Creditreform Bank Rating

Bayerische Landesbank AöR (Group) as parent of DKB AG

Creditreform Rating

Rating Object	Rating Information	
Bayerische Landesbank AöR (Group) as parent of Deutsche Kreditbank AG	Long Term Issuer Rating / Outlook:	Short Term:
Creditreform ID: 2010328771	**A / stable**	**L2**
	Type: Update / Unsolicited	

Rating Date:	**23 October 2023**	Rating of Bank Capital and Unsecured Debt Instruments:	
Monitoring until:	withdrawal of the rating		
Rating Methodology:	CRA "Bank Ratings v.3.2" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.1" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3" CRA "Institutional Protection Scheme Banks v1.0" CRA "Government-Related Banks v.2.1"	Preferred Senior Unsecured (PSU): Non-Preferred Senior Unsecured (NPS): Tier 2 (T2): Additional Tier 1 (AT1):	A A- - -
Rating History:	www.creditreform-rating.de		

Our rating of Deutsche Kreditbank AG is reflected by our rating opinion of Bayerische Landesbank AöR due to its group structure. Therefore we refer to our rating report of Bayerische Landesbank AöR (Group) from 17 October 2023.

Rating Action

Creditreform Rating upgrades Bayerische Landesbank's (Group) Long-Term Issuer Rating to A (Outlook: stable)

Creditreform Rating (CRA) upgrades BayernLB's (Group) Long-Term Issuer Rating to A. The rating outlook is stable.

CRA upgrades BayernLB's Preferred Senior Unsecured Debt to A, Non-Preferred Senior Unsecured Debt to A- and Tier 2 Capital to BBB-.

CRA upgrades the Long-Term Issuer Rating of the Group's subsidiary Deutsche Kreditbank AG to A, which reflects BayernLBs (Group) Long-Term Issuer Rating, in line with our methodology.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update.

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Key Rating Drivers

- Stable profits excluding non-recurring items in 2022, stark increase in first half of 2023 as a result of higher interest rates
- New interest rate environment reinvigorates earnings potential for BayernLB
- Continued excellent asset quality in key ratios, despite negative rating migrations of real estate exposures and relatively high problem loan ratio
- Low distributions and solid earnings strengthen already good capital base
- High exposure to the real estate sector amid high interest rate environment leads to higher risk; current developments are subject to significant uncertainties
- Stability through Sparkassen-Finanzgruppe and Institutional Protection Scheme

Executive Summary

Quantitative:	Good
Earnings	Sufficient
Assets	Good
Capital	Good
Liquidity	Very Good
Qualitative:	Good

The rating of Bayerische Landesbank AöR (hereinafter: BayernLB) is prepared on the basis of group consolidated accounts.

Creditreform Rating (CRA) upgrades BayernLB's Long-Term Issuer Rating to A. The rating outlook is stable. The rating upgrade is mainly due to the significantly improved earnings potential under the new interest rate regime, while asset quality remains excellent in key areas and capitalization is good, with a moderate dividend policy. As with the other Landesbanks, BayernLB also benefits from the institutional protection system of the Sparkassen Finanzgruppe.

In the Institutional Support Assessment, Creditreform Rating examines the extent to which an existing cross-guarantee system or IPS can have an influence on BayernLB's rating. As a result, Creditreform Rating comes to the conclusion that in the case of BayernLB's Long-Term Issuer Rating, there is a strong connection between Sparkassen Finanzgruppe (SFG) and BayernLB due to Sparkassenunterstützungsfonds of the regional Sparkassen and Giroverbände, the Guarantee Fund of the Landesbausparkassen and the Guarantee Reserve of the Landesbanks and Girozentralen. This enables additional notching. In the opinion of Creditreform Rating, a standalone rating of BayernLB is thus not appropriate due to its affiliation with SFG.

Company Overview

Bayerische Landesbank was founded on June 27, 1972 through the merger of Bayerische Gemeindebank-Girozentrale and the state-owned Bayerische Landesbodenkreditanstalt. BayernLB is one of the leading commercial banks for SMEs and large corporate customers in Germany with a regional focus and an emphasis on corporate financing and commercial real estate financing. Private customers are also served directly through the wholly owned subsidiary Deutsche Kreditbank AG (DKB). In addition to its headquarters in Munich, BayernLB maintains offices throughout Germany and Europe, as well as a branch in New York.

BayernLB's main segments are *Corporates & Markets*, responsible for business with corporate and key accounts, as well as in structured finance and capital market issues, *Real Estate & Savings Banks/FI*, real estate financier and service provider, as well as central bank of the Bavarian savings banks and partner of ÖH / FI, including BayernLabo, and its subsidiaries Real I.S. AG and BayernInvest. In addition, *DKB*, a digital bank focusing on essential banking business for private customers.

As a public-sector credit institution, 75% of BayernLB Holding AG is held by the Free State of Bavaria and the remaining 25% by the Association of Bavarian Sparkassen. BayernLB is a member of the Sparkassen-Finanzgruppe. The Sparkassen-Finanzgruppe (hereinafter: SFG) has an institution-specific protection system (IPS). This has been recognized as a deposit guarantee system under the German Deposit Guarantee Act (Einlagensicherungsgesetz - EinSiG) since July 3, 2015. Under the statutory deposit protection scheme, customers are entitled to reimbursement of their deposits of up to EUR 100,000 against the protection scheme.

The Joint Liability Scheme of the SFG consists of three elements: the Sparkassen Guarantee Fund of the regional Sparkassen and Giro associations, the Guarantee Fund of the Landesbausparkassen and the Guarantee Reserve of the Landesbanks and Girozentralen. Together, these three guarantee funds ensure the continued existence of each individual Sparkasse and Landesbanks.

The primary objective of the IPS is to avoid a support case and to protect the institutions themselves, i.e. to ensure liquidity and solvency. The protection of the institutions can be ensured, for example, by the following measures: Injection of equity capital, assumption of guarantees and sureties, and compliance with third-party claims. Mergers with other institutions may also occur. The regional Sparkassen associations have a total of 11 Sparkassen guarantee funds. The individual guarantee funds are interlinked. There is a supra-regional equalization between them, which takes place if the funds available in a region are not sufficient for a so-called support case of an institution. In this case, the resources of all funds are available if required. If necessary, all the guarantee funds will stand together as part of the system-wide equalization process: all the Sparkassen guarantee funds, the guarantee reserve of the Landesbanks and the guarantee fund of the Landesbausparkassen. This applies in the event that the resources of one of the three protection schemes concerned are insufficient. This equalization means that all the funds of all the protection schemes are available for action in the event of a crisis.

The members of the protection scheme pay annual contributions to the Sparkassen deposit guarantee scheme. These are pooled in a special fund that is used to rescue the affected member institution in the event of a crisis.

In the Institutional Support Assessment, Creditreform Rating examines to what extent an existing cross-guarantee system or IPS can have an influence on BayernLB's rating. As a result, Creditreform Rating comes to the conclusion that in the case of BayernLB's Long-Term Issuer

(LT Issuer) Rating, there is a strong connection due to the membership in SFG's cross-guarantee system/IPS, which in turn enables additional notching. SFG's IPS has far-reaching competencies in monitoring and crisis situations as well as an extensive catalog of measures at its disposal. Support cases are linked to restructuring agreements and conditions. In the opinion of Creditreform Rating, a stand-alone rating of BayernLB is not appropriate due to its membership in SFG and its IPS. BayernLB does not receive any further upnotching as a result of its membership in SFG/IPS.

Since the end of 2019, BayernLB has adopted a strategic realignment concept for the Group. This essentially involves focusing on the high-growth areas of the future while at the same time reducing the cost base. The *Fokus 2024* transformation process remains on track for the half-year 2023.

Business Development

Profitability

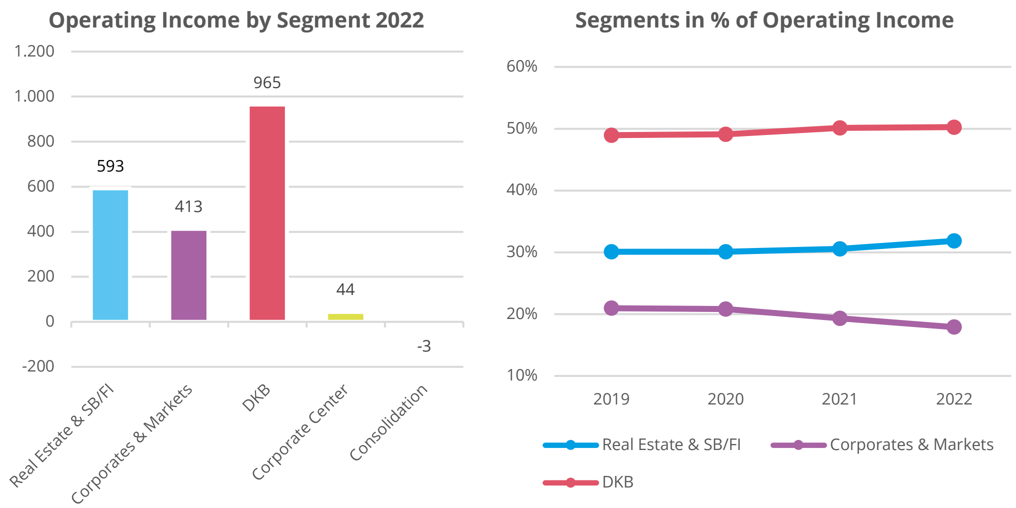
Creditreform Rating AG follows a structural approach in the presentation of the income statement and balance sheet as well as in the calculation of key ratios. The presentation may therefore differ from that of the bank. Creditreform Rating pursues the goal of making financial statements of different banks as well as within the scope of consolidation as comparable as possible. Certain key ratios are also taken or calculated from the Bank's Pillar III Report for reasons of comparability. Balance sheet and income statement figures are taken from the consolidated financial statements of the respective years. One-off or exceptional items are, where possible, relegated to the line items non-recurring revenue and expense. For 2022, restructuring gains as well as the sale of buildings at the Munich location were relegated to non-recurring revenue.

BayernLB was able to achieve a result of EUR 1.1bn in FY 2022, almost double that of FY 2021. This improvement is mainly due to exceptional items, but BayernLB also made progress in operational terms. Before non-recurring items and impairments, the operating result increased slightly, but CRA identified significant non-recurring income of EUR 0.4bn, namely from the sale of non-operational real estate at the Munich location (EUR 0.3bn) and reversals of provisions (EUR 0.1bn) in the course of finalizing the restructuring efforts. In addition, the tax burden in 2022 was significantly lower, mainly due to revaluation and correction effects. In total, net profit increased by EUR 0.5bn.

Operating profit increased slightly by 2.9% to EUR 2.6bn. Net interest income jumped from EUR 1.9bn to EUR 2.1bn, or by 14.5%. The second half of the year benefited from the rapid rise in interest rates in the Euro area and general business expansion. Net fee and commission income increased in contrast to many competitors, which generally recorded declines in the past fiscal year. DKB's *Card business* in particular achieved significant improvements, followed by fees in the *Credit business*. This positive development was offset by fair value and net trading income; losses had to be accepted in the difficult market environment of war, inflation and sharp interest rate increases.

Chart 1 shows BayernLB's operating income per segment. At first glance, it is clear how important DKB is within the BayernLB Group as a whole, accounting for almost half of total operating income. Over the past four years, *Corporates & Markets* has lost some ground to the other two main business areas, *DKB* and *Real Estate & Savings Banks/Financial Institutions*.

Chart 1: Operating income (NII, NCI, FV, Other) and development by segment | Source: BayernLB



Operating expenses also increased slightly by 2.7%. Investments in the IT landscape had an increasing effect, while costs at BayernLB Core Bank decreased overall as part of the cost-cutting measures under *Fokus 2024*, while the build-up of personnel and investments at DKB resulted in higher operating expenses. Other expenses decreased in particular due to significantly lower payments to the deposit guarantee theme. As a result of DKB's switch to the Entschädigungseinrichtung deutscher Banken (EdB - Compensation Scheme of German Banks) and the termination of the letter of comfort and the control and profit and loss transfer agreement, BayernLB already meets the target volume of the institutional deposit guarantee theme.

Risk costs remained low at EUR 70mn in 2022.

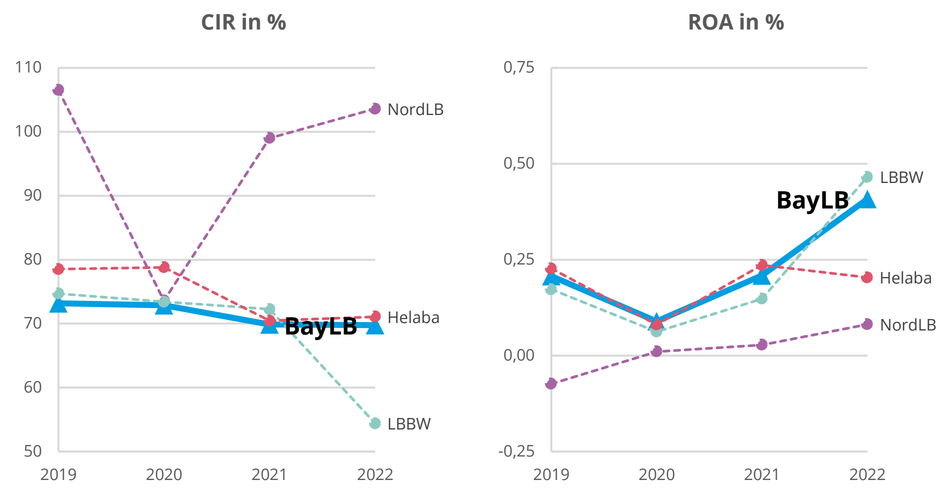
As already mentioned at the beginning, exceptional items contributed significantly to the improvement in net profit. EUR 299mn resulted from the sale of real estate not required for operations. With the completion of the *Fokus 2024* staff reduction program, restructuring provisions were reversed. In total, more than EUR 0.4bn in non-recurring revenue was generated.

Excluding any special items in 2022 and 2021, the pre-tax profit for both years would have been comparable.

In view of the substantial improvement in net profit due to special items, the key earnings figures improved significantly across the board, but would have remained essentially unchanged without them. The cost-income ratio (CIR) remained almost unchanged at a fairly high 69.8%. The rest of the indicators improved to average to slightly above-average levels.

Chart 2 shows the development of key earnings indicators in a Landesbank peer group. Compared with the other major Landesbanks, the cost-income ratio developed only moderately positively, while LBBW and NordLB are outliers in both positive and negative terms. In terms of earnings power, BayernLB is one of the best Landesbanks in the comparison.

Chart 2: CIR & ROA in comparison to the peer group | Source: eValueRate / CRA



BayernLB expected net profit before taxes for 2023 of EUR 0.6bn to 0.8bn at year end 2022. However, the bank already had to revise this plan upward by the end of the first half of the year, and currently expects a pre-tax result of EUR 1.1bn to 1.3bn. This forecast could also be revised upwards, as the half-year result was already just under EUR 0.9bn. The reason for this is the extremely strong net interest income, which increased by 68% compared with the first half of the previous year. Net fee and commission income also increased slightly, while the fair value result recovered after the earlier disruptions in connection with the Ukraine war as well. Risk costs increased only marginally; the impact of the sharp rise in interest rates has so far had only a minor effect, but the bank's earnings forecast from the current standpoint reads conservatively in this respect.

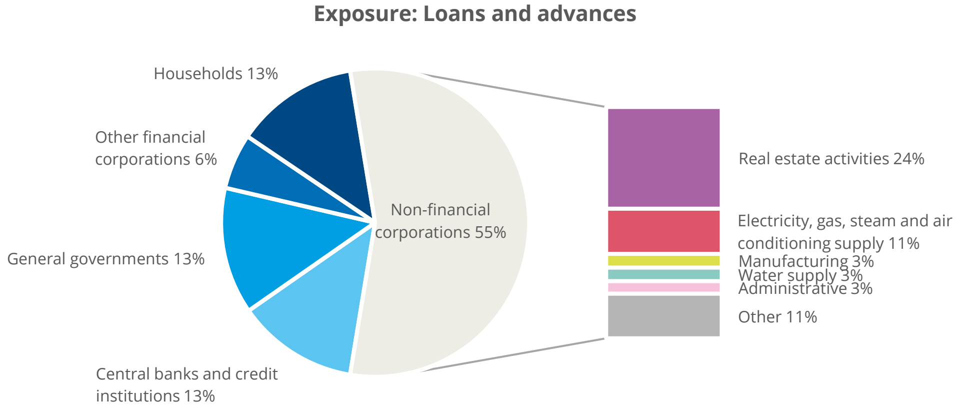
Asset Situation and Asset Quality

Total assets decreased slightly by EUR 7.2bn in the reporting year 2022. Lending volume increased robustly by EUR 8bn, with the overall decline largely attributable to the decrease in cash and cash equivalents (EUR -15.4bn). At the end of 2021, BayernLB (through its subsidiary DKB) drew down TLTRO III funds in the amount of EUR 26.8bn; by the end of 2022, EUR 18.3bn had been repaid.

BayernLB's credit portfolio continues to be located mainly in Germany, with just under 80% of the on-balance sheet exposure. As a commercial bank, 55% of the exposure of loans and advances is to non-financial corporations; private households account for only 13%. Real estate activities account for the largest share of non-financial exposure at 44%, while the capital-intensive energy sector accounts for almost 20%. In the new interest rate environment, this is associated with increased risk; per mid-year 2023 there was a significant negative rating migration of the real estate portfolio. Overall, however, NPLs increased only marginally, as the share of investment-grade exposures actually increased due to conservative risk management. The current development remains subject to considerable uncertainties.

Chart 3 shows a detailed run-down of the loans and advances exposure in 2022:

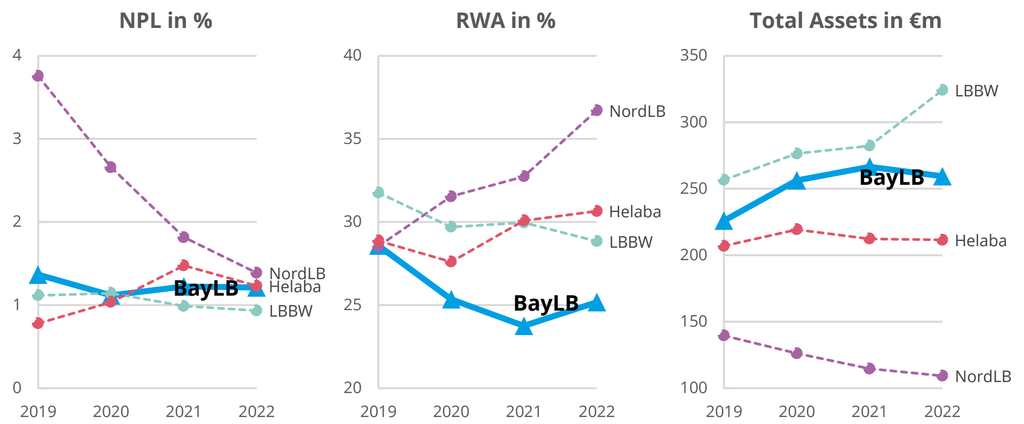
Chart 3: Exposure: Loans and Advances | Source: Pillar 3 (EU CR1, CQ5)



BayernLB's asset quality remains very good. Although the NPL ratio increased in the first half of 2023, it remains at a low level. Risk costs also remain at a very low level. The RWA ratio is at a very low 25.2%.

In a peer group comparison, all major German Landesbanks were very close to each other in terms of the standardized NPL ratio, with NordLB significantly improving its asset quality in the period under review. The development of the RWA ratio was very heterogeneous; in regulatory terms, BayernLB has the lowest implied business risk and the second-highest total assets, with all Landesbanks except LBBW consolidating their business model.

Chart 4: NPL and RWA ratios and Total Assets of BayernLB in comparison to the peer Group | Source: eValueRate / P3



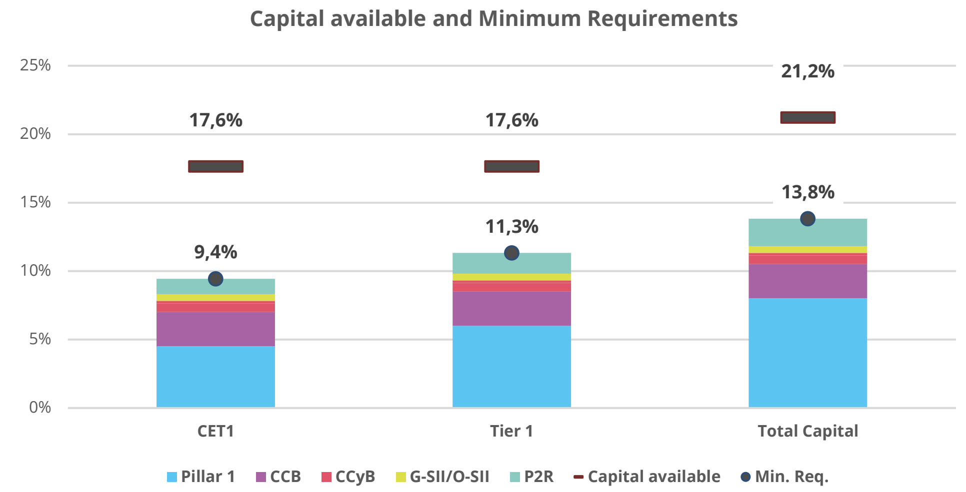
Refinancing, Capital Quality and Liquidity

On the liabilities side, deposits from banks decreased by EUR 15.4bn, mainly due to the prepayment of TLTRO III funds. Deposits from customers increased moderately by EUR 4bn, and debt securities by EUR 1.7bn. In addition to the net profit of EUR 1.1bn, other comprehensive income amounted to EUR 0.3bn, which was only slightly reduced by distributions (EUR -0.1bn). As a result, equity increased strongly by EUR 1.2bn, which corresponded to an increase of 10%.

As a result, the balance sheet equity ratio increased substantially from 4.6 to 5.2%, but the regulatory equity ratios remained virtually unchanged due to the increase in RWA.

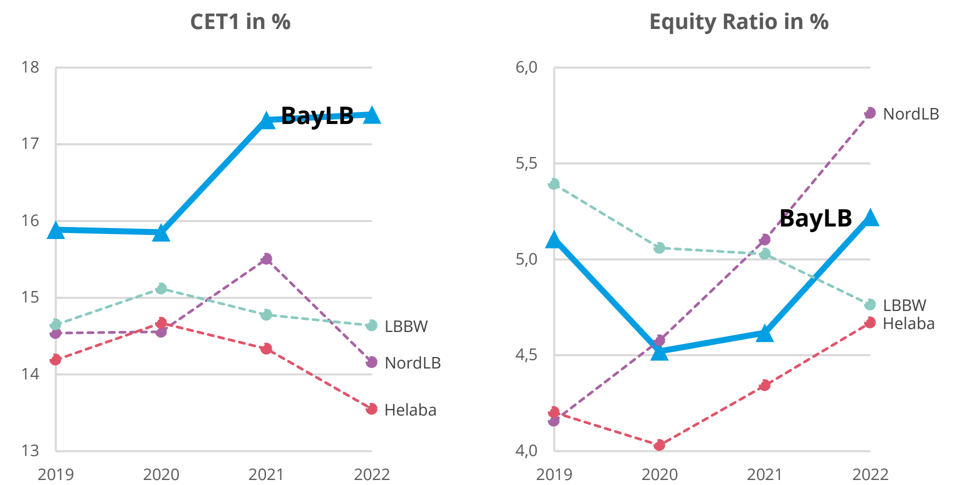
The leverage ratio decreased sharply with the expiry of Corona transitional arrangements, but at 4.5% remained well above the minimum requirement of 3%. Overall, the ratios are to be regarded as high, especially in comparison with other universal banks in Europe. The capital ratios increased again in the first half of 2023 and despite the significantly higher capital requirements (including increases under the anti-cyclical buffer and systemic risk buffer), the CET1 buffer is a very high 8.2%.

Chart 5: Available Capital and Minimum Requirements per H1-23 | Source: P3 (EU KM1)



In comparison with the peer group, BayernLB maintains very good capital ratios, especially in regulatory terms. The CET1 ratio is almost three percentage points higher compared to the next competitor and only NordLB, due to its riskier portfolio, has BayernLB beat in terms of balance sheet equity ratio.

Chart 6: CET1 and Equity ratios of BayernLB in comparison to the peer group | Source: CRA, P3 (EU KM1)



Due to the upgrade of the Long-Term Issuer Rating by one notch to A, all existing debt and capital ratings are notched up by one. Due to DKB's bank capital and debt structure, as well as its status as an O-SII, the Bank's Preferred Senior Unsecured Debt is not notched down in comparison to the Long-Term Issuer Rating and is rated A. Due to the seniority structure, DKB's Non-Preferred Senior Unsecured debt is rated A-.

Environmental, Social and Governance (ESG) Score Card

Bayerische Landesbank has one significant and two moderate ESG rating drivers

Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due to BayLB's strong and sustainable earning figures, the widespread ESG policies and its ambitious ESG targets.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated neutral due to relatively low amount of green bonds, Coporate Behaviour is rated positive.

ESG Bank Score

3,6 / 5

Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2022	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Outlook

The outlook of the Long-Term Issuer Rating of BayernLB is stable. In the medium term, CRA expects earnings power to increase significantly in the wake of the new interest rate environment. At the same time, the very high exposure to Commercial Real Estate is subject to risk in the current market environment. However, we do not expect any material deterioration in asset quality at the overall bank level; moreover, capitalization is considered more than adequate with continued moderate distributions. DKB continues to be an important pillar of the bank as a whole, both in terms of earnings capacity and from a diversification perspective.

Scenario Analysis

Best-case scenario: A+

Worst-case scenario: A-

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach a Long-Term Issuer Rating of A+ in the "Best-Case-Scenario" and a Long-Term Issuer Rating of A- in the "Worst-Case-Scenario". The ratings of Bank Capital and Senior Unsecured Debt would respond similarly based on our rating methodology. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general. Likewise, material change with regard to the IPS and/or Sparkassen-Finanzgruppe may precipitate up- or down-notching.

We may upgrade BayernLB's Long-Term Issuer and Bank Capital and Senior Unsecured debt ratings if we see a long-term increase in profitability, along with continued excellent asset quality and at least maintained capital position.

On the other hand, BayernLB's Long-Term Issuer Rating, Bank Capital Rating and Unsecured Debt Rating could be downgraded if BayernLB's earnings were to decline significantly. In addition, a downgrade could be appropriate if asset quality were to deteriorate significantly in a high-interest-rate environment, e.g. in the commercial real estate segment.

Appendix

Bank ratings DKB

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

Long-Term Issuer / Outlook / Short-Term **A / L2 / stable**

Bank Capital and Debt Instruments Ratings DKB

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured (PSU):	**A**
Non-Preferred Senior Unsecured (NPS):	**A-**
Tier 2 (T2):	**-**
Additional Tier 1 (AT1):	**-**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
Initialrating	12.06.2018	A- / stabil / L2
Update	17.09.2019	A- / stabil / L2
Monitoring	24.03.2020	A- / NEW / L2
Update	02.10.2020	A- / stabil / L2
Monitoring	05.07.2021	A- / stabil / L2 (UNW)
Update	24.09.2021	A- / stabil / L2
Update	11.11.2022	A- / stabil / L2
Update	17.10.2023	A / stabil / L2
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	12.06.2018	BBB+ / BB+ / -
PSU / NPS / T2 / AT1	17.09.2019	A- / BBB+ / BB+ / -
Monitoring	24.03.2020	A- / BBB+ / BB+ / - (NEW)
PSU / NPS / T2 / AT1	02.10.2020	A- / BBB+ / BB+ / -
PSU / NPS / T2 / AT1	05.07.2021	A- / BBB+ / BB+ / - (UNW)
PSU / NPS / T2 / AT1	24.09.2021	A- / BBB+ / BB+ / -
PSU / NPS / T2 / AT1	11.11.2022	A- / BBB+ / BB+ / -
PSU / NPS / T2 / AT1	17.10.2023	A / A- / BBB- / -
Subsidiaries of the Bank	**Rating Date**	**Result**
DKB		

Initialrating	12.06.2018	A- / stabil / L2
Update	17.09.2019	A- / stabil / L2
Monitoring	24.03.2020	A- / NEW / L2
Update	02.10.2020	A- / stabil / L2
Monitoring	05.07.2021	A- / stabil / L2 (UNW)
Update	24.09.2021	A- / stabil / L2
Update	11.11.2022	A- / stabil / L2
Update	17.10.2023	A / stabil / L2
Bank Capital and Debt Instruments of DKB		
Senior Unsecured / T2 / AT1 (Initial)	12.06.2018	BBB+ / BB+ / -
PSU / NPS / T2 / AT1	17.09.2019	A- / BBB+ / BB+ / -
Monitoring	24.03.2020	A- / BBB+ / BB+ / - (NEW)
PSU / NPS / T2 / AT1	02.10.2020	A- / BBB+ / BB+ / -
PSU / NPS / T2 / AT1	05.07.2021	A- / BBB+ / BB+ / - (UNW)
PSU / NPS / T2 / AT1	24.09.2021	A- / BBB+ / BB+ / -
PSU / NPS / T2 / AT1	11.11.2022	A- / BBB+ / n.r. / -
PSU / NPS / T2 / AT1	17.10.2023	A / A- / - / -

Tables Group (if applicable)

Figure 2: Income statement[1] | Source: eValueRate / CRA

Income Statement (EUR m)	2022	%	2021	2020	2019
Income					
Net Interest Income	2.137	+14,5	1.866	1.772	1.726
Net Fee & Commission Income	423	+11,3	380	331	287
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	-126	< -100	220	146	27
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	-	-	-	-	-
Other Income	156	> +100	52	131	272
Operating Income	**2.590**	**+2,9**	**2.518**	**2.380**	**2.312**
Expense					
Depreciation and Amortisation	96	+7,9	89	79	64
Personnel Expense	837	-0,8	844	856	771
Tech & Communications Expense	387	+11,5	347	333	321
Marketing and Promotion Expense	39	+5,4	37	35	40
Other Provisions	-	-	-40	-30	-31
Other Expense	448	-7,1	482	461	527
Operating Expense	**1.807**	**+2,7**	**1.759**	**1.734**	**1.692**
Operating Profit & Impairment					
Operating Profit	**783**	**+3,2**	**759**	**646**	**620**
Cost of Risk / Impairment	70	+45,8	48	142	-251
Net Income					
Non-Recurring Income	409	> +100	105	5	2
Non-Recurring Expense	0	-100,0	1	311	217
Pre-tax Profit	**1.122**	**+37,7**	**815**	**198**	**656**
Income Tax Expense	64	-75,3	259	-31	187
Discontinued Operations	-	-	-	-	-
Net Profit	**1.058**	**+90,3**	**556**	**229**	**469**
Attributable to minority interest (non-controlling interest)	-3	+0,0	-3	-3	-3
Attributable to owners of the parent	1.055	+90,8	553	226	466

Figure 3: Key earnings figures| Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	69,77	-0,09	69,86	72,86	73,18
Cost Income Ratio ex. Trading (CIRex)	66,53	-10,01	76,54	77,62	74,05
Return on Assets (ROA)	0,41	+0,20	0,21	0,09	0,21
Return on Equity (ROE)	7,81	+3,30	4,52	1,98	4,06
Return on Assets before Taxes (ROAbT)	0,43	+0,13	0,31	0,08	0,29
Return on Equity before Taxes (ROEbT)	8,29	+1,66	6,62	1,71	5,69
Return on Risk-Weighted Assets (RORWA)	1,62	+0,74	0,88	0,35	0,73
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,72	+0,43	1,29	0,30	1,02
Net Financial Margin (NFM)	0,79	-0,00	0,80	0,76	0,79
Pre-Impairment Operating Profit / Assets	0,46	+0,14	0,32	0,14	0,18

Change in %Points

[1] Data by our data provider eValueRate, which is standardized for analytical reasons. Thus, the used data and the resulting figures do not have necessary to match the presentation of the bank, which refers to this and all subsequent tables and figures.

Figure 4: Development of assets| Source: eValueRate / CRA

Assets (EUR m)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	2.151	-87,7	17.542	9.342	8.512
Net Loans to Banks	61.438	+9,2	56.266	56.177	31.106
Net Loans to Customers	166.426	+5,0	158.445	152.667	146.102
Total Securities	19.640	-7,3	21.182	23.537	26.505
Total Derivative Assets	3.786	-52,2	7.925	10.944	10.348
Other Financial Assets	21	-12,5	24	25	26
Financial Assets	**253.462**	**-3,0**	**261.384**	**252.692**	**222.599**
Equity Accounted Investments	-	-	-	-	-
Other Investments	21	-16,0	25	28	28
Insurance Assets	233	+0,4	232	229	227
Non-current Assets & Discontinued Ops	0	-100,0	65	26	-
Tangible and Intangible Assets	630	+2,4	615	633	646
Tax Assets	778	+12,8	690	735	786
Total Other Assets	4.219	+19,1	3.543	1.883	1.679
Total Assets	**259.343**	**-2,7**	**266.554**	**256.226**	**225.965**

Figure 5: Development of asset quality| Source: eValueRate / CRA and Pillar III

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	64,17	+4,73	59,44	59,58	64,66
Risk-weighted Assets[1] / Assets	25,18	+1,43	23,75	25,36	0,00
NPL[2]/ Loans to Customers[3]	1,21	-0,01	1,22	1,12	1,37
NPL[2]/ Risk-weighted Assets[1]	2,61	+0,08	2,54	2,16	2,54
Potential Problem Loans[4]/ Loans to Customers[3]	9,50	+1,61	7,89	9,85	-
Reserves[5]/ NPL[2]	57,06	-2,65	59,71	66,29	62,63
Cost of Risk / Loans to Customers[3]	0,05	+0,01	0,04	0,11	-0,21
Cost of Risk / Risk-weighted Assets[1]	0,11	+0,03	0,08	0,22	-0,39
Cost of Risk / Total Assets	0,03	+0,01	0,02	0,06	-0,11

Change in %Points

1 RWA: Pillar 3, EU CR1
2 NPL: Gross; Non-Performing Loans of the categories Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
3 Loans to Customers: Gross; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
4 Potential Problem Loans: Stage 2; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

Figure 6: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	60.716	-20,6	76.427	75.532	49.094
Total Deposits from Customers	123.304	+3,4	119.292	109.779	100.436
Total Debt	48.222	+3,5	46.569	44.722	46.677
Derivative Liabilities	10.278	+20,9	8.500	9.530	9.180
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	1.413	+50,8	937	1.485	3.414
Total Financial Liabilities	**243.933**	**-3,1**	**251.725**	**241.048**	**208.801**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	0	-100,0	28	6	-
Tax Liabilities	118	+20,4	98	122	241
Provisions	1.104	-37,6	1.768	2.894	4.801
Total Other Liabilities	648	+3,3	627	572	584
Total Liabilities	**245.803**	**-3,3**	**254.246**	**244.642**	**214.427**
Total Equity	**13.540**	**+10,0**	**12.308**	**11.584**	**11.538**
Total Liabilities and Equity	**259.343**	**-2,7**	**266.554**	**256.226**	**225.965**

Figure 7: Development of capital and liquidity ratios | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	5,22	+0,60	4,62	4,52	5,11
Leverage Ratio[1]	4,50	-0,80	5,30	5,53	5,08
Common Equity Tier 1 Ratio (CET1)[2]	17,39	+0,07	17,32	15,85	15,89
Tier 1 Ratio (CET1 + AT1)[2]	17,39	+0,07	17,32	15,86	15,89
Total Capital Ratio (CET1 + AT1 + T2)[2]	21,31	-0,26	21,57	18,46	18,30
CET1 Minimum Capital Requirements[1]	8,68	+0,03	8,65	8,64	9,23
Net Stable Funding Ratio (NSFR)[1]	127,14	-9,97	137,11	-	-
Liquidity Coverage Ratio (LCR)[1]	195,50	-75,69	271,19	212,16	175,00

Change in %Points

1 Pillar 3 EU KM1

2 Regulatory Capital Ratios: Pillar 3 EU KM1

Tables Subsidiary

Figure 8: Income statement of DKB | Source: eValueRate / CRA

Income Statement (EUR m)	2022	%	2021	2020	2019
Income					
Net Interest Income	1.313	+28,8	1.020	954	954
Net Fee & Commission Income	88	> +100	22	-22	-34
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	-217	< -100	52	61	42
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	-	-	-	-	-
Other Income	20	-2,4	21	27	28
Operating Income	**1.205**	**+8,1**	**1.114**	**1.020**	**990**
Expense					
Depreciation and Amortisation	54	+17,1	46	39	27
Personnel Expense	379	+9,8	345	311	281
Tech & Communications Expense	196	+20,5	163	157	103
Marketing and Promotion Expense	32	+0,6	32	30	30
Other Provisions	-13	+41,8	-9	-11	-3
Other Expense	185	+1,8	182	205	199
Operating Expense	**834**	**+9,8**	**759**	**731**	**636**
Operating Profit & Impairment					
Operating Profit	**371**	**+4,5**	**355**	**289**	**354**
Cost of Risk / Impairment	16	< -100	-7	39	56
Net Income					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**356**	**-1,9**	**363**	**250**	**298**
Income Tax Expense	133	> +100	50	1	0
Discontinued Operations	-	-	-	-	-
Net Profit	**223**	**-28,5**	**312**	**249**	**298**
Attributable to minority interest (non-controlling interest)	3	> +100	1	-	-
Attributable to owners of the parent	220	-29,5	312	249	298

Figure 9: Key earnings figures of DKB | Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	69,19	+1,07	68,12	71,67	64,27
Cost Income Ratio ex. Trading (CIRex)	58,65	-12,82	71,47	76,20	67,08
Return on Assets (ROA)	0,18	-0,05	0,23	0,23	0,36
Return on Equity (ROE)	4,28	-1,74	6,02	6,65	8,69
Return on Assets before Taxes (ROAbT)	0,29	+0,03	0,27	0,23	0,36
Return on Equity before Taxes (ROEbT)	6,82	-0,18	7,00	6,67	8,69
Return on Risk-Weighted Assets (RORWA)	0,34	-0,15	0,49	0,38	0,46
Return on Risk-Weighted Assets before Taxes (RORWAbT)	0,54	-0,03	0,57	0,38	0,46
Net Financial Margin (NFM)	0,91	+0,11	0,80	0,93	1,20
Pre-Impairment Operating Profit / Assets	0,31	+0,04	0,26	0,26	0,42

Change in %Points

Figure 10: Development of assets of DKB | Source: eValueRate / CRA

Assets (EUR m)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	24.145	-37,2	38.434	8.775	4.433
Net Loans to Banks	2.662	-1,3	2.695	17.502	2.610
Net Loans to Customers	88.887	+6,1	83.776	76.140	69.116
Total Securities	8.046	-8,5	8.797	5.280	5.951
Total Derivative Assets	-3.664	< -100	341	1.070	775
Other Financial Assets	355	-23,1	462	355	245
Financial Assets	**120.431**	**-10,5**	**134.505**	**109.123**	**83.130**
Equity Accounted Investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	255	+20,3	212	212	232
Tax Assets	123	> +100	30	-	-
Total Other Assets	226	+13,2	199	506	392
Total Assets	**121.035**	**-10,3**	**134.946**	**109.840**	**83.754**

Figure 11: Development of asset quality of DKB | Source: eValueRate / CRA and Pillar III

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	73,44	+11,36	62,08	69,32	82,52
Risk-weighted Assets[1] / Assets	53,96	+7,04	46,92	59,15	0,00
NPL[2]/ Loans to Customers[3]	1,21	-0,01	1,22	1,12	1,37
NPL[2]/ Risk-weighted Assets[1]	2,61	+0,08	2,54	2,16	2,54
Potential Problem Loans[4]/ Loans to Customers[3]	9,50	+1,61	7,89	9,85	-
Reserves[5]/ NPL[2]	57,06	-2,65	59,71	66,29	62,63
Cost of Risk / Loans to Customers[3]	0,01	+0,02	-0,01	0,03	0,05
Cost of Risk / Risk-weighted Assets[1]	0,02	+0,04	-0,01	0,06	0,09
Cost of Risk / Total Assets	0,01	+0,02	-0,01	0,04	0,07

Change in %Points

1 RWA: Pillar 3, EU CR1
2 NPL: Gross; Non-Performing Loans of the categories Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
3 Loans to Customers: Gross; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
4 Potential Problem Loans: Stage 2; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

Figure 12: Development of refinancing and capital adequacy of DKB | Source: eValueRate / CRA

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	23.327	-42,1	40.293	27.266	13.102
Total Deposits from Customers	85.232	+2,1	83.481	72.409	60.767
Total Debt	6.459	+20,7	5.353	5.704	5.724
Derivative Liabilities	101	+86,5	54	63	34
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-
Total Financial Liabilities	**115.118**	**-10,9**	**129.181**	**105.442**	**79.626**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	69	> +100	6	0	-
Provisions	146	-27,0	200	221	211
Total Other Liabilities	490	+29,7	377	430	491
Total Liabilities	**115.822**	**-10,7**	**129.763**	**106.093**	**80.328**
Total Equity	**5.213**	**+0,6**	**5.183**	**3.747**	**3.427**
Total Liabilities and Equity	**121.035**	**-10,3**	**134.946**	**109.840**	**83.754**

Figure 13: Development of capital and liquidity ratios of DKB | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	4,31	+0,47	3,84	3,41	4,09
Leverage Ratio[1]	4,28	-0,74	5,02	3,64	3,71
Common Equity Tier 1 Ratio (CET1)[2]	17,39	+0,07	17,32	15,85	15,89
Tier 1 Ratio (CET1 + AT1)[2]	17,39	+0,07	17,32	15,86	15,89
Total Capital Ratio (CET1 + AT1 + T2)[2]	21,31	-0,26	21,57	18,46	18,30
CET1 Minimum Capital Requirements[1]	8,68	+0,03	8,65	8,64	9,23
Net Stable Funding Ratio (NSFR)[1]	127,14	-9,97	137,11	-	-
Liquidity Coverage Ratio (LCR)[1]	195,50	-75,69	271,19	212,16	175,00

Change in %Points

1 Pillar 3 EU KM1

2 Regulatory Capital Ratios: Pillar 3 EU KM1

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following table clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the following methodologies and Rating Criteria and Definitions (v1.3):

- Bank ratings (v3.2)
- Rating of bank capital and unsecured debt instruments (v2.1)
- Institutional Protection Scheme Banks (v1.0)
- Environmental, Social and Governance Score for Banks (v1.0)

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 23 October 2023, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Bayerische Landesbank AöR and DKB AG, and the preliminary rating report was made available to the bank. There was no change in the rating.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

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1.) Kreditservice ancillary service(s) for the DKB Finance GmbH.

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To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

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6. Internet research

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The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

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