10/03/2022

# LBBW Group

## Results as of 31 December 2021

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# LBBW with very positive development in the 2021 fiscal year – Strategically further developed and profit increased

- **Strong increase in profit** to € 817 mln profit before tax as well as an **improvement** in the **Return on Equity (RoE)** to 6.0% and **Cost/income ratio (CIR)** to 64.7%
- **LBBW well positioned** with its universal bank model - **Further expansion of the growth areas** of corporate finance business, the growth sectors of Pharmaceuticals and Healthcare, TM and Electronics/IT, Utilities and Energy as well as Asset and Wealth Management
- **Comfortable capitalization** and well above requirements with CET1 ratio of 14.6% – **Good quality of the credit portfolio** with NPE ratio of 0.5%, risk provisioning includes high adjustments
- **Further strengthening of sustainability position** through consistent sustainable orientation of the credit and investment portfolio
- **Further expansion of the core business areas** through strategic cooperations with (Landes-)banks and planned acquisition of Berlin Hyp in 2022

# Agenda

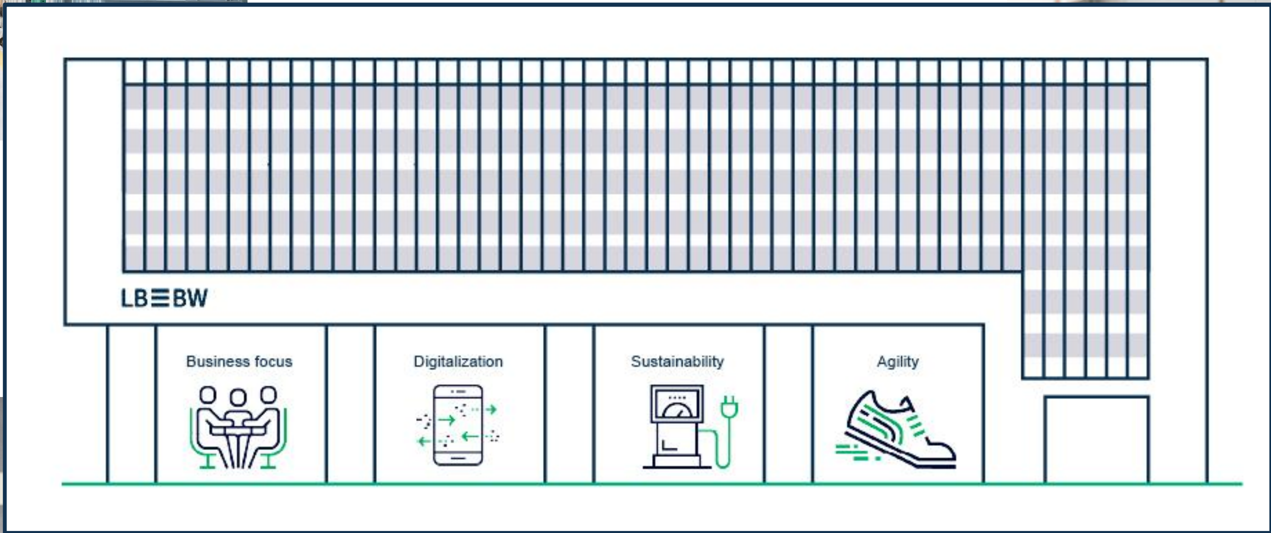
# LBBW operates successfully on the market with a robust business model as a universal bank

## Corporate Customers

## Real Estate/Project Finance

**LBBW**

**the best mittelstand-minded universal bank**




## Capital Markets Business

**Customer-oriented and well diversified business model of 4 segments proves its worth**

## Private Customers/Savings Banks

# Balancing growth, costs and risk creates successful further development of LBBW

## Growth

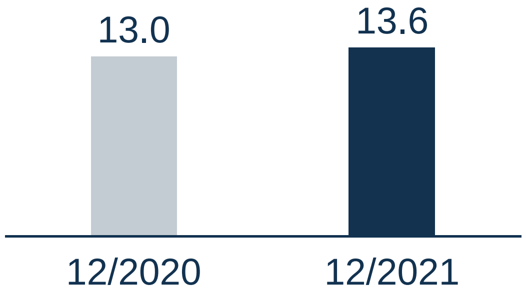
**Strengthening the defined growth areas**

**+5%** Expansion of **Corporate Finance** business

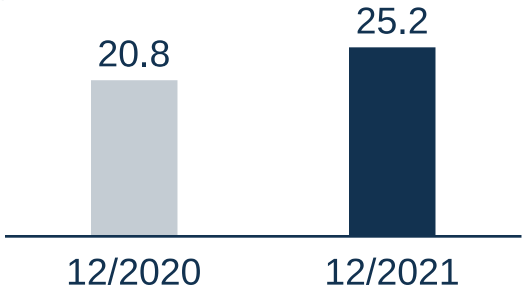
**+21%** Expansion of **growth sectors**[1]

**+9%** Increase in **total assets** in **Asset and Wealth Management**

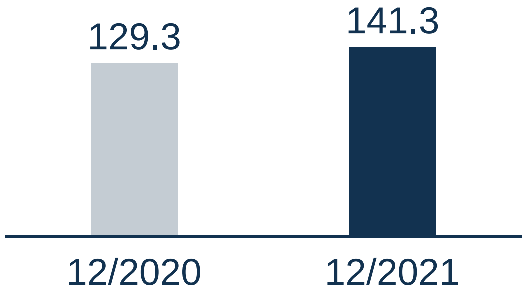
**Financing volume**
€ bn




**Net exposure**
€ bn




**Total Assets**
€ bn




## Costs

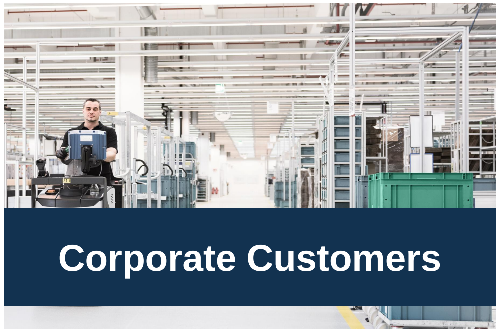
- **CIR improved** to 64.7%
- Agreement concluded for **cutback of 700 jobs**
- Increase in efficiency due to **use of digital solutions**
- **Building measures** successfully continued to reduce costs

## Risk

- **Portfolio diversification** due to reduction of automotive exposure, **expansion of growth sectors**[1] with special consideration of the **$CO_2$ impact**
- More flexibility of **RWA management** reached due to synthetic securitizations
- **Very low NPE ratio** with 0.5%

[1] Pharmaceuticals and Healthcare / TM and Electronics/IT / Utilities and Energy

# All 4 operating segments make their contribution to LBBW's success with considerable results




- With € 8.7 bn once again **market leader** in the issuance of **Schuldschein loans**
- LBBW awarded with the **Industry Choice Award** as global top export financier
- **Expansion of track record** in **green finance** Transactions with an accompanied volume of more than € 40 bn
- Acquisition of new mandates in **Sustainability Advisory**


- Pushing the **transformation of the loan portfolio** by increasing sustainable finance
- **Strong development** of **new business** in CRE financing in the amount of € 10.1 bn
- **Crisis-resistant, high-quality portfolio** without corona-related defaults
- Acquisition of **Berlin Hyp** strengthens commercial real estate financing


- **Record sales** in the **retail-targeted structured note business,** increase of +63% to € 3.9 bn
- **Joint Lead Manager** for EU Social Bonds Programs
- **Second largest ESG bond issuer** among European commercial banks (volume € 6.6 bn)
- Cooperations with Bayern LB, HCOB and Helaba strengthen among others **excellent market position** in the interest rate, currency & commodity management


- **Online advisory** established as an additional sales channel
- **Foundation Award** in Fuchs-Report received
- **Growth in wealth management** and increase in **assets under management** as well as in **advisory activities** by +20% to more than € 10 bn
- Strong new business in **promotional lending business** of over € 8.5 bn

# LBBW further expands strong positioning in its core business areas through strategic cooperations

**2020 – BayernLB**

### Interest rate, currency & commodity management – New and existing business

- **End of 2020:** Takeover of interest rate, currency & commodity management – new and existing business with 114 savings banks of Bayern LB

**2021 – Hamburg Commercial Bank**

### Interest rate, currency & commodity management - Existing business

- **January 2021:** Takeover of interest rate, currency & commodity management existing portfolio of HCOB

**2021 – Helaba**

### Interest rate, currency & commodity management - New and custodian business

- **December 2021:** Takeover of interest rate, currency & commodity management – new business with savings banks of Helaba and takeover of custodian business of Helaba

**2022 – Berlin Hyp**

### Commercial real estate financing

- **January 2022:** Signing for the acquisition of Berlin Hyp
- Acquisition strengthens **commercial real estate**, LBBW further expands very good positioning in the market
- Together by far the **leading provider of ESG bond issues**

# LBBW uses digitalization to optimize existing processes and develop new products


## Successes in 2021

- **TreasurUp**: Introduction of a digital solution for the management of currency risks especially for small and medium-sized corporate customers
- Digitalization of the process for **customer onboarding (KYC)**
- First-time settlement of trades without a paper-based parallel process via the trade finance network **"Marco Polo"** with the help of **blockchain technology**
- **Further development** of the **technical enablers** for a deliverable infrastructure (digital signature, front2back digitalization, test automation, etc.)
- Further **expansion** of internal **innovation management** to promote digitalization potential within LBBW

## Outlook

- Expansion of the **digital product portfolio** and further development of our **online customer platforms** (including Corporates Portal, ProGenio, TreasurUp)
- Basis for modern work requirements created by **adapting the technical infrastructure**
- **Innovative projects** are being driven forward in the **trend topics** (including pay-per-use and distributed ledger technology (DLT))

# Sustainability: LBBW makes its contribution to achieving the Paris climate targets


## Successes 2021

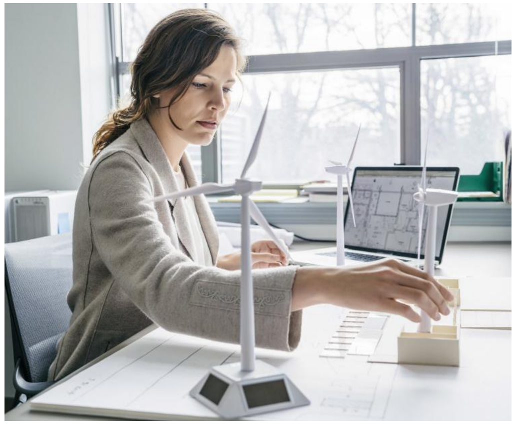
- Significant tightening of the **coal directive** – thus LBBW has one of the most far-reaching coal directives among German universal banks
- Analysis of the **$CO_2$ intensive sectors in the credit portfolio** and **definition of sector-specific transformation paths.**
  In-depth portfolio analysis for the energy and automotive sectors has already been carried out
- **Joining the Carbon Disclosure Project** (CDP) and the associated **transparent disclosure of LBBW's climate impact**

## Outlook

- **Analysis of other $CO_2$ intensive sectors**, such as transport, agriculture, mining and metals, oil and gas, real estate industry
- Continuous **improvement of the data quality** of financed emissions
- LBBW aligns its **credit and investment portfolio** with the **goals of the Paris Climate Agreement** and supports the necessary transformation of the economy towards the required climate neutrality by 2050 at the latest

# LBBW's sustainable business volume at a glance – figures confirm good development

## >150bn € sustainable business volume in total:



**~38bn €**

**sustainable financing volume[1]**

**Target: 65 bn € by 2025**

**~90bn €**

**total volume of accompanied sustainable customer issues[2]**

**6.6bn €**

outstanding volume of **Green and Social Bonds**

**~33bn €**

sustainable **investment products[3]**

[1] On-balance-sheet, sustainable financing volume (incl. irrevocable credit commitments). Includes sustainability-related promotional loans, sustainable project financing, financing of energy-efficient real estate, social bond-eligible financing in the corporate customer segment and green financing or financing with an ESG link
[2] Includes inter alia sustainable bonds, Schuldschein loans and syndicated loans
[3] Includes investments pursuant to Article 8 and/or Article 9 of the Disclosure Regulation and sustainable retail-targeted structured notes

# Sustainability is lived across all dimensions – environment, social, corporate governance

## E – Environment

**Active contribution to climate protection and conservation of biodiversity**

- **Successes 2021:**
  LBBW Joint Lead Manager of first Green Bond of the State of Baden-Württemberg
- **Outlook 2022:**
  New guidelines on agriculture and forestry; fisheries and animal welfare

## S – Social

**Expansion of the Social Bond Program and empowerment of women**

- **Successes 2021:**
  LBBW issues social bond for retail clients for the first time; awarded with »Sustainable Award in Finance 2021/2022«
- **Outlook 2022:**
  Joining the UN Women Empowerment Principles

## G – Governance

**Focus on know-how and transparency**

- **Successes 2021:**
  100% of LBBW employees completed an ESG training. Expansion of the subject-specific training program started
- **Outlook 2022:**
  Publication of the LBBW Tax Strategy

# Convincing results in sustainability ratings: LBBW is on the right track

SUSTAINALYTICS
a Morningstar company

### ESG Risk Rating

In the **ESG Risk Rating**, Sustainalytics attests LBBW a **low ESG risk** (18.1) on a scale from 0 (insignificant) to 100 (severe).

(as of: 02/2022)

low

Insigni-ficant — severe

MSCI

### ESG Rating

In MSCI's **ESG Rating** Update 2021, LBBW receives a rating of **AA (Leader)** on a scale from AAA to CCC.

(as of: 12/2021)

AA

AAA — CCC

imug | rating

### ESG commissioned rating

In the first **ESG commissioned rating** by imug, LBBW achieves **69/100 points** and thus the category **"good"** on a scale from 100 (excellent) to 0 (weak).

(as of: 11/2021)

good

Ex-cellent — weak

ISS ESG

### ESG Rating

In the **ESG Rating**, ISS ESG gave LBBW an **overall grade of C+ (Prime Status)** on a scale from A+ to D-.

(Status: 11/2020)

C+

A+ — D-

Ratings as of: 10/03/2022; current ratings under: www.lbbw.de/sustainability
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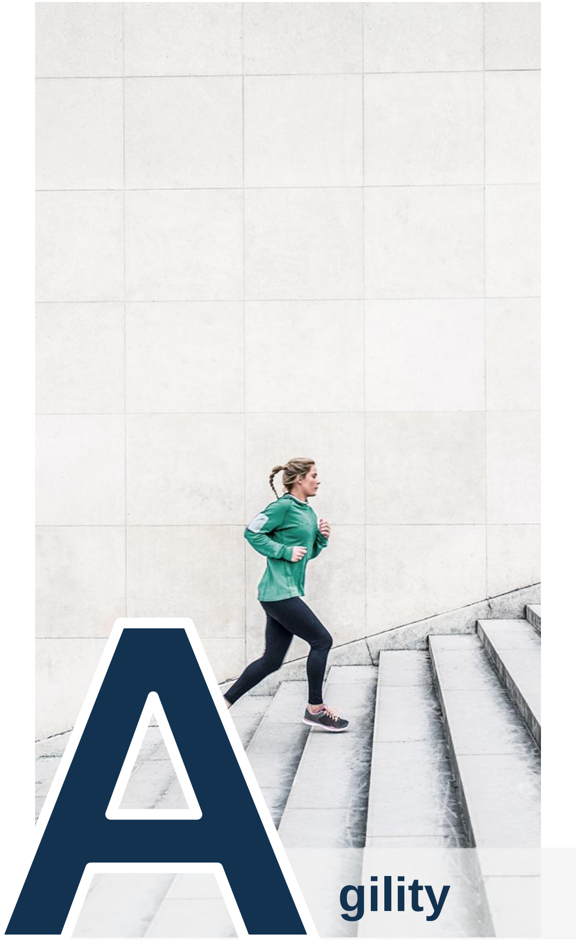
# Development of the cornerstone Agility with focus on management culture and change to New Work




## Successes 2021

- New Work: Triad of **active cultural change, office world of the future and improved digital infrastructure** was further focused on
- **Further development of the management culture** strengthens the **personal responsibility** of the specialized experts
- **Start of workplace restructuring,** geared to the needs of a **hybrid working world**
- Further use of **agile deal teams** and thus continuation of the successful model of **interdisciplinary teams using agile working methods**

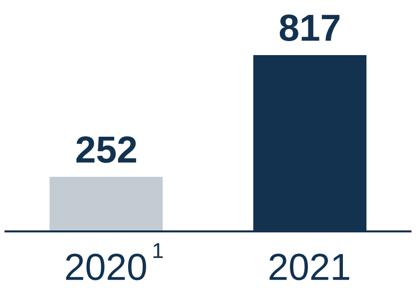
## Outlook

- Continuation of the **conversion work** that has been started
- Active learning of **New Work** in everyday working life
- **Further training** on the topic of **change** and **agile methods**

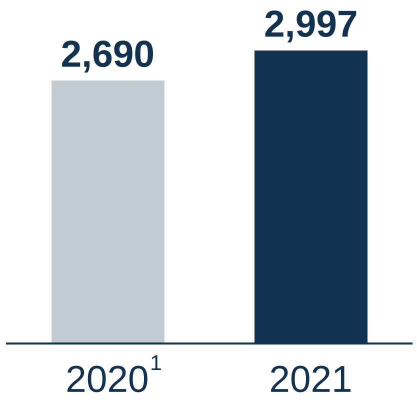
# Agenda

# LBBW Group: Very good business development with strong increase in profit in the fiscal year 2021

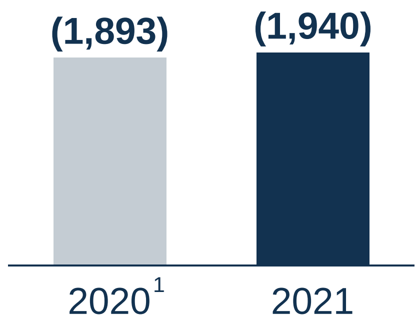
### Profit before tax
€ mln



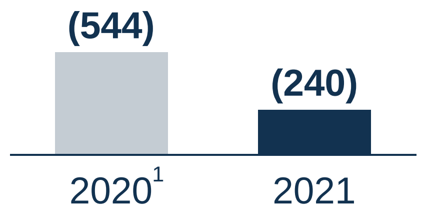

### Income
€ mln




### Expenses
€ mln




### Risk provisions
€ mln




**Profit strongly increased to € 817 mln**

- Robust business model and successful strategy
- Strong operating development and good portfolio quality

**Income significantly expanded**

- All 4 operating segments with increase in income
- Customer credit volume expanded by +6% to more than € 130 bn
- Moreover, TLTRO III has a positive effect

**Expenses with slight increase**

- Operating cost base stable – high cost discipline
- Significantly higher bank levy/deposit guarantee system
- Moreover, provisions and high IT invest-ments

**Lower risk provisions**

- Good portfolio quality with low need for risk provisioning for individual addresses
- As in the PY high adjustments were made to cover possible risks

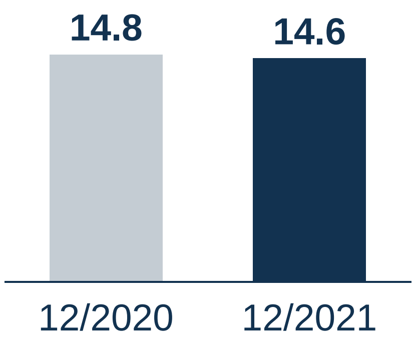
Differences due to rounding
[1] PY incl. adjustments

# Comfortable capitalization of LBBW as a basis – successful improvement in profitability and efficiency

LBBW

## CET1 capital ratio

Fully loaded, %

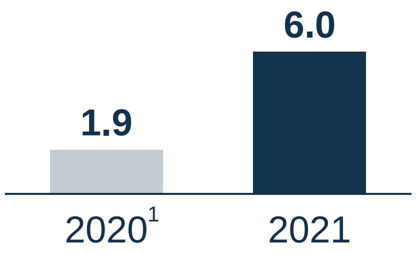



**CET1 ratio comfortable at 14.6%**

- In spite of growth and regulatory burdens at a comfortable level
- Thus significantly above the requirements

## Return on Equity (RoE)

%

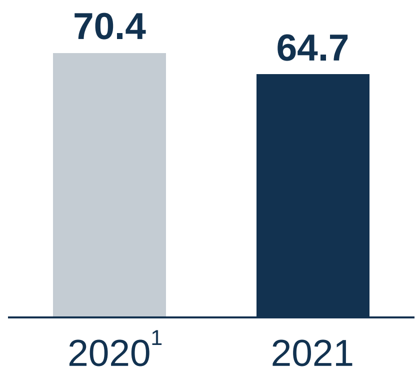



**RoE with 6.0% well above PY**

- Profitability-oriented business growth as central element of the segment strategies

## Cost/income ratio (CIR)

%




**CIR significantly improved to 64.7%**

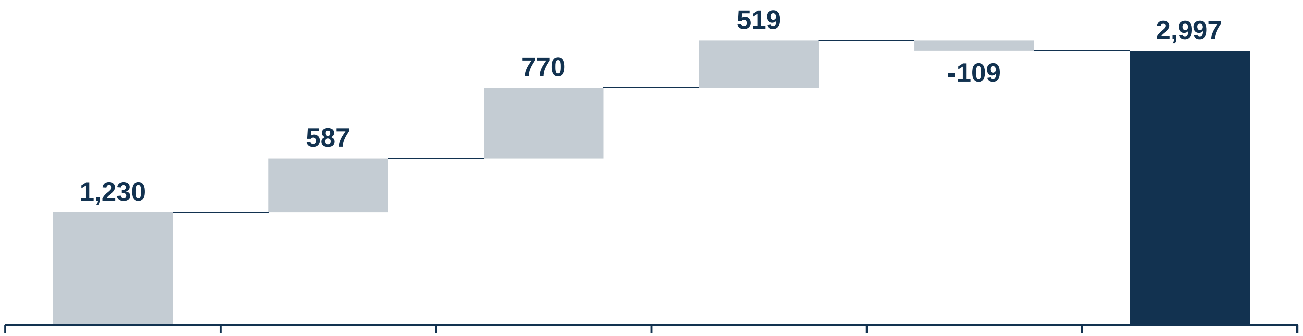
- Strong operating development
- Significant increase in income offsets slightly higher expenses

Differences due to rounding

[1] PY incl. adjustments

# Customer-oriented and well diversified business model as stable basis for strong operating development

Income (€ mln)



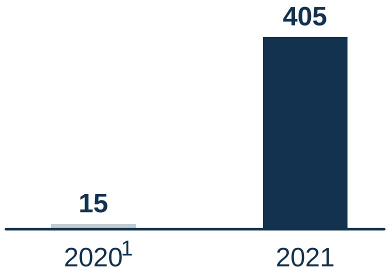

| | Corporate Customers | Real Estate/ Project Finance | Capital Markets Business | Private Customers/ Savings Banks | Corporate Items/ Reconciliation Consolidation | Group |
|---|---|---|---|---|---|---|
| Profit before tax (€ mln) | 405 | 292 | 247 | 14 | -141 | 817 |
| RWA (€ bn) | 39.4 | 14.8 | 17.5 | 8.2 | 4.6 | 84.6 |
| RoE (%) | 7.4 | 14.7 | 10.4 | 1.4 | | 6.0 |
| CIR (%) | 51.6 | 34.2 | 67.8 | 97.2 | | 64.7 |

Differences due to rounding

**Positive income development generated by all 4 operating segments**

- Corporate Customer business with high contribution to the Group result
- Strong development of profitability and efficiency in the segments Real Estate/Project Finance and Capital Markets Business
- Segment Private Customers/ Savings Banks burdened by low interest rates and court rulings, but also with positive contribution to results and positive earnings trend

# Corporate Customers: Profit significantly increased due to expansion of income and lower need for risk provisioning



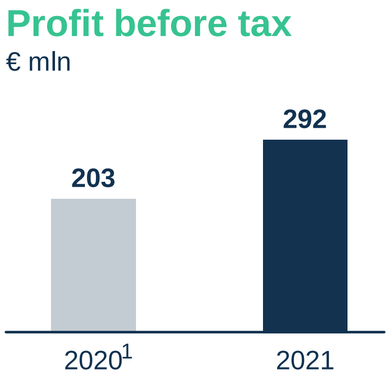

| € mln | 2020[1] | Δ % | 2021 |
|---|---|---|---|
| **Total operating income/expenses** | **650** | **60%** | **1,040** |
| of which income | 1,061 | 16% | 1,230 |
| of which allowances for losses on loans and securities | -411 | -54% | -190 |
| **Expenses** | **-634** | **0%** | **-635** |
| of which administrative expenses | -595 | 0% | -595 |
| **Consolidated profit/loss before tax** | **15** | >100 | **405** |

Differences due to rounding
[1] PY incl. adjustments

## Profit before tax significantly increased

- **Expansion of income by 16% in a persistently competitive environment**
  - Customer credit volume increased by +6% to more than € 59 bn
  - Increase in income especially for Corporate Finance and Export Financing
- **Lower risk provisioning**
  - Low need for risk provisioning, but formation of further adjustments (at PY's level)
  - Individual case in the PY
- **Expenses held constant**
  - Thanks to high cost discipline

# Real Estate/Project Finance: Profit significantly increased due to continued growth course



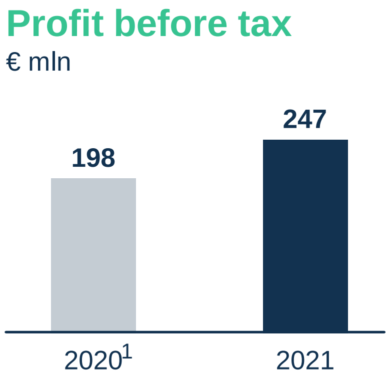

| € mln | 2020[1] | ∆ % | 2021 |
|---|---|---|---|
| **Total operating income/expenses** | **390** | **26%** | **493** |
| of which income | 458 | 28% | 587 |
| of which allowances for losses on loans and securities | -68 | 39% | -94 |
| **Expenses** | **-187** | **8%** | **-201** |
| of which administrative expenses | -169 | 7% | -182 |
| **Consolidated profit/loss before tax** | **203** | 44% | **292** |

Differences due to rounding
[1] PY incl. adjustments

## Profit before tax significantly increased

- **Successful expansion of income**
  - Customer credit volume increased by +6% to just under € 31 bn
  - Income increases in real estate financing by 28% and real estate developments by 20%
  - Growth course for Project Finance pursued further especially for green assets
- **Higher risk provisioning**
  - Formation of further adjustments to an even higher extent than in the PY
- **Moderate increase in expenses**
  - Investments in the continued growth course
  - Burden from regulatory costs

# Capital Markets Business: Renewed increase in profit mainly due to strong customer business after already very good PY



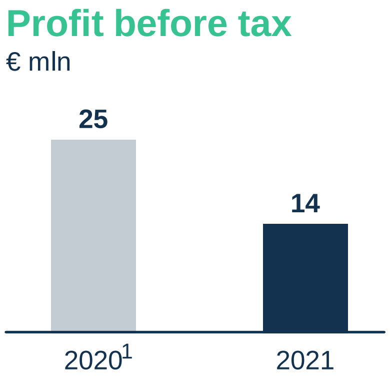

| € mln | 2020[1] | Δ % | 2021 |
|---|---|---|---|
| **Total operating income/expenses** | **700** | **10%** | **770** |
| of which income | 700 | 10% | 770 |
| of which allowances for losses on loans and securities | 0 | 26% | 0 |
| **Expenses** | **-501** | **4%** | **-522** |
| of which administrative expenses | -445 | 3% | -457 |
| **Consolidated profit/loss before tax** | **198** | 25% | **247** |

Differences due to rounding
[1] PY incl. adjustments

## Profit before tax increased again

- **Income increased again by 10%**
  - Customer business with strong business in retail-targeted structured notes and asset management
  - Moreover, the segment benefited from its successful market positioning
- **Slight increase in expenses**
  - Significantly higher bank levy/ deposit guarantee system
  - Successfully implemented optimization measures had a cost-cutting effect

# Private Customers/Savings Banks: Once again positive result in spite of consistently difficult market environment




| € mln | 2020[1] | Δ % | 2021 |
|---|---|---|---|
| **Total operating income/expenses** | **533** | **-3%** | **518** |
| of which income | 514 | 1% | 519 |
| of which allowances for losses on loans and securities | 20 | - | 0 |
| **Expenses** | **-508** | **-1%** | **-504** |
| of which administrative expenses | -509 | -1% | -505 |
| **Consolidated profit/loss before tax** | **25** | -43% | **14** |

Differences due to rounding
[1] PY incl. adjustments

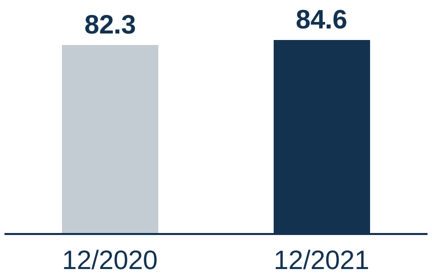
## Profit before tax once again positive

- **Slight increase in income**
  - Customer credit volume increased by +7% to just under € 41 bn
  - Increase in income in the financing and securities business
  - Against it, persistently low interest rate level in the deposit business and current court ruling from the Federal Court of Justice (BGH) have a negative impact
- **Risk provisioning balanced**
  - However, PY benefited from net releases
- **Expenses once again decreased**
  - Thanks to high cost discipline and consistent implementation of the new omni-channel strategy

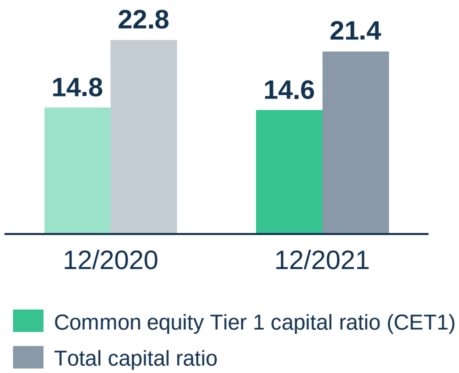
# Agenda

# Comfortable capitalization in spite of growth and regulatory effects

## RWA
€ bn




## Capital ratios
Fully loaded, %



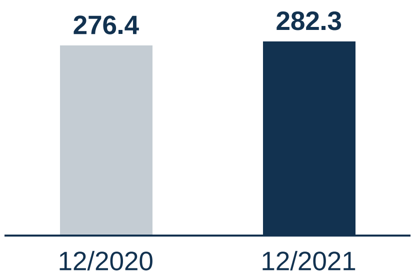

## RWA slightly increased to € 84.6 bn

- Increase due to selective qualitative growth and regulatory effects
- Inter alia active RWA management has a contrary effect

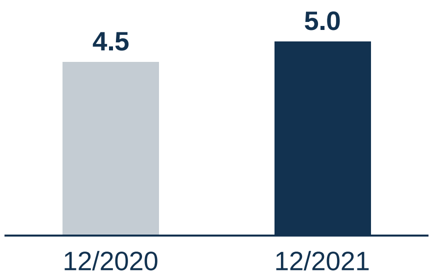
## CET1 ratio comfortable at 14.6%

- Capital requirements significantly exceeded
- Slight improvement of the capital base primarily from interest-related measurement of pension obligations

## Total assets
€ bn




## Leverage ratio
Fully loaded, %




## Total assets increased to € 282.3 bn

- Apart from growth in customer business increase primarily due to rise in central bank balances in the context of the participation in ECB's TLTRO III program

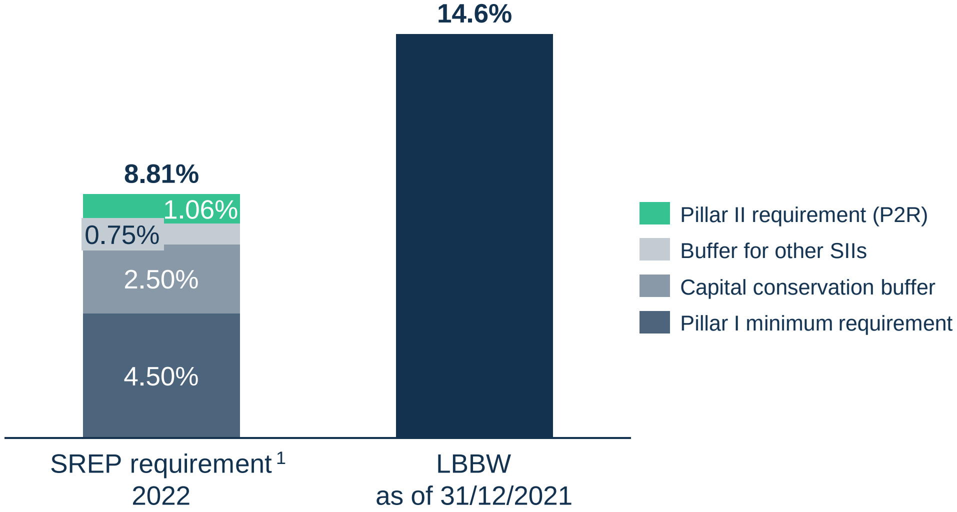
## Leverage ratio increased to 5.0%

- Increase results from CRR II effects
- Minimum requirements clearly exceeded, even without using temporarily possible relief measures

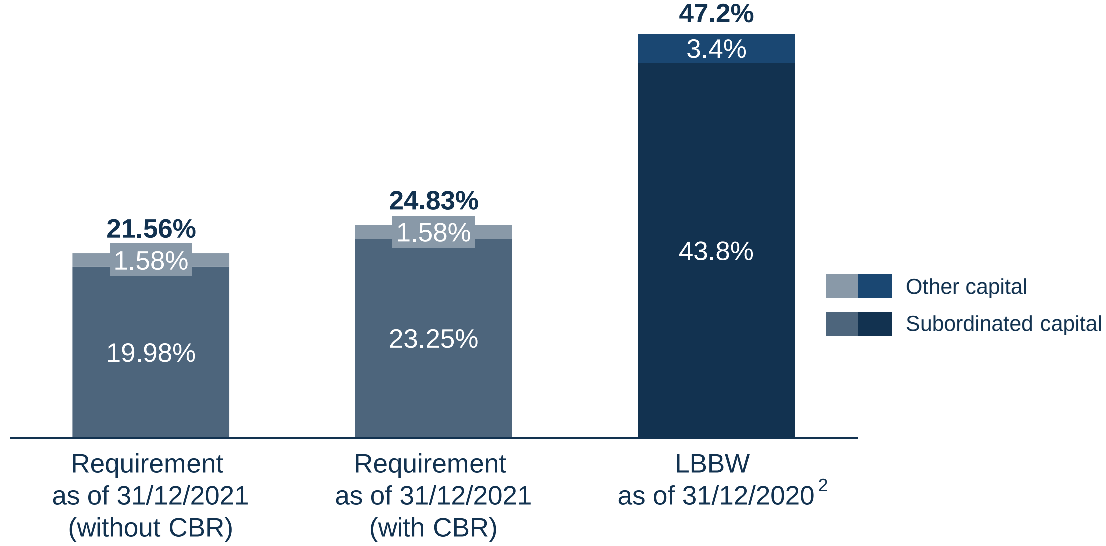
Differences due to rounding

# CET1 SREP requirement and MREL requirements clearly exceeded

## CET1 ratio
Fully loaded, %




## MREL ratio
related to TREA, %




### LBBW clearly exceeds SREP requirement

- Even taking into account all other capital requirements
- As well as the Pillar II recommendation (P2G), which goes beyond the mandatory requirement

### LBBW substantially exceeds MREL requirements

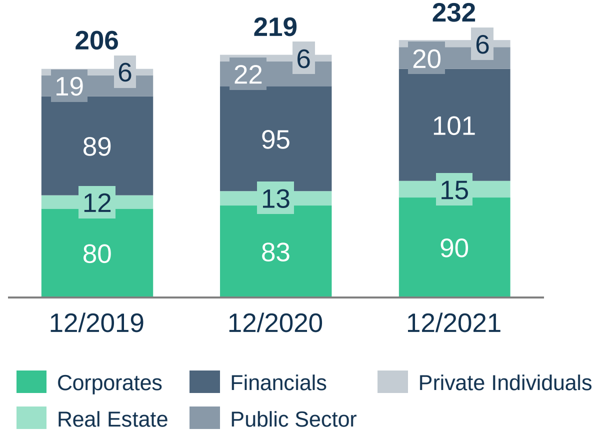
- Related to Total Risk Exposure Amount (TREA) both without and with consideration of Capital Buffer Requirement (CBR) amounting to 3.27%
- Also related to Leverage Ratio Exposure measure (LRE)
  Overall: requirement 7.00% - LBBW 13.4%
  Subordinate: requirement 7.00% - LBBW 12.4%

Differences due to rounding
[1] In addition, a countercyclical capital buffer and the current AT1 shortfall must be held, in each case as common equity Tier 1 capital. For the sustainable capital management in the following years, the ECB's supervision furthermore expects the availability of further common equity Tier 1 capital
[2] Subsequent adjustment; figures as of 31/12/2021 not yet available

# Further diversification of the portfolio – Expansion of growth sectors, decrease in automotive

## Net exposure by sector

€ bn

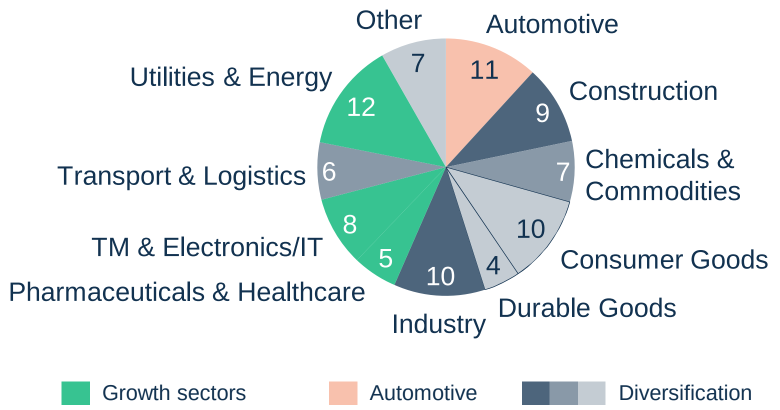



## Net exposure in 2021 further expanded to € 232 bn

- Corporates: Diversification driven forward with expansion of growth sectors and targeted reduction of automotive portfolio
- Real Estate: Expansion mainly from Commercial Real Estate (CRE)
- Financials: Increase primarily with central banks
- Regional focus primarily on Germany (65%) and Western Europe (20%)

## Sector Corporates

€ bn




Differences due to rounding

## Corporates

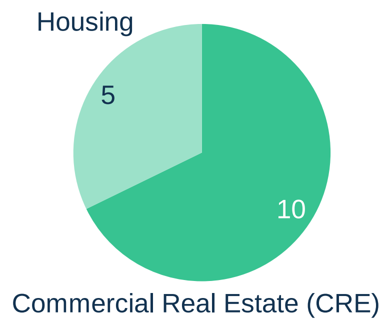
- Broad sector diversification
- Share of growth sectors strengthened, Automotive reduced

## Real Estate

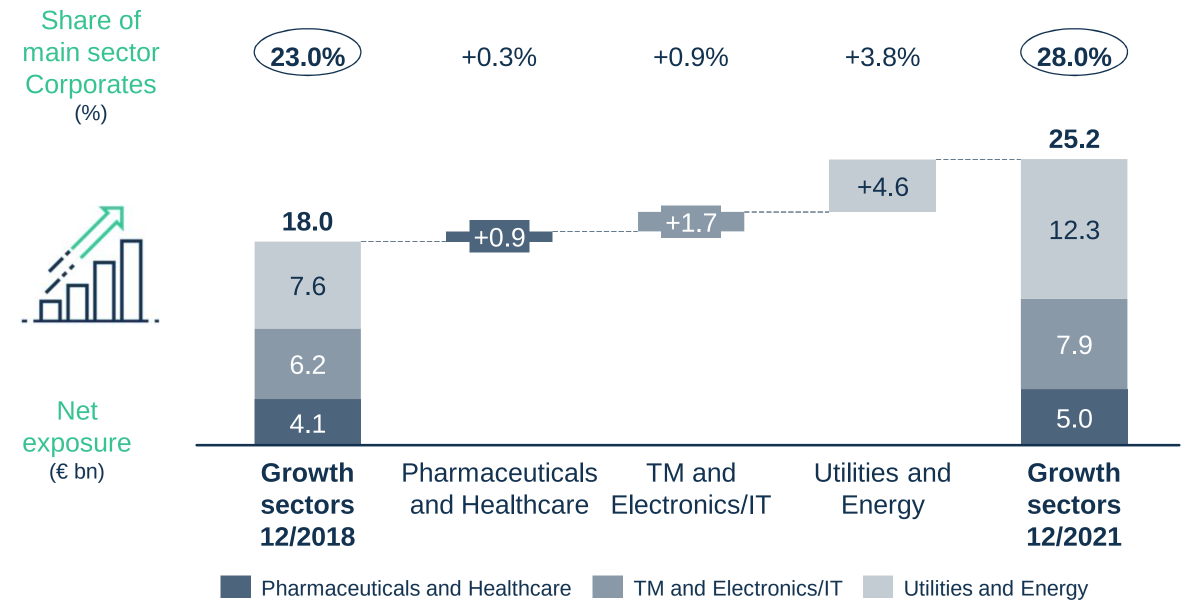
- Commercial Real Estate business divided into Commercial Real Estate (CRE) and Commercial Housing

## Sector Real Estate

€ bn

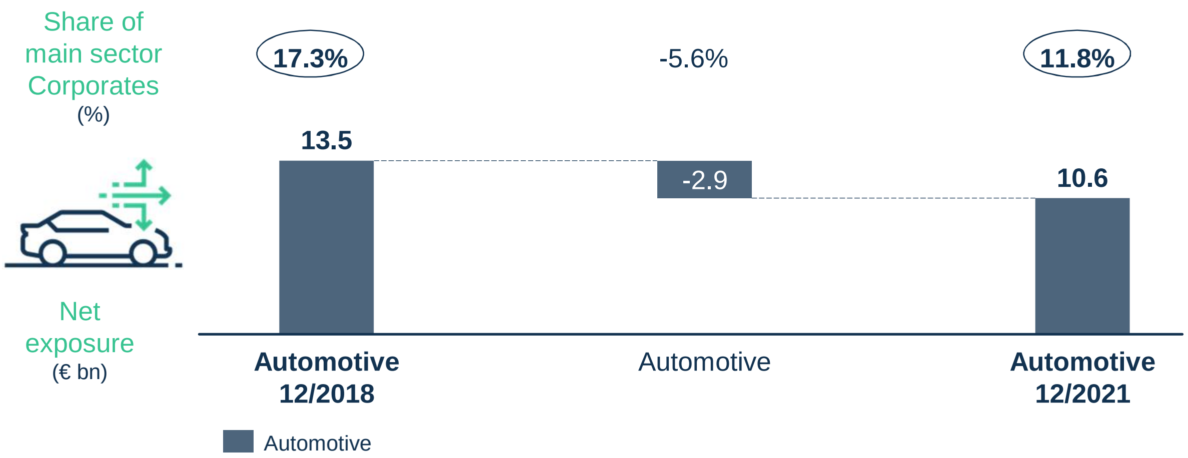


# Corporates: Portfolio diversification driven forward – growth sectors expanded, targeted reduction in automotive




## Growth sectors Pharmaceuticals and healthcare / TM and electronics/IT / Utilities and energy

- Also further expanded in 2021 by € +4.4 bn
- Since 12/2018 growth of + €7.2 bn and share of corporate portfolio expanded from 23.0% to 28.0%
- Outlook 2022: Consumer Goods sector defined as another growth sector



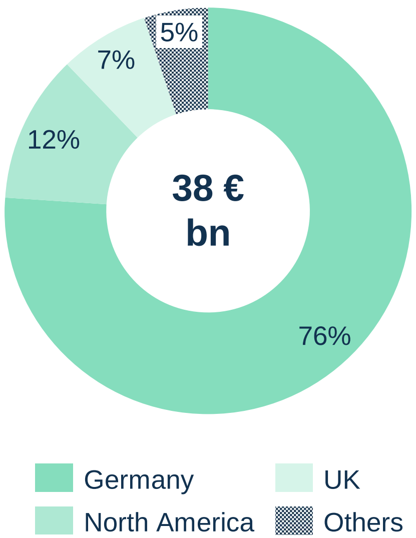

## Automotive

- Also in 2021 further reduced by € -0.3 bn
- Since 12/2018 reduction of € -2.9 bn and share of corporate portfolio from 17.3% to 11.8% clearly declining
- Outlook 2022: Defined reduction target already achieved, but continued close monitoring of the portfolio

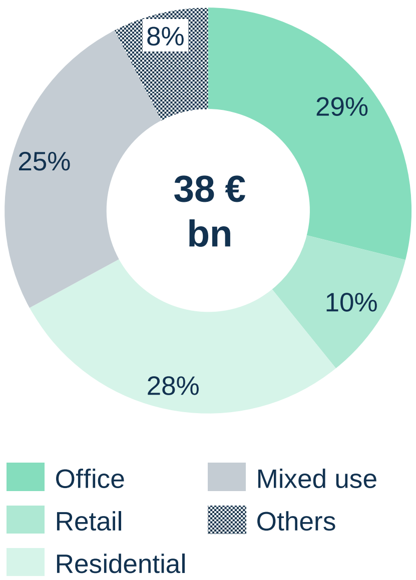
Differences due to rounding

# Real estate: Portfolio well diversified and with high portfolio quality - Exposure as of 31/12/2021 at € 38 billion

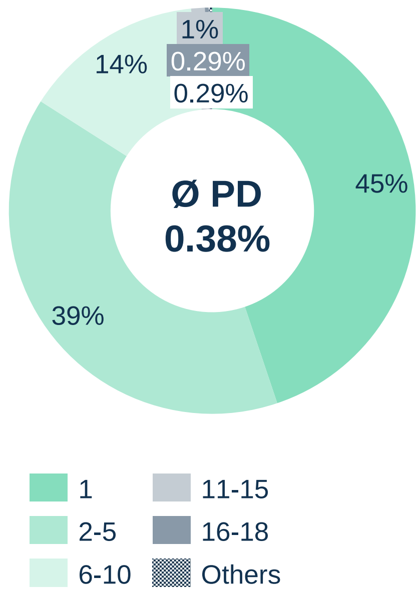
### Portfolio by location



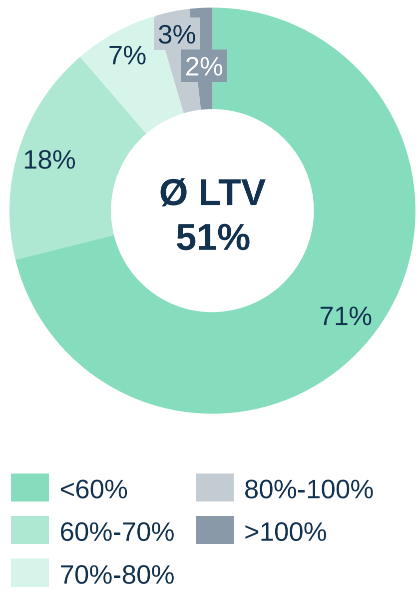

### Portfolio by type of use




### Portfolio by rating classes




### Portfolio by LTV



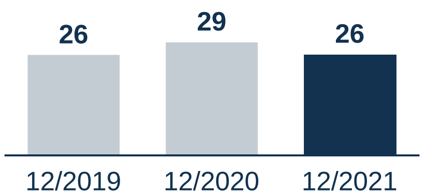

As of: 31/12/2021

## Portfolio on a continuous growth path for four years

- **Locations:** Clear focus on core market Germany (76%), focus regions North America and UK together approx. 20%
- **Types of use:** More than two-thirds of the exposure in the target asset classes office/residential/retail
- **Rating:** 84% of the portfolio has a rating in the investment grade area (rating classes 1 to 5). Only 0.29% in default (rating classes 16-18). The Ø PD underlines the risk-conscious management and very good quality of the portfolio
- **LTV:** Very moderate LTV level with approx. 90% of the portfolio with LTV ≤70%

# Risk indicators show the good quality of the credit portfolio

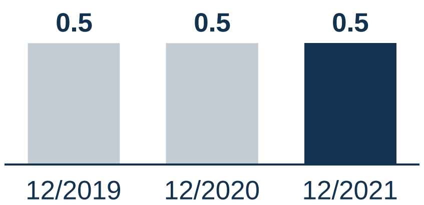
## Ø PD net exposure
bp




## Ø PD net exposure reduced to 26 bp

- 91% of the net exposure in investment grade area (PY 90%)

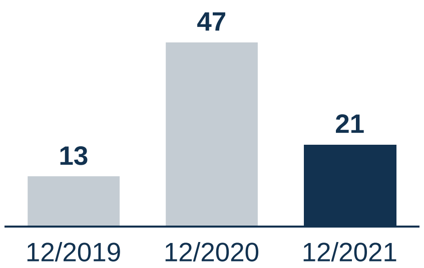
## NPE ratio[1]
%




## NPE ratio with 0.5% at low level

- Low NPE in spite of Covid pandemic
- Reflects the good quality of the credit portfolio

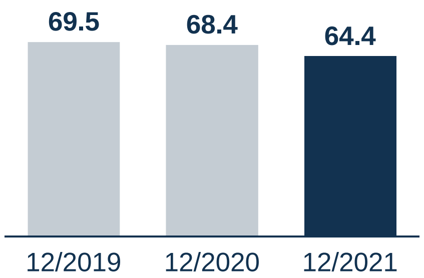
## Risk costs (Balance sheet)[2]
bp




## Risk costs clearly reduced to 21 bp

- Low original risk provisioning
- However, again high adjustments to cover possible risks in the environment of geopolitical changes

## Coverage ratio[1]
%




## Coverage ratio with 64.4% below PY's level

- Slight decrease, among other things, due to increase in NPE
- Nevertheless, good coverage of the NPE still given

Differences due to rounding

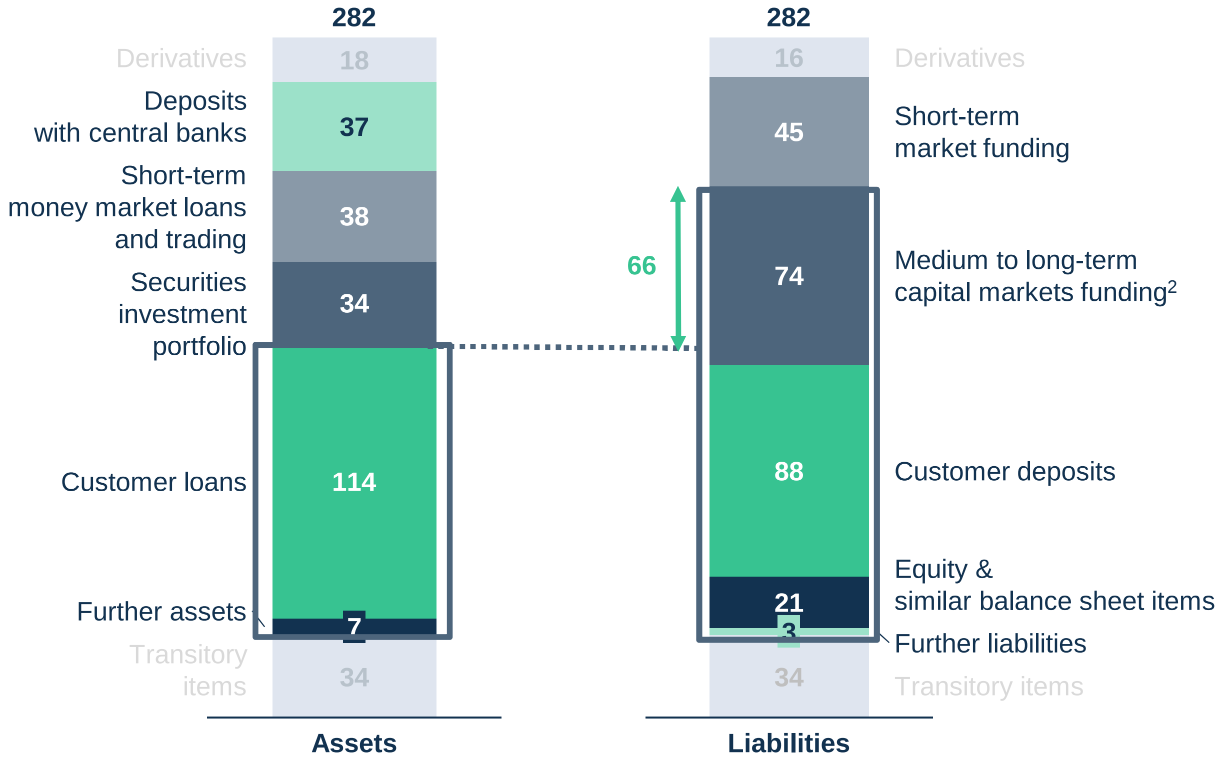
[1] Changed definition, details see Glossary

[2] Additional new definition, details see Glossary: Risk costs (net exposure) as of 12/2021 at 12 bp, as of 12/2020 at 29 bp, as of 12/2019 at 9 bp

# Strong LBBW balance sheet with broad funding structure from stable funding sources

## Balance sheet as of 31/12/2021

€ bn




## Stable funding sources

- LBBW's funding comes predominantly from stable funding sources[1]
- Securities portfolio mainly consists of HQLA
- Short-term money market loans and trading primarily customer-focused

## Structural liquidity surplus

- Stable and medium- to long-term liabilities exceed medium- to long-term assets by € 66 bn

Differences due to rounding

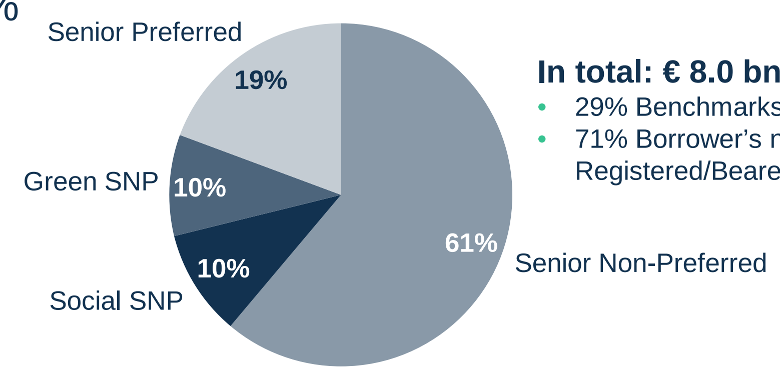
[1] Equity, customer deposits, medium- to long-term capital markets funding and further liabilities / liabilities without short-term market funding, derivatives and transitory items. Customer deposits have proven to be stable funding sources in the past

[2] Thereof € 28 bn from participation in targeted longer-term refinancing operations with the central bank (TLTRO III)

# Primary market issues 2021 on a broad product basis – high and diversified liquidity reserve of LBBW

## New issues[1] in 2021 by products

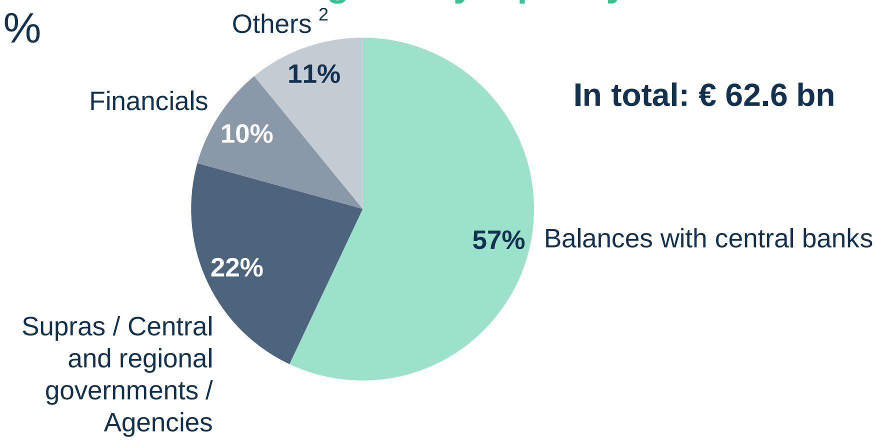
%




**In total: € 8.0 bn**
- 29% Benchmarks/MTNs
- 71% Borrower's note loans/ Registered/Bearer bonds

## Structure of the regulatory liquidity reserve

%




**In total: € 62.6 bn**

## Optimization of funding raised on the capital markets 2021

- Driven by TLTRO III and changes in Moody's rating methodology

## Senior Non-Preferred (SNP)

- Clear focus in 2021 on SNP in historically favorable spread environment, reallocation from Tier 2 to SNP
- Adequate balance across all funding sources (benchmarks, private placements, retail issuances)
- Benchmarks Green (€ 500 mln) and Social (€ 750 mln)
- 20% of all SNP issues as ESG bonds (Green and Social)

## Senior Preferred

- Tailor-made private placements for retail customers and institutional clients

## Pfandbriefe

- Due to TLTRO III own Pfandbriefe were submitted as collateral and not launched on the market in 2021

## LCR at 141.1%; NSFR at 108.5%

- Comfortably above regulatory requirement
- Liquidity reserve primarily HQLA category 1 well balanced due to high liquidity and good diversification

Differences due to rounding
[1] Funding raised on the capital markets and prolongations; ECB's exchange rates as at reporting date 31/12/2021 are underlying; initial maturities > 1 year
[2] Includes mainly level 2a sovereigns, corporate bonds and stocks

# Agenda

# Outlook 2022 – LBBW with its proven strategic orientation well prepared

**Universal bank model** and **4 strategic cornerstones** form a **solid basis** to successfully master future challenges

Focus on **growth areas** Corporate Finance, growth sectors and Asset and Wealth Management through consistent profitabilization

Further **expansion** of central **sustainability activities** with a high focus on Paris climate goals

**Further development of the strategic set-up** through the integration of Helaba's interest rate, currency & commodity management and custodian business as well as Berlin Hyp

War in Ukraine has massively increased uncertainties in economic development – Nonetheless, as things stand **LBBW** expects a **consolidated profit before tax** in the mid triple-digit million range for **2022**

# LBBW with focused strategic targets: long-term profitability, solid capitalization and increase in efficiency

## Strategic corporate targets of LBBW

| | | |
|---|---|---|
| Solid capitalization | Common equity Tier 1 capital ratio (CET1) | 13% |
| Long-term profitability | Return on Equity before tax (RoE) | ~6% |
| Increase in efficiency | Cost/income ratio (CIR) | <60% |

# Agenda

# Customer-oriented and well diversified business model as stable basis for strong operating development

| Group | | | | Corporate Customers | | | Real Estate/ Project Finance | | | Capital Markets Business | | | Private Customers/ Savings Banks | | | Corporate Items/ Reconciliation/Consolidatio | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2020[1]** | **Δ %** | **2021** | € mln | **2020[1]** | **Δ %** | **2021** | **2020[1]** | **Δ %** | **2021** | **2020[1]** | **Δ %** | **2021** | **2020[1]** | **Δ %** | **2021** | **2020[1]** | **Δ %** | **2021** |
| 1,771 | 15 | 2,031 | Net interest income | 844 | 17 | 985 | 320 | 36 | 437 | 355 | 15 | 410 | 278 | -4 | 267 | -26 | >100 | -67 |
| 538 | 11 | 598 | Net fee and commission income | 215 | -17 | 178 | 17 | -4 | 16 | 92 | 27 | 118 | 248 | 6 | 262 | -35 | - | 24 |
| -362 | - | 35 | Net gains/losses on remeasurement and disposal | -435 | -66 | -150 | -73 | 27 | -92 | 241 | -4 | 231 | 22 | -96 | 1 | -116 | - | 44 |
| 198 | -53 | 93 | Other operating income/expenses | 26 | 5 | 27 | 125 | 5 | 132 | 12 | -5 | 11 | -14 | -18 | -12 | 50 | - | -65 |
| **2,146** | **29** | **2,757** | **Total operating income/expenses** | **650** | **60** | **1,040** | **390** | **26** | **493** | **700** | **10** | **770** | **533** | **-3** | **518** | **-127** | **-50** | **-64** |
| 2,690 | 11 | 2,997 | of which income | 1,061 | 16 | 1,230 | 458 | 28 | 587 | 700 | 10 | 770 | 514 | 1 | 519 | -43 | >100 | -109 |
| -544 | -56 | -240 | of which allowances for losses on loans and securities | -411 | -54 | -190 | -68 | 39 | -94 | 0 | 26 | 0 | 20 | - | 0 | -85 | - | 46 |
| **-1,893** | **2** | **-1,940** | **Expenses** | **-634** | **0** | **-635** | **-187** | **8** | **-201** | **-501** | **4** | **-522** | **-508** | **-1** | **-504** | **-63** | **24** | **-78** |
| -1,743 | 3 | -1,802 | of which administrative expenses | -595 | 0 | -595 | -169 | 7 | -182 | -445 | 3 | -457 | -509 | -1 | -505 | -25 | >100 | -64 |
| -118 | 16 | -137 | of which expenses for bank levy and deposit guarantee system | -32 | 25 | -40 | -17 | 10 | -19 | -56 | 16 | -65 | 0 | 65 | 1 | -13 | 7 | -14 |
| -32 | -98 | -1 | of which net income/expenses from restructuring | -7 | - | 0 | 0 | - | 0 | -1 | -5 | -1 | 0 | - | 0 | -25 | - | 0 |
| **252** | **>100** | **817** | **Consolidated profit/loss before tax** | **15** | **>100** | **405** | **203** | **44** | **292** | **198** | **25** | **247** | **25** | **-43** | **14** | **-190** | **-26** | **-141** |

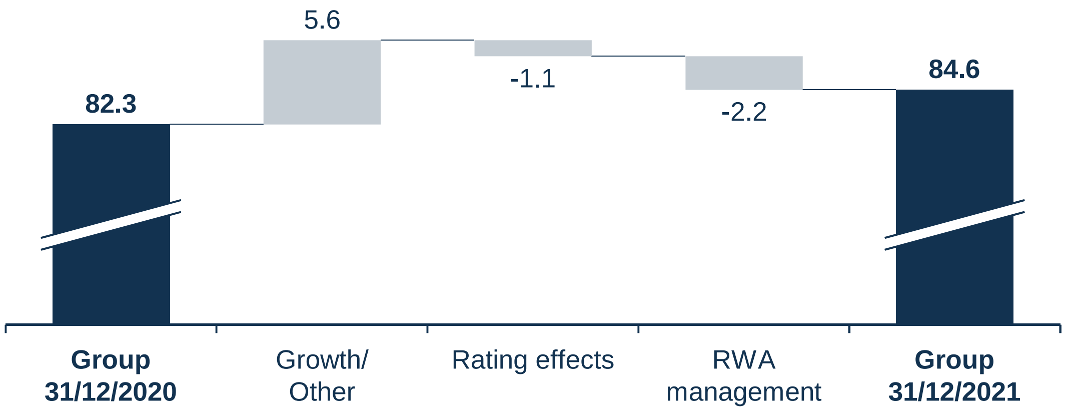
| **2020[1]** | **Δ p.p.** | **2021** | % | **2020[1]** | **Δ p.p.** | **2021** | **2020[1]** | **Δ p.p.** | **2021** | **2020[1]** | **Δ p.p.** | **2021** | **2020[1]** | **Δ p.p.** | **2021** | **2020[1]** | **Δ p.p.** | **2021** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.9 | 4.1 | 6.0 | RoE | 0.3 | 7.1 | 7.4 | 10.6 | 4.1 | 14.7 | 8.2 | 2.2 | 10.4 | 2.3 | -1.0 | 1.4 | | | |
| 70.4 | -5.7 | 64.7 | CIR | 59.8 | -8.2 | 51.6 | 40.7 | -6.5 | 34.2 | 71.6 | -3.8 | 67.8 | 98.9 | -1.7 | 97.2 | | | |

| **12/2020[1]** | **Δ %** | **12/2021** | € bn | **12/2020[1]** | **Δ %** | **12/2021** | **12/2020[1]** | **Δ %** | **12/2021** | **12/2020[1]** | **Δ %** | **12/2021** | **12/2020[1]** | **Δ %** | **12/2021** | **12/2020[1]** | **Δ %** | **12/2021** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 276.4 | 2 | 282.3 | Total assets | 61.3 | 6 | 64.7 | 31.3 | 5 | 32.7 | 142.0 | -2 | 138.8 | 38.1 | 7 | 40.6 | 3.8 | 45 | 5.5 |
| 82.3 | 3 | 84.6 | RWA | 38.6 | 2 | 39.4 | 13.8 | 8 | 14.8 | 16.4 | 7 | 17.5 | 8.3 | -1 | 8.2 | 5.2 | -11 | 4.6 |

Differences due to rounding
[1] PY incl. adjustments

# RWA development characterized by growth and regulation – CET1 ratio at comfortable level

## RWA
Fully loaded, € bn




## RWA slightly increased to € 84.6 bn

- Increase due to selective qualitative growth and regulatory effects (among other things, from CRR II)
- Decrease in RWA through rating effects and active RWA management, i.e. focus on core activities and RWA profitability

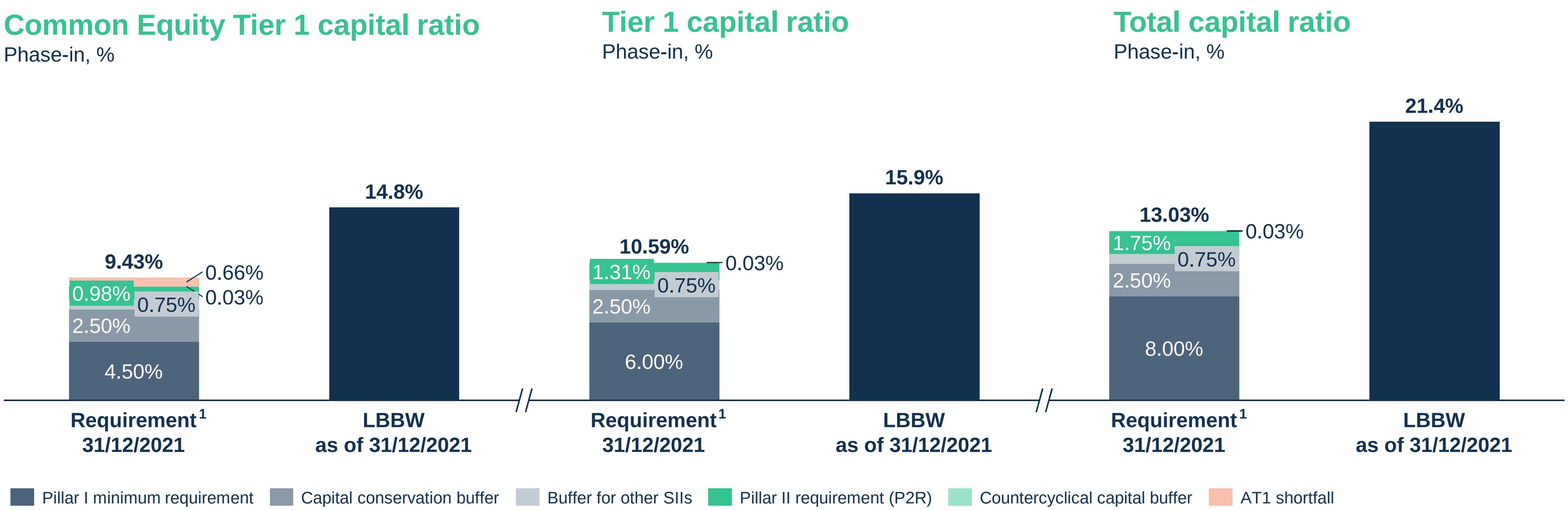
## CET1 capital ratio (CET1)
Fully loaded, %


Differences due to rounding

## CET1 ratio comfortable at 14.6%

- Improvement of the capital base primarily interest rate-related from the measurement of pension obligations

# Capital requirements as of 31/12/2021 clearly exceeded




## LBBW clearly exceeds capital requirements as of 31/12/2021

- CET1 requirement as of 31/12/2021 of 9.43% clearly exceeded – Also taking into account the Pillar II Guidance (P2G) exceeding the mandatory requirement
- As of 01/01/2022 the grandfathering provision for certain capital instruments acc. to CRR (phase-in) no longer applies
- As of 01/03/2022 the Pillar II requirement (P2R) of LBBW increases from 1.75% to 1.88%

Differences due to rounding
[1] For the sustainable capital management in the following years, the ECB's supervision furthermore expects the availability of further common equity Tier 1 capital

# Gross exposure (IFRS 9) with constant low share of level 3, moreover, substantial decrease of the share of level 2

Gross exposure or financial instruments under the scope of application of the impairment rules of IFRS 9

| € bn | Stage 1 12-month expected credit loss | | Stage 2 Life-time expected credit loss | | Stage 3 Credit impairment after recognition | | POCI Credit impairment at recognition | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 12/2020 | 12/2021 | 12/2020 | 12/2021 | 12/2020 | 12/2021 | 12/2020 | 12/2021 | 12/2020 | 12/2021 |
| **Financials** | **119.7** | **115.2** | **1.2** | **10.8** | **0.0** | **0.0** | **0.0** | **0.0** | **120.9** | **126.1** |
| **Corporates** | **37.4** | **73.1** | **55.1** | **25.6** | **1.1** | **1.1** | **0.0** | **0.0** | **93.6** | **99.8** |
| Automotive | 1.2 | 6.2 | 9.9 | 4.3 | 0.4 | 0.5 | 0.0 | 0.0 | 11.5 | 11.0 |
| Construction | 2.8 | 8.1 | 5.7 | 1.6 | 0.1 | 0.1 | 0.0 | 0.0 | 8.6 | 9.8 |
| Chemicals and Commodities | 1.3 | 5.0 | 5.5 | 2.2 | 0.1 | 0.0 | 0.0 | 0.0 | 6.8 | 7.2 |
| Trade and Consumption | 10.1 | 12.3 | 6.6 | 5.6 | 0.2 | 0.2 | 0.0 | 0.0 | 16.9 | 18.1 |
| Industry | 2.8 | 8.2 | 8.1 | 3.0 | 0.1 | 0.2 | 0.0 | 0.0 | 11.0 | 11.4 |
| Pharmaceuticals and Healthcare | 3.3 | 4.7 | 2.2 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 5.4 | 5.4 |
| TM and Electronics/IT | 3.4 | 6.6 | 4.1 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 7.5 | 8.2 |
| Transport and Logistics | 1.4 | 4.8 | 6.4 | 3.1 | 0.0 | 0.0 | 0.0 | 0.0 | 7.8 | 7.9 |
| Utilities and Energy | 5.2 | 9.9 | 4.2 | 2.1 | 0.1 | 0.1 | 0.0 | 0.0 | 9.5 | 12.1 |
| Other | 5.9 | 7.4 | 2.6 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 8.5 | 8.8 |
| **Real Estate** | **21.4** | **27.8** | **10.9** | **8.4** | **0.0** | **0.1** | **0.0** | **0.0** | **32.3** | **36.3** |
| Commercial Real Estate (CRE) | 14.0 | 18.9 | 9.0 | 6.7 | 0.0 | 0.1 | 0.0 | 0.0 | 23.0 | 25.7 |
| Housing | 7.4 | 8.9 | 1.9 | 1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 9.3 | 10.6 |
| **Public Sector** | **16.7** | **14.5** | **0.1** | **1.9** | **0.0** | **0.0** | **0.0** | **0.0** | **16.7** | **16.4** |
| **Private Individuals** | **10.1** | **9.9** | **1.4** | **1.9** | **0.0** | **0.0** | **0.0** | **0.0** | **11.5** | **11.8** |
| **LBBW Group** | **205.1** | **240.6** | **68.6** | **48.5** | **1.2** | **1.3** | **0.0** | **0.1** | **275.0** | **290.4** |

## Level 3 low

- Almost unchanged compared to the PY

## Level 2 with substantial decrease

- Decrease Corporates in all sectors, decrease Real Estate mainly Commercial Real Estate (CRE)
- In contrast, increase in Financials

Differences due to rounding

# Ratings reflect the good creditworthiness

Moody's Investors Service

| | |
|---|---|
| Long-term Issuer Rating | Aa3, stable |
| Senior Unsecured Bank Debt | Aa3, stable |
| Junior Senior Unsecured Bank Debt | A2 |
| Subordinate Rating | Baa2 |
| Short-term Ratings | P-1 |
| Public-Sector Covered Bonds | Aaa |
| Mortgage-backed Covered Bonds | Aaa |

FitchRatings

| | |
|---|---|
| Long-term Issuer Default Rating | A-, stable |
| Long-term Senior Preferred Debt Rating | A |
| Long-term Senior Non-Preferred Debt Rating | A- |
| Non-guaranteed Tier 2 Subordinated Debt Rating | BB+ |
| Short-term Issuer Default Rating | F1 |
| Public-Sector Covered Bonds | - |
| Mortgage-backed Covered Bonds | - |

Ratings as of: 10/03/2022; current ratings under: www.lbbw.de

# Glossary

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|---|---|
| **Expenses** | Administrative expenses + Expenses for bank levy and deposit guarantee system + Net income/expenses from restructuring |
| **Income** | Net interest income + net fee and commission income + net gains/losses on remeasurement and disposal before allowances for losses on loans and securities + other operating income/expenses |
| **RoE** | Return on Equity<br>Group: (Annualized) consolidated profit/loss before tax / average equity on the balance sheet adjusted for the unappropriated profit for the current reporting period<br>Segments: (Annualized) consolidated profit/loss before tax / maximum planned average restricted equity and average tied-up equity in the current reporting period |
| **CIR** | Cost Income Ratio<br>Group/segments: Expenses / Income |
| **CET1 / AT1 / T2** | CET1: Core Equity Tier 1; AT1: Additional Tier 1; T2: Tier 2 |
| **RWA** | Risk weighted assets |
| **Phase-In / Fully Loaded** | Phase-In: In consideration of transitional rules of CRR<br>Fully Loaded: Without consideration of transitional rules of CRR |
| **SREP** | Supervisory Review and Evaluation Process |
| **P2R** | Pillar 2 Requirement / Institution-specific additional capital requirement to cover risks which are not already covered by the general regulatory requirements (CRR, Pillar 1), set by the competent authority |
| **P2G** | Pillar 2 Guidance / In addition, the ECB Supervision expects, to ensure a sustainable capital management in the subsequent years, the maintenance of further Common Equity Tier 1 in line with a Pillar II Guidance |
| **SREP ratio** | Capital ratio requirement set by ECB based on the Supervisory Review and Evaluation Process (SREP): This ratio includes the Pillar I capital requirement, the Pillar II capital requirement (Pillar 2 Requirement (P2R)), the common equity Tier 1 capital to be held as a capital conservation buffer in accordance with German Banking Act (KWG) and as a capital buffer for other systemically important financial institutions in accordance with § 10g KWG; in addition, a countercyclical capital buffer in accordance with § 10d KWG must be held, the Pillar II Guidance (P2G) of the ECB and potential shortfalls from the other capital classes |
| **MREL** | Minimum Requirement for own funds and Eligible Liabilities;<br>TREA: Total Risk Exposure Amount; LRE: Leverage Ratio Exposure measure; CBR: Capital Buffer Requirement |
| **Net exposure** | Drawdown plus free external credit lines less capital market-related collateral (collateral, netting, etc.) less loan collaterals |
| **Exposure** | Drawdown plus free external credit lines less capital market-related collateral (collateral, netting, etc.) |
| **Gross exposure** | Drawdown plus free external credit lines |
| **Net exposure (IFRS 9) / Gross exposure (IFRS 9)** | Net exposure/Gross exposure only related to financial instruments under the scope of application of the impairment rules of IFRS 9 |
| **Rating classes** | Investment grade: RC 1: PD 0.00% - 0.10%; RC 2-5: PD 0.10% - 0.48%<br>Non-Investment grade: RC 6-10: PD 0.48% - 3.63%; RC 11-15: PD 3.63% - <100%; Default: RC 16-18: PD 100%<br>Rating waived, not rated: Other |
| **LTV** | Loan to value: Relation of outstanding loan amount to market value of lended real estate |
| **Ø PD** | Average Probability of Default |
| **NPE ratio** | Non-performing exposure related to Net exposure (IFRS 9) / Net exposure (IFRS 9) |
| **Coverage Ratio** | Accumulated impairment stage 3 + POCI (in default) / Non-performing exposure related to Net exposure (IFRS 9) |
| **Cost of risk (balance sheet)** | (Annualized) Allowances for losses on loans and securities related to categories “Financial assets measured at amortized cost" and “Financial assets measured at fair value through other comprehensive income” /<br>Average net balance-sheet figure of loans and advances to customers based on quarterly average figures |
| **Cost of risk (net exposure)** | (Annualized) Allowances for losses on loans and securities related to categories “Financial assets measured at amortized cost" and “Financial assets measured at fair value through other comprehensive income” /<br>Net exposure (IFRS 9) |
| **LCR** | Liquidity Coverage Ratio; HQLA: High Quality Liquid Assets |
| **NSFR** | Net Stable Funding Ratio |

# Your experts and contacts

10/03/2022

LBBW
Bereit für Neues

**Patrick Steeg**
Managing Director
Head of Asset & Liability Management
+49 711 127-78825
Patrick.Steeg@LBBW.de

**Andreas Wein**
Head of Funding & Debt Investor Relations
+49 711 127-28113
Andreas.Wein@LBBW.de

**Peter Kammerer**
Head of Investor Relations
+49 711 127-75270
Peter.Kammerer@LBBW.de

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**Jil Janssen**
Funding & Debt Investor Relations
+49 711 127-73846
Jil.Janssen@LBBW.de

**Martin Rohland**
Funding & Debt Investor Relations
+49 711 127-79393
Martin.Rohland@LBBW.de

**Sabine Weilbach**
Investor Relations
+49 711 127-75103
Sabine.Weilbach@LBBW.de