

Annual Report *2025*

L-Bank in Figures

OVERVIEW 2021 – 2025 in EUR millions

	2021	2022	2023	2024	2025
Total assets	89,597.02	93,226.58	95,118.26	91,838.23	91,759.86
Equity	3,101.72	3,144.31	3,194.62	3,344.74	3,453.00
Net interest income ¹	254.75	320.02	513.86	565.93	491.96
Net income	37.33	42.60	50.31	150.12	158.26

	2021	2022	2023	2024	2025
'Hard' Tier 1 capital ratio (CET1 ratio)	20.99%	20.61%	21.23%	22.47%	22.44%
Total capital ratio	22.79%	22.12%	22.51%	23.62%	23.60%
Return on equity	5.13%	5.56%	6.05%	10.33%	8.92%
Cost-income ratio ²	0.64	0.61	0.60	0.38	0.43
Leverage ratio	7.82%	7.05%	7.00%	7.38%	7.73%

2025	Moody's	Standard & Poor's
Rating	Aaa	AA+

1 Based on business operations

2 We have adjusted the time series for the cost-income ratio to reflect a new calculation methodology. This has resulted in discrepancies between the figures shown here for 2021 to 2024 and those published in our 2024 Annual Report.

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A Letter to Our Business Partners

Once again, we look back on a year characterised by economic headwinds. Global developments have made the need for reform in Germany painfully clear: the national economy continues to stagnate for lack of much-needed stimulus. Our own State of Baden-Württemberg is currently undergoing a profound economic and structural crisis. Geopolitical conditions are placing our local businesses under enormous pressure, compounded by a pressing need for modernisation and transformation at both state and corporate levels.

And yet, for those who wish to see them, the all-important positive signs are undoubtedly there. Baden-Württemberg remains one of Europe's strongest and most promising regional economies. Not only is our commercial base still formidable, so too is our adaptability – and our willingness to adapt. Alongside the global corporations and many highly competitive SMEs based in our federal state, a vibrant start-up community has also taken root. Underpinned by a network of outstanding

universities, research institutions and partners in business and industry, Baden-Württemberg is a vital engine of growth for Europe – and has every prospect of remaining so. Baden-Württemberg's future strengths have already proven themselves in our past endeavours: strength in breadth combined with strength in depth.

And it is precisely in order to preserve and build these strengths that we, as the federal state's development bank, serve as a strong, reliable partner to local businesses, municipalities and residents. In this role, we continue to prioritise the digitisation of our development services and workflows, ensuring that our business activities become ever more sustainable so that we can focus our attention even more effectively on the needs of our development funding clients.

During fiscal year 2025, we were able to fulfil our commitment to support the major investments needed by the federal state and its people. Development funding activity across our various lines of business – enterprise development, housing construction, infrastructure, family and social affairs – picked up once again: a very satisfactory trend. Our daily efforts in support of the federal state continued to bear fruit in 2025, building up plenty of impetus for the future. My warmest thanks go to all those who helped to make this possible: our staff and our partners, including Kreditanstalt für Wiederaufbau (KfW), Landwirtschaftliche Rentenbank, Bürgschaftsbank Baden-Württemberg and our clients' principal banks.

L-Bank is moving into 2026 from a position of strength. We are ready to support the ongoing transformation of the federal state's SMEs, to help further develop the state's infrastructure and housing construction industry, and to encourage and enable ever greater social cohesion. Together, we can make a real difference.



Edith Weymayr
Chief Executive Officer, L-Bank



Greetings from the State Premier

Baden-Württemberg's economic resilience is founded on the innovative creativity of its SMEs, on their entrepreneurial courage, and on their ability to play an active part in shaping change. Especially at a time when economic and commercial conditions are changing in profound, unforeseen ways and many decisions must be made despite prevailing uncertainty, one thing is becoming very clear: the future needs more than just good ideas. It also needs reliable partners to develop those ideas and provide the necessary stability.

This is a role in which L-Bank continues to excel, by ensuring that our federal state is able to benefit from essential investments, business start-ups and municipal projects. In precisely those areas where transformative pressures and rising costs threaten to hold back progress, L-Bank's support is creating new opportunities and ensuring that our state is ready to tackle future challenges.

The Bank's report on enterprise development in 2025 is an impressive testimony to the importance of this work. By approving nearly EUR 3.4 billion in development funding, some six percent more than in the previous year, the Bank further intensified its commitment to enterprise development. More than 10,690 businesses were given support, ranging from skilled crafts and trades to innovative SMEs. The growth in support for business start-ups was especially vigorous: the Bank approved a total of around EUR 765 million in funding for more than 2,250 young companies – an increase of 14.5 percent. This sends out a very healthy message about Baden-Württemberg's entrepreneurial flair and economic vitality.

This economic dynamism is crucial – but also highlights how important it is not to lose sight of major social issues. The shortage of affordable housing has become one of the most significant social challenges of our time. Even so, the construction industry – especially in the residential housing sector – is still struggling. The rising costs of finance and construction mean that many building projects are simply no longer economically viable.

Consequently, in the state government's latest two-year budget, a record amount of EUR 1.5 billion has been made available for social housing development. And by releasing additional capital from a special-purpose fund, we have been able to top up the programme by another EUR 300 million. In recent years, the fact that funding has been fully utilised year after year speaks volumes about the scale of the issue and the attractiveness of the various lines of funding for social housing development. At this enormously difficult time for the housing construction industry, L-Bank continues to be a dependable partner in administering this vital development programme.

I would like to thank all those who, by their hard work, are helping to ensure that support reaches the people who most need it – for a strong, prosperous and attractive Baden-Württemberg.



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,

2025 was not an easy year. Developments worldwide presented us with enormous challenges. The economies of Germany and Baden-Württemberg stagnated or only showed minimal growth. Cities, towns and municipalities lacked the resources to make urgently needed investments. Rents and property prices were – and still are – increasingly unaffordable for more and more people.

And yet, in the midst of these difficulties, L-Bank once again proved to be a stable, reliable partner to the businesses and residents of Baden-Württemberg, as well as to the state government.

The volume of development funding available for key programmes and projects in enterprise and infrastructural development, as well as housing development, increased yet again compared to the previous year. Indeed, development funding for business start-ups – a key indicator of Baden-Württemberg's future economic viability – reached record levels. With a total of EUR 9.8 billion in approved funding for development loans and grants, we can be very satisfied with last year's development business.

Many experts are anticipating modest economic growth in 2026 – a view confirmed by the fiscal forecast for Baden-Württemberg. Even so, we need to be cautious in light of U.S. tariff policy. And yet we urgently need economic growth – for the sake of our businesses, municipalities and the federal state itself. At the very least, our state government and municipalities can deliver a significant boost to investment through the Special-Purpose Fund for Infrastructure and Climate Change Mitigation. It is vital that we actually invest in our future, so that our special-purpose borrowings are converted into special-purpose assets in the real world.

I would like to thank all L-Bank employees for the tremendous commitment and dedication they have brought to their highly skilled work over the past year and will continue to bring in the future. You are helping Baden-Württemberg to evolve and improve the standard of living for everyone who lives here.

Best wishes,



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



OUR MISSION: TO TACKLE THE HOUSING SHORTAGE BY PROVIDING QUALITY SUPPORT

In Germany, public funding for housing construction dates back to the Weimar Constitution in 1919, which stipulated that the state should bear joint responsibility for providing the population with adequate housing. Article 155 stated that land must be distributed and used with the aim of ‘ensuring a healthy dwelling for every German, and for all German families, especially those with numerous children, living and working quarters according to their needs.’

At international level, housing was accorded the status of a human right in 1976 – exactly 50 years ago – upon entry into force of the United Nations International Covenant on Economic, Social and Cultural Rights. More than 170 nations, including Germany, ratified the UN Covenant, thereby acknowledging the human right to adequate housing.

In the State of Baden-Württemberg, state-subsidised housing construction is inextricably linked to L-Bank. In response to the housing crisis that followed the First World War, the State Assembly in Stuttgart laid the legislative foundations for subsidising housing construction with public funds by passing the Housing Guarantee Act (Wohnungsbürgschaftsgesetz). Five years after the war, L-Bank’s predecessor was founded: by providing the region’s population with housing, Württembergische Wohnungskreditanstalt essentially served as an extension of the state government.



To this day, providing support for housing construction remains one of our core business activities. We help to finance rental and owner-occupied accommodation, single-family homes, multi-family homes and large residential buildings. We create residential accommodation for families, students and trainees, for inclusive and multi-generational living arrangements, and for social housing. We also provide support for the sustainable, accessible, climate-friendly modernisation and renovation of older houses and accommodation. Construction projects throughout the region depend on L-Bank funding.

Every year, billions are spent on housing development

Year after year, billions of euros flow into funding for home ownership and rental housing development. In total, almost EUR 18 billion has been paid out over the past ten years alone. Comprised of annual subsidies from both federal and state governments, the figure has steadily risen, especially over the last five years – more than doubling in the process.

TOTAL FUNDING FOR OWNER-OCCUPIED AND RENTAL HOUSING

since 2015

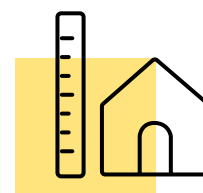
almost **18** billion euros

Providing adequate, affordable housing for all is an ongoing challenge

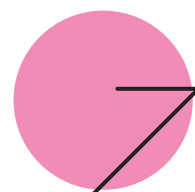
Despite the enormous amounts of development funding involved, providing all residents of Baden-Württemberg with suitable, affordable housing remains a tremendous challenge. There are many reasons for this:

- The population has grown and housing expectations have increased.
- Housing stock is ageing; much of it is in urgent need of renovation.
- Higher building standards and increased red tape regularly stall construction projects.
- Housing, rental and construction costs (including land prices) have risen – in some cases drastically – especially in larger towns and cities.

As costs continue to trend upwards, they have become the major reason why the housing market is increasingly inaccessible and inflexible. One of the factors driving spiralling costs is construction and property prices: the construction price index in Baden-Württemberg is at least 31 points higher than in the index base year of 2021 (source: Baden-Württemberg's State Statistical Office). Purchase prices for new and second-hand residential properties and homes are also rising. While there was something of a price correction following the distinct bubble during the Covid pandemic, which lasted until mid-2022 or so, prices started to go up again in mid-2024.



Rental prices are another factor behind the cost upsurge, driven by high service charges, the costs of modernisation and renovation, and the general shortage of housing. According to the rental price index, between 2020 and 2025, the average rent in Baden-Württemberg rose from EUR 10.09 to EUR 12.09 per square metre – an increase of 20 percent or so. In early 2026 it rose again to around EUR 12.63, according to the Engel & Völkers Rent Index (based on asking prices on real-estate portals).



Who can still afford to buy a home?

For a great many people, income growth is failing to keep pace with rising rents and steadily climbing construction and purchase costs – including high mortgage interest rates. It is becoming increasingly difficult for them to afford to buy homes or rent suitable accommodation. Young families are particularly affected, but so too are single parents, apprentices, trainees and students, as well as older people on modest pensions. Increasingly, they are being priced out of the housing market.

The number of overburdened German households is above average

Households that must spend more than 40 percent of their income on housing are considered to be overburdened. By this measure, in 2024 almost two thirds of all student households and 37 percent of all trainee or apprentice households in Germany were overburdened. For families with children, the overburden rate stands at 9.4 percent.

Across the German population as a whole, 12 percent of all households were deemed to be overburdened due to their high cost of living. According to the German Federal Statistical Office and the 2025 Rental Market Report published by the German Tenants' Association (Deutscher Mieterbund), this overburden rate is above average compared to the rest of Europe.

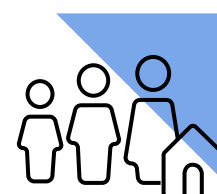
2025 Rental Market Report ↗

Yawning gap between supply and demand

In recent years, the gap between the demand for affordable accommodation (whether for rent or purchase) and the supply of adequate rental, owner-occupied or single-family housing which even people on lower incomes or with young families can afford has grown wider. This is especially true of cities and large university towns such as Stuttgart, Karlsruhe, Freiburg, Heidelberg, Tübingen and Constance. But it also applies to numerous medium-sized and smaller towns and municipalities.

This evolving housing crisis is further exacerbated by the fact that much of the housing that already exists is simply not available on the market. In city centres, privately owned apartments stand empty, and singletons or couples often continue to live in flats or houses that are far too large for them once their children have grown up and moved out.

This tendency has been sustained and reinforced by certain characteristics of the rental market. People who stay in their current accommodation often pay lower rents than tenants moving into new or first-time accommodation when leaving home or relocating. Asking rents on the open housing market often differ significantly from rents charged under long-term tenancy agreements – in part because existing tenants are comparatively sheltered from drastic rent increases by various regulatory instruments.

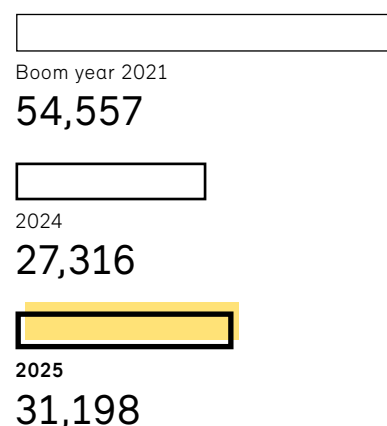


Construction activity and industry sentiment have been in the doldrums for years

Sometimes abrupt increases in construction costs, combined with higher interest rates and uncertain economic conditions, have put a brake on construction activity, previously a long-time growth driver for Baden-Württemberg and Germany as a whole. Figures for building permits reflect the situation. Nationwide, just 215,000 residential units were approved in 2024 – the lowest figure since 2010 (source: German Federal Statistical Office). Baden-Württemberg saw a similar downward trend: whereas 54,557 residential newbuilds were approved in boom year 2021, by 2024 the number of approvals (for new houses and residential buildings) had plunged to just 27,316. The trend does appear to have halted, however: the German Federal Statistical Office reported an increase in building permits of just under 14 percent in 2025, representing a total of 31,198 (source: State Statistical Office).

NUMBER OF BUILDING PERMITS

compared to previous year



Only buildings that have been approved in advance can actually be built. In 2024, the number of new units in residential buildings was down by 17 percent on the previous year, totalling just over 31,700 (source: State Statistical Office).

But even in 2025, the construction industry association Bauwirtschaft Baden-Württemberg did not see any turnaround in the housing construction trend. With a shortage of 1.4 million residential units across Germany as a whole by the end of 2024 (source: Pestel Institute), construction has not kept pace with demand. In a forecast for 2026 drawn up on behalf of business magazine WirtschaftsWoche, the German Economic Institute (IW) predicts that only another 215,000 residential units will be built in Germany over the year. The Pestel Institute is projecting similar annual figures for the next few years.

Sentiment in the construction industry remains subdued

In the monthly L-Bank/ifo Business Survey, companies in the industry repeatedly cite the lack of building permits and absence of orders as major issues. Although the business climate improved significantly in early 2024 after a multi-year low, the index is still firmly stuck in negative territory. At the end of 2025, at least 40 percent of construction companies rated their current order levels as inadequate. Just under a third of the firms surveyed expected their business situation to deteriorate over the first half of 2026. Only 14 percent expected things to improve.

Only new housing construction can turn things around

According to the national housing demand forecast published by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), by 2030, no less than 320,000 new homes must be built each year to meet demand. And this estimate is relatively conservative. The German Economic Institute's housing demand model suggests that the actual demand will be higher; the Pestel Institute also estimates that demand across Germany as a whole will be higher by 2030.

Alongside North Rhine-Westphalia and Bavaria, Baden-Württemberg is one of the federal states with the highest demand. BBSR believes that the region will need more than 50,000 new homes to be built every year until 2030; the Pestel Institute puts the annual figure even higher, at over 60,000 homes.

**NATIONWIDE ANNUAL
DEMAND FOR NEW HOMES
BY 2030 (BBSR)**

around **320,000**

IN BADEN-WÜRTTEMBERG

more than **50,000**

The need to build more rental homes for people on lower incomes is particularly urgent. A Prognos study commissioned by L-Bank several years ago found that at least 1,500 new social housing units must be built in Baden-Württemberg every year if the total stock of housing with rent- and occupancy-controlled tenancies is to remain more or less at current levels. In practice, the net increase in social housing has showed a decline for many years. The trend was only reversed in 2022.

Thanks to intensive development support by the federal state and L-Bank, the total stock of housing with rent and occupancy controls has been growing ever since, most recently reaching 56,072 social housing units in 2025.

DEMAND FOR SOCIAL HOUSING IN BADEN-WÜRTTEMBERG (PROGNOS)

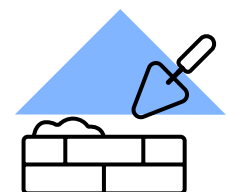
at least
1,500 units p.a.

Policymakers seek ways out of the crisis

For many years, both federal and state governments have been trying to boost housing construction and improve the housing supply by deploying a variety of initiatives and strategies. On the demand side, lower-income households are supported by housing benefits, and statutory safeguards against rising housing costs include, for example, rent brakes and rent caps. Policymakers are also seeking to make new housing construction easier, faster and consequently more cost-effective by adjusting the relevant regulations. At state level, this includes an amendment to State Building Regulations; at federal level, the new 'Construction Fast Track' (Bau-Turbo). Both are intended to remove red tape and provide new stimulus for the construction industry.

*So many ways to cut costs
and streamline housing construction*

Conceptual initiatives such as the National Action Plan to Tackle Homelessness or Baden-Württemberg's Strategy Dialogue on 'Affordable Housing and Innovative Construction' are also intended to revitalise the housing market and help everyone gain access to suitable, affordable housing. Since 2022, some 250 experts have been working together on the Strategy Dialogue. Two financial instruments to emerge from their work are refined versions of the **Re-letting Premium** and **BW Housing Bonus**, both of which help municipalities reactivate vacant properties and make more efficient use of housing stock. New projects developed as part of the Strategy Dialogue include **Build Sustainably** (Suffizient Bauen) and **NORMholz** (Timber Standard), both in support of simpler, more economical construction methods.



Other programmes such as **Creating Space by Infill Development** and the **BW Housing Initiative** are also helping to create more residential accommodation.

The growing shortage of affordable housing is equally concerning for the EU. In autumn 2025, heads of states and governments across the European Union adopted a summit resolution declaring that the housing crisis is a pan-European issue after housing costs had risen in some EU member states by triple-digit percentages, albeit with significant variations between countries.

Federal and state development funding programmes play a vital role in easing the pressure on the housing market. Low-interest construction loans and grants help to reduce the financial burden and, on the demand side, help young families, for example, to realise their dreams of home ownership. These programmes are offered by federal and state development banks – thus in Baden-Württemberg, by L-Bank. Development programmes also play a crucial supply-side role by supporting, for instance, municipal housing construction companies, which are largely responsible for the construction, modernisation and renovation of social housing.

One in three people in Baden-Württemberg lives in a tight housing market

But where is the highest demand? Which towns and cities most urgently need rent controls and other tenancy-protecting measures? And where is financial support most urgently required to stimulate housing construction?

In 2025, L-Bank commissioned a new expert report on behalf of the state government precisely in order to answer these questions. The study, which identified areas in Baden-Württemberg where housing markets are under particular pressure, was intended to help the state government decide which towns and cities either needed new tenant protection regulations or needed existing regulations to be extended (initially) to the end of 2026. Regulatory tenant protections include:

- The rent cap, which specifies the maximum permissible rent increase over a three-year period under an existing tenancy agreement; in Baden-Württemberg, the ceiling is 15 percent in municipalities with constrained housing markets.
- Protection for tenants against the termination of tenancies for reasons of 'personal need'; in Baden-Württemberg, this has been extended to five years in municipalities with constrained housing markets.



- The rent brake, which in tight housing markets limits the rent chargeable at the start of a new tenancy to a maximum of ten percent above comparable local market rents.

By the end of 2025, these regulations had been applied in 89 regional municipalities with tight housing markets.

The study was carried out by independent research and consulting firm FUB IGES Wohnen+Immobilien+Umwelt GmbH in Hamburg, known as FUB for short. The firm drew on a variety of specific, legally compliant indicators used to identify tight housing markets – some of which had been used in previous studies – to assess whether they applied to each of the 1,101 cities, towns and municipalities in Baden-Württemberg. The result was a list showing that 130 towns and municipalities in Baden-Württemberg are suffering from constrained housing markets, which under Section 556d of the German Civil Code (BGB) justifies the imposition of rent controls. Conversely, this means that, on balance, FUB does not consider 971 municipalities in Baden-Württemberg to be suffering from tight housing markets. This does not mean, however, that individual indicators or criteria do not apply to these municipalities as well, where the burden on individuals in need of housing may also be very high.

Overall, some 33 percent of the federal state's population is affected by a tight housing market. The areas most severely affected include Stuttgart, Neckar-Alb and Southern Upper Rhine.

Major regional differences in development funding needs

Another FUB study commissioned last year sought to identify those municipalities in the federal state where there is a particularly large gap between the supply of and demand for affordable, decent housing. The aim of the study was to draw up a development funding framework for Baden-Württemberg that could serve as the basis for delivering targeted support for affordable housing wherever it is most urgently needed. The State Housing Development Act (Landeswohnraumförderungsgesetz) explicitly allows for needs-based differentiation of development funding for residential accommodation in response to varying conditions in individual municipal housing markets.

PROPORTION OF POPULATION AFFECTED BY TIGHT HOUSING MARKETS

around **33%**

The FUB study divided the housing market into an owner-occupied segment and a rental segment, and for each municipality, determined the level of housing cost versus the level of demand in both segments based on the reliable data available. The results were then used to assess and categorise each municipality. Finally, four regional maps were produced showing the areas in the federal state where the cost of or demand for rental properties and/or owner-occupied properties are 'high', 'above-average', 'below-average' or 'low'.

As expected, the study shows that the pressure on the rental housing market – and consequently, the need for development support – is highest in conurbations in the central Neckar region, including Stuttgart and Ludwigsburg, Tübingen, Heilbronn, Mannheim/Heidelberg, Karlsruhe and along the Rhine corridor, as well as in Freiburg, the Lake Constance region, Upper Swabia and Ulm. Overall, at least half of all municipalities in Baden-Württemberg exhibit 'above-average' to 'high' levels of housing cost and demand.

The geographical picture of the owner-occupied housing market is broadly similar to the rental housing market. However, the study only found a 'high' level of demand in 157 municipalities.

So comparatively speaking, over half of all municipalities are currently experiencing an above-average to high need for development funding to support affordable housing for tenants and would-be homeowners.

Our development funding makes a difference

For decades, public funding for housing construction has proved to be an effective tool for alleviating housing shortages. Consequently, there is unanimous agreement that federal, state and local governments should stimulate housing construction by implementing development programmes. Both KfW – the federal government's development bank – and state development banks such as L-Bank in Baden-Württemberg help federal and state governments to fulfil this obligation through their respective programmes. We are continuously reviewing the efficiency of these programmes and checking where adjustments may be required to provide people with the support they need.

Some programmes support the construction of new properties; others support the purchase of existing properties. Yet other programmes assist with the financing of energy-efficient or barrier-free renovations and conversions, or the upgrading of heating systems.

MUNICIPALITIES WITH ABOVE-AVERAGE LEVELS OF COST AND DEMAND

in Baden-Württemberg

50%

In Baden-Württemberg, most of the financial resources for new housing construction come out of the **BW Housing Construction** funding pool, made available through the state budget topped up by a substantial injection of federal funding. **BW Housing Construction** helps lower-income households to rent properties or build or purchase their own homes.

L-Bank offers young families other attractive opportunities to buy their own homes through the **Living with Children, Living with a Future** and **Combined Home Loan** programmes.

But the Bank does not just support private individuals; it also supports housing cooperatives, companies and municipalities by providing loans and grants. This support helps to create properties for rental, many of them with rent and occupancy controls.

We describe some examples of our development funding activity in this annual report. We visit a family in Radolfzell, a business owner in Reutlingen, municipal housing construction associations in Karlsruhe and Ludwigsburg, and the Diakonie social welfare centre in Kehl-Kork to take a closer look at what they have all achieved with the help of L-Bank's housing construction loans and grants.

Rental Accommodation Finance
[L-Bank ↗](#)

BW Home Ownership Finance
[L-Bank ↗](#)

**Ministry of Regional
Development & Housing (MLW):
Housing Development** [↗](#)



QUALITY SUPPORT FOR QUALITY LIVING

FROM SPORTS GROUND TO RESIDENTIAL ESTATE

The August-Klingler Estate is one of the most ambitious urban housing development projects in the city of Karlsruhe. Built on the former sports ground of football club FV Daxlanden, residential buildings now stand on an area formerly devoted to fast-moving soccer matches. The residential property was built by Volkswohnung GmbH, Karlsruhe's municipal housing construction association – made possible in part by housing development funding provided by the federal state and L-Bank. The high-end estate was opened in autumn 2025.

FV Daxlanden's former sports ground on the city's east side has been transformed into a sophisticated neighbourhood that offers not just residential accommodation, but also a better quality of life. Since construction started in 2020, seven buildings have been constructed on a site covering more than 3.5 hectares, housing a total of 357 apartments. What makes it so special? 181 of the apartments are socially subsidised by loans from the **State Housing Development programme** and KfW as well as L-Bank's **Top-up Finance** programme.

Consequently, more than half of the resulting housing stock is affordable for people on lower incomes. 'While they are social housing units, I would describe them more as affordable rental apartments,' says Peter Jakob, who works in L-Bank's Housing Development department.

'Income thresholds here are so high that even a three-person household with a joint income of EUR 70,000 is eligible to apply for tenancy. These are rental apartments subject to rent and occupancy controls over a 25-year period, which means they must be let at 33 percent less than comparable local rents,' he explains.

“L-Bank is delighted to be partnering with Volkswohnung here”

Peter Jakob, L-Bank Housing Development department

The L-Bank development loan, provided by the Housing Development department, played a key role in making the Volkswohnung GmbH project happen. The number of affordable rental apartments was not the only factor that convinced the Bank to approve the funding – the overall concept was another. In addition to a mix of one- to five-room apartments, both for rental and owner occupation, the social aspect was a key consideration. The estate features a nursery and daycare centre, thus caters to people of all ages. Most apartments are barrier-free, and playgrounds and seating areas in the pedestrianised courtyard provide plenty of recreational opportunities. The former FV Daxlanden clubhouse has been turned into a centre for residents to come together and socialise – the listed building has been preserved as a café. A guest apartment and communal hall offer further opportunities for socialising. 'L-Bank is delighted to be able to partner with Volkswohnung for this project,' confirms Peter Jakob.

Karlsruhe's Head of Urban Development, Daniel Fluhrer, is also delighted by the collaboration. 'We're seriously grateful for this wonderful project. It wouldn't have been possible without such committed efforts on the part of L-Bank and everybody else involved. It's amazing that as a result, we've been able to build more housing in Karlsruhe.' Fluhrer, who also serves as Chair of the Supervisory Board of the municipal housing construction association Volkswohnung GmbH, emphasised how important the development funding for this project was for the city of Karlsruhe. 'Without L-Bank, we couldn't have completed this project; that's the honest truth. Around 60 percent of it is dedicated to socially subsidised housing. Many developers can't build residential housing of this kind because they can't finance it – you need reliable development funding.' Volkswohnung is responsible for putting up around half of the residential accommodation built in Karlsruhe during 2025, says Fluhrer. This means that Volkswohnung makes a major contribution to housing in the city – one of the key political and social issues in Karlsruhe.

The August-Klingler Estate is a special development project for L-Bank, too. 'This project is a major development project for us and indeed, for Baden-Württemberg,'



says Peter Jakob. 'Without the development funding provided by the federal and state governments, the outlook for construction projects of this kind would be bleak. We must ensure that we continue to make this kind of development funding available for the indefinite future.'

Quite apart from the social aspects, the project is also very progressive: With nearly 800 parking spaces for bicycles, two bicycle repair stations, a carshare scheme, as well as cargo bikes and e-bikes for rent, the estate positively encourages residents to do without cars. Good public transport connections act as yet another inducement.

The August-Klingler Estate opened in October 2025. The project is an impressive demonstration of how successful cooperation between city, housing construction association and development funding bodies can produce sustainable, social solutions to the housing issue.



Daniel Fluhrer (left, Head of Urban Development for the city of Karlsruhe) in conversation with Peter Jakob (Housing Development department at L-Bank)

DELIVERING MAJOR PROJECTS: DEDICATED LOANS HELP TO FUND RENTAL HOUSING

Today, almost the only organisations that can tackle large-scale social rental housing construction projects are large municipal housing construction associations or private developers. But even they must rely on development funding to make their rental accommodation affordable, especially for young families and those on lower incomes. Companies can obtain this funding in the form of low-interest loans through the **Rental Accommodation Finance** component of the **State Housing Development programme**. They can also apply for a grant to cover the full amount of the subsidy. This arrangement is conditional upon a commitment to impose rent and occupancy controls on the new property for a fixed period of at least 10, at most 40 years. Over this period, rents must be fixed at a minimum of 20 percent (up to a maximum of 40 percent) below the comparable local standard rent, and tenants must hold a housing eligibility certificate (Wohnberechtigungsschein). **Rental Accommodation Finance** can be combined with a KfW loan and an **L-Bank Top-up Loan**.

For further details, see [Rental Accommodation Finance – BW – Newbuilds | L-Bank](#) ↗



Stefanie and Alexander in front of their house in Radolfzell

QUALITY SUPPORT FOR QUALITY LIVING

FROM WISHFUL THINKING TO HOME OWNERSHIP

Many young families dream of living in their own homes – but turning this dream into a reality can be very hard. High purchase prices and construction costs transform an attractive vision into a major financial undertaking, and the resulting burden often lasts for decades. Those who do take the plunge must plan carefully and calculate very precisely. And most of them also need a little support. Local authorities can help – by offering family-friendly land prices, for example. The federal state and L-Bank also help by offering favourable terms for their housing development programmes. When everything comes together, the home ownership dream does indeed become achievable.

The home belonging to Stefanie, Alexander and their three small children is right at the end of the street, close to woodland and surrounded by green meadows. Footpaths and country lanes lead away from the house – Lake Constance is nearby. Radolfzell is a sought-after location, especially by families with children. And for the last two and a half years, the family has been living here in their very own home.



In part, this was made possible by an L-Bank Housing Construction loan. ‘Financing the whole project wasn’t – and still isn’t – easy,’ says Alexander, who then confirms: ‘The **Z15 Loan** and L-Bank’s favourable terms were key factors in helping us take the plunge.’

Alexander works as a therapist in a hospital, while Stefanie works as a nurse in a paediatric intensive-care outpatient service. The family used their own capital to purchase a plot of land through their principal bank. This was facilitated by the town of Radolfzell’s social housing scheme and the associated guidelines for allocating municipal building plots. According to these guidelines, families with children, people engaged in voluntary work and people who work in Radolfzell have a better chance of being assigned a building plot. ‘We were really lucky. Once all the criteria had been assessed, we ended up with our dream building plot,’ recalls Alexander.

Additional funds for building the house, representing around 80 percent of the total cost, were provided in the form of L-Bank’s **Z15 loan**, which offers fixed interest over a 15-year period. The next phase will be a follow-up loan – again, provided by L-Bank. ‘It took a while before everything was in place,’ says Stefanie. ‘We made our application at a very difficult time: first Covid, then the war in Ukraine. Interest rates for construction were going up; everything was getting more expensive. At one point, we thought the whole thing was going to fall through.’ Between submitting the application and having it approved, interest rates climbed from 2.9 percent to 3.5 percent – enough to disrupt all their calculations, although a lot of the work on the house was done by Alexander and Stefanie, which L-Bank counts as equity. For example, the couple fitted floors and doors themselves.

Alexander and Stefanie had a financial adviser on board from the outset – his support and guidance were invaluable: ‘What with both of us working and young children, we couldn’t have managed it on our own,’ says Stefanie. ‘It was our financial adviser who recommended L-Bank – he knew when, where and how to send the various documents and supporting references, and he was able to present the paperwork neatly so it all looked professional.’ It ended up filling a whole storage box. ‘No doubt about it, it would have been much easier for us and for L-Bank if we’d done the whole thing online. But communication really wasn’t a problem – and it’s still working well now.’

“What with both of us working and young children, we couldn’t have managed it on our own.”

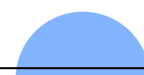
The house has 145 square metres of living space with enough room (and rooms) for everyone. A heat pump, sustainable building materials, photovoltaic panels and a rainwater tank mean that it meets high environmental standards. A home to relax in, even if the couple will have to bear the financial burden for a long time to come. It should all be paid off by the time they retire. Let’s see what happens then, says Alexander.

CENTREPIECE OF THE STATE HOUSING DEVELOPMENT PROGRAMME: THE Z-15 LOAN

The most popular loan in the **State Housing Development programme** is known as the **Z15 Loan**. We use it primarily to support young or lower-income families with at least one minor, or households that include a severely disabled person with special housing needs. The loan can be used to finance the construction, purchase or conversion of owner-occupied residential properties. To qualify for the loan, applicants must meet certain conditions; funding eligibility depends, for example, on maximum income limits. L-Bank grants the **Z15 Loan** on terms that include heavily reduced interest rates. The Z15 designation applies to the standard 15-year fixed-interest term – although applicants may also choose a 20-year fixed-interest term.

Since the end of 2025, the application process for the **Z15 Loan** has been digitised, meaning that it is now completely paperless. All documents can be submitted digitally, there is a helpful chat function, and the application submission process includes a preliminary check to verify the plausibility and completeness of the information provided. As a result, the whole process has become more streamlined and efficient.

For further details, see [Home Ownership Finance – BW – Z15 Loan | L-Bank](#) ↗





QUALITY SUPPORT FOR QUALITY LIVING

WHERE YOU LEARN IS WHERE YOU LIVE

Back in 1892, the Sanatorium and Nursing Home for Children with Epilepsy was founded in Kork, a town in what was then the Grand Duchy of Baden. Today, it is one of the few German medical centres to specialise in epilepsy, featuring outpatient and inpatient diagnostics and therapy as well as teaching and research. Attached to the medical centre are residential facilities, workshops and schools for people with various disabilities. The charity, Diakonie Kork, employs some 2,000 staff and provides vocational training. Diakonie is now building on-site accommodation for some of its trainees, supported by funding from the **Young Living** programme, which forms part of the **State Housing Development programme**.

A few years ago, Baden-Württemberg's Ministry of Regional Development and Housing was assessing the need for a development programme to fund the construction of accommodation for students and apprentices. In the course of the investigation, the Ministry approached Diakonie Kork, explains Frank Stefan, CEO of Diakonie. The response, he recalls, was unequivocal: 'A resounding yes! We have over 300 trainees working towards a wide range of professional careers in social work such as nursing, care and education. Many of our trainees have come a long way to join us – quite a few from Asia and South America. They can't just go home in the evening. So we have to offer them – affordable, suitable – accommodation here.'

An organisation like Diakonie Kork has long been dependent on international recruitment, explains Frank Stefan. The high demand for skilled workers and carers, coupled with the somewhat unfavourable image of social work in Germany



Frank Stefan, CEO of Diakonie Kork

and the abolition of national and community service, mean that it is now essential to recruit new talent from further afield.

On the grounds of the medical centre stands an old building – a former residential home for trainee nurses from the Kork Sisters community, later used as a hostel for people with disabilities. ‘At some point it no longer met our needs and has stood empty ever since. But now we’re converting it, with the help of funding from the **Young Living** programme – turning it into 43 studio apartments for our trainees so they can live on-site, right next to our training facilities,’ explains Frank Stefan.

“We prioritise sustainability and energy efficiency in all our projects”

Frank Stefan

The old building is being completely modernised. The outer walls will be preserved, as will the small chapel adjoining the building. Everything else will be renovated and upgraded: plumbing, windows, insulation and heating systems. ‘We prioritise sustainability and energy efficiency in all our projects. And of course this applies to our new hall of residence as well,’ says Stefan.

Each studio apartment is equipped with everything a home could need: a small bathroom, a kitchenette with a two-ring hob, a fridge and microwave oven, a bed (of course) and a desk for working and studying. A flatscreen TV and digital connectivity are also included. Each studio is around 20 square metres in size – not luxurious, but a very good standard for a trainee’s first home. There is also a communal lounge on every floor, as well as an office for providing students with advice and support.

‘For us, it’s always and above all about people,’ emphasises CEO Frank Stefan. ‘Many of them are still learning German, all of them are a long way from home, separated from their families, and they come from different cultures. We cannot and do not want to leave them to fend for themselves in a new, unfamiliar environment. That’s why we provide a point of contact in the hostel to which they can turn for help and support, whether because they’re homesick or because they need help with complicated official procedures.’ Leisure activities are also a priority: the hall of residence includes sports facilities, green and outdoor spaces for recreation, and a barbecue area on the Diakonie grounds.

The young men and women are expected to stay in the hall of residence for three years, so for the entire duration of their training courses. The aim is to keep student turnover as low as possible, in the interests of everybody involved. And of course it is also advantageous for their employer to have trainees on site – particularly those working to become fully qualified nurses and carers, professions in which staff must learn to be available around the clock.

For the trainees, the hall of residence also acts as a social hub, where they can meet peers in similar circumstances, get to know them, and build personal networks. In addition, Diakonie studio apartments are perfectly affordable even on a trainee’s modest income. ‘Our rent is around EUR 300 per month inclusive. That’s well below the rent index, but we see that as part of our responsibility. If we don’t subsidise the rent, our trainees can’t afford decent places to live. And if that’s true here, it’s certainly true of the open housing market.’

For Diakonie Kork and the centre’s trainees, the relatively new **Young Living** development programme was a stroke of good fortune, substantially extending Diakonie’s limited financial latitude.



HOUSING FOR STUDENTS AND TRAINEES: THE YOUNG LIVING DEVELOPMENT PROGRAMME

The **Young Living** funding line has been part of the **State Housing Development programme** since 2024. According to the federal state’s social rental housing development strategy, it addresses a specific residential need, namely new accommodation for apprentices and trainees. Trainees’ low wages make it very hard for them to find suitable places to live on the open housing market. In turn, this can severely constrain trainees in search of apprenticeships or vocational training, and may also hamper companies seeking the trainees or apprentices who best meet their needs. **Young Living** supports investments in the construction of new halls of residence or modernisation of existing ones, while at the same time providing trainees with affordable housing – ideally in close proximity to the organisations training them.

For further details, see [Young Living – Halls of Residence for Trainees | L-Bank](#) ➤



QUALITY SUPPORT FOR QUALITY LIVING

TURNING BARRACKS INTO HOUSING

After the Second World War, Ludwigsburg's cityscape was dominated by 90 or so military installations – representing an enormous opportunity for urban planning and urban development projects. The city has since used these brownfield sites to build new housing and in some cases entire residential neighbourhoods. One of them is the former 'Jägerhof' barracks which, over the past four years, has been transformed by municipal housing construction association Wohnungsbau Ludwigsburg GmbH into a new neighbourhood known as JägerhofQuartier. Comprising 161 residential units, office and retail space, as well as high-quality green and recreational spaces, the concept has been recognised by the Baden-Württemberg Chamber of Architects as an 'Exemplary Construction' project. As Managing Director of Wohnungsbau Ludwigsburg, Andreas Veit was one of those responsible for the project.

Mr Veit, everyone is talking about the urgent need for action in the housing market. Would you say that's true of Ludwigsburg?

Yes, absolutely. Ludwigsburg is growing, the housing demand is high, rents have been rising for years. We're seeing significant pressure – especially in the affordable

housing segment. For many households, it's increasingly difficult to find suitable and above all affordable homes.

What's the role of a municipal housing construction association like Wohnungsbau Ludwigsburg in this context, and above all, why is it important?

Well, our role is clear: to build and maintain housing that's affordable in the long term. As a municipal housing construction association, we're not driven by profit, we're focused on the public good. Specifically, this means we set social standards by designing neighbourhoods that stimulate interaction, participation and quality of life, and also by offering rents both below the local rental index and well below open market rents. According to our 2024 annual report, the average rent for publicly funded and voluntarily rent-controlled properties is EUR 7.02 per square metre, whereas Ludwigsburg's rental index currently stands at EUR 10.01 per square metre. Overall, we let 84 percent of our housing stock at below-index rates.

“We build and maintain housing that's affordable in the long term”

Who are you building for? Who are your customers?

We're building for all generations and income brackets – from one-person households to families, from apprentices and trainees to senior citizens. But our main focus is on households with medium to low incomes which must depend on price-controlled housing. In parallel, we develop high-end housing so we can finance the affordable housing: that's part of our socio-economic model.

JägerhofQuartier is one of Wohnungsbau Ludwigsburg's flagship projects. What makes it special?

JägerhofQuartier represents a holistic approach to neighbourhood development that goes far beyond traditional housing construction: an inner-city neighbourhood that's actually car-free, consisting of 161 homes and offering a balanced mix of social housing and private housing, as well as owner-occupied apartments. The residential component is supplemented by a nursery, a voluntary neighbourhood network, a café, office space and high-quality recreational areas. Sustainability was, of course, one of our main priorities: district heating from the biomass cogeneration plant, rainwater tanks for irrigation, photovoltaic panels, tenant-generated electricity and high standards of efficiency all guarantee a future-proof energy supply.



During the construction work, we preserved the building's historic fabric and carefully refined it. To conserve resources and exploit the embodied energy, we recycled various materials such as bricks. We opened up the inner courtyard, which had been sealed off, and turned it into a green neighbourhood hub; we also acquired and transplanted 11 plane trees.

So JägerhofQuartier is a combination of urban development, building conversion, listed building conservation and social housing – that's not exactly run-of-the-mill for a housing association, is it?

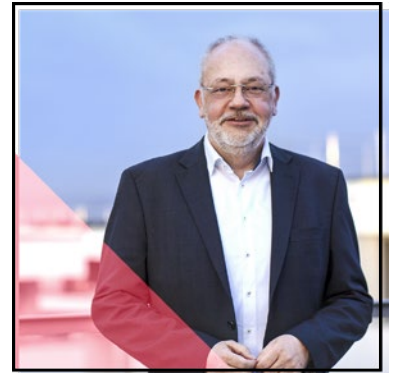
No, it's anything but run-of-the-mill! We've had to deal with multiple challenges on various levels: converting a former barracks, integrating the fabric of the listed building, creating affordable housing, and developing a vibrant neighbourhood with a nursery and retail spaces. For projects like this, you don't just need construction expertise – you also have to be able to plan strategically and coordinate closely with the city, funding bodies and planning experts. For us, JägerhofQuartier is a milestone, because it shows how you can preserve historical identity while simultaneously creating modern, socially inclusive and sustainable forms of housing.

The costs for a project of this kind aren't exactly insignificant, either. What was the total investment?

Around EUR 90 million. Development funding was the key factor in obtaining the finance needed to build JägerhofQuartier to this kind of standard, with this kind of socially inclusive orientation. We were granted a total of EUR 20.23 million in development funding, spread across various programmes and partners; the federal state contributed a good EUR 6 million of that.

Could you have developed and built JägerhofQuartier without this support?

There's no way the project would have been feasible without development funding. The combination of **State Housing Development** funding, KfW grants, the federal government's reduced purchase price for each subsidised rental unit, and urban development funds, all played a crucial role in supporting affordable rents and the extensive renovation of the existing buildings.



Andreas Veit, Managing Director of Wohnungsbau Ludwigsburg GmbH

Realistically, is housing construction in Germany even viable without public funding?

In the affordable housing segment – no, it's now impossible. Construction costs, land prices, interest rates and building regulations are so burdensome that for broad swathes of the population, rents are unaffordable without some kind of public funding. Development funding isn't a bonus – it's a prerequisite for price-controlled housing construction.

“The project wouldn't have been feasible without development funding”

Thinking back over the application and approval process for the JägerhofQuartier funding, where would you say there's still room for improvement? Or did it all go smoothly?

The various procedures are complex and time-consuming. Digitisation and simplified interfaces between funding bodies and applicants would definitely help to speed up the process.

Beyond good development funding support, what else is needed to revitalise housing construction in Germany?

As well as reliable development funding support, what we need above all are faster and simpler approval procedures. It's also vital to speed up planning processes and cut red tape so that projects don't fall apart due to lengthy waiting times. That's why the previously mentioned digital processes and streamlined interfaces between funding bodies and applicants are so relevant – to simplify the entire workflow.

Equally important are reliably consistent terms and conditions, plus a long-term development funding strategy so that housing construction companies can plan with confidence. And last but not least, local authorities must actively mobilise land for building, scale back their requirements, and encourage public acceptance of infill development. That's the only way we'll be able to create the right conditions for revitalising the housing construction market.

Does Wohnungsbau Ludwigsburg already have a new project in the pipeline? Maybe with state development funding?

Yes, we're currently working on several projects that will be important for Ludwigsburg – and for which we're using state development funding wherever possible. One of our biggest neighbourhood development projects is called **Grünbühl.living**. We've already completed two phases, comprising a total of 181 residential units and a six-group nursery. And in 2026 – subject to being allocated development funds – we aim to start work on the next phase, which involves building 56 residential units. We're planning to finance this phase through the **State Housing Development programme**. Then we have another, innovative project based on modular timber construction for a total of 16 subsidised apartments. We'll be drawing on state funding for that project, too.

And a project particularly close to our hearts is the conversion of the former spa hotel in Marbacher Strasse into a refuge for women and children. We're creating a women's shelter with enough space for 35 to 38 women and children, funded by the State of Baden-Württemberg and Ludwigsburg municipal council.

Development funding is a key component of these and all future projects. Without state funding and supplementary programmes, we wouldn't be able to meet the social and sustainable quality standards we're aiming for.

DELIVERING MAJOR PROJECTS: DEDICATED LOANS HELP TO FUND RENTAL HOUSING

Today, almost the only organisations that can tackle large-scale social rental housing construction projects are large municipal housing construction associations or private developers. But even they must rely on development funding to make their rental accommodation affordable, especially for young families and those on lower incomes. Companies can obtain this funding in the form of low-interest loans through the **Rental Accommodation Finance** component of the **State Housing Development programme**. They can also apply for a grant to cover the full amount of the subsidy. This arrangement is conditional upon a commitment to impose rent and occupancy controls on the new property for a fixed term of at least 10, at most 40 years. Over this period, rents must be fixed at a minimum of 20 percent (up to a maximum of 40 percent) below the comparable local standard rent, and tenants must hold a housing eligibility certificate (Wohnberechtigungsschein). **Rental Accommodation Finance** can be combined with a KfW loan and an **L-Bank Top-up Loan**.

For further details, see [Rental Accommodation Finance – BW – Newbuilds | L-Bank](#) ↗



QUALITY SUPPORT FOR QUALITY LIVING

A STROKE OF LUCK – THANKS TO L-BANK LOANS

Valery Krohmer is a craftsman and entrepreneur who runs his own refrigeration and air-conditioning business in Reutlingen. He is 38 years old, married, with three small children. So his family falls squarely into the target segment eligible for housing development support from the federal state and L-Bank. The aim of this support is to help young families financially by giving them access to suitable, affordable housing. For the Krohmer family, this has worked out well.

The Krohmers always intended to live in a home of their own, which they wanted to buy and renovate rather than build from scratch.

Finding a house in Reutlingen that met their needs was not easy. Location, quality, size, price – it all had to be just right. Then they heard about a house in Rommelshausen, just around the corner, that was up for sale. ‘It wasn’t even online yet,’ recalls Valery Krohmer. ‘A real stroke of luck – all the more so as we came from the neighbourhood, felt at home there and knew our way around.’ The whole family went to view the house and because the current owners had their own children, now grown-up, they were keen to sell the house to a young family. ‘It was just right for us,’ confirms Krohmer.



“A real stroke of luck”

Valery Krohmer

At first, they considered taking out a standard bank loan to finance the purchase. Krohmer recalls that by no means every bank listened with a sympathetic ear. ‘It was a lot of money, and the banks weren’t always willing to give us a loan. And then someone mentioned “L-Bank”, something about how they offered low-cost loans to young families.’

A financial adviser helped them with the application. 'The adviser took care of everything – he was really good. Without him, we'd never have managed it. And even with his help, dealing with the paperwork was really stressful – corresponding with L-Bank, submitting the applications and the supporting documentation. All that bureaucracy turned it into a lengthy process.'

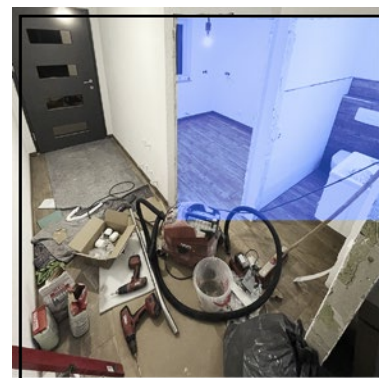
As it happens, the application for and approval of the L-Bank housing construction loans coincided with rock-bottom interest rates. The Krohmers' L-Bank loans were ultimately approved at almost zero cost. 'We just managed to get it all done before interest rates went up. We're paying almost no interest – less than one percent. A snip at the price, you might say – very nearly free!'

To keep costs as low as possible, Valery Krohmer did a great deal of the house conversion and renovation work himself. At the same time, he passed his master craftsman's exam in refrigeration technology and set up his own business – also, incidentally, with the support of L-Bank and Bürgschaftsbank Baden-Württemberg. The **Start Finance 80** business start-up loan, coupled with EUR 10,000 in the form of a **Master Craftsman Start-up Premium**, smoothed the way to self-employment. Family, house, business start-up: 'Strenuous,' is how Krohmer describes it with hindsight. 'It was a tough time.'

But it was also well worth it – in every respect. His business is up and running, and he and his family are happily installed in their own home.

And financially? On balance, the cost of buying the house places a similar burden on the Krohmers as paying the rent on their old flat did previously: the ideal scenario.

But even when interest rates are higher, as they are at present, the loans offered under the federal state and L-Bank's **Housing Construction Development programmes** are always made on very favourable terms. It is always worth inquiring and checking whether a project is eligible for development funding. Valery Krohmer agrees: 'When people ask me, I always tell them (especially if they've got young families): "Go and see L-Bank. Just do it".'



"We're paying almost no interest"

Valery Krohmer

CENTREPIECE OF THE STATE HOUSING DEVELOPMENT PROGRAMME: THE Z-15 LOAN

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WE NEED A PARADIGM SHIFT: ARTISTIC INSPIRATION FOR ARCHITECTURE

An interview with Andreas Sarow, artist based in Pforzheim with a Dipl.-Ing. (FH) (B.Sc.) in Architecture

Andreas Sarow was born in Pforzheim in 1974 and lives there now. He studied architecture in Stuttgart and went on to work as a qualified architect. For Sarow, architecture is about more than just designing practical buildings based on a functional template specifying storeys, roof pitches and floor area ratios. Four walls and a pitched roof are still standard – same as they were 500 years ago, argues Sarow. With his art installations, he aims to pose a simple question: how do we want to live in the future?

Mr Sarow, you've been looking at properties from an artist's perspective since 2015?

Indeed I have. In actual fact, more the transition from architecture and property development to a pure art form – breathing new life into old buildings before they're renovated or demolished, bringing a new perspective or a new context to the surrounding built environment.



Andreas Sarow in his office. Photo above article headline: TWELVE

How does that work in practice? Where can I find your art?

The interesting thing is that it's only temporary. It suddenly pops up, stays around for three or four months, then vanishes again – when a building is being converted, so of course it's always site-specific. When I find a property, I analyse it and then bring out its true personality, what it always used to be. And then, almost overnight, people's visual experience suddenly changes: a building they've known for decades suddenly looks completely different. So this 'overnight' quality is part of the installation.

How did you come to engage with architecture and art this way, combining the two like this? Was it triggered by something specific?

The idea of thinking about architecture in sculptural terms was actually clear to me from the start. From there, transitioning to art – where a building is no longer regarded as a conventional home or residential property – was essentially a natural progression.

You imbue your projects with an architectural message. What is it?

It's primarily architectural criticism, you might say. We're still building in much the same way as we did 500 years ago: four walls with a double pitch roof on top. We've barely made any progress. The Bauhaus style showed us the way to go. But if you look at buildings now, in 2025, we haven't really moved forwards at all.



PENTHOUSE



ENDANGERED HOUSE

They're essentially utility structures. It's barely possible to discern an architectural language – at most, perhaps, in public buildings, in stadiums or the like. There, you have more freedom. But in traditional housing construction, from an aesthetic perspective we're still building exactly the same way we did 500 years ago.

Is this also a form of social or societal criticism?

Of course it's important to admit that the way we build also has a business or cost dimension. Obviously it's considerably more expensive to develop new designs than to build in the traditional way, with double pitch roofs. That's one consideration. But even so, I'm always amazed that architects still think in two dimensions: they fix a floor plan, decide how much space is needed, and the façade develops automatically from there.

When you look at a building today, you'll see the windows are different sizes; there's no linear consistency. And actually, it's important to develop an architectural language – either something extremely closed or extremely open. But this mix, where I have a front door, then a small window that immediately tells me there's a toilet behind it, then an upper storey that doesn't match the ground floor – that's pitiful.



MONOBLOCK

“In traditional housing construction, we’re still building exactly the same way we did 500 years ago”

So if I understand you correctly, you're calling on your fellow architects to build in unorthodox ways and – above all – to start thinking in unorthodox ways?

Yes. I believe that while we're studying, we're naturally free to develop ideas as we wish. But the disillusionment that follows is a result of having to work to a standard brief and stay within budget. You quickly find yourself on the narrow path we see today. In very rare cases, architects can develop their ideas according to their original vision. So it isn't always the architect's fault – it's the fault of the budget, the developer, and of course the building regulations.

We need to go back to the drawing board. The traditional development plan with its functional templates specifying the number of floors, the roof pitch, floor area ratios, building plot ratios – I don't believe that's the right model. We need to be a little bolder in our thinking.



LAST BASTION

How do people respond to your artwork? Do they walk past, take a look, wonder about it, but never really take it in? Or do they give you actual feedback?

Well, let's start with the Black Villa. There, I said I was going to paint the entire building black. The response – especially on social media – was huge. The moment the scaffolding came down, people were already standing around looking at it, it took on a life of its own on the internet – of course they were taking it in. And an art professor wrote to me and congratulated me, and I replied that I'd also faced a lot of opposition. But it's always gratifying when people are provoked into reacting.

For an artist who has a message and wants to achieve something, that's a real gift – publicity like that.

Of course I welcome controversy and feedback. But the fundamental point is, the building stands on its own merits. The Black Villa isn't just a black building; it's a form of social commentary. It stands in the middle of a restored residential area full of villas, all whitewashed, where each villa is more immaculate than the last – in other words, over-restored. Many people also hailed it as a critique of capitalism. But that wasn't my intention. I've achieved what I set out to do as soon as people start thinking about it.

Are there other works or installations you've created that have generated similar levels of feedback? What about media coverage?

Yes, other pieces followed after Black Villa – in various places. Currently I've got installations in Constance, Munich and Starnberg. One interesting piece was Factory, which was an old train shed. These are mostly lost places or non-places, which you can really bring back to life for a little while. My Magenta Houses (TWELVE) – the houses people saw in Stuttgart – evolved from Factory. You could call them monolithic Monopoly houses. Conventional proportions, double pitch roof – if you asked a child to draw a house, that's exactly what it would look like. Minimalist, and so scale-distorting.



BLACK VILLA



FACTORY

There's a shortage of housing everywhere, there's a shortage of money everywhere, and you're saying we need to 'build different'. What might that look like?

You're talking, of course, about the classic shortage, where everyone says we need 400,000 houses a year and we can't keep up. But there are other approaches, such as questioning whether the traditional 'four rooms, kitchen, bathroom' model still works for everybody, or whether we shouldn't have another go at communal living arrangements? You could still have your own private space, but the kitchen, communal areas and so on would be shared.

But people generally prefer, I think, to close their own front doors, have their own kitchens, their own bathrooms, their own four walls. If we don't move away from that, the classic approach will prevail, so we'll still have this housing demand – and in fact, in terms of floor area, demand has actually grown. As I see it, we haven't yet found a way to break the deadlock.

“There needs to be a shift in our thinking, where we ask: what do I actually need to live?”

But that sounds as if we need to lower our expectations?

... there definitely needs to be a shift in our thinking, where we ask: 'What do I actually need to live?' It's a tricky one; you can't just instruct older generations: 'Downsize!' Unless you can show them there's a benefit: 'I'll have more peace of mind, my home will be more accessible, maybe I'll be happier in a more compact space. And then I can make my big house available to a family.'

What kind of home would you most like to live in, and where would it be?

Well, I've always had the same philosophy: factory lofts, properties you can transform, full of decrepit charm – old factories, traditional factory settings, and then you simply live in them. Not seeing them as conventional living spaces, but recognising that they used to be something else, something with its own history.



THE PERFECT FAMILY HOME

And then the idea of living in or on something like a friendly parasite – so you convert a caravan or mobile home and hoist it up onto a roof, and then you live there. When the sun rises in the morning, you just open the door and step outside. And that's where this tiny house concept could work, this downsizing approach.

So in practice, I've experienced both extremes: living in an extremely reduced area of just eight square metres. For a year, I used the facilities at a sports centre – I could shower there, so everything was outsourced. But I was just as happy there as I am now in a big house.

Finally, looking ahead: what are you planning as your next project, and what specific message will you be sending with it?

Well, there are these Magenta Houses and I had the idea that these twelve pieces could go on tour, so be shown in other cities. Maybe in twinned towns that are part of an international network. That's incredibly important: building links with other cities also promotes peaceful thinking. That's why I thought of exhibiting the Magenta Houses in other cities – cities twinned with Stuttgart or maybe Pforzheim.

But I've also got another project I can't talk about yet. It's got to stay a bit of a secret, because otherwise either someone will copy it or I won't get permission to do it. Or because when they know I'm going to turn up, people block everything off beforehand.

Andreas Sarow

Dipl.-Ing. (FH) in Architecture, artist based in Pforzheim
Reflections on living and the home of the future



TWELVE

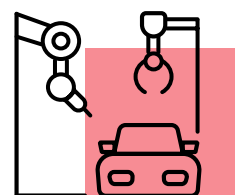


L-BANK SUPPORTS BUSINESSES AND SAFEGUARDS JOBS

2025 was yet another year marked by ongoing international conflicts and deep rifts in the transatlantic relationships that were once so dependable. The tottering world order is placing enormous strains on politics, economies and society as a whole. It has also contributed to the German economy’s historically prolonged slump. Europe is now engaged in a process of realignment – and what applies to Europe also applies to Germany and Baden-Württemberg.

Our need for reform has long since become a far-reaching structural transformation

We continue to face enormous challenges. We need to develop an effective defence capability. We need to reduce our dependency on external sources of energy and raw materials. We need to seek out new partners and export markets. We need to drive forward our digital, sustainability-focused transformation. We need to safeguard our social cohesion and integrity.



Germany’s need for reform has long since become a far-reaching structural transformation – one that is having a particularly profound impact on export-dependent Baden-Württemberg, with its close ties to the automotive industry.

During 2025, exports by companies in Baden-Württemberg stayed more or less at the previous year’s level, having previously fallen for two years in a row. Exports to China and the United States essentially collapsed, showing percentage declines in double digits. These problematic economic conditions are driving more and more companies into insolvency, and more and more people into unemployment. Last year saw 2,706 insolvencies, some 11 percent up on 2024 (source: Baden-Württemberg State Statistical Office). The 4.6 percent rate of unemployment was 0.4 percent higher than the year before. While the raw figures still present a comparatively healthy state of affairs, the overall trend gives cause for concern.

Despite challenging headwinds, L-Bank posts strong enterprise development results

In spite of the poor macroeconomic conditions just described, L-Bank’s new business across the various enterprise development programmes grew in 2025. At almost EUR 3.4 billion, the volume of development funding exceeded the previous year’s figure by some EUR 190 million – just under 6 percent. This does not include non-programme-related financing instruments such as bearer bonds.

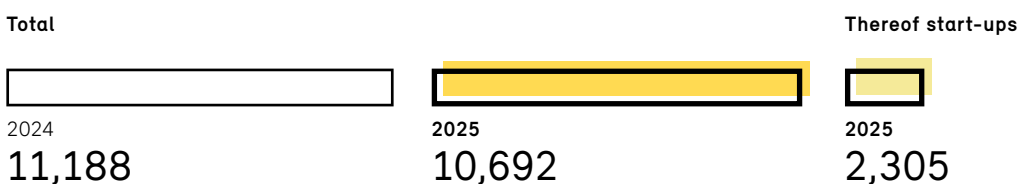
Both the SME programmes for established businesses and the programmes for business start-ups showed growth. Agricultural development business also saw an increase. Only the grant and subsidy programmes, consisting of numerous smaller programmes, performed less strongly than in the previous year. With our development loans and grants, we were able to support a total of 10,692 companies (2024: 11,188), 2,305 of which were new business start-ups.

ENTERPRISE DEVELOPMENT TOTAL VOLUME

3.4 billion euros

NUMBER OF COMPANIES IN RECEIPT OF FUNDING

compared to previous year



Development funding for start-ups reaches record levels in 2025

Innovative ideas, high-quality R&D and courageous entrepreneurship – these are the key prescriptions for the successful transformation of Baden-Württemberg’s economy, hence for ensuring that the state remains competitive in the future. Consequently, one of L-Bank’s top development priorities is supporting young, innovative companies through their start-up and growth phases. To do so, we run what are essentially three highly successful development programmes for business founders entering the market: **Start Finance 80, Start-up and Growth Finance,** and the **Start-up BW Pre-Seed** equity programme.

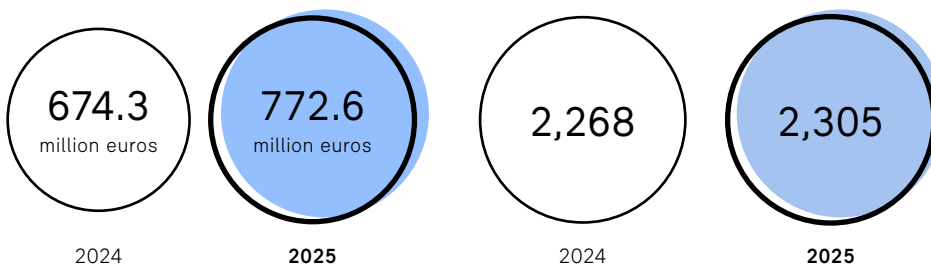
Last year, we approved a total of EUR 772.6 million in start-up finance under these programmes – 14.6 percent more than in the previous year (2024: EUR 674.3 million) and around EUR 36 million more than in our previous record year, 2022. Once again, Baden-Württemberg demonstrated just how attractive it is as a location for launching new businesses: 2,305 young companies benefited from our funding, compared to 2,268 the year before.

DEVELOPMENT FUNDING FOR BUSINESS START-UPS

compared to previous year

Total volume

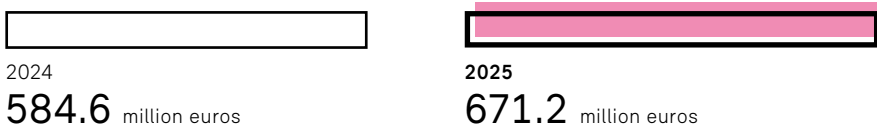
Companies in receipt of funding



A more detailed analysis shows that at EUR 671.2 million and EUR 93.7 million respectively, the two major L-Bank programmes – **Start-up and Growth Finance** and **Start Finance 80** – significantly exceeded the previous year’s figures (2024: EUR 584.6 million and EUR 83.3 million). Under **Start Finance 80**, an additional risk-mitigating default guarantee from Bürgschaftsbank Baden-Württemberg secures 80 percent of the loan, but one of the main reasons for the higher uptake was the two-step increase in the maximum loan amount, from EUR 150,000 to EUR 200,000. The adjusted programme reflects the general increase in start-up businesses’ financing needs.

**VOLUME OF FUNDING APPROVED
BW START-UP AND GROWTH FINANCE**

compared to previous year



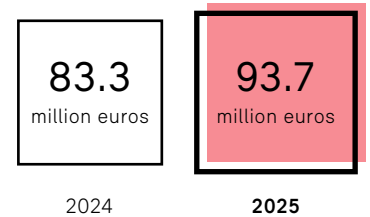
The **Start-up BW Pre-Seed** equity programme also performed more strongly than in the previous year, with an approved total of almost EUR 7.7 million (2024: EUR 6.4 million). **Start-up BW Pre-Seed** helps young companies at the very early stage of their existence by providing up to EUR 320,000. The total amount is provided equally by the State of Baden-Württemberg and a private co-investor.

L-Bank’s venture capital activities more important than ever

Alongside the dedicated business start-up programmes, L-Bank’s equity investment business also plays an increasingly significant role in Baden-Württemberg’s start-up ecosystem. Providing companies in Baden-Württemberg with venture capital to support their development and growth has long been one of the higher priorities of our development funding mandate, with the aim of ensuring that our economy remains fit for the future. Consequently, L-Bank has been steadily – and strategically – expanding its venture capital activities over the last few years. By the end of 2025, we held stakes in 19 venture capital funds. Our financial commitments totalled EUR 346 million, of which EUR 200 million consisted of investments in venture capital funds supporting established growth companies. There is a particular focus on the digital transformation of products and value chains.

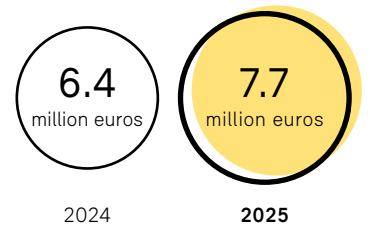
**VOLUME OF FUNDING
APPROVED START FINANCE 80**

compared to previous year



**TOTAL VOLUME
START-UP BW PRE-SEED**

compared to previous year



**FINANCIAL COMMITMENTS TO
VENTURE CAPITAL FUNDS**

346 million euros

The remainder, so around EUR 146 million, was invested in venture capital funds that focus on young, high-tech companies with potential for growth in forward-looking sectors such as medicine and healthcare, the environment, and artificial intelligence.

Our investments are exerting a considerable development impact. The majority of our commitments are ‘anchor investments’, meaning a stake of more than 10 percent in a fund’s assets. By stimulating the investment appetite of private investors and so attracting new capital, we are making a significant contribution to building a broader and more diverse venture capital ecosystem focused on Baden-Württemberg.

Together with our **InnoGrowth BW** development programme, the **LEA Venturepartner**, **First Momentum Ventures** and **Mätch VC** funds all bear testament to the success of our venture capital strategy.

InnoGrowth BW is designed for young, innovative companies and growth-focused SMEs, and helps to strengthen their equity capital base. Under the programme, L-Bank grants interest-free loans with a liability waiver to intermediaries investing in innovative companies. The refinancing loan generally covers half of the total investment; the other half is made up of the intermediary’s contribution.

Last year, 20 young and highly promising companies with innovative business models benefited from funding provided through **InnoGrowth BW**. The refinancing loans came to a total of EUR 15.9 million (2024: EUR 13 million). Together with the investments by intermediaries, this resulted in a capital injection for the client companies of EUR 27 million.

To boost venture capital, the state and L-Bank set up a new, state-owned company

At some point, however, venture capital investments by a bank hit a regulatory ceiling. And as a result of our successful but substantial venture capital investments in recent years, we have very nearly reached this ceiling. So it was – and still is – time to set up a new structure that will leverage the successful approach taken by L-Bank’s venture capital activities over the last few years, as well as the expertise and strong market position gained in the process. This initiative will support a new approach to building up venture capital in Baden-Württemberg.

INVESTMENT IN FUNDS FOR ESTABLISHED GROWTH COMPANIES

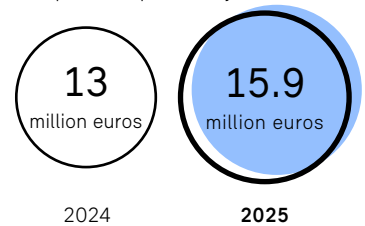
200 million euros

INVESTMENT IN FUNDS FOR YOUNG, TECHNOLOGY-DRIVEN COMPANIES

146 million euros

TOTAL FUNDING APPROVED UNDER INNO-GROWTH BW PROGRAMME

compared to previous year



Consequently, we have worked closely together with the state government to establish a new, wholly state-owned company, **BW-Capital GmbH**, that is legally independent of L-Bank but acts, so to speak, as L-Bank's venture capital counterpart.

[bw-capital.de](https://www.bw-capital.de) ↗

Going forward, **BW-Capital GmbH** will be the federal state's main instrument for financing technology-driven, growth-focused start-ups, as well as innovative SMEs.

In the medium term, **BW-Capital** will become a powerful and effective partner to companies that are strengthening Baden-Württemberg with their innovative projects, thereby creating long-term jobs and safeguarding our federal state's future.

As L-Bank, we will be contributing our experience of the market and our venture capital expertise to the new company, and will manage **BW-Capital's** day-to-day operations. This will enable us to continue to fulfil the venture capital side of our development mandate. The state government is responsible for chairing the Supervisory Board. In line with market practice, investment decisions will be taken by a dedicated investment committee advised and supported by market experts.

Focusing on capital growth to grow capital

To start with, **BW-Capital** will be financed by capital from L-Bank, with a target figure for this year of EUR 50 million. Gradually, over the next few years, an amount in the mid-range three-digit million euros will be injected into the company. To achieve this, we are reinvesting returns from our current shareholdings and carefully reallocating equity capital, without abandoning our involvement in successful funds in the process. To meet the high expectations of an effective, high-impact investment vehicle working on behalf of Baden-Württemberg, **BW-Capital** is also, in principle, open to other sources of public refinancing. Ultimately, the company will focus on capital growth to grow capital. In future, we will join **BW-Capital** in providing even more selectively targeted development funding for strategic business sectors of the future such as artificial intelligence, microelectronics, defence/dual-use technologies, and the life sciences. We may also invest directly in companies pioneering future technologies.

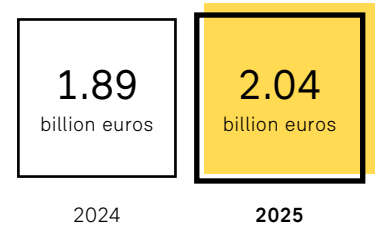
SMEs continue to invest in 2025, despite prevailing pessimism

Like our start-up programmes, development programmes for established companies also continued to show positive overall performance in 2025. Including surety and guarantee programmes, L-Bank was able to support small and medium-sized enterprises (SMEs) in particular with over EUR 2 billion in funding for stabilisation, transformation and growth. This represents an improvement of EUR 153 million (8.1 percent) over 2024.

This was supplemented by financial assistance to the tune of EUR 511 million under numerous smaller programmes based on grants and subsidies. Examples include our **Local Public Transport Finance, Technology Development, and Structural Transformation – Electric Mobility** programmes. Reduced state budget allocations meant that financial assistance declined slightly over the year; in 2024, we paid out EUR 586.4 million. In 2025, 3,661 established companies took out loans under our programmes (2024: 3,603), and 4,611 companies took advantage of our financial assistance (2024: 5,187).

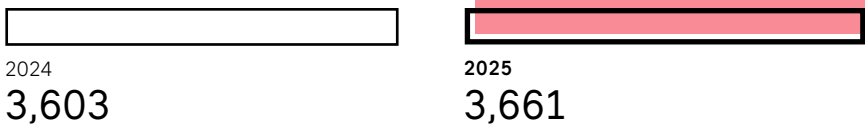
VOLUME OF FUNDING FOR ESTABLISHED COMPANIES

compared to previous year



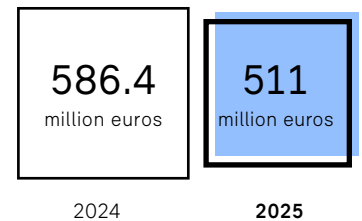
NUMBER OF COMPANIES IN RECEIPT OF FUNDING (LOANS)

compared to previous year



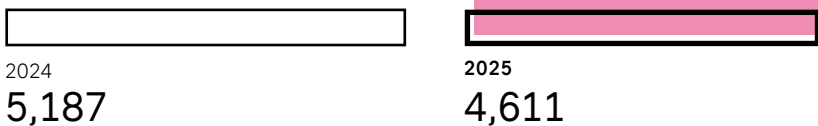
FINANCIAL ASSISTANCE FOR ESTABLISHED COMPANIES

compared to previous year



NUMBER OF COMPANIES IN RECEIPT OF FUNDING (GRANTS)

compared to previous year



New innovation and digitisation programmes create new incentives

L-Bank's programmes in support of innovation and digitisation performed exceptionally well in 2025, with a substantial increase in the volume of approved funding. Among the reasons for this were changes to the programme structure and improvements to programme terms and conditions. We have launched two new programmes for funding innovative projects and digital transformation – in them, we have packaged our existing offerings and created even greater investment incentives. The new **Innovation Finance** programme focuses on the development and market launch of innovative products, processes and services, as well as new marketing, organisational and business models. The new **Digitisation Finance** programme supports investment in IT infrastructure, cybersecurity and IT training. This includes, for example, the costs of digitising products and production processes, cloud solutions, and the development of internal and external digital networks. The purchase and development of AI solutions are also eligible for funding under the programme.

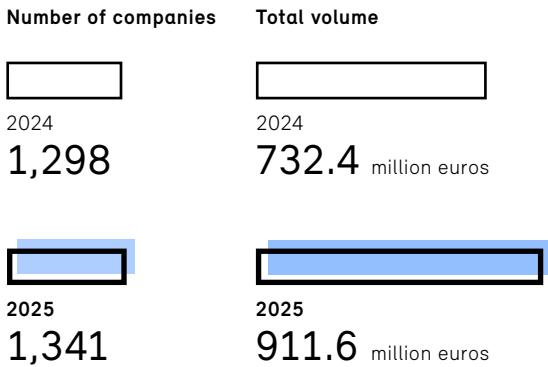
Record funding for innovation and digitisation

A special feature of the new offerings is the tiered structure of the development funding: the more ambitious the project, hence the greater the financial risk to the company, the higher the level of funding. We offer both programmes in collaboration with Kreditanstalt für Wiederaufbau (KfW – Germany's federal development bank).

For innovation and digitisation finance, under our old and new programmes combined, we approved a record total of EUR 1 billion. This represents a 33 percent increase over 2024 (2024: EUR 756.6 million). Demand for these programmes also rose: whereas 3,242 companies applied for funding in 2024, last year saw this figure rise to 4,557.

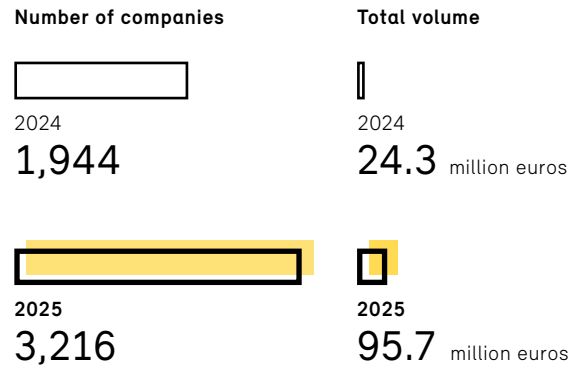
**COMPANIES IN RECEIPT OF FUNDING
INNOVATION FINANCE PROGRAMME**

compared to previous year



**COMPANIES IN RECEIPT OF FUNDING
DIGITISATION FINANCE PROGRAMME**

compared to previous year



**Sustainability and climate change mitigation
still high on the agenda**

For L-Bank, the sustainable development of Baden-Württemberg’s economy and civil society is a major development objective. We use our programmes to create incentives for sustainable investment, thereby helping to achieve the state government’s goals for sustainable development and climate change mitigation in Baden-Württemberg.

In some programmes we have, for example, embedded a supplementary **Sustainability Bonus** that rewards SMEs for making additional efforts to improve their climate footprint. Through other programmes, we provide direct support for investments in energy generation, energy efficiency, and climate action.

In 2025, demand for these programmes remained very high. The volume of funding approved under our **Energy Finance** programme, for example – which enables companies to invest in green electricity installations and storage systems – rose to EUR 52 million. The programme attracted almost no demand at all in the previous year due to unfavourable EU regulations governing state aid (2024: EUR 0.191 million).

VOLUME OF FUNDING APPROVED FOR ENERGY FINANCE

compared to previous year



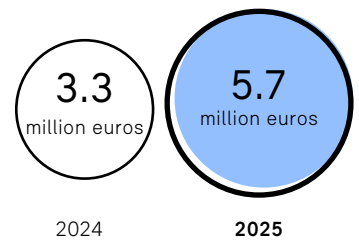
Our **Energy from the Land** programme, specifically set up to support energy companies seeking to build power plants for generating renewable energy, also performed better in 2025, reaching a funding volume of EUR 5.7 million (2024: EUR 3.3 million). The programme is part of our infrastructure development business, as is financial assistance under our newly launched **Structural Transformation – Electric Mobility** programme, which paid out EUR 18.4 million in approved funding.

In 2025, some general SME development programmes performed less well than in 2024

In 2025, some of our lending programmes for established companies in the state experienced a decline in funding volumes. These include **Start-up and Growth Finance** (for SMEs wishing to make investments or obtain working capital), **Investment Finance** (for companies investing in rural areas) and **Tourism Finance Plus** (for tourism-focused businesses in the catering, hospitality and leisure sectors). In 2024, total funding approved under these programmes reached EUR 664.2 million, whereas in 2025, approved funding came to just EUR 554.4 million. The number of businesses in receipt of funding came to a total of 1,214, as opposed to 1,486 in the previous year.

VOLUME OF FUNDING ENERGY FROM THE LAND

compared to previous year

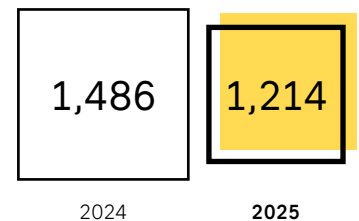


FINANCIAL ASSISTANCE FOR STRUCTURAL TRANSFORMATION – ELECTRIC MOBILITY



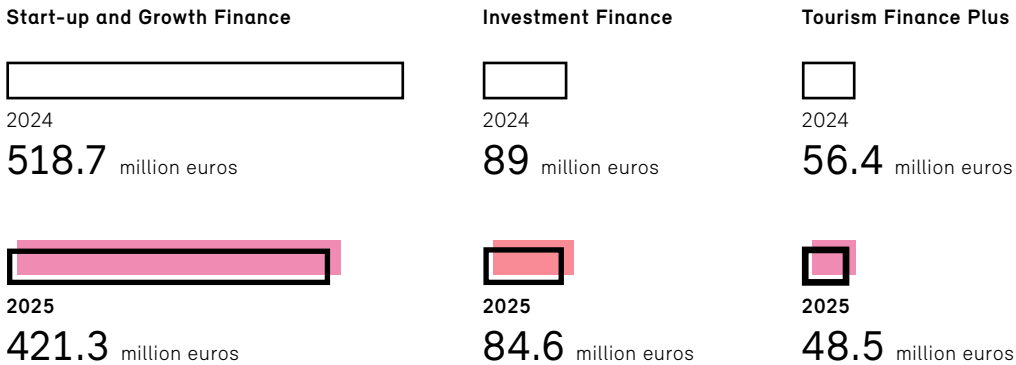
GENERAL SME PROGRAMMES

compared to previous year



VOLUME OF FUNDING FOR GENERAL SME PROGRAMMES – ESTABLISHED COMPANIES

compared to previous year



These are also the three development programmes which we enhanced with our **Sustainability Bonus** a few years ago (in the case of the **Start-up and Growth Finance** programme, both established and young companies may apply for the bonus). The bonus represents an additional interest-rate reduction for loans under these programmes, is offered in multiple funding tiers, and requires companies to take action to improve their own carbon footprints.

More than 1,100 companies took advantage of the **Sustainability Bonus** available through these development programmes, representing just under 40 percent of all companies granted such loans. In terms of development funding volume, the percentage was around 50 percent in 2025 (2024: 60 percent). It is notable that willingness to invest in climate change mitigation with the support of the **Sustainability Bonus** declined more sharply among established companies than among younger ones. The **Tourism Finance Plus** programme showed the most significant decline. This trend may also reflect the diminishing prominence of climate action in public discourse.

L-Bank launches new Environmental Finance programme

We are currently making adjustments to the **Sustainability Bonus** component of our programmes with the aim of making climate-related investments attractive again. But we are also taking steps to further expand our development activities relating to sustainability and climate change mitigation by launching a new **Environmental Finance** programme. With highly favourable funding terms, the programme is designed to appeal primarily to SMEs, but also to larger companies in Baden-Württemberg's Mittelstand. We are targeting companies that want to do more than they need to – that is, companies interested in investing in environmental protection, climate change mitigation and resource conservation at levels exceeding the requirements of current EU standards and national regulations. Business investments eligible for funding include investments that help to reduce carbon emissions, air pollution, odour emissions and/or noise emissions. Investments in preventive protection against storm damage or natural disasters (in short: climate change adaptation) also qualify for funding. In addition, we fund investments in the circular economy, such as new resource-conserving, closed-loop production processes, waste recycling, and the recovery of raw materials from waste.

We offer this programme in collaboration with KfW.



Technology parks successfully combine research with entrepreneurship

We currently operate technology and business parks in five locations in Baden-Württemberg: Stuttgart, Tübingen-Reutlingen, Mannheim, Karlsruhe and Freiburg. With a total of 16 buildings covering a total area of 84,300 square metres, we offer ambitious, future-focused companies the best possible infrastructural conditions to consolidate, establish and grow their activities. As attractive hubs for businesses of the future, our parks are all located near universities and other research institutions, helping to strengthen key industries in their respective regions. As such, they not only serve to support companies, but act as instruments of local business development.

In 2025, we made a total of EUR 74.1 million in funding available to the technology parks for business zone development (2024: EUR 88.5 million).

TOTAL NUMBER OF BUILDINGS

16

**TOTAL AREA
IN SQUARE METRES**

84,300

The number of companies leasing premises in the parks (around 300) and the number of people employed by these companies (over 12,000) remained largely unchanged.

The combined occupancy rate across all the parks currently stands at 94 percent. L-Bank is constantly working to expand the technology and business parks to meet business needs. New construction projects are currently in progress on the Mannheim and Reutlingen sites, both scheduled for completion in 2026. In Tübingen, the Bank is planning to build the 'Cyber Valley Start-up Campus'. The project will be launched by an architecture competition.

COMPANIES BASED IN THE PARKS

Around **300**

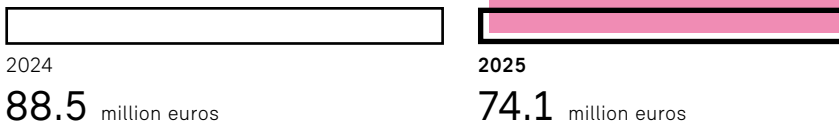
NUMBER OF PEOPLE WORKING IN THE TECHNOLOGY PARKS

Over **12,000**

FUNDING FOR BUSINESS ZONE DEVELOPMENT

compared to previous year

Total volume



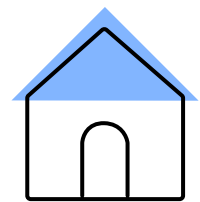
Buoyed by hope, the outlook for 2026 is still prey to many concerns

The mild upsurge in corporate willingness to make investments in 2025 compared to the previous year – as reflected in L-Bank’s new business figures – was partly due, no doubt, to expectations of an economic stimulus and a rapid economic recovery following the federal elections. These expectations were not fulfilled. And yet there are signs that this could change in 2026. Although expectations have, to some extent, been revised downwards, the federal government, ifo and other institutions are forecasting modest economic growth in the course of the year; around one percent. This is combined with anticipation of a more pronounced upturn in 2027. Even so, the structure of Baden-Württemberg’s economy, which is heavily dependent on the (automotive) industry and exports, means that growth in Baden-Württemberg in 2026 may remain somewhat below the national average, as in previous years. Furthermore, the economic impact on Baden-Württemberg’s development of the escalating geopolitical conflicts in the first quarter of 2026 remains to be seen. Nevertheless, they do give cause for concern.



STATE AND L-BANK SUPPORT FOR HOUSING CONSTRUCTION DELIVERS RESULTS

As ever, Germany is still not building enough new homes to meet demand. And Baden-Württemberg is no exception. Systematic, efficient development funding for housing construction serves as an important and highly effective instrument for bridging the gap. In Baden-Württemberg, the principal development programme is **BW Housing Construction**, which is funded from the state budget and, to a large extent, by contributions from federal funds. The programme is administered by L-Bank, which supplements **BW Housing Construction** with its own housing development programmes.



Development funding for rental housing construction surges in 2025

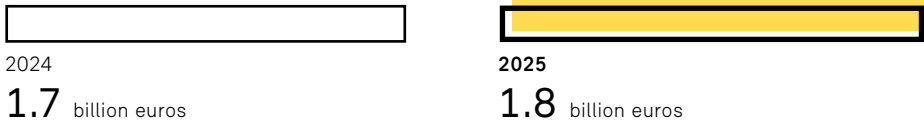
In 2025, the development programmes set up by the federal state and L-Bank once again helped numerous people – including many young families and individuals on low incomes – to find affordable housing suitable for their needs. While the demand for home ownership funding was down on the previous year (–6.6 percent), development funding paid out in support of rental accommodation was up by almost 30 percent.

In total, funding in excess of EUR 1.8 billion was approved, representing an increase of some 4.5 percent (2024: EUR 1.7 billion).

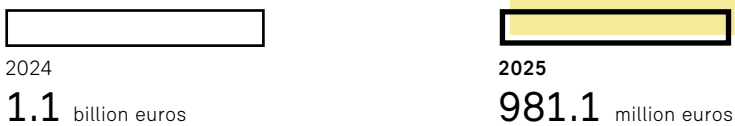
HOUSING DEVELOPMENT – FEDERAL STATE AND L-BANK

compared to previous year

Total volume



Home ownership development



Rental housing development



The volume of funding paid out for rental housing development amounted to EUR 827.1 million (2024: EUR 640.2 million); funding for home ownership came to a total of EUR 981.1 million, compared to EUR 1.1 billion in 2024. To this should be added EUR 18.4 million in loans to homeowners’ associations for the energy-efficient, barrier-free modernisation of residential buildings (2024: EUR 33.5 million).

FUNDING FOR HOMEOWNERS’ ASSOCIATIONS

18.4 million euros

In 2025, a total of EUR 24.7 million was paid out under the relatively new **Young Living** funding line. The federal state is using this development funding line to support affordable accommodation for apprentices and trainees in Baden-Württemberg.

We substantially exceeded our development target of 10,400 funded residential units

Last year, we were able to provide funding for a total of 12,655 residential units across all our development programmes – 391 more than in the previous year. This means we substantially exceeded our development target of 10,400 funded residential units. As in previous years, however, demand for subsidised housing exceeded the development budget available for 2025. This is yet another indication of the current shortage of – or equally, the great need for – suitable, affordable housing in Baden-Württemberg. Once again, we were unable to clear the housing development backlog in 2025, so that applications made in the past year had to be carried over to the following year, meaning in turn that development funding approvals were delayed yet again. This was the case in 2025 and remains so in 2026.

State Housing Development programme still in demand

While the total volume of funding approved under the **State Housing Development** programme was slightly down on the previous year, it remained at a high level. Last year, L-Bank approved EUR 738.5 million under the **BW Housing Construction** programme, a decline of around EUR 55 million compared to the previous year (2024: EUR 793.7 million). Of this, EUR 451.6 million was paid out for rental housing development (2024: EUR 412.5 million), and EUR 268.5 million for home ownership development (2024: EUR 347.7 million). Support for homeowners' associations came to a total of EUR 18.4 million (2024: EUR 33.5 million).

YOUNG LIVING DEVELOPMENT PROGRAMME

Part of Rental Housing Development

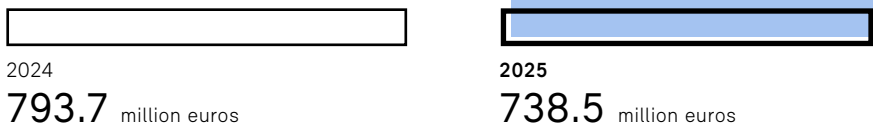
24.7 million euros

RESIDENTIAL UNITS IN RECEIPT OF FUNDING

12,655

FUNDING APPROVED UNDER STATE’S BW HOUSING CONSTRUCTION PROGRAMME

compared to previous year



Rental housing development



Home ownership development



The **BW Housing Construction** programme represents the state government’s response to the ongoing housing shortage in the state and is intended to boost the socially subsidised rental accommodation sector in particular. When applying for development funding for social rental housing, applicants must undertake to let the accommodation to individuals and families on lower incomes for a specified period of time, at rents that are a specified percentage below comparable local rents.

Social housing stock grows again in 2025

In 2025, thanks to extensive development funding, it was once again possible to increase the stock of social housing – meaning residential units subject to rent and occupancy controls – in Baden-Württemberg. According to the figures reported by local authorities, there were 56,072 social housing units in Baden-Württemberg by the end of the year – 1,316 more than in 2024. This is the fourth year in a row in which the total number of social housing units has risen.

The total number of social housing units has risen for the fourth year running.

Even better, 2,649 new socially subsidised housing units were created over the past year. This figure includes both newbuilds and new social accommodation created in existing housing units and buildings. On the other hand, 1,333 housing units ceased to be subject to rent and occupancy controls, hence were no longer available on the social housing market. Under the **Young Living** scheme for apprentices and trainees, 573 residential units were funded in 2025.

Less funding was approved for social home ownership development in 2025 than in the previous year. Under the **BW Housing Construction** programme, we approved low-interest loans for 848 owner-occupied homes (2024: 1,100) to enable young families below certain income thresholds to buy or build their own homes.

NEW SOCIALLY SUBSIDISED HOUSING UNITS

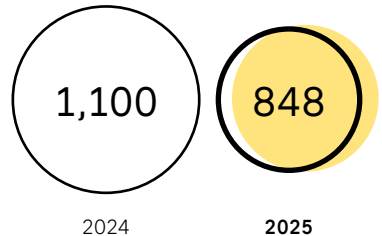
2,649

RESIDENTIAL UNITS FUNDED FOR APPRENTICES & TRAINEES

573

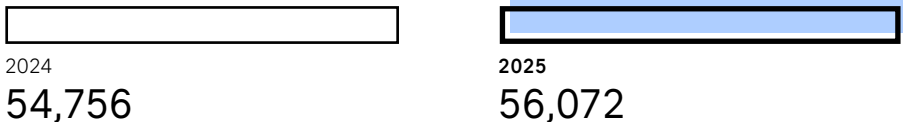
APPROVED HOME OWNERSHIP FUNDING FOR LOWER-INCOME FAMILIES

compared to previous year



SOCIAL HOUSING UNITS IN BADEN-WÜRTTEMBERG

1,316 more units than in 2024



L-Bank’s housing development programmes continue to grow

For many years, L-Bank has also run its own programmes for stimulating housing construction, modernisation and renovation in Baden-Württemberg. The three most significant programmes are **Living with Children**, **Living with a Future** and **Combined Home Loan**, which all form part of our home ownership finance framework and, in this area at least, exceed the volume of funding provided by the **BW Housing Construction** programme. In 2025, the volume of funding approved under these programmes was just under EUR 703 million (2024: EUR 683 million).

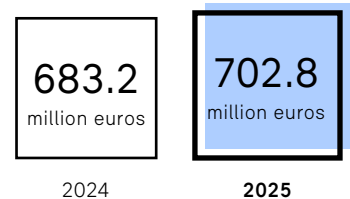
L-Bank’s core home ownership development programme, **Living with Children**, which provides families with children with up to EUR 100,000 in low-interest loans for the construction or purchase of their own homes, declined from EUR 322 million to EUR 269 million – the same level as in 2023. In the case of newbuilds, this programme provides funding for the costs of developing a building plot plus the costs of constructing a house and external facilities. In the case of a house purchase, the L-Bank loan can be used to finance the purchase price, including incidental costs plus the costs of modernisation and renovation.

For the second year running, new business under the **Combined Home Loan** programme was substantially up on the previous year. At EUR 418 million, the volume of approved funding was almost EUR 70 million higher than in 2024 (EUR 349 million). This programme provides loans to homeowners in support of investments in climate change mitigation and energy efficiency for their own properties. Eligible projects include, for example, rooftop photovoltaic installations and energy-efficient home refurbishment. To qualify for funding, applicants must already have a development loan under the core **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 second loan is intended to bridge any funding gaps.

Even the smallest of the three programmes, **Living with a Future**, performed better in 2025 than in 2024. We paid out a total of EUR 15.2 million in support of the purchase and installation of photovoltaic systems at private residences, as well as investments in battery storage systems (2024: EUR 11.7 million).

VOLUME OF FUNDING FOR SUSTAINABLE HOME OWNERSHIP BY YOUNG FAMILIES

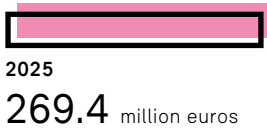
compared to previous year



VOLUME OF FUNDING UNDER THE BANK’S OWN HOME OWNERSHIP DEVELOPMENT PROGRAMMES

compared to previous year

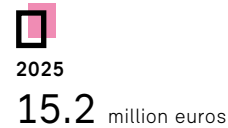
Living with Children



Combined Home Loan



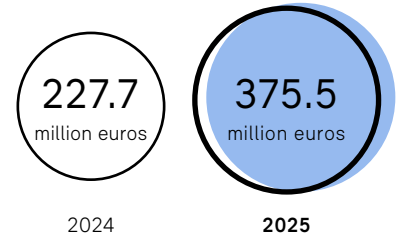
Living with a Future



The volume of funding approved under the Bank’s own development programmes in support of the federal state’s social rental housing development activities rose to EUR 375.5 million (2024: EUR 227.7 million) over the reporting period. This was due primarily to the very high demand for top-up funding for the modernisation of rental housing.

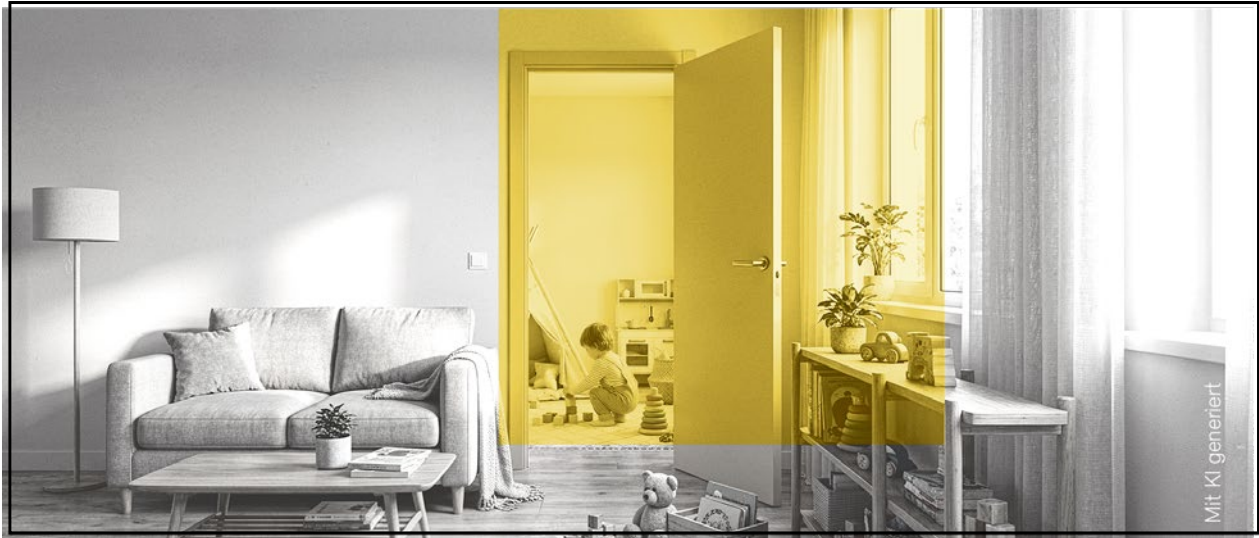
VOLUME OF FUNDING APPROVED UNDER L-BANK PROGRAMMES

Rental housing development compared to previous year



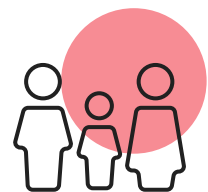
The housing market is still very constrained

Although the general mood of the construction industry has improved somewhat, it is likely that 2026 will be another challenging year for housing construction. High construction costs, land prices and mortgage rates, coupled with high rents and the high purchase prices for homes in larger towns and cities in particular, mean that more and more people are finding it increasingly difficult to afford suitable housing. Many experts expect housing costs to rise further – indeed, faster than prices in general.



BY SUPPORTING SOCIAL STRUCTURES, WE BUILD A STRONGER SOCIETY

As stated in the L-Bank Act, 'the Bank has a state-conferred mandate to support the federal state in the fulfilment of its public duties, especially in terms of structural, economic and social policy.' Consequently, 'programmes and projects of a purely social nature, especially in support of families, students and social institutions' are on an equal footing with the Bank's enterprise, housing and infrastructure development activities. They are very much part of our core identity. It is true that our many programmes for supporting families, social institutions and hospitals, as well as educational institutions and training schemes, are generally smaller in scale and less well known to the general public. Nevertheless, through them we have an equally profound impact on civil society in Baden-Württemberg, and we regard them as cornerstones of social cohesion and societal development.



Higher volume of funding approved for social solidarity

In 2025, we approved a total of just under EUR 2.3 billion in financial assistance for families, education and social projects – almost EUR 200 million more than in the previous year (2024: EUR 2.1 billion). The various grants very often help social and financially disadvantaged individuals to lead more independent lives or benefit from greater social inclusion.

Family allowances remain the largest single programme

Once again, our largest single programme in 2025 was our **Family Allowances** programme, with a volume of funding close to EUR 1.1 billion. This benefit is used to support young parents in the difficult first months following the birth of a child. If they must take a career break to care for their baby, the **Family Allowance** programme goes some way to bridging the income gap. This is how we help to reduce the financial stress on new families and give their children a good start in life.

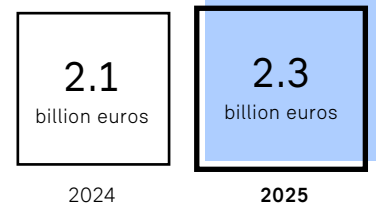
This is how we help new families ... and give their children a good start in life.

After a slight decline between 2023 and 2024, the volume of family allowances paid out last year saw a modest rise, although still below the record level achieved in 2023. L-Bank, as the authority responsible for approving **Family Allowances**, processed just under 134,000 applications in total. This too was below the previous year’s level. The number of births for which **Family Allowances** were approved also declined, from just over 96,000 to just under 95,000.

Fathers were involved in applying for financial support for slightly under half of the births (46.4 percent) for which **Family Allowances** were approved. In the previous year, the ratio stood at 46.9 percent.

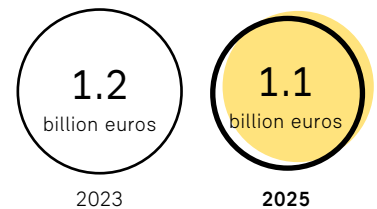
VOLUME OF FINANCIAL ASSISTANCE FOR FAMILIES, EDUCATION AND SOCIAL PROJECTS (INCLUDING HOSPITAL FUNDING)

compared to previous year



VOLUME OF FUNDING FOR FAMILY ALLOWANCES

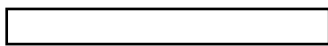
compared to record year 2023



**FAMILY ALLOWANCES IN BADEN-WÜRTTEMBERG
NUMBER OF APPLICATIONS AND PATERNITY QUOTA**

compared to previous year

Applications approved



2024

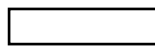
136,029



2025

133,843

Paternity quota



2024

46.9%



2025

46.4%

NUMBER OF BIRTHS

94,965

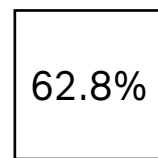
Family allowances go digital with expanded online service

Last year, almost two thirds of all applications were submitted online. And since April 2025, it has also been possible to complete the entire follow-up process digitally. This is enabling us to reduce processing times and improve our service to clients. Parents can submit notifications and documents digitally as required, and they can also access the data they need from their health insurance providers, or from their employers through the German Pension Insurance scheme.

Another new feature in 2025 was **L-Bank's online tool** for planning family allowances. By offering this service, we aim to support young parents as they navigate the complex considerations surrounding the type of **family allowance** they need and how long they should claim it for. The planning tool takes parents through an interactive process, establishing their needs and preferences, clarifying the various formalities, and also taking the family's individual circumstances into account when drawing up a plan. Data entered into the planner can be transferred directly into the online application. In the first three months after it was launched, the **Family Allowance Planner** was accessed by some 10,000 users.

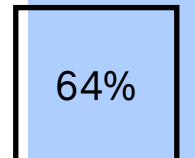
**PROPORTION OF
FAMILY ALLOWANCES
APPLIED FOR ONLINE**

compared to previous year



2024

62.8%



2025

64%

[Family Allowance Planner ↗](#)

L-Bank grants strengthen social services for all

Although relatively small in scale, our programmes in support of institutions that provide ‘direct services to individuals’ are often indispensable. These include **nursing and care services, support for addicts and AIDS sufferers, and social psychiatric services**. Financial assistance under these programmes rose from EUR 20.9 million in 2024 to EUR 25.5 million in 2025.

FINANCIAL ASSISTANCE FOR SOCIAL INSTITUTIONS

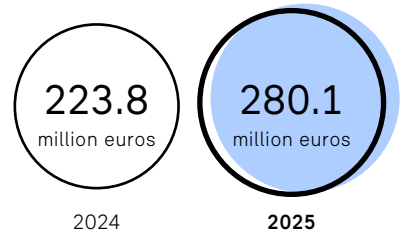
compared to previous year



Education and schools represent another priority underlying our financial assistance for social welfare. Traditionally, our **School Development** and **School Construction** programmes both enjoy strong demand; in 2025, we approved EUR 280.1 million in funding for both programmes, a good EUR 56 million more than in the previous year (2024: EUR 223.8 million). Combined, our **Educational Assistance** programme, funding for the **Voluntary Social Year**, as well as our **Homework Assistance** and **Language Assistance** programmes accounted for an approved funding volume of EUR 72.3 million (2024: EUR 59 million).

FINANCIAL ASSISTANCE FOR SCHOOL DEVELOPMENT AND CONSTRUCTION

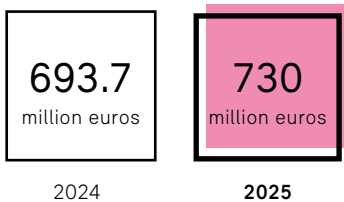
compared to previous year



Another significant target for financial assistance was our **Hospital Development** programme. Like **School Construction**, this supports public infrastructure and acts as an indicator of our standards of living and social welfare. In 2025, we provided EUR 730 million in funding for hospital construction, a good EUR 36 million more than in the previous year (2024: EUR 693.7 million).

FINANCIAL ASSISTANCE FOR HOSPITAL CONSTRUCTION

compared to previous year



Development finance by business segment: 1 January to 31 December 2025

DEVELOPMENT FINANCE ACROSS ALL LINES OF BUSINESS	APPROVED FUNDING	APPROVALS	
	5,116,064,465.00	17,182	
	APPROVED FUNDING	APPROVALS	RESIDENTIAL UNITS*
HOUSING DEVELOPMENT	1,826,649,917.02	7,723	12,667
Home Ownership Assistance	981,128,411.92	7,167	5,692
Home Ownership Finance – BW including Finance for Growing Families – Structured Loans (State Housing Development)	268,516,909.55	1,142	854
Top-up and Miscellaneous Loans	9,796,800.00	108	12
Living with Children	269,435,211.54	3,099	3,645
Living with a Future	15,239,256.83	681	858
Combined Home Loan	418,140,234.00	2,137	323
Rental Accommodation Assistance	827,118,605.10	498	5,818
Rental Accommodation Finance – BW – Newbuilds – MW15/MW25 (State Housing Development)	386,278,400.00	227	2,104
Rental Accommodation Finance – BW – Approval of Regulated Tenancies (State Housing Development)	28,791,200.00	120	476
Rental Accommodation Finance – BW – Modernisation (State Housing Development)	11,852,800.00	11	213
Rental Accommodation Finance – L-Bank – Newbuilds	166,933,900.00	25	1,045
Rental Accommodation Finance – L-Bank – Modernisation	125,644,355.10	65	1,407
Top-up Loans (Newbuilds/Modernisation)	82,922,650.00	37	not specified
Young Living (State Housing Development)*	24,695,300.00	13	573
Support for Homeowners' Associations (State Housing Development)	18,402,900.00	58	1,157

	APPROVED FUNDING	APPROVALS	COMPANIES/ MUNICIPALITIES
INFRASTRUCTURE DEVELOPMENT	422,145,527.00	135	119
Municipal Investment Loan, direct	191,466,527.00	127	111
Energy from the Land – Wind Power	5,679,000.00	6	6
Other financing instruments	225,000,000.00	2	2
	APPROVED FUNDING	APPROVALS	COMPANIES
ENTERPRISE DEVELOPMENT	2,867,269,021.00	9,324	8,758
Business Start-up Finance	772,644,652.93	2,564	2,305
Start Finance 80	93,700,168.77	977	969
BW Start-up and Growth Finance (GuW-BW) for Young SMEs	671,264,484.16	1,539	1,288
Pre-Seed Finance Grant	7,680,000.00	48	48
Finance for SMEs	2,048,223,543.02	6,639	6,340
Energy Finance	51,950,199.18	60	56
BW Start-up and Growth Finance (GuW-BW) for Established SMEs	421,270,574.37	1,158	1,048
Tourism Finance	48,523,470.00	103	100
Liquidity Loan	105,780,565.15	407	401
InnoGrowth BW	15,910,133.33	26	20
Investment Finance	84,595,710.00	73	66
Rural Area Development programme	55,693,050.00	42	36
Combined SME Loan	16,908,971.00	17	14
Other financing instruments	154,100,000.00	17	11
Guarantees/Sureties	86,185,133.33	41	31
Innovation Finance	911,649,620.18	1,456	1,341
Digitisation Premium	95,656,116.48	3,239	3,216
Agricultural Development Finance	46,400,825.00	121	113
Agricultural Growth	15,693,200.00	60	58
Loans for Environmental and Consumer Protection, Sustainability, New Energy Sources	29,340,625.00	55	49
Working Capital Loans – Growth in the Agri-food Industry	1,367,000.00	6	6

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

Corporate Governance Report 2025

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 2025, and the following declaration applies in full as at the reporting date, 31 December 2025.

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 2025, two women were represented on the three-strong Board of Management. As at the reporting date, eight of the 18 members of the Supervisory Board (44.4%) and 88 of the 211 employees in executive management positions (41.7%) 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 2025

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 typically set out in the programme guidelines for individual development programmes.

Economic Report

Basic parameters

Following contractions in 2023 and 2024, Germany's gross domestic product (GDP) started to grow again in 2025, albeit marginally. Even so, the economic recovery remained extremely subdued, showing growth of just 0.2%. Taking a broad view of the years since 2019 – a period shaped first by the impact of the Covid pandemic and then by Russia's war of aggression against Ukraine – there are no signs of substantive macroeconomic progress in Germany. This ongoing economic slump is now having an effect on the labour market as well. Partly as a result of declining industrial demand for labour, the average rate of unemployment in Germany in 2025 stood at 6.3%, up from 6.0% in the previous year. The rate of inflation remained at a more or less consistent 2.0%, thus in the vicinity of the European Central Bank's stability target. Falling energy prices were offset by the rising prices of food and services in particular.

However, the persistent slump in the economies of Germany and Baden-Württemberg is not solely attributable to geopolitical uncertainties; increasingly, there are also structural causes.

Profound structural changes, especially in industry, coupled with a decline in international competitiveness that has been increasingly evident for some years, are having a tangibly adverse impact on economic development. This is further exacerbated by the progressive demographic ageing of the population, which is having an increasingly restrictive influence on the labour supply, as well as the potential for economic growth. These trends are reflected by a decline in industrial output and job losses in the manufacturing sector, which is hitting Baden-Württemberg particularly hard in light of its industry-led economic structure. With regard to export business, the erratic and protectionist trade policies pursued by the United States since early 2025 have been placing additional strain on industrial companies. In view of all these factors, and following declines over the two previous years, Baden-Württemberg's export volume for the period January to September 2025 was only marginally higher – by 0.1% – than in the previous year, according to the State Statistical Office. Exports to China (–16%) and the United States (–11%) saw a significant decline. In the first half of 2025, Baden-Württemberg's GDP was 0.8% below the previous year's level – in contrast to the stagnating trend at federal level. In line with developments across Germany as a whole, the average rate of unemployment in Baden-Württemberg during 2025 was 4.6%, up from the previous year's level of 4.2%.

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 business and research 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. Newly established priorities in development funding for innovation and digitisation boosted demand from SMEs in Baden-Württemberg. Support for business start-ups rose to an all-time high. The volume of housing development business increased, driven primarily by strong growth in funding for rental housing development. Infrastructure development reflected growing demand from municipalities. 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.

In EUR millions	2025	2024
L-Bank's development business	9,775.5	10,650.9
Enterprise development	3,768.3	4,869.8
Housing development	1,826.6	1,747.6
Infrastructure development	2,634.6	2,616.2
Family, education and social affairs	1,545.9	1,417.4

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 support projects in rural areas. The Bank grants low-interest loans and financial assistance, and also systematically assumes risks. The volume of new enterprise development business came to a total of

EUR 3,768.3 million (2024: EUR 4,869.8 million) over the reporting period. Core business in development funding for business start-ups, SMEs and agricultural projects showed positive development. The reduced volume of enterprise development business was largely due to the significant year-on-year decline in special financing arrangements with other development banks and agencies. Very limited Covid-related aid was paid out in the reporting period, coming to a total of just EUR 5.5 million (2024: EUR 21.9 million).

In EUR millions	2025	2024
L-Bank's enterprise development business	3,768.3	4,869.8
Business start-up finance	772.6	674.3
Finance for SMEs (established companies)	2,040.5	1,887.0
Agricultural Development Finance	46.4	36.6
Non-programme-related finance (special financing arrangements)	390.0	1,680.5
Financial assistance	518.8	591.4
<i>Thereof for Covid-related aid</i>	<i>5.5</i>	<i>21.9</i>

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 somewhat stronger in 2025 than in the previous year. Excluding the special Covid-related aid programmes, the total volume of new enterprise development business – including financial assistance – came to EUR 3,372.8 million (2024: EUR 3,167.4 million). In addition, under special financing arrangements with other development banks and agencies, L-Bank processed bearer bonds totalling EUR 390.0 million (2024: EUR 1,680.5 million) over the reporting period.

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 (or consolidate) existing companies. Over the reporting period, the volume of new business in development funding for business start-ups climbed to a new record of EUR 772.6 million (2024: EUR 674.3 million). New business figures for the Start Finance 80 programme rose to EUR 93.7 million (2024: EUR 83.3 million). This development was driven in part by two increases in the maximum loan amount during the year, from EUR 150,000 to EUR 175,000 (on 1 July) and subsequently to EUR 200,000 (with effect from 1 December), intended to accommodate the higher financing requirements in the start-up segment. Under the Baden-Württemberg Start-up and Growth Finance for Young SMEs programme, the volume of loans granted rose to EUR 671.3 million (2024: EUR 584.6 million).

For businesses in the early stages, these lending programmes are supplemented by the Start-up BW Pre-Seed programme, which 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 7.7 million (2024: EUR 6.4 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 2,040.5 million (2024: EUR 1,887.0 million). Since 1 July 2025, in line with restructured federal development funding, L-Bank has been offering enhanced development funding for digitisation and innovation through the Innovation Finance and Digitisation Finance programmes, both of which include the former Digitisation Premium. Consequently, the volume of new business under the Innovation Finance programme, through which companies can finance their expenditure on the development, production ramp-up and marketing of new or improved products, services, processes or business models, rose to EUR 911.6 million (2024: EUR 732.4 million). A total of EUR 87.9 million (2024: EUR 19.3 million) in funding was approved under the new Digitisation Finance programme, which enables companies to finance their expenditure on IT infrastructure and IT security, including the automation, digitisation and networking of business processes, and the use of artificial intelligence. The volume of new business under the Investment Finance programme, which provides loans for business investments in rural areas, was slightly down on the previous year's level at EUR 84.6 million (2024: EUR 89.0 million). Finance for renewable energy generation rose once again following a reduction in the EU reference interest rate and the associated relaxation of restrictions on state aid: the volume of funding approved under the Energy Finance programme climbed to EUR 52.0 million (2024:

EUR 0.2 million). In contrast, demand for funding under the BW Start-up and Growth Finance for Established SMEs programme, which helps established companies to finance investments of all kinds, showed a decline: the volume of approved funding fell to EUR 421.3 million (2024: EUR 518.7 million). The volume of funding approved under the Tourism Finance Plus programme – which provides businesses in the tourism sector with low-interest loans including additional capital repayment grants for the construction, refurbishment and modernisation of their infrastructure – also showed a decline, as did the Liquidity Loan programme. Approved Tourism Finance Plus funding came to EUR 48.5 million (2024: EUR 56.4 million) and Liquidity Loan funding to EUR 105.8 million (2024: EUR 160.2 million). The InnoGrowth BW programme is used to finance innovative companies in Baden-Württemberg. The funding is provided through private intermediaries, which invest their own funds in parallel. Over the reporting period, the volume of funding approved through this co-investment approach came to a total of EUR 27.0 million, with a public stake of EUR 15.9 million (2024: EUR 13.0 million). The approval period, originally due to end in mid-2026, was extended by another year.

The introduction of the Climate Footprint Interest Bonus had a positive impact on new business in the agricultural development sector. The volume of approved funding rose to EUR 46.4 million (2024: EUR 36.6 million). Under the Agriculture – Growth development programme, which provides funding for investments that reduce production costs or improve production and working conditions, the lending volume remained steady at EUR 15.7 million (2024: EUR 15.7 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, rose to EUR 29.3 million (2024: EUR 9.6 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 1,826.6 million (2024: EUR 1,747.6 million), driven in particular by the demand for rental housing assist-

ance. Due to the intense level of demand in the social housing development segment, demand exceeded the available subsidy funds for the third year in a row, as reflected by the growing gap between applications and approvals. Consequently, a proportion of the validated applications submitted in 2024 was only approved in 2025. Once again, 2025 was characterised by the early exhaustion of funds for subsidies, so that a large number of applications for a substantial amount of funding were carried forward to fiscal year 2026.

In EUR millions	2025	2024
L-Bank's housing development business	1,826.6	1,747.6
Rental housing development	827.1	640.2
Support for homeowners' associations	18.4	33.5
Home ownership development	981.1	1,050.6
Financial assistance (housing for refugees)	0.0	23.3

The various rental housing development programmes provide funding for the construction and renovation of rental accommodation in Baden-Württemberg. In 2025, new rental housing development business saw a strong positive trend; the approved funding volume came to EUR 827.1 million compared to EUR 640.2 million in 2024. The volume of approvals under the State Housing Development programme, which focuses on the development and maintenance of socially regulated rental housing, rose to EUR 451.6 million (2024: EUR 412.5 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 375.5 million (2024: EUR 227.7 million). This was due in particular to higher demand for KfW programmes with their various options for financing the modernisation of rental properties.

Development funding for homeowners' associations in support of the energy-efficient refurbishment or access-enhancing modernisation of residential buildings showed a decline over the reporting period. The approved lending volume fell to EUR 18.4 million (2024: EUR 33.5 million).

The Housing for Refugees programme was discontinued at the end of 2024. Accordingly, no further financial assistance for the accommodation of refugees was provided during the reporting period (2024: EUR 23.3 million).

New business under the Bank's various home ownership development programmes fell to EUR 981.1 million (2024: EUR 1,050.6 million). One reason for this decline was the change in the number of approvals under the State Housing Development programme: the approved lending volume fell to EUR 268.5 million (2024: EUR 347.7 million).

The Living with Children programme, which helps families with children to buy or build their own homes, showed a similar decline. The volume of approved loans fell to EUR 269.4 million (2024: EUR 322.2 million). By contrast, the Combined Home Loan programme continued to perform well, with new business figures substantially higher than in the previous year at EUR 418.1 million (2024: EUR 349.3 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. The other top-up finance options showed a decline, with new approvals down to EUR 8.5 million (2024: EUR 16.9 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 granting loans or using other financing instruments. Generally speaking, public-sector demand for loans in 2025 was increasingly characterised by higher government investment requirements, driven in turn by mandated municipal obligations. During the reporting year, new business came to a total of EUR 2,634.6 million (2024: EUR 2,616.2 million).

In EUR millions	2025	2024
Infrastructure development	2,634.6	2,616.2
Loans and other financing arrangements	1,810.9	1,658.7
Financial assistance	823.7	957.4

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 2025, excluding Covid-related aid and family allowances, the Bank processed a total of 14,001 new approvals (2024: 13,226), representing total funding of EUR 1,788.4 million (2024: EUR 1,896.9 million). The decline is due in particular to the decision to discontinue the assistance programme covering water, wastewater, flood protection, site decontamination and hydropower projects (2024: EUR 188.1 million). The volume of funding approved for hospitals, on the other hand, increased to EUR 730.0 million (2024: EUR 693.7 million); approved funding for school construction also showed an increase (from EUR 223.8 million in 2024 to EUR 280.1 million).

Development funding for modern, low-emission rail vehicles and buses under the Local Public Transport Finance programme fell to EUR 143.2 million (2024: EUR 258.3 million). The Bank paid out EUR 172.7 million (2024: EUR 103.9 million) for technology and enterprise development, and another EUR 73.1 million (2024: EUR 75.2 million) for urban development. EUR 28.9 million was approved under the European Regional Development Fund (ERDF) programme (2024: EUR 43.7 million).

Support for families, education and social projects saw a total of EUR 1,545.9 million paid out in financial assistance (2024: EUR 1,417.4 million). L-Bank also supported families on behalf of the federal and state governments, in particular by distributing family and parental allowances. At EUR 1,094.4 million, the volume of funding approved for family allowances was slightly higher than in the previous year (EUR 1,070.5 million).

In EUR millions	2025	2024
Financial assistance	2,888.4	2,989.5
Enterprise development	518.8	591.4
Housing development (housing for refugees)	0.0	23.3
Infrastructure development	823.7	957.4
Families, education, social projects	1,545.9	1,417.4
<i>thereof for family allowances</i>	<i>1,094.4</i>	<i>1,070.5</i>

L-Bank's investment portfolio comprises strategic and credit-equivalent shareholdings in Baden-Württemberg companies, as well as shareholdings in subsidiaries involved in the 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 606.8 million (2024: EUR 519.3 million).

By year-end 2025, the book value of strategic investments held by L-Bank on behalf of the State of Baden-Württemberg had risen to EUR 385.2 million (2024: EUR 375.7 million). The increase is due to capital calls on a stake in SWK Beteiligungs GmbH & Co. geschlossene Investment KG.

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. SME fund LEA Mittelstandspartner and venture-capital fund LEA Venturepartner continue to 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 200.0 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 126.3 million) provide venture capital to technology-led companies with growth potential. In addition to its commitments to venture capital funds, L-Bank financed individual technology-led companies by making direct investments to help bridge the financing gap in the scale-up segment (growth phase). The book value of these direct investments is EUR 33.4 million. In the reporting year, the Bank further developed its venture capital activities as planned by making additional investments. The total book value of all credit-equivalent shareholdings at the balance sheet date came to EUR 209.2 million (2024: EUR 133.7 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 2025, the technology park companies owned a total of 16 buildings with a leasable area (rental space) of approximately 84,300 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. The Bank continued to expand its site development activities according to schedule. During the reporting period, one existing building was sold and new construction projects in Mannheim and Reutlingen continued to make progress. By 31 December 2025, L-Bank had provided companies involved in business zone development with a total of EUR 74.1 million in funding (2024: EUR 88.5 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, thus as an appropriation of profits. Net interest income, which continues to be L-Bank's most important source of income, was – as expected – down on the previous year at EUR 492.0 million (2024: EUR 565.9 million). This was primarily due to interest rate cuts by the European Central Bank.

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) and were, as expected, significantly higher than in the previous year.

Administrative expenses – which include depreciation on tangible assets as well as personnel and general expenses – rose slightly compared to the previous year, totalling EUR 251.6 million (2024: EUR 241.7 million). As anticipated, both personnel expenses and general expenses were also slightly higher. 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 –1.9 million (2024: EUR –2.0 million).

As expected, the operating result before risk provisioning/valuations declined to EUR 327.2 million (2024: EUR 389.5 million).

The net result from asset revaluation came to EUR –28.3 million (2024: EUR –58.7 million), primarily due to an allocation to contingency reserves.

As expected, at EUR 298.9 million, the Bank's operating result fell below the exceptionally strong result achieved in the previous year (2024: EUR 330.8 million). L-Bank's distributable income came to EUR 298.3 million (2024: EUR 330.1 million).

Thanks to the development fund system, L-Bank's current development contributions had no impact on earnings in 2025. Of the total development fund (provision) of EUR 103.4 million set aside for the year under review, EUR 99.5 million were utilised. The development fund available for development services in 2026 is EUR 103.9 million. From the Bank's earnings in 2025, an amount of EUR 100.0 million was appropriated to the development fund for development funding contributions in 2027. EUR 40.0 million was added to the fund for general banking risks (2024: EUR 80.0 million).

Net income for the year totalled EUR 158.3 million (2024: EUR 150.1 million). Taking account of the profit carried forward from the preceding year, distributable net earnings totalled EUR 159.0 million.

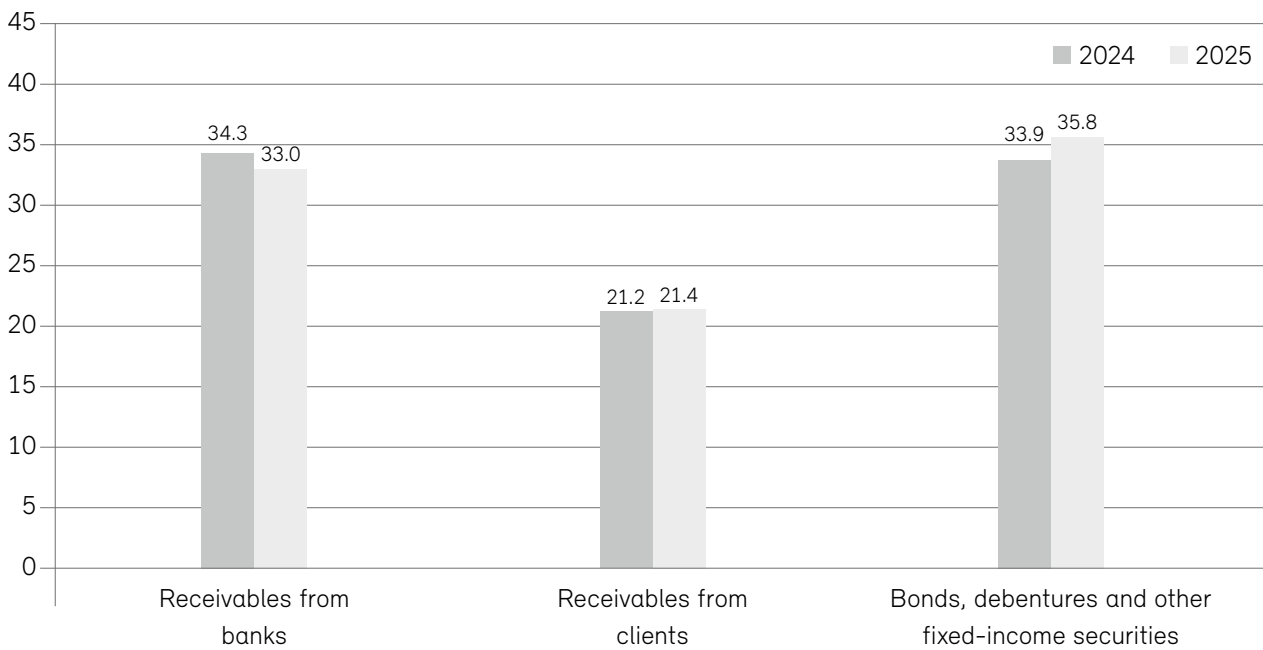
Of this income, the Bank is planning to transfer EUR 108.0 million to other retained earnings in order to increase the Bank's Tier I capital ratio, and to carry forward the remaining EUR 51.0 million.

BREAKDOWN OF OPERATING INCOME in EUR millions

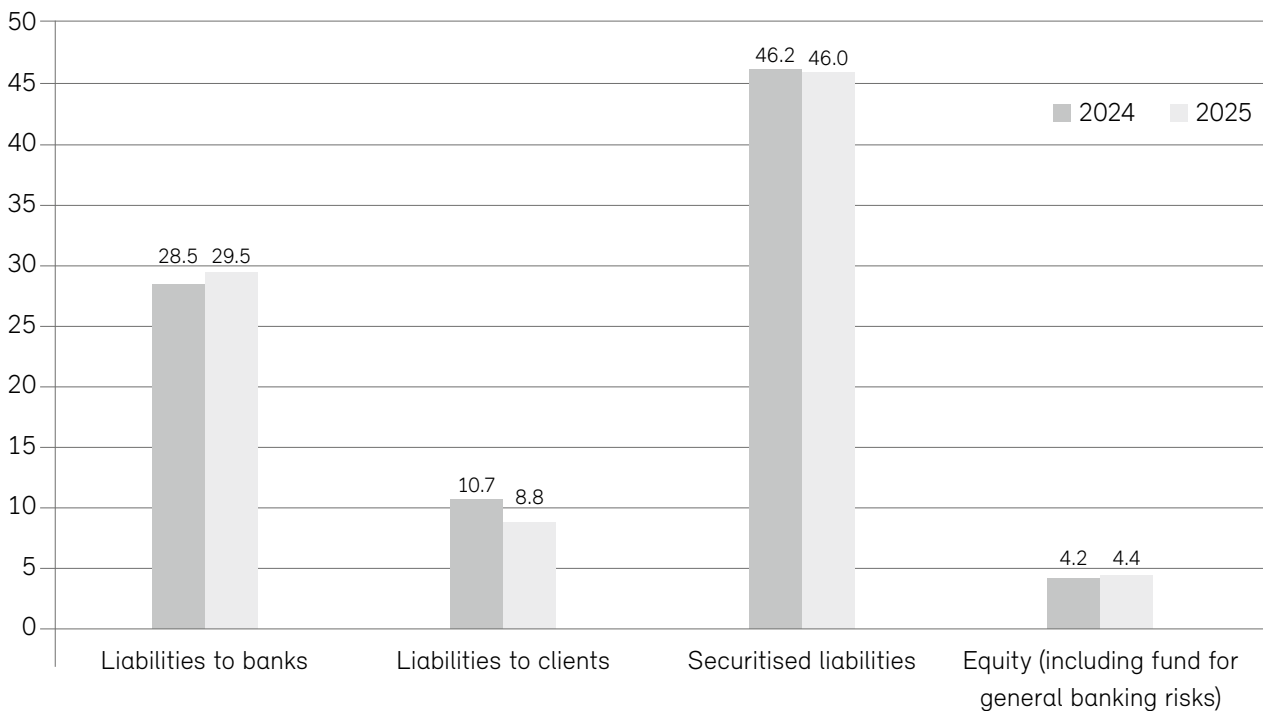
	01.01.2025 to 31.12.2025	01.01.2024 to 31.12.2024	Change	Change in %
Net interest income	492.0	565.9	-73.9	-13.1
Net commission income	88.7	67.3	21.4	31.8
Administrative expenses	251.6	241.7	9.9	4.1
Net result from other income/expenses	-1.9	-2.0	0.1	-5.0
Operating result before risk provisioning/ valuations	327.2	389.5	-62.3	-16.0
Net income from asset revaluation	-28.3	-58.7	30.4	-51.8
Operating result	298.9	330.8	-31.9	-9.6
Taxes on income	0.6	0.7	-0.1	-14.3
Distributable income	298.3	330.1	-31.8	-9.6
Addition to development funds (provision)	100.0	100.0	0.0	0.0
Addition to fund for general banking risks	40.0	80.0	-40.0	-50.0
Net income	158.3	150.1	8.2	5.5

Assets and liabilities

SELECTED ITEMS UNDER ASSETS in EUR billions



SELECTED ITEMS UNDER LIABILITIES in EUR billions



As anticipated, L-Bank's total assets remained almost unchanged at EUR 91,759.9 million (2024: EUR 91,838.2 million). On the assets side, the decline in receivables from banks was offset by higher receivables from securities. On the liabilities side, maturities of liabilities to clients were partially offset by an increase in liabilities to banks.

The business volume, which also encompasses contingent liabilities and irrevocable lending commitments, came to EUR 95,915.2 million as at the balance sheet date (2024: EUR 95,910.4 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 three-to-five-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 25,113.0 million were utilised as at 31 December 2025 (2024: EUR 22,551.9 million). The total volume of medium- and long-term refinancing on the capital markets amounted to EUR 7,247.5 million (2024: EUR 7,588.0 million). As at year-end, utilisation of the Commercial Paper Programme, which is used for short-term refinancing and has an upper funding limit of EUR 30,000.0 million, amounted to EUR 18,791.6 million (2024: EUR 19,291.9 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 2025, prior to approval of the annual financial statements by L-Bank's Supervisory Board.

EQUITY in EUR millions

'Hard' Tier I capital after deductions	4,183.6
Additional Tier I capital after deductions	0.0
Supplementary capital after deductions	216.7
Total equity	4,400.3

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 327.2 million for the reporting period; as predicted, this was below the previous year's result of EUR 389.5 million. Net interest income was 13.1% down on the previous year.

From the Bank's distributable income of EUR 298.3 million (2024: EUR 330.1 million), an amount of EUR 100.0 million (2024: EUR 100.0 million) was appropriated to the development fund, in line with the objective set down in the Bank's business strategy of maintaining L-Bank's annual development funding contribution at a minimum of EUR 100 million. To ensure that the Bank is able to maintain the necessary financial flexibility to act as a development bank, L-Bank's business strategy also aims to maintain a Tier I capital ratio within a target range of between 18% and 20%. Taking account of the planned appropriation to retained earnings, the Bank's Tier I capital ratio came to 23.25% as at 31 December 2025 (2024: 23.48%). L-Bank is committed to managing its activities in a cost-efficient manner. Once the Cost Strategy modernisation programme has been completed, L-Bank anticipates a cost-income ratio (CIR) of between 40% and 50% across the Bank as a whole. As at 31 December 2025, the CIR stood at 43.3% (2024: 38.2%).

Development finance business across all lines of business declined slightly as anticipated, coming to a total

of EUR 9.8 billion for the reporting period (2024: EUR 10.7 billion). The volume of funding totalled EUR 3.8 billion (2024: EUR 4.9 billion) for enterprise development, EUR 1.8 billion (2024: EUR 1.7 billion) for housing development, and EUR 2.6 billion (2024: EUR 2.6 billion) for infrastructure development. A total of EUR 1.5 billion (2024: EUR 1.4 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 3.6 billion (2024: EUR 3.9 billion).

Non-financial performance indicators

In its 2025 business strategy, L-Bank established a strategic roadmap that links L-Bank's strategic objectives with its business activities. The roadmap sets out specific milestones on the medium- to long-term path towards becoming one of the most modern development banks in Europe. During the reporting period, the Bank achieved the majority of milestones set for 2025; however, the postponement of the latest employee survey to the first quarter of 2026 deferred the achievement of two personnel-related milestones to fiscal year 2026.

For L-Bank, the ecological added value of its development activities is crucially important. In view of this, the Bank launched a new Environmental Finance development programme as part of its enterprise development business line on 1 December 2025. By prioritising two development criteria – environmental protection and the circular economy – the new programme helps to build ecologically sustainable, resource-efficient business practices consonant with a circular economy, and also helps businesses to adapt to the consequences of climate change. Furthermore, since 1 October 2025, the Bank has offered an additional development incentive in cooperation with Landwirtschaftliche Rentenbank: the Climate Footprint Interest Bonus.

Agricultural businesses that have undergone a carbon footprint audit may apply for a Climate Footprint Interest Bonus, currently set at 25 basis points, when applying for loans under the Agriculture — Growth and Agriculture — Sustainability programmes. The Bank continued to offer the Sustainability Bonus, through which L-Bank rewards companies' efforts to reduce carbon emissions under the Start-up and Growth Finance, Tourism Finance Plus and Investment Finance programmes, throughout the reporting period.

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. To further strengthen the in-house corporate culture, L-Bank made efforts to consolidate awareness and understanding of leadership during the reporting period, for example by holding regular management conferences. Since autumn 2025, this process has been supported by a new management development programme organised in partnership with Management School St. Gallen. The programme focuses on the continuous professionalisation of leadership skills.

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. It did so not only by using targeted instruments, such as the BW Start-up and Growth Finance lending programmes, but also with the Start-up BW Pre-Seed programme and venture capital provided

by external funds. The Bank also uses sponsorship to provide systematic support for education, culture and art, with a strong focus on accessibility and the facilitation of social inclusion. During the reporting period, the Bank continued to develop the Innovation Finance and Digitisation Finance programmes with the aim of strengthening the culture of innovation and the ongoing digital transformation process in Baden-Württemberg. Focused in particular on support for forward-looking technologies, the programmes are intended to consolidate and expand the region's long-term competitiveness. Key priorities here include the development and implementation of innovative business models and AI technologies. Since the start of the current reporting year, L-Bank has also been acting as an anchor partner for the NXTGN Startup Factory initiative, which aims, among other things, to systematically bring together technology-driven start-ups with established companies and investors.

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, terrorist 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

L-Bank's personnel strategy – based on its business strategy – actively supports the Bank's other sub-strategies as well as 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 'Structures and Processes'. 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 1,745 active employees (2024: 1,642), this flexibility is important. It is also one of the key factors behind the Bank's ability to attract skilled workers.

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 528 employees were working part-time as at the reporting date (2024: 492).

For L-Bank, the provision of in-house training for junior staff is an important recruitment pathway. Junior staff include apprentices, trainees, working students 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 2025, L-Bank hired 109 junior staff (2024: 73). 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, managers 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 employees 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. The Bank's forward-looking staff development strategy also includes a significant sustainability and transformation component. The Mental Health campaign launched in 2024 continued throughout 2025, with additional components. The aim of the campaign was to raise employees' and managers' awareness of mental health issues. In 2025, the Bank launched the new, redesigned management development programme. All managers are now trained in line with clearly defined leadership principles and behaviours anchored in the Bank's in-house culture.

As at the reporting date, 41.7% of all the Bank's executive managers were women (2024: 40.3%). Overall, L-Bank employs more women than men: female employees account for 56.8% of the workforce (2024: 56.2%).

L-Bank continues to offer employees a phased retirement programme for helping them to manage the transition to retirement. As at the reporting date, 69 people (2024: 64) 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 five years have seen significantly more retirement-related departures from L-Bank than in previous years.

The average employee age has been falling steadily, from 46.1 (2020) to 45.0 (2021), and then from 44.1 (2022), 44.0 (2023) and 43.1 (2024) down to 42.8 (2025). The Bank is able to offset age-related departures by recruiting significantly younger employees. The staff turnover rate also declined to 5.8% (2024: 6.7%).

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 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 this respect, the Sustainability Code serves as an overarching framework for aligning Bank-wide activities with key sustainability-related principles and precepts such as the SDGs and national and international climate targets, as well as Baden-Württemberg's own ambitious goal: to become net greenhouse gas-neutral (climate-neutral) by 2040. In 2023, L-Bank adopted a separate sustainability strategy that both supplements and refines the Bank's business strategy; this separate strategy was updated in 2025 in response to external and internal developments, as part of the Bank's annual strategy process. The mitigation of climate change remains a top priority for L-Bank, which is addressing this objective by developing a climate transition plan (still in preparation at the time of writing). At the same time, L-Bank's updated sustainability

strategy places even greater emphasis on biodiversity and the circular economy.

By establishing an ESG data management framework, the ESG data integration project launched at the end of 2022 has made 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. The project was successfully completed by year-end.

We fulfil our statutory reporting obligations under the CSR Implementation Directive (CSR-RUG) by publishing a Non-financial Report as a separate part of our annual report. In fiscal year 2025 – as in the previous year – we based our Non-financial Report on the European Sustainability Reporting Standards (ESRS). Our annual report is published on the L-Bank website (www.l-bank.info).

Outlook

Once again, it is unlikely that we will see a broad-based, self-sustaining economic upturn in Germany during 2026. Continuing geopolitical uncertainties, growing protectionism in international trade, and the previously discussed loss of international competitiveness will continue to hamper any economic revitalisation. In response to these profound structural challenges, we expect corporate investment activity to remain at a low level, at least initially. In the course of the year, however, it may be that fiscal policy will stimulate increased activity. The federal government's planned expenditure and relief measures are likely to contribute to a gradual revival of demand, especially in the defence and construction industries.

Should such a moderate revitalisation of the economy also bring about a gradual improvement in conditions on the labour market, such public investment could, albeit indirectly, have a positive impact on household consumption as well. Overall, then, we anticipate a tangible, if still fragile, recovery in business activity in 2026. With this in mind, we forecast an increase in Germany's gross domestic product of between 0.9% and 1.2% for 2026.

In light of the conflict with Iran that broke out at the end of February 2026, it is impossible to predict how the broader geopolitical situation will develop. At present, we do not anticipate any material impact on L-Bank. As things stand, all we can do is wait and see what the specific effects of the hostilities in the Middle East on the economies of Germany and Baden-Württemberg will be.

Although the EU's united stance in response to the tariff-based trade dispute with the United States has restored some degree of planning certainty, the export-focused nature of the German economy – and of Baden-Württemberg's economy in particular – is proving less advantageous than in previous years. Whereas German exporters benefited from global upturns in the past, demand from abroad now appears to be increasingly filled by other sources. Consequently, we only expect a modest improvement in export activity during 2026. According to the L-Bank/ifo Business Survey, the difficult trading conditions meant that the business expectations of companies in Baden-Württemberg at the turn of the year were still generally pessimistic. In the construction sector, the downward trend appears to be bottoming out – albeit at a very low level. For example, the number of building permits for newbuilds in Baden-Württemberg has recently risen again. And the new Construction Fast Track

('Bau-Turbo') initiative launched by the federal government is expected to have a positive impact on housing construction. Overall, taking account of the circumstances described above, as well as the challenging transformation of the – regionally vital – automotive industry, we expect economic growth in Baden-Württemberg during 2026 to remain slightly below the national average at between 0.7% and 1.0%. It is likely that in view of the anticipated boost to economic activity by the planned government investments, coupled with the age-related contraction of the labour force, the unemployment rate has reached its peak and will stagnate during 2026.

In 2026, L-Bank will continue to focus its business activities on providing enterprise development support first, for small and medium-sized businesses in Baden-Württemberg, prioritising investments, start-ups, transformation and sustainability, and second, for 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 remain at more or less the same level as in the previous year.

With respect to venture capital activities, the Bank continued to work with the State of Baden-Württemberg on the strategic realignment of its investment business during the year under review. It is envisaged that, increasingly, investments in this segment will be made by BW-Capital GmbH, a state investment subsidiary managed by L-Bank. The Bank also intends to further 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.

Following the persistent downward trend in recent years, construction activity gradually began to show signs of stabilising in fiscal year 2025. Even so, the construction industry continues to struggle with high financing costs and labour shortages. Because of the lengths of time involved in construction projects, the impact of the federal government's 'Bau-Turbo' initiative on L-Bank's development activity will be progressive rather than immediate. State parliament elections take place in Baden-Württemberg in March 2026, so it is likely that changes will be made to the State Housing Development programme once a new government has been formed. Taking a broad view of conditions in the industry, new business figures for L-Bank's housing development activities are expected to remain flat in 2026; the number of applications for home ownership and rental housing assistance is expected to remain similar to 2025.

With respect to infrastructure development, the Bank anticipates growing demand from the public sector in view of the increasing financial strain on municipal budgets.

Outlook for financial performance indicators

The Bank is not expecting to see a repeat run of the reporting year's very good operating result before risk provisions/valuations. In 2026, L-Bank predicts both a lower net interest income and a slightly lower net commission income. Administrative expenses will be slightly higher than in the reporting year, although higher personnel expenses will be partially offset by lower general expenses for banking operations. Based on current estimates, the net result from asset revaluation will not differ substantially from the reporting year. In line with its business strategy, L-Bank plans to appropriate another EUR 100.0 million of its 2026 net income to the development fund. Total assets are

expected to remain more or less the same in 2026 as in the reporting year. For 31 December 2026, the Bank forecasts a Tier 1 capital ratio of 23.74%. The CIR, which is used to manage the efficiency of the Bank's business activities in line with business strategy, is expected to reach 48.0% by 31 December 2026.

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 2026 will decline slightly compared to 2025. No material changes in the Bank's financial performance, financial position or net assets are anticipated.

Outlook for non-financial performance indicators

As part of its business strategy, L-Bank pursues ten strategic objectives, seven of which relate to non-financial targets. The expected progress towards achieving these targets is illustrated below.

ESG-based design and impact of development products: L-Bank is committed to further enhancing the maturity of its development impact management – in particular by publishing a first impact report. In addition, the Bank aims to further empower companies seeking to achieve climate neutrality by incentivising them to carry out carbon footprint audits in order to qualify for the Sustainability Bonus.

Focusing consistently on clients: the Bank's aim for 2026 is to increase processing speeds across the various development funding segments.

The Bank will also make efforts to increase the proportion of applications submitted digitally. Another L-Bank target involves reducing the number of complaints upheld relative to complaints made (justified complaints ratio).

Net greenhouse gas neutrality: the Bank will continue to pursue the aim of achieving net greenhouse gas neutrality, in particular by drawing up a climate transition plan.

Transforming the Bank's corporate culture: here, the strategic objective is measured against the Commitment Index among other criteria; the aim is to increase the relevant figures by the time the next measurement is taken in spring 2026.

Sustainable, digital capital market profile: L-Bank aims to maintain or improve its standing in terms of sustainability ratings, and increase minimum quotas of ESG securities.

Flexibility: various digitisation projects aim to enhance the Bank's ability to respond rapidly as a development services provider; progress in their implementation is now tracked as a metric.

Digital operational resilience: L-Bank measures its digital operational resilience against, for example, the success rate of employees taking the annual infosec training courses; this metric is to be improved.

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 risks – both individual and in the form of risk concentrations – 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 in part 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 2025, 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 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, which 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 as defined by Article 3 (5) of the Digital Operational Resilience Act (DORA) – are assessed by risk managers and managed according to their assigned competencies. Risk managers 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 involving, and risks arising from, procurement of external (third-party) 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 Bank-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 the Bank's individual business activities (as the State Bank of Baden-Württemberg) into account, designs stress scenarios across multiple risk types. It also 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 heads of department are responsible for ensuring compliance with data protection regulations within their respective organisational units; the Data Protection Officer advises them accordingly.

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 refinement of security and emergency procedures (especially for countering cybercrime) and providing regular reports as appropriate.

Business and risk strategies; strategy for non-financial risks associated with digital operational resilience (DOR) and ICT third-party risk management (TPRM)

In the Bank's business strategy, the Board of Management sets down policies and other guidelines that must be applied when devising a risk strategy 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 principal 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. Due to the prevailing geopolitical situation, the Bank is currently taking a very restrictive approach to new development aid business. 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 movements 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, an interest-rate 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 economic efficiency. 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 cost of taking such measures.

Following the entry into force of Regulation (EU) 2022/2554, better known as the Digital Operational Resilience Act (DORA), L-Bank has further refined its strategic ICT risk management policies, although some of the control mechanisms are still being developed and implemented. During the reporting period, the DOR strategy was separated out from the IT strategy and substantially expanded. It now defines the risk-based management of ICT risks, including criteria for information security, the ICT reference architecture, and reporting and testing procedures to ensure digital resilience. It also introduces a strategy for ICT third-party risk management (TPRM). This sets out requirements for risk identification, contract drafting, oversight and exit planning for external service providers, thereby addressing the growing importance of outsourced ICT services within the meaning of the Minimum Requirements for Risk Management (MaRisk) and DORA. Both strategies extend the existing ICT risk management framework and supplement existing risk management approaches.

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 and 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 any expected shortfall, adverse scenarios across multiple risk types, sensitivity analyses, and an inverse stress test. These in turn are 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.
- Identification of (potential) risk exposures and comparison with existing risk coverage capabilities from economic and normative perspectives. This involves, using normal scenarios and various adverse scenarios across multiple risk types that include projections of equity, liquidity adequacy and related risk exposure.
- Assessment of the adequacy of methods and procedures used.
- 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. By inventorying generally conceivable risks to the Bank's net assets, financial performance, and/or liquidity position (financial position), risks likely to materialise as genuine threats are prioritised over theoretical hazards. 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, it becomes a material risk. The risk inventory is used to check whether the risk management system takes account of all material risks (risk coverage).

Risk management takes account of all relevant risks either by means of risk quantification or by applying other risk management criteria. 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 mechanisms. The 2025 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 two normal scenarios. The baseline scenario focused on net interest income and risk provisioning expenses in particular, which 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).

Pursuant to Article 7 (2) of the Bank's Statutes, L-Bank is required to draw up an economic plan, based on a scenario that allows analysis of 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.

Based on the current economic situation, emerging economic trends and resulting policies, the Bank develops an adverse scenario, 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 one ESG scenario. 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 using value-at-risk calculations to determine the negative impacts on the annual result. 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 criteria. 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 using the standard methods.
- Operational risk: the Bank's total risk exposure to operational risk is calculated using the business indicator approach described in Articles 312-324 CRR.
- CVA risk: The Bank's total exposure to the risk of adjusted credit valuations of OTC derivatives is calculated using the basic approach 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 business into account).

In the case of risk provisioning expenses, the Bank distinguishes between specific and non-specific risk provisions. Specific risk provisions for the unsecured part of a non-performing exposure (NPE) are 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 (IDW RS BFA Opinion 7).

Under the normative perspective, normal scenarios must comply with all relevant capital requirements. These comprise 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 2025	31.03.2025	30.06.2025	30.09.2025	31.12.2025
Total risk exposure in EUR millions	19,694.0	19,385.0	18,939.4	18,645.4
Tier I capital in EUR millions	4,003.4	4,183.8	4,183.7	4,183.6
Equity in EUR millions	4,234.2	4,411.5	4,405.3	4,400.3
Tier I capital ratio in %	20.33	21.58	22.09	22.44
Total capital ratio in %	21.50	22.76	23.26	23.60
Leverage ratio in %	6.56	7.26	7.68	7.73

As at 31 December 2025, the Bank was able to comply with the mandatory minimum ratios over the projected period in all normal and adverse scenarios.

To ensure future compliance with the minimum capital ratios, risk-weighted assets (RWA) are limited to the level of business lines. The RWA ceiling is distributed across the individual lines of business, taking account of new business planning and the associated risk concentrations.

The following table shows the RWA limits as at 31 December 2025 and in 2026, as well as their respective maximum utilisation in fiscal year 2025. The

maximum utilisation of RWA limits per line of business and in total is based on monthly calculations.

In EUR millions	RWA LIMIT 2025	MAXIMUM UTILISATION 2025	RWA LIMIT 2026
Total credit risk (CRSA)	20,250	18,546.5	19,850
Thereof for:			
Private clients	3,250	2,743.5	3,350
Companies	7,000	6,220.5	6,750
Financial institutions	9,500	9,245.7	9,250
Public sector	500	470.1	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 thus 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 was calculated as EUR 6,638.5 million. This was offset by NPV administrative expenses totalling

EUR 442.1 million, plus imputed NPV risk provisioning costs of EUR 175.6 million, resulting in a risk coverage capability (internal capital) of EUR 6,020.8 million. As at the reporting date, 39.94% of this was taken up by values at risk (VaR) totalling EUR 2,404.5 million. Even in adverse scenarios, the Bank's risk coverage capability exceeded 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 4,600.0 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 4,400.0 million was specified for 2026. This means that the ALC for 2026 is below the maximum limit (internal capital less EUR 200 million management buffer) specified on the budgeting date (30 June 2025), totalling EUR 5,169.8 million.

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

VALUE-AT-RISK LIMIT 31.12.2025

in EUR millions

Aggregate loss ceiling	4,600.0
Thereof for:	
Counterparty risks	1,600.0
Credit-spread risks	1,000.0
Interest-rate and FX risks (IRRBB)	1,200.0
Option risks	25.0
Refinancing risks	500.0
Operational risks	85.0
Real-estate risk	20.0
Biometric pension risk	20.0

Adequacy of Bank's liquidity

The Bank quantifies insolvency risk by means of liquidity coverage ratios (LCR), net stable funding ratios (NSFR), as well as survival timeframe performance ratios and free liquidity buffers. Compliance with internal minimum requirements for these ratios is monitored in terms of both a baseline scenario and adverse/stress scenarios. For more precise risk management, limits are placed on the maximum liquidity requirement per month as well as the cumulative liquidity requirement over specified time periods. Furthermore, depending on the liquidity requirement, thresholds are set for minimum total holdings of marketable securities, as well as minimum holdings of securities in the ECB deposit account.

The basis for the operational management of insolvency risk is a 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 contractually agreed maturities will apply.

In fiscal year 2025, neither the LCR, NSFR, survival timeframe ratios nor the free liquidity buffers ever fell below the internally specified minimum thresholds. The projections performed on 31 December 2025 confirmed the Bank's future liquidity adequacy.

Because internal liquidity management targets exceed the regulatory provisions of CRR and the Minimum Requirements for Risk Management (MaRisk), the Bank ensures that sufficient liquidity buffers are maintained at all times.

All risk management policies were complied with at all times during fiscal year 2025.

Performance of sensitivity analyses and the inverse stress test

Under the economic perspective on the Bank's risk-bearing capacity, the actuarial models used to measure risk reached their limits in terms of 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 exposures; 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 unlikely that these liability mechanisms will need to be invoked.

The definition of the scenario for the 2025 inverse stress test takes account of effects impacting the entire capital market, as well as idiosyncratic effects. The scenario assumes a major decline in economic activity (economic crisis), resulting in the sustained reduction of 'risk-free' interest rates in the eurozone. The scenario also envisages a deterioration in the creditworthiness of private individuals, companies, financial institutions and the public sector, a decline in the realisation of recovery proceeds, and rising credit spreads. In addition, the Bank's idiosyncratic para-

meters – refinancing spreads and new business levels – are 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 involves the on-lending of KfW loans. To summarise: the occurrence of this hypothetical scenario does appear possible in principle, although the timeframe would be very compressed. Given the nature of current political developments, the qualitative likelihood of such a scenario unfolding is relatively high. However, the likelihood that the changing parameters would reach the hypothetical magnitudes still appears rather low.

Adequacy assessment and validation of risk assessment procedures

To ensure that they are as informative as possible, all methods and procedures used to assess the Bank's risk-bearing capacity are reviewed annually to assess their adequacy. In the case of complex methods, this is done using an organisation-independent validation process. In addition to ICAAP/ILAAP value-at-risk procedures and calculations for projections, the underlying input parameters are subjected to various sensitivity analyses. The inverse stress test is also used to further verify the validity of the value-at-risk figures. 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 2025 validation cycle reconfirmed the adequacy of the methods and procedures used.

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 a deterioration in the borrower's credit ratings. In addition to individual exposures, concentrations of counterparty risk may arise from the 'correlation' of exposures to a specific risk factor. 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.

The quantitative assessment 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 which each client is assigned during the Bank's qualitative assessment. The classification of borrowers by rating grades happens in strict rotation. Due to the ongoing crisis-ridden geopolitical situation (aggressive U.S. trade policies, natural gas shortages, supply chain disruptions), the Bank has also been carrying out portfolio analyses on an ad-hoc basis. The Bank monitors borrowers' creditworthiness very closely. To date, there has been no negative impact on borrowers' ability to service their debt.

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 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’. 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 2025, 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 %	0.010	0.021	0.044	0.091	0.190	0.390	0.800	1.650	3.350	6.700	12.950	23.550	100	100
	0.021	0.044	0.091	0.190	0.390	0.800	1.650	3.350	6.700	12.950	23.550	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 risk concentrations associated with industries, collateral and countries is performed on the basis of the Herfindahl-Hirschman Index (HHI).

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, using the parameters applied to the value-at-risk calculation (in particular rating grade/probability of default, loss rate, correlations), as well as a portfolio model. 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.

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 are 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 in programme-related development business	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 standard operating procedures (SOPs)
Other loans (including securities and investments)	1 to 5
Loans in non-programme-related development business that aim: <ul style="list-style-type: none"> – to finance a growing company in Baden-Württemberg 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 timeframe that appears both logical and plausible (limits, timeframe and procedures for verification and monitoring must be established – otherwise a Board of Management resolution is required)
Loans in non-programme-related development business that meet the federal state's development targets, especially for <ul style="list-style-type: none"> – enterprise and infrastructure development and – venture capital investments 	Potentially classifiable in risk categories below 5, after taking account of collateral provided, where appropriate. Lending criteria are specified in the Bank's written policies and procedures. The lending decision is taken by the Board of Management.
Derivatives without collateral	1 to 3, but currently no new business
Derivatives with collateral	1 to 5
Countries (transfer/conversion 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 which may not be assigned any collateral value must still be accepted 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 issuer, counterparty and borrower limits have been set. 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 departments 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 lending 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. It can 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 risk concentrations by applying new-business policies. However, to ensure that portfolio structures which could endanger the Bank's existence are identified at an early stage, risk concentrations are analysed at portfolio level and constrained by value-at-risk (VaR) limits and RWA limits for default and migration risk.

By virtue of the Bank's business model, collateral consists primarily of guarantees by the State of Baden-Württemberg and real-estate collateral. Because the Bank's development activities are restricted to the jurisdiction in which the guarantor is located, they take place predominantly in Baden-Württemberg.

Residential property prices in Baden-Württemberg remained virtually unchanged in 2025; the risk of loss has not increased. Even so, the Bank carries out appropriate sensitivity analyses due to the particular significance of price trends on Baden-Württemberg's residential property market. Of the guarantees received (without public guarantee or maintenance obligation) worth around EUR 9,994.0 million, the State of Baden-Württemberg accounts for some EUR 9,403.2 million. Due to the State of Baden-Württemberg's credit standing, L-Bank regards this risk as negligible.

Due to the Bank's business model, there are also low risk concentrations associated with borrowers' industry sectors. At EUR 48,503.6 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 21,159.6 million as at 31 December 2025. 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 8,692.4 million, of which EUR 4,522.8 million were secured by public guarantee/maintenance obligation and another EUR 3,484.8 million were lent to multilateral development banks. EUR 18,651.5 million of the Bank's total lending commitments 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 18,651.5 million, an unsecured amount of EUR 7,487.7 million remains after deducting receivables from central banks (EUR 11,133.9 million) and Pfandbriefe (EUR 29.9 million). Roughly 69.7% of this is assigned to risk categories 1 to 3 and around 30.3% to risk category 4. 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 high risk concentration for the region 'Germany'. A total of 81.4% of the risk-relevant portfolio is assignable to Germany, of which 65.7% in turn relates to the State of Baden-Württemberg. Some 13.6% 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 5.0% of the risk-relevant portfolio is attributable to transactions in countries outside the eurozone, which are undertaken 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 2025.

RISK STRUCTURE OF THE LOAN PORTFOLIO AS AT 31.12.2025 in EUR millions

Risk category (exposure class)	Private clients	Companies and self-employed persons	Companies in the financial sector	Public sector	L-Bank total	Allocation in %
1	123.1	188.4	16,887.2	19,996.9	37,195.7	38.1
2	1.2	680.3	10,153.7	13,280.1	24,115.3	24.7
3	8.3	2,139.4	15,811.1	254.1	18,212.8	18.7
4	10.2	2,661.8	4,803.6	115.6	7,591.2	7.8
5	4,777.0	3,522.4	253.3	0.5	8,553.3	8.8
6	61.3	612.0	249.3		922.6	0.9
7	10.0	127.5	15.1	2.8	155.4	0.2
8		124.6	34.6		159.2	0.2
9	1.6	174.4			176.0	0.2
10	1.3	46.5	0.1		47.9	0.0
11		1.9	141.2		143.1	0.1
12		121.9	154.6		276.4	0.3
13	12.1	67.1			79.2	0.1
14	13.9	13.5		0.0	27.3	0.0
Total	5,019.9	10,481.8	48,503.6	33,650.0	97,655.3	100.0

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 2025.

VALUE AT RISK FOR COUNTERPARTY RISKS IN 2025 in EUR millions

	31.12.2024		31.03.2025		30.06.2025		30.09.2025		31.12.2025	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,585.7	4,600.0	2,564.6	4,600.0	2,658.9	4,600.0	2,450.5	4,600.0	2,404.5
Share of counterparty risks in %	37.2	29.8	34.8	29.8	34.8	28.1	34.8	31.7	34.8	29.7
Counterparty risks	1,600.0	769.3	1,600.0	764.9	1,600.0	748.4	1,600.0	777.1	1,600.0	714.0

Potential losses associated with counterparty risks in 2025 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 required 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 a 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 2025. When classifying NPEs, the Bank distinguishes between restructuring exposure (risk category 13) and workout exposure (risk category 14).

NPE PORTFOLIO AS AT 31.12.2025 in EUR millions

	Total risk portfolio	NPE portfolio		Restructuring portfolio		Workout portfolio	
		Total	Share in %	Total	Share in %	Total	Share in %
Private clients	5,019.9	26.0	0.52	12.1	0.24	13.9	0.28
Rental housing construction clients	7,418.1	4.4	0.06	1.1	0.01	3.3	0.04
Companies in the financial sector	48,503.6	0.0	0.00	0.0	0.00	0.0	0.00
Other companies	3,063.7	76.2	2.49	66.0	2.15	10.2	0.33
Public sector	33,650.0	0.0	0.00	0.0	0.00	0.0	0.00
Total	97,655.3	106.5	0.11	79.2	0.08	27.3	0.03

The total NPE portfolio as at 31 December 2025 includes forbore loans in the amount of EUR 30.4 million. Another EUR 2.9 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 trends in recent payment arrears for developers in the residential housing construction market. As at the reporting date, and indeed over the whole of fiscal 2025, none of the 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 that may arise as a result of market-wide changes in market prices (supply and demand). Market price risk exists primarily 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). Furthermore, a real-estate risk is associated with holdings in affiliated companies/real-estate subsidiaries (business parks).

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 has not separated out funds invested to cover pension commitments to employees (up to 2023), 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 assessed using a worst-case estimate based on the maximum book value to be written down.

The predictive value of the quantitative assessments described above is verified by means of back-testing and sensitivity analyses. In fiscal year 2025, 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 management initiative is assumed to result in sales. As at 31 December 2025, 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.

Longer-term equity investments are associated with corresponding risk concentrations in the 1-year to 10-year maturity bands. There are also concentrations in variable-rate exposures (reference interest rates: €STR/Eonia, 6-month Euribor).

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 2025, the portfolio of interest-rate swaps had a nominal value of EUR 87.3 billion. Cross-currency interest-rate swaps had a nominal value of EUR 17.1 billion, currency swaps a nominal value of EUR 14.4 billion.

Furthermore, senior 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 2025, option risks were assessed at EUR 14.8 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 income. The associated 'worst case' real-estate risk amounted to EUR 12.4 million as at 31 December 2025.

As part of the process of safeguarding the Bank's risk-bearing capacity, senior management also sets a VaR limit for interest-rate and foreign-exchange risk (including explicit non-behaviour-dependent 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 2025.

VALUE AT RISK FOR INTEREST-RATE AND FX RISKS IN 2025 in EUR millions

	31.12.2024		31.03.2025		30.06.2025		30.09.2025		31.12.2025	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,585.7	4,600.0	2,564.6	4,600.0	2,658.9	4,600.0	2,540.5	4,600.0	2,404.5
Share of interest-rate and exchange-rate risks in %	23.3	27.4	26.1	28.9	26.1	31.5	26.1	26.6	26.1	31.4
Interest-rate and exchange-rate risks	1,000.0	709.1	1,200.0	740.4	1,200.0	837.1	1,200.0	676.4	1,200.0	755.8

On 1 January 2025, as a result of the (re)investment of equity capital at the turn of the year, the VaR limit was raised from EUR 1,000 million to EUR 1,200 million. For the same reason, potential losses associated with interest-rate and exchange-rate risks were up on the previous year.

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 indicators (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. These figures are calculated and reported to the Board of Management every month.

The Controlling department is responsible for monitoring interest-rate risk and FX risk by comparing the VaR figures calculated each day with the specified limits. Senior 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 senior management team also sets a

VaR limit for the credit-spread risk. On 1 January 2025, as a result of the increased scope of transactions to be classified as credit spread-sensitive, the VaR limit was raised from EUR 900 million to EUR 1,000 million. The diminution of credit-spread risks in the course of the year is due to the increase in long-term interest rates. The following table provides an overview of the proportion of the aggregate loss ceiling taken up by this risk in the course of 2025.

VALUE AT RISK FOR CREDIT-SPREAD RISK IN 2025 in EUR millions

	31.12.2024		31.03.2025		30.06.2025		30.09.2025		31.12.2025	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,585.7	4,600.0	2,564.6	4,600.0	2,658.9	4,600.0	2,450.5	4,600.0	2,404.5
Share of market-wide spread risks in %	20.9	33.1	21.7	33.0	21.7	32.0	21.7	33.5	21.7	32.2
Market-wide spread risks	900.0	855.7	1,000.0	847.6	1,000.0	851.8	1,000.0	821.8	1,000.0	773.8

In addition to large individual exposures, concentrations of credit-spread risk are also associated with public-sector business in particular, as well as the ‘very good’ risk categories 1 and 2. There are also concentrations associated with (residual) maturities of 20 years and above.

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

The Bank uses what is known as the loss-free valuation of the non-trading portfolio (bank book) to determine a possible provision for anticipated losses. This is because

the interest margin and/or NPV of all interest-related financial instruments in the bank book are managed in aggregate. Accordingly, a provision for anticipated losses would have to be formed if, as a consequence of the valuation of the interest-rate book as a whole after a comparison of its book value with its NPV, a so-called commitment surplus were to result. As at 31 December 2025, these calculations show significant hidden reserves, which, after taking account of interest-rate risks, credit default costs, refinancing risks (credit-spread risk) and administrative expenses, are sufficient for all ICAAP scenarios. This means that even in these scenarios, no provision for anticipated losses is required.

Refinancing risk

Refinancing risk refers to the risk that necessary funding can only be raised at a higher markup (premium) over the base yield curve.

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 (VaR) at risk with a 250-day holding period and a 99.9% confidence level. This VaR 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 4 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 2025.

VALUE AT RISK FOR REFINANCING RISK IN 2025 in EUR millions

	31.12.2024		31.03.2025		30.06.2025		30.09.2025		31.12.2025	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,585.7	4,600.0	2,564.6	4,600.0	2,658.9	4,600.0	2,450.5	4,600.0	2,404.5
Share of refinancing risks in %	11.6	6.4	10.9	5.0	10.9	5.3	10.9	3.8	10.9	3.7
Refinancing risks	500.0	164.9	500.0	129.2	500.0	139.8	500.0	92.9	500.0	90.1

Potential losses associated with refinancing risks are down on the previous year's figure. The decrease is attributable to lower refinancing requirements, par-

ticularly in connection with the provision of cash collateral for derivatives.

The Controlling department is responsible for monitoring the refinancing risk by comparing the VaR 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.

Refinancing risk concentrations only exist to a limited extent, primarily in relation to the timing of refinancing requirements. In addition, there is a liquidity buffer concentration associated with public-sector securities with 'very good' credit ratings.

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

To ensure that all operational risks – in the sense of the risk of adverse financial impacts resulting from non-financial risks – are fully covered, the Bank applies the operational risk taxonomy defined in the EBA's draft Regulatory Technical Standards (RTS) of 4 August 2025.

Taking due account of the schedule of responsibilities, senior management has appointed central risk managers to take care of tasks/services provided Bank-wide by individual business units. The role of decentralised risk manager is generally fulfilled by the heads of departments (or senior project managers), who may also delegate specific tasks to their staff as part of their organisational remit.

As part of the Bank's ongoing efforts to refine its approach to operational risks, L-Bank is implementing policies for managing ICT and third-party risks in its DOR and TPRM strategies; a number of mechanisms are still under development. The DOR strategy defines a Bank-wide ICT risk management framework that includes risk tolerance thresholds, systematic risk identification and assessment, information security requirements, multi-layered protection and oversight mechanisms, emergency and recovery procedures, as well as a test programme for verifying digital resilience. The TPRM strategy complements these provisions by setting out a structured approach for identifying, assessing, managing and monitoring risks associated with external service providers, including a risk scoring model, defined minimum contractual requirements, exit strategies, contingency plans, a central register, and clearly defined responsibilities based on the Three Lines of Defence model. Both strategies extend the existing framework for managing ICT and third-party risks, and support the transparent identification and management of such risks.

Assessment procedures and management

The size and scope of operational risks are identified and assessed 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

VaR for operational risks is calculated for the Bank as a whole.

VALUE AT RISK FOR OPERATIONAL RISK IN 2025 in EUR millions

	31.12.2024		31.03.2025		30.06.2025		30.09.2025		31.12.2025	
	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised	Limit	Utilised
Aggregate loss ceiling	4,300.0	2,585.7	4,600.0	2,564.6	4,600.0	2,658.9	4,600.0	2,450.5	4,600.0	2,404.5
Share of operational risks in %	2.0	2.0	1.8	2.0	1.8	1.9	1.8	2.2	1.8	1.7
Operational risk	85.0	51.6	85.0	50.8	85.0	50.5	85.0	53.8	85.0	40.8

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

Until well into the third quarter, potential losses associated with operational risks remained largely unchanged from the previous year. Potential losses calculated for Q4 2025 were reduced because aggregated conservative markups of EUR 9.0 million for temporarily elevated risks were no longer required.

In addition to identified individual risks involving high losses and/or high loss frequency, there are also risk concentrations associated – albeit to a very limited extent – with potential disruptions to the Bank's information processing systems and physical infrastructure.

In addition to the usual insurance policies taken out to mitigate the economic impact of certain loss events, the internal control system acts as the basis for avoiding operational risks. It includes comprehensive implicit

and explicit step-by-step procedures for safeguarding the Bank's processes and workflows. Typically, these include two-person verification (dual-control principle), random spot checks, explicit procedures to follow 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 policies and procedures, which take a modular approach to the formulation of the rules governing corporate structures and workflows.

To ensure that the Bank only engages in business transactions which 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 administer 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.

When assessing operational risk, any hazards resulting from the provision of internet-based communication technologies and automated data processing are treated as ICT (information & communication technology) 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 by 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, assigning responsibilities, and regulating 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. Due to an increase in long-

term interest rates over the reporting year, hidden charges rose by around EUR 1 billion and hidden reserves fell by around EUR 0.5 billion. The interest-induced hidden charges/reserves on securities held as fixed assets are offset by interest-induced hidden reserves/charges in derivative transactions.

The steady increase in interest-rate levels since mid-2022 continues to bring in higher investment income. A risk to earnings exists should a lower interest rate prevail when equity investments mature.

The German economy is experiencing an ongoing slump. 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 United States is currently prioritising U.S. interests in its foreign trade policy, and this too is generating downside risks for the economy. 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 2025. Income may also increase if interest rates increase in 2026, because the Bank invests equity capital 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, the Corporate Communications & Strategy department, and the Payment Transactions & 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 & 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 (dual-control principle), standardised reconciliation routines, and comparisons of budgeted with actual figures.

At the same time, these mechanisms 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 two-person verification (dual-control principle).

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, 3 March 2026

Edith Weymayr

Dr Iris Reinelt

Johannes Heinloth

Separate Non-financial Report – Report of the Board of Management for fiscal year 2025

based on the European Sustainability Reporting Standards (ESRS)

ESRS 2 General disclosures

[BP-1] General basis for the preparation of the separate non-financial report

Landeskreditbank Baden-Württemberg – Förderbank – (L-Bank) has its head office in Karlsruhe and a branch office in Stuttgart. The Bank is part of the informal state administration architecture and serves the public interest. For L-Bank, ensuring that its activities are sustainable is both a mission and a self-imposed obligation. As both financial institution and employer, L-Bank has a long history of engaging with multiple responsibilities – for the environment, social affairs, sound governance and Baden-Württemberg’s civil society as a whole. 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 Bank’s ‘Separate Non-financial Report – Report of the Board of Management for fiscal year 2025’ (‘Sustainability Report’).

As in the previous year, L-Bank has voluntarily applied the Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) and the European Sustainability Reporting Standards (ESRS), as well as taking account of the ‘Quick Fixes’ in Commission Delegated Regulation (EU) 2025/1416. The only departure from the standard

set is the fact that the report is published separately from the Management Report. Like the Bank’s preceding non-financial reports, this report covers all material non-financial matters stipulated in Section 289c HGB as statutory requirements for all reporting on the impacts of L-Bank’s business activities.

In reporting year 2025, 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). In light of the ongoing changes in the regulatory environment, this status is regularly reviewed.

In fiscal year 2025 and up until the reporting date, L-Bank’s business activities did not give rise to any material non-financial risks that have had, or are 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). An unqualified opinion was issued on the basis of this limited-assurance engagement.

This Sustainability Report covers the period from 1 January 2025 to 31 December 2025, and 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 has not prepared either consolidated financial statements or a consolidated management report combined with a consolidated sustainability report. Nor has the Bank consolidated any 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 – CRR).

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 – where any matters affecting them were assessed as material.

In this report, no use was made of the option to omit specific items of information because they represent intellectual property, expertise, or innovatory outcomes. Nor were any exemptions 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, short-, medium- and long-term time horizons are defined respectively as one year or less, more than one year and up 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 more than one year and up to four years, and the long-term time horizon is more than four years.

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 E1-6). Parts of this data have been estimated and do not necessarily reflect the exact situation.

→ For calculating **GHG Emissions from Business Operations** across Scopes 1, 2 and 3 (Categories 1–14), greenhouse gas emission factors from the VfU Environmental Metrics Tool (VfU Kennzahlen-Tool 2025 update 1.2) provided by the German Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. – VfU) are applied.

→ To calculate **GHG emissions in Scope 3 Category 15 – Financed Emissions** – the Bank uses external data on emission factors.

→ The ESG impacts of the **L-Bank portfolios** were analysed as part of the initial materiality analysis, using the UNEP FI Impact Analysis Tools. These tools draw on industry-specific data relating to the various positions and exposures in the portfolio. For this report, the results were validated on the basis of portfolio data from fiscal year 2024.

L-Bank aims 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 rather than industry averages, or by increasing the coverage of portfolio data. Compared to the preceding report, in addition to total emissions in Scope 3 Category 15, a breakdown by asset class and by emissions in each of Scopes 1–3 has been introduced (see E1-6).

Metrics based on estimates rather than measured values are subject to uncertainty. This applies in part to the calculation of greenhouse gas emissions (see following paragraph). This uncertainty is attributable 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. Generally speaking, property-specific data is not available for financed real estate assets. In such cases, the greenhouse gas emissions of direct counterparties are used as a reference (included in Scope 3 Category 15; see E1-6). For financed emissions, the Bank has taken the requirements of the Partnership for Carbon Accounting Financials (PCAF) initiative into account (also in Scope 3 Category 15). This is based on the corresponding assumptions of the Global Greenhouse Gas Accounting and Reporting Standard. Under this standard, the financial share of an investment is deemed to be proportional to the total emissions attributable to this investment. Due to the challenging situation concerning the data used to calculate emissions from investments, PCAF uses a five-tier ranking system to score data quality.

The preceding report contained no **errors** assessed by L-Bank as material. Methodological refinements and corrections of immaterial errors are noted in the relevant places 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 datapoints 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 the 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 this respect, 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. Using the state's development funding, L-Bank supports investment projects by private-sector companies that are aligned with the transformation of the federal state's economy into a low-emission, resource-efficient one. Support is provided in accordance with the principle of subsidiarity: L-Bank acts as a lever for investment without impeding or crowding out private-sector activities in the process, thereby stimulating investments that might not otherwise have materialised.

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 statutory mandate and its role in the indirect administration of the State of Baden-Württemberg, sound **business conduct** in full compliance with applicable laws and regulations is fundamental.

The statutory framework encompasses certain constraints on L-Bank’s business activities, the federal state’s statutory liability mechanism for securing high-quality refinancing, and the Bank’s non-profit status. L-Bank defines its client base and development funding priorities in close consultation with its principal

and 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"> – Climate change adaptation – Climate change mitigation 		<ul style="list-style-type: none"> – Zero-emissions targets – Incentives for clients to engage in transformation
Social	S1: Own workforce	<ul style="list-style-type: none"> – Working conditions 	<ul style="list-style-type: none"> – Secure employment – Adequate wages – Social dialogue – Freedom of association, existence of works councils and workers’ rights to information, consultation and participation – Collective bargaining, including ratio of workers covered by collective agreements – Work-life balance – Health and safety 	<ul style="list-style-type: none"> – Employee commitment, measured against the Employee Commitment Index
		<ul style="list-style-type: none"> – Equal treatment and opportunities for all 	<ul style="list-style-type: none"> – Gender equality and equal pay for work of equal value – Continuing education and skills development – The employment and inclusion of persons with disabilities 	
		<ul style="list-style-type: none"> – Other work-related rights 	<ul style="list-style-type: none"> – Privacy 	
Governance	G1: Business conduct	<ul style="list-style-type: none"> – Corporate culture 		
		<ul style="list-style-type: none"> – Combating corruption and bribery 	<ul style="list-style-type: none"> – Prevention and detection, including training and/or case studies 	

Table 1: Material sustainability matters and targets

No specific measures were implemented for the sub-topics working conditions, equal treatment and opportunities for all, other work-related rights, and combating corruption and bribery. No specific targets have been set for the sub-topics ‘equal treatment and opportunities for all’, ‘other work-related rights’, ‘corporate culture’, or ‘combating corruption and bribery’.

With respect to reducing emissions, L-Bank has set itself the target of developing its business operations and portfolios with the aim of achieving **net greenhouse gas neutrality** (‘climate neutrality’) by the year 2040. In the reporting year, L-Bank continued to work on a **transition plan** focused on this target (see E1-1). Another goal is to enable enterprise clients in receipt of development finance to reduce their emissions. For this purpose, L-Bank offers a Sustainability Bonus as an incentive for companies and undertakings to submit a carbon footprint audit and a roadmap. In the reporting year, the Bank pursued the target of encouraging 17 percent of companies in receipt of

the relevant development funding to submit the necessary instruments. With respect to **working conditions**, L-Bank evaluated the results of an employee survey during the fiscal year and took preliminary follow-up actions. The next survey is scheduled for early 2026. The policies applied by L-Bank are set out in the chapters on the respective topics (E1, S1, G1).

L-Bank also addresses the (potential) negative impacts of its activities. These include challenges typical of the financial services sector, which are managed using a wide range of specific policies. L-Bank makes full use of the scope of action available to it as a state development bank with a statutory mandate to incorporate the avoidance, monitoring and elimination of adverse impacts into its strategies, policies and systems for managing targets and objectives. The specific actions are set out in detail in the chapters on the respective topics (E1, S1, G1).

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	
	Recordable work-related accidents (number and percentage)	
	Gender pay gap	
	Pay ratio	
	Number of reported incidents of discrimination, including harassment	
	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 Board of Management and Supervisory Board

Breakdown of Board members by gender

Composition of Management and Supervisory Boards	Board of Management		Supervisory Board	
	2024	2025	2024	2025
Total number of Board members	3	3	18 (15 with voting rights, 3 in an advisory capacity)	18 (15 with voting rights, 3 in an advisory capacity)
Number of employee representatives	0	0	3 (in an advisory capacity)	3 (in an advisory capacity)
Number of executive members	3	3	-	-
Number of non-executive members	0	0	-	-
Number of men	1	1	12	10
Percentage of men	33%	33%	66%	56%
Number of women	2	2	6	8
Percentage of women	66%	66%	33%	44%
Gender diversity (ratio of female to male Board members)	2	2	0.5	0.8
Percentage of independent Board members	0	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 as at 31 December of each year

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

L-Bank’s corporate governance follows the dual-board system, with separate bodies dedicated to executive management (Board of Management) and oversight (Supervisory Board). 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 and 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 (see 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 (cf. 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 or politics, and/or associations.

The members of both Management and Supervisory Boards have access to the professional experience, information channels and structures described herein. They do not hold any specific sustainability-related qualifications.

With respect to sustainability, Board members have the following experience profiles and responsibilities:

- **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. At Commerzbank AG, Edith Weymayr was Head of the Financial Engineering Centre, responsible for advising small and medium-sized enterprises in southern Germany. Subsequently, as Head of Sales and Credit Management at Commerzbank, she developed and managed Mittelstandsbank's sales strategy. From early 2016 to the end of 2019, Edith Weymayr served as Divisional Board Member of Commerzbank's Mittelstandsbank, responsible for managing corporate banking business in Baden-Württemberg and Bavaria.
- **Dr Iris Reinelt:** responsible in particular for risk controlling, back office operations, and problem loan processing. She first joined L-Bank in 1988 and has since held various positions, primarily in financial controlling. From 2007 to 2013, in addition to heading the Controlling department, Dr Reinelt served as Coordinator of the IT, Accounting and Family Support departments, deputising for the then Chief Risk Officer.
- **Johannes Heinloth:** responsible in particular for enterprise development, financial aid and treasury. For some 18 years, he worked at Bayerische Landesbank in various departments and management positions in Germany and abroad, including as Head of the Risk Management department. From 2015, Johannes Heinloth served as Executive Director in charge of business segment management, including the Financial Markets business segment. At the same time, he was responsible for the Financial Institutions and Insurance department at Bayerische Landesbank.

→ The Governance and Compliance, Internal Audit and Anti-Money Laundering departments all report to the **Board of Management as a whole.**

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 the 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: Risk, Audit, Personnel, and Remuneration Control.

The Management and Supervisory Boards work closely together in all matters concerning sustainability-related impacts, risks and opportunities. Whereas the Board of Management is responsible for proposing the annual revisions of the Bank's business, risk, IT and sustainability strategies, the Supervisory Board's mandate is to approve and monitor 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 2024 was submitted to the Audit Committee. The two committees' deliberations precede the approval of the relevant matters by the Supervisory Board. With respect to sustainability matters, the Board of Management has defined in-house tasks and responsibilities and created a **sustainability apparatus** for achieving the Bank's sustainability targets. When it comes to organising and coordinating all strategic and communicative activities relating to sustainability, the lynchpin is the central **Sustainability Management** unit, which reports directly

to the Chief Executive Officer as part of the Strategy department. The selection process for filling Sustainability Management positions took account of specialist skills and qualifications. On the basis of a work programme, Sustainability Management reports to the Board of Management on the state of sustainability progress once a quarter, and provides the Board of Management with monthly ESG updates. During the reporting year, Sustainability Management also coordinated the validation and updating of the materiality assessment of impacts, risks and opportunities, consulting specialist departments and keeping the Board of Management informed.

Sustainability management is coordinated by the **Sustainability Board**. This body progresses the incorporation of ESG criteria into L-Bank's banking and development funding operations and business activities through interdisciplinary, interdepartmental collaboration on sustainability targets. The Board organises regular meetings (in 2025: four meetings) for the discussion of specific work packages based on the sustainability strategy or in action areas relating to ESG regulations.

Every quarter, the risk report updates Board of Management and 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 coordinating the content to be reviewed, 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.

To maintain the professional skills and aptitudes of Board of Management and Supervisory Board members for the duration of their respective mandates and thus ensure that they have the necessary levels 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 additional topic-specific content (in the reporting year, these included e.g. artificial intelligence, communicating and ensuring risk-bearing capacity, etc.). To address L-Bank-specific subject areas, the programme also calls upon the expertise of in-house specialists. In autumn of the preceding year (2024), 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, L-Bank's Board of Management and Supervisory Board

The Board of Management regularly discussed material sustainability matters at its weekly meetings. The Supervisory Board discussed sustainability-related issues in the three Board meetings held during the year.

The various Supervisory Board committees also addressed sustainability-related topics on a regular basis. In the course of preparing this report, the Board of Management discussed the validation and updating of the materiality analysis to include the material sustainability-related impacts, risks and opportunities for fiscal year 2025 (see Table 1).

The Board of Management also 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, as well as progress made in the preparation of a climate transition plan. The Supervisory Board approved the strategies. Both Management and Supervisory Boards were provided with relevant information by way of the reporting processes described in the previous section. Both were kept informed of the development of strategic key performance indicators relating to sustainability by a quarterly strategy report.

Sustainability is a fundamental prerequisite for the targets and actions set out in the Bank's business strategy, which is formulated through a series of practical decisions by the 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 criteria form part of the Bank's sustainability strategy (see E1-1).

The financial impacts of sustainability-related **risks** are identified, assessed and reported as part of the annual risk inventory. As part of the risk management process, the annually revised risk strategy takes account of all identified sustainability-related risks as (potential) influences on assessment-relevant factors such as credit, market price, liquidity and operational

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

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

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 this respect, L-Bank does not have any sustainability-related incentive or remuneration schemes in place for Board of Management or Supervisory Board members.

The Personnel Committee prepares Supervisory Board resolutions on the appointment of Board of Management members. It 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

L-Bank comprehensively fulfils its due diligence obligations relating to sustainability. The following table provides an overview of the Bank’s practices for meeting these obligations.

Material aspects of due diligence	Sections of this report
a) Embedding due diligence in governance, strategy and the business model	ESRS 2-GOV-2 ESRS 2-SBM-3
b) Engaging with affected stakeholders at all key stages of the due diligence process	ESRS 2-SBM-2, S1 ESRS 2-IRO-1 ESRS E1-2 ESRS S1-1
c) Identifying and assessing adverse impacts	ESRS 2-IRO-1 E1 ESRS 2-SBM
d) Taking actions to address those adverse impacts	ESRS E1-3 ESRS S1-4
e) Tracking and communicating the effectiveness of these efforts	ESRS E1-4 ESRS S1-5

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 submitted to the Audit Committee and the entire Supervisory Board. To assess and prioritise potential risks, the process involves calling on the professional judgments 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, strategies 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 with their own quality assurance and approval mechanisms (e.g. as used for financial reporting). In addition, Internal Audit also monitors the report preparation process. There is also 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

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 is taking various actions with the aim of being perceived as an attractive employer and to further develop its corporate culture. A wide range of initiatives serve this purpose, such as the launch of an employer brand (see S1).

On the **output side**, the results of the Bank's business activities consist 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 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** consists of L-Bank's suppliers and service pro-

viders, 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 (capital market activities).

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.

Services

L-Bank uses a wide variety of development funding instruments to fulfil its 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 newbuilds 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 and commercial undertakings 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. These include development loans – issued directly or via ‘pass-through’ arrangements with the borrower’s bank or other development banks such as Kreditanstalt für Wiederaufbau (KfW), the federal development bank – as well as financial assistance, sureties and guarantees, and equity assistance.

L-Bank also engages in what is known as **development aid business** to generate income over and above earnings from equity investments, thereby supplementing the development finance budget provided. The Bank refinances its activities by recourse to other development banks and by entering into transactions with institutional investors on the capital market. With respect to climate change, another key sustainability principle 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. 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 such as coal, oil or gas. Nor is L-Bank in any way involved in the production of chemicals or controversial weapons, or the cultivation or production of tobacco.

Clients

L-Bank’s target client segments did not change during the reporting year. They are restricted to the State of Baden-Württemberg and consist specifically of:

- 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.

Workforce

In Germany, as at 31 December 2025, L-Bank had 1,745 employees (2024: 1,642). For further details, see S1-6.

Income

In the year under review, revenues totalled EUR 2,640.0 million (2024: EUR 2,722.1 million). This breaks down as follows:

Type of income (in EUR millions)	2024	2025
Interest income	2,636.8	2,529.1
Current income from share-holdings	9.3	11.3
Commission income	69.8	92.2
Other operating income	6.2	7.5

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 targets. Like all L-Bank’s activities, these targets are tailored to Baden-Württemberg.

L-Bank works 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 net greenhouse gas (climate)

neutrality. L-Bank's sustainability strategy – for example – already includes a target for increasing the proportion of companies in receipt of loans that have submitted a carbon footprint audit and/or an emissions reduction roadmap (see E1-4). At the same time, L-Bank aims to strengthen its position as a sustainable capital-market player.

L-Bank pursues the goal of providing its clients with straightforward access to development funding and financing solutions by taking appropriate actions:

- Clients opting for pass-through finance can take advantage of tried-and-trusted contacts at their own principal bank. This provides young companies in particular with easy access to development funding during the start-up phase.
- L-Bank experts are available to advise regional enterprises at Financing Advisory Days, which are held several times a year in multiple cities across the federal state.
- Digital access points such as the development finance portal and the Bank's Digital Filing system enable fast, efficient processing of development funding applications with suitably high levels of security. The ongoing digitisation of application processes is one of L-Bank's key strategic goals.
- The Bank aims to avoid formal, conceptual or content-related barriers that impede access to its services. L-Bank's website design complies with accessibility standards developed in consultation with disability associations, self-representation bodies, and highly experienced experts.
- The Bank aims to record, process and evaluate all complaints reliably and systematically. To do so, L-Bank operates a complaints management system that meets the relevant regulatory requirements.

Services that support sustainability-related targets

L-Bank regularly measures the macroeconomic **value-adding impacts** and job-creating effects of its development activities with the help of an estimation model of the total macroeconomic output of Baden-Württemberg's regional economy. L-Bank also uses the broader approach of the United Nations **Sustainable Development Goals** (SDGs) to analyse

the positive impacts of its development programmes on the 17 SDGs. In particular, L-Bank supports the goals of climate and environmental action (measured against SDGs 7 and 13), transformation and digitisation (SDG 9), and equal opportunities (SDG 10).

L-Bank has added a **Sustainability Bonus** to the development programmes most in demand by SMEs in general: Start-up and Growth Finance, Investment Finance, and Tourism Finance Plus. Companies that submit a carbon footprint audit and a climate strategy are awarded an additional interest-rate reduction on loans. The bonus also takes account of one of L-Bank's core strategic objectives: to align its development finance products more closely with sustainable development.

In December of the reporting year, the Bank launched a new **Environmental Finance** programme to support investments in environmental protection and the circular economy in Baden-Württemberg. Through their principal banks, small, medium-sized and large enterprises can take out a subsidised, low-interest loan for capital investment projects to, for example, reduce air pollution or avoid wastewater.

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 net 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, the 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.

[SBM-2] Interests and views of stakeholders

L-Bank has analysed its internal and external stakeholders based on 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 employees.
- The Bank's principal, the State of Baden-Württemberg, as reflected by the state's Investment Management function and several Supervisory Board mandates.
- 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 (see 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 were used to formulate suitable actions for personnel work.

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 net greenhouse gas neutrality target in particular have been incorporated into the Bank's sustainability strategy. They include, for instance, the transition plan, as well as the further development of the Bank's development impact management system (see chapter E1). The Bank is currently working on both instruments.

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	Board of Management	The Board of Management conducts L-Bank’s business on the basis of applicable legislation and the L-Bank Statutes. It 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. It 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 (early 2026), 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	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 topics 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 (IROs) identified in the course of L-Bank's materiality assessment are presented in Table 7. As a consequence of the Bank's regionally focused business model, these IROs have a pronounced geographical concentration. The majority of the IROs relate to L-Bank's banking operations, which are based exclusively in Baden-Württemberg. L-Bank's development business is limited to Baden-Württemberg, in accordance with the Bank's statutory mandate. No material geographical concentrations have been identified outside the region, in particular at international level. The Bank itself cannot change this business model. It serves as the basis of the Bank's regular, ongoing strategic development, which requires the approval of the Supervisory Board and other representatives of the federal state. L-Bank maintains a constant dialogue with the Bank's principal (for details of the collaboration between L-Bank and the federal state, see also GOV-1 and SBM-2). However, L-Bank incorporates sustainability-related developments into its annual strategy process. For example, the formulation of a transition plan with the specific aim of reducing greenhouse gas emissions is enshrined in the Bank's sustainability strategy (see section E1-1), providing L-Bank with a roadmap for managing the negative impacts of climate change (E1). With respect to its own workforce, L-Bank pursues a personnel strategy that aims to further improve working conditions, avoid potential adverse impacts, and secure valuable human resources for the future.

These material impacts, risks and opportunities are not simply definitions set out in L-Bank's business model and strategies. On the contrary: for L-Bank, sustainability is a fundamental strategic requirement. The Bank works with policies, actions and initiatives to mitigate or avoid negative impacts and generate 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 loans and engaging in capital market activities associated with greenhouse gas emissions.

Creditors' claims are guaranteed at all times by the State of Baden-Württemberg's statutory institutional maintenance obligation (Gewährträgerhaftung). The material sustainability-related **risks** identified do not have a material impact on the Bank's current financial performance or financial position, and do not impair L-Bank's ability to meet its payment obligations at all times (liquidity). Based on information currently available, there are no indications that any such risks will materialise. Again, based on information currently available, there is no reason to expect any adjustment to the carrying amounts of the assets reported in the relevant financial statements. The general loan-loss provision includes a minor contribution to cover sustainability-related risks. This risk provision is recognised as an expense in the statement of income.

L-Bank assumes that its strategies, in conjunction with its business model, are suitable for managing all sustainability-related risks and their potential financial impacts in such a manner as to ensure the Bank's ability to fulfil its statutory development mandate at all times. A quantitative determination of existing sustainability-related risks is limited to a conservative estimate of their order of magnitude relative to the Bank's risk-bearing capacity (see also the remarks on the resilience analysis in section E1-SBM-3). 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 formulating the abovementioned transition plan. In the **medium term** (more than one year and 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 strategic premise for L-Bank, in line with the State of Baden-Württemberg's development policies, continuous adaptation to the necessities imposed by the efficient, sustainable implementation of development targets is already a fundamental part of L-Bank's operations. Furthermore, and in the **long term**, L-Bank's business model is governed by the Bank's statutory mandate; its actual implementation is prescribed by the State of Baden-Württemberg's development objectives. Thus the federal state – as the Bank's principal – also decides how best to use potential opportunities. Together with the federal state, L-Bank will adapt its technical and organisational arrangements as required in order to continue fulfilling its statutory development mandate in the future.

The validation and updating of the results of the initial materiality assessment did not reveal any significant shifts with respect to material impacts, risks and

opportunities compared to the preceding report. Changes arose primarily from a further differentiation of S1 impacts and E1 risks. This report covers these matters in greater detail than the previous report.

L-Bank has not identified any material impacts, risks or opportunities arising from disclosure requirements other than those set out in ESRS. Even so, the Bank has added undertaking-specific and/or sector-specific disclosures in chapters S1 and G1 respectively, because they are closely related to the requirements for sustainable corporate governance. These consist, first, of disclosures on managing a potential shortage of skilled labour, and second, 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. Third and finally, the Bank has also added disclosures concerning data protection (privacy). Because of the overarching importance of this topic (protecting the data of employees, clients, etc.), these disclosures are also included in chapter G1.

	Material impacts, risks or opportunities: description and effects	Category	Value creation stage	Time horizon	(Planned) Actions
E1	Credit default: credit default risk increases where there is strain on development funding clients following materialisation of physical risks (acute and chronic consequences of climate change such as flood events or forest and grassland fires) and transition risks (carbon price trends in GHG emissions-intensive business sectors, stagnating economic development).	Risk	Development business	Medium term	
	Loss of value: risk of loss of value in the portfolio increases with materialisation of physical risks (acute and chronic consequences of climate change) and transition risks (carbon price trends in GHG emissions-intensive business sectors, stagnating economic development).	Risk	Development aid business	Medium term	
	New business: growing demand for development funding for transformation investments in a low-emission economy enables support for the federal state's climate targets.	Opportunity	Development business	Short term	Sustainability Bonus
	Own emissions: greenhouse gas emissions from the Bank's own business operations contribute to climate change and its consequences.	Negative impact	Banking operations	Short term	EMAS certification
	Financed emissions: development funding for certain capital investment projects causes greenhouse gas emissions, thereby contributing to climate change and its consequences.	Negative impact	Development business	Medium term	Sustainability Bonus Development impact management
	Transformation financier: development funding for certain capital investment projects supports the transformation into a climate-neutral economy.	Positive impact	Development business	Medium term	Sustainability Bonus Development impact management
	Financed emissions in the investment portfolio: financial contributions to certain industries and undertakings boost greenhouse gas emissions, thereby contributing to climate change and its consequences.	Negative impact	Development aid business	Medium term	

	Material impacts, risks or opportunities: description and effects	Category	Value creation stage	Time horizon	(Planned) Actions
S1	Secure employment: L-Bank offers secure (and predominantly permanent) employment in the region.	Positive impact	Banking operations	Short term	
	Remuneration: L-Bank offers industry-standard remuneration based on collective bargaining agreements, applicable legislation or above-scale arrangements. The statutory minimum wage is always treated as an absolute floor.	Positive impact	Banking operations	Short term	
	Benefits: the Bank offers a broad range of voluntary benefits.	Positive impact	Banking operations	Short term	
	Social dialogue: the Bank offers opportunities for co-determination in the workplace.	Positive impact	Banking operations	Short term	
	Employee representation: all L-Bank employees are represented by Staff Councils and thus have opportunities for worker participation and co-determination.	Positive impact	Banking operations	Short term	
	Working conditions: collective bargaining agreements or above-scale arrangements guarantee fair working conditions.	Positive impact	Banking operations	Short term	
	Work-life balance: flexitime, remote working options, sabbatical arrangements and parent-and-child offices makes it easier for employees to balance their professional and private lives.	Positive impact	Banking operations	Short term	
	Health: the workforce benefits from occupational health and safety initiatives.	Positive impact	Banking operations	Short term	Modernisation of health centres
	Fairness: L-Bank provides an inclusive working environment based on equality, non-discrimination and active support for structurally disadvantaged groups.	Positive impact	Banking operations	Short term	

	Material impacts, risks or opportunities: description and effects	Category	Value creation stage	Time horizon	(Planned) Actions
S1	Opportunities: there is a wide variety of equitable, fair professional development and career opportunities.	Positive impact	Banking operations	Short term	Personnel strategy Training and continuing education Transformation coaches
	Inclusiveness: L-Bank provides an inclusive working environment based on equality, non-discrimination and active support for structurally disadvantaged groups.	Positive impact	Banking operations	Short term	
	Data protection: personal data is protected by suitable systems and policies.	Positive impact	Banking operations	Short term	
	Skills gaps: a lack of skills among employees results in additional costs or loss of efficiency, disruption of operational processes, errors and costly error rectification.	Risk	Banking operations	Medium term	Training and continuing education Transformation coaches
	Shortage of skilled workers: difficulties in filling job vacancies due to poor employer reputation, high employee turnover or a lack of suitable qualifications.	Risk	Banking operations	Medium term	Launch of employer brand
G1	Culture: the Bank's corporate culture creates a working environment that improves employees' feelings of well-being, motivation and job satisfaction.	Positive impact	Banking operations	Short term	Communication of risk culture
	Compliance: the Bank acts as a role model for the federal state's business community, avoiding corruption thanks to a fully functional compliance management system.	Positive impact	Downstream	Medium term	
	Money laundering: financial losses as a consequence of money laundering, terrorist financing or other criminal acts.	Risk	Banking operations	Short term	

Table 7: Material risks, impacts and opportunities (IROs)

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

Methodologies and assumptions

The disclosures in this Sustainability Report are based on a double materiality assessment that complies with ESRS requirements. The assessment was first carried out in 2024, and then validated and updated for reporting year 2025. The basic approach remained unchanged in the year under review. Rather than starting by identifying and assessing impacts, risks and opportunities, L-Bank followed a deductive process in which the materiality of sub-topics was inferred from the assessment of individual impacts, risks and opportunities. The materiality assessment was completed by year-end.

The assessment examined L-Bank's impacts on people and the environment, as well as the financial risks and opportunities for the Bank in the context of sustainability. The underlying **assumption** was that sustainability-related matters may appear at various points along the value chain. Thus the assessment included L-Bank's own business activities, specifically: banking operations, programme-related development business, non-programme-related development business and development aid business (capital market activities). It also included 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 industry 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 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 ESRS.

All results of the initial materiality assessment using the UNEP FI Impact Analysis Tool were validated against portfolio data from fiscal year 2024.

Assessment of impacts

The list of sustainability topics, sub-topics and sub-subtopics in ESRS 1 AR 16 served as the starting point for **identifying** potentially material matters. For the year under review, the updated strategy documents were used to validate and supplement the previous year's results and a peer group comparison was added. The Sustainability Management unit, together with representatives of the specialist departments, used this as the basis for drawing up a longlist of impacts. The subsequent **assessment** of the potential impacts on people and the environment was based on ESRS stipulations: overall scores were calculated

by taking account of each matter's scale, scope, rectifiability and – where appropriate – probability of occurrence. Potential adverse impacts on human rights were given additional attention. If the overall score fell within the top third of the materiality scale, the matter was considered to be material.

The assessment also took account of the facts that L-Bank only has offices in Baden-Württemberg and only provides services within the federal state. Overall, this approach puts sustainability matters arising from the Bank's development business and own business operations into a meaningful, realistic perspective – hence also those areas of activity in which an elevated 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. Matters are prioritised on the basis of their relative share in the overall score. There are no other processes for prioritising negative (adverse) impacts.

L-Bank's internal and external **stakeholders** were included in the initial 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 (VfU). As part of the initial materiality assessment, at least one interview was held with representatives of all these groups. In the course of validating the present report, no further interviews were held with external stakeholders because it was assumed that their relevant positions remain unchanged.

Assessment of risks and opportunities

The **identification** process ran in parallel with the impact-focused approach described above. First of all, the Sustainability Management unit and specialist departments longlisted all potentially material topics in accordance with ESRs. In contrast to the impact side, Risk Management was also involved. Financial risks and the financial impacts of 'non-financial risks' are continuously identified and assessed by the Risk Controlling function for the Bank as a whole ('permanent risk inventory'). Following in-depth **assessment** and prioritisation, the final list of financially material topics was then drawn up, taking regulatory and strategic considerations into account. For example, from a risk management perspective, financial losses as a consequence of money laundering, terrorist financing or other criminal acts do not constitute a material risk – L-Bank has, for both regulatory and strategic reasons, a full set of structural instruments for preventing and combating money laundering, terrorist financing and other criminal acts. From a strategic perspective, the risk is therefore regarded as material for the industry as a whole.

The entire process was observed and facilitated by representatives of L-Bank's Sustainability Management 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 risks were identified that would have a material impact on the Bank's current financial performance and position. In addition, 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 cannot change its business model unilaterally (see 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 by ESRG: scale and probability of occurrence. Six-level cardinal scales were defined for both criteria, and verbal descriptors were assigned to the rankings. The descriptors on the two cardinal scales were then weighted and averaged to produce an overall score. Where the result fell in the upper third of the 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 in considering specific points. The outcomes were discussed with other stakeholders and reported 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.

The potential financial consequences of 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 regulatory requirements for checking and auditing ESG risks in the Bank's business and risk strategies, as well as its risk management and lending processes. L-Bank is implementing these requirements by incorporating the relevant risk drivers into the Bank's systems for determining borrowers' creditworthiness. Furthermore, the Bank also identifies the physical exposure of collateral to natural hazards and, where appropriate, takes this exposure into account when assessing collateral and calculating potential losses from credit risks. The Bank supplements its monitoring of the potential influence of risk drivers by conducting sensitivity analyses. The analysis of ESG risk drivers carried out as part of the materiality assessment in order to assess ESG risks against CSRD criteria is included in the annual risk inventory as required by MaRisk. During the Bank's subsequent review of the adequacy of its risk management systems, inventory findings are incorporated into L-Bank's overall risk management concept. As at 31 December 2025, no 'material exposure' of the Bank's net assets, financial performance or financial position to any 'material risk' as defined by MaRisk was identified as a result of ESG risks. The risk management process does not generally take opportunities into account.

The initial materiality assessment took a structured approach to identifying and recording sustainability-related risks, and they were then validated and updated in the year under review. The identified impacts, risks and opportunities will now be monitored and their materiality reassessed as part of an annual review of the materiality assessment, next expected in mid-2026. As part of this process, L-Bank will also take account of any changes in regulatory requirements.

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 sub-topics and sub-sub-topics set out in the full table in ESRS 1 AR 16. The team then formulated the potential impacts, risks and opportunities (IROs; see above) for all these topics. The approach was inductive: the materiality of an impact, a risk or an opportunity indicated the materiality of the sub-topic or sub-sub-topic to which the matter was assigned.

A key tool for identifying and assessing material impacts was 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 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 avail-

able 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.

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 tool 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 the risk analysis process, 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 transition 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 credit defaults due to rising carbon prices and damage to

collateral caused by extreme weather events (for further remarks on the topic of climate change mitigation, see chapter E1).

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. This classification remains unchanged following the validation process in reporting year 2025.

[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. 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 team. 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.

Below is a list of the disclosures in this report. This content is the result of the double materiality analysis. The report does not contain any datapoints associated with European legislation or standards other than ESRS.

ESRS 2 General disclosures

- [BP-1] General basis for the preparation of the separate non-financial report
- [BP-2] Disclosures in relation to specific circumstances
- [GOV-1] The role of the Board of Management and Supervisory Board
- [GOV-2] Information provided to, and sustainability matters addressed by, L-Bank’s Board of Management and Supervisory Board
- [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 employees as stakeholders

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

[S1-1] Strategies and policies related to L-Bank's own workforce

[S1-2] Processes for engaging with L-Bank employees and workers' representatives about impacts

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

[S1-4] Taking action on material impacts on the Bank's own workforce, and approaches to managing material risks related to L-Bank's own workforce, and effectiveness of these actions and approaches

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

[S1-6] Characteristics of L-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

[S1-15] 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 Board of Management and Supervisory Board with respect to business conduct

[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

Sector and Bank-specific disclosures

Environment (E)

E1 Climate change mitigation

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

Negative impacts

- **Own emissions:** greenhouse gas emissions from the Bank's own business operations contribute to climate change and its consequences.
- **Financed emissions:** development funding for certain capital investment projects causes greenhouse gas emissions, thereby contributing to climate change and its consequences.
- **Financed emissions in the investment portfolio:** financial contributions to certain industries and undertakings boost greenhouse gas emissions, thereby contributing to climate change and its consequences.

Positive impacts

- **Transformation financier:** development funding for certain capital investment projects supports the transformation into a climate-neutral economy.

Risks

- **Credit default:** credit default risk increases due to the stresses on development funding clients following the materialisation of physical risks (acute and chronic consequences of climate change such as flood events or forest and grassland fires) and transition risks (carbon price trends in GHG emissions-intensive business sectors, stagnating economic development).
- **Loss of value:** the risk of loss of value in the portfolio increases due to the materialisation of physical risks (acute and chronic consequences of climate change) and transition risks (carbon price trends in GHG emissions-intensive business sectors, stagnating economic development).

Opportunity

- **New business:** growing demand for development funding for transformation investments in a low-emission economy enables support for the federal state's climate targets.

Providing development support for actions and initiatives that protect the environment and mitigate climate change or adapt to the inevitable consequences thereof forms part of L-Bank's statutory mandate. Consequently, sustainability is a fundamental strategic premise of all the Bank's business activities (see ESRS 2-BP-2). L-Bank implements this mandate through a range of policies and actions, as described below.

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

For this report, the Bank's identification of **material climate-related impacts and opportunities** was based on in-house expert judgements and validated by selected stakeholders (see ESRS 2-IRO-1). Other procedures were used to identify impacts on climate change and greenhouse gas emissions: figures for business operations (Scopes 1 and 2 as well as Scope 3 Categories 1–14) were calculated using the VfU Key Performance Indicator Tool provided by VfU. Calculations of financed emissions (Scope 3 Category 15) were based on the Partnership for Carbon Accounting Finance (PCAF) standard. In the reporting year, the results of the initial process were validated and updated for 2025.

L-Bank uses stress scenarios to assess **climate-related financial risks:** a multi-year narrative based on the 'Sudden Wake-up Call' scenario modelled by the Network for Greening the Financial System (NGFS)

and consistent with Paris Climate Accord targets is used to describe the relevant risks. It is assessed by determining its effects on capital adequacy.

Like all risks, physical risks are analysed over the time horizons described above (short-term: 1 year, medium-term: > 1 year to 5 years, long-term: > 5 years to 10 years). The physical risks associated with business operations are included in the measurement of operational risk (operational value at risk – OpRisk), but only influence the Bank’s risk profile to a limited extent. More significant are the physical risks associated with the portfolios, which could cause credit defaults or losses of value (see ESRS 2). Where the ‘high emissions’ case in the NGFS ‘Sudden Wake-up Call’ scenario is used as a basis for the risk assessment, energy-intensive companies could be adversely impacted by rising carbon prices. The Bank uses **sensitivity analyses** to assess the consequences in terms of possible credit defaults or losses of value.

Generally speaking, following the principle of prudence (precautionary principle), physical risks to banking operations are included in the Bank’s operational value at risk (risk-bearing capacity) through the non-specific ‘natural disaster’ scenario, even though no L-Bank site has ever sustained physical damage (e.g. during Hurricane Lothar). Given the geographical distribution of collateral, it is inconceivable that any one of the potential – but in physical terms, localised – events such as flooding near waterways, heavy rainfall, high winds) could cause the Bank significant losses.

A sensitivity analysis is a stress test used to analyse the quantitative impacts of a single risk factor on the Bank’s net assets, earnings or financial position. It relates to a defined point in time and may focus on a specific portfolio or the Bank as a whole. A sensitivity analysis is based on identification of the ESG risk drivers relevant to each risk type. This is done as part of the annual risk inventory, which takes climate-related transition and physical risk drivers into account. Sensitivity analyses are carried out for the risk types classified as material pursuant to the relevant regulation (MaRisk).

The sensitivity analyses were used to estimate the probability of a credit default or loss of value loss as a result of rising carbon prices and/or damage to collateral by extreme weather events (flooding). The stress-testing programme took account of the risk 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, meaning that the housing companies would be unable to pass on property management costs in full to their tenants. This would diminish the profitability of their properties, hence the creditworthiness of the housing companies themselves. The programme also assumed that with respect to residential properties, the use of technologies or an advanced energy mix would not have a positive effect on the housing companies’ creditworthiness.

The sensitivity analyses were based on the gross outstanding lending volume, i.e. without taking account of risk mitigation measures or realisation proceeds. The estimates produced low values. The risk profile resulting from climate change is continuously monitored by the Bank’s risk management system.

In the existing risk management system, the influence of risk drivers is analysed using stress tests in the form of **scenario analyses**. Scenario analyses consider the interactions between multiple factors, taking feedback loops into account. The aim is to describe possible future trajectories and situations, and use these descriptions to analyse financial effects. For stress-testing purposes, scenario analyses are based on assumptions which, in the case of climate-related risks, are aligned with the NGFS scenarios. In the case of local physical risks, the NGFS climate scenarios are supplemented by assessments of local topography (such as the risk of flooding in Baden-Württemberg). The results of the scenario analyses are taken into account in the Bank’s business strategy and resulting risk strategy, especially when establishing the Bank’s risk appetite.

The consequences of transition events are modelled in the ‘Sudden Wake-up Call’ scenario. The scenario

supposes rising costs for carbon credits; due to their minor significance, physical events are collectively included in the cash flows associated with OpRisk losses – insignificant in terms of stress test results – and cumulatively combined with other loss events, but they do not form part of the narrative. A structured list of transition risks is not available.

L-Bank's business model is prescribed by law. For this reason, the Bank did not conduct a separate resilience analysis (within the meaning of ESRS) of its business model. The Bank's business and sustainability strategies are revised annually, taking changing circumstances into account. No systematic resilience analysis of the Bank's strategies currently takes place.

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

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

The scenarios informing the analyses are based on the NGFS scenarios 'Sudden Wake-up Call' (medium-term) and 'Hot House World' (long-term).

Sensitivity and 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 practices. Provisions for potential ESG risks are set up in the form of general loan-loss provisions and miscellaneous provisions for risk exposures.

The Bank assesses the financial effects of 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.

L-Bank uses the scenarios mentioned above. These scenarios are based on the effects of various ESG risks on assessment-relevant factors. Risks are assessed in the light of changes to the risk factors. These are included in the Bank's risk management criteria (see E1-SBM-3).

Climate-related risks are identified during the double materiality assessment. Climate-related risks are incorporated into the risk inventory as risk drivers. Risks are divided into 'material' and 'not material' risks based on their impacts. 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 financial effects. 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 'business conduct'. Risk management sensitivity analyses explore diverse effects based on elements of the NGFS climate scenarios among others. A specific scenario (ESG scenario) takes account of the economy's transformation process as motivated by climate-related policies. 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 the scenario analyses described above over the specified time horizons. 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. As part of preparing the annual financial statements, the Bank reviews the current value of assets in case of impairment. For example, the Credit Analysis department assesses the risk of default for larger exposures; for smaller exposures, the review is conducted on a sample basis. Counterparties are exposed to transition events; this did not, however, result in any significant financial impacts on L-Bank.

In this context, L-Bank drew on the abovementioned medium-term 'Sudden Wake-up Call' scenario, which is aligned with the targets of the Paris Climate Accord.

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 industry 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. L-Bank treats transition risks as a grouping of risk drivers over a given time horizon. The risk-mitigating general loan-loss provision in the statement of income also takes sustainability-related risks into account.

The final determination of materiality was the responsibility of the Sustainability Management team, working closely with each reporting department to ensure CSRD compliance, consistency with the Bank's strategies, and completeness of perspectives. 'Final materiality' takes account of the assessments of the relevant specialist departments at L-Bank (with a focus on safeguarding, for example, the licensing conditions for financial institutions and the soundness and continuity of business activities). In the case of risks, it also takes account of the perspective provided by Risk Controlling (focused on maintaining risk-bearing capacity at all times). The final determination of materiality produced the risks mentioned above.

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

In connection with climate change, L-Bank is exposed to, or faces an increase in, climate-related **transition risks and physical risks** (see the IRO list at the beginning of this chapter). These risks are incorporated into L-Bank's risk inventory as risk drivers. The scenario analyses did not reveal any 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. As the federal state's development bank, L-Bank's business model is derived from its statutory development mandate, which defines its public duties and development activities. For this reason, the Bank did not carry out a separate resilience analysis (within the meaning of ESRS) of its strategy and business model.

L-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. In the medium term (more than one year and up to five years), L-Bank assumes that regular strategy reviews will provide a suitable framework for any further developments that may prove necessary. 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.

Risk management

L-Bank's risk strategy represents the primary approach to managing climate-related risks. It 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 in 2020, L-Bank became a member of the Baden-Württemberg Climate Alliance. The agreement aims to reduce greenhouse gas emissions and energy consumption, becoming net greenhouse gas-neutral (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 (see 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.

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

L-Bank remuneration does not include a climate-related component. The Bank currently implements the relevant banking supervisory regulations for incentive and compensation schemes and pays fixed remuneration exclusively (see ESRS 2). The Board of Management, Supervisory Board and senior management team work together to fulfil the Bank's development mandate as defined by the L-Bank Act and further extended by the State of Baden-Württemberg's Climate Change Mitigation and Adaptation Act, and have put suitable policies and strategies in place for this purpose.

[E1-1] Transition plan for climate change mitigation

L-Bank is working on a comprehensive transition plan for mitigating the impacts of climate change (transition plan). A solid foundation for systematic environmental protection and climate change mitigation has been in place since 2016, in the form of the Bank's environmental management system, accredited under the European Union's Eco-Management and Audit Scheme (EMAS). The Climate Action Agreement with the State of Baden-Württemberg, enshrined in EMAS, was another step on the way to developing a comprehensive plan featuring specific actions.

The transition plan on which L-Bank is currently working should:

- 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.

L-Bank is not exempt from the EU reference values agreed under the terms of the Paris Climate Accord. Consequently, a transition plan's goals and targets will align with the targets set by the Paris Climate Accord. In addition, Baden-Württemberg's climate targets have imposed a binding commitment to make the federal state as a whole net greenhouse gas-neutral (climate-neutral) by 2040.

With the transition plan, L-Bank expects to fulfil its dual role in helping to mitigate climate change. First, it is a development bank that complies with its statutory mandate by providing private individuals, municipalities and businesses with suitable **incentives to invest in projects**

for mitigating and/or adapting to the consequences of climate change – for example by improving their energy efficiency or implementing climate change mitigation targets in residential properties – through its development funding activities. Second, it acts as a role model for business and society by pursuing net greenhouse gas-neutrality in the **ongoing development of the Bank's own sites** and investment portfolio.

L-Bank's business model will not be changed by any transition plan. Zero-emission targets are already embedded in L-Bank's strategies. L-Bank's climate commitments and targets are derived from the climate objectives of the State of Baden-Württemberg and align with the 1.5-degree target.

The goal of formulating a transition plan is enshrined in L-Bank's sustainability strategy. The Bank tracks the milestones for implementing the transition plan and regularly reports on them to the Board of Management and Supervisory Board. The finalised transition plan, along with an ESG risk plan, will be submitted to the Board of Management for approval and adoption. During the year under review, work continued on an – initially indicative – transition plan. The latter will be steadily refined with the aim of defining transparent, reliable and practicable transformation pathways. This involves developing a framework that aligns L-Bank's development activities with sustainability criteria while simultaneously making a systematic contribution to achieving climate targets. At the same time, the Bank is drawing up an ESG risk plan in compliance with updated regulatory requirements that came into force during the reporting year. While the two plans are essentially independent, they are also designed to be mutually reinforcing so that ultimately, they will form a consistent strategic, risk-focused management framework. Originally, the Bank planned to publish both plans in the year under review, but following a number of rapid developments in the regulatory environment (including the publication of the EBA Guidelines, Banking Directive Implementation and Bureaucracy Relief Act (BRUBEG)), this did not happen.

The plans do not cover embodied greenhouse gas emissions: because L-Bank does not have any material tangible assets other than its owner-occupied buildings, the Bank assumes that there are no significant greenhouse gas emissions of this kind.

Because L-Bank does not publish a consolidated management report, a transition plan will not extend to the non-consolidated subsidiaries in the upstream value chain, the technology parks.

L-Bank is under no external obligation to draw up a transition plan. The simultaneous introduction of CSRD, CSDDD and CRD VI, together with the EBA Guidelines and their national implementation via BRUBEG, has significantly expanded the regulatory requirements for transition plans and ESG risk plans. There is significant overlap between the two planning instruments: they require strategically consistent integration, cover similarly structured risk scenarios, and are increasingly being harmonised by EU initiatives such as the Omnibus (Simplification) Package. In aiming to achieve net greenhouse gas 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 or in other formats.

[E1-2] Policies related to climate change mitigation and adaptation

Sustainability strategy

L-Bank's sustainability strategy provides a framework for all the Bank's sustainability activities. It supplements and refines the business strategy with respect to sustainable development. The sustainability strategy is updated and published every year.

The sustainability strategy covers the following areas:

- Climate change mitigation.
- Climate change adaptation.
- Energy efficiency.

- Use of renewable energy.
- Other related issues.

L-Bank's sustainability strategy defines the Bank's strategic **sustainability targets**. It addresses the Bank's influence on climate change as well as its actions in support of climate change mitigation, forming the basis for the ongoing transformation of banking operations and the Bank's development and development aid business (portfolios). To do so, it sets strategic targets, a number of which have been operationalised using specific metrics (see E1-4).

In addition to emissions from L-Bank's own banking operations, financed emissions from the Bank's portfolios represent the most significant instrument for impacting the climate. Consequently, the Bank aligns its strategy with the following objectives:

- **Net greenhouse gas neutrality:** to make L-Bank as a whole climate-neutral, for which purpose L-Bank is working on a transition plan.
- **Development impact measurement:** to make the impact of the Bank's development activities on, among other matters, the environment and climate, fully transparent. Until such time as this objective has been implemented in full, the Bank manages its climate-related targets through its existing sustainability and risk strategies, the Climate Action Agreement with the federal state, and EMAS actions and initiatives.
- **Development products:** together with new development funding incentives for empowering and developing the competencies of companies seeking sustainable transformation, to develop and refine development products that support and encourage investment in sustainable projects.

L-Bank is committed to firmly embedding sustainability in its **corporate culture**. Sustainability-related aspects are regularly addressed by the Board of Management (see ESRS 2). L-Bank updates its sustainability strategy annually. The Bank also provides continuing education and awareness-raising programmes covering ecological, social and economic matters: on average, all

employees are expected to complete four hours of sustainability-related training per year. L-Bank assumes that employees' regular engagement with the topic is also embedding it in the Bank's corporate culture.

L-Bank has **policies and exclusion criteria** in place. The Bank uses industry sector screenings to analyse its portfolios with the aim of identifying energy-intensive companies for which the transition to a climate-neutral economy presents particular challenges. In new business, L-Bank excludes certain assets that are incompatible with the transition to a climate-neutral economy from its lending activities with the help of specific exclusion criteria. These exclusion criteria apply to non-programme-related development business. In the Bank's programme-related development business, the relevant programme terms and conditions take precedence.

The Bank's sustainability strategy guides L-Bank's actions in a wide range of areas (such as banking operations, capital market operations, development business). Because L-Bank does not publish a consolidated management report, the sustainability strategy does not extend to the non-consolidated subsidiaries in the upstream value chain, the technology parks. The latest version was adopted by the Board of Management on 6 May 2025. 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. Key elements of the Climate Change Mitigation and Adaptation Act include goals set for 2030 and 2040. The European Commission is working with European supervisory and regulatory bodies and other standards organisations on practical, real-world projects and policies for build-

ing 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 Klimawin BW (previously the 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 its 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 on the investment process for the securities investment portfolio.

Democratically elected representatives of the State of Baden-Württemberg sit on L-Bank's Supervisory Board, through which the Bank is closely connected to the federal state and civil society. The Supervisory Board decides on the Bank's strategic direction, including the sustainability strategy, thereby ensuring the democratic legitimacy of its actions.

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

During the year under review, L-Bank pursued its sustainability strategy by taking specific actions to improve climate change mitigation in its development business and further enhance transparency and measurability:

- With the **Sustainability Bonus**, L-Bank awarded an additional interest-rate reduction to companies that have made a commitment to improve climate change mitigation.
- L-Bank was reaccredited under the European Union's Eco-Management and Audit Scheme (**EMAS**), hence also recertified under ISO 14001.
- L-Bank further refined its **development impact management** system so that it can analyse the sustainability-related impacts of the Bank's development activities.

Sustainability Bonus

L-Bank used the Sustainability Bonus as a lever to incentivise decarbonisation by development programme clients. Firstly, the Bonus encourages transparency (submission of a carbon footprint audit). Secondly, it acts as an incentive to define practical, GHG emission-reducing actions (submission of a roadmap). Any Stage 3 companies awarded a development loan have successfully provided evidence of the actions they have taken so far to meet bonus-related criteria when making a repeat application for a loan with Sustainability Bonus. The Sustainability Bonus acts as an additional interest rate reduction, granted if the corporate borrower submits the required documentation upon taking out a development loan. The Sustainability Bonus presupposes that the applicant fulfils the criteria of the relevant development programme. The Bank has no plans to phase out the Sustainability Bonus. Other actions to remedy actual

climate-related damage were not required. L-Bank is unable to estimate the extent to which this action will reduce emissions in the future.

EMAS certification

L-Bank fulfils the requirements of the European Eco-Management and Audit Scheme (EMAS) and thus of ISO 14001. EMAS is a voluntary, cross-sector environmental management system that goes beyond statutory requirements. It combines certified environmental management with auditing and public reporting – underpinned by continuous improvement in environmental performance. The Bank uses EMAS to continuously manage and optimise its environmental impacts. Thus EMAS is an important building block for achieving the Bank's target of more or less total net greenhouse gas neutrality across its business operations by 2030.

EMAS certification is carried out by an independent, state-approved environmental auditor. It covers L-Bank and its various sites as a legal entity. In 2025, the State Winery in Karlsruhe-Durlach was also included in the scope of the audit: the winery is committed to the environmentally friendly production of high-quality wines. During the reporting year, the triennial reaccreditation audit was carried out. This ensures that the Bank not only meets statutory requirements but is demonstrably improving its environmental performance. This external audit is a core element of EMAS. No remedial actions were required as a result of the findings of this reaccreditation/recertification audit.

Among other things, EMAS certification requires that the Bank create an environmental programme specifying concrete actions for improving environmental performance. Thus far, the programme has not brought about any direct, quantifiable reductions in GHG emissions. At the present time, it is not possible to quantify future reductions of greenhouse gas emissions as a result of this action.

Enhancement of development impact management system (impact reporting)

L-Bank continued work on the methodological expansion of its development impact management system with the aim of analysing the many different impacts of its development activities. The analysis has not yet been completed. Based on a theory of change, the Bank formulated several impact chains that describe the relationships between resources used, activities undertaken and changes achieved. This is illustrated by the example of the Sustainability Bonus (see above): empowering companies to engage in sustainable transformation by drawing up decarbonisation plans. The impact chain is set in motion by the 'input' of development funding for companies that fulfil the prerequisites (submission of a carbon footprint audit or roadmap). With this, companies then generate the 'output', consisting of investment projects. The targeted reduction in carbon emissions per year can be calculated from the documentation submitted. These reductions represent the 'outcome' of the development funding. At a higher, society-wide level, this outcome represents a contribution to the overarching objective of climate change mitigation – hence is defined as an 'impact'. The subject of these impact chains is loan-based development funding and grant or subsidy programmes. In 2026, the defined metrics will be incorporated into a dedicated development impact report for the first time. No mitigation actions were required. The objective of creating a holistic development impact management system is firmly embedded in the Bank's sustainability strategy. Progress towards full implementation is regularly reported to the Board of Management and Supervisory Board.

To support the state government's development policy objectives, the Bank must first analyse the effects of its development programmes. The programmes are subjected to an ongoing evaluation process covering their economic, social and ecological relationships, and ultimately optimised as a result. This year, no direct GHG emission reductions were achieved, because quantifiability and controllability have not yet been implemented in the system. L-Bank is unable to estimate future emission reductions. The most important prerequisite for

achieving these goals is the ready availability of dependable, high-quality data – a major step towards enabling end-to-end transparency.

[E1-4] Targets related to climate change mitigation and adaptation

L-Bank has currently committed to the following targets in relation to climate change mitigation:

- To reduce emissions to net zero ('zero emissions').
- To create incentives for the climate-friendly transformation of companies and undertakings.

The State of Baden-Württemberg is pursuing a gradual reduction of greenhouse gas emissions with the aim of achieving **net greenhouse gas neutrality**. Support for actions and initiatives to protect the environment, mitigate climate change, and adapt to the inevitable consequences of climate change, is part of L-Bank's statutory development mandate. The Bank's strategic sustainability targets are embedded in its sustainability strategy. The details thereof – such as interim targets, potential offsets, carbon credits, etc. – as well as the definition of the baseline, were established as part of drawing up the transition plan (see E1-1). The targets are based on the federal state's policies and were not formulated by L-Bank on the basis of scientific research. They support the federal state's policy objectives and are compatible with the 1.5-degree target. L-Bank is pursuing its climate-related strategic targets: these include targets for total GHG emissions (Scopes 1–3) as well as incentives for clients to engage in climate-friendly transformation. The Bank reports these metrics annually (emissions) or quarterly (client-side transformation) in the strategy report submitted to the Board of Management and Supervisory Board. L-Bank is taking various actions to achieve its targets. In the reporting year, the Bank focused on improving data quality. Emissions generated as a result of the Bank's financial services to development clients – financed emissions – were first calculated in 2024 on the basis of exposure data collected in accordance with the PCAF standard (the Accounting & Reporting

Standard for the Financial Industry provided by the Partnership for Carbon Accounting Financials) (see E1-6). In 2025, data quality was further improved, for example by enhancing coverage rates for the asset classes analysed. For the first time, L-Bank conducted an employee survey in the reporting year to estimate emissions generated by employees' commuting behaviour (Scope 3 Category 7). This approach replaces the previous use of data averaged for Germany as a whole, thereby helping to improve data quality. The targets are not based on an analysis of the GHG inventory. It is currently not possible to quantify the overall contribution of the Bank's development business to achieving these targets. The Bank is not planning to use new technologies to support its emissions targets. L-Bank is working with the scenarios described in section E1-SBM-3.

Zero-emission targets

The Bank uses the VfU Environmental Metrics tool (VfU-Kennzahlen-Tool 2025 update V1.2) provided by 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 draw on industry-specific data for the various positions and exposures in each portfolio. Higher emissions are reported for the year under review as the result of a broader data set and improved data quality (see E1-6). Methodological

refinements relate in particular to financed emissions (Scope 3 Category 15), which are especially significant in view of L-Bank's business model.

L-Bank uses recognised sources and methodologies (VfU, PCAF). Calculations are partially validated by the environmental auditor (EMAS): the latter conducts sample checks of data on the consumption of, for example, electricity and district heating that affects the carbon footprint of banking operations. 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 undertaken a carbon footprint audit and/or drawn up a carbon roadmap as a proportion of all companies in receipt of development funding. It measures the extent to which L-Bank is incentivising companies and undertakings to take emission-reducing actions. Borrowers must show a neutral, external body that they are fulfilling the relevant requirements. During the reporting year, 19 percent of enterprise clients provided L-Bank with the requisite evidence. The number of companies that meet the requirements was 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 without these instruments.

	Zero-emission targets	Incentive for client-side transformation
Relationship of target to policy objectives	L-Bank aims to achieve net greenhouse gas (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 (within the meaning of net greenhouse gas neutrality)	20
Unit of measurement	CO ₂ equivalent (CO ₂ e)	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 of time (timeframe)	By 2040	By 2028
Interim targets	Targets for the years ahead: - 2030: for L-Bank's business operations - 2040: for L-Bank's portfolios (details to be defined in the transition plan)	Targets for the years ahead: - 2026: 17 percent - 2027: 20 percent
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 8: Targets related to climate change and climate change mitigation

[E1-5] Energy consumption and mix

L-Bank sources well over half of its energy from renewable sources. All energy sources and consumption figures are presented in the following table:

Total energy consumption in connection with own operations	2024	2025
Fossil energy consumption (MWh)	5,263	5,428
Share of fossil energy sources in total energy consumption (percent)	45	49
Nuclear energy consumption (MWh)	0	0
Share of nuclear energy sources in total energy consumption (percent)	0	0
Fuel consumption for renewable sources	0	0
Consumption of purchased or acquired electricity, heat, steam or cooling from renewable sources (MWh)	6,387	5,697
Consumption of self-generated non-fuel renewable energy (MWh)	0	0
Consumption of energy from renewable sources (MWh)	6,387	5,697
Share of renewable energy sources in total energy consumption (percent)	55	51
Total energy consumption (MWh)	11,650	11,125

Table 9: Energy consumption and mix

- Data on energy consumption is taken from utility bills, 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.

[E1-6] Gross Scopes 1, 2, 3 and total GHG emissions

L-Bank presents a comprehensive overview of its greenhouse gas emissions (carbon footprint measured in CO₂e) in the following table. In those emission categories for which no disclosures are made, a significance analysis showed that no significant emissions were generated. L-Bank has not yet set targets for Scopes or Categories. A broader data set and improved coverage mean that the Bank is in a position to report higher total emissions for the year under review.

The Bank determined its carbon footprint using the VfU methodology provided by the Association for Environmental Management and Sustainability in Financial Institutions (VfU) and the PCAF standard (see below).

Greenhouse gas emissions (tCO ₂ e)	Retrospective			Milestones and targets		
	2024	2025	Change	2030	2045	Base-year comparisons not yet possible
Scope 1 Greenhouse gas (GHG) emissions						
Gross Scope 1 GHG emissions	190.7	257.7	+35%			
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0	0	–			
Scope 2 GHG emissions						
Gross location-based Scope 2 GHG emissions	2,851.5	2,496.7	–12%			
Gross market-based Scope 2 GHG emissions	424.4	420.1	–1%			
Significant Scope 3 GHG emissions						
Gross Scope 3 GHG emissions	13,363,563.0	27,949,928.9	+109%			
3.1	Purchased goods and services	9,501.2	11,634.1	+22%		
3.2	Capital goods	804.5	1,081.5	+34%		
3.3	Fuel and energy-related activities (not included in Scope 1 or Scope 2)	502.7	507.1	+1%		
3.6	Business travel	9.0	163.3	+1,717%		
3.7	Commuting employees	1,729.1	1,504.6	–13%		
3.15	Investments	13,351,062.5	27,934,970.0	+109%		
Total GHG emissions						
Total GHG emissions (location-based)	13,366,695.2	27,952,683.3	+109%			
Total GHG emissions (market-based)	13,364,268.2	27,950,606.6	+109%			

Table 10: Greenhouse gas emissions (tCO₂e)

Actual, estimated or extrapolated data was used to calculate **total emissions**. 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, i.e. emissions from sources owned or controlled by the Bank.
- **Scope 2** includes indirect emissions, i.e. 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.

To calculate total emissions, L-Bank uses an accounting approach based on financial control. Since L-Bank does not seek to obtain a controlling interest through its lending activities, financed emissions are assigned to Scope 3 Category 15.

Emissions from the Bank's own banking operations (Scopes 1 and 2) and value chain (Scope 3 Categories 1 to 14 (where significant emissions exist in these categories)) were accounted for using the VfU Environmental Metrics tool (VfU-Kennzahlen-Tool 2025 V1.2). 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 reporting 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 ESRS. To identify significant Scope 3 categories, ESRS refers to the criteria proposed by the GHG Protocol for determining relevant Scope 3 activities. To select the

significance threshold, the Bank used the values proposed by the VfU tool. For weighting the parameters of the significance analysis, the Bank adopted the suggested VfU parameter weightings, with the exception of stakeholder claims and sector guidelines. The majority of these emissions originated in the value chain. Goods and services purchased externally (Scope 3 Category 1), which are accounted for using expenditure-based estimates, were the largest source of such emissions.

Material changes in Scopes 1, 2 and Scope 3 Categories 1–14 compared to the previous year

- **Scope 1:** reduced emissions from the vehicle fleet as a result of the ongoing transition to battery electric and hybrid vehicles were offset by higher consumption of refrigerants, fire extinguishing agents and natural gas.
- **Scope 3 Category 3:** an adjustment to VfU methodology meant that the Bank reported higher emissions from air travel.
- **Scope 3 Category 7:** in the reporting year, a survey of L-Bank employees was conducted for the first time to determine emissions generated by commuting employees. This approach replaces the previous use of averaged national data for Germany and helps to improve data quality.

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. L-Bank uses emission factors from third-party sources, examining annual reports and non-financial reports on a spot-check basis to validate data obtained from third parties.

Scope 3 Category 15 emissions and PCAF

For L-Bank as a financial institution, **financed emissions** are of particular significance. Consequently, the Bank focused here on further developing its data collection methodology. The level of emissions reported under Scope 3 Category 15 is significantly higher than in the previous year's report as a result of a broader data set and improved data quality. The basis for calculating emissions produced as a result of L-Bank's financial services to clients was exposure data as defined by the PCAF standard, Part A (Accounting and Reporting Standard for the Financial Industry issued by the Partnership for Carbon Accounting Financials).

The standard is based on the Global Greenhouse Gas Protocol and provides financial institutions with standardised methodologies for calculating financed emissions. L-Bank signed up to the PCAF initiative in December 2024. The standard distinguishes between ten asset classes in the portfolios of financial institutions. Of these, L-Bank considered the following **six asset classes as relevant:**

- (1) Listed equity and corporate bonds
- (2) Business loans and unlisted equity
- (3) Mortgages (in L-Bank's case: on owner-occupied residential properties)
- (4) Commercial real estate (in L-Bank's case: commercially operated residential properties)
- (5) Sovereign debt
- (6) Sub-sovereign debt

To analyse asset classes (1) to (5), the Bank used the December 2022 version of the standard; to analyse asset class (6), the Bank used the latest December 2025 version. Motor vehicle loans are excluded as irrelevant, as L-Bank does not offer vehicle financing. The Bank is reviewing the relevance of other asset classes against the new December 2025 version of the standard; so far, no appropriate data is available. Off-balance-sheet business activities were not taken into account. At present, the Bank has no separate methodology for analysing project finance, which is why only a small number of project finance entries appear in the

'Business loans and unlisted equity' asset class. L-Bank only provides development funding to clients in the construction industry for residential properties. PCAF classifies commercially operated residential properties in the 'Commercial real estate' asset class. L-Bank further developed its data management during the year under review, making commercially operated residential property reportable (asset class (4)). And in an additional development over the preceding year, L-Bank is now able to analyse more balance-sheet items using the newly introduced asset class (6), 'Sub-sovereign debt'. This new asset class was introduced by the updated PCAF standard released in December 2025.

In accordance with PCAF methodology, a share of the GHG emissions produced by counterparties is attributed to L-Bank, in proportion to L-Bank's reported share in the financing of the respective transactions. The calculation covers Scopes 1–3 of these business-related GHG emissions.

Total GHG emissions reported under Scope 3 Category 15 are calculated as the sum of all financed emissions associated with the relevant business transactions. In total, 84 percent (2024: 62 percent) of balance-sheet assets were covered by PCAF-compliant GHG accounting. This significant increase in coverage compared to the previous year is attributable to the use of the new 'Sub-sovereign debt' asset class, as well as improved coverage of the Bank's real-estate portfolio. Financed emissions are broken down by asset class in the presentation below. In addition to disclosing absolute GHG emissions financed by L-Bank (including a breakdown by Scopes 1–3), the economic GHG intensity per asset class is also shown. In the table below, economic GHG intensity is calculated as the ratio of GHG emissions (tCO₂e) to the associated share of revenue.

In fiscal year 2025, L-Bank's financed emissions came to a total of 27,934,970 tCO₂e. Proportionally, these include (market-based):

- Direct Scope 1 emissions: 14 percent.
- Scope 2 emissions: 1 percent.
- Scope 3 emissions: 85 percent.

L-Bank aims to achieve the highest possible data quality. Depending on the data used for the respective calculations, data is given a score ranging from 1 (highest data quality) to 5 (lowest data quality), in line with PCAF logic. Whenever GHG emissions data from business partners is available, it is used (data quality 1 and 2). For other forms of financing, figures are mostly approximated using the appropriate PCAF calculation models. The models draw on data relating to the business partner’s physical activity (data quality 3) or the GHG intensity in their respective sector (data quality 4 and 5). Industry sector averages (data quality 4 and 5) are used to approximate financed GHG emissions.

The average score for L-Bank’s financing portfolio as a whole is based on the mean score across the six asset classes under consideration, weighted by the outstanding amount of debt. The weighted average score across all asset classes is shown in Table 11. In general, L-Bank only makes use of estimated values where their sources are deemed to be valid. The Bank does not use unverified external estimates from data providers characterised by low data quality. For asset classes (1) and (2), a high proportion of verified primary data (from publicly available annual reports and sustainability reports, or

from the Bloomberg database) is used to calculate financed emissions. Here, the data quality is high (score less than 2). The proportion of Scope 3 Category 15 emissions with these high scores (1–2) is 83 percent. For asset classes (3) and (4), mortgage estimates are included in the calculation, so the score is significantly lower than for other asset classes. In the case of properties for which no relevant emissions data is held in the databases, the Bank applies the energy efficiency category that occurs most frequently. As data sources for asset classes (5) and (6), the Bank uses data from the World Bank, OECD and UNFCCC (United Nations Framework Convention on Climate Change), amongst others, in accordance with the PCAF standard’s recommendations.

L-Bank assumes that PCAF’s broad database and standardised calculation methods deliver reliable data. Over time, changes to the underlying data and methodologies may have an impact on the estimated results.

The following average scores weighted by outstanding amounts result for Scope 3 Category 15 emissions in the individual asset classes:

Asset class	Data quality score weighted by outstanding amount Scope 1	Data quality score weighted by outstanding amount Scope 2	Data quality score weighted by outstanding amount Scope 3
(1)	1.65	1.65	1.66
(2)	1.38	1.38	1.39
(3)	3.98	–	–
(4)	4.90	–	–
(5)	4.00	4.00	4.00
(6)	5.00	5.00	5.00
Overall score	2.77	2.50	2.50

Table 11: Data quality scores weighted by outstanding amount of debt, broken down by Scope

The following metrics were calculated for Scope 3 Category 15 emissions in each asset class:

Metric	Outstanding amount and coverage (EURk)		Scopes 1-3 in tCO ₂ e	Scope 1 in tCO ₂ e	Scope 2 in tCO ₂ e	Scope 3 in tCO ₂ e	Economic intensity of outstanding amount (tCO ₂ e / EURk)
Outstanding amount – total	77,363,927						
Outstanding amount – covered	77,363,927						
(1)	21,008,136		11,647,576	1,848,896	170,505	9,628,175	0.55
(2)	23,226,770		12,155,162	394,286	56,512	11,704,365	0.52
(3)	4,610,089		56,673	56,673	-	-	0.01
(4)	6,867,146		185,038	185,038	-	-	0.03
(5)	10,709,600	a	1,803,187	600,218	20,374	1,182,594	0.17
		b	1,869,568	666,599			0.17
(6)	10,942,185	a	2,087,333	841,365	11,808	1,234,159	0.19
		b	2,086,997	841,029			0.19
Total		a	27,934,970	3,926,476	259,199	23,749,295	
		b	28,001,014	3,992,520	259,199	23,749,295	

Table 12: Emissions and intensities by PCAF asset class
a) with LULUCF
b) without LULUCF

LULUCF, meaning Land Use, Land Use Change and Forestry, is defined as the ‘greenhouse gas inventory sector that covers emissions and removals of greenhouse gases resulting from direct human-induced land use’, including forests, agricultural land and settlements.

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. Overall, the figures reported for total emissions are significantly higher, because this year’s financed emissions (Scope 3 Category 15) were calculated on the basis of a broader data set and improved data quality. The comparison of GHG intensity per total revenue with the previous year’s figures should be viewed in the light of further methodological refinements; the Bank’s business model and revenue profile have not changed.

GHG intensity per total revenue	2024	2025	Change
Total GHG emissions per total revenue, location-based (tCO ₂ e/euro)	0.0049	0.0106	+116%
Total GHG emissions per total revenue, market-based (tCO ₂ e/euro)	0.0049	0.0106	+116%

Table 13: Greenhouse gas intensity

GHG emissions in the value chain are shown in the following table:

Emissions in the value chain (tCO ₂ e)	Upstream		Own operations		Downstream	
	2024	2025	2024	2025	2024	2025
Gross Scope 1 GHG emissions	-	-	190.7	257.7	-	-
Gross Scope 2 GHG emissions (location-based)	2,851.5	2,496.7	-	-	-	-
Gross Scope 2 GHG emissions (market-based)	424.4	420.1	-	-	-	-
Gross Scope 3 GHG emissions	12,591.0	14,958.9	-	-	13,351,062.5	27,934,970
Percentage of primary data used	4.0%		-	-	29.5%	41.8% (Score 1)
Total GHG emissions (location-based)	15,442.5	17,455.5	190.7	257.7	13,351,062.5	27,934,970
Total GHG emissions (market-based)	13,015.4	15,378.9	190.7	257.7	13,351,062.5	27,934,970

Table 14: Greenhouse gas emissions along the value chain

[E1-7] GHG removals and GHG mitigation projects financed through carbon credits

L-Bank annually offsets emissions outside its own value chain through the Baden-Württemberg Climate Action Foundation (Klimaschutzstiftung Baden-Württemberg), using carbon credits from a Gold Standard project. The offsets are always applied retrospectively to the year preceding the reporting year, in this case 2024 (796 tCO₂e). By taking this action, the Bank offset 6 percent of the emissions from its business operations in 2024 under Scopes 1 and 2 (market-based) and Scope 3 (excluding Category 15). At present, emissions are offset for strategic reasons, in accordance with the target of net-zero emissions by 2030. According to the Climate Change Mitigation and Adaptation Act, companies and undertakings may also offset unavoidable emissions in 2030 and beyond, and this is the principle applied by L-Bank. A rigorous, independent audit procedure has verified that the emission reductions achieved as a result of this project are either Gold Standard CERs (Certified Emission Reductions) or Gold Standard VERs (Verified Emission Reductions) and consequently meet the highest standards of additionality, transparency and positive sustainability impact.

The offsets supported the distribution of efficient stoves for affordable energy in Rwanda. Population growth in this East African country is driving increased demand for firewood, hence increased deforestation. The supported project is helping private households to switch to more efficient wood-burning stoves. Corresponding Adjustments (CAs) have been applied to the carbon credits, meaning that they can be properly retired (i.e. treated as emission reduction units at no risk of double counting).

The Bank cannot yet make further disclosures on offsets for 2025. To achieve the net-zero emissions target along the entire value chain, L-Bank is working on specific actions and initiatives as part of the transition plan (see E1-1). The use of carbon credits that comply with the internationally recognised Gold

Standard for offsetting emissions outside business operations will form part of this transition plan. The approach 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. No greenhouse gases were removed or stored by the Bank.

Social (S)

S1 Own workforce

L-Bank has identified the following material impacts and risks in relation to the Bank's own workforce.

Positive impacts

- **Secure employment:** secure (primarily permanent) employment in the region.
- **Compensation:** industry-standard remuneration based on collective bargaining agreements, applicable legislation or above-scale arrangements. The statutory minimum wage is always treated as an absolute floor.
- **Benefits:** broad range of voluntary benefits.
- **Social dialogue:** opportunities for co-determination in the workplace.
- **Employee representation:** all L-Bank employees are represented by Staff Councils.
- **Working conditions:** collective bargaining agreements or above-scale arrangements guarantee fair working conditions.
- **Health:** health is protected by occupational health and safety initiatives.
- **Fairness:** inclusive working environment based on equality, non-discrimination and active support for structurally disadvantaged groups.
- **Opportunities:** wide variety of fair, equitable professional development and career opportunities.
- **Inclusiveness:** inclusive working environment based on equality, non-discrimination and active support for structurally disadvantaged groups.
- **Privacy:** personal data is protected by suitable systems and policies.

Risks

- **Skills gaps:** lack of skills among employees increases costs, impairs efficiency, disrupts operational processes, causes errors and/or results in costly error rectification.
- **Shortage of skilled workers:** shortage of skilled workers due to poor employer reputation, high employee turnover, unsuitable qualifications.

[S1-SBM-2] Interests and views of employees as 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 and policies as tools for mitigating or avoiding negative impacts on its employees and generating positive impacts (see S1-1). L-Bank's **business strategy** takes account of employee interests. It enshrines the Bank's strategic goal: to build a positive corporate culture characterised by L-Bank's core values of respect, trust and job satisfaction for all employees. Furthermore, employees are actively involved in the Bank's organisational development as a planned, systematic, long-term transformational process. One of the resulting actions is the further development of employees to become transformation coaches (see S1-3): this role allows them to acquire knowledge of transformation processes and pass it on to their colleagues. 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 S1-1). Employees are also **involved** in personnel-related decisions through their legal representative, the Staff Council. In addition, employees can voice their opinions in a regular, 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 have resulted in practical follow-up actions such as the modernisation of the Bank's health centres (see S1-4). The next survey is scheduled for early 2026.

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

L-Bank employees are affected by the material impacts mentioned above. This includes all personnel who have employment contracts with L-Bank, representing the majority of the Bank's total workforce. The following explanations focus on those individuals who might be affected by material impacts. This does not generally include non-salaried employees. The latter are, however, included in explanations of the Bank's occupational health and safety approach (see 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 (privacy) policies (see G1).

L-Bank's **business model** is predicated on the employment of highly qualified staff. Most Bank employees work in an office environment at the Karlsruhe and Stuttgart sites. L-Bank's business strategy takes due consideration of this employee profile and aims to position the Bank as a modern organisation with a future-proof, state-of-the-art infrastructure, as well as an attractive employer for current and future employees (see further details of the Bank's personnel strategy in the following section). This should also help to mitigate the risk of a shortage of skilled labour.

No material **negative impacts** were identified. 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. The

(non-)availability of qualified staff poses a challenge for L-Bank. 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 a result of job profiles or locations. L-Bank is committed to protecting all employees from potential adverse impacts (see the remarks on protection against discrimination in S1-1).

[S1-1] Strategies and policies related to L-Bank's own workforce

The following strategies and policies help to manage potentially negative impacts on the Bank's employees and address workforce-related risks. They apply to the entire workforce unless otherwise indicated in specific cases (the personnel strategy, for example, only applies to salaried employees).

Respect for human rights

Respect for **human rights** is a core principle applying to all L-Bank's business activities as a publicly owned institution. L-Bank is directly subject to the relevant legal frameworks in Germany and Europe and complies in full with the relevant provisions. This framework includes in particular fundamental human rights under the German Federal Constitution, the General Act on Equal Treatment (AGG), the Occupational Health and Safety Act (ArbSchG) and Book IX of the Social Code (SGB IX) on the protection of severely disabled persons. In addition, L-Bank has established its own internal standards to ensure compliance with human rights prin-

ciples. These include the Bank's **Code of Ethics and Conduct** (see following section) and the State of Baden-Württemberg's **Public Corporate Governance Code** (see G1-1). L-Bank is a signatory of the **Diversity Charter**, a nationally recognised commitment to diversity in the workplace. Together, these rules and regulations reflect the key content of such international human rights standards as the Universal Declaration of Human Rights and the European Social Charter, for example with respect to the general principle of freedom from discrimination, adequate remuneration, and the limitation of working hours. This, despite the fact that the Bank has not signed up to any official international human rights standard such as the UN Global Compact or the OECD Guidelines.

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 in relevant matters (see S1-2). A standardised procedure exists for reporting and remedying possible human rights violations (see 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 and upholding a positive working environment free of unequal treatment and discrimination. The Code sets down binding guidelines, values and standards of conduct. Under the heading 'Nurturing good health', the Code includes the right to a safe, healthy working environment as well as the provisions of the ILO Occupational Safety and Health Convention (C155). Another important topic in the Code is 'Work-life balance':

support for family life is one of L-Bank's public duties – including the disbursement of, for example, family allowances. Accordingly, L-Bank believes that it also has a duty to support work-life balance in its own working environment. The Bank will oppose any conduct that contravenes the guiding principles outlined above. Other areas covered by the Code include, for example, legally impeccable behaviour, personal integrity, collaboration in a spirit of trust, and open communication. 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 it. The Bank is under no statutory obligation to draw up a code. The Code was produced in consultation with the Staff Council. It can be accessed by all employees via 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 risks that may affect the workforce. The personnel strategy defines the action areas for HR policies and sets out the measures 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 S1-4).

The HR strategy covers four action areas, which include defined activities. Of these activities, four have been successfully completed to date, 17 have successfully transferred to the main pipeline, and nine are in the process of being implemented. These include the following activities in each action area:

→ **Management and Leadership:** development and implementation of an in-house executive development programme; introduction of an assessment centre for filling management positions at head of department level and above; in-house refinement of career development models (specialist and management career tracks).

→ **Employee Experience:** introduction of a digital learning platform (L-Academy); expansion and improved transparency of existing compensation and benefits packages; establishment of a strong employer brand through Personnel marketing campaigns.

→ **Transformation und Change:** joint development of a shared vision and implementation of transformation projects involving managers and departments; intensification of Bank-wide communication and dialogue surrounding transformation.

→ **Processes and Structures:** conversion of currently analogue Personnel, Organisation & Transformation department workflows into user-friendly, 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 statutory 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. 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 attention to and raise awareness of the strategy.

Remuneration policy

All employees receive appropriate remuneration on the basis of the relevant legislation and regulations. L-Bank's remuneration strategy, including the resulting remuneration systems and parameters, is guided by the targets set out in the Bank's business and risk strategy, as well as its corporate culture. L-Bank pays fixed remuneration exclusively. The entire remuneration system is gender-neutral; any form of gender-based pay discrimination for the same or equivalent work is ruled out. Remuneration is based on an impersonal job evaluation, using job descriptions. Industry-standard pay levels are also taken into consideration: to recruit highly qualified personnel for specialist jobs in particular, the Bank may add market-based supplements. The majority of pos-

itions at L-Bank are assigned to pay grades, in accordance with the **collective agreement** (Manteltarifvertrag) for public-sector banks, based on the relative value of the activity concerned. An individual employee's remuneration is determined by their pay grade and non-discretionary level of seniority. Remuneration for positions in the **above-scale (non-collective) band** is based on a job evaluation system governed by a work agreement. Each above-scale position is evaluated against specific criteria, including knowledge, problem-solving requirements, communication, responsibility and managerial duties. Finally, L-Bank employs a small number of staff who are remunerated in accordance with the **State Pay Scale Act** (Landesbesoldungsgesetz).

The fixed remuneration system applies to all categories of staff (Board of Management, (deputy) heads of department, other above-scale salaried staff, and employees covered by collective agreements). Pursuant to the L-Bank Act, the Supervisory Board adopts the policies governing the Bank's terms of employment. The Board has set up a Personnel Committee and a Remuneration Control Committee as standing committees to assist Supervisory Board members with, in particular, the structuring and monitoring of the Bank's remuneration systems. The legal requirements governing L-Bank's remuneration systems are set out in Section 25 of the German Banking Act (KWG) and the provisions of the Regulation Governing Executive Remuneration at Institutions (InstitutsVergV). Key stakeholders are involved in the remuneration strategy: the State of Baden-Württemberg is represented through the Remuneration Control Committee (pursuant to Section 25d (12) KWG). At least once a year, the Personnel department submits a report to the Board of Management on the compatibility of the Bank's remuneration systems with its business and risk strategies. Finally, the Personnel department is involved as the responsible organisational unit. The remuneration structure is consistent across all levels, from the Board of Management to employees covered by collective agreements. The Bank's remuneration strategy, as well as all remuneration parameters across all pay grades, is readily accessible on the intranet at all times.

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.
- Bank-specific assessments of health hazards in the workplace.
- Implementation of protective measures.

There is a **health centre** on each of the Bank's two sites, offering a wide range of exercise options. 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 2025, for example, the Bank offered free Covid and 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 third-party service providers to comply with the relevant OHS provisions. The Board of Management has appointed an Occupational Health & Safety Officer. The Bank's existing OHS commitments are based on a number of German laws, including the Occupational Health and Safety Act (ArbSchG), Occupational Safety Act (ASiG), Social Code Book VII on Employment Accident Insurance (SGB VII) and Accident Prevention Regulations of the German Social Accident Insurance association (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.

Flexible working arrangements

L-Bank encourages work-life balance by offering greater flexibility in the organisation of working hours and working locations. L-Bank has established a flexitime framework within which employees can determine their own starting times, breaks and ending times. L-Bank also offers 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 commitments. 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 and is responsible for the relevant policies. Legal provisions are implemented as required, for example with respect to the protection of personal data (see 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.

Protection against discrimination

As a signatory of the **Diversity Charter**, L-Bank is explicitly committed to 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 and supporting equal opportunities, as well as 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. The Bank does not currently meet the statutory 5 percent requirement.

To continually remind the workforce of the importance of diversity and acceptance, and to raise awareness of protection against discrimination, L-Bank used the reporting year's **Diversity Day** as the opportunity to post an educational article on the intranet. To report possible cases of discrimination, employees may avail themselves of the channels referred to in section S1-2. These cases are processed in accordance with the procedure described in section S1-3.

[S1-2] Processes for engaging with L-Bank employees and workers' representatives about impacts

L-Bank offers its employees a wide range of options for expressing their views on personnel-related matters and in the event of complaints. These include:

- Direct contact with members of the Staff Council as employee representatives, or with special representatives of individuals with disabilities, or of young people and trainees.
- Direct contact with the Personnel department.
- Submissions to the Complaints Office in accordance with Germany's General Act on Equal Treatment (AGG).
- Direct access to managers.
- Anonymous whistleblowing system (see G1-1).

These channels can also be used to raise concerns about human rights violations. In this context, they each represent an initial point of contact for addressing and eliminating adverse impacts. All employees may also follow the procedure described in section S1-3.

The **Staff Council** (including the representative body for employees with severe disabilities) 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 by the Staff Council. Staff interests are represented by a Central Staff Council, responsible for handling issues across all Bank locations, as well as the representative body for employees with severe disabilities, and two local Staff Councils for dealing with site-specific issues. The workforce is updated on the work of the Central and local Staff Councils at regular staff assemblies on both sites. This includes details of how their feedback has been incorporated into Board decisions. The senior management team and the Staff Council work together in a spirit of trust for the benefit of all employees, in conformance with German legislation and collective

bargaining agreements. 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, the Chairs of the local Staff Councils, the Chair of the representative body for employees with severe disabilities, and the Chair of 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 relevant proceedings at an early stage; the Staff Council is updated, consulted or involved in associated decisions. Where the Staff Council has a right to co-determination, its feedback is 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 outsource 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. 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 views 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 L-Bank's own workers to raise their 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. Complaints can be submitted through various channels (see S1-2). Complaints are forwarded to the Social Welfare unit for processing. The Social Welfare unit seeks to clarify the facts of each case, for example by holding interviews with 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, or the Legal department is asked to intervene. There is no standardised review of outcomes.

L-Bank provides employees with the channels described in section S1-2 for raising their concerns or discussing their needs with the Bank. Beyond this, there is no specific procedure for handling employment-related complaints. The Bank supports the availability of the above-mentioned channels inasmuch as they are firmly established: for example, each and every employee is assigned a dedicated contact person in Personnel. Prior to the annual staff assemblies, questions may be submitted anonymously.

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 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 (complaints), 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 managing material risks related to L-Bank's own workforce, and effectiveness of these actions and approaches

L-Bank has taken various actions to prevent material negative impacts on the Bank's employees. Remedial actions were not required.

In the reporting year, these actions consisted primarily of the following:

- The **personnel strategy** was revised and resulting actions implemented on an ongoing basis.
- The Bank intensified the holistic development of its organisation through **transformation coaches**.
- Employee skills and competencies were managed and expanded through systematic **training and continuing education**.
- The **health centre** on the Karlsruhe site was modernised.
- A newly launched **employer brand** aims to support the recruitment of new employees.

Revision of the personnel strategy

In 2025, for the ongoing preservation and improvement of its working environment, the Bank kicked off an in-depth revision process for its personnel strategy, which was still ongoing at the reporting date. In the second half of the year, the Bank conducted a stakeholder analysis of its personnel activities. Qualitative interviews with individuals inside and outside the Bank served to identify the current and future HR activities required. In October, a trend analysis workshop was held. In addition, cross-departmental strategy days and a department-wide strategy day were organised with the aim of adjusting and realigning the Bank's personnel strategy.

The overall realignment of the personnel strategy is intended as a response to the constantly changing conditions in which the Bank operates; consequently, it is an iterative process without a specified end date. This update was not expected to eliminate specific adverse impacts that occurred in the reporting year, but represents part of the realignment of the Personnel department initiated in 2022 with the aim of focusing on organisational development and sustainability. The Bank has opted not to make disclosures on the use of associated financial resources.

The Bank has not defined any measurable, outcomes-oriented targets for the personnel strategy 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.

Transformation coaches

In 2023, a total of 36 employees were trained as transformation coaches. During the year under review, another 12 transformation coaches were added to the team. The focus was on the increased self-organisation of the network and the growing effectiveness of transformation coaches within their departments and across the Bank as a whole. Increasingly, they are now establishing themselves as points of contact for all employees. When changes are being implemented in their respective departments, they are available to contribute their expertise and thereby help to support the Bank's transformation processes.

Cross-departmental network meetings and inspirational sessions were held throughout the reporting year. No end date has been specified for the deployment of transformation coaches.

By supporting in-house transformation through transformation coaches, L-Bank aims to ensure that the various change processes are kept as free of adverse 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 in Housing Development. There is no quantitative monitoring of progress. The Bank has not defined any measurable, outcomes-oriented targets for this action, and 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.

The Bank has opted not to make disclosures on the use of associated financial resources.

Training and continuing education

L-Bank's training and staff development programme provides employees with many different opportunities for professional and personal development. It systematically supports young talent and equips skilled workers with the knowledge and competencies they need to carry out their duties efficiently. A number of actions were taken during the reporting year.

→ **Development of junior talent:** in close collaboration with the Baden-Württemberg Cooperative State University (Duale Hochschule Baden-Württemberg – DHBW) and the federal state's Chamber of Commerce and Industry (IHK), L-Bank offers students work-study places in the fields of Business Administration for Banks, Computer Science and Business IT. L-Bank offers pupils with a secondary school (Mittlere Reife) leaving certificate vocational training opportunities in IT, specialising in Systems Integration. Other training opportunities include the Bank's trainee programme, as well as work placements and internships.

→ **Part-time degree courses:** employees who, on their own initiative, decide they would like to study for a part-time degree – such as a master's degree – have the option of pursuing their studies with L-Bank's support.

→ **Internal offerings:** all employees have access to the continuing education catalogue, which offers a comprehensive range of in-house, interdisciplinary CPD courses. These cover five key areas: Cooperation & Collaboration, Transformation, IT Applications, L-Bank's Development Mandate, and Workplace Practices.

→ **External offerings:** in addition, all employees have the opportunity to attend specialist or cross-disciplinary seminars and events offered by third parties. L-Bank also supports coaching, language training, team development initiatives and much more.

→ **Sustainability-related professional development:** L-Bank offers a dedicated training programme on sustainability for all employees. This includes, for example, project days and courses from the continuing education catalogue.

→ **Management development programme:** the newly developed management development programme launched at the end of 2025 focuses specifically on the management competencies defined in L-Bank's leadership concept, thus making a significant contribution to the development of a responsible, sustainable management culture.

The above programmes provide all employees with access to training and/or professional development. 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 has opted not to make disclosures on the use of associated financial resources.

The target for the reporting year was four sustainability-related professional development hours per employee. This target was achieved. The Bank has not defined any measurable, outcomes-oriented targets for future actions. 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.

Modernisation of health centres

The two health centres are facilities offering a range of preventative and proactive options for maintaining and developing health and fitness. L-Bank started to modernise both facilities during the reporting year. The refurbished fitness areas are open to all employees. The health centre at the Karlsruhe site was the first to be modernised, and was completed at the end of the reporting year. The Stuttgart site will undergo similar modernisation in early 2026.

The modernisation project includes new training equipment and improved interior design. The project took suggestions from the 2024 employee survey into account. The intended outcome is a more attractive, more accessible range of sporting activities that will help to motivate even more staff to work on their health and overall performance.

The Bank has opted not to make disclosures on the use of associated financial resources. No measurable, outcomes-oriented target was defined for this initiative.

Launch of employer brand

The objective of L-Bank's Employer Branding project is to establish the employer brand launched last year. With respect to in-house employees, the aim is to strengthen identification with L-Bank as an employer and thereby improve employee retention. Externally, the aim is to raise awareness of L-Bank as an employer in the relevant target markets to facilitate the recruitment of new employees. Ultimately, this should ensure that L-Bank can secure well-qualified employees even when there is a shortage of skilled labour. With this in mind, the Bank launched a new campaign in May, using the slo-

gan 'GEMEINSAM' (Together) and the tagline 'Wir für Hier' (We're all about here). The advertising campaign targeted prospective new employees. The campaign focused primarily on relevant social media channels, but also used poster and banner ads in public spaces, for example on digital advertising displays in metro stations, in a video clip as part of the Karlsruhe Castle light show, and as a giant poster on the L-Bank building in Stuttgart. The Bank will continue to run these HR marketing campaigns for the indefinite future, steadily developing them in the process. L-Bank is aiming to maintain or increase the volume of job applications in the future; no quantitative target has been set.

The Bank has opted not to make disclosures on the use of associated financial resources. No measurable, outcomes-oriented target was defined for this initiative.

Other actions or initiatives to prevent or mitigate negative impacts or achieve positive impacts on the Bank's workforce

L-Bank offers employees a range of benefits as – in part, voluntary – additional services.

- Occupational health and safety (OHS) practices serve to protect employees from health hazards arising at or through work. The **Occupational Safety Committee** held four meetings during the year under review. 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 regularly checks whether the Bank is complying with the relevant occupational safety regulations and standards. An on-site revalidation audit was carried out in the reporting year at both Karlsruhe and Stuttgart: no non-conformities were identified (see E1-3).
- L-Bank offers employees two freshly prepared meal options a day, as well as a wide selection of baked goods, fruit and snacks in its own **staff restaurants** and cafeterias. Coffee and tea are available free of charge.
- Employees may claim a subsidy towards a **Deutschlandticket** (nationwide travel pass) or a corporate

travel pass. L-Bank also provides a **company bicycle leasing** scheme. Cyclists can also take advantage of on-site bicycle storage facilities, changing rooms and showers, as well as charging stations for e-bikes.

- L-Bank offers employees an **occupational pension scheme** for their retirement after an active working life. This is a securities-based pension scheme financed by employees through deferred compensation. L-Bank matches individual deferred-compensation contributions. In certain conditions, employees may also receive an annual bonus.
- To encourage solidarity and teamwork, **team events** may be held in staff leisure time. The focus here is on fostering team spirit and helping colleagues to get to know each other. L-Bank makes an annual contribution to these events.
- L-Bank helps employees to balance work and family life by providing a **childcare allowance**. A **parent-and-child office** is also available in both Karlsruhe and Stuttgart in case childcare arrangements should unexpectedly fall through at short notice.

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. To avoid adverse impacts, the department adapts the personnel strategy and actions specified in it 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 update 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. Possible long-term positive outcomes for the workforce within the meaning of the CSRD Directive were not recorded.

As an employer, L-Bank uses a full 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 adverse impacts on employees.

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). Inadequate skills profiles could result in harm to L-Bank, so the Bank's personnel and remuneration strategies address this risk. For example, the new employer brand was launched as a remedial action. The brand is intended to make qualified personnel aware of the Bank as an attractive employer, and to retain existing L-Bank employees. The Bank also relies on a broad range of training and professional development activities to make the most of potential talents within the organisation.

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 or data use. L-Bank has not identified any adverse 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 (see chapter G1).

The Bank has not identified any adverse 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 fed-

eral state's goal of becoming net greenhouse gas-neutral by 2040. L-Bank is supporting this development by organising systematic, in-house sustainability-related training programmes. The Personnel, Organisation & Transformation department has been entrusted with the actions and initiatives described above and is staffed accordingly. For the most part, the Staff Representation function (including the Training and Social Welfare units) and Staff Development function were engaged in these activities, with a total of 31 dedicated staff as at year-end. No budgets have been allocated to specific policies or actions.

[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. At present, L-Bank assumes that the

existing set of policies, actions and processes is sufficiently suited to managing workforce-related impacts and risks. The Bank will review the need to define additional targets in the middle of the year, as a routine part of the strategy process.

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). The results of the 2024 survey were published on the intranet and broadly discussed with the workforce and Staff Council at departmental events.

The results of the employee survey at the end of 2024 are treated as the baseline. No new survey was conducted in 2025; the next survey is scheduled for the first quarter of 2026.

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	To improve Employee Commitment Index annually across all departments.
Absolute or relative target; unit of measurement	Relative target; 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	61
Base year	2024
Timeframe for reaching target	2030
Milestones or interim targets	Target values for the years ahead: - 2026: 64 - 2028: 66 - 2030: 68 - 2027: 65 - 2029: 67
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 15: Target in relation to Bank's own workforce

[S1-6] Characteristics of L-Bank’s employees

Year	Female	Male	Other / Not specified	Total
	Number of employees (headcount)			
2024	922	720	0	1,642
2025	992	753	0	1,745
	Number of permanent employees (headcount)			
2024	726	581	0	1,307
2025	758	613	0	1,371
	Number of fixed-term employees (headcount)			
2024	196	139	0	335
2025	234	140	0	374
	Number of employees with no guaranteed hours (headcount)			
2024	4	3	0	7
2025	2	3	0	5
	Number of full-time employees (headcount)			
2024	519	631	0	1,150
2025	564	653	0	1,217
	Number of part-time employees (headcount)			
2024	403	89	0	492
2025	428	100	0	528

Table 16: Number of employees, broken down by gender and type of contract

Disclosures on **personnel structure:**

L-Bank does not employ any staff outside Baden-Württemberg. 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 degree courses, working students, temporary employees 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. Casual workers at the Karlsruhe-Durlach State Winery are treated as ‘on-call workers’, employed on contracts without a fixed number of hours. The workers are available as required; the winery is not obliged to guarantee a minimum number of working hours. The Bank’s in-house data collection has been adjusted to reflect this definition, meaning that casual workers from the previous reporting year are retroactively included in this year’s report; the figure in last year’s report was 0.

- 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 themselves. 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.

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.

Disclosures on staff turnover:

In the reporting year, 99 employees left the Bank (2024: 91) . The turnover ratio was 5.8 percent (2024: 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.

[S1-8] Collective bargaining coverage and social dialogue

The proportion of all L-Bank employees covered by collective agreements was 71 percent. (2024: 74 percent).

- Collective bargaining coverage is calculated as the number of employees covered by collective bargaining agreements relative to the total number of L-Bank employees.
- 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.

All data is recorded on personnel registration forms and stored in the personnel system.

Coverage ratio	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)	
	2024	2025	2024	2025	2024	2025
0–19%						
20–39%						
40–59%						
60–79%	Germany	Germany				
80–100%					Germany	Germany

Table 17: Collective bargaining coverage and social dialogue

→ The ‘Social dialogue’ metric includes all L-Bank employees. L-Bank maintains offices exclusively in Germany. Employees are represented by Staff Councils at the Bank’s Karlsruhe and Stuttgart sites. At present there is no agreement covering employee representation by a European Works

Council, a Societas Europaea (SE) or a Societas Cooperativa Europaea (SCE).

- 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	2025
Number of women at top management level	10	10
As a percentage	37	38
Number of men at top management level	17	16
As a percentage	63	62
Number of people with ‘diverse’ gender identities at top management level	0	0
As a percentage	0	0
Total	27	26

Table 18: Gender distribution at top management level

Distribution of employees by age group	2024	2025
Employees: under 30 years of age (headcount)	296	326
As a percentage	18	19
Employees: 30–50 years of age (headcount)	772	840
As a percentage	47	48
Employees: over 50 years of age (headcount)	574	578
As a percentage	35	33

Table 19: 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 L-Bank employees receive appropriate remuneration in line with applicable reference values (statutory minimum wage; Collective Agreement for German Public Banks (TVöB); see 'Remuneration policy' in S1-1). The lowest collective pay (excluding interns, trainees and apprentices, holiday workers) is based on the collective agreement. It corresponds to pay grade T1/1 and, in the case of full-time employment, covers 13 monthly salary payments per year of service, totalling EUR 34,190.

[S1-14] Health and safety metrics

Health and safety	2024	2025
Proportion of employees covered by an occupational health and safety scheme that complies with legal requirements and/or recognised standards (as a percentage)	100	100

Table 20: Health and safety coverage ratio

- This metric refers to L-Bank's entire workforce (headcount: 1,745) (see 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.

Recordable work-related accidents	2024	2024 (revised)	2025
Number of recordable work-related accidents	9	6	12
Ratio of recordable work-related accidents (as a percentage) (recordable accidents per million gross hours worked)	3.09	2.06	3.88

Table 21: Recordable work-related accidents

- L-Bank applies the definition of work-related accidents set out in Section 8 SGB VII, which also includes commuting accidents. For reporting purposes, L-Bank applies the definition set out in Accident Prevention Regulation 1 of the German Social Accident Insurance association (DGUV 1): recordable accidents are those resulting in an inability to work for more than three calendar days or else in death.
- The ratio is calculated as the number of recordable accidents as a proportion of the total number of all commuting or work-related accidents. The number of recordable accidents in 2024 was retrospectively reduced by three. The original report included two accidents that took place during workplace sports activities or in sporting environments that do not need to be recorded. The third correction relates to a non-recordable accident in a home office. It will often happen that accidents are initially classified as recordable for precautionary reasons, with their status open to revision once the facts have been reviewed in more detail.
- 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, which came to 3,096,081 (2024: 2,916,191).
- Figures are calculated internally by L-Bank and are not validated by an external body.

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

	2024	2025
Gender pay gap (as a percentage)	15.1	15.3

Table 22: Pay gap

- This metric is calculated as the difference between the median gross hourly pay of male and female employees relative to the median gross hourly pay 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.

	2024	2025
Compensation ratio (as a percentage)	13.34	12.79

Table 23: Compensation ratio

- This metric is calculated from the annual total remuneration of the highest-paid individual relative to the median annual total remuneration of all L-Bank employees excluding the highest-paid individual.
- 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) and thus corresponds to all financial benefits and benefits in kind (including pension benefits) received by a typical employee in 2025 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 num-

ber 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

As set out in the Bank’s Code of Ethics and Conduct (see S1-1), L-Bank is committed to providing equal opportunities for all employees, and to ensuring that all members of the workforce interact with each other in a spirit of tolerance and respect. The Bank does not tolerate any form of discriminatory or harassing behaviour. Consequently, the Bank gives all employees access to the channels described in S1-2 for reporting suspected cases of discrimination, making complaints, raising concerns or reporting serious human rights violations.

These channels include the Bank’s anonymous whistleblowing system, accessible at all times via the intranet home page. This enables L-Bank employees to report suspected incidents easily and anonymously. L-Bank encourages its employees to use the whistleblowing system – by issuing, for example, ticker updates over the intranet – so that suspected incidents can be properly handled with the involvement of the Social Welfare unit. The various reporting channels also include direct contact with the Personnel department or Staff Council. One complaint was made to the Personnel department during the reporting year, which was handled by the Social Welfare unit. The complaint, made by an individual, included an allegation of discrimination on the grounds of ethnic origin, gender and sexual orientation. To clarify the facts, interviews were organised involving line managers, the Personnel Officer, the Head of Worker Representation, the Head of Personnel and the relevant Staff Council. The allegations made could not be substantiated. The case was closed without any financial penalties being imposed on L-Bank.

Human rights	2024	2025
Number of incidents of discrimination, including harassment, recorded over the reporting period	0	0
Number of complaints filed through the channels for raising concerns available to L-Bank employees	0	1
Number of severe human rights incidents associated with the Bank's workforce	0	0
Total amount paid out in fines, penalties and compensation for damages as a result of the incidents described above (in EUR)	0	0

Table 24: Disclosure of key metrics related to human rights

- L-Bank records those cases that were handled by the Social Welfare unit over the reporting period. The following criteria apply to the count:
 - Number of recorded incidents of discrimination, including harassment: the count includes incidents that are recognised as such following investigation by the Social Welfare unit or by external bodies (such as courts of law).
 - Number of complaints filed through the channels for raising concerns available to the Bank's own employees: the count includes all complaints relating to discrimination and/or harassment that reach the Social Welfare unit.
 - Number of severe human rights incidents associated with the Bank's own workforce: the count includes reported cases of discrimination and harassment that are considered so severe as to affect fundamental human rights.
- Incidents are recorded on the assumption that employees are aware of the generally accessible channels and use them to report relevant incidents and submit them to the Social Welfare unit.
- 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 business conduct.

Positive impacts

- **Culture:** the Bank's corporate culture creates a working environment that improves employees' feelings of wellbeing, motivation and job satisfaction.
- **Compliance:** the Bank acts as a role model for the federal state's business community by avoiding corruption thanks to a fully functional compliance management system.

Risks

- **Money laundering:** financial losses as a consequence of money laundering, terrorist financing or other criminal acts.

[GOV-1] The role of the Board of Management and Supervisory Board with respect to business conduct

The fundamental orientation of L-Bank's business conduct is based on the political premises and policies of Baden-Württemberg's state government: 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. 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 Chair of the Board of Management (CEO) 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.

To perform these duties, Board of Management members have, in addition to specialist **expertise**, many years of experience in corporate governance. 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 at all times, the Bank has put processes in place for regular and ad-hoc aptitude assessments:

- The Personnel Committee is responsible for assessing the aptitudes of Board of Management members. The assessments are based on various criteria, for example whether Board 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 as for Board of Management members.

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 artificial intelligence, communicating and ensuring risk-bearing capacity, and other topics. 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).

[G1-1] Business conduct policies and corporate culture

In terms of responsible business conduct, L-Bank's corporate vision is reflected in the Bank's **Code of Ethics and Conduct**, which codifies the Bank's fundamental rules and standards of conduct and behaviour. These include compliance with legal and regulatory requirements, combating and prevention of money laundering, corruption and other criminal offences, and the importance of working together in a spirit of respectful, non-discriminatory partnership (see S1-1). Core policies for actions, as well as operational processes and workflows, are also set out in binding form in the Bank's **written policies and procedures**, to which all employees have access via the Bank's intranet. To assess the Bank's corporate culture, L-Bank conducted an employee survey towards the end of 2024 (see S1-5), the findings of which were used to formulate responses and actions in the year under review.

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 good, 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 good, responsible corporate governance. These 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

L-Bank also aims to reduce risks and avert negative impacts by systematically cultivating the Bank's in-house risk culture. This includes procedures for supervising L-Bank's risk culture and remedying any deficiencies which may be identified. The corresponding policy explains the understanding of risk culture as practised at L-Bank. It defines and describes the operationalisation of the Bank's risk culture and its connections in a series of steps and topical areas reflected in, among other things, 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 encouragement of risk-aware behaviour, the consistent compliance of all employees with the Bank's clearly communicated risk appetite, employees' responsibility for their actions in relation 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 of 27 October 2017) and further refined in the eighth MaRisk amendment (circular 06/2024 of 29 May 2024). The further development, management, monitoring, cultivation and integration of an appropriate risk culture within the Bank are all covered in MaRisk AT 3 and, with particular reference to the Code of Conduct, in MaRisk 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 pro-

cesses, as well as the allocation of remits, competencies and responsibilities. In addition, the Financial Stability Board has developed four indicators for assessing and developing an appropriate risk culture, by which L-Bank is guided. These include:

- Leadership culture (Tone from the Top)
- Employees' responsibilities (Accountability)
- Open communication and critical dialogue (Effective Communication and Challenge)
- Appropriate incentive structures (Incentives)

The Board of Management was involved in drawing up the risk culture policy. Employees were also involved through an online survey on the current status and ongoing development of the Bank's risk culture. The results have been made available to all employees. On this basis, the various components of the Bank's risk culture have been disseminated throughout the Bank via multiple communication channels, including a dedicated section on the intranet. During the reporting year, the topic was also addressed in the staff blog on the intranet. This demonstrated, for example, how selected methods can be useful for implementing risk culture in the Bank's day-to-day business.

Compliance and prevention of criminal acts

As a credit institution, L-Bank is very aware of the sector-specific risk of potential fraud affecting lending departments in particular. The Bank has procedures in place for immediately, independently and objectively investigating incidents related to corporate governance.

The **Governance & Compliance** department works with the Anti-Money Laundering unit to implement effective procedures for complying with the statutory and regulatory provisions that are materially relevant 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. Instances 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 in accordance with the German **Whistleblower Protection Act** (Hinweisgeber-schutzgesetz), 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. Two reports were submitted during the year under review. Neither qualifies as a report within the meaning of the Whistleblower Protection Act. Nevertheless, the reports were internally forwarded to the responsible units (the Personnel department and Anti-Money Laundering unit respectively), where they were processed. Whistleblowers are protected under the terms of the German Whistleblower Protection Act: it is strictly forbidden to obstruct or attempt to obstruct reports or communications between a whistleblower and the reporting centre following 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. All 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 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 G1-1). In addition to this codified set of values, other more detailed elements, regulations and process descriptions are specified in the Bank's internal guidelines (policies). The most important of them are described below.

Organisation and reporting mechanisms

Multiple departments are entrusted with the prevention, detection and combating of 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 departments with advice on processes and implement the necessary controls for such processes.
- The Compliance function, which forms part of the Governance & Compliance department, provides the Board of Management with a quarterly **report on non-financial risks** covering the 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.

- 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, as well as on compliance with restrictive actions (sanctions compliance). Conclusions by the above-mentioned working group 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, **Internal Audit** 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 Board of Management and Supervisory Board.

Procedures and policies

Material procedures and policies are used to avoid conflicts of interest and 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 this, powers of authorisation are clearly defined in and governed by an internal policy.
- To prevent corruption, there are clear rules governing how **gifts and benefits are accepted and granted**. 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.
- The Bank's **securities compliance policy** implements the provisions of the German Securities Trading Act (WpHG) and Regulation (EU) 596/2014 (EU Market Abuse Regulation – MAR). These include, among other provisions, the maintenance of an insider list, the obligation to report and publish managers' own transactions, the publication of insider information, and the reporting of any suspicious activity.
- The policy also includes L-Bank-specific rules for monitoring **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 (see GOV-1).

L-Bank includes its entire workforce 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, sanctions and embargoes, 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 (most recently in 2025). The Anti-Money Laundering unit organises the online training course and keeps track of 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, was 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 (see G1-GOV-1).

[G1-4] Confirmed incidents of corruption or bribery

During the reporting year, L-Bank was not convicted of any violations of anti-corruption or anti-bribery laws and regulations, and no fines were imposed for such violations.

L-Bank takes various actions to address violations of procedures and standards for combating corruption and bribery. These include in particular a comprehensive training programme covering the topics (content) set out below.

Training content – Number of participants – Frequency – Mandatory or voluntary participation		
Training coverage	Workforce (incl. Board of Management)	
	2024	2025
New employees in total	324	320
Total who attended training courses	321 (three new employees hired in December 2024 attended training courses in January 2025)	314 (six new employees hired in December 2025 attended training courses in January 2026)
Delivery method and duration		
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); every two years	Approx. 2 hours and 35 minutes (total)	
Voluntary computer-based training	As required	
Frequency		
How often is training required?	Classroom training for new employees, plus computer-based training every two years (mandatory)	
Topics covered		
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 25: Overview of training courses as actions for combating corruption and bribery

→ A record was kept of people taking part in the training courses. Target groups are defined in cooperation with the Personnel department, for example when onboarding newly recruited employees. The latter are invited to attend the training courses by

e-mail. The Bank assumes that all employees are contactable in this manner.

→ Figures are calculated internally by L-Bank and are not validated by an external body.

Communicating the Bank's risk culture

Preventative measures also include the ongoing consolidation of the Bank's risk culture as a vital component of its corporate culture. As an example of the resulting communication initiatives, L-Bank employees were informed about various aspects of the Bank's risk culture in a series of intranet posts during the reporting year, making them more aware of how risk culture works in practice. Some of the topics covered included open communication, leadership culture and the individual responsibilities of each employee. During the 'Cyber Security Month' campaign, on-site events were held in Karlsruhe and Stuttgart, with multiple Deep Dive sessions featuring presentations by internal and external speakers on various topics, including risk culture.

The entire workforce is able to access risk culture information on the Bank's intranet. Reach is measured by counting the number of views per posted article and the number of impressions of the risk culture intranet page. Articles were posted throughout the year, and the Bank intends to continue the campaign in future years; no final date has been set. The communication initiative was preceded by an employee survey in 2024, which showed that employees were not sufficiently aware of certain aspects of the Bank's risk culture. While no specific negative impacts had resulted from this lack of awareness, the Bank nevertheless identified a need to strengthen its risk culture in order to avoid adverse impacts or exposure (to, for example, compliance risks) in the future. The Bank tracks the reach of intranet posts; over the reporting year, the average number of views was 552. Statistically, this means that they were seen by just under one in three members of the workforce. The information events held during the campaign month were attended by an estimated 150 employees. No disclosures were made on the use of associated financial resources. L-Bank's objective is to ensure that all employees are familiar with the various aspects of risk culture, so it aims to achieve high participation rates during campaign months and high click-through rates for intranet posts. However, the Bank has not set any quantified targets.

[G1-MDR-T] Confirmed incidents of corruption and bribery

No specific targets have been defined.

Sector and Bank-specific disclosures

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 proper business conduct is assured. The management approach to the prevention of money laundering and terrorist financing implemented and supervised by the Board of Management applies to L-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.

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 configuration and implementation of IT monitoring systems.
- Risk-based actions to safeguard the reliability of employees.
- Reviewing the principles and procedures mentioned above in an independent inspection wherever 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, sanctions and embargoes, securities compliance and data protection, and information security. Depending on the employee's role, further mandatory training is given at regular intervals. No specific targets, actions or metrics are available above and beyond the training figures provided (see G1-4).

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, including 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 and the German Federal Data Protection Act), 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. 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 and 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 is sufficient to safeguard 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. 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.

No specific targets, actions or metrics have been defined.

Karlsruhe, 3 March 2026

Edith Weymayr
Johannes Heinloth

Dr Iris Reinelt

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 2025 to 31 December 2025, drawn up to comply with Sections 289b to 289e HGB, as well as Section 340a (1a) HGB.

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 2025 to 31 December 2025 has not been prepared, in all material respects, in accordance with Sections 289b to 289e HGB and Section 340a (1a) HGB.

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.

According to the IDW publication of 19 December 2025, the IDW Circular of 16 December 2024 remains in force, without changes. Consequently, the principles set out therein, as well as the corresponding model wording in Section 5, continue to apply to the 2025 reporting year.

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 analytical audit procedures and 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.

Restriction of use/clause on general terms of engagement

This assurance report is addressed to Landeskreditbank Baden-Württemberg – Förderbank –, Karlsruhe, and is intended solely for this institution.

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). 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, 3 March 2026
 KPMG AG
 Wirtschaftsprüfungsgesellschaft

Protze	Peter
Public Auditor	Public Auditor

Report of the Supervisory Board

During fiscal year 2025, the Supervisory Board and the committees set up by the Board discharged the duties assigned to them by law and by the Bank's Statutes 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 2025, including one meeting held off-site. The Board members monitored the orderly conduct of the Bank's business in three Ordinary Meetings. For this purpose, pursuant to the relevant statutory provisions and to the policies set out in the Bank's Statutes 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 2025. The Members of the Supervisory Board were informed of the risk situation, non-financial risks, 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 BaFin audits conducted pursuant to Section 44 of the German Banking Act (KWG) on the Bank's use of information technology (2023) and the Bank's procedures for determining and ensuring its risk-bearing capacity (ICAAP, 2025).

Among other issues, the Supervisory Board's Spring Meeting focused on the adoption of the 2024 financial statements and the reimbursement of administrative costs associated with Covid-related aid programmes.

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.

At the Autumn Meeting, the Supervisory Board approved the Bank's risk strategy as well as the new strategy for non-financial risks associated with digital operational resilience (DOR) and ICT third-party risk management (TPRM). The Supervisory Board also took note of the Bank's development contribution plan for 2026 and approved the economic plan for 2026. The Board took note of the results of the aptitude assessments of key function holders as well as the results of the annual questionnaire assessing Board of Management members pursuant to Section 25d (11) KWG.

Between meetings, a number of urgent decisions were taken by written circular. In addition to adopting the resolution concerning the establishment of BW-Capital GmbH, which had been extensively discussed at previous meetings, the Supervisory Board also approved a capital increase for an existing strategic investment.

During the year under review, all Supervisory Board members attended at least half of the Board's meetings.

Supervisory Board members took part in two training events organised by L-Bank in 2025.

The Risk Committee held five meetings in calendar year 2025. In four Ordinary Meetings, the committee discussed the quarterly risk reports and annual report submitted by the Data Protection Officer. The Committee also discussed the Bank's strategies and played a close advisory role in the strategy process. In an Extraordinary Summer Meeting, the Risk Committee discussed in detail the reimbursement of costs incurred in administering Covid-related aid programmes.

The Risk Committee members 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 2025. Three Ordinary Meetings were held to discuss the reports submitted by Internal Audit, the report on non-financial risks submitted by the Governance & Compliance department and the Anti-Money Laundering unit. The committee was also briefed on follow-up actions in response to the independent auditor's audit findings.

The Audit Committee consulted with the auditor at the start of the 2024 audit process. The auditor provided the Audit Committee with progress reports on the audit, and also took part in discussions of the 2024 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 concerning the adoption of the financial statements for 2024 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 2025.

The Personnel Committee held two meetings in calendar year 2025. In these Ordinary Meetings, the Personnel Committee was briefed on the results of the employee survey. The committee also received reports on the sideline activities of Board of Management members, declared conflicts of interest, and the results of the questionnaire for the Management and Supervisory Boards on the implementation of induction and

training guidelines. The committee also discussed the results of the aptitude assessments 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 procedure for appointing L-Bank's new Chief Risk Officer.

The Remuneration Control Committee met twice in calendar year 2025 and took note of the remuneration control report by L-Bank's Remuneration Officer, as well as the annual details of the configuration of the Bank's remuneration systems.

Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft carried out the statutory annual audit for fiscal year 2025 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 2025 prepared by the Board of Management do not give rise to any objections. Accordingly, in its meeting on 20 April 2026, the Supervisory Board took note of and approved L-Bank's annual financial statements for 2025.

The Supervisory Board has also reviewed the separate Non-financial Report for fiscal year 2025, 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 report 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 2025.

Taking account of the profit carried forward from the preceding year, the distributable net profit totalled EUR 159 million. The Supervisory Board approved the Board of Management's proposal to appropriate EUR 108 million of this amount to other retained earnings and to carry forward the remaining amount of EUR 51 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)*.

Former Minister of State Dr Florian Stegmann stepped down from the Supervisory Board on 31 May 2025, followed by Mr Martin Gross on 31 October 2025. The Supervisory Board thanks them both warmly for their valuable collaboration and contributions.

Ms Annegret Breitenbücher and Ms Maike Schollenberger were both appointed to the Supervisory Board in 2025, joining the Board on 1 June 2025 and 1 November 2025, respectively.

Stuttgart, 20 April 2026



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

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L-Bank Balance Sheet as at 31 December 2025

ASSETS	31.12.2025 EUR	31.12.2025 EUR	31.12.2025 EUR	31.12.2024 EUR
1. CASH RESERVE				
a) cash in hand			13,671.39	8,777.15
2. RECEIVABLES FROM BANKS				
a) due on demand		1,009,936.46		1,626,606.84
b) other claims		32,992,019,037.11		34,327,644,975.38
			32,993,028,973.57	34,329,271,582.22
3. RECEIVABLES FROM CLIENTS				
thereof:				
secured through real-estate liens				
EUR 3,794,858,043.34 (EUR 3,954,321,876.42)				
municipal loans				
EUR 9,107,676,552.81 (EUR 8,812,262,088.46)			21,413,376,421.52	21,244,443,172.95
4. BONDS, DEBENTURES AND OTHER FIXED-INCOME SECURITIES				
a) money-market instruments				
aa) from other issuers				
thereof: eligible as collateral				
with Deutsche Bundesbank				
EUR 1,061,689,656.12				
(EUR 867,262,840.16)		2,033,244,525.45		1,503,616,160.02
b) bonds and debentures				
ba) from public issuers				
thereof: eligible as collateral				
with Deutsche Bundesbank				
EUR 14,900,675,385.1				
(EUR 13,504,401,587.83)	15,081,342,770.89			13,687,726,812.48
bb) from other issuers				
thereof: eligible as collateral				
with Deutsche Bundesbank				
EUR 16,403,699,308.74				
(EUR 15,611,231,965.61)	18,644,687,076.19			18,662,865,340.10
			33,726,029,847.08	32,350,592,152.58
			35,759,274,372.53	33,854,208,312.60

ASSETS	31.12.2025 EUR	31.12.2025 EUR	31.12.2025 EUR	31.12.2024 EUR
5. SHAREHOLDINGS thereof: in financial institutions EUR 4,166,214.92 (EUR 4,166,214.92)			594,434,024.58	509,398,822.56
6. HOLDINGS IN AFFILIATED COMPANIES			12,376,999.24	9,909,202.00
7. FIDUCIARY ASSETS thereof: fiduciary loans EUR 9,160,186.46 (EUR 10,380,137.48)			9,160,817.47	10,380,748.79
8. INTANGIBLE ASSETS a) licences acquired for consideration, industrial property rights and similar rights and assets, and licences to such rights and assets			313,269.30	494,638.30
9. TANGIBLE ASSETS			70,062,973.19	70,302,695.14
10. OTHER ASSETS			49,069,967.83	913,622,598.90
11. ACCRUALS			858,744,962.77	896,184,866.06
TOTAL ASSETS			91,759,856,453.39	91,838,225,416.67

LIABILITIES	31.12.2025 EUR	31.12.2025 EUR	31.12.2025 EUR	31.12.2024 EUR
1. LIABILITIES TO BANKS				
a) due on demand		9,456,263.84		41,680,613.42
b) with agreed term or notice period		29,499,179,182.02		28,416,700,616.40
			29,508,635,445.86	28,458,381,229.82
2. LIABILITIES TO CLIENTS				
a) other liabilities				
aa) due on demand		566,248,266.41		1,048,243,268.51
ab) with agreed term or notice period		8,236,546,940.82		9,638,445,423.36
			8,802,795,207.23	10,686,688,691.87
3. SECURITISED LIABILITIES				
a) notes issued			45,995,911,736.33	46,155,850,919.71
4. FIDUCIARY LIABILITIES				
thereof: fiduciary loans				
EUR 9,160,186.46 (EUR 10,380,137.48)			9,160,817.47	10,380,748.79
5. OTHER LIABILITIES			1,173,623,623.31	43,870,948.90
6. DEFERRALS			993,312,563.62	1,193,450,989.31
7. PROVISIONS				
a) provisions for pensions and similar obligations		466,128,963.00		482,755,965.00
b) tax provisions		964,000.00		964,000.00
c) other provisions		426,323,048.78		460,495,642.94
			893,416,011.78	944,215,607.94

LIABILITIES	31.12.2025 EUR	31.12.2025 EUR	31.12.2025 EUR	31.12.2024 EUR
8. PARTICIPATION CAPITAL				
thereof:				
due within two years				
EUR 0.00 (EUR 110,643,750.00)			0.00	110,643,750.00
9. FUND FOR GENERAL BANKING RISKS			930,000,000.00	890,000,000.00
10. 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	1,996,000,000.00			1,896,000,000.00
d) net profit	158,998,258.10			150,739,740.64
			3,453,001,047.79	3,344,742,530.33
TOTAL LIABILITIES			91,759,856,453.39	91,838,225,416.67
1. CONTINGENT LIABILITIES				
a) liabilities from sureties and guarantee contracts			198,474,474.38	226,767,076.44
2. OTHER COMMITMENTS				
a) irrevocable lending commitments			3,956,897,717.00	3,845,371,179.98

L-Bank Statement of Income for the Fiscal Year 1 January to 31 December 2025

	2025 EUR	2025 EUR	2025 EUR	2024 EUR
1. INTEREST INCOME FROM				
a) lending and money market transactions	1,657,116,383.04			1,839,275,187.10
b) fixed-income securities and debt-register claims	871,958,338.32			797,512,425.87
		2,529,074,721.36		2,636,787,612.97
2. INTEREST EXPENSES	2,131,302,711.93			2,165,301,316.09
			397,772,009.43	471,486,296.88
3. CURRENT INCOME FROM				
a) shareholdings			11,308,801.75	9,288,470.25
4. COMMISSION INCOME			92,173,784.91	69,763,011.79
5. COMMISSION EXPENSES			3,520,278.75	2,466,451.84
6. OTHER OPERATING INCOME			7,456,347.12	6,221,137.00
7. GENERAL ADMINISTRATIVE EXPENSES				
a) personnel expenses				
aa) wages and salaries	115,746,537.49			104,154,436.46
ab) social security contributions and expenses for pensions and other benefits thereof: for pensions EUR 2,886,429.31 (EUR 13,628,557.07)	24,930,037.68			32,156,374.19
		140,676,575.17		136,310,810.65
b) other administrative expenses		104,567,828.79		99,300,301.28
			245,244,403.96	235,611,111.93
8. WRITE-DOWNS AND VALUATION ADJUSTMENTS ON INTANGIBLE ASSETS AND TANGIBLE ASSETS			6,371,493.60	6,066,635.26

	2025 EUR	2024 EUR
9. OTHER OPERATING EXPENSES	26,302,257.68	22,929,494.37
10. WRITE-DOWNS AND VALUATION ADJUSTMENTS ON RECEIVABLES AND CERTAIN SECURITIES, AS WELL AS ADDITIONS TO PROVISIONS FOR LOAN LOSSES	32,663,426.64	96,337,661.17
11. INCOME FROM ADDITIONS TO SHAREHOLDINGS, HOLDINGS IN AFFILIATED COMPANIES AND SECURITIES TREATED AS FIXED ASSETS	4,356,978.40	37,676,816.03
12. ADDITIONS TO FUND FOR GENERAL BANKING RISKS	40,000,000.00	80,000,000.00
13. INCOME FROM ORDINARY BUSINESS ACTIVITIES	158,966,060.98	151,024,377.38
14. TAXES ON INCOME AND EARNINGS	624,707.85	718,194.99
15. OTHER TAXES NOT STATED UNDER ITEM 9	82,835.67	182,187.87
16. NET INCOME	158,258,517.46	150,123,994.52
17. PROFIT CARRIED FORWARD FROM PREVIOUS YEAR	739,740.64	615,746.12
18. NET PROFIT	158,998,258.10	150,739,740.64

L-Bank Cash Flow Statement for the Fiscal Year 1 January to 31 December 2025

	01.01.–31.12.2025 EURk	01.01.–31.12.2024 EURk
Result for the period	158,259	150,124
Amortisation, valuation adjustments and write-ups on receivables, including contingent liabilities and securities	68,124	175,012
Depreciation/amortisation, valuation adjustments and write-ups on tangible assets and intangible assets	6,371	6,067
Amortisation, valuation adjustments and write-ups on financial assets (excluding securities)	4,100	1,400
Change in provisions (excluding loan-loss provisioning)	135,059	165,160
Profit/loss on the disposal of tangible and intangible assets	42	-2
Profit/loss on the disposal of financial assets	-7,657	-37,177
Other adjustments (net)	-90,672	-50,650
Change in receivables from banks	1,335,218	5,477,746
Change in receivables from clients	-243,704	602,653
Change in securities	-1,905,021	-2,034,367
Change in other assets from operating activities	903,213	-887,959
Change in liabilities to banks	1,050,254	-2,675,094
Change in liabilities to clients	-1,883,893	-3,427,197
Change in securitised liabilities	-159,939	2,814,757
Change in other liabilities from operating activities	629,519	-301,867
Net interest income	-397,772	-471,487
Income tax charges	625	718
Interest and dividend payments received	2,414,804	2,584,622
Interest paid	-1,918,747	-2,025,306
Income tax payments	-625	-718
Cash flow from operating activities	97,558	66,435
Proceeds from the disposal of financial assets	7,702	47,744
Disbursements for investments in financial assets	-99,305	-104,603
Proceeds from the disposal of tangible assets	67	3
Disbursements for investments in tangible assets	-5,785	-9,449
Disbursements for investments in intangible assets	-232	-130
Cash flow from investment activities	-97,553	-66,435
Cash flow from financing activities	0	0
Cash and cash equivalents at start of period	9	9
Cash flow from operating activities	97,558	66,435
Cash flow from investment activities	-97,553	-66,435
Cash flow from financing activities	0	0
Cash and cash equivalents at end of period	14	9

L-Bank Statement of Changes in Equity as at 31 December 2025

	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		
Balance as at 31.12.2023	250,000	1,048,003	1,846,000	2,894,003	50,616	3,194,619
Transfer to reserves			50,000	50,000	-50,000	0
Net income for the year					150,124	150,124
Balance as at 31.12.2024	250,000	1,048,003	1,896,000	2,944,003	150,740	3,344,743
Transfer to reserves			100,000	100,000	-100,000	
Distribution					-50,000	-50,000
Net income for the year					158,258	158,258
Balance as at 31.12.2025	250,000	1,048,003	1,996,000	3,044,003	158,998	3,453,001

Notes to the Annual Financial Statements of L-Bank as at 31 December 2025

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 ongoing global 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 (2024: 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 2.06% (2024: 1.90%). As at 31 December 2025, 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 the difference to be reported

pursuant to Section 253 (6) clause 3 HGB was negative, at EUR –12 million (2024: EUR –6 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.

	2025 EURk	2024 EURk
Amount required to settle pension obligations	1,603	547
Acquisition cost of pension plan assets	1,516	510
Fair value of pension plan assets	1,603	547
Income from pension plan assets or pension obligations	65	37
Expenses associated with pension plan assets or pension obligations	65	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.

Income from the discounting of provisions (including provisions for pensions and similar obligations) totalling EUR 4 million (2024: EUR 3 million in expenses from interest accrued on provisions) 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 2025 totalling EUR 103 million, an amount of EUR 99 million was utilised. The remaining balance was carried forward to the following year, increasing the development fund available for fiscal year 2026 to a total of EUR 104 million. On 31 December 2025, L-Bank made a provision of EUR 100 million to cover its obligation to pay out development contributions in fiscal year 2027.

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	82,881
Other operating expenses	17,119
Total	100,000

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 30 December 2025. 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 liabilities' (2024: 'Other assets').

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. The Bank has 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. 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 2025.

Underlying transaction in micro hedge	Book value in EURk	of which interest-rate risk	of which currency risk
Assets	19,486,199	16,661,414	2,824,784
Liabilities	2,476,383	2,462,250	14,133
Total	21,962,581	19,123,664	2,838,917

The underlying (hedged) transactions are offset by swaps with a market value of EUR 1,234 million.

BREAKDOWN OF SELECTED BALANCE SHEET ITEMS BY TIME TO MATURITY OR CALL	31.12.2025 EURk	31.12.2024 EURk
RECEIVABLES FROM BANKS		
due on demand	1,010	1,627
up to three months	12,772,400	13,862,233
more than three months and up to one year	3,113,696	2,438,406
more than one year and up to five years	7,743,451	8,333,460
more than five years	9,362,472	9,693,545
RECEIVABLES FROM CLIENTS		
up to three months		414,767
more than three months and up to one year	929,137	844,293
more than one year and up to five years	4,375,182	4,514,948
more than five years	15,583,090	15,470,435
BONDS, DEBENTURES AND OTHER FIXED-INCOME SECURITIES		
maturing in the following year	3,009,902	3,006,613
LIABILITIES TO BANKS		
due on demand	9,456	41,681
up to three months	3,393,755	3,513,178
more than three months and up to one year	6,043,631	4,144,072
more than one year and up to five years	8,895,966	9,013,804
more than five years	11,165,828	11,745,646
LIABILITIES TO CLIENTS		
due on demand	566,248	1,048,243
up to three months	2,200,016	3,895,843
more than three months and up to one year	249,023	25,554
more than one year and up to five years	580,119	565,853
more than five years	5,207,389	5,151,195
SECURITISED LIABILITIES		
maturing in the following year	27,893,841	24,774,545

EXPLANATIONS OF INDIVIDUAL BALANCE SHEET ITEMS	31.12.2025 EURk	31.12.2024 EURk
RECEIVABLES FROM CLIENTS		
This item comprises:		
– receivables from affiliated companies	60,767	77,681
– receivables from companies in which an equity interest is held	86,107	75,319
– subordinated receivables	0	19,316
BONDS, DEBENTURES AND OTHER FIXED-INCOME SECURITIES		
This item comprises:		
– receivables from companies in which an equity interest is held	1,715,267	1,715,267
The marketable securities in this item break down as follows:		
– listed	33,700,142	32,323,922
– unlisted	2,059,133	1,530,286
Securities with a book value (excluding prorated interest accrued) of EUR 33,211,065,000 are assigned to investment assets. Of these, securities with a book value of EUR 26,106,000,000 have a market value of EUR 22,823,453,000. 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.		
HOLDINGS AND SHARES IN AFFILIATED COMPANIES		
Of the marketable securities included in shareholdings, the following are:		
– listed	0	0
Holdings and shares in affiliated companies with a fair value of EUR 61,132,000 are stated at a book value of EUR 67,978,000. No amortisation has been applied, as the hidden charges are primarily the result of start-up costs and are not considered to be a permanent impairment.		
FIDUCIARY ASSETS		
This item breaks down as follows:		
– receivables from banks	9,089	10,307
– receivables from clients	71	73
– other assets	1	1
TANGIBLE ASSETS		
This item comprises:		
– plots and buildings used for the Bank's own activities	59,758	61,614
– plant and office equipment	10,233	8,616

EXPLANATIONS OF INDIVIDUAL BALANCE SHEET ITEMS	31.12.2025 EURk	31.12.2024 EURk
ACCRUALS – ASSETS		
– Difference between disbursement amount or acquisition cost and lower nominal value of receivables	210,103	266,056
– Difference between issue price and higher repayable amount of liabilities	40,631	40,696
FIDUCIARY LIABILITIES		
Fiduciary liabilities comprise		
– liabilities to banks	0	0
– liabilities to clients	9,160	10,380
– other liabilities	1	1
DEFERRALS – LIABILITIES		
– Difference between disbursement amount or acquisition cost and higher nominal value of receivables	235	260
– Difference between issue price and lower repayable amount of liabilities	48,096	59,702
SUBORDINATED LIABILITIES AND PARTICIPATION CAPITAL		
– Interest expenses on subordinated liabilities	–	295
– Interest expenses on participation capital	2,807	5,661

INDIVIDUAL AMOUNTS THAT ARE MATERIAL IN ASSESSING THE ANNUAL FINANCIAL STATEMENTS	31.12.2025 EURk	31.12.2024 EURk
OTHER ASSETS		
– Receivables from swaps	28,503	29,767
– Works of art	11,545	11,625
– Balancing item from currency translation	–	863,128
PREPAYMENTS AND ACCRUALS		
– Single payments made in advance for swaps	588,163	563,493
OTHER LIABILITIES		
– Balancing item from currency translation	1,081,626	–
– Distribution obligation	50,000	–
– Liabilities from occupational pension scheme	27,278	22,837
– Single (bullet) repayments on swaps	8,745	8,362
DEFERRALS		
– Single payments received in advance for swaps	892,143	1,054,638
– Contributions to administrative expenses received in advance	48,044	74,011
PROVISIONS		
under other provisions:		
– Provisions for development funds	203,923	203,428
– Provisions for development contributions already made	62,986	70,121
INTEREST INCOME		
– Negative interest from financial investments	5,689	6,704
INTEREST EXPENSES		
– Negative interest from borrowing	10,095	10,948
COMMISSION INCOME		
– Income from other services	89,301	67,247
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	31.12.2025 EURk	31.12.2024 EURk
GENERAL ADMINISTRATIVE EXPENSES		
Other administrative expenses include auditor's fees (excluding sales tax):		
– for year-end auditing services	482	452
– for other auditing services	187	112
– for other services	–	176
'Other auditing services' include the limited-assurance engagement related to the Non-financial Report and the SWIFT CSP assessment.		
OTHER OPERATING EXPENSES		
– Addition to the provision for development funds	17,119	14,841
TOTAL VALUE OF ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES		
– Assets	3,529,669	4,155,803
– Liabilities	29,130,209	29,020,454
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	133	–

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 4,082 million (2024: EUR 3,881 million) were deposited with Deutsche Bundesbank. Securities in the amount of EUR 2,568 million (2024: EUR 1,847 million) were deposited for direct participation in EUREX (the electronic derivatives exchange). Of this amount, EUR 1,812 million had been utilised as at 31 December 2025 (2024: EUR 1,345 million). Securities in the amount of EUR 34 million (2024: EUR 33 million) were deposited for indirect participation in EUREX. Of this amount, EUR 2 million had been utilised as at 31 December 2025 (2024: EUR 1 million). As at 31 December 2025, EUR 167 million had been transferred for initial margin securities (2024: EUR 169 million).

As collateral for OTC transactions, the Bank posted cash surety bonds totalling EUR 1,275 million (2024: EUR 565 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 2025 (2024: 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 119 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 values 31.12.2025	Nominal values 31.12.2024	Market values positive 31.12.2025	Market values negative 31.12.2025	Market values positive 31.12.2024	Market values negative 31.12.2024
INTEREST-RATE RISKS						
Interest-rate swaps	87,256	83,634	6,354	-2,446	4,166	-3,102
Interest-rate risks – total	87,256	83,634	6,354	-2,446	4,166	-3,102
CURRENCY RISKS						
Forward currency contracts/swaps	14,391	12,834	29	-108	438	-1
Currency swaps/cross-currency interest-rate swaps	17,100	19,070	163	-981	794	-378
Currency risks – total	31,491	31,904	192	-1,089	1,232	-379

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 -1,082 million are due to changes in spot exchange rates. A balancing item from currency translation was set up in this amount on the liabilities side and stated under 'Other liabilities'. 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 showed a net positive market value of EUR 3,908 million as at 31 December 2025.

DERIVATIVE TRANSACTIONS – BY COUNTERPARTY

in EUR millions	Nominal values	Nominal values	Market values positive	Market values negative	Market values positive	Market values negative
	31.12.2025	31.12.2024	31.12.2025	31.12.2025	31.12.2024	31.12.2024
Banks in the OECD	118,747	115,538	6,546	–3,535	5,398	–3,481
Total	118,747	115,538	6,546	–3,535	5,398	–3,481

DERIVATIVE TRANSACTIONS – BY TERM

Nominal values in EUR millions	Interest-rate risks	Interest-rate risks	Currency risks	Currency risks
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
RESIDUAL MATURITIES				
– up to three months	2,921	2,382	13,356	10,414
– more than three months and up to one year	6,692	5,364	7,263	7,527
– more than one year and up to five years	23,297	23,797	9,401	12,399
– more than five years	54,346	52,091	1,471	1,564
Total	87,256	83,364	31,491	31,904

There are no trading transactions.

VALUING DERIVATIVE FINANCIAL INSTRUMENTS

The market valuation of derivatives is based on market data as at 30 December 2025, 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	37,048	527
2	Baden-Württemberg International – Gesellschaft für internationale wirtschaftliche und wissenschaftliche Zusammenarbeit mbH	Stuttgart	24.00	8,266	-4,746
3	Below One Fund I GmbH & Co. KG	Berlin	3.13	69,051	-7,034
4	BWK GmbH Unternehmensbeteiligungsgesellschaft	Stuttgart	10.00	170,826	-19,506
5	CARMA Fund I Capital GmbH & Co. KG	Frankfurt	8.90	14,156	1,395
6	DBAG Expansion Capital Fund GmbH & Co. KG	Frankfurt	21.77	16,209	-7,303
7	Earlybird Fund VIII GmbH & Co. geschl. InvKG	Munich	2.97	35,590	-6,295
8	European Investment Fund	Luxembourg	0.18	4,865,812	279,773
9	FMV Fund II GmbH & Co. KG	Karlsruhe	23.64	7,418	-1,030
10	Grazia Generation III GmbH & Co. KG	Stuttgart	9.99	13,580	-1,222
11	Landesbeteiligungen Baden-Württemberg GmbH	Stuttgart	12.14	859,434	15,047
12	LEA Mittelstandspartner GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	25.00	18,619	127,960
13	LEA Mittelstandspartner II GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	20.85	185,193	4,061
14	LEA Mittelstandspartner III GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	21.49	29,216	-2,288
15	LEA Strategic Opportunities Fund I GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	3.08	646,776	195,484
16	LEA Venturepartner Annex GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	48.00	18,380	-72
17	LEA Venturepartner GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	49.00	40,217	-1,083
18	LEA Venturepartner II GmbH & Co. geschlossene Investmentkommanditgesellschaft	Karlsruhe	48.00	24,098	-1,188
19	Mätch.vc Fund I GmbH & Co. KG	Stuttgart	26.96	3,757	-1,088
20	MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH	Stuttgart	26.80	117,981	10,078
21	Neura Robotics GmbH	Metzingen	3.26	179	-27,580
22	Q.ant GmbH	Stuttgart	12.71	22,125	0
23	SHS VI Healthcare Investment GmbH & Co. KG	Tübingen	5.57	100,764	-17,252
24	Start-up BW Innovation Fonds GmbH & Co. KG	Stuttgart	14.19	7,570	-1,705
25	StEP Stuttgarter EngineeringPark GmbH	Stuttgart	100.00	10,837	-1,111
26	Strohheker Holding GmbH	Pforzheim	49.50	-5,472	-5,392
27	SWK Beteiligungs GmbH & Co. geschlossene Investment KG	Stuttgart	16.81	1,018,649	79,955
28	Technologiepark Karlsruhe GmbH	Karlsruhe	100.00	56,981	1,599
29	Technologiepark Mannheim GmbH	Mannheim	100.00	7,410	88
30	Technologieparks Tübingen-Reutlingen GmbH	Tübingen	100.00	21,020	1,024

* As at the last fiscal year-end for which annual financial statements are available in each case.
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 01.01.2025 EURk	Additions EURk	Retire- ments EURk	Transfers EURk	Write-ups, cumula- tive EURk	Depre- ciation/ amort- isation, cumulative EURk	Book value 31.12.2025 EURk	Annual depreci- ation/ amortisation for 2025 EURk	Annual write-ups for 2025 EURk
Bonds, debentures and other fixed-income securities	33,200,940	Net change pursuant to Section 34 (3) clause 2 RechKredV: 25,673					33,211,065	-	-
Shareholdings	570,831						594,434	-4,100	-
Holdings in affiliated companies	20,432						12,377	-	-
Intangible assets	36,331	232	-	-	-	-36,250	313	-413	-
Tangible assets	209,767	5,785	-11,991	-	-	-133,498	70,063	-5,959	-
Other assets	13,148	-	-94	-	-	-1,509	11,545	-5	-

Depreciation/amortisation	01.01.2025	Addition	Write-up	Transfer	Retirement	31.12.2025
Intangible assets	35,837	413	-	-	-	36,250
Tangible assets	139,463	5,959	-	-	11,924	133,498
Other assets	1,523	5	-	-	19	1,509

REMUNERATION PAID TO MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

Remuneration paid to members of the Board of Management for 2025 in EURk¹⁾

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	729
Dr Iris Reinelt	01.01.–31.12.	499	16	14	529
Johannes Heinloth	01.01.–31.12.	499	15	28	542
Total		1,680	43	78	1,801

¹⁾ 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.

REMUNERATION PAID TO MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

 Remuneration paid to members of the Supervisory Board for 2025 in EURk¹⁾

Name	Membership period	Membership of Supervisory Board	Membership of committees	Total
Dr Danyal Bayaz ²⁾ Chair	01.01.–31.12.	13.0	22.0	35.0
Dr Nicole Hoffmeister-Kraut MSP ^{2) 4)} 1 st Vice-Chair	01.01.–31.12.	11.0	9.0	20.0
Nicole Razavi MSP ^{2) 4)} 2 nd Vice-Chair	01.01.–31.12.	11.0	4.0	15.0
Dr Florian Stegmann ³⁾	01.01.–31.05.	3.7	3.3	7.0
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.–31.10.	7.5	6.7	14.2
Manuel Hagel MSP ⁴⁾	01.01.–31.12.	9.0	5.0	14.0
Felix Herkens MSP ⁴⁾	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 ^{2) 4)}	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
Annegret Breitenbücher ²⁾	01.06.–31.12.	5.3	4.1	9.3
Maike Schollenberger	01.11.–31.12.	1.5	–	1.5
Clemens Meister	01.01.–31.12.	9.0	–	9.0
Jasmin de Bel	01.01.–31.12.	9.0	–	9.0
Emilio Poccia	01.01.–31.12.	9.0	–	9.0
Total		170.0	90.1	260.0

¹⁾ All amounts were rounded; no adjustments were made to totals.

²⁾ Subject to a duty of surrender to the State of Baden-Württemberg

³⁾ Subject to a prorated duty of surrender to the State of Baden-Württemberg

⁴⁾ MSP = Member of the State Parliament of Baden-Württemberg

REMUNERATION PAID TO MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

	31.12.2025 EURk	31.12.2024 EURk
– Payments to former members of the Board of Management or their surviving dependants	1,644	1,555
– Pension provisions for former members of the Board of Management and their surviving dependants	24,194	25,180

NUMBER OF EMPLOYEES (ANNUAL AVERAGE)

	Male	Female	Total
Employees*	698	929	1,627
of whom: full-time employees	602	511	1,113
of whom: part-time employees	96	418	514

* Headcount; excluding apprentices, trainees and interns.

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

EDITH WEYMAYR, CHAIR OF THE BOARD OF MANAGEMENT

Wüstenrot & Württembergische AG, Stuttgart, Germany	Member of the Supervisory Board
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DR IRIS REINELT, MEMBER OF THE BOARD OF MANAGEMENT

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

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	SUPERVISORY BOARD MEMBERS					
Edith Weymayr Chair	<p>Regular members</p> <hr/> <div data-bbox="391 734 619 831"> <p>Dr Danyal Bayaz Minister of Finance for the State of Baden-Württemberg Chair</p> </div> <div data-bbox="391 853 619 994"> <p>Dr Nicole Hoffmeister-Kraut MSP* Minister of Economic Affairs, Labour and Tourism, State of Baden-Württemberg 1st Vice-Chair</p> </div> <div data-bbox="391 1016 619 1135"> <p>Nicole Razavi MSP* Minister of Regional Development & Housing, State of Baden-Württemberg 2nd Vice-Chair</p> </div> <div data-bbox="391 1158 619 1296"> <p>Annegret Breitenbücher Assistant Secretary, Baden-Württemberg Ministry of State since 01.06.2025</p> </div> <div data-bbox="391 1319 619 1429"> <p>Ralf Bross Former Lord Mayor and Executive Member of the Board of the Association of Cities and Towns of Baden-Württemberg</p> </div> <div data-bbox="391 1451 619 1529"> <p>Dr Jürgen Bufka Proprietor, Bufka Advisory Services</p> </div>			<p>Consulting members</p> <hr/> <div data-bbox="1232 734 1482 813"> <p>Clemens Meister Chair, Central Staff Council of L-Bank, Karlsruhe</p> </div> <div data-bbox="1232 835 1482 913"> <p>Jasmin de Bel Chair, Staff Council of L-Bank, Karlsruhe</p> </div> <div data-bbox="1232 936 1482 1014"> <p>Emilio Poccia Chair, Staff Council of L-Bank, Stuttgart</p> </div>		
Dr Iris Reinelt				<p>Claudia Diem Legal practitioner</p>	<p>Dr Jan Stefan Roell Managing Director, roellpartners GmbH; President, Association of Baden-Württemberg Chambers of Industry and Commerce</p>	
Johannes Heinloth				<p>Martin Gross Regional Manager, ver.di Baden-Württemberg until 31.10.2025</p>	<p>Maike Schollenberger Regional Manager, ver.di Baden-Württemberg since 01.11.2025</p>	
	<p>Manuel Hagel MSP* Chair of CDU parliamentary group, Baden-Württemberg State Parliament</p>	<p>Dr Florian Stegmann Former Minister of State and Head of State Chancellery, Baden-Württemberg Ministry of State until 31.05.2025</p>				
	<p>Felix Herkens MSP* Member of Alliance 90/The Greens parliamentary group, Baden-Württemberg State Parliament</p>	<p>Joachim Walter Former Chief Administrator, District of Tübingen</p>				
	<p>Gabriele Kellermann Vice-Chair, Board of Managing Directors, BBBank eG</p>	<p>Andrea Lindlohr MSP* State Secretary, Baden-Württemberg Ministry of Regional Development and Housing</p>				
	<p>Rainer Reichhold Managing Director, Elektro-Nürk GmbH; President, Baden-Württembergischer Handwerkstag e. V.</p>					

* MSP = Member of the State Parliament of Baden-Württemberg

EVENTS AFTER THE BALANCE-SHEET DATE

In light of the conflict with Iran that broke out at the end of February 2026, it is impossible to predict how the geopolitical situation will develop. At present, no material impact on L-Bank is expected. As things stand, the specific effects of the hostilities in the Middle East on the economies of Germany and Baden-Württemberg have yet to become clear.

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 2025, totalling EUR 158,998,258.10, an amount of EUR 108,000,000.00 should be appropriated to other retained earnings and the remaining amount of EUR 50,998,258.10 carried forward to the current fiscal year.

Karlsruhe, 3 March 2026

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 2025

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 material opportunities and risks associated with the Bank's expected development.

Karlsruhe, 3 March 2026

Edith Weymayr

Dr Iris Reinelt

Johannes Heinloth

Independent Auditor's Report

For Landeskreditbank Baden-Württemberg – Förderbank – Karlsruhe

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.

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 2025, income statement, cash flow statement and statement of changes in equity for the fiscal year from 1 January to 31 December 2025, 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 2025.

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 2025, and of its financial performance for the fiscal year from 1 January to 31 December 2025, 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 this 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 2025.

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 the own risk of Landeskreditbank Baden-Württemberg – Förderbank –

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 to individual valuation adjustments by Landeskreditbank Baden-Württemberg – Förderbank –, please refer to the 'Accounting and valuation methods' section in the 'Notes to the Annual Financial Statements'.

EXPOSURE IN THE FINANCIAL STATEMENTS

In total, Landeskreditbank Baden-Württemberg – Förderbank – reports receivables from banks and clients amounting to 59.3% 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 the own risk of Landeskreditbank Baden-Württemberg – Förderbank – 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 and loan-loss provisions.

Other information

The Board of Management and Supervisory Board are responsible for the other information provided. The other information includes:

- The separate Non-financial Report referred to in the management 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 may 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).

Audit opinion

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-2025-12-31.zip' data file provided (SHA256 hash value: 45aad8c2b063b36e5da3ea2431cdb0953d9d1fd-6cb76747a9b54e63ecf9b5850) 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 2025 contained in the preceding 'Report on the Audit of the Financial Statements and the Management Report'.

Basis for the audit opinion

We conducted our assurance engagement pertaining to the renderings of the annual financial statements and management report contained in the above-mentioned data file provided in accordance with Section 317 (3a) HGB and in compliance with the IDW Auditing Standard: Audit of Electronic Renderings of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) of the German Commercial Code (HGB) (Prüfung der für Zwecke der Offenlegung erstellten elektronischen Wiedergaben von Abschlüssen und Lageberichten nach § 410 Abs. 3a HGB (IDW PS 410 (06.2022))). Our responsibility under the standard is described in more detail in the section entitled 'Auditor's responsibilities for the audit of the ESEF documents'. Our auditing practice applied the requirements of IDW Quality Management Standard 1: Requirements for Quality Management in Auditing Practice (Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis (IDW QMS 1 (09.2022))).

Responsibilities of the Board of Management and Supervisory Board for the ESEF documents

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.

Auditor's responsibilities for the audit of the ESEF documents

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 audit procedures in response to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of the internal controls relevant to the audit of the ESEF documents 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 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 Annual General Meeting on 7 April 2025. We were engaged by the Chair of the Supervisory Board on 10 December 2025. We have served as the statutory auditor of Landeskreditbank Baden-Württemberg – Förderbank – without interruption since fiscal year 2023.

We declare that the audit opinions 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 audited 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 audit opinion expressed therein should be used solely in conjunction with the audited ESEF documents provided in electronic form.

INDEPENDENT AUDITOR RESPONSIBLE

The German public auditor responsible for the engagement is Christian Peter.

Munich, 4 March 2026

KPMG AG Wirtschaftsprüfungsgesellschaft

Peter
Public Auditor

Immesberger
Public Auditor

