

Bausparkasse Schwäbisch Hall AG

Investor Presentation



Vision	<ul style="list-style-type: none">- A leading provider of products and services in the cooperative Building and Living ecosystem
Mission	<ul style="list-style-type: none">- To create and preserve homes
Position	<ul style="list-style-type: none">- Sustainable real estate financing provider and part of the German Cooperative Banking Group- New business: housing financing €19 billion and Bausparen €34.1 billion
Earnings position/ Balance sheet	<ul style="list-style-type: none">- €143m profit before tax (IFRS consolidated)- Total assets €85.6 bn (IFRS consolidated)
Sales network	<ul style="list-style-type: none">- Approximately 3,100 sales agents and almost 100% of cooperative banks
Customers	<ul style="list-style-type: none">- Around 6.5m customers in Germany- Almost 1.4m customers outside Germany
Cover pool/ Rating	<ul style="list-style-type: none">- Highly granular cover pool- Our Pfandbriefe have been awarded the top Aaa rating
Funding	<ul style="list-style-type: none">- The issuance of Pfandbriefe serves to refinance housing financing
Outlook	<ul style="list-style-type: none">- Private households continue to be very keen to buy homes, but the market environment is challenging (including rising inflation and interest rates). High volume of energy-efficient refurbishments expected in future- The volume of (debt) financing in the housing financing business with private households in Germany is expected to be around €190–€200 billion in 2023- Renaissance in Bausparen leads to anticipated high market level of €100–€120 billion

*) German Institute for Sustainable Construction "Private housing construction – the future of the housing stock" 2022

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- 1. Schwäbisch Hall at a Glance**
 - 2. Business Strategy**
 - 3. Balance Sheet and Income Statement Data**
 - 4. Cover Pool**
 - 5. Funding**
 - 6. Rating**
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1. Schwäbisch Hall at a Glance

2. Business Strategy

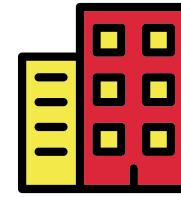
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5. Funding

6. Rating

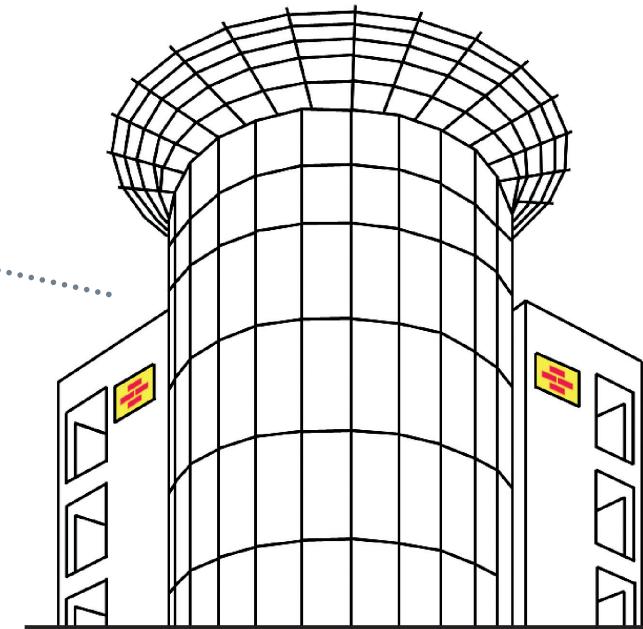
Bausparkasse Schwäbisch Hall at a glance



Largest German
Bausparkasse with around
30% market share



One of Germany's largest providers
of housing finance with more than
**€19bn new housing
financing business**



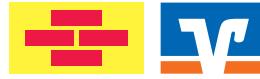
Around 8m customers
in Germany and abroad (around 6.5m in DE)



Around 7m contracts
More than €313bn Bauspar sum in the portfolio

Data as at: 31 Dec. 2022

Our Success Story



Continuous growth – for 90 years

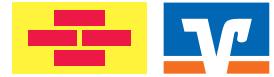
- 1931** 16 May: Established in Cologne as “Deutsche Bau-sparer AG, Bau-, Spar- und Entschuldungskasse”
- 1944** Schwäbisch Hall becomes the new head office due to wartime events
- 1956** Investment by “Raiffeisen-Zentralkassen” (agricultural credit cooperatives’ central institutions).
New name: “Bausparkasse Schwäbisch Hall AG, Bausparkasse der Volksbanken und Raiffeisenkassen”
- 1975** The Schwäbisch Hall brand animal is born:
The Bauspar fox takes the stage
- from 1992** Establishment of subsidiaries* in Eastern Europe (currently Slovakia and Hungary)



- from 1994** Establishment of:
Schwäbisch Hall Training GmbH (SHT)
Schwäbisch Hall Kreditservice GmbH (SHK)
Schwäbisch Hall Facility Management GmbH (SHF)
- 2004** Bauspar starts in China (in four provinces since 2018)
- 2014** Evolution of business strategy: On the way to becoming a provider of housing finance with a Bausparen core business segment
- from 2018** Establishment of: BAUFINEX: online sales platform
Schwäbisch Hall Wohnen: digital sales Impleco: digital ecosystem for all aspects of “Building and Living”
- 2022** At €51.1 billion, best sales performance in the Company’s history

*minority interests (except Hungary)

Bausparkasse Schwäbisch Hall AG in Germany



Strategic domestic investments



Schwäbisch Hall

Auf diese Steine können Sie bauen

Digital platform business / sales support



Schwäbisch Hall
Kreditservice

Processing for Bauspar
and lending business



Training and
consulting



Schwäbisch Hall
Facility Management

Facilities
management



BAUFINEX
Einfach. Vernetzt. Vor Ort.

Broker
marketplace



Schwäbisch Hall
Wohnen

Digital sales



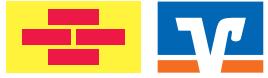
Impleco
Implementing Ecosystems

Building and Living
digital ecosystem

VR KreditService
Wir sind Baufi FastLane!

Optimising housing
financing processes

Our Partners – the Basis of our Success



The German Cooperative Banking Group



Around **750** cooperative banks



Around **135,000** employees



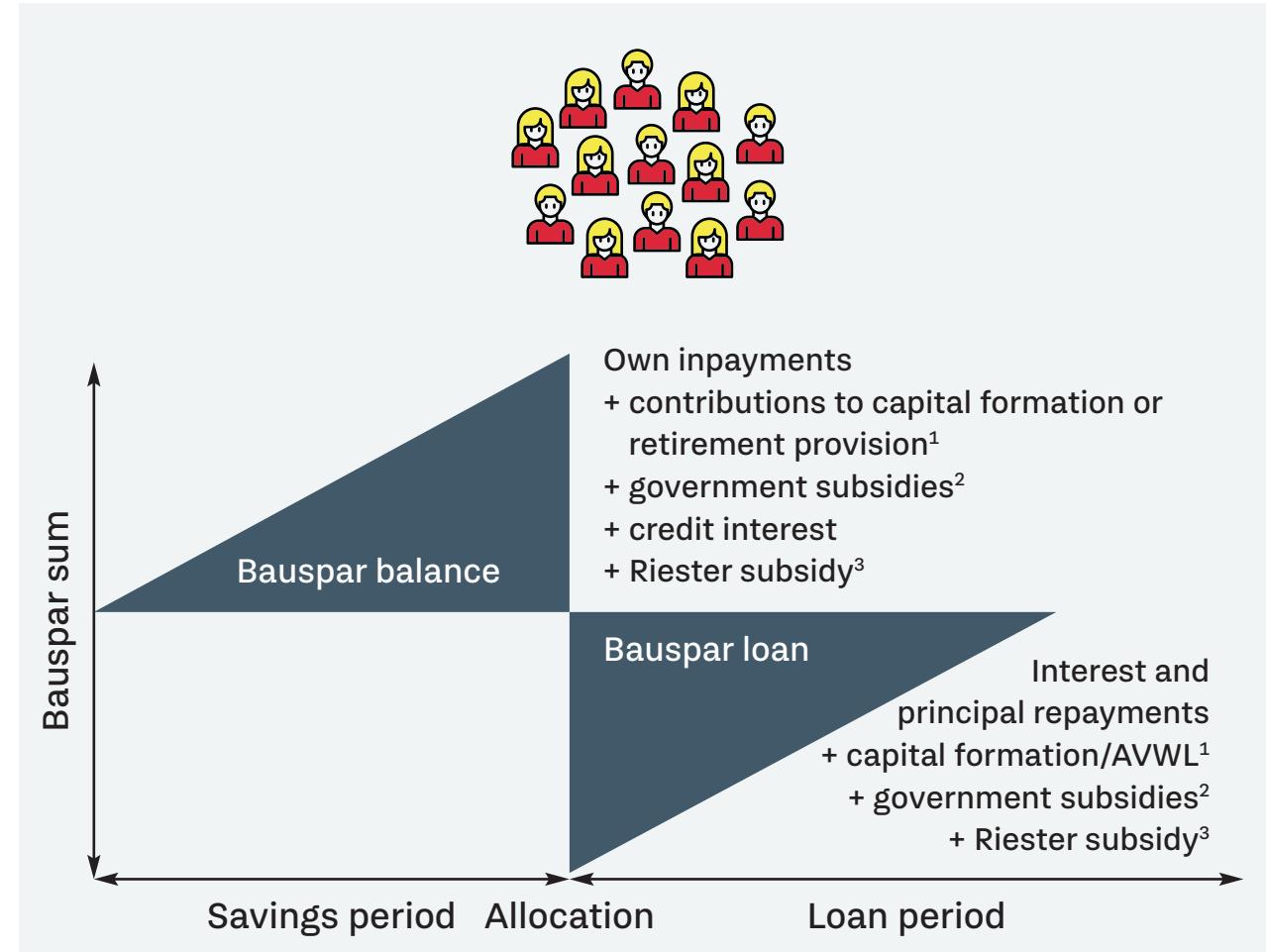
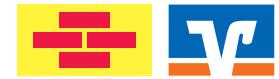
17.9 million members



A+/AA – Network rating
by Standard & Poor's and Fitch Ratings



How Does Bausparen Work?



¹AVWL: payments by employer in addition to salary depending on industry

²Income limits and other conditions apply

³If eligible/conditions are satisfied

⁴Other allocation conditions apply



Saving equity capital

For Bausparen, the customer enters into a **Bauspar contract** for a specific Bauspar sum and saves about half of this amount in regular instalments



Taking out loans

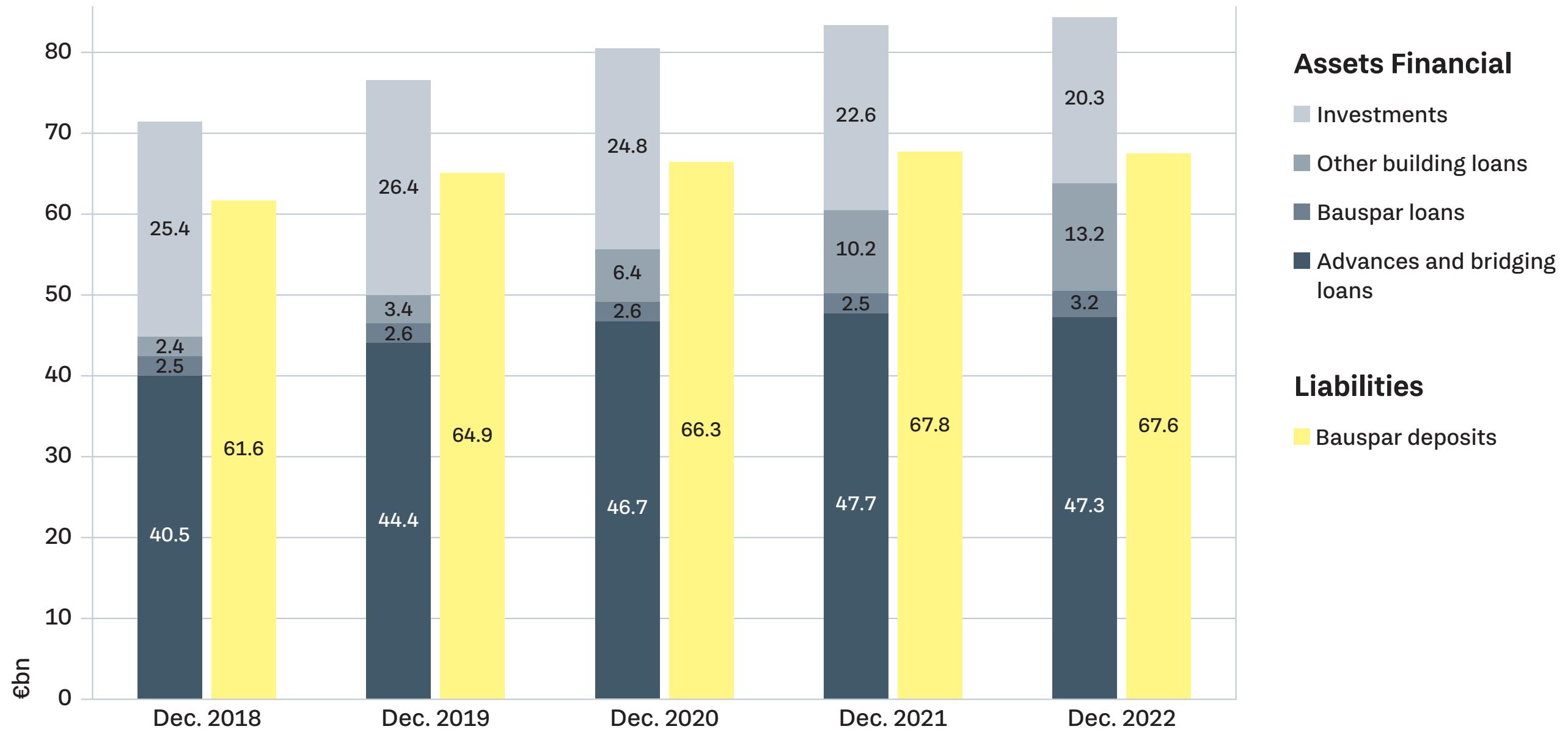
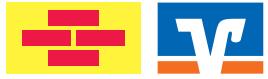
Once the agreed portion of the Bauspar sum has been saved⁴, a **low-interest Bauspar loan** can be taken out for the remainder



Paying back convenient instalments

In the **interest/principal repayment phase**, the customer pays back the loan in regular monthly instalments

Sustainable Growth



1. Schwäbisch Hall at a Glance

2. Business Strategy

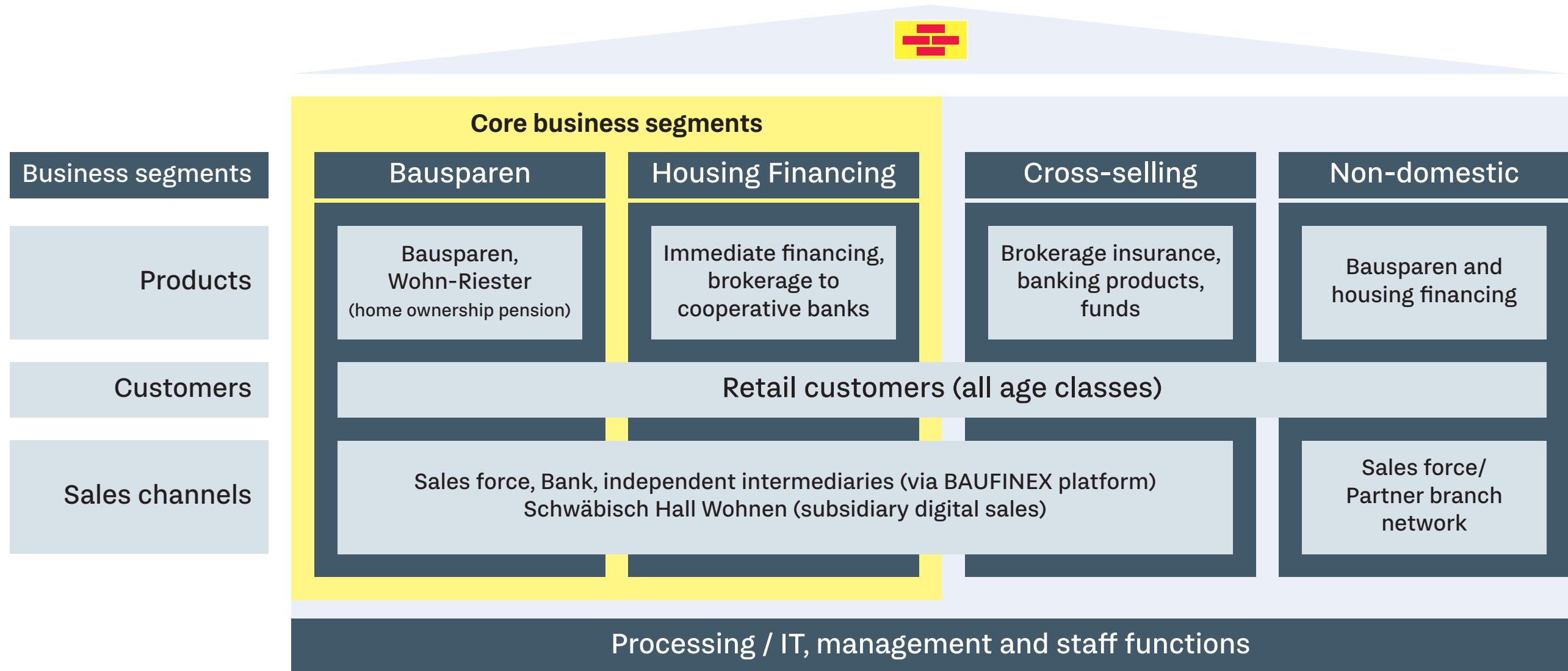
3. Balance Sheet and Income Statement Data

4. Cover Pool

5. Funding

6. Rating

Business Model and Business Segments



Our Ambition: No. 1 Provider of Housing Finance

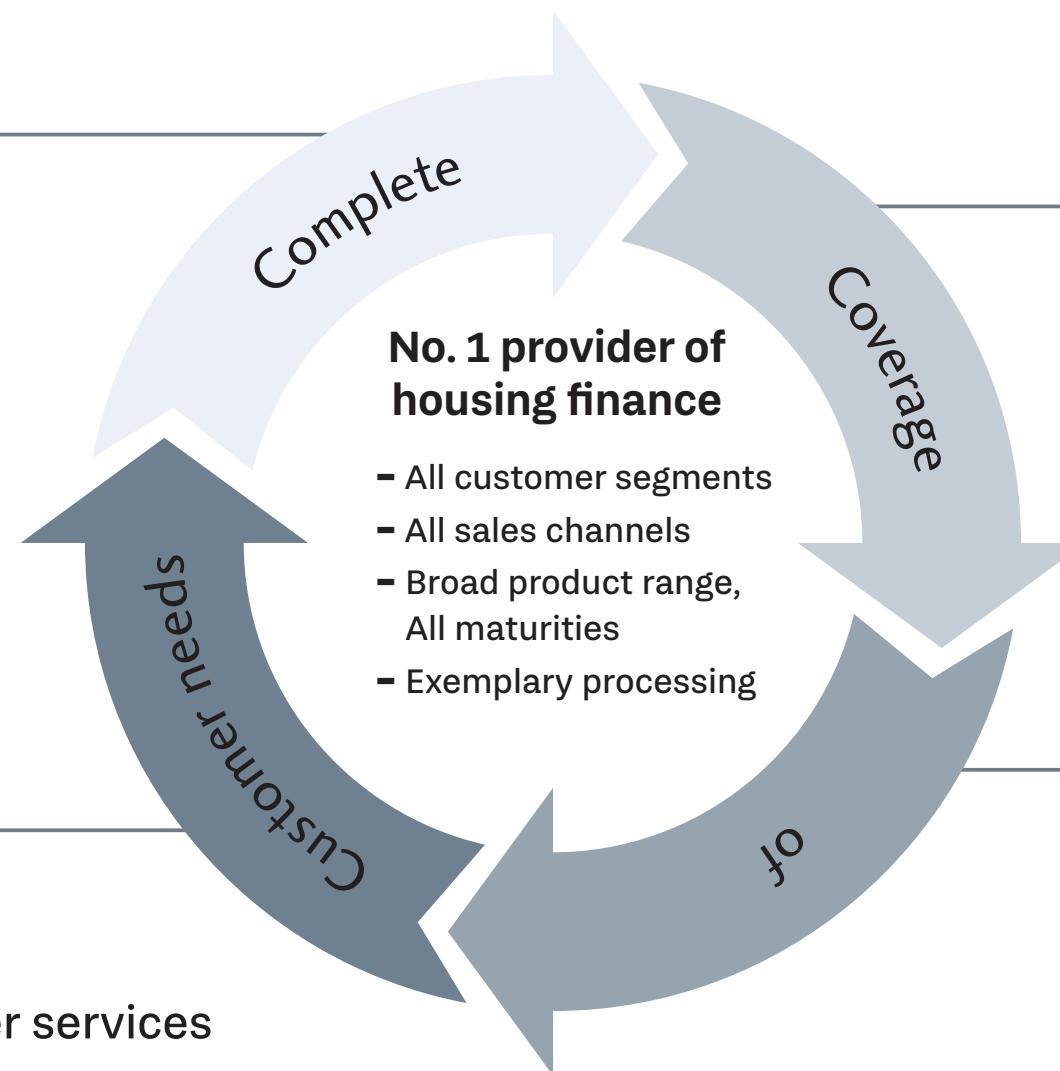


Sales/customer care

- Large number of expert housing finance advisers
- Nationwide cooperation with the banks of the German Cooperative Banking Group
- Expansion platform business

Service

- Ongoing enhancement of advisory systems
- Further expansion of customer services (Customer Journey)



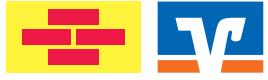
Products, conditions/commissions

- End-to-end cover of customer needs
- Wohn-Riester as a unique selling point
- Attractive conditions

Processes

- Cost-effective loan processing (economies of scale)
- Expansion of process automation (E2E)

Our Unique Selling Points

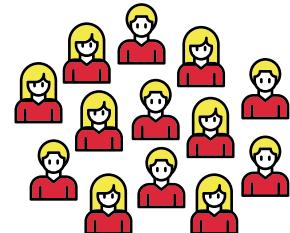


Powerful sales organisation

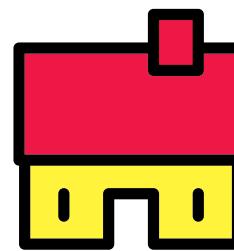
- ~ 3.100 force employees
- Nationwide cooperation with the cooperative banks
- BAUFINEX B2B-platform

Broad customer base

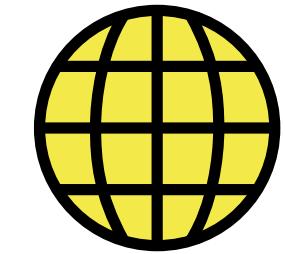
BSH: ~ 6.5m customers
GCBG: ~ 30m customers



Funding by collective independent of capital markets
New: supplemented by Pfandbriefe (covered bonds)



Above-average housing finance growth compared with the market*



High brand recognition

„Auf diese Steine können Sie bauen“
(You can build on these stones)

*Source: BSH market research, new business growth 2012 – 2022

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Schwäbisch Hall Group: selected financial data*

	31 Dec 2022	31 Dec 2021
Balance sheet total in €m	85,599	85,371
Equity in €m	4,215	5,718
Common Equity Tier 1 capital ratio in %	24.8	30.6
Profit before tax in €m	143	130
Cost/income ratio in %	76.9	78.1
RORAC in %	4.7	4.6
LCR in % (only Bausparkasse SHA AG)	317.2	1,780.9

DZ BANK AG and Bausparkasse Schwäbisch Hall have entered into a profit and loss transfer agreement

*IFRS

Schwäbisch Hall Consolidated Balance Sheet



Assets

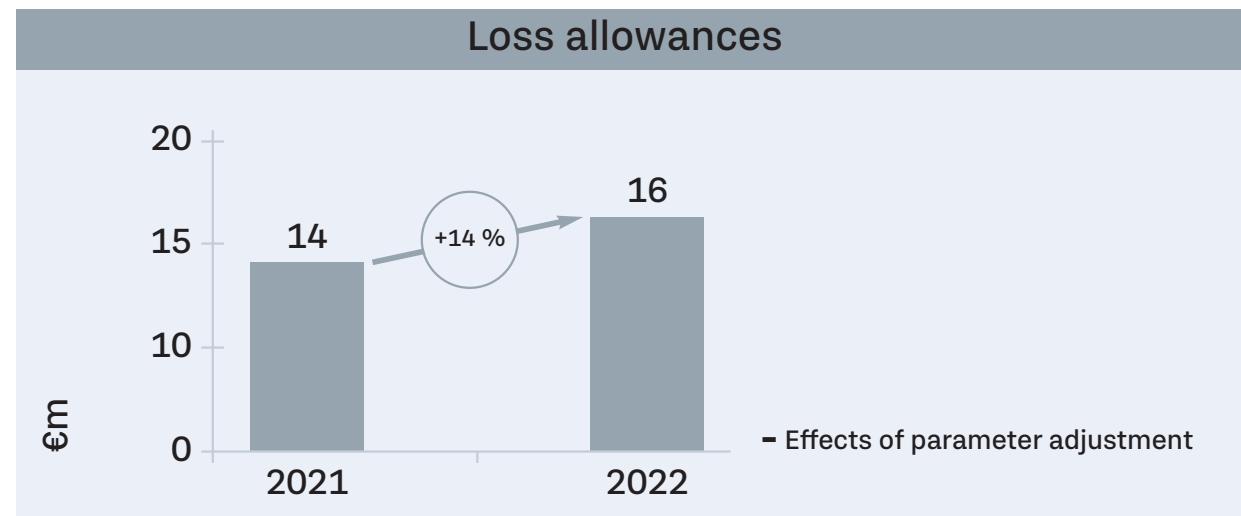
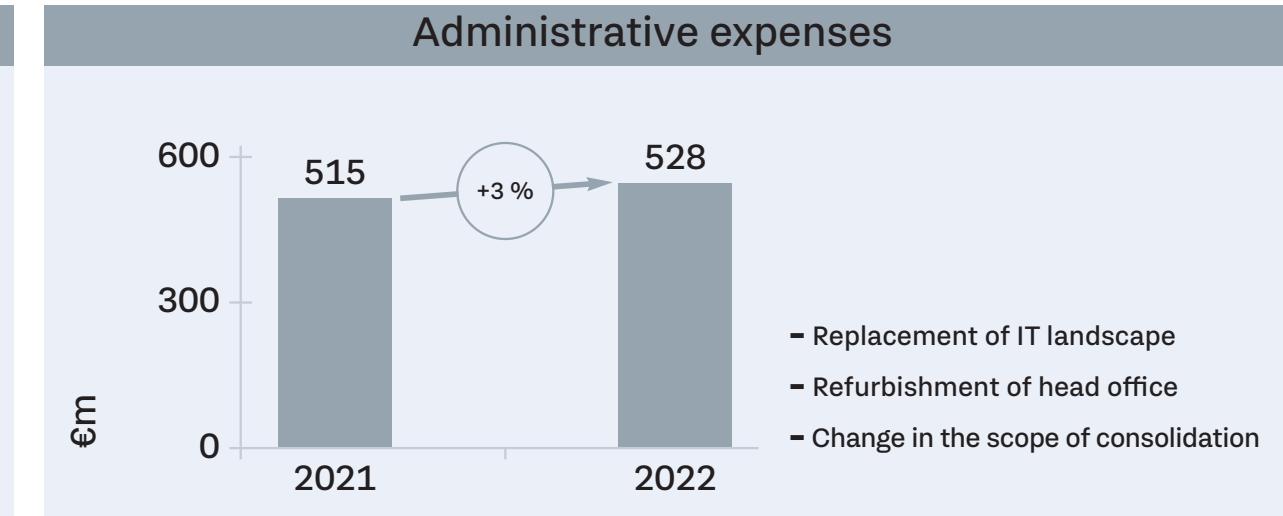
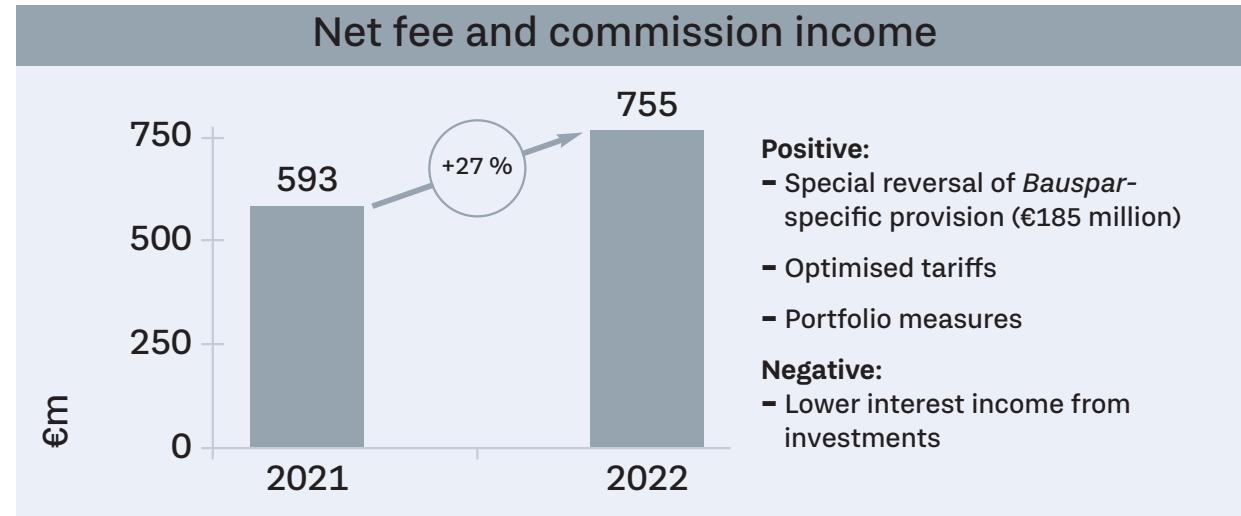
€m	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	80	998
Loans and advances to banks	8,798	8,045
Loans and advances to customers*	66,373	63,175
Positive fair values of hedging instruments	32	2
Investments	9,479	12,893
Investments accounted for using the equity method	85	114
Intangible assets	187	199
Property, plant and equipment and right-of-use assets	110	110
Income tax assets (current + deferred)	618	4
Other assets	49	29
Loss allowances	-212	-198
Total assets	85,599	85,371

Equity and liabilities

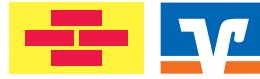
€m	31 Dec 2022	31 Dec 2021
Deposits from banks	10,459	9,452
Deposits from customers	66,851	66,733
Fair value changes of hedged items in portfolio hedges of interest rate risk	-223	-10
Issued bonds	2,510	1,506
Negative fair values of hedging instruments	220	5
Provisions	1,355	1,683
Income tax liabilities (current + deferred)	15	107
Other liabilities	197	177
Equity	4,215	5,718
Total equity and liabilities	85,599	85,371

*incl. country borrower's note loans

Income, Expense and Earnings Trends



IFRS Income Statement* (condensed)



€m	31 Dec 2022	31 Dec 2021
Net interest income	744	581
Net fee and commission income	11	12
Gains or losses on investments	-90	22
Other gains or losses on valuation of financial instruments	3	-
Gains or losses on derecognition of financial assets measured at amortised cost	3	2
Loss allowances	-16	-14
Administrative expenses	-528	-515
Other net operating income	16	42
Profit before taxes	143	130
Income taxes	-53	-40
Net profit	90	90

*BSH-Group

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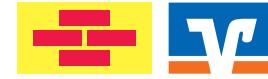
3. Balance Sheet and Income Statement Data

4. Cover Pool

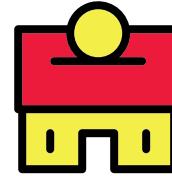
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You Can Build on This Cover Pool



Cover Pool: Private residential property finance

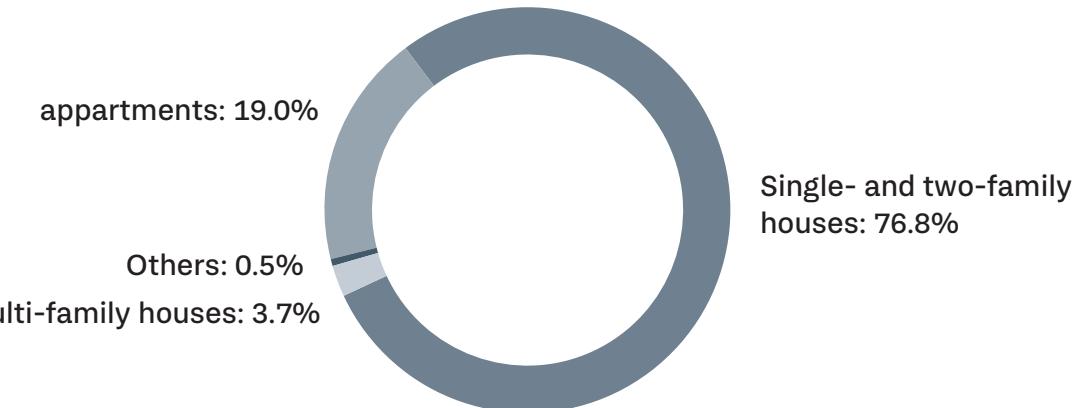


as of: 30 June 2023

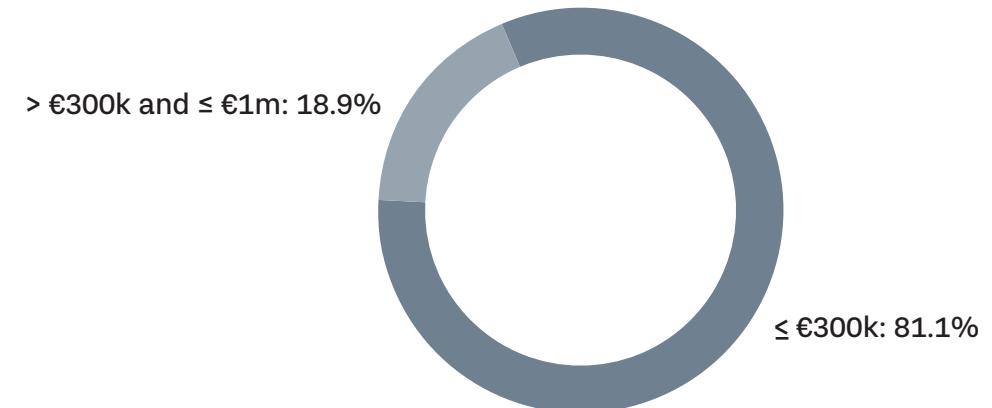
- Residential property cover pool
due to Bausparkassen Act
(significant restrictions for commercial lending)

- Granular, Germany-wide diversified loan portfolio
 - Around 87% owner-occupied property
 - Around 77% single- and two-family houses
 - All collateral located in Germany
 - No foreign currencies

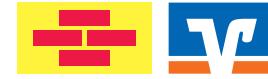
Usage category of regular cover assets



Granular cover assets: Size classes of mortgage cover

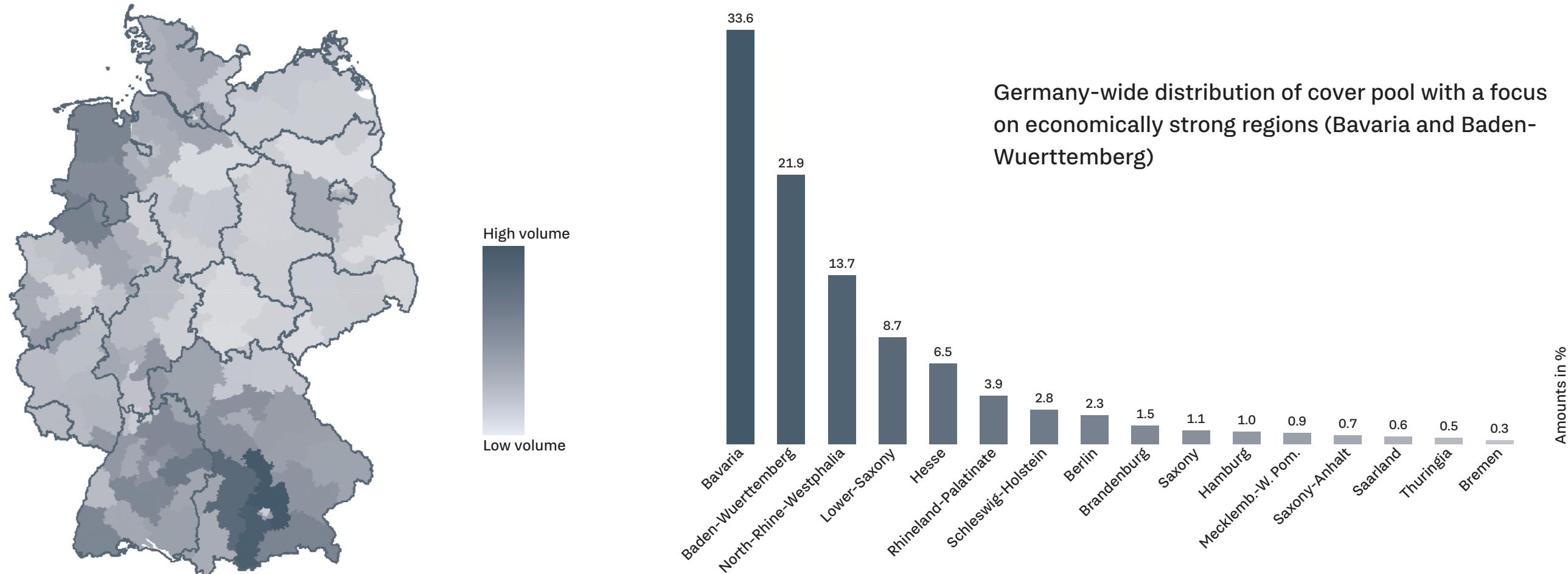


Overview of Cover Pool for Schwäbisch Hall's Pfandbriefe

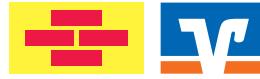


Regional distribution of regular cover pool assets

as of: 30 June 2023



A Sustainable Business



Living and encouraging corporate responsibility

Our annual sustainability report (GRI analysis) includes the following activities, deliverables and fields of action:

Products and services

- Supporting our customers with sustainable asset formation and private retirement provision using home ownership
- Products and services for sustainable building and living
- Measuring the ESG performance of the credit portfolio

Sustainable banking

- Climate strategy in the DZ BANK Group and the Schwäbisch Hall climate course
- Climate-friendly operation of Schwäbisch Hall's head office External commitments (e.g. Stiftung Klimawirtschaft, Association for environmental management and sustainability in financial institutions)

Responsible employer

- HR policy based on stages of the employee life cycle with many additional benefits High level of employee satisfaction and identification with employer
- Regular awards, e.g. "Top Employer 2021"

Social commitment

- Active role as a corporate citizen in the region
- Specific support for volunteering and social and cultural projects
- Engagement with foundations and alliances

We determine ESG-related KPIs for the credit portfolio (top-down)

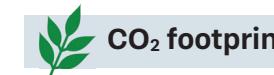
The top-down method is based on statistical average values for the energy consumption ($\text{kWh}/\text{m}^2/\text{a}$) and CO₂ emissions of real estate.¹

ESG KPIs (31.12.2021)²:



SDG impact

Proportion of Schwäbisch Hall financing that positively impacts the United Nations Sustainable Development Goals (SDGs): approx. 40%



CO₂ footprint

Co-financed CO₂ emissions through our lending business: approx. 1.9 million t CO₂

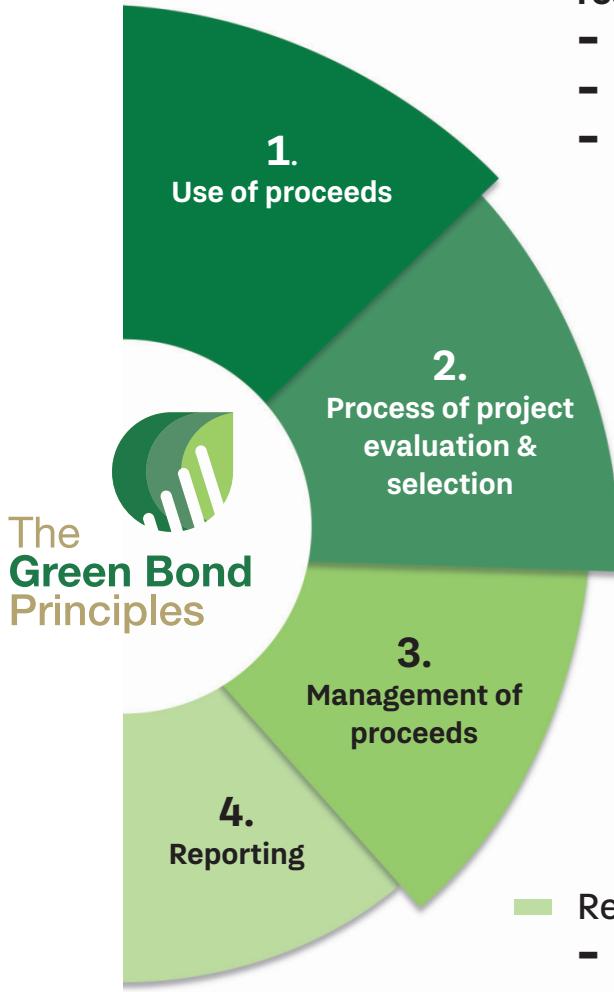
¹These values are derived on the basis of year of construction, year of modernisation, building type, purpose, square metres, heating structure, CO₂ emissions per energy source, property value, loan amount (net exposure) and other supplementary information, such as KfW loans or FuchsEco tariffs.

²<https://bit.ly/40jc9Td>

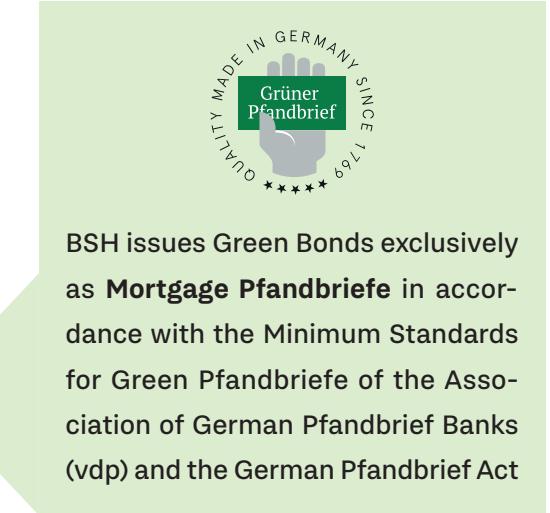
Green Bond Programme Based on ICMA Green Bond Principles



Green Pfandbriefe by Schwäbisch Hall:



- (Re-)Financing of Eligible Green Assets (mortgage loans) for **energy-efficient residential real estate** (see Green Bond Framework)
 - New construction (top 15%* of the German national building stock)
 - Acquisition (top 15%* of the German national building stock)
 - Modernization
- **Admission of Eligible Green Loans to the Green Cover Pool** based on the Eligibility Criteria defined in the Green Bond Framework
 - Selection of Green Mortgage Loans supported by IT systems
 - Review and refinement of the eligibility criteria by a dedicated team of sustainability and funding experts
- Proceeds from Green Bonds are managed on a **portfolio basis**
 - Earmarking of Eligible Green Loans and creation of a sub-portfolio from the Pfandbrief cover pool
 - Monitoring that the volume of Eligible Green Loans permanently exceeds the volume of Green Bonds outstanding (“Green Overcollateralization”)
- Regular publication of **investor reports** as long as there are Green Bonds outstanding
 - Allocation Report: Information on Green Assets and outstanding Green Bonds
 - Impact Report: Information on energy savings and avoided carbon emissions



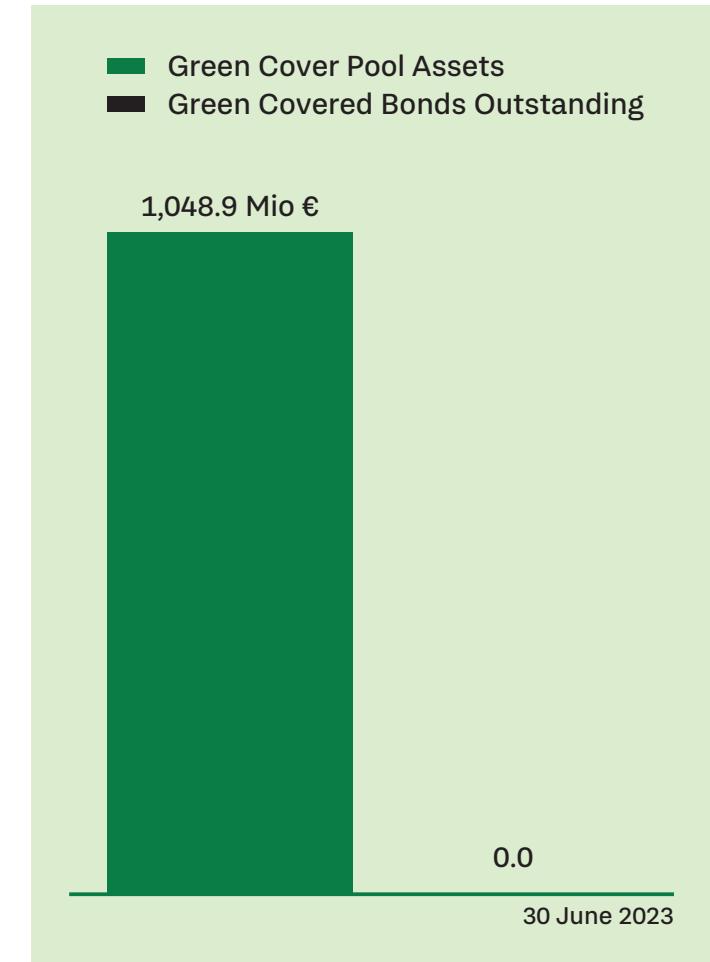
*Drees & Sommer study for member institutes of the Association of German Pfandbrief Banks (2022)

Highlights Green Cover Pool



Overview Green Cover Pool and Green Mortgage Covered Bonds Outstanding		30 June 2023
Green Mortgage Covered Bonds	€m	0.0
Green Cover Pool	€m	1,048.9
Green Cover Ratio	%	./.

- The proceeds of the Green Bonds are used for financing and refinancing **energy-efficient buildings**
- Green cover pool assets comprise eligible **mortgage loans** as defined in the Green Bond Framework of Bausparkasse Schwäbisch Hall
- The Eligibility Criteria are defined with the aim that the energy-efficient buildings represent a selection of the **top 15%** of the national building stock in Germany*



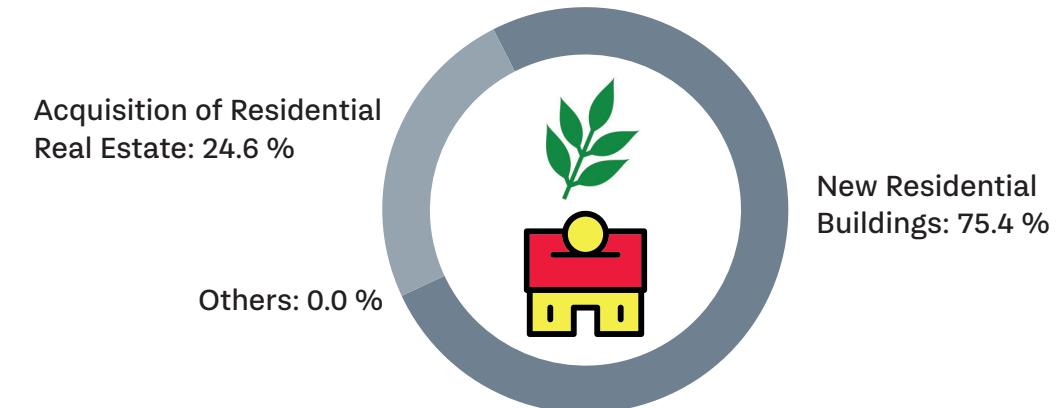
*based on a study (2022) conducted by Drees & Sommer for the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken –vdp)

Overview of the structure and quality of the Green Cover Pool



Green Allocation Indicators	30 June 2023
Over-Collateralization of Green Mortgage Covered Bonds Outstanding	./.
Eligible Green Cover Pool Currently not Allocated to Outstanding Green Bonds	1,048.9 €m
Percentage of Eligible Green Cover Pool Allocated to Outstanding Green Bonds	./.

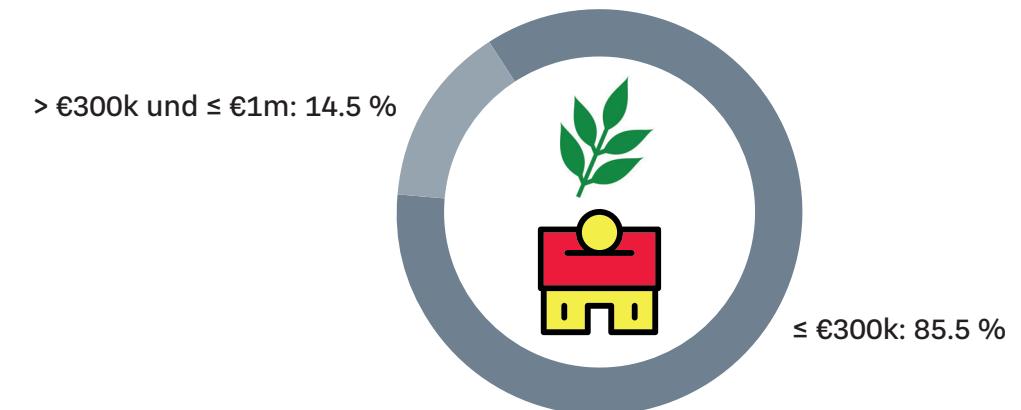
Usage category of green cover assets



Additional Information About the Mortgage Loans of the Green Cover Pool

Loan Purpose	€m	Loan Balance Cover Assets	€m
Acquisition of Residential Real Estate	257.6	≤ €300.000	896.7
New Residential Builds	791.3	> €300.000 ≤ €1m	152.2
Other	0.0	> €1m ≤ €10m	0.0
Total	1,048.9	> €10m	0.0

Granular cover assets: Size classes of mortgage cover



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3. Balance Sheet and Income Statement Data

4. Cover Pool

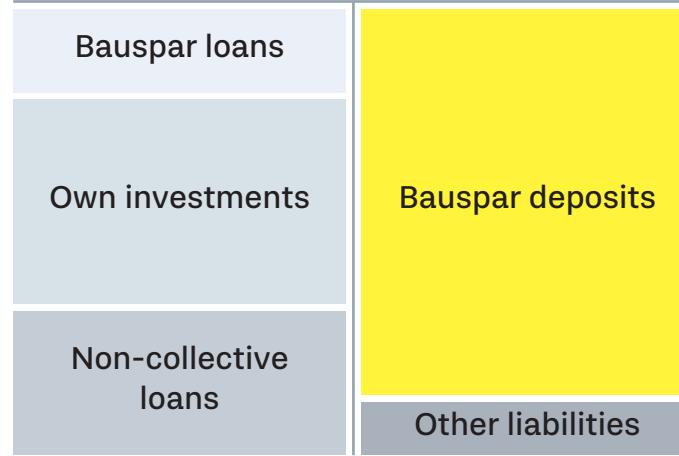
5. Funding

6. Rating

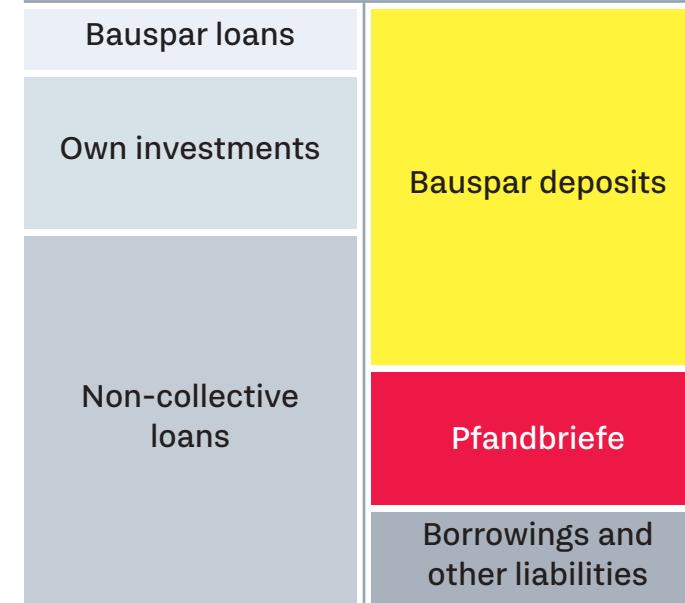
Overview of Bausparkasse Schwäbisch Hall's Funding Structure



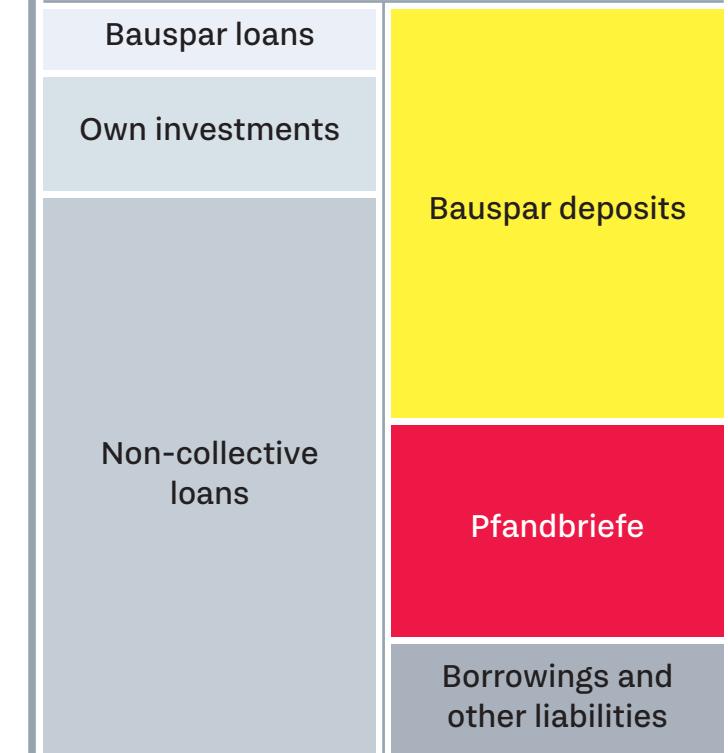
Historical



Today



Future



“In future, growth in the housing financing business will lead to funding via Pfandbriefe”

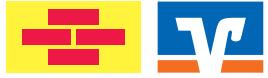
Our Target Vision for the Future Funding Structure



Asset	Liabilities	Note
Bauspar loans		<ul style="list-style-type: none">- The new lending business increases total assets
Own investments		
	Bauspar deposits	
Non-collective loans	Pfandbriefe	<ul style="list-style-type: none">- Issuance of Pfandbriefe as an additional, sustainable and low-cost source of funding in line with the business model- Future growth in cover pool will enable regular issuances in sub-benchmark and benchmark formats- Bauspar deposits will remain an important source of funding- Additional requirements will be met by borrowing
	Borrowings and other liabilities	

Future funding via Bauspar deposits and Pfandbriefe

Award for an impressive Market Entry



The Covered Bond Report

Awards for Excellence

2021



Best debutant
Bausparkasse
Schwäbisch Hall



Issuer	Kind of Pfandbrief	Maturity	Volume	Cupon	ISIN
BAUSCH	Hyp. Pfandbrief	13.09.2029	500 Mio. EUR	2,375	DE000A30VN02
BAUSCH	Hyp. Pfandbrief	22.10.2030	500 Mio. EUR	0,01	DE000A3H24G6
BAUSCH	Hyp. Pfandbrief	28.10.2031	500 Mio. EUR	0,20	DE000A3MP6H1
BAUSCH	Hyp. Pfandbrief	24.06.2032	500 Mio. EUR	2,875	DE000A30V8H6
BAUSCH	Hyp. Pfandbrief	27.04.2033	500 Mio. EUR	0,20	DE000A3E5S18
BAUSCH	Hyp. Pfandbrief	17.05.2034	500 Mio. EUR	2,00	DE000A30VH59

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Rating



MOODY'S

S&P Global
Ratings

Fitch Ratings



	Moody's	S&P	Fitch
Issue ratings			
Hypothekenpfandbrief (German mortgage covered bonds)	Aaa	—	—
Bank ratings*			
Long-term	Aa2	A+*	AA-*
Outlook	stable	stable*	stable*
Short-term	P-1	A-1*	F1+*

as of: March 2023

Rating provider	Rating	Date of Rating
ISS ESG	Prime/ C+	2022

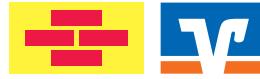
Schwäbisch Hall organises its sustainability activities under the umbrella of the DZ BANK Group.

The results receive regular recognition: ISS ESG, one of the leading rating agencies for sustainable investments, has confirmed the corporate rating of „Prime-Status C+“ awarded to the DZ BANK Group and therefore also to Bausparkasse Schwäbisch Hall.

This means that Schwäbisch Hall remains in the top group of particularly sustainable companies.

*S&P and Fitch: collective rating for the German Cooperative Banking Group

Details of the Rating Profile



Moody's Pfandbrief rating: Aaa

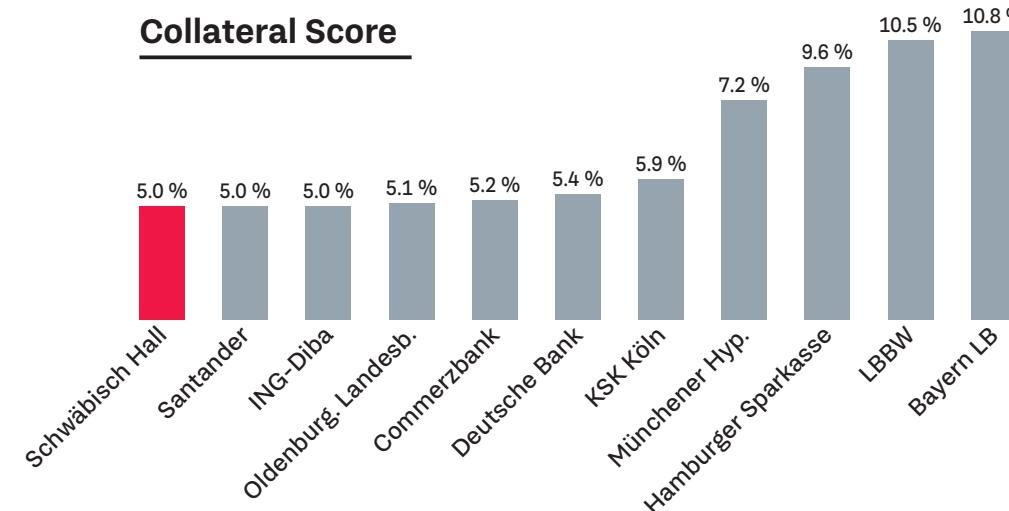
- Bausparkasse Schwäbisch Hall is rated **Aa2** (high quality and subject to very low credit risk)
- BSH's **Pfandbriefe** have been awarded the **top Aaa** rating (highest quality, with minimal credit risk)

Aaa
+6 Leeway

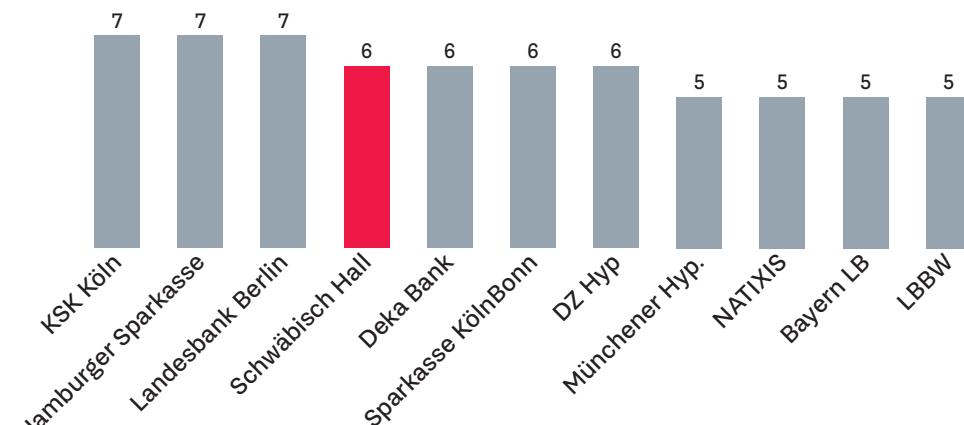
Very good combination of leeway and collateral score in the market

Selected rating details

Collateral Score

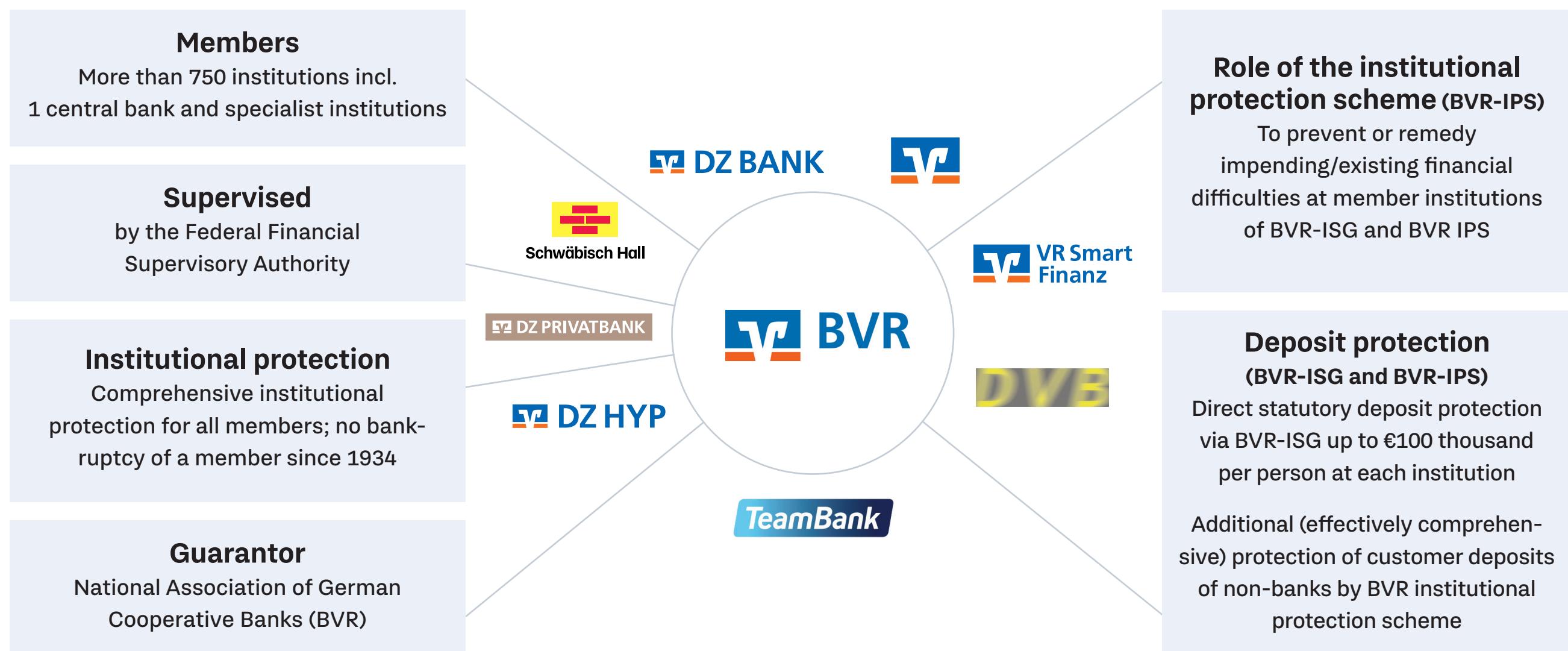


Leeway



- Moody's assesses the **credit risk of the Pfandbrief cover pool** based on the "collateral score"
- The better the **credit quality**, the **lower** the collateral score
- Schwäbisch Hall's Pfandbriefe have a **collateral score of 5.0%**
- Another indicator has also become established for Pfandbriefe: How many notches can the institution's rating fall before the Pfandbrief rating is cut (under otherwise identical conditions)? (= leeway)
- For Bausparkasse Schwäbisch Hall, the **leeway is 6 notches**

BVR Cooperative Institutional Protection Scheme



**Any questions?
– We're happy to help!**

Bausparkasse Schwäbisch Hall AG
Crailsheimer Straße 52
74523 Schwäbisch Hall, Germany

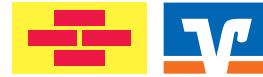
Rolf Hübner /Head of Treasury Operations
Telefon: 0791 - 46 - 3325
E-Mail: rolf.huebner@schwaebisch-hall.de

Thorsten Walz /Departmental Manager, Treasury Operationsy
Telefon: 0791 - 46 - 9882
E-Mail: thorsten.walz@schwaebisch-hall.de

Michael Wüst /Funding/Investor Relations/Treasury Operations Manager
Telefon: 0791 - 46 - 2421
E-Mail: michael.wuest@schwaebisch-hall.de

Regina Sofia Wagner /Head of Communications
Telefon: 0791 - 46 - 9741
E-Mail: regina.sofia.wagner@schwaebisch-hall.de

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