Creditreform Bank Rating

Bayerische Landesbank AöR (Group)

Creditreform Rating

Rating Object	Rating Information	
Bayerische Landesbank AöR (Group)	Long Term Issuer Rating / Outlook: **A+ / stable**	Short Term: **L2**
Creditreform ID: 8170003388	Type: Update / Unsolicited	
Rating Date: **31 October 2024** Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.3" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.2" CRA "Environmental, Social and Governance Score for Banks v.1.1" CRA "Rating Criteria and Definitions v.1.3" CRA "Institutional Protection Scheme Banks v1.0" CRA "Government-Related Banks v2.1" Rating History: www.creditreform-rating.de	Rating of Bank Capital and Unsecured Debt Instruments: Preferred Senior Unsecured (PSU): Non-Preferred Senior Unsecured (NPS): Tier 2 (T2): Additional Tier 1 (AT1):	 A+ A BBB -

Rating Action

Creditreform Rating upgrades BayernLB'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.

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

Key Rating Drivers

- Stability due to institutional protection system (IPS) of Sparkassen-Finanzgruppe (SFG)
- BayernLB benefits from IPS of SFG, additional fund will provide faster decision making and added security in the near future
- Strong improvement in operational and overall profitability without positive one-offs of 2022
- New interest rate environment reinvigorates earnings potential for BayernLB, high increase in operational profitability
- Continued excellent asset quality in key metrics, despite significant negative rating migrations on real estate exposures and relatively high potential problem loan ratio
- Very high exposure to the real estate sector amid high interest rate environment leads to higher risk; current developments are subject to significant uncertainties
- Low distributions and solid earnings strengthen already strong capital base

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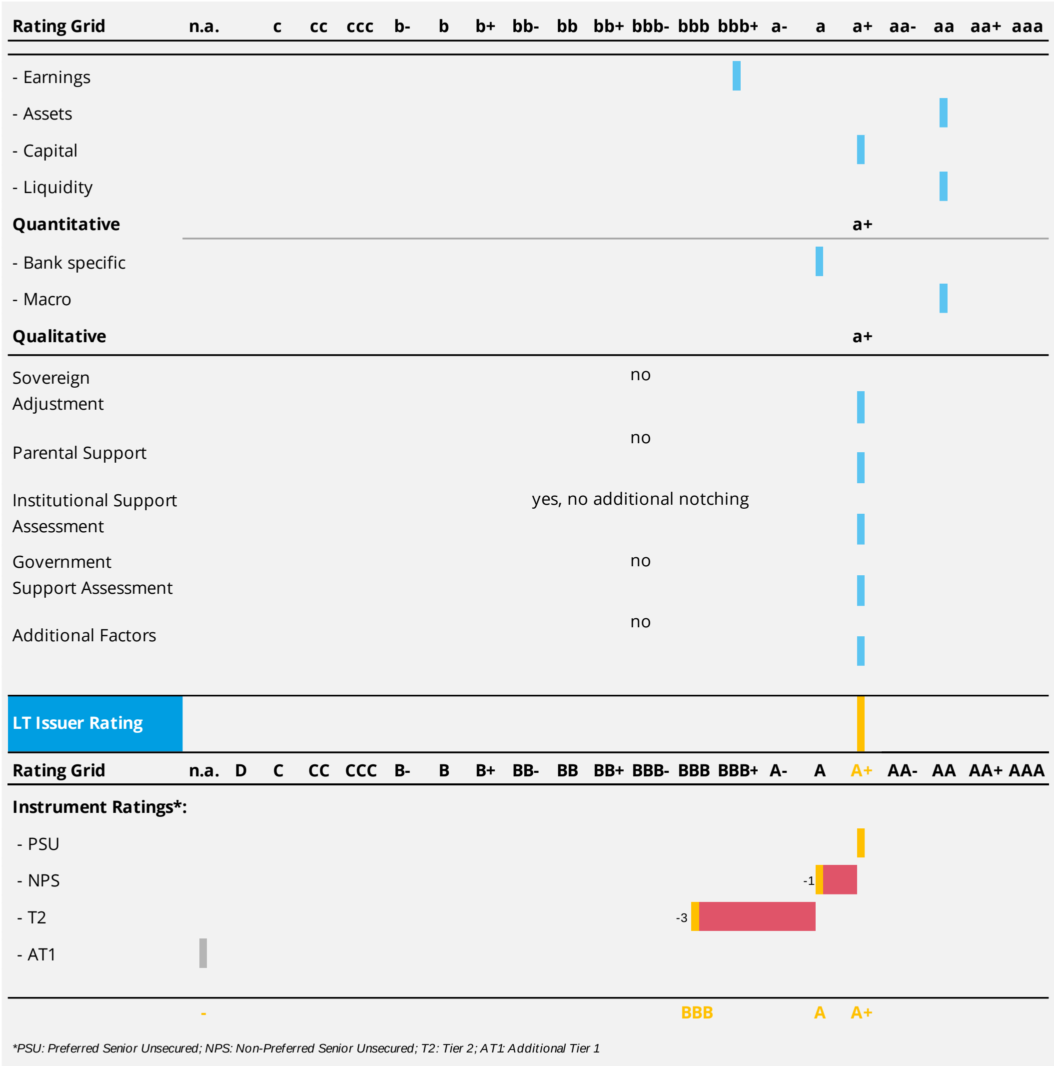
Executive Summary



The rating of Bayerische Landesbank AöR (hereinafter BayernLB) is prepared on the basis of group consolidated accounts, supplemented by information on the institutional protection scheme the bank is affiliated with.

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

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 stand-alone rating of BayernLB is thus not appropriate due to its affiliation with SFG.

Given the Free State of Bavaria's 75% stake in BayernLB, the bank was analysed using the government-related banks methodology. CRA believes that, in the event of a bank failure, due to the strong joint liability scheme and the legal basis provided by the BRRD, additional substantial involvement of the Free State of Bavaria in a rescue is unlikely. Therefore, BayernLB receies no additional notching.

The rating upgrade is both due to the much improved financial metrics of BayernLB as well as the new, supplementary fund, which leads to a strengthening of the IPS.

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 institutional protection scheme (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.

Prior to a reorganization starting in 2025, the Joint Liability Scheme of the SFG comprises 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.

As part of the restructuring of the protection scheme originally agreed in 2021, a supplementary fund will be established for the savings banks and Landesbanken, alongside the existing subfunds, which will be funded from 2025 onwards. A key improvement to the system is a more rules-based approach to decision-making, including tight deadlines. This should significantly increase the efficiency of the IPS. The additional fund is set to have a volume of 5.2bn EUR, which will be filled starting in 2025 until 2032. Landesbanks will cover EUR 2.6bn of said fund.

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. With a substantial improvement in profitability, BayernLB does not receive any additional upnotching as a result of its membership in SFG/IPS.

Since the end of 2019, BayernLB had adopted a strategic realignment concept for the Group. This essentially involved focusing on the high-growth areas of the future while at the same time reducing the cost base. The *Fokus 2024* transformation process was nearing completion by the end of 2023. During the course of 2023, BayernLB subjected the strategy to a regular review in light of the changed geopolitical and macroeconomic environment, especially the new interest environment. The strategic goals of the previous years were pursued again in 2023 and unchanged. In the first half of 2024 BayernLB underwent its yearly review since completion of *Fokus 2024* with only slight adjustments to segment strategies. Financial goals include RWA exposure of EUR 75bn (2023: EUR 64.5bn), a Return on Equity of 11% (pre-taxes; 2023: 9.9%) and a Cost Income Ratio of 50% (2023: 54.6% based on Creditreform calculations). A CET1 ratio of 14.5% is targeted (19.3% in 2023). The IT transformation is still ongoing with the *Kopernikus* project, which focuses on modernizing group-wide bank management.

Business Development

Profitability

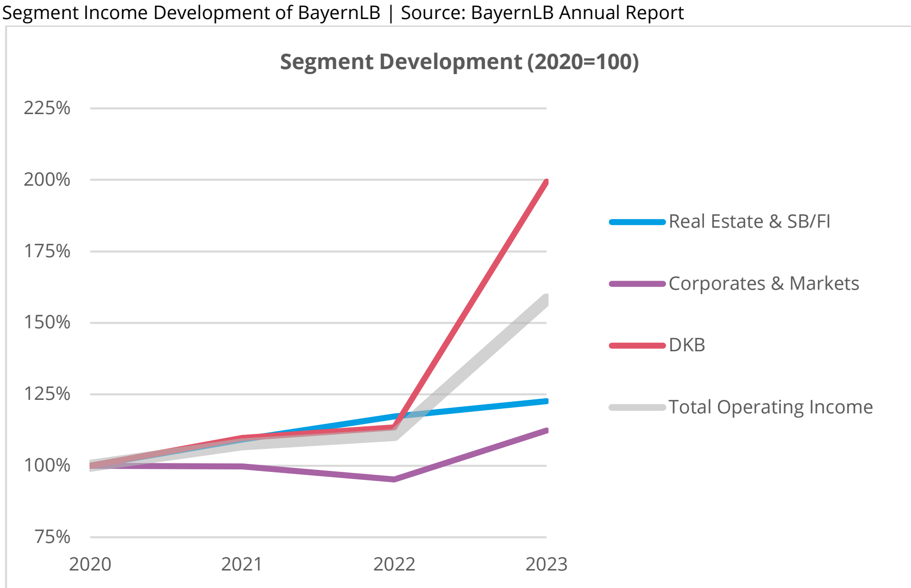
Creditreform Rating AG follows a structural approach in the presentation of the income statement and balance sheet as well as in the calculation of key ratios. The presentation may therefore differ from that of the bank. Creditreform Rating pursues the goal of making financial statements of different 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.

BayernLB was able to increase its operating result by almost 80% thanks to the turnaround in interest rates, but other key factors also contributed.

Operating income increased by EUR 0.9bn to EUR 3.5bn (+36.1%) in 2023. The main reason for this was the new interest rate environment, in which the bank was able to increase net interest income by more than a third, from EUR 2.1bn to EUR 2.9bn. The online bank DKB business area generated about two-thirds of net interest income and was also responsible for the bulk of interest income growth. Net commission income also increased significantly from EUR 423 million to EUR 473 million (+11.6%), mainly due to increases in the payments and credit card business, offset by a significant decline in the securities business. Fair Value and Trading Income made a positive contribution to earnings in 2023, following a net loss due to losses in the area of hedge accounting. At EUR 102mn, the result was significantly higher than the previous year's loss of EUR 126mn (+EUR 228mn).

In the period under review from 2020 to 2023, all segments achieved positive earnings growth, particularly the DKB sub-division following the turnaround in interest rates. The online Bank was responsible for an increase in net interest income of EUR 627mn, which was the primary driver of the overall increase in operating income for the Bank as a whole. But also the Corporates & Markets segment recorded solid growth after sluggish growth in the years prior.

Chart 1: Segment Income Development of BayernLB | Source: BayernLB Annual Report



Operating expenses also increased sharply year-on-year by EUR 228m to EUR 1.9bn (+13.4%). While main components such as Personnel Expense and Tech and Communications Expense increased only moderately, other components rose sharply from EUR 340mn to EUR 536mn. This was mainly due to losses on restructuring totalling EUR 92mn, following a positive earnings contribution of EUR 108mn in the previous year (for a total difference of EUR 200mn). This difference includes costs of EUR 85mn for the *Fit4Growth* programme at DKB.

The operating profit for the period totalled EUR 1.6bn, representing an increase from the previous year's figure of EUR 0.9bn. However, risk costs rose sharply by almost 160% from EUR 70mn to EUR 180mn. Despite this, the overall cost of risk remained low at 12 basis points, despite the challenging market conditions in the construction, property and real estate sectors.

Profit before tax totalled EUR 1.4bn, compared to EUR 1.1bn in the previous year (+28.4%). Net profit totalled EUR 1.2bn, compared to EUR 1.1bn in the previous year (+10.6%).

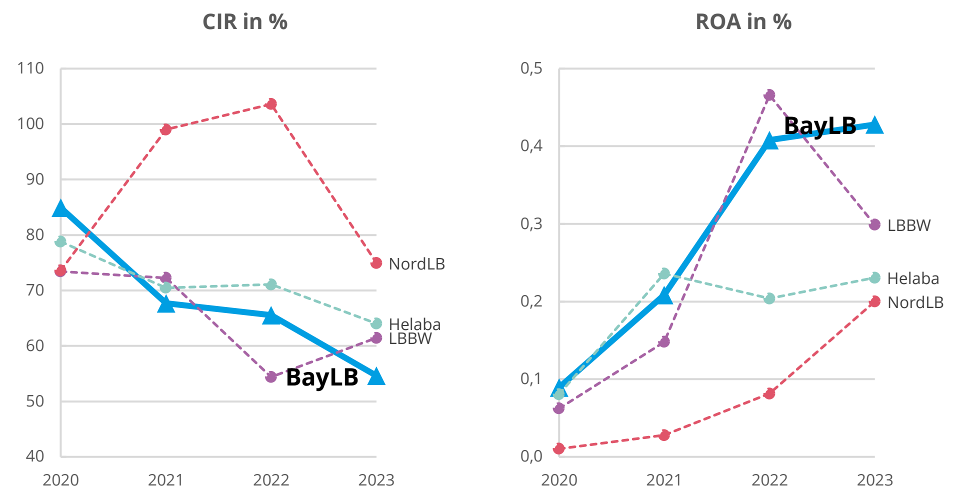
Profitability continued to develop favourably in Q2-24. While net interest income declined again as the ECB began to cut interest rates, net commission income and the fair value and trading result increased further. The cost side developed moderately. In the absence of any surprises and despite another increase in risk costs, a better result than in 2023 can be expected.

The improvement in profitability has a clearly positive impact on the bank's key earnings metrics. The positive development in operational efficiency has resulted in a cost-income ratio below 55% (2022: 65.6%), while the return on equity (ROE) has risen to 8%. The interest margin increased significantly, reaching well over 1% due to the notable rise in interest rates.

Based on the Q2-24 figures and assuming no adverse developments, a further substantial improvement in earnings is anticipated in 2024. However, it is likely that net interest income has reached its peak. With the commencement of interest rate cuts by central banks, interest income is expected to stabilise, while risk costs will continue to rise due to the sluggish German economy.

A peer group analysis of the other major Landesbanks reveals that BayernLB performs best. Both the CIR and the ROA are at the top of the peer group, with a consistently positive trend. All banks demonstrate a positive trend over the comparison period, although there are some instances where this is less pronounced.

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



Asset Situation and Asset Quality

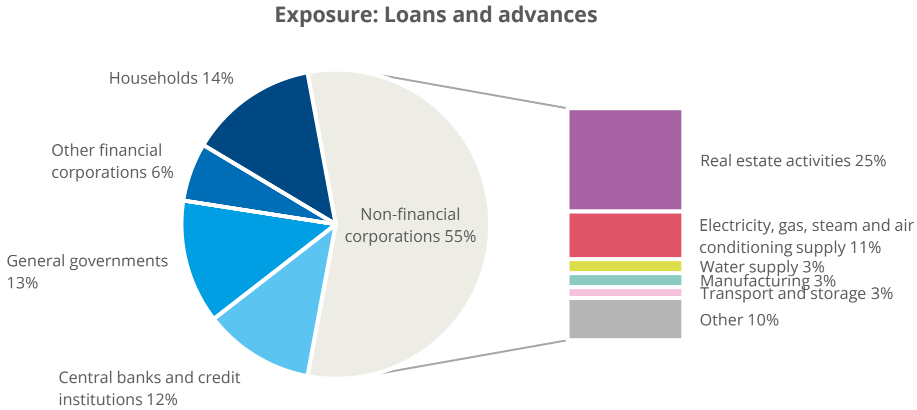
Bayerische Landesbank's total assets increased by EUR 14bn (+5.4%). This increase is due to the rise in Loans to Banks and Loans to Customers by EUR 7.9bn to EUR 173.3bn and EUR 6.8bn to EUR 69.3bn respectively (+12.8% and +4.1%). The securities portfolio increased marginally by EUR 362mn (+1.8%) to EUR 20bn.

Of the loans and advances to customers, 83.4% were domestic loans. Of loans and advances to banks, 94.9% were domestic. The respective increases were realised without exception in Germany, while the foreign exposure decreased in each case.

Total assets increased by EUR 5.7bn in Q2-24. Loans to customers accounted for around EUR 3.3bn of the increase.

BayernLB's credit portfolio continues to be located mainly in Germany, with over 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 14%. Real estate activities account for the largest share of non-financial exposure at 45%, while the capital-intensive energy sector accounts for a little over 20%. In the new interest rate environment, this is associated with increased risk; in 2023 and the first half of 2024, rating migrations in the area of commercial real estate led to a significant deterioration of internal ratings. The business volume remained almost stable. Overall, NPLs increased significantly up to Q2-24 compared to 2022, while still remaining comparatively low overall.

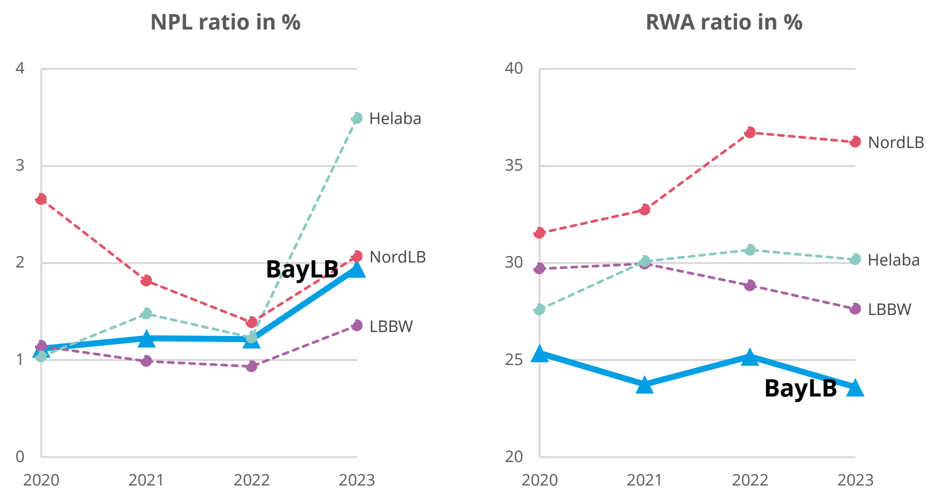
Chart 3: Credit Risk: Exposure Loans and advances | Source: Pillar III (EU CR1 and CQ5)



The asset quality of BayernLB noticeably deteriorated in the reporting year 2023 and in the first half of 2024 compared to the previous year. Both the NPL ratio (stage 3 loans) and the ratio of potential problem loans (stage 2) increased significantly. Risk costs also increased, but remain low in relation to total loans. The regulatory risk exposure (RWA ratio) remains low at under 24%. Overall, at bank level the asset quality of BayernLB is still excellent.

In terms of asset quality, the peer group as a whole is comparable. Most NPL ratios are in the range of approximately 1-2%, with the economic weakness clearly impacting the asset quality of the Landesbanks as a whole. All peer banks exhibit a significant increase in 2023. In terms of regulatory risk (RWA ratio), all banks show a decrease in 2023, with BayernLB continuing to have the lowest ratio by some margin.

Chart 4: NPL and RWA ratios of BayernLB in comparison to the peer group | Source: eValueRate / CRA



Refinancing, Capital Quality and Liquidity

The growth on the assets side was refinanced by a strong increase in customer deposits, which was reduced by a decline in bank deposits Specifically, customer deposits increased by EUR 20.0bn to EUR 143.3bn (+16.2%), while bank deposits decreased by EUR 8.8bn (-14.5%). This is mainly due to the repayment of the remaining TLTRO III funds in the amount of EUR 8.4bn.

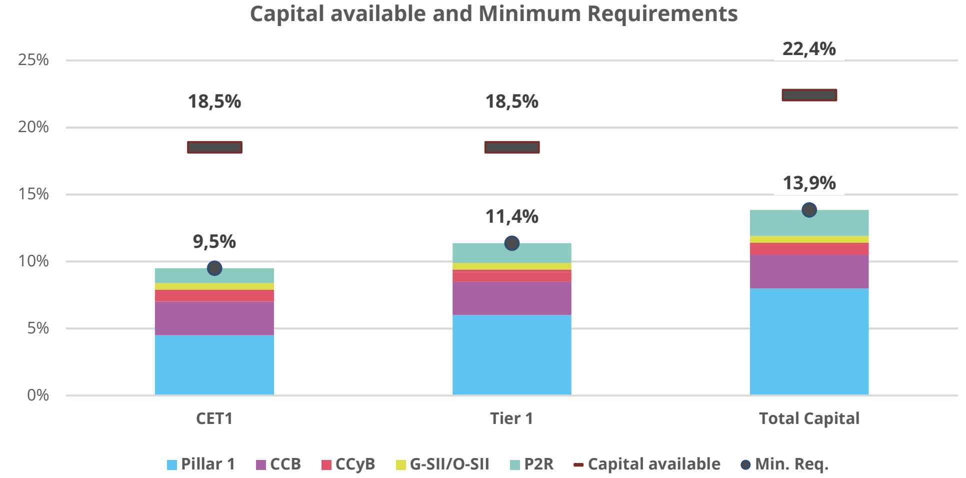
Equity increased by EUR 1.1bn over the year. Total comprehensive income of EUR 1.3bn (consolidated profit: EUR 1.2bn) was reduced by the distribution of profit to the owners of EUR 228mn in 2023. Equity thus continues to grow as a result of the cautious distribution policy.

The slight growth in total assets in Q2-24 was mainly refinanced by deposit growth from banks and equity.

The bank recorded a notable improvement in the capital ratios. The lower RWA ratio, in conjunction with robust equity growth, has led to an improvement in the bank's regulatory and balance sheet capital position. The equity ratio has increased from 5.2% to 5.4%, while the CET1 ratio has risen from 17.4% to 19.3%. The total capital ratio has also grown, from 21.3% to 23.4%. The regulatory capital buffer at the end of 2023 was a very impressive 9.8%. Under the impression of regulatory tightening and a slight decline in the key figures, the buffer decreased to a still very impressive 9%.

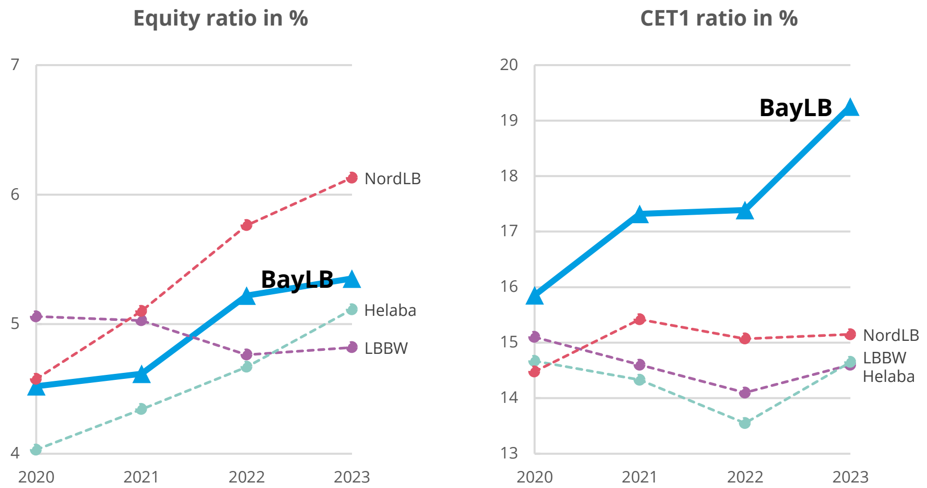
The development in Q2-24 was mixed. While the balance sheet equity ratio continued to rise, the regulatory ratio decreased, partly due to profit distributions.

Chart 5: Regulatory Capital Ratios and Minimum Requirements as per Q2-24| Source: Pillar III (EU KM1)



The balance sheet equity ratio increased for all peer banks over the comparison period. However, the regulatory capital ratios remained stable for the comparative banks during the period, while BayernLB recorded strong growth.

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



All rated Debt and Capital is upgraded by one notch in line with the Long-Term Issuer Rating. Due to BayernLB's bank capital and debt structure, as well as its status as an O-SII, the Group'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, BayernLB's Non-Preferred Senior Unsecured debt is rated A. BayernLB's Tier 2 Capital is rated BBB based on BayernLB's capital structure and seniority in accordance with our rating methodology.

Environmental, Social and Governance (ESG) Score Card

BayernLB 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.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated neutral, Coporate Behaviour is rated positive.

ESG Bank Grade
3,6 / 5

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

	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.	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.	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.	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 Grade is based on the Methodology "Environmental, Social and Governance Grade 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 a continued improvement in earnings, while maintaining excellent asset quality at bank level and very good capitalization. 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. 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: AA-

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 AA- in the "Best-Case-Scenario" and a Long-Term Issuer Rating of A in the "Worst-Case-Scenario". The ratings of Bank Capital and 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.

We might upgrade BayernLB's Long-Term Issuer Rating and the ratings of Bank Capital and Unsecured Debt due to an upgrade of the SFG.

By contrast, a downgrade of BayernLB's Long-Term Issuer Rating and the ratings of Bank Capital and Unsecured Debt due to a downgrade of the SFG as well as a decline in asset quality.

Appendix

Bank ratings Bayerische Landesbank AöR

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 Bayerische Landesbank

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):	**BBB**
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
Update	31.10.2024	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- / -
PSU / NPS / T2 / AT1	31.10.2024	A+ / A / BBB / -

Tables Group (if applicable)

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

Income Statement (EUR m)	2023	%	2022	2021	2020
Income					
Net Interest Income	2.919	+36,6	2.137	1.866	1.772
Net Fee & Commission Income	472	+11,6	423	380	331
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	102	< -100	-126	220	146
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	-	-	-	-	-
Other Income	298	+88,6	158	194	131
Operating Income	**3.791**	**+46,3**	**2.592**	**2.660**	**2.380**
Expense					
Depreciation and Amortisation	110	+14,6	96	89	79
Personnel Expense	845	+1,0	837	844	856
Tech & Communications Expense	399	+3,1	387	347	333
Marketing and Promotion Expense	37	-5,1	39	37	35
Other Provisions	-	-	-	-	-30
Other Expense	799	> +100	340	483	748
Operating Expense	**2.190**	**+28,9**	**1.699**	**1.800**	**2.021**
Operating Profit & Impairment					
Operating Profit	**1.601**	**+79,3**	**893**	**860**	**359**
Cost of Risk / Impairment	180	> +100	70	48	142
Net Income					
Non-Recurring Income	20	-93,3	299	4	5
Non-Recurring Expense	-	-	0	1	24
Pre-tax Profit	**1.441**	**+28,4**	**1.122**	**815**	**198**
Income Tax Expense	271	> +100	64	259	-31
Discontinued Operations	-	-	-	-	-
Net Profit	**1.170**	**+10,6**	**1.058**	**556**	**229**
Attributable to minority interest (non-controlling interest)	-4	+33,3	-3	-3	-3
Attributable to owners of the parent	1.165	+10,4	1.055	553	226

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

Income Ratios (%)	2023	%	2022	2021	2020
Cost Income Ratio (CIR)	57,77	-7,78	65,55	67,67	84,92
Cost Income Ratio ex. Trading (CIRex)	59,37	-3,14	62,51	73,77	90,47
Return on Assets (ROA)	0,43	+0,02	0,41	0,21	0,09
Return on Equity (ROE)	8,00	+0,18	7,81	4,52	1,98
Return on Assets before Taxes (ROAbT)	0,53	+0,09	0,43	0,31	0,08
Return on Equity before Taxes (ROEbT)	9,85	+1,56	8,29	6,62	1,71
Return on Risk-Weighted Assets (RORWA)	1,81	+0,19	1,62	0,88	0,35
Return on Risk-Weighted Assets before Taxes (RORWAbT)	2,23	+0,52	1,72	1,29	0,30
Net Financial Margin (NFM)	1,13	+0,33	0,79	0,80	0,76
Pre-Impairment Operating Profit / Assets	0,59	+0,24	0,34	0,32	0,14

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)	2023	%	2022	2021	2020
Cash and Balances with Central Banks	1.858	-13,6	2.151	17.542	9.342
Net Loans to Banks	69.312	+12,8	61.438	56.266	56.177
Net Loans to Customers	173.273	+4,1	166.426	158.445	152.667
Total Securities	20.002	+1,8	19.640	21.182	23.537
Total Derivative Assets	3.789	+0,1	3.786	7.925	10.944
Other Financial Assets	21	+0,0	21	24	25
Financial Assets	**268.255**	**+5,8**	**253.462**	**261.384**	**252.692**
Equity Accounted Investments	-	-	-	-	-
Other Investments	20	-4,8	21	25	28
Insurance Assets	234	+0,4	233	232	229
Non-current Assets & Discontinued Ops	32	-	0	65	26
Tangible and Intangible Assets	617	-2,1	630	615	633
Tax Assets	840	+8,0	778	690	735
Total Other Assets	3.366	-20,2	4.219	3.543	1.883
Total Assets	**273.364**	**+5,4**	**259.343**	**266.554**	**256.226**

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

Asset Ratios (%)	2023	%	2022	2021	2020
Net Loans to Customers / Assets	63,39	-0,79	64,17	59,44	59,58
Risk-weighted Assets[1] / Assets	23,61	-1,58	25,18	23,75	0,00
NPL[2]/ Loans to Customers[3]	1,95	+0,73	1,21	1,22	1,12
NPL[2]/ Risk-weighted Assets[1]	4,40	+1,79	2,61	2,54	2,16
Potential Problem Loans[4]/ Loans to Customers[3]	10,87	+1,37	9,50	7,89	9,85
Reserves[5]/ NPL[2]	58,30	+1,24	57,06	59,71	66,29
Cost of Risk / Loans to Customers[3]	0,12	+0,07	0,05	0,04	0,11
Cost of Risk / Risk-weighted Assets[1]	0,28	+0,17	0,11	0,08	0,22
Cost of Risk / Total Assets	0,07	+0,04	0,03	0,02	0,06

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)	2023	%	2022	2021	2020
Total Deposits from Banks	51.925	-14,5	60.716	76.427	75.532
Total Deposits from Customers	143.309	+16,2	123.304	119.292	109.779
Total Debt	53.007	+9,9	48.222	46.569	44.722
Derivative Liabilities	7.659	-25,5	10.278	8.500	9.530
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	699	-50,5	1.413	937	1.485
Total Financial Liabilities	**256.599**	**+5,2**	**243.933**	**251.725**	**241.048**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	0	28	6
Tax Liabilities	203	+72,0	118	98	122
Provisions	1.162	+5,3	1.104	1.768	2.894
Total Other Liabilities	767	+18,4	648	627	572
Total Liabilities	**258.731**	**+5,3**	**245.803**	**254.246**	**244.642**
Total Equity	**14.633**	**+8,1**	**13.540**	**12.308**	**11.584**
Total Liabilities and Equity	**273.364**	**+5,4**	**259.343**	**266.554**	**256.226**

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

Capital Ratios and Liquidity (%)	2023	%	2022	2021	2020
Total Equity / Total Assets	5,35	+0,13	5,22	4,62	4,52
Leverage Ratio[1]	4,70	+0,20	4,50	5,30	5,53
Common Equity Tier 1 Ratio (CET1)[2]	19,25	+1,86	17,39	17,32	15,85
Tier 1 Ratio (CET1 + AT1)[2]	19,25	+1,86	17,39	17,32	15,86
Total Capital Ratio (CET1 + AT1 + T2)[2]	23,44	+2,12	21,31	21,57	18,46
CET1 Minimum Capital Requirements[1]	9,47	+0,79	8,68	8,65	8,64
Net Stable Funding Ratio (NSFR)[1]	139,30	+12,16	127,14	137,11	-
Liquidity Coverage Ratio (LCR)[1]	176,40	-19,10	195,50	271,19	212,16

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 (v3.3)
- Rating of bank capital and unsecured debt instruments (v2.2)
- Government-Related Banks (v2.1)
- Institutional Protection Scheme Banks (v1.0)
- Environmental, Social and Governance Score for Banks (v1.1)

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 31 October 2024, 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 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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The final list of rating-related and credit services can be viewed on the Creditreform Rating AG website at https://www.creditreform-rating.de/de/wir-ueber-uns/regulatorische-anforderungen.html#nebendienstleistungen.

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Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

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

5. Public and internal market analyses

6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

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.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report or in the “Basic data” card as a “Rating action”; first release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade or downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

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