documents.
- Evaluated the presentation of the information in the non-financial report.

The engagement under which we provided the aforementioned services to Landeskreditbank Baden-Württemberg – Förderbank –, Karlsruhe, was based on the General Engagement Terms for Public Auditors and Public Audit Firms (Allgemeine Auftragsbedingungen für Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften – AAB) dated 1 January 2024 ([www.kpmg.de/AAB\\_2024](http://www.kpmg.de/AAB_2024)). By taking note and making use of the information contained in this assurance report, each recipient confirms that they have taken note of the provisions set down therein

(including the limitation of liability to EUR 4 million for negligence stipulated in Clause 9 AAB) and recognises their validity in relation to us.

Berlin, 4 March 2025  
 KPMG AG  
 Wirtschaftsprüfungsgesellschaft

Protze  
 Public Auditor

Dielehner  
 Public Auditor

# Report of the Supervisory Board

During fiscal year 2023, the Supervisory Board and the committees set up by the Board discharged the duties assigned to them by law and by the Bank's articles of association and standard operating procedures. Some of the committee meetings were held virtually, in the form of teleconferences or videoconferences. The committee chairpersons submitted regular reports on the work of their committees to the Supervisory Board.

**The Supervisory Board** held three meetings during calendar year 2024. The Board members monitored the orderly conduct of the Bank's business in three Ordinary and two Extraordinary Meetings. For this purpose, pursuant to the relevant statutory provisions, and to the policies set down in the Bank's articles of association and standard operating procedures, the Board of Management regularly briefed the Supervisory Board and its committees on the development of the Bank's business and risk exposure, as well as major and material business transactions, throughout 2024. The Members of the Supervisory Board were informed of the risk situation, Internal Audit activities, current developments and progress in achieving strategic objectives at these meetings, as well as in quarterly reports. The Supervisory Board was also regularly updated on progress made in remedying the findings of the audit on the use of information technology at L-Bank – pursuant to Section 44 of the German Banking Act (KWG) – conducted by the German Federal Financial Supervisory Authority (BaFin) in 2023, as well as the status of the IT compliance programme. Between meetings, the Board of Management also kept the Chair of the Supervisory Board, as well as the committee chairpersons, informed of any material developments at the Bank.

Among other issues, the Supervisory Board's Spring Meeting focused on the adoption of the 2023 financial statements and the ongoing status of L-Bank's mod-

ernisation programme and strategy process initiated in 2020. The Supervisory Board also voted to reappoint Dr Reinelt and Mr Heinloth to L-Bank's Board of Management.

The Bank's business, sustainability and IT strategies were discussed and adopted by the Supervisory Board at the Summer Meeting. In addition, the Supervisory Board addressed the Bank's personnel strategy.

The Supervisory Board approved the Bank's risk strategy at the Autumn Meeting. The Supervisory Board also took note of the Bank's development contribution plan and approved the economic plan for 2025. The Board approved the updating of the induction and training guidelines, the suitability and diversity guidelines, and the conflict of interest guidelines, and took note of the results of the suitability assessments of key function holders.

Between meetings, a number of urgent decisions were taken by written circular. In addition to adopting the resolution concerning the Bank's strategic acquisition of an equity interest, which had been extensively discussed at previous meetings, the Supervisory Board took note of the results of the annual evaluation of the Board of Management pursuant to Section 25d (11) KWG by written circular, based on the Personnel Committee's recommendations.

During the year under review, one Supervisory Board member attended less than half of the Board's meetings.

Supervisory Board members took part in two training events organised by L-Bank in 2024.

**The Risk Committee** held five meetings in calendar year 2024. In four Ordinary Meetings, the committee discussed the quarterly risk reports and the annual

reports submitted by the Data Protection Officer and Corporate Security unit. The Committee also discussed the Bank's strategies and played a close advisory role in the strategy process. The Committee also addressed the security incident involving a service provider commissioned by L-Bank. In an Extraordinary Spring Meeting, the Risk Committee held a detailed discussion of the findings of the audit conducted by the German Federal Financial Supervisory Authority (BaFin) pursuant to Section 44 of the German Banking Act (KWG), on the use of information technology at L-Bank and its implications for the implementation of the Bank's IT compliance programme. Members of the Risk Committee also received monthly status reports on the progress of L-Bank's IT compliance programme. The programme was launched in mid-2021 to strengthen IT compliance and ensure conformity with the relevant regulatory requirements.

**The Audit Committee** met three times in calendar year 2024. Three Ordinary Meetings were held to discuss the reports submitted by Internal Audit, Corporate and Securities Compliance, the Money Laundering and Fraud Prevention Officer, and the auditor's follow-up review of audit findings. The Audit Committee also examined the effectiveness of L-Bank's outsourcing management and discussed the structure of future sustainability reporting in compliance with Section 289b of the German Commercial Code (HGB).

The Audit Committee consulted with the auditor at the start of the 2023 audit process. The auditor provided the Audit Committee with progress reports on the audit, and also took part in discussions of the 2023 financial statements by the Supervisory Board and Audit Committee. In these discussions, the auditors reported on the main findings of their audit activities, answered questions and provided additional information. The Supervisory Board and Audit Committee discussed the auditor's report. The Audit Committee made appropriate recommendations to the Supervisory Board con-

cerning the adoption of the financial statements for 2023 and the appropriation of retained net earnings. The Audit Committee also reviewed the quality of the annual audit. The Audit Committee approved the additional services provided by the auditor in 2024.

**The Personnel Committee** held two meetings in calendar year 2024. In these Ordinary Meetings, reports were given on the sideline activities of Board of Management members, declared conflicts of interest, the results of the questionnaire for the Management and Supervisory Boards on the implementation of induction and training guidelines, and the ongoing development of the personnel strategy. The committee also discussed the results of the suitability assessment of key function holders and the questionnaire used for the annual evaluation of the Board of Management pursuant to Section 25d (11) KW, as well as the extension of the contracts for Dr Reinelt and Mr Heinloth.

**The Remuneration Control Committee** met twice in calendar year 2024 and took note of the remuneration control report by L-Bank's Remuneration Officer, the annual details of the configuration of the Bank's remuneration systems and the remunerative adjustments required to extend the contracts of Dr Reinelt and Mr Heinloth.

## Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft carried out the statutory annual audit for fiscal year 2024 and issued an unqualified auditor's opinion. In accordance with the outcome of the audit, the Supervisory Board has concluded that the annual financial statements for 2024 prepared by the Board of Management do not give rise to any objections. Accordingly, in its meeting on 7 April 2025, the Supervisory Board took note of and approved the Bank's annual financial statements for 2024.

The Supervisory Board has also reviewed the separate Non-financial Report for fiscal year 2024, which is based on the European Sustainability Reporting Standards (ESRS). The report was voluntarily subjected to a content review by KPMG AG Wirtschaftsprüfungsgesellschaft, in the form of an external limited-assurance engagement. The auditor's notes on this limited-assurance engagement were discussed by the Supervisory Board and Audit Committee with the auditor's involvement. On completion of this review, the Supervisory Board concluded that no objection should be raised to the separate Non-financial Report for 2024.

Taking account of the profit carried forward from the preceding year, the distributable net profit totalled EUR 150.7 million. The Supervisory Board approved the Board of Management's proposal to allocate EUR 100 million of this amount to other retained earnings and to carry forward the remaining amount of EUR 50.7 million.

## Personnel Matters

The Supervisory Board consists of 15 voting members and three consulting members.

The Supervisory Board is chaired by Minister Dr Danyal Bayaz. The two Vice-Chairs are Minister Dr Nicole Hoffmeister-Kraut (MSP)\* and Minister Nicole Razavi (MSP)\*.

Shortly after the Supervisory Board's Spring Meeting, Mr Thomas Dörflinger, a longstanding consulting member of the Board, passed away quite unexpectedly. The Supervisory Board mourns his passing and remembers him with gratitude.

On 28 April 2024, Ms Barbara Bender-Wieland stepped down as a consulting member. The Supervisory Board thanks her warmly for her valuable collaboration and contributions.

Ms Jasmin de Bel and Mr Emilio Poccia joined the Supervisory Board as consulting members on 29 April 2024.

Stuttgart, 7 April 2025



Chair of the Supervisory Board

Dr Danyal Bayaz

Minister of Finance for the State of Baden-Württemberg

\*MSP = Member of the State Parliament of Baden-Württemberg

# Annual Financial Statements 2024

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## L-Bank Balance Sheet as at 31 December 2024

<b>ASSETS</b>	31.12.2024 EUR	31.12.2024 EUR	31.12.2024 EUR	31.12.2023 EUR
1. CASH RESERVE				
a) cash in hand			8,777.15	8,946.66
2. RECEIVABLES FROM BANKS				
a) due on demand		1,626,606.84		5,562,848.56
b) other claims		34,327,644,975.38		39,801,217,527.24
			<b>34,329,271,582.22</b>	<b>39,806,780,375.80</b>
3. RECEIVABLES FROM CLIENTS				
thereof:				
secured through real-estate liens				
EUR 3,954,321,876.42 (EUR 4,090,318,758.25)				
municipal loans				
EUR 8,812,262,088.46 (EUR 9,495,518,118.12)			<b>21,244,443,172.95</b>	<b>22,030,659,651.49</b>
4. BONDS, DEBENTURES AND OTHER FIXED-INCOME SECURITIES				
a) money-market instruments				
aa) from other issuers				
thereof: eligible as collateral with Deutsche Bundesbank				
EUR 867,262,840.16 (EUR 1,713,233,236.50)		1,503,616,160.02		2,584,192,969.18
b) bonds and debentures				
ba) from public issuers				
thereof: eligible as collateral with Deutsche Bundesbank				
EUR 13,504,401,587.83 (EUR 11,200,398,209.43)	13,687,726,812.48			11,335,824,353.40
bb) from other issuers				
thereof: eligible as collateral with Deutsche Bundesbank				
EUR 15,611,231,965.61 (EUR 14,335,426,795.62)	18,662,865,340.10			17,897,427,979.67
			<b>32,350,592,152.58</b>	<b>29,233,252,333.07</b>
			<b>33,854,208,312.60</b>	<b>31,817,445,302.25</b>

<b>ASSETS</b>	31.12.2024 EUR	31.12.2024 EUR	31.12.2024 EUR	31.12.2023 EUR
5. SHAREHOLDINGS thereof: in financial institutions EUR 4,166,214.92 (EUR 4,166,214.92)			509,398,822.56	455,939,355.05
6. HOLDINGS IN AFFILIATED COMPANIES			9,909,202.00	7,909,202.00
7. FIDUCIARY ASSETS thereof: fiduciary loans EUR 10,380,137.48 (EUR 11,613,995.80)			10,380,748.79	11,614,590.85
8. INTANGIBLE ASSETS a) licences acquired for consideration, industrial property rights and similar rights and assets, and licences to such rights and assets			494,638.30	883,632.30
9. TANGIBLE ASSETS			70,302,695.14	66,404,204.29
10. OTHER ASSETS			913,622,598.90	51,063,606.63
11. ACCRUALS			896,184,866.06	869,551,786.41
<b>TOTAL ASSETS</b>			<b>91,838,225,416.67</b>	<b>95,118,260,653.73</b>

<b>LIABILITIES</b>	31.12.2024 EUR	31.12.2024 EUR	31.12.2024 EUR	31.12.2023 EUR
1. LIABILITIES TO BANKS				
a) due on demand		41,680,613.42		5,767,504.28
b) with agreed term or notice period		28,416,700,616.40		31,127,708,164.28
			<b>28,458,381,229.82</b>	<b>31,133,475,668.56</b>
2. LIABILITIES TO CLIENTS				
a) other liabilities				
aa) due on demand		1,048,243,268.51		358,261,086.47
ab) with agreed term or notice period		9,638,445,423.36		13,755,624,342.66
			<b>10,686,688,691.87</b>	<b>14,113,885,429.13</b>
3. SECURITISED LIABILITIES				
a) notes issued			<b>46,155,850,919.71</b>	<b>43,341,094,229.17</b>
4. FIDUCIARY LIABILITIES				
thereof: fiduciary loans				
EUR 10,380,137.48 (EUR 11,613,995.80)			<b>10,380,748.79</b>	<b>11,614,590.85</b>
5. OTHER LIABILITIES			<b>43,870,948.90</b>	<b>75,428,854.25</b>
6. DEFERRALS			<b>1,193,450,989.31</b>	<b>1,301,116,513.23</b>
7. PROVISIONS				
a) provisions for pensions and similar obligations		482,755,965.00		484,548,331.50
b) tax provisions		964,000.00		964,000.00
c) other provisions		460,495,642.94		530,760,368.71
			<b>944,215,607.94</b>	<b>1,016,272,700.21</b>
8. SUBORDINATED LIABILITIES			<b>0.00</b>	<b>10,110,382.52</b>

<b>LIABILITIES</b>	31.12.2024 EUR	31.12.2024 EUR	31.12.2024 EUR	31.12.2023 EUR
9. PARTICIPATION CAPITAL				
thereof:				
due within two years				
EUR 110,643,750.00				
(EUR 110,643,750.00)			<b>110,643,750.00</b>	<b>110,643,750.00</b>
10. FUND FOR GENERAL BANKING RISKS			<b>890,000,000.00</b>	<b>810,000,000.00</b>
11. EQUITY				
a) subscribed capital	250,000,000.00			250,000,000.00
b) capital reserve	1,048,002,789.69			1,048,002,789.69
c) retained earnings				
ca) other retained earnings	1,896,000,000.00			1,846,000,000.00
d) net profit	150,739,740.64			50,615,746.12
			<b>3,344,742,530.33</b>	<b>3,194,618,535.81</b>
<b>TOTAL LIABILITIES</b>			<b>91,838,225,416.67</b>	<b>95,118,260,653.73</b>
1. CONTINGENT LIABILITIES				
a) liabilities from sureties and guarantee contracts			<b>226,767,076.44</b>	<b>208,340,197.16</b>
2. OTHER COMMITMENTS				
a) irrevocable lending commitments			<b>3,845,371,179.98</b>	<b>4,405,898,077.90</b>

# L-Bank Statement of Income for the Fiscal Year 1 January to 31 December 2024

	2024 EUR	2024 EUR	2024 EUR	2023 EUR
1. INTEREST INCOME FROM				
a) lending and money market transactions	1,839,275,187.10			1,900,918,525.51
b) fixed-income securities and debt-register claims	797,512,425.87			613,292,906.60
		2,636,787,612.97		2,514,211,432.11
2. INTEREST EXPENSES		2,165,301,316.09		2,104,994,643.59
			471,486,296.88	409,216,788.52
3. CURRENT INCOME FROM				
a) shareholdings			9,288,470.25	5,441,528.10
4. COMMISSION INCOME			69,763,011.79	59,504,057.82
5. COMMISSION EXPENSES			2,466,451.84	3,390,112.71
6. OTHER OPERATING INCOME			6,221,137.00	6,962,366.19
7. GENERAL ADMINISTRATIVE EXPENSES				
a) personnel expenses				
aa) wages and salaries	104,154,436.46			92,835,929.98
ab) social security contributions and expenses for pensions and other benefits thereof: for pensions EUR 13,628,557.07 (EUR 23,159,407.91)	32,156,374.19			39,661,090.87
		136,310,810.65		132,497,020.85
b) other administrative expenses		99,300,301.28		204,571,834.28
			235,611,111.93	337,068,855.13
8. WRITE-DOWNS AND VALUATION ADJUSTMENTS ON INTANGIBLE ASSETS AND TANGIBLE ASSETS			6,066,635.26	7,211,529.84

	2024 EUR	2023 EUR
9. OTHER OPERATING EXPENSES	22,929,494.37	30,016,551.46
10. WRITE-DOWNS AND VALUATION ADJUSTMENTS ON RECEIVABLES AND CERTAIN SECURITIES, AS WELL AS ADDITIONS TO PROVISIONS FOR LOAN LOSSES	96,337,661.17	37,298,821.93
11. INCOME FROM ADDITIONS TO SHAREHOLDINGS, HOLDINGS IN AFFILIATED COMPANIES AND SECURITIES TREATED AS FIXED ASSETS	37,676,816.03	5,406,921.16
12. ADDITIONS TO FUND FOR GENERAL BANKING RISKS	80,000,000.00	20,000,000.00
13. INCOME FROM ORDINARY BUSINESS ACTIVITIES	151,024,377.38	51,545,790.72
14. TAXES ON INCOME AND EARNINGS	718,194.99	1,056,910.80
15. OTHER TAXES NOT STATED UNDER ITEM 9	182,187.87	182,072.11
16. NET INCOME	150,123,994.52	50,306,807.81
17. PROFIT CARRIED FORWARD FROM PREVIOUS YEAR	615,746.12	308,938.31
18. NET PROFIT	150,739,740.64	50,615,746.12

# L-Bank Cash Flow Statement

## for the Fiscal Year 1 January to 31 December 2024

	01.01.-31.12.2024 EURk	01.01.-31.12.2023 EURk
Result for the period	150,124	50,307
Amortisation, valuation adjustments and write-ups on receivables, including contingent liabilities and securities	175,012	-10,277
Depreciation/amortisation, valuation adjustments and write-ups on tangible assets and intangible assets	6,067	7,212
Amortisation, valuation adjustments and write-ups on financial assets (excluding securities)	1,400	8
Change in provisions (excluding loan-loss provisioning)	165,160	295,652
Profit/loss on the disposal of tangible and intangible assets	-2	0
Profit/loss on the disposal of financial assets	-37,177	-1,771
Other adjustments (net)	-50,650	31,013
Change in receivables from banks	5,477,746	4,480,248
Change in receivables from clients	602,653	21,874
Change in securities	-2,034,367	-6,568,738
Change in other assets from operating activities	-887,959	358,309
Change in liabilities to banks	-2,675,094	-4,593,199
Change in liabilities to clients	-3,427,197	93,123
Change in securitised liabilities	2,814,757	6,381,637
Change in other liabilities from operating activities	-301,867	-337,513
Net interest income	-471,487	-409,217
Income tax charges	718	1,057
Interest and dividend payments received	2,584,622	1,970,748
Interest paid	-2,025,306	-1,592,544
Income tax payments	-718	-1,057
<b>Cash flow from operating activities</b>	<b>66,435</b>	<b>176,872</b>
Proceeds from the disposal of financial assets	47,744	11,831
Disbursements for investments in financial assets	-104,603	-185,510
Proceeds from the disposal of tangible assets	3	0
Disbursements for investments in tangible assets	-9,449	-3,048
Disbursements for investments in intangible assets	-130	-303
<b>Cash flow from investment activities</b>	<b>-66,435</b>	<b>-177,030</b>
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at start of period	9	167
Cash flow from operating activities	66,435	176,872
Cash flow from investment activities	-66,435	-177,030
Cash flow from financing activities	0	0
<b>Cash and cash equivalents at end of period</b>	<b>9</b>	<b>9</b>

## L-Bank Statement of Changes in Equity as at 31 December 2024

	Subscribed capital EURk	Reserves			Net profit EURk	Equity EURk
		Capital reserve pursuant to Section 272 (2) art. 4 HGB EURk	Other retained earnings EURk	Total EURk		
<b>Balance as at 31.12.2022</b>	<b>250,000</b>	<b>1,048,003</b>	<b>1,803,000</b>	<b>2,851,003</b>	<b>43,309</b>	<b>3,144,312</b>
Transfer to reserves			43,000	43,000	-43,000	0
Net income for the year					<b>50,307</b>	<b>50,307</b>
<b>Balance as at 31.12.2023</b>	<b>250,000</b>	<b>1,048,003</b>	<b>1,846,000</b>	<b>2,894,003</b>	<b>50,616</b>	<b>3,194,619</b>
Transfer to reserves			50,000	50,000	-50,000	0
Net income for the year					<b>150,124</b>	<b>150,124</b>
<b>Balance as at 31.12.2024</b>	<b>250,000</b>	<b>1,048,003</b>	<b>1,896,000</b>	<b>2,944,003</b>	<b>150,740</b>	<b>3,344,743</b>

# Notes to the Annual Financial Statements of L-Bank as at 31 December 2024

## GENERAL PRINCIPLES

L-Bank (Landeskreditbank Baden-Württemberg – Förderbank –) was established by a law passed on 11 November 1998, effective as from 1 December 1998. L-Bank is the development bank of the German federal state of Baden-Württemberg. The Bank's business activities are governed by its statutory remit, namely, to support the state government of Baden-Württemberg in the fulfilment of its duties, especially in terms of structural, economic and social policy, by implementing development programmes that comply with European Union regulations governing state aid.

L-Bank has its head office in Karlsruhe, with a branch office in Stuttgart. It is entered in the commercial register of the City of Mannheim under number HRA 104441. Section 2 (1), clause 1 of the above-mentioned law – the L-Bank Act – sets the share capital of L-Bank at EUR 250 million.

The annual financial statements of L-Bank were prepared in accordance with the provisions of the German Commercial Code (HGB) and the applicable accounting directive for banks and financial services institutions (RechKredV). The balance sheet and statement of income comply with the standard forms in RechKredV. Additions to the fund for general banking risks are shown in a separate item.

When taken together, the majority shareholdings reported are of secondary importance. Preparation of a consolidated financial statement was thus waived pursuant to Section 290 (5) HGB in conjunction with Section 296 (2) HGB.

## ACCOUNTING AND VALUATION METHODS

Assets, liabilities and pending transactions are valued according to the general provisions of Section 252 et seq. HGB, taking account of the specific provisions applying to financial institutions (Section 340a et seq. HGB).

## Financial assets and liabilities

Cash reserves and receivables from banks and clients are generally stated at their nominal value, whereas liabilities are stated at repayment value. Differences (premiums and discounts) with respect to receivables and liabilities are stated under accruals or deferrals and written back pro rata temporis. Administrative charges are booked immediately. Low-interest and zero-interest receivables are discounted. Zero bonds issued and similar liabilities are stated at the offer price plus any prorated interest accrued at the balance sheet date.

Negative interest from financial investments is reported under interest income, while negative interest from borrowing is reported under interest expenses.

The Bank treats loans linked to development programmes for which it subsidises the interest portion as low-interest lending transactions. Such development programme loans are stated at their net present value. Provisions are made for interest subsidies on irrevocable lending commitments related to development programmes. Earnings from interest subsidies carried by the Bank are stated under net interest income.

When assessing risks in the lending business, a distinction is made between the recognition of risk provisions for non-performing loans and non-impaired loans. Individual valuation adjustments, specific provisions and generalised valuation adjustments are made for non-performing loans. Uncollectable receivables are written off. General loan-loss provisions are set up for non-impaired exposures in accordance with the principles of IDW RS BFA Opinion 7, together with a provision for general banking risks in accordance with Section 340f HGB. The generalised valuation adjustments are measured on the basis of historical losses for homogeneous portfolios. General loan-loss provisions are based on anticipated losses. Current risk factors are taken into account: the impact of uncertainties

resulting from current geopolitical crises – especially the Russian invasion of Ukraine, the escalation of conflicts in the Middle East and looming trade disputes – on loans to companies and private clients are accounted for by a management adjustment in the form of an addition to the general loan-loss provision. General loan-loss provisions are calculated using the simplified procedure set down in subsection 23 et seq. of IDW RS BFA Opinion 7. Where any anticipated loss is offset by the credit-rating premium, the general loan-loss provision is based on the amount of the loss anticipated over a one-year reference period (without taking credit-rating premiums into account). If it is no longer possible to assume such an offset, the amount of the general loan-loss provision is increased to match the expected loss over the entire term of the contract. Criteria for this include arrears of more than 30 days and certain deteriorations in probabilities of default. All valuation adjustments are offset against assets or stated under provisions.

Securities in the liquidity reserve are stated at the lower of acquisition cost or stock exchange/market price at the balance sheet date, in accordance with the strict 'lower of cost or market' principle. Where possible, stock-market prices are used to determine market values. Where no active markets are available, model values are used, based in turn on market data (yield curves, spread curves) and other available information (e.g. probabilities of default).

Securities treated as fixed assets are stated at amortised cost, whereby differences between the book value and the repayment amount are treated as income in proportion to their term. Securities in the financial investment portfolio are written down in the event of a loss of value that is likely to be permanent. If the reasons for a permanent loss of value no longer exist, the write-down is reversed accordingly. A generalised provision has been set up for latent risks, calculated on the basis of expected losses.

Holdings and shares in affiliated companies are stated at acquisition cost or, in the event of a likely permanent loss

of value, at the lower fair value as at the balance sheet date, analogous to the rules governing fixed assets. If the reasons for a permanent loss of value no longer exist, the write-down is reversed accordingly.

### Tangible and intangible assets

Intangible assets and tangible assets are valued at acquisition or production cost, less scheduled depreciation and amortisation. Where necessary, i.e. where it is anticipated that a loss of value may be permanent, extraordinary write-downs are made. Minor-value assets are combined in an annual summary item and depreciated over five years. Individually capitalised assets are depreciated on a straight-line basis over their assumed useful lives. The useful lives are generally derived from the tax depreciation tables.

### Provisions

Provisions for pensions and similar obligations are set up on the basis of direct pension commitments. They are determined according to actuarial principles, using Professor Dr Heubeck's RT 2018 G mortality tables. The projected unit credit (PUC) method is used for valuation purposes, taking into account a salary and pension growth rate of 2% in each case (2023: 2% respectively). Pursuant to the specifications of Section 253 (2) clauses 1 and 2 HGB, provisions are discounted at the average market interest rate over the last ten fiscal years, assuming a residual term of 15 years. The rate of interest applied is 1.90% (2023: 1.82%). As at 31 December 2024, the recognition of provisions based on the average market interest rate over the last ten fiscal years resulted in a higher figure than their recognition based on the equivalent average market interest rate over the last seven fiscal years. Thus for the first time, the difference to be reported pursuant to Section 253 (6) clause 3 HGB was negative, at EUR –6 million (2023: EUR +7 million).

Since 1 January 2024, a new occupational pension scheme has been in place, in the form of a fund-linked direct benefit commitment (L-Bank pension plan). Generally speaking, the commitment is based on the value of the investment fund units allocated to the personal pension account, but L-Bank guarantees that contributions paid at the time the pension becomes payable will meet a minimum threshold. The capital is invested through a fiduciary model (contractual trust arrangement).

The assets covering the Bank's pension obligations are measured at their fair value, which is determined on the basis of the market prices of the investment fund units. As the attributable fair value of the plan's assets exceeds the guaranteed minimum amount of the Bank's pension obligations, the provisions for the relevant pension obligations are stated at the attributable fair value of the plan's assets. In accordance with Section 246 (2) clause 2 HGB, the plan's assets and provisions are offset in the balance sheet, and the resulting expenses and income are offset in the statement of income.

The following table shows the Bank's pension obligations, pension plan assets and the related offset expenses and income.

	2024 EURk
Amount required to settle pension obligations	547
Acquisition cost of pension plan assets	510
Fair value of pension plan assets	547
Income from pension plan assets or pension obligations	37
Expenses associated with pension plan assets or pension obligations	37

The remaining provisions are stated at the repayment amount deemed necessary by sound business judgement, taking account of all risks from doubtful liabilities that can be identified, as well as anticipated losses from pending

transactions. Provisions with a residual term of more than one year are discounted at the average market interest rate over the last seven fiscal years that corresponds to their remaining term.

Expense provisions within the meaning of Section 249 (1) clause 3 (2) HGB (old version) are maintained either until they are used for the purpose for which they were set up (i.e. the relevant event occurs), or until they are written back because the original reason for their existence ceases to apply.

Interest accruing on provisions (including provisions for pensions and similar obligations) totalling EUR 3 million (2023: EUR 5 million) is stated under net interest income.

#### Development funds

To fulfil L-Bank's statutory public-service mandate, the Bank earmarks funds from earned income in the form of a development fund provision.

Out of the development fund for 2024 totalling EUR 117 million, an amount of EUR 114 million was utilised. The remaining balance was carried forward to the following year, increasing the development fund available for fiscal year 2025 to a total of EUR 103 million. On 31 December 2024, L-Bank made a provision of EUR 100 million to cover its obligation to pay out development contributions in fiscal year 2026.

Allocations to this provision in the current year are recognised in the statement of income as follows, taking account of the type of development support envisaged (interest-rate reductions or grants):

	EURk
Interest expenses	85,159
Other operating expenses	14,841
<b>Total</b>	<b>100,000</b>

### Currency translation

Currency translation is carried out according to the provisions of Section 256a in conjunction with Section 340h HGB, as well as IDW RS BFA Opinion 4. The initial valuation of assets and liabilities denominated in foreign currencies is carried out at acquisition cost, translated into EUR without affecting profit or loss. As at the balance sheet date, assets and liabilities denominated in foreign currencies, as well as pending foreign-exchange cash transactions, are translated at the mean spot rate on 29 December 2024. In the case of forward currency contracts, the forward rate is separated into cash and interest portions.

For currency translation purposes, the Bank calculates currency exposure by offsetting the claims and obligations from on-balance sheet and off-balance sheet transactions in the respective currency against each other. These transactions are classified and valued as separately hedged in each currency. Accordingly, all expenses and income from currency translation within the meaning of Section 340h HGB are included in the statement of income. A surplus on valuation is reported in a balancing item under 'Other assets' (2023: 'Other liabilities').

### Loss-free valuation of the non-trading portfolio (bank book)

Reviews of the non-trading portfolio (bank book) within the meaning of IDW RS BFA Opinion 3 with the aim of ensuring loss-free valuation are based on a net-present-value approach. Calculations are based on book values (as in the balance sheet), discounted cash flows and risk provisioning expenses, plus future administrative expenses incurred by the unwinding of positions.

The valuation of transactions continued to show that there was no need to make provisions.

### Treatment of hedging transactions

To hedge balance sheet risks, the Bank uses derivative hedging transactions and guarantees. The Bank concludes derivative transactions in order to hedge aggregate interest-rate exposure and/or individual transactions. Any contributions to earnings by derivatives are stated under net interest income.

For financial instruments that should otherwise be separated pursuant to IDW RS HFA 22, hedged transactions and hedging instruments have been grouped together in the form of micro hedges to create valuation units within the meaning of Section 254 HGB. In the reporting year, the Bank also set up valuation units within the meaning of Section 254 HGB in the form of micro hedges comprising debt securities (bonds, debentures and other promissory notes) classified as fixed (non-current) assets; existing transactions were also included. The valuation factors used for these micro hedges match perfectly (perfect hedges). The accounting treatment is based on the so-called 'freezing method', otherwise known as the net hedge presentation method, in which offsetting changes in value (i.e. equal and opposite changes in the fair values attributable to hedged transactions and hedging instruments as a result of the hedged risk) are not taken into consideration in the financial statements.

Hedged transactions in micro hedges within the meaning of Section 254 HGB are presented in the table below. Where applicable, the stated nominal values have been translated into EUR at the mean spot rate on 30 December 2024.

Underlying transaction in micro hedge	Nominal value in EURk	of which interest-rate risk	of which currency risk
Assets	16,954,532	13,719,755	3,234,777
Liabilities	2,538,049	2,522,250	15,799
<b>Total</b>	<b>19,492,581</b>	<b>16,242,005</b>	<b>3,250,576</b>

The underlying (hedged) transactions are offset by micro swaps with a market value of EUR -625.0 million.

BREAKDOWN OF SELECTED BALANCE SHEET ITEMS BY TIME TO MATURITY OR CALL	31.12.2024 EURk	31.12.2023 EURk
<b>RECEIVABLES FROM BANKS</b>		
due on demand	1,627	5,563
up to three months	13,862,233	18,811,740
more than three months and up to one year	2,438,406	2,735,575
more than one year and up to five years	8,333,460	8,428,779
more than five years	9,693,545	9,825,123
<b>RECEIVABLES FROM CLIENTS</b>		
up to three months		989,052
more than three months and up to one year	844,293	804,780
more than one year and up to five years	4,514,948	4,444,936
more than five years	15,470,435	15,791,892
<b>BONDS, DEBENTURES AND OTHER FIXED-INCOME SECURITIES</b>		
maturing in the following year	3,006,613	5,782,828
<b>LIABILITIES TO BANKS</b>		
due on demand	41,681	5,768
up to three months	3,513,178	5,541,441
more than three months and up to one year	4,144,072	3,819,678
more than one year and up to five years	9,013,804	9,292,364
more than five years	11,745,646	12,474,225
<b>LIABILITIES TO CLIENTS</b>		
due on demand	1,048,243	358,261
up to three months	3,895,843	7,981,379
more than three months and up to one year	25,554	38,564
more than one year and up to five years	565,853	397,518
more than five years	5,151,195	5,338,163
<b>SECURITISED LIABILITIES</b>		
maturing in the following year	24,774,545	24,975,757

EXPLANATIONS OF INDIVIDUAL BALANCE SHEET ITEMS	31.12.2024 EURk	31.12.2023 EURk
<b>RECEIVABLES FROM CLIENTS</b>		
This item comprises:		
– receivables from affiliated companies	77,681	74,539
– receivables from companies in which an equity interest is held	75,319	78,937
– subordinated receivables	19,316	0
<b>BONDS, DEBENTURES AND OTHER FIXED-INCOME SECURITIES</b>		
This item comprises:		
– receivables from companies in which an equity interest is held	1,715,267	1,715,228
The marketable securities in this item break down as follows:		
– listed	32,323,922	29,167,395
– unlisted	1,530,286	2,650,050
Securities with a book value (excluding prorated interest accrued) of EUR 31,886,488,000 are assigned to investment assets. Of these, securities with a book value of EUR 21,046,944,000 have a market value of EUR 18,785,072,000. No amortisation has been applied to these items, as short-term market fluctuations are not taken into account given the intention to hold these assets on a long-term basis. The interest-induced hidden charges on securities held as fixed assets are offset by interest-induced hidden reserves in derivative transactions.		
<b>SHAREHOLDINGS</b>		
Of the marketable securities included in shareholdings, the following are:		
– listed	0	0
<b>FIDUCIARY ASSETS</b>		
This item breaks down as follows:		
– receivables from banks	10,307	11,537
– receivables from clients	73	77
– other assets	1	1
<b>TANGIBLE ASSETS</b>		
This item comprises:		
– plots and buildings used for the Bank's own activities	61,614	59,463
– plant and office equipment	8,616	6,868

EXPLANATIONS OF INDIVIDUAL BALANCE SHEET ITEMS	31.12.2024 EURk	31.12.2023 EURk
<b>ACCRUALS – ASSETS</b>		
– Difference between disbursement amount or acquisition cost and lower nominal value of receivables	266,056	323,029
– Difference between issue price and higher repayable amount of liabilities	40,696	50,260
<b>FIDUCIARY LIABILITIES</b>		
Fiduciary liabilities comprise		
– liabilities to banks	0	2
– liabilities to clients	10,380	11,612
– other liabilities	1	1
<b>DEFERRALS – LIABILITIES</b>		
– Difference between disbursement amount or acquisition cost and higher nominal value of receivables	260	312
– Difference between issue price and lower repayable amount of liabilities	59,702	84,351
<b>SUBORDINATED LIABILITIES AND PARTICIPATION CAPITAL</b>		
– Interest expenses on subordinated liabilities	295	2,524
– Interest expenses on participation capital	5,661	5,661

Participation capital consists of participation certificates and breaks down as follows:

Number	Amount in EURk	Interest rate in %	Maturity date
1	50,000	5.375	01.07.2025
4	10,000	5.375	01.07.2025
3	5,000	5.375	01.07.2025

Under the terms and conditions of the participation certificates, the servicing of distribution and repayment claims is linked to the result of the Bank's ordinary business activities. Participation capital is subordinated. In the event of liquidation, the liabilities to all other creditors would be satisfied in full before any payments were made to subordinated creditors.

Under state law, L-Bank is not capable of insolvency.

INDIVIDUAL AMOUNTS THAT ARE MATERIAL IN ASSESSING THE ANNUAL FINANCIAL STATEMENTS	31.12.2024 EURk	31.12.2023 EURk
<b>OTHER ASSETS</b>		
– Balancing item from currency translation	863,128	–
– Receivables from swaps	29,767	30,153
– Works of art	11,625	11,631
<b>PREPAYMENTS AND ACCRUALS</b>		
– Single payments made in advance for swaps	563,493	486,664
<b>OTHER LIABILITIES</b>		
– Liabilities from occupational pension scheme	22,837	14,790
– Single (bullet) repayments on swaps	8,362	7,975
– Balancing item from currency translation	–	47,326
<b>DEFERRALS</b>		
– Single payments received in advance for swaps	1,054,638	1,134,479
– Contributions to administrative expenses received in advance	74,011	77,603
<b>PROVISIONS</b>		
under other provisions:		
– Provisions for development funds	203,428	217,178
– Provisions for development contributions already made	70,121	66,889
<b>INTEREST INCOME</b>		
– Negative interest from financial investments	6,704	7,116
<b>INTEREST EXPENSES</b>		
– Negative interest from borrowing	10,948	13,058
<b>COMMISSION INCOME</b>		
– Income from other services	67,247	56,200
Other services mainly relate to services on behalf of the State of Baden-Württemberg.		

INDIVIDUAL AMOUNTS THAT ARE MATERIAL IN ASSESSING THE ANNUAL FINANCIAL STATEMENTS	31.12.2024 EURk	31.12.2023 EURk
<b>GENERAL ADMINISTRATIVE EXPENSES</b>		
Other administrative expenses include auditor's fees (excluding sales tax):		
– for year-end auditing services	452	432
– for other auditing services	112	48
– for other services	176	–
‘Other auditing services’ include the limited-assurance engagement related to the Non-financial Report and the SWIFT CSP assessment. ‘Other services’ refers to the performance of a CSRD Readiness Assessment.		
<b>OTHER OPERATING EXPENSES</b>		
– Addition to the provision for development funds	14,841	20,800
<b>TOTAL VALUE OF ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES</b>		
– Assets	4,155,803	4,262,815
– Liabilities	29,020,454	26,612,124
The exchange-rate risk from foreign-exchange balance-sheet items is essentially covered by off-balance-sheet hedging transactions. Currency translation produced:		
– other operating income in the amount of	33	–
– other operating expenses in the amount of	–	6

### CONTINGENT LIABILITIES AND OTHER COMMITMENTS

The assessment of utilisation risk is based on the Bank's risk management approach. The overwhelming proportion of contingent liabilities and other commitments comprise credit risks from borrowers with good to very good credit ratings. Acute and latent credit risks are accounted for in the balance sheet by making suitable provisions.

### PROVISION OF COLLATERAL

For refinancing purposes, securities in the amount of EUR 3,881 million (2023: EUR 8,149 million) were deposited with Deutsche Bundesbank. As at 31 December 2024, no securities had been credited in the course of open-market transactions (2023: EUR 313 million). Securities in the amount of EUR 1,847 million (2023: EUR 1,557 million) were deposited for direct participation in EUREX (the electronic derivatives exchange). Of this amount, EUR 1,345 million had been utilised as at 31 December 2024 (2023: EUR 1,006 million). Securities in the amount of EUR 33 million (2023: EUR 32 million) were deposited for indirect participation in EUREX. Of this amount, EUR 1 million had been utilised as at 31 December 2024 (2023: EUR 1 million). As at 31 December 2024, EUR 169 million had been transferred for initial margin securities (2023: EUR 175 million).

As collateral for OTC transactions, the Bank posted cash surety bonds totalling EUR 565 million (2023: EUR 1,307 million), reported under receivables from banks or clients.

### TRANSACTIONS WITH ASSOCIATED OR RELATED PARTIES AND PERSONS

Transactions with associated or related parties concluded on non-market terms had a reported value of EUR 17 million as at 31 December 2024 (2023: EUR 17 million). The transaction concerned is a shareholder loan.

## OTHER FINANCIAL COMMITMENTS

The Bank's investment business includes payment commitments for outstanding, previously uncalled deposits totalling EUR 148 million.

By acquiring a shareholding in Landesbank Baden-Württemberg (LBBW) with effect from 1 January 2005, L-Bank became a guarantor of LBBW. Even after withdrawing from its role as LBBW guarantor with effect from midnight on 28 December 2015, L-Bank remains liable to third parties for all LBBW liabilities incurred prior to 18 July 2001. However, in the event of claims against L-Bank, the Bank is entitled to hold any guarantors with inter partes liability jointly and severally liable in full.

As at the balance sheet date, there are no transactions within the meaning of Section 285 (3) and (3a) HGB that are significant for the assessment of the Bank's financial position.

## DERIVATIVE TRANSACTIONS

As at the balance sheet date, L-Bank had concluded the derivative transactions (forward transactions within the meaning of Section 36 RechKredV) listed below. They are used as hedges against interest-rate and exchange-rate risks. For the purposes of reporting derivative transactions, no netting of the positive and negative market values of contracts with the same counterparty was undertaken. As a general rule, insolvency-proof netting arrangements are in place. Furthermore, L-Bank has entered into collateral agreements with the Bank's main business partners with the aim of reducing any existing mutual risk of default by providing collateral in the form of cash.

Fully hedged derivative structures embedded in underlying transactions (hedged items) are not included in the tables.

The derivative transactions break down as follows:

### DERIVATIVE TRANSACTIONS – SUMMARY OF AMOUNTS

in EUR millions	Nominal	Nominal	Market values	Market values	Market values	Market values
	values	values	positive	negative	positive	negative
	31.12.2024	31.12.2023	31.12.2024	31.12.2024	31.12.2023	31.12.2023
<b>INTEREST-RATE RISKS</b>						
Interest-rate swaps	83,634	82,701	4,166	-3,102	4,938	-3,211
Other forward transactions	–	100	–	–	4	0
<b>Interest-rate risks – total</b>	<b>83,634</b>	<b>82,801</b>	<b>4,166</b>	<b>-3,102</b>	<b>4,942</b>	<b>-3,211</b>
<b>CURRENCY RISKS</b>						
Forward currency contracts/swaps	12,834	12,011	438	-1	12	-196
Currency swaps/cross-currency interest-rate swaps	19,070	17,639	794	-378	210	-619
<b>Currency risks – total</b>	<b>31,904</b>	<b>29,650</b>	<b>1,232</b>	<b>-379</b>	<b>222</b>	<b>-815</b>

On balance, no significant profit or loss on foreign-exchange transactions or interest-rate valuations is due from interest-rate/currency swaps and the corresponding hedged items, especially on bonds or debentures issued in foreign currencies. Market values of interest-rate/currency swaps totalling EUR 863 million are due to changes in spot exchange rates. A balancing item from currency translation was set up in this amount on the assets side and stated under 'Other assets'. If individual swap contracts include bullet payments, these are reported under 'Other assets' or 'Other liabilities'. Any advance payments are included in 'Accruals'.

Interest-rate swaps in the non-trading portfolio (bank book) are used primarily to control total interest-rate exposure and show a net positive market value of EUR 1,064 million as at 31 December 2024.

## DERIVATIVE TRANSACTIONS – BY COUNTERPARTY

in EUR millions	Nominal values	Nominal values	Market values positive	Market values negative	Market values positive	Market values negative
	31.12.2024	31.12.2023	31.12.2024	31.12.2024	31.12.2023	31.12.2023
Banks in the OECD	115,538	112,451	5,398	–3,481	5,164	–4,026
<b>Total</b>	<b>115,538</b>	<b>112,451</b>	<b>5,398</b>	<b>–3,481</b>	<b>5,164</b>	<b>–4,026</b>

## DERIVATIVE TRANSACTIONS – BY TERM

Nominal values in EUR millions	Interest-rate risks	Interest-rate risks	Currency risks	Currency risks
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
<b>RESIDUAL MATURITIES</b>				
– up to three months	2,382	2,441	10,414	13,099
– more than three months and up to one year	5,364	8,071	7,527	4,558
– more than one year and up to five years	23,797	25,567	12,399	10,404
– more than five years	52,091	46,722	1,564	1,589
<b>Total</b>	<b>83,634</b>	<b>82,801</b>	<b>31,904</b>	<b>29,650</b>

There are no trading transactions.

## VALUING DERIVATIVE FINANCIAL INSTRUMENTS

The market valuation of derivatives is based on market data as at 30 December 2024, including yield curves, exchange rates, and CFC, swaption and FX volatilities obtained by the Bank from external providers. The parameters required for our interest-rate-structure models are, in part, obtained through calibration using historical time series (correlation parameters in Hull-White models or BGM models).

PRODUCT GROUP	MAIN VALUATION MODEL
Interest-rate and currency derivatives	DCF method
Interest-rate structures	Interest-rate-structure models (BGM model, Bachelier model, Hull-White model, modified Hull-White model for multiple currencies)

## INFORMATION ON TAX LIABILITIES

In accordance with the applicable German tax statutes (Section 5 (1) art. 2 KStG and Section 3 art. 2 GewStG), L-Bank is exempt from corporate income tax and trade tax, and pursuant to Sections 1 (4), 5 (1) art. 1 and 7 (30) of the German Minimum Tax Act (MinStG), is not subject to minimum tax.

## HOLDINGS PURSUANT TO SECTION 285 ART. 11 HGB/SECTION 340A (4) ART. 2 HGB

No.	Name	Registered office	Holdings in %	Equity* in EURk	Result* in EURk
1	Austria Beteiligungsgesellschaft mbH	Stuttgart	33.33	37,041	521
2	Baden-Württemberg International – Gesellschaft für internationale wirtschaftliche und wissenschaftliche Zusammenarbeit mbH	Stuttgart	24.00	8,013	-2,406
3	Below One Fund I GmbH & Co. KG	Berlin	3.13	44,910	-5,077
4	BWK GmbH Unternehmensbeteiligungsgesellschaft	Stuttgart	10.00	205,832	-4,890
5	CARMA Fund I Capital GmbH & Co. KG	Frankfurt	8.90	1,573	2,279
6	DBAG Expansion Capital Fund GmbH & Co. KG	Frankfurt	21.77	24,389	6,192
7	Earlybird DWES Fund VIII GmbH & Co. KG	Munich	5.41	**	**
8	European Investment Fund	Luxembourg	0.18	4,595,206	233,743
9	First Momentum Ventures Fund II GmbH & Co. KG	Karlsruhe	24.99	3,902	-685
10	Grazia Generation III GmbH & Co. KG	Stuttgart	9.99	7,915	-5,443
11	Landesbeteiligungen Baden-Württemberg GmbH	Stuttgart	12.14	844,387	25,319
12	LEA Mittelstandspartner GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	25.00	135,115	14,027
13	LEA Mittelstandspartner II GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	20.85	175,570	-618
14	LEA Mittelstandspartner III GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	21.83	**	**
15	LEA Strategic Opportunities Fund I GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	3.08	**	**
16	LEA Venturepartner Annex GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	48.00	12,362	-45
17	LEA Venturepartner GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	49.00	41,300	3,170
18	LEA Venturepartner II GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	48.00	105	-647
19	Mätch.vc Fund I GmbH & Co. KG	Stuttgart	33.10	587	-554
20	MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH	Stuttgart	26.80	107,902	8,304
21	SHS VI Healthcare Investment GmbH & Co. KG	Tübingen	5.57	59,324	-6,864
22	Start-up BW Innovation Fonds GmbH & Co. KG	Stuttgart	14.19	4,068	-973
23	StEP Stuttgarter EngineeringPark GmbH	Stuttgart	100.00	11,948	-1,391
24	Strohheker Holding GmbH	Pforzheim	49.50	-5,472	-5,392
25	SWK Beteiligungs GmbH & Co. geschlossene Investment KG	Stuttgart	20.00	637,579	31,110
26	Technologiepark Karlsruhe GmbH	Karlsruhe	96.00	55,382	2,536
27	Technologiepark Mannheim GmbH	Mannheim	100.00	5,321	212
28	Technologieparks Tübingen-Reutlingen GmbH	Tübingen	100.00	19,995	1,297

\* As at the last fiscal year-end for which annual financial statements are available in each case.

\*\* New business start-up: no financial statements yet available.

The Bank opted to apply Section 286 (3) clause 1 art. 1 HGB.

## STATEMENT OF CHANGES IN FIXED ASSETS

Fixed assets Balance-sheet items	Acquisition costs 01.01.2024  EURk	Additions  EURk	Retire- ments  EURk	Transfers  EURk	Write- ups, cumulative  EURk	Depreciation/ amortisation, cumulative  EURk	Book value 31.12.2024  EURk	Annual depreciation/ amortisation for 2024 EURk	Annual write-ups for 2024 EURk
Bonds, debentures and other fixed-income securities	33,200,940	Net change pursuant to Section 34 (3) clause 2 RechKredV: -1,355,107					31,886,488	-	-
Shareholdings	541,531						509,399	-1,400	-
Holdings in affiliated companies	18,432						9,909	-	-
Intangible assets	36,300	130	-99	-	-	-35,837	495	-519	-
Tangible assets	200,839	9,449	-521	-	-	-139,464	70,303	-5,547	-
Other assets	13,148	-	-	-	-	-1,523	11,625	-7	-

Depreciation/amortisation	01.01.2024	Addition	Write-up	Transfer	Retirement	31.12.2024
Intangible assets	35,416	519	-	-	99	35,837
Tangible assets	134,434	5,547	-	-	518	139,464
Other assets	1,517	7	-	-	-	1,523

## REMUNERATION PAID TO MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

Remuneration paid to members of the Board of Management for 2024 in EURk<sup>1)</sup>

Name	Membership period	Fixed remuneration	Other non-cash benefits	Payments from third parties in relation to Board of Management activities	Total
Edith Weymayr Chair	01.01.-31.12.	682	12	36	730
Dr Iris Reinelt	01.01.-31.12.	445	15	9	470
Johannes Heinloth	01.01.-31.12.	445	15	26	486
<b>Total</b>		<b>1,572</b>	<b>42</b>	<b>72</b>	<b>1,686</b>

<sup>1)</sup> All amounts were rounded; no adjustments were made to totals.

An occupational pension scheme is in place for members of the Board of Management based on the rules applicable to L-Bank employees.

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**REMUNERATION PAID TO MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD**


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 Remuneration paid to members of the Supervisory Board for 2024 in EURk<sup>1)</sup>


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Name	Membership period	Membership of Supervisory Board	Membership of committees	Total
Dr Danyal Bayaz <sup>2)</sup> Chair	01.01.–31.12.	13.0	22.0	35.0
Dr Nicole Hoffmeister-Kraut MSP <sup>2), 3)</sup> 1st Vice-Chair	01.01.–31.12.	11.0	9.0	20.0
Nicole Razavi MSP <sup>2), 3)</sup> 2nd Vice-Chair	01.01.–31.12.	11.0	4.0	15.0
Dr Florian Stegmann <sup>2)</sup>	01.01.–31.12.	9.0	8.0	17.0
Dr Jürgen Bufka	01.01.–31.12.	9.0	–	9.0
Claudia Diem	01.01.–31.12.	9.0	12.0	21.0
Martin Gross	01.01.–31.12.	9.0	8.0	17.0
Manuel Hagel MSP <sup>3)</sup>	01.01.–31.12.	9.0	5.0	14.0
Felix Herkens MSP <sup>3)</sup>	01.01.–31.12.	9.0	–	9.0
Ralf Bross	01.01.–31.12.	9.0	–	9.0
Gabriele Kellermann	01.01.–31.12.	9.0	16.0	25.0
Andrea Lindlohr MSP <sup>2), 3)</sup>	01.01.–31.12.	9.0	4.0	13.0
Rainer Reichhold	01.01.–31.12.	9.0	–	9.0
Dr Jan Stefan Roell	01.01.–31.12.	9.0	4.0	13.0
Joachim Walter	01.01.–31.12.	9.0	–	9.0
Barbara Bender-Wieland	01.01.–28.04.	3.0	–	3.0
Thomas Dörflinger	01.01.–19.04.	2.7	–	2.7
Clemens Meister	01.01.–31.12.	9.0	–	9.0
Jasmin de Bel	29.04.–31.12.	6.1	–	6.1
Emilio Poccia	29.04.–31.12.	6.1	–	6.1
<b>Total</b>		<b>169.8</b>	<b>92.0</b>	<b>262.2</b>

<sup>1)</sup> All amounts were rounded; no adjustments were made to totals.

<sup>2)</sup> Subject to a duty of surrender to the State of Baden-Württemberg.

<sup>3)</sup> MSP = Member of the State Parliament of Baden-Württemberg.

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**REMUNERATION PAID TO MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD**


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	31.12.2024 EURk	31.12.2023 EURk
– Payments to former members of the Board of Management or their surviving dependants	1,555	1,337
– Pension provisions for former members of the Board of Management and their surviving dependants	25,180	25,675

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**NUMBER OF EMPLOYEES (ANNUAL AVERAGE)**


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	Male	Female	Total
Employees*	659	844	1,503
of whom: full-time employees	567	454	1,021
of whom: part-time employees	92	390	482

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\* Headcount; excluding apprentices, trainees and interns.

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DIRECTORSHIPS HELD BY BOARD OF MANAGEMENT MEMBERS AND EMPLOYEES  
OF L-BANK SITTING ON STATUTORY SUPERVISORY BODIES OF  
LARGE CORPORATIONS PURSUANT TO SECTION 340A (4) ART. 1 HGB

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EDITH WEYMAYR, CHAIR OF THE BOARD OF MANAGEMENT

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Wüstenrot & Württembergische AG, Stuttgart, Germany	Member of the Supervisory Board
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DR IRIS REINELT, MEMBER OF THE BOARD OF MANAGEMENT

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Investitionsbank Berlin, Berlin, Germany	Member of the Administrative Board
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IBB Unternehmensverwaltung, Berlin, Germany	Member of the Administrative Board
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JOHANNES HEINLOTH, MEMBER OF THE BOARD OF MANAGEMENT

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Hypo Vorarlberg Bank AG, Bregenz, Austria	Member of the Supervisory Board
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TransnetBW GmbH, Stuttgart, Germany	Member of the Supervisory Board
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BOARDS OF L-BANK

BOARD OF MANAGEMENT

Edith Weymayr  
Chair

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Dr Iris Reinelt

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Johannes Heinloth

SUPERVISORY BOARD MEMBERS

Regular members

**Dr Danyal Bayaz**  
Minister of Finance for the State of Baden-Württemberg  
Chair

**Dr Nicole Hoffmeister-Kraut MSP\***  
Minister of Economic Affairs, Labour and Tourism, State of Baden-Württemberg  
1st Vice-Chair

**Nicole Razavi MSP\***  
Minister of Regional Development & Housing, State of Baden-Württemberg  
2nd Vice-Chair

**Ralf Bross**  
Former Lord Mayor and Executive Member of the Board of the Association of Cities and Towns of Baden-Württemberg

**Dr Jürgen Bufka**  
Proprietor, Bufka Advisory Services

**Claudia Diem**  
Legal practitioner

**Martin Gross**  
Regional Manager, ver.di Baden-Württemberg

**Manuel Hagel MSP\***  
Chair of CDU parliamentary group, Baden-Württemberg State Parliament

**Felix Herkens MSP\***  
Member of Alliance 90/ The Greens parliamentary group, Baden-Württemberg State Parliament

**Gabriele Kellermann**  
Vice-Chair, Board of Managing Directors, BBBank eG

**Andrea Lindlohr MSP\***  
State Secretary, Baden-Württemberg Ministry of Regional Development and Housing

**Rainer Reichhold**  
Managing Director, Elektro-Nürk GmbH; President, Baden-Württembergischer Handwerkstag e. V.

**Dr Jan Stefan Roell**  
Managing Director, roellpartners GmbH; Vice-President, Association of Baden-Württemberg Chambers of Industry and Commerce

**Dr Florian Stegmann**  
Minister of State and Head of State Chancellery, Baden-Württemberg Ministry of State

**Joachim Walter**  
Chief Administrator, District of Tübingen; President, Baden-Württemberg Association of District Councils

Consulting members

**Clemens Meister**  
Chair, Central Staff Council of L-Bank, Karlsruhe

**Barbara Bender-Wieland**  
Chair, Staff Council of L-Bank, Karlsruhe  
until 28.04.2024

**Jasmin de Bel**  
Chair, Staff Council of L-Bank, Karlsruhe  
since 29.04.2024

**Thomas Dörflinger**  
Chair, Staff Council of L-Bank, Stuttgart  
until 19.04.2024

**Emilio Poccia**  
Chair, Staff Council of L-Bank, Stuttgart  
since 29.04.2024

\* MSP = Member of the State Parliament of Baden-Württemberg.

#### EVENTS AFTER THE BALANCE-SHEET DATE

No incidents or events of particular significance occurred after the fiscal year-end on 31 December 2024.

#### PROPOSAL BY THE BOARD OF MANAGEMENT FOR THE DISTRIBUTION OF NET PROFIT

The Board of Management hereby proposes to the Supervisory Board that out of the net profit for fiscal year 2024, totalling EUR 150,739,740.64, an amount of EUR 100,000,000.00 should be appropriated to other retained earnings and the remaining amount of EUR 50,739,740.64 carried forward to the current fiscal year.

Karlsruhe, 25 February 2025

L-Bank

Edith Weymayr

Dr Iris Reinelt

Johannes Heinloth

## Declaration of the Board of Management Regarding the Financial Statements of L-Bank as at 31 December 2024

To the best of our knowledge, and in accordance with the applicable accounting and reporting principles, we confirm that the annual financial statements give a true and fair view of the Bank's net assets, financial position and financial performance, and that the Management Report presents a true and fair review of the development and performance of the business and position of the Bank, together with a description of the principal opportunities and risks associated with the Bank's expected development.

Karlsruhe, 25 February 2025

Edith Weymayr

Dr Iris Reinelt

Johannes Heinloth

# Independent Auditor's Report

For Landeskreditbank Baden-Württemberg – Förderbank – Karlsruhe

## REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

### Audit opinions

We have audited the annual financial statements of Landeskreditbank Baden-Württemberg – Förderbank – Karlsruhe, comprising the balance sheet as at 31 December 2024, income statement, cash flow statement and statement of changes in equity for the fiscal year from 1 January to 31 December 2024, as well as the notes to the accounts, including the descriptions of the accounting and valuation methods applied. We have also audited the management report of Landeskreditbank Baden-Württemberg – Förderbank – for the fiscal year from 1 January to 31 December 2024.

In accordance with German legal requirements, we have not audited the content of those parts of the management report listed in the 'Other information' section of our auditor's report.

In our opinion, based on the findings of the audit:

- the accompanying annual financial statements comply, in all material respects, with the provisions of German commercial law applicable to institutions and, in accordance with German generally accepted accounting principles, give a true and fair view of the net assets and financial position of the public-law institution as at 31 December 2024, and of its financial performance for the fiscal year from 1 January to 31 December 2024, and
- in all material respects, the accompanying management report conveys a true and fair view of the position of the public-law institution. It is consistent with the annual financial statements, complies with German statutory provisions and suitably presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those

parts of the management report listed in the 'Other information' section of the opinion.

In accordance with Section 322 (3) clause 1 HGB, we declare that our audit has not led to any reservations regarding the legal compliance of the annual financial statements and the management report.

### Basis for the audit opinions

We conducted our audit of the annual financial statements and management report in accordance with Section 317 HGB and EU Audit Regulation 537/2014 (hereinafter 'EU Audit Regulation') and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the annual financial statements and management report' section of our auditor's report. In accordance with European law as well as German commercial law and regulations governing the profession, we are independent of the public-law institution and have fulfilled our other German ethical and professional responsibilities in accordance with the aforementioned requirements. In addition, pursuant to Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

### Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January to 31 December 2024. These matters were addressed in the context of our audit of the annual financial statements as a whole and in the preparation of our opinion thereon; we do not express a separate audit opinion on these matters.

### **The adequacy of the individual valuation adjustments on receivables from banks and clients in the lending business at L-Bank's own risk**

Please refer to the 'Counterparty risk' section of the management report for an explanation of the risk management system. For further details of the accounting and valuation methods applied by L-Bank to individual valuation adjustments, please refer to the 'Accounting and valuation methods' section in the 'Notes to the Annual Financial Statements'.

### **EXPOSURE IN THE FINANCIAL STATEMENTS**

In total, L-Bank reports receivables from banks and clients amounting to 61% of total assets. L-Bank uses a case-by-case approach to calculate the risk provision for credit exposures at risk of or in default and consequently classified under risk-related business.

Calculating the individual valuation adjustments that must be made requires forward-looking estimates of anticipated cash flows from interest and redemption claims. These estimates are based on anticipated trends in value-determining assumptions and parameters, hence are subject to a high degree of judgement.

Because these estimates and judgements are subject to uncertainty and in turn, have a significant influence on the amount of any individual valuation adjustments that may be required, it was especially important in the course of our audit that we obtain evidence showing that the material value-determining parameters were, overall, calculated appropriately, and that the assumptions made were based on reasonable premises.

### **OUR AUDIT PROCEDURE**

By applying a risk-focused audit approach, we based our audit opinion on both control-based audit procedures and evidence-based (substantive) audit procedures. Consequently we performed the following audit procedures, amongst others:

Our first step was to obtain a comprehensive insight into the development of the loan portfolio with respect to loans granted at L-Bank's own risk, the associated risks of counterparty default, the methods and models used, and the internal control system for monitoring and assessing counterparty default risks in the loan portfolio.

Our second step was to conduct interviews to assess the adequacy of the internal control system, and to inspect the relevant documentation. We then verified the implementation and – based on random sampling – effectiveness of the relevant controls intended to ensure compliance with the institution's own systems for calculating individual valuation adjustments and appropriately identifying the relevant value-determining assumptions and parameters. We reviewed the adequacy and effectiveness of the institution's management of the relevant IT systems and applications by involving our own IT specialists.

Finally, by deliberately selecting credit exposures according to primarily risk-based criteria, we verified that the calculation of the individual valuation adjustments was based on appropriate assumptions and parameters. We evaluated the dependability of the underlying risk-based selection criteria by taking a random sample. We also arithmetically verified individual valuation adjustments yet to be made and checked that they were appropriately recognised in the accounting system.

## OUR CONCLUSIONS

The assumptions and parameters used to calculate the individual valuation adjustments of receivables from banks and clients made at L-Bank's own risk were selected appropriately and then used to estimate the anticipated returns in accordance with the accounting principles that should properly be applied to the calculation of individual valuation adjustments.

### Other information

The Board of Management and Supervisory Board are responsible for the other information provided. The other information includes the following management report components of which the content has not been audited:

- The separate Non-financial Report referred to in the management report, which we expect to be made available to us after the date of this auditor's report.

The other information also includes:

- The remaining parts of the annual report, which we expect to be made available to us after this date.

The other information does not include the annual financial statements, the audited disclosures in the management report, or our auditor's report pertaining thereto.

Our audit opinions on the annual financial statements and management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information specified above and, in so doing, to consider whether the other information:

- is materially inconsistent with the annual financial statements, the contents of the audited management report, or the findings we obtained in the course of the audit, or
- otherwise appears to be materially misstated.

## Responsibilities of the Board of Management and Supervisory Board for the annual financial statements and management report

The Board of Management is responsible for preparing annual financial statements that comply, in all material respects, with the provisions of German commercial law applying to institutions, and for ensuring that the annual financial statements give a true and fair view of the net assets, financial position and financial performance of the public-law institution in accordance with German generally accepted accounting principles. The Board of Management is also responsible for such internal controls as it, in accordance with German generally accepted accounting principles, has deemed necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. manipulation of the accounting and/or financial reporting process, and misstatement of assets) or error.

In preparing the annual financial statements, the Board of Management is responsible for assessing the public-law institution's ability to continue as a going concern and is also responsible for disclosing, as applicable, matters related to the institution's viability as a going concern. In addition, it is responsible for financial reporting on the basis of the going-concern accounting principle, unless factual or legal considerations indicate otherwise.

Furthermore, the Board of Management is responsible for preparing a management report that, as a whole, appropriately reflects the position of the public-law institution and is, in all material respects, consistent with the annual financial statements, complies with German statutory provisions, and suitably presents the opportunities and risks of future development. The Board of Management is also responsible for such arrangements and measures (systems) as it considers necessary to enable the preparation of a management report that complies with the applicable German statutory provisions and provides sufficient suitable evidence to support the disclosures and assertions in the management report.

The Supervisory Board is responsible for overseeing the public-law institution's accounting and financial reporting process for preparing the annual financial statements and the management report.

### Auditor's responsibilities for the audit of the annual financial statements and management report

Our objectives are, first, to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement as a result of fraud or error, and whether the management report as a whole appropriately reflects the position of the public-law institution; is consistent, in all material respects, with the annual financial statements and the findings of the audit; complies with German statutory provisions; and suitably presents the opportunities and risks of future development, and second, to issue an auditor's report that includes our opinions on the annual financial statements and the management report.

While reasonable assurance is a high level of assurance, it is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation, and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW), will always reveal a material misstatement. Misstatements can arise as a result of fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic or commercial decisions of recipients made on the basis of these annual financial statements and this management report.

We exercise our professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual financial statements and management report, whether arising as a result of fraud or error; plan and perform audit procedures in response to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from errors, as fraud may involve collusion, falsification, intentional omission, misrepresentation and/or the overriding of internal controls.
- Obtain an understanding of the internal controls relevant to the audit of the annual financial statements, and of the arrangements and measures relevant to the audit of the management report, in order to design audit procedures that are appropriate in the circumstances, albeit not for the purpose of expressing an audit opinion on the effectiveness of the public-law institution's internal controls or of these arrangements and measures.
- Evaluate the appropriateness of the accounting and financial reporting methods used by the Board of Management, as well as the reasonableness of estimates and related disclosures made by the Board of Management.
- Draw conclusions on the adequacy of the Board of Management's use of the going-concern principle of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists in connection with events or circumstances that could cast significant doubt on the public-law institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the public-law institution to be unable to continue as a going concern.
- Evaluate the presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements present the underlying business transactions and events in such a way that the annual financial statements give a true and fair view of the public-law institution's net assets, financial position and financial performance in accordance with German generally accepted accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with the law, and the extent to which it accurately reflects the public-law institution's position.

→ Perform audit procedures on the forward-looking statements presented by the Board of Management in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions on which the forward-looking statements by the Board of Management are based, and assess whether the forward-looking statements were properly derived from those assumptions. We do not express a separate audit opinion on the forward-looking statements or the assumptions underlying them. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal controls which we identify during our audit.

We provide those charged with governance with a declaration stating that we have complied with the relevant requirements for professional independence, and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions taken or safeguards put in place to address any threats to our independence.

Of the matters discussed with those charged with governance, we identify those matters that were of greatest significance in the audit of the annual financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of such matters.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Report on the assurance of the electronic renderings of the annual financial statements and management report prepared for disclosure purposes in accordance with Section 317 (3a) of the German Commercial Code (HGB).**

In accordance with Section 317 (3a) of the German Commercial Code (Handelsgesetzbuch (HGB)), we have performed a reasonable assurance engagement to determine whether the renderings of the annual financial statements and management report (hereinafter also referred to as 'ESEF documents') contained in the 'L-Bank\_JA+LB\_ESEF 2024-12-31' data file provided (SHA 256 hash value: d74dc47b5c82efd56595c5daba5c452924350f9e7914790664fb9d4176576645) and prepared for disclosure purposes comply in all material respects with the requirements of Section 328 (1) HGB regarding the electronic reporting format ('ESEF format'). In accordance with German statutory provisions, this assurance engagement only covers the conversion of the information contained in the annual financial statements and management report into the ESEF format, and consequently does not cover either the information contained in these renderings, or any other information contained in the above-mentioned data file.

In our opinion, the renderings of the annual financial statements and management report contained in the above-mentioned data file provided and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) HGB.

We do not express any opinion whatsoever on the information contained in these renderings or any other information contained in the above-mentioned data file other than this opinion and our opinions on the accompanying financial statements and management report for the fiscal year from 1 January to 31 December 2024 contained in the preceding 'Report on the Audit of the Financial Statements and the Management Report'.

The public-law institution's Board of Management is responsible for preparing the ESEF documents containing the electronic renderings of the annual financial statements and management report in conformance with Section 328 (1) clause 4 art. 1 HGB.

Furthermore, the public-law institution's Board of Management is responsible for any internal controls which it may deem necessary for enabling the preparation of ESEF documents that are free from material non-compliance – whether intentional or unintentional – with the provisions of Section 328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the accounting and financial reporting process.

Our objective is to obtain reasonable assurance that the ESEF documents are free from material non-compliance – intentional or unintentional – with the requirements of

Section 328 (1) HGB. We exercise our professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether intentional or unintentional, plan and perform assurance procedures in response to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of the internal controls relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, albeit not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Assess the technical validity of the ESEF documents, i.e. whether the provided data file containing the ESEF documents complies with the requirements of Commission Delegated Regulation (EU) 2019/815 as amended at the reporting date, regarding the technical specification for that data file.
- Assess whether the ESEF documents enable an XHTML rendering of the audited financial statements and the audited management report that is identical in terms of content.

#### Further information pursuant to Article 10 of the EU Audit Regulation

We were appointed statutory auditor by the Supervisory Board on 15 April 2024. We were engaged by the Chair of the Supervisory Board on 23 October 2024. We have served as the statutory auditor of Landeskreditbank Baden-Württemberg – Förderbank – without interruption since fiscal year 2023.

We declare that the audit opinions and assurance conclusions contained in this auditor's report are consistent with the additional report submitted to the Audit Committee referred to in Article 11 of the EU Audit Regulation (long-form audit report).

#### OTHER MATTERS – USE OF THE AUDIT OPINION

Our auditor's report should always be read in conjunction with the audited annual financial statements and the audited management report, as well as the assured ESEF

documents. The annual financial statements and management report converted to the ESEF format – including the versions to be filed with the German Companies Register – are merely electronic renderings of the audited annual financial statements and audited management report and do not replace them. In particular, the ESEF report and our assurance opinion expressed therein should be used solely in conjunction with the assured ESEF documents provided in electronic form.

#### INDEPENDENT AUDITOR RESPONSIBLE

The German public auditor responsible for the engagement is Andreas Dielehner.

Frankfurt am Main, 25 February 2025  
KPMG AG Wirtschaftsprüfungsgesellschaft

Dielehner	Immesberger
Public Auditor	Public Auditor

