Bayerische Landesbank
Key Facts and Statistics - H1 June 2017

Company Overview
Bayerische Landesbank (BayernLB), a German federal state bank headquartered in Munich, holds a 2.8% market share among German banking institutions, based on its total consolidated assets of €221.0 billion as of 30 June 2017.

BayernLB functions as the principal bank of the Free State of Bavaria, and is a member of the Sparkassen-Finanzgruppe. The bank also offers a range of financial products and services to retail customers, medium-size companies (Mittelstand), large corporate clients and real estate customers.

As of September 2017, BayernLB provided its services from its head office in Munich; through offices in Dusseldorf, Berlin, Frankfurt, Hamburg and Stuttgart; and through its branch office in Nuremberg. Its domestic business is complemented by its 100%-owned subsidiary Deutsche Kreditbank AG (DKB), a commercial bank that conducts public sector, corporate and online retail operations. The bank also operates internationally through branches in London, Milan, New York and Paris; a representative office in Moscow; and has presence in China.

In 1972, following the merger of the two banks Bayerische Gemeindebank and Bayerische Landesbodenkreditanstalt, the bank was established as Bayerische Landesbank Girozentrale. In 2005, it adopted a new corporate identity under the BayernLB brand. As of September 2017, the Free State of Bavaria held a stake of approximately 75% in the bank, and the Association of Bavarian Savings Banks held the remaining approximately 25%.

Source: Company Reports (factbook Sep 2017 and interim report June 2017), Deutsche Bundesbank, Company data, Moody’s research
Financial Highlights
Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios, please see Bayerische Landesbank's page on moodys.com.

Exhibit 1
Latest Full-Year Results
Bayerische Landesbank

<table>
<thead>
<tr>
<th>(in € Million)</th>
<th>31-Dec-16</th>
<th>31-Dec-15</th>
<th>31-Dec-14</th>
<th>% Change 16/15</th>
<th>% Change 15/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>212,150</td>
<td>215,713</td>
<td>232,124</td>
<td>(1.7)</td>
<td>(7.1)</td>
</tr>
<tr>
<td>Total Shareholders' Equity</td>
<td>11,056</td>
<td>11,070</td>
<td>11,789</td>
<td>(0.1)</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Shareholders' Equity excluding Minority Interest</td>
<td>11,041</td>
<td>11,055</td>
<td>11,789</td>
<td>(0.1)</td>
<td>(6.2)</td>
</tr>
<tr>
<td>Total Regulatory Capital</td>
<td>11,059</td>
<td>12,214</td>
<td>11,715</td>
<td>(9.5)</td>
<td>4.3</td>
</tr>
<tr>
<td>Tier 1 Ratio (%)</td>
<td>14.7</td>
<td>15.1</td>
<td>12.8</td>
<td>(40) bps</td>
<td>230 bps</td>
</tr>
<tr>
<td>Net Income</td>
<td>550</td>
<td>496</td>
<td>(1320)</td>
<td>10.9</td>
<td>N/M</td>
</tr>
<tr>
<td>Net Income Attributable to Equity Holders</td>
<td>545</td>
<td>495</td>
<td>(1320)</td>
<td>10.1</td>
<td>N/M</td>
</tr>
</tbody>
</table>

Source: Company Reports (financial statements Dec 2016 and Dec 2015)

Exhibit 2
Latest First-Half Results

<table>
<thead>
<tr>
<th>(in € Million)</th>
<th>30-Jun-17</th>
<th>30-Jun-16</th>
<th>% Change 17/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>220,950</td>
<td>224,296</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Total Shareholders' Equity</td>
<td>10,516</td>
<td>10,893</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Shareholders' Equity excluding Minority Interest</td>
<td>10,504</td>
<td>10,878</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Total Regulatory Capital</td>
<td>9,924</td>
<td>10,589</td>
<td>(6.3)</td>
</tr>
<tr>
<td>Tier 1 Ratio (%)</td>
<td>13.3</td>
<td>13.1</td>
<td>20 bps</td>
</tr>
<tr>
<td>Net Income</td>
<td>330</td>
<td>319</td>
<td>3.4</td>
</tr>
<tr>
<td>Net Income Attributable to Equity Holders</td>
<td>330</td>
<td>314</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Source: Company Reports (interim report June 2017 and June 2016)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating information and rating history.
Business Description
BayernLB operates through the following four main business segments: Corporates & Mittelstand; Deutsche Kreditbank AG sub-group (DKB); Real Estate & Savings Banks/Association; and Financial Markets. The bank also maintains a Central Areas & Others segment, to account for its internal operations, and it includes items that could not be directly attributable to other segments (Consolidation).

Corporates & Mittelstand: In half-year period ending June 2017 (H1 2017), this segment accounted for 17.4% of the bank’s net interest income and contributed about 32.1% of the Risk-weighted assets (RWA). The Corporates division provides its products and services to large corporate customers and multinational companies in Germany. In particular, the customers include DAX- and MDAX-listed companies, and family-owned businesses. It also conducts syndicated loan business with Bavarian savings banks to serve its corporate clients. Other services include traditional loan financing (such as working capital, capital expenditure and trade financing), leasing finance, syndication, and placing bonds and Schuldanschein note loans on the market. Among others, it also finances global projects related to infrastructure, energy and renewable energy sectors.

DKB: This segment includes the core business activities of the bank’s 100%-owned subsidiary DKB a retail online bank also specialising in the residential housing, agriculture and renewable energy sectors and catering to retail, infrastructure and corporate customers, and DKB sub-group (non-core activities). The segment also includes operations of Bayern Card-Services GmbH - S-Finanzgruppe, Munich, which focuses on credit card services. DKB operates with total assets of €74.6 billion and caters to 3.6 million customers as of September 2017. In H1 2017, this segment accounted for 50.8% of the bank’s net interest income and 38.6% of its RWA.

Real Estate & Savings Banks/Association: This segment incorporates the bank’s commercial and residential real estate businesses in Germany and abroad, the savings banks and the Public Sector department. The Real Estate division provides long-term commercial real estate financing and services for property developers and portfolios. The Savings Banks/Association division, into which the Public Sector department was incorporated in April 2011, provides transactions conducted with the government and non-Bavarian municipal customers. The Savings Banks unit acts as an operational hub for various services provided to the savings banks and their customers. In addition, this segment comprises the development bank Bayerische Landesbodenkreditanstalt (BayernLabo) which is responsible for non-competitive residential construction and urban development business under public mandate on behalf of BayernLB, and consolidated subsidiary Real I.S. which is responsible for projects under the public mandate of the bank and provides financing to local authorities in Bavaria. In H1 2017, this segment accounted for 13.6% of the bank’s net interest income and 12.0% of its RWA.

Financial Markets: This segment offers capital market products (including fixed-income, structured products and retail certificates, structured interest rate products and equities execution) and treasury products (including short-term interest rates, fixed-income derivatives, foreign exchange and commodities) which are cross sold to BayernLB’s Corporates, Mittelstand, Savings Banks and Real Estate customers. It also includes trading and issuing activities, asset liability management and the activities of the asset management subsidiary BayernInvest Kapitalverwaltungsgesellschaft mbH. In H1 2017, this segment accounted for 11.3% of the bank’s net interest income and 12.4% of its RWA.

Central Areas & Others: This segment comprises the earnings contributions of the following central areas: Corporate Centre; Financial Office; Operations; and Risk Office; and Credit Consulting, along with non-core business of the former Restructuring Unit. It also includes cross-divisional transactions not allocated to any main business segment. Moreover, it includes core business transactions that cannot be allocated to either a business area or a central area. The consolidated subsidiary Banque LBLux S.A. (in liquidation), Luxembourg, is also allocated to this segment. In H1 2017, this segment accounted for 6.9% of the bank’s net interest income and 4.9% of its RWA.

Source: Company Report (interim report June 2017), Moody’s research
Distribution Channels
BayernLB has extensive operations in its core home market of Bavaria, as well as throughout Germany through its subsidiary banks.

As of September 2017, the bank distributed its products and services from its offices in Munich, Dusseldorf, Berlin, Frankfurt, Hamburg and Stuttgart and through its branch office in Nuremberg. The bank also operates internationally through branches in London, Milan, New York and Paris; from a representative office in Moscow; and through its presence in China.

BayernLB also distributes its services through alternative delivery channels, including direct online banking facilities and its internet-based, multi-specialty subsidiary DKB. The bank also delivers services through other subsidiaries, including its wholly owned real estate subsidiary LB Immobilien-bewertungsgesellschaft mbH (LBIImmoWert).

As of 30 June 2017, the bank’s shares of the German banking system in terms of total consolidated customer loans and deposits were as follows:
Exhibit 6
Market Shares of Bayerische Landesbank

<table>
<thead>
<tr>
<th>(% Share)</th>
<th>30-Jun-17</th>
<th>31-Dec-16</th>
<th>31-Dec-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer loans</td>
<td>4.1</td>
<td>4.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Source: Company Reports (factbook Sep 2017, interim report June 2017), Deutsche Bundesbank

Ownership Structure
BayernLB is a public law institution registered in Germany and a member of the Sparkassen-Finanzgruppe. It is owned indirectly, through BayernLB Holding AG, by the Free State of Bavaria and the Association of Bavarian Savings Banks, which hold approximately 75% and 25% of its shares, respectively.

Source: Company Report (factbook Sep 2017), Company data

As of September 2017, the bank’s ownership structure was as follows:

Exhibit 7
Ownership Structure

Subsidiaries
As of 31 December 2016, the bank’s subsidiaries included in the consolidated financial statements were as follows:

Exhibit 8
Bayerische Landesbank

<table>
<thead>
<tr>
<th>Company</th>
<th>Registered Office</th>
<th>direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banque LBLux SA i.L.</td>
<td>Luxembourg</td>
<td>100.0</td>
<td>–</td>
</tr>
<tr>
<td>Bayern Card-Services GmbH - S-Finanzgruppe</td>
<td>Munich</td>
<td>50.1</td>
<td>–</td>
</tr>
<tr>
<td>BayernInvest Kapitalverwaltungsgesellschaft mbH¹</td>
<td>Munich</td>
<td>100.0</td>
<td>–</td>
</tr>
<tr>
<td>Deutsche Kreditbank Aktiengesellschaft¹</td>
<td>Berlin</td>
<td>100.0</td>
<td>–</td>
</tr>
<tr>
<td>Real I.S. AG Gesellschaft für Immobilien Assetmanagement¹</td>
<td>Munich</td>
<td>100.0</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes: ¹ A profit and loss transfer agreement has been concluded with the company.
Source: Company Report (interim report June 2017)
**Government Support Package**

In December 2008, in order to stabilise BayernLB’s liquidity position, the German government announced the following measures: (1) a capital increase of €10 billion by the Free State of Bavaria (in two tranches, €3 billion in December 2008 and €7 billion in Q1 2009); (2) a second-loss €4.8 billion risk shield (following a first-loss retention of €1.2 billion by Bayern LB) for the bank’s structured asset-backed securities (ABS) credit portfolio (outstanding amount at year-end 2008: €20 billion) from the Free State of Bavaria; and (3) funding guarantees amounting to €15 billion from the German Financial Market Stabilisation Fund (SoFFin) at year-end 2008, which were used to a third and redeemed in full later.

In response, the bank established a restructuring plan focused on downsizing its non-core activities. On 25 July 2012, the bank announced that the European Commission (EC) had formally approved the restructuring plan. According to the EC, BayernLB must comply with strict deleveraging targets, discontinue some business lines, divest various participations and repay €5 billion of the €10 billion capital it received from the Free State of Bavaria in 2008-09 until 2019. In November 2012, an initial payment of €350 million was made, followed by another €451 million payment in February 2013. The bank paid an additional €279 million in May 2013. By the end of 2013, BayernLB paid more than €1.6 billion, including approximately €931 million to meet EC repayment obligations, with the rest to cover the guarantee fee to hedge the ABS portfolio.

On 30 October 2014, BayernLB announced that it had sold its entire remaining ABS portfolio in an auction to international investors. As of 30 June 2014, the nominal value was €6.5 billion. The bank used the proceeds from the sale to repay €11 billion to the Free State of Bavaria in order to end its liabilities under the guarantee. The guarantee, also referred to as “Umbrella”, hedged BayernLB’s ABS portfolio against potential losses. Two months later, the bank transferred an additional €700 million to its majority owner.

In April 2016, BayernLB repaid another €1.3 billion to the Free State of Bavaria and remaining €1 billion on 30 June 2017, thereby closing EU state aid payments early.

### Table: Silent participation, Clawback, Umbrella fee, Remaining state aid

<table>
<thead>
<tr>
<th>Year</th>
<th>Silent participation</th>
<th>Clawback</th>
<th>Umbrella fee</th>
<th>Remaining state aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0</td>
<td>240</td>
<td>206</td>
<td>4,720</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
<td>691</td>
<td>139</td>
<td>4,029</td>
</tr>
<tr>
<td>2011</td>
<td>0</td>
<td>1,029</td>
<td>80</td>
<td>2,300</td>
</tr>
<tr>
<td>2012</td>
<td>0</td>
<td>1,300</td>
<td>1,000</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Company Report (interim report June 2017), Moody’s Research

### Company Management

**Bayerische Landesbank**

**Exhibit 9**

<table>
<thead>
<tr>
<th>Management Board</th>
<th>Affiliation</th>
<th>Age*</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Johannes-Jörg Riegler</td>
<td>BayernLB: Chief Executive Officer and Member of the Management Board</td>
<td>52</td>
<td>Corporate Center, Deutsche Kreditbank Aktiengesellschaft</td>
</tr>
<tr>
<td>Dr. Edgar Zoller</td>
<td>BayernLB: Deputy Chief Executive Officer and Member of the Management Board</td>
<td>59</td>
<td>Real Estate &amp; Savings Banks/ Association, Bayerische Landesbodenkreditanstalt, Real I.S. AG Gesellschaft für Immobilien, Asset management</td>
</tr>
<tr>
<td>Marcus Kramer</td>
<td>BayernLB: Chief Risk Officer and Member of the Management Board</td>
<td>53</td>
<td>Risk Office, Credit Consulting</td>
</tr>
<tr>
<td>Dr. Markus Wiegelmann</td>
<td>BayernLB: Chief Financial Officer, Chief Operating Officer and Member of the Management Board</td>
<td>47</td>
<td>Financial Office, Operating Office</td>
</tr>
<tr>
<td>Michael Bücke</td>
<td>BayernLB: Member of the Management Board</td>
<td>54</td>
<td>Corporates &amp; Mittelstand</td>
</tr>
<tr>
<td>Ralf Woitschig</td>
<td>BayernLB: Member of the Management Board</td>
<td>49</td>
<td>Financial Market, BayernInvest Kapitalverwaltungsgesellschaft mbH</td>
</tr>
</tbody>
</table>

* As of 31 Dec 2016 
As of 14 August 2017
**Company History**

BayernLB originated in the late nineteenth century with the passage of a law establishing the Landeskultur-Rentenanstalt, a bond agency for land cultivation entrusted with rights to issue and monitor loans, and the Giroverband, an institution founded by representatives of Bavarian savings banks in 1914 to introduce a system of non-cash payments by establishing the first central clearing unit for cheques and giro services.

Subsequently, in 1917, an independent office for the central clearing unit was founded in Nuremberg, which was replaced in the same year by the Girozentrale bayerischer Sparkassen, the central giro institution for the Bavarian savings banks.

In 1925, the Girozentrale and the Bavarian Association of Savings Banks split. The Girozentrale bayerischer Sparkassen was renamed Bayerische Gemeindebank (Girozentrale) Offentliche Bankanstalt (Bayerische Gemeindebank, Bavarian Municipal Bank under Public Law [central clearing unit]), and was relocated to Munich from Nuremberg.

In 1929, Bayerische Landesbausparkasse (Bavarian Home Loans and Savings) was founded as a department of Bayerische Gemeindebank. That same year, Landeskultur-Rentenanstalt was established as an independent legal entity under public law, with the right to issue certificates for fixed-interest land cultivation bonds.

In 1949, the Landeskultur-Rentenanstalt was renamed Bayerische Landesbodenkreditanstalt (Bavarian Mortgage Bank).

In July 1972, Bayerische Landesbank Girozentrale was established following a majority vote by savings bank representatives who approved the merger of Bayerische Gemeindebank and Bayerische Landesbodenkreditanstalt. The arrangement was supported by the Bayerische Landesbank Act in June 1972, which provided the bank with DEM400 million in nominal capital, half provided by the Free
State of Bavaria and the other half by the Association of Bavarian Savings Banks. These measures established Bayerische Landesbank as a central bank for savings banks, a principal bank to the Free State of Bavaria and a universal bank.

In 2005, the state-provided guarantees were withdrawn. The bank adopted a new corporate identity and was renamed BayernLB.

Following the financial crisis in 2008, the Free State of Bavaria provided aid in the form of equity and a risk shield for BayernLB’s structured credit portfolio, and SoFFin provided a guarantee.

Subsequently, in 2009, the bank initiated a restructuring programme, mainly involving the winding down of non-core bank activities. This process included the transfer of the bank’s entire 50% stake in LB (Swiss) Privatbank AG to Landesbank Hessen-Thüringen in exchange for all its shares in LBLux. The divestment also involved the sale of its 67.1% stake in Hypo Group Alpe Adria, Klagenfurt, to the Republic of Austria, thereby nationalising the bank.

In June 2010, the bank completed the sale of a 25.2% interest in Landesbank Saar (SaarLB) to the German federal state of Saarland, thereby reducing its stake to 49.9% from 75.1%. The bank also sold its entire 31% holding in DekaBank Deutsche Girozentrale to the Association of Savings Banks.

In March 2012, in an attempt to streamline its investment portfolio, BayernLB sold its wholly owned indirect subsidiary DKB Immobilien AG to TAG Immobilien AG. DKB Immobilien AG had contained the bank’s residential property portfolio.

In July 2012, the EC formally approved the restructuring plan laid down by the bank. In accordance with the conditions laid down by the EC to divest additional non-core businesses and shareholdings, the bank disposed of Bayerische Landesbausparkasse in December 2012, sold its shareholding of around 2% in Deutsche Lufthansa AG in January 2013, and disposed of its 92% stake in GBW AG in April 2013.

In September 2013, the Saarland Savings Banks converted the contributions of its silent partners at SaarLB into share capital, which diluted BayernLB’s equity stake to 43.9% from 49.9%. In November 2013, the Saarland Savings Banks entered into an agreement with BayernLB to acquire the remaining stake held by the bank. The transaction was completed during the first quarter of 2014.

Under conditions imposed by the EC, BayernLB divested MKB-Unionbank in October 2013, and sold its equity interest in KGAL GmbH & Co. in December 2013. In the same month, it agreed to sell Romania-based NEXTEBANK SA. The sale of NEXTEBANK SA was completed in April 2014.

In December 2013, the private banking and wealth management business of LBlux was sold to the Luxembourg-based private bank Banque de Luxembourg.

On 29 September 2014, the bank completed the sale of its subsidiary MKB Bank.

In October 2014, the European Central Bank (ECB) completed its comprehensive assessment and asset quality review (AQR) of 130 European banks. BayernLB passed the test, reporting a core capital ratio of 13.2% (ECB threshold value: 8.0%), a core capital ratio in the baseline scenario of 12.4% (8%), and a core capital ratio in the adverse scenario of 9.4% (5.5%).

Shortly after the publication of the ECB’s comprehensive assessment, BayernLB announced that it had divested its entire ABS portfolio, which had a nominal value of €6.5 billion (as of 30 June 2014). The sale’s proceeds were used to end the guarantee by the Free State of Bavaria for the portfolio.

In December 2014, BayernLB fulfilled its obligations under the EU’s repayment plan in 2014 and transferred an additional €700 million to the Free State of Bavaria.

In June 2015, SKG Bank AG merged into DKB. The merger took effect retroactively on 1 January 2015 through a transfer of all of its assets by dissolution without liquidation.

In November 2015, the Free State of Bavaria and BayernLB reached an understanding with the Republic of Austria to resolve the disputes pertaining to receivables due to the bank from HETA. As part of the settlement, the Republic of Austria paid €1.23 billion, ending all legal disputes with BayernLB.
In April 2016, BayernLB repaid €1.3 billion to the Free State of Bavaria and closed the EU state aid payments early by repaying remaining €1 billion on 30 June 2017.

Source: Company Report (interim report June 2017), Moody's Research

Peer Group

» DekaBank Deutsche Girozentrale
» HSH Nordbank AG
» Landesbank Baden-Württemberg
» Landesbank Hessen-Thuringen GZ
» Landesbank Saar
» Norddeutsche Landesbank GZ
» Sparkassen-Finanzgruppe
» UniCredit Bank AG

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For additional information, please see:

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» Bayerische Landesbank

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» Germany, October 2016 (1038523)

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