

Annual Results Press Briefing BayernLB Group

Munich, 5 April 2023



BayernLB



Wir finanzieren Fortschritt.

Contents

- › Highlights of 2022
- › Results of operations
- › Progress in the transformation
- › Outlook

Highlights of 2022

- + Strong profit before taxes due to good operating earnings in all customer segments, low risk provisions and non-recurring income from the sale of buildings
- + RoE at 10.5% and CIR at 56.2%; administrative expenses largely stable as a result of major savings at BayernLB core Bank
- + Good consolidated profit enables distributions to be made to the owners in the amount of EUR 225 m; capital base strengthened: CET1 ratio at 17.4%
- + The transformation to a specialised lender is bearing fruit: profitability successfully improved in Corporates & Markets, strong new business in Real Estate, business volume and customer base at DKB increased and very good earnings in precious metals

Profit/loss before taxes

EUR 1,122 m

RoE

10.5 percent

Consolidated profit/loss

EUR 1,055 m

CET1 ratio

17.4 percent

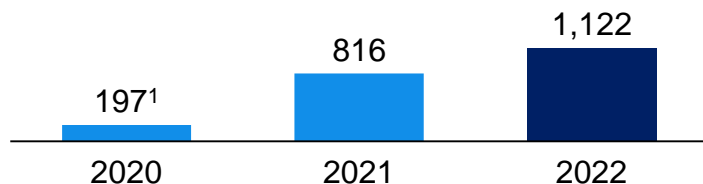
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Earnings exceed previous year and benefit from one-off income

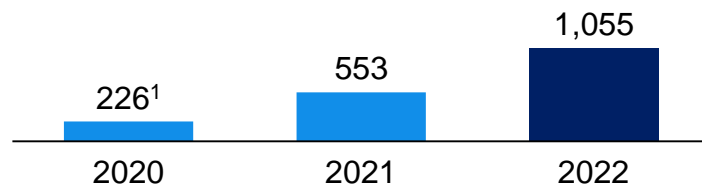
Profit/loss before taxes

EUR m



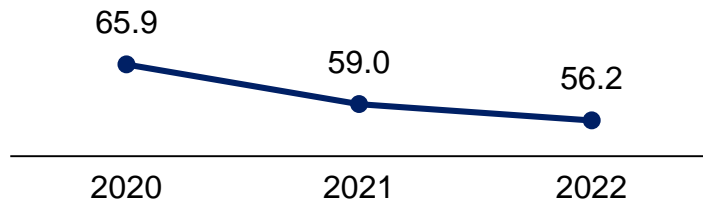
Consolidated profit/loss

EUR m



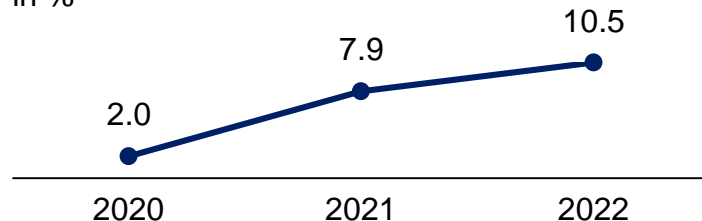
CIR

in %



RoE

in %

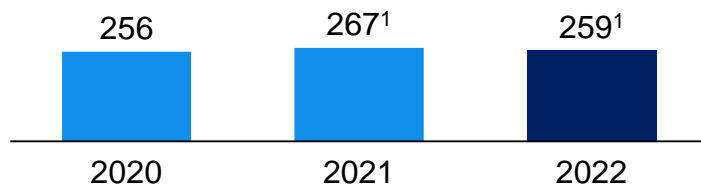


¹ After restructuring expenses of EUR 287 m

Capital base continually improved

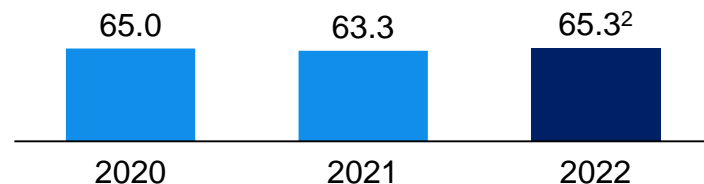
Total assets

EUR bn



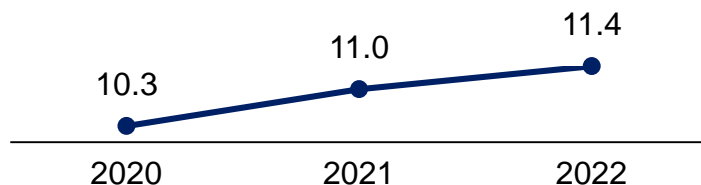
RWAs

EUR bn



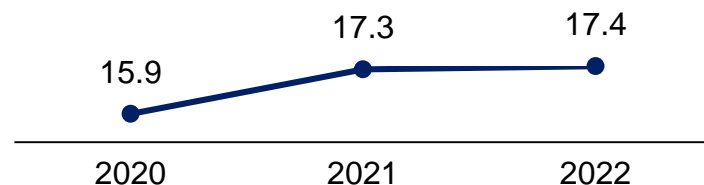
CET1 capital

EUR bn



CET1 capital ratio

in %



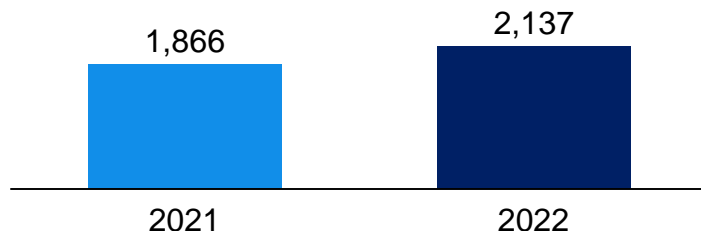
¹ Including TLTRO III volume as at Dec 2021: EUR 26.8 bn, as at Dec 2022: EUR 8.5 bn

² Increase in RWAs due to increased business volume, all in all no changes from rating migrations.

Net interest and net commission income increased to around EUR 2.6 bn

Net interest income

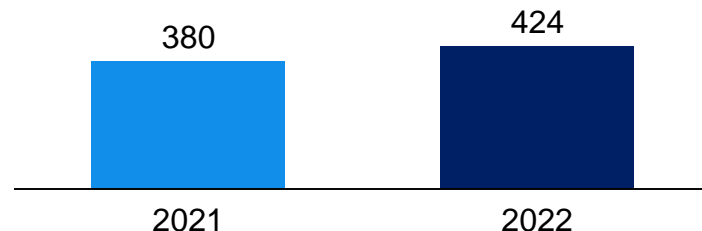
EUR m



- › Increase in net interest income driven by expansion in operating customer business and the positive impact of the interest-rate environment
- › Net interest income includes bonus from tender participation of EUR 136 m (2021: EUR 166 m)

Net commission income

EUR m

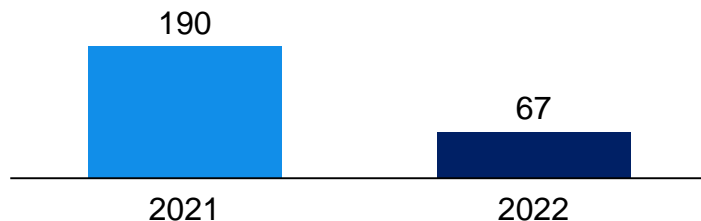


- › Net commission income benefited from the fund business of asset management companies Real I.S. and BayernInvest, good credit business in the Real Estate and Corporates divisions at BayernLB, and DKB's card business

Gains or losses on fair value measurement and Other earnings components make positive earnings contribution

Gains or losses on fair value measurement

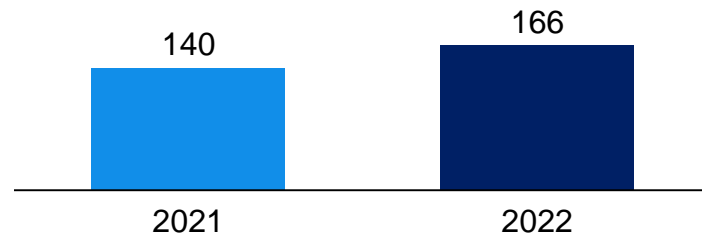
EUR m



- › Good performance in the precious metals business and in customer business with financial markets products
- › Drop in earnings predominantly due to market developments affecting e.g. own funds investments; previous year furthermore benefited from a one-off gain of approx. EUR 60 m

Other earnings components

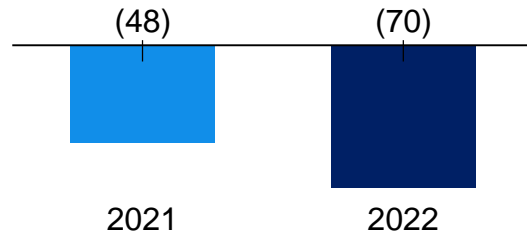
EUR m



- › Other earnings components marked by proceeds from the sale of buildings not required for operational purposes in the amount of EUR 299 m
- › This was countered by a loss on hedge accounting of EUR 177 m due to temporary expenses associated with interest rate hedging transactions and emanating from the sharp rise in interest rates

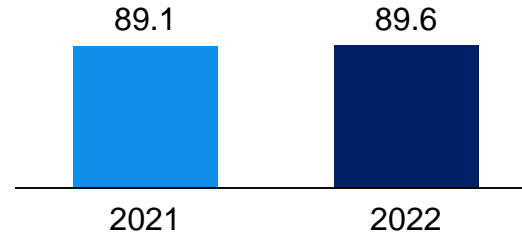
Stable asset quality and still high investment grade share

Risk provisions
EUR m



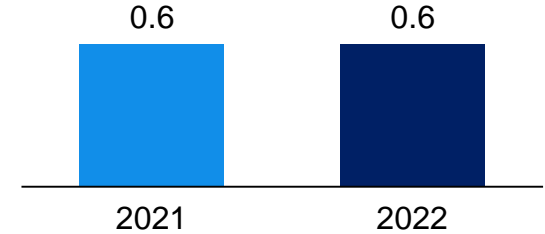
- › Low net risk provisions reflect the overall high quality of the credit portfolio
- › Post-model adjustments at EUR 362 m (Dec 2021: EUR 356 m) to safeguard against additional risks

Investment grade share
in %



- › Investment grade share high and stable

NPL ratio
in %

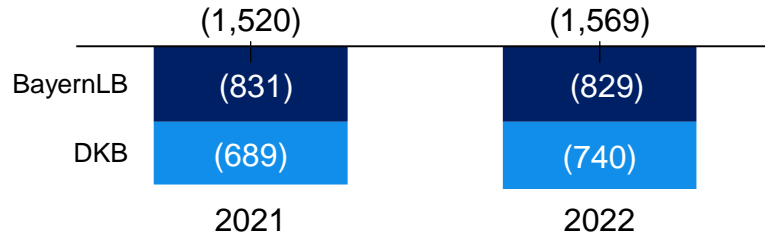


- › Consistently low NPL ratio
- › NPL cover ratio incl. collateral at 73%

Total expenses essentially unchanged year on year

Administrative expenses

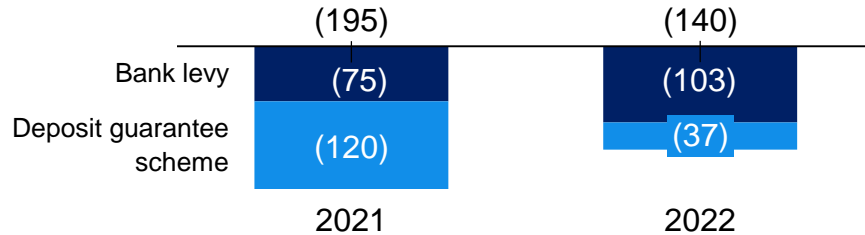
EUR m



- › Decline in staff costs is offset by higher general expenses in relation to the transformation
- › DKB posts higher expenses under its growth strategy

Expenses for the bank levy and deposit guarantee scheme

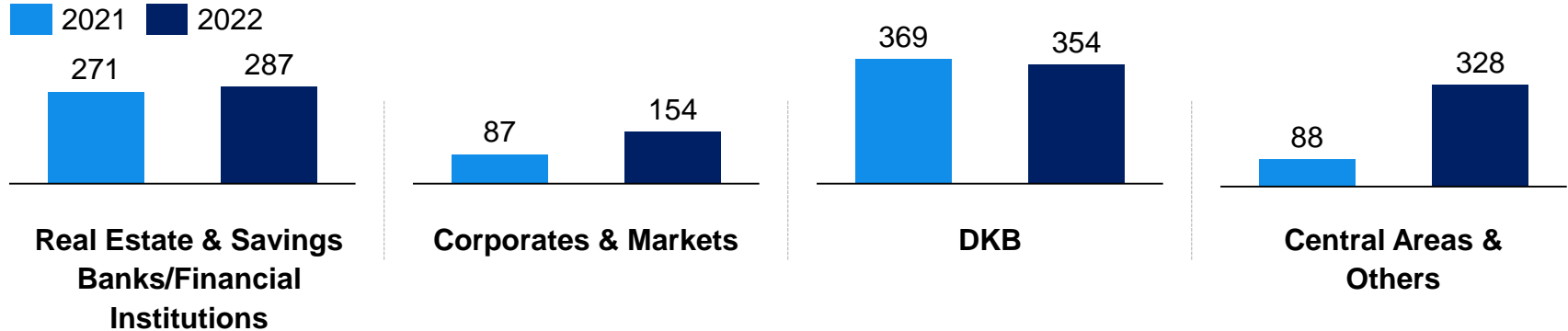
EUR m



- › Bank levy considerably higher than in previous year due to overall higher charge
- › Contribution to deposit guarantee scheme down in wake of DKB's switch to the Compensation Scheme of German Private Banks (EdB) and contribution waiver for BayernLB because it had already provided the target volume in 2021

Good earnings contribution in all segments

Profit before taxes, by segment EUR m

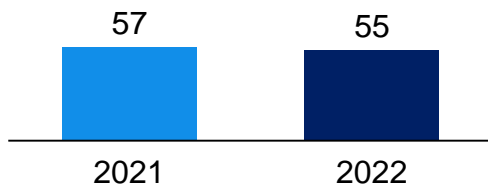


- › Real Estate & Savings Banks/FI: Real estate business expanded in line with strategy and positive earnings trend in precious metals continued
- › Corporates & Markets: Earnings increased significantly, due to successful focusing, lower risk provisions and reduced administrative expenses
- › DKB: Good growth in net interest and net commission income offsets negative impact from market performance and higher administrative expenses in line with strategy
- › Central Areas & Others: Good positive contribution to earnings from the sale of buildings and the release of restructuring provisions

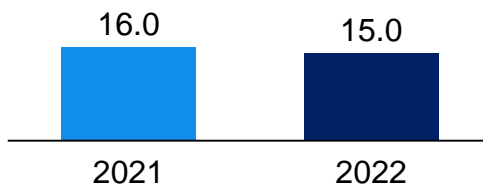
Real Estate & Savings Banks/FI

EUR m	2021	2022
Net interest income	363	396
Net commission income	271	272
Gains or losses on fair value measurement	57	71
Other earnings components	14	(21)
Administrative expenses	(402)	(396)
Risk provisions	(32)	(35)
Profit/loss before taxes	271	287
Risk-weighted assets (RWAs)	12,705	13,678

CIR in %



RoE in %



Highlights

- › Real Estate posts growth in net interest and net commission income due to higher business volume
- › Savings Banks & Financial Institutions benefits from persistently high demand for precious metals products and the positive impact of the interest rate inflection
- › Earnings up at Real I.S. as a result of higher business volumes and greater sales commission
- › Lower earnings at BayernLabo and BayernInvest due to the changed interest rate environment and measurement losses

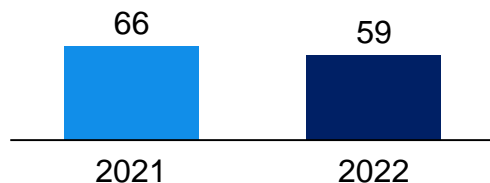
Corporates & Markets

EUR m	2021	2022
Net interest income	315	292
Net commission income	80	87
Gains or losses on fair value measurement	38	41
Other earnings components	(3)	–
Administrative expenses	(283)	(250)
Risk provisions	(60)	(17)
Profit/loss before taxes	87	154
Risk-weighted assets (RWAs)	21,078	20,583

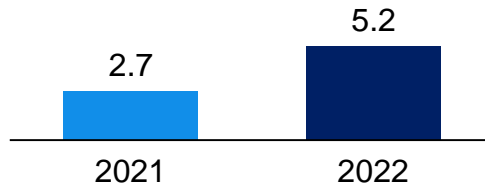
Highlights

- › Focused approach is paying off: largely stable earnings paired with reduced RWAs and much lower costs
- › Credit business and customer business with financial markets products successfully increased
- › Net fall in risk provisions in part due to revaluation of risks from the coronavirus pandemic

CIR in %

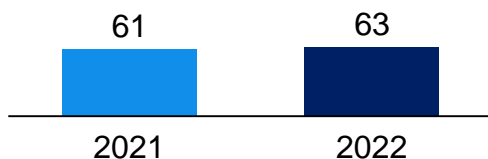


RoE in %

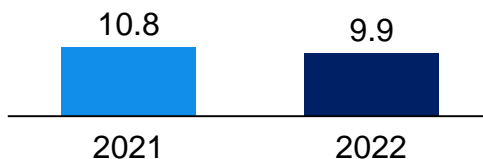


EUR m	2021	2022
Net interest income	1,023	1,310
Net commission income	53	80
Gains or losses on fair value measurement	51	(44)
Other earnings components	6	(162)
Administrative expenses	(689)	(740)
Risk provisions	3	(13)
Gains or losses on restructuring	0	1
Bank levy and deposit guarantee scheme	(79)	(79)
Profit/loss before taxes	369	354
Risk-weighted assets (RWAs)	24,633	25,623

CIR in %



RoE in %



Highlights

- › Good earnings performance and increase in credit volume in all customer segments
- › Net interest income up, due to the impact of the interest rate inflection and higher income from tenders
- › Net commission income buoyed by good performance in the card business
- › Measurement losses from own funds investments and hedge accounting
- › Greater administrative expenses in relation to implementing the growth and digitalisation strategy

Central Areas & Others

EUR m	2021	2022
Net interest income	165	140
Net commission income	(24)	(17)
Gains or losses on fair value measurement	43	(2)
Other earnings components	123	349
Administrative expenses	(146)	(182)
Risk provisions	40	(6)
Gains or losses on restructuring	2	106
Bank levy and deposit guarantee scheme	(116)	(61)
Profit/loss before taxes	88	328
Risk-weighted assets (RWAs)	4,898	5,428

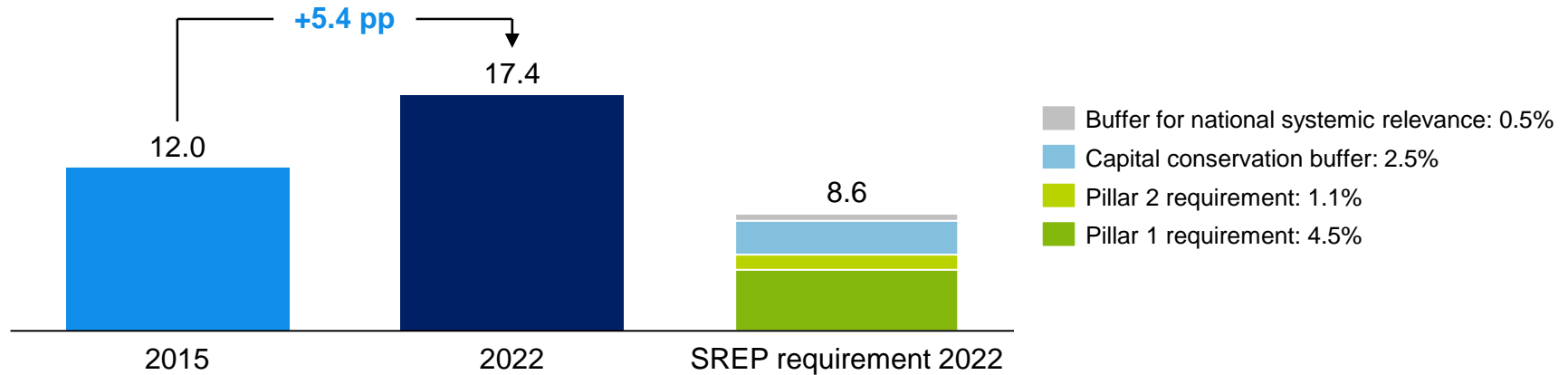
Highlights

- › Very good contribution to earnings from the sale of buildings (EUR 299 m) and the release of restructuring provisions (EUR 106 m)
- › Previous year includes tender bonus of EUR 59 m and shift in earnings of EUR 59 m from net interest income to gains or losses on fair value measurement
- › Higher administrative expenses, partly due to temporary costs for transformation projects

Strong capital base – CET1 capital ratio has climbed significantly since 2015

CET1 capital ratio (fully loaded)

in %



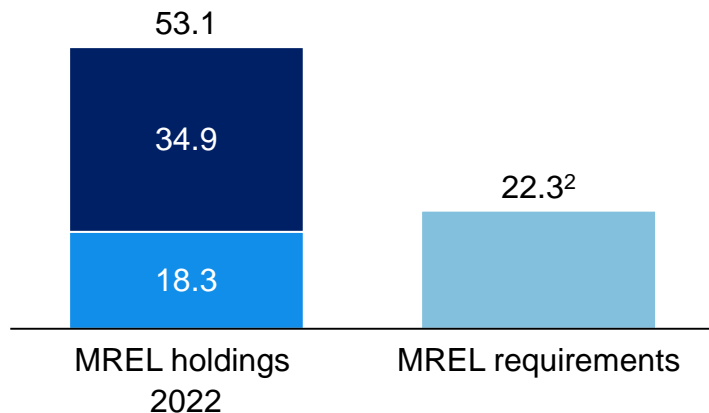
- › The SREP minimum ratio is by far exceeded – even with the additional capital buffer requirements taking effect in 2023 (anti-cyclical capital buffer for Germany and systemic risk buffer for residential property) accounted for.

MREL requirement substantially exceeded

MREL

in % of RWAs

- Senior non-preferred
- Regulatory own funds¹



- › MREL requirements related to RWAs stood at 22.3%²
- › MREL holdings as at 31 December 2022 made up 53.1% of RWAs, far exceeding guidance
- › Regulatory requirements already covered to a large extent by own funds
- › A large portfolio of subordinated eligible liabilities (senior non-preferred) with additional broad protection

¹ Not including own funds which are reserved for the requirements of the combined capital buffer (approx. 3%).

² From 1 January 2024

Rating agencies acknowledge BayernLB's performance

- › The Bank's Issuer Ratings of Aa3 (Moody's, outlook positive) and A- (Fitch, outlook stable), which are very good in a European benchmark comparison, confirm the BayernLB Group's favourable performance in the past few years.
- › Along with its positive outlook, on 15 July 2022 Moody's affirmed that BayernLB had sustainably improved its capital base while maintaining good asset quality and a solid funding profile.
- › On 7 March 2023 Fitch raised BayernLB's Viability Rating (i.e. of intrinsic financial strength) one notch up, to bbb+. The reason for improving the standalone rating was the Bank's better profitability.

Ratings

	2009	2011	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Moody's												
Issuer Rating	A1	Baa1	A3	A3	A2	A1	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3
Baseline Credit Assessment	ba3	ba3	ba2	ba2	ba1	baa3	baa3	baa2	baa2	baa2	baa2	baa2
Fitch												
Issuer Rating	A+	A+	A+	A-	A-	A-	A-	A-	A-	A-	A-	A-
Viability Rating		bb+	bb+	bb+	bbb	bbb	bbb+	bbb+	bbb	bbb	bbb	bbb+

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Real Estate & Savings

Banks/FI: Strong earners



Sustainable growth

Gross exposure in real estate finance up at EUR 29.9 bn in 2022, thanks to strong new business (with a high ESG share)



High productivity

Operating earnings in the real estate business climb further with very good RWA productivity



New sales office

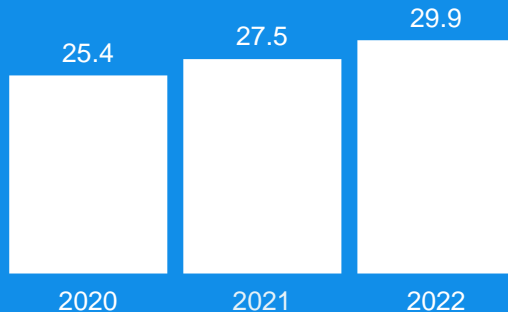
New sales office opening in Amsterdam in Summer 2023



Gold record

Very strong year in the precious metals business in Savings Banks & FI, new record in gold sales of 85 tonnes

Gross exposure (real estate)
EUR m



Selected real estate finance deals in 2022

 <p>2022 Swiss Life Asset Managers "West.side Office"</p> <p>Financing of an office building as part of district development in the Enderich area of Bonn</p>	 <p>2022 Cureus GmbH</p> <p>Long-term financing of seven homes for the elderly in Germany</p>	 <p>2022 Union Investment Real Estate "Panda"</p> <p>Financing of an office building in Munich's "Werksviertel" district with ten savings banks</p>	 <p>2022 Maruhn Real Estate</p> <p>Financing of a residential and commercial building in Berlin</p>	 <p>2022 Ixocon</p> <p>Construction finance for a production and logistics property for semi-conductor manufacturer Avnet in Eschbach</p>
 <p>2022 aam2core Holding AG / BVK / Instone Real Estate</p> <p>Financing of the FRANKY residential district with KfW funds in Gallus, Frankfurt am Main</p>	 <p>2022 BNP Paribas Real Estate</p> <p>Financing of three office buildings in Milan and Rome</p>	 <p>2022 Hines US Property Partners</p> <p>Financing of Talisman Apartments in Redmond / Washington</p>	 <p>2022 M&G Real Estate "Ryder Court"</p> <p>Financing of the office property in London's West End</p>	 <p>2022 La Française REM "Alphabet"</p> <p>Green loan to finance the purchase of the office building near Paris</p>

Corporates & Markets:

Focused approach is bearing fruit



Strong new business

Strategy as an investment lender is paying off: exceptionally high new credit business of around EUR 22 bn; deal pipeline still well filled



Profitable products

Customer business with financial markets products expanded through strong demand for core products



Increased efficiency

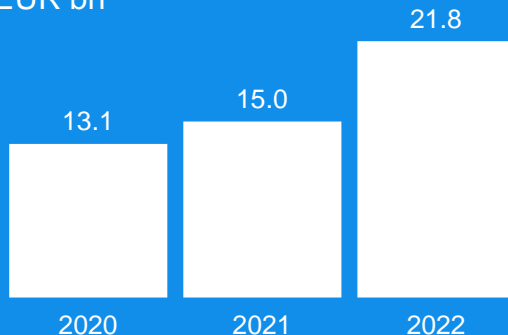
Costs cut by focusing on a streamlined, competitive service offering



In-depth expertise

Bank continued to push ahead with increasing sector expertise and ESG know-how

New credit business
EUR bn



Our expertise in the focus sectors

ENERGY

RWE

December 2022
RWE AG

EUR 1.0 bn.
ECA backed and EKF
direct lending facilities
(green loan)
Struct. Bank, EKF agent

NeuConnect

July 2022
NeuConnect

EUR 2.8 bn
Project finance
1.4 GW interconnector
(ESG)
MLA & Hedging Bank

MOBILITY



April 2022
Deutsche Lufthansa AG

EUR 2,000 m
ESG-linked revolving credit
facility agreement
Mandated Lead Arranger



June 2022
TTL Properties Limited

GBP 200 m
ESG-linked
syndicated facility 5 years
Mandated Lead Arranger

TECHNOLOGY



July 2022
GlasfaserPlus GmbH
powered by
Deutsche Telekom AG
EUR 2,000 m
Project finance
Mandated Lead Arranger



May 2022
ProSiebenSat.1 Media SE

EUR 1,700 m
Syndicated loan
Bookrunner, MLA

MANUFACTURING & ENGINEERING



September 2022
HAWE Hydraulik SE

EUR 130 m
Syndicated loan
Mandated Lead Arranger



December 2022
Linde plc

USD 5 bn / USD 1.5 bn
Senior unsecured
RCF / 364-day
Lender

CONSTRUCTION & BASIC RESOURCES

VIESSMANN

September 2022
Viessmann Group

ESG linked loan

Bookrunner, MLA Facility
Agent



schumacher

October 2022
Schumacher
Packaging GmbH
EUR 377 m

Increase in syndicated loan
Bookrunner & Facility Agent

Expertise and focus in the capital market business

› Debt capital markets

Individual structured solutions; strong position in DCM league tables, great expertise in green finance; broad, diversified access to inst. investors & savings banks; advisory and secondary market expertise

› Structured customer solutions

Tailored solutions for working capital management via securitisation/portfolio finance of receivables and distribution expertise; financing solutions for CO₂ certificates

› Money market and interest rate derivatives

Extensive product range for short-term liquidity optimisation and hedging against interest rate risks

› FX business

Competitive pricing and tailored advisory and structuring expertise

Corporates

SIEMENS

February 2022
Siemens

EUR 500 m / 750 m / 750 m
0.625% / 1.00% / 1.25%
Feb 2027 / Feb 2030 /
Feb 2035
Joint Lead Manager

B | BRAUN
SHARING EXPERTISE

May 2022
B. Braun SE

EUR 350 m
5/7/10-year tenor

Joint Lead Arranger

infineon

February 2022
Infineon Technologies AG

EUR 500 m
0.625%
Feb 2025

Joint Lead Manager

Financials

**BAWAG
PSK**

Jan / Apr / Sep / Nov 2022
BAWAG P.S.K.

Covered bonds
€ 500m/750m/1.25bn/750m
0.25 / 1.25 / 2.00 / 3.00%
Jan32/Jul28/Aug32/May27
Joint Lead Manager

DZ HYP

February 2022
DZ HYP

**Green mortgage covered
bond**

EUR 1 bn
0.75% Nov29
Joint Lead Manager

CRH

October 2022
**Caisse de Refinancement
de l'Habitat**

Covered bond
EUR 1.85 bn
2.75% Apr 2028

Joint Lead Manager



DKB: successful for the long term



Growth despite challenging market environment

Business volume up further, profitability of retail business increased and net commission income grown considerably, good new business in all corporate customer segments



Customer base climbs further

Number of retail customers increased to 5.3 m



Customer benefits & income enhanced by optimising product range

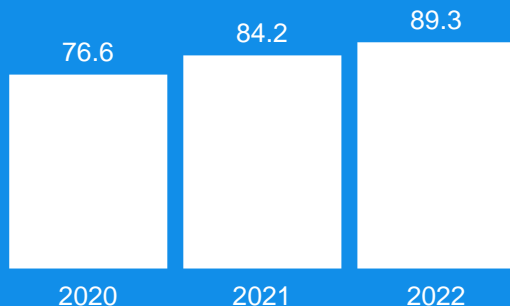
New card strategy: Visa debit card as primary customer card, new banking & co-branding app



Sustainable bank

Key financier for renewable energy with a volume of EUR 12 bn; sector leader among the 270 or so banks in the ISS ESG ratings for the eighth time in a row

Loans and receivables to customers
EUR bn





Committed to
sustainability

ESG focus at BayernLB strengthened



Greener portfolio

Considerably higher share of ESG-compliant business at BayernLB based on the Bank's own ESG assessment



Greater role

Large number of ESG transactions in the credit and capital market supported in a leading role



Larger offering

ESG product range successfully expanded; Sustainable Lending Framework published, Sustainable Financing Framework broadened to include rail transport and real estate



Broader expertise

Very positive customer feedback on market expertise as a result of providing specific training to more than 1,000 employees



Efficient, lean,
modern

Ready for the future



BayernLB's IT successfully modernised

Old data warehouses and the IT application landscape consolidated and pared down; fundamental steps taken towards integrated bank management, new trading IT and designing an IT workspace that is fit for the future



DKB's digital infrastructure strengthened

Ongoing automation of credit processes for retail and corporate customers, number of cloud services increased



Modern work environment

Highly flexible, with broad opportunities for remote work, building usage in Munich consolidated, "come as you are" dress code



More efficient positioning

The staff reduction programme at the core Bank has been completed; trading and credit processes simplified by means of reductions in complexity and digital solutions



Lower costs

Operating administrative expenses in the core Bank cut by around EUR 150 m since 2019

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Earnings forecast for full-year 2023

	Results for 2022	Outlook for 2023
Profit/loss before taxes	EUR 1,122 m	EUR 600 - 800 m
Return on equity (RoE)	10.5%	>6.0%
Cost/income ratio (CIR)	56.2%	<60.0%
Common Equity Tier 1 ratio (CET1 ratio)	17.4%	>15.0%
Leverage ratio	4.5%	>4.0%

This forecast is still fraught with significant uncertainty due to the ongoing war between Russia and Ukraine, high geopolitical risks and inflation.

Disclaimer

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