

Investor Relations

Presentation



LfA FÖRDERBANK BAYERN
Damit machbar wird, was denkbar ist.

April 2011

Overview

- ▶ **Development Banks in Germany**
- ▶ **Bavaria: Strong and Successful**
- ▶ **LfA Förderbank Bayern at a Glance**
- ▶ **Financial Market Activities of the LfA Förderbank Bayern**

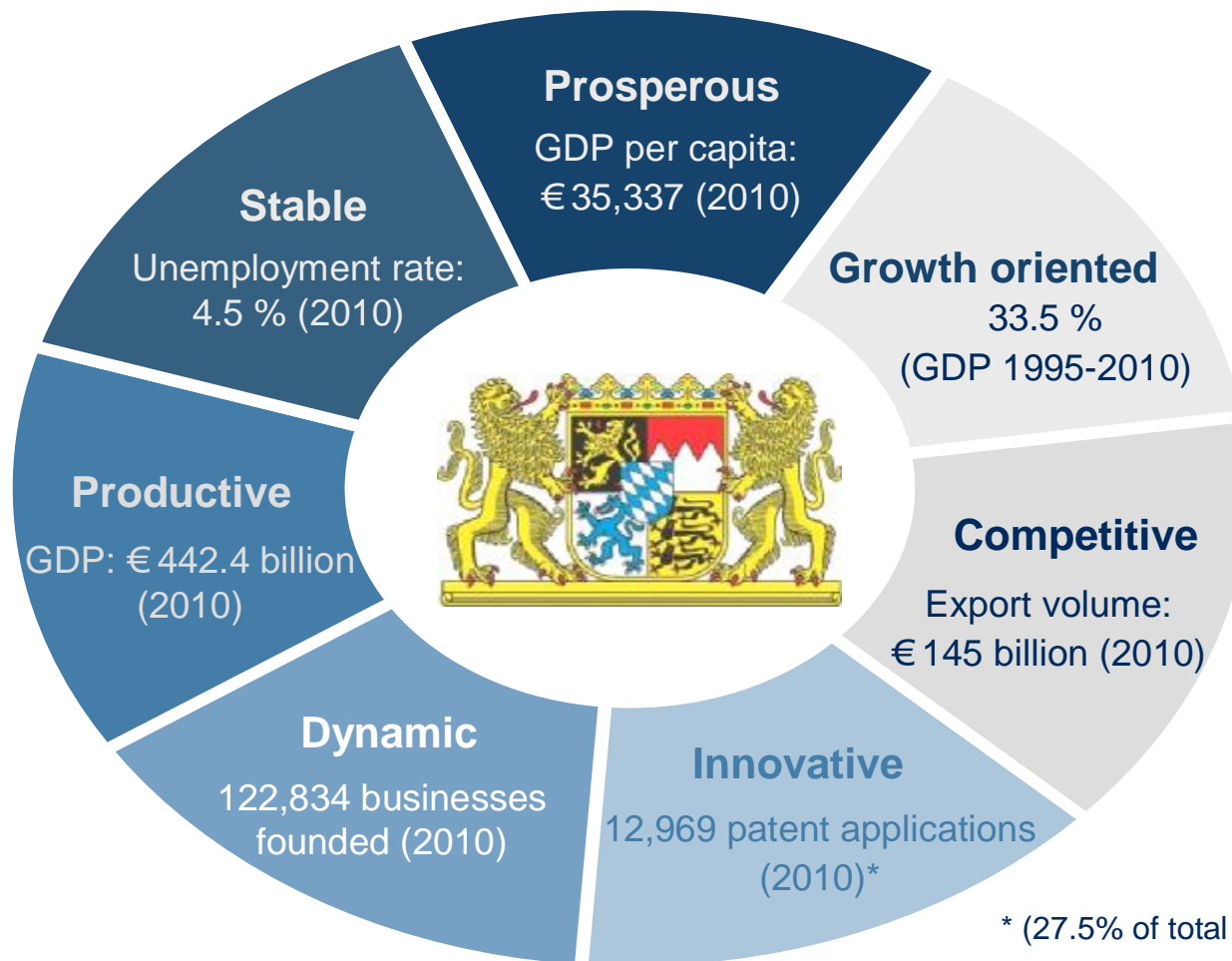
Development Banks in Germany



Source: Association of German Public Sector Banks

Bavaria: Strong and Successful

Bavaria Is One of Most Dynamic Locations in the World

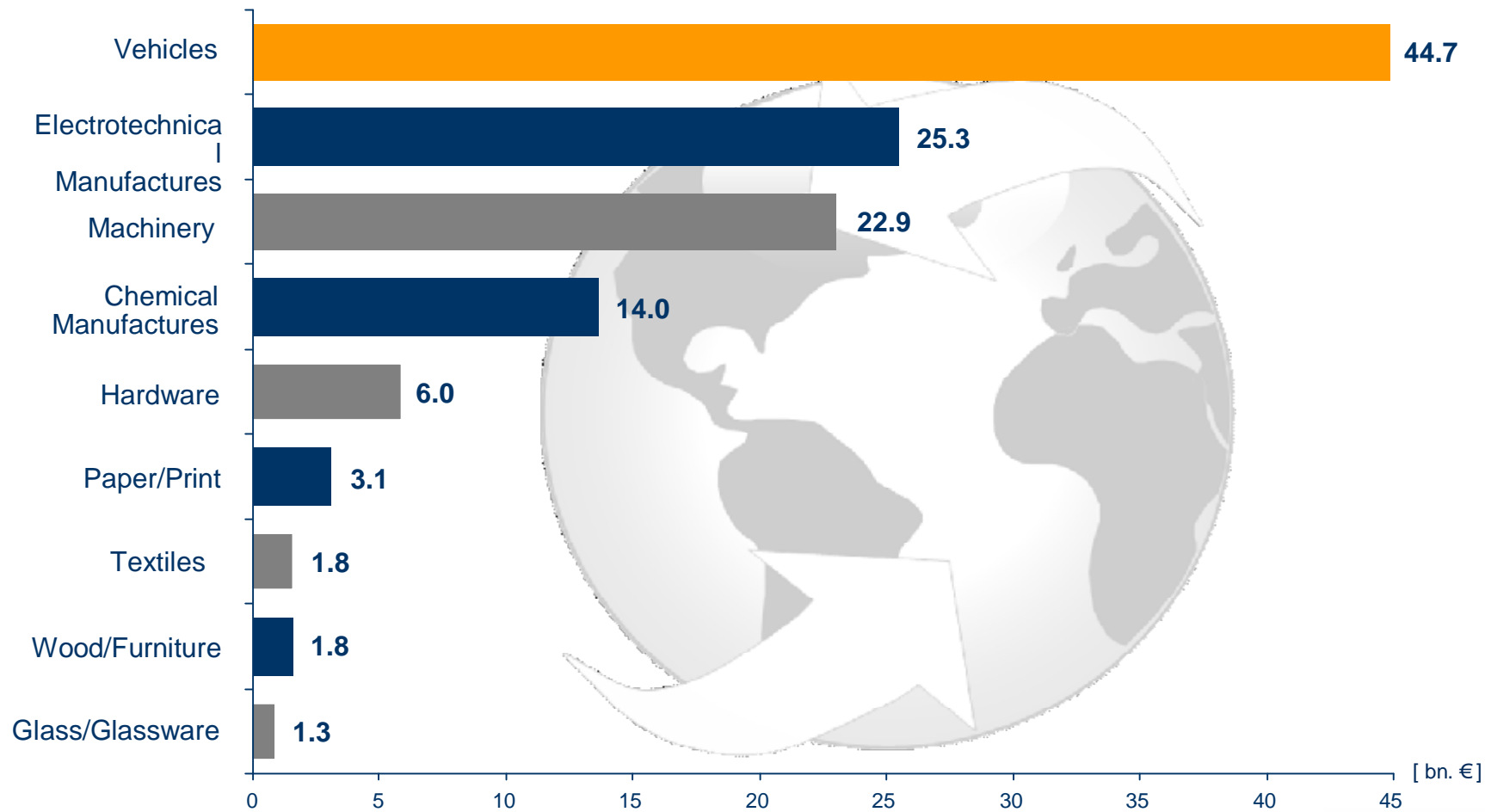


* (27.5% of total German applications)

Source: Invest in Bavaria (business promotion agency of the Bavarian Ministry of Economic Affairs)

Bavaria: Strong and Successful

Bavaria's key exports (2010)



Source: Invest in Bavaria (business promotion agency of the Bavarian Ministry of Economic Affairs)

Bavaria: Strong and Successful Bavaria is a Global Player

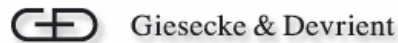
SIEMENS



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More than a quarter of German DAX companies are headquartered in Bavaria

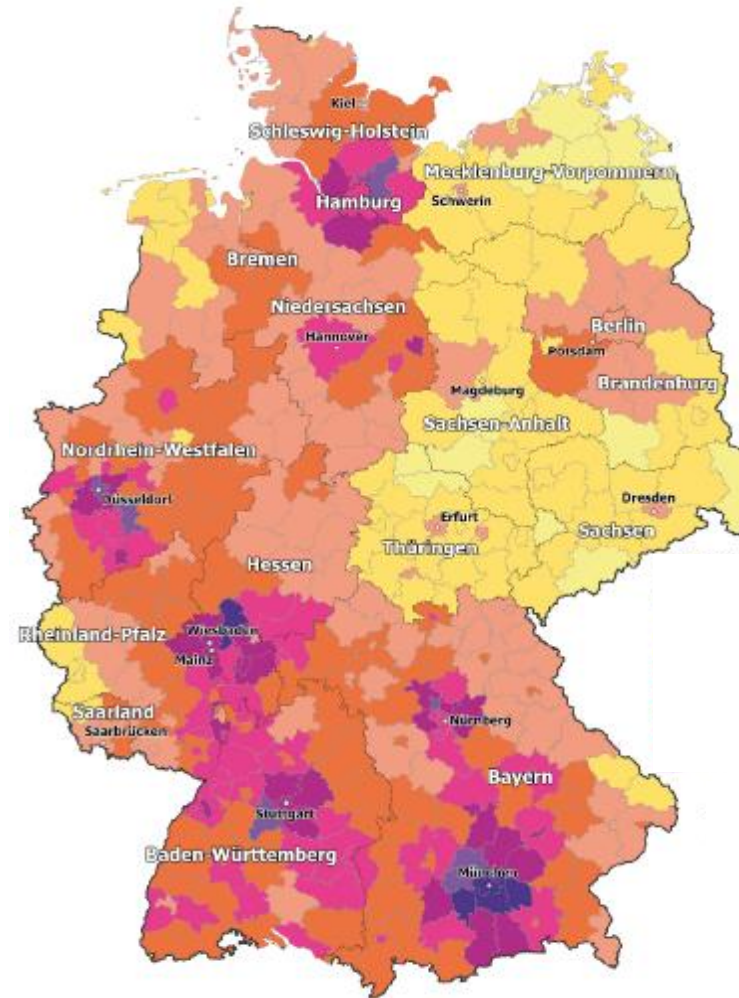
Source: Invest in Bavaria (business promotion agency of the Bavarian Ministry of Economic Affairs)



Bavaria: Strong and Successful Highest Purchasing Power in Germany

Purchasing Power Index per inhabitant for districts
(national average = 100)

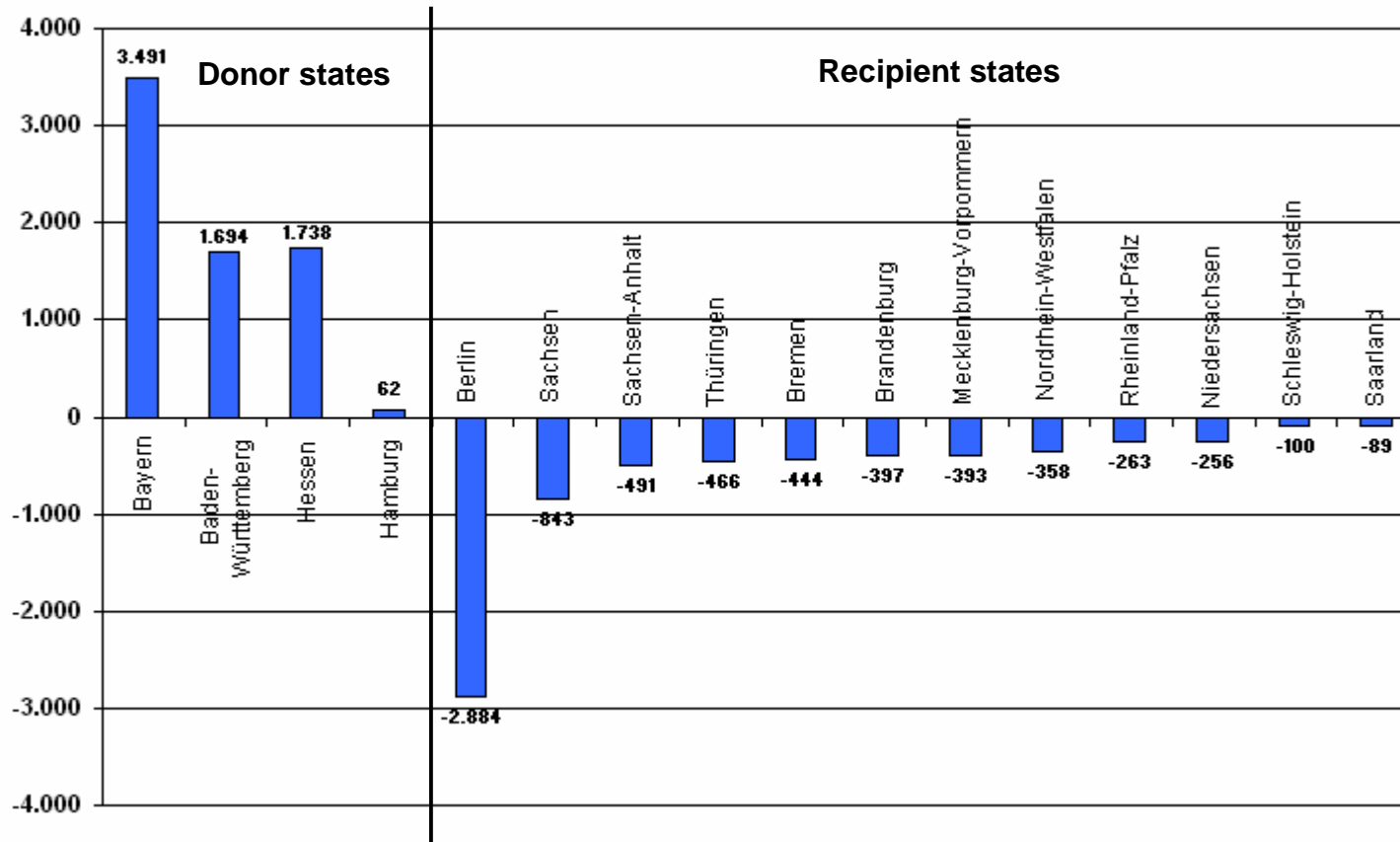
	up to 72
	72 up to 80
	83 up to 88
	88 up to 96
	96 up to 104
	104 up to 112
	112 up to 120
	120 up to 128
	128 and over



Source: Invest in Bavaria (business promotion agency of the Bavarian Ministry of Economic Affairs)

Bavaria: Strong and Successful Financially Strongest Donor Land (German Federal State)

German interstate fiscal equalization transfer scheme 2010
(billion EUR)



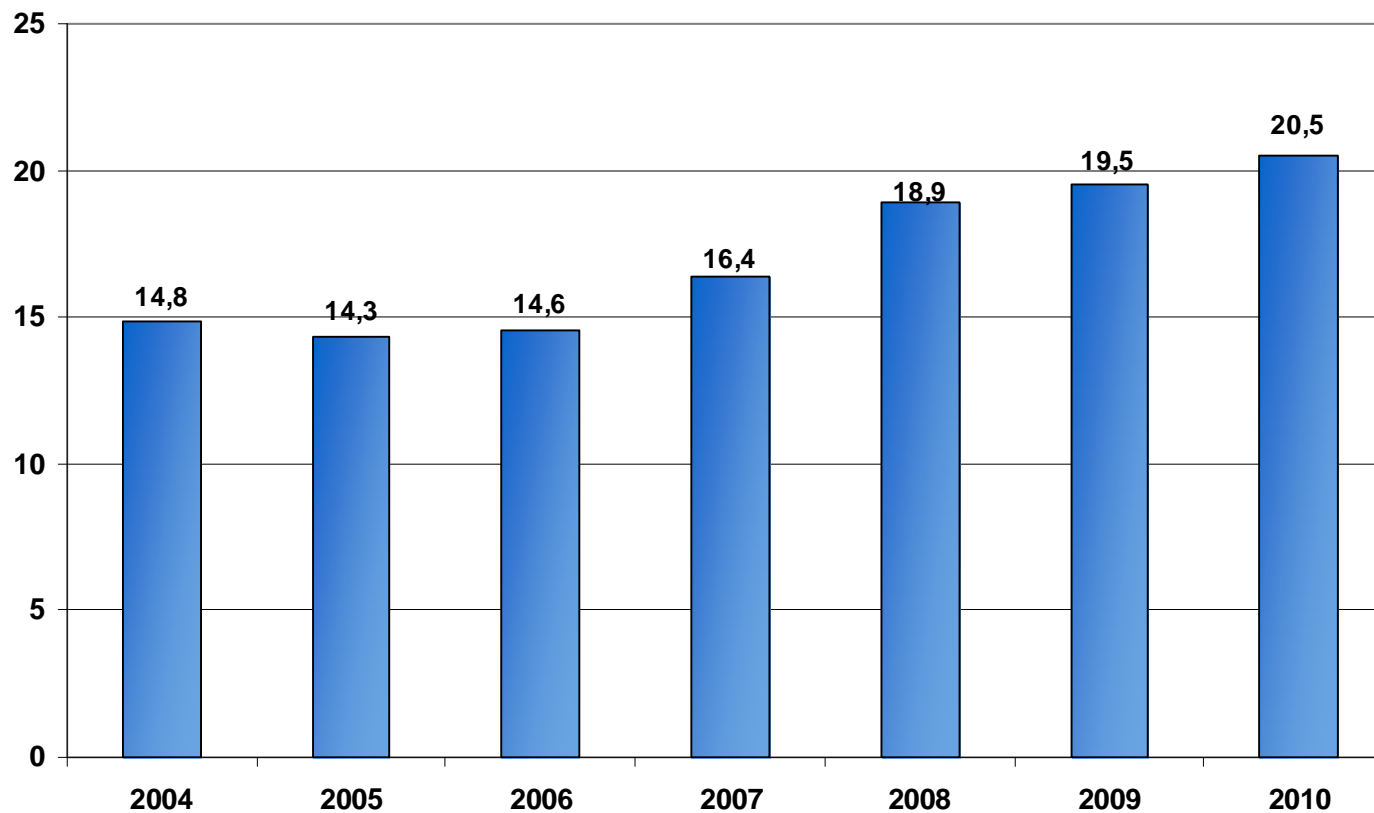
Source: Bavarian State Government

LfA Förderbank Bayern at a Glance

- ▶ The LfA Förderbank Bayern is a **special-purpose bank owned by the Free State of Bavaria**, tasked with promoting regional economic development.
- ▶ The LfA was founded in **1951** as a public-law credit institution with its headquarters in Munich.
- ▶ The LfA works on the **house bank principle**. It takes a neutral stance towards the commercial banks and does not enter into competition with them.
- ▶ It has **total assets** of around €20 billion.
- ▶ It currently has a staff of some 300 **employees**.
- ▶ The LfA's **executive bodies** are its Management Board and its Administrative Board.

LfA Förderbank Bayern at a Glance

Development of total assets from 2004 to 2010 in billion EUR



LfA Förderbank Bayern at a Glance

Guarantor Liability and Bank Supervision

- ▶ The Free State of Bavaria **carries full and unlimited guarantor's liability** for the LfA's commitments. Coupled with the bank's robust business situation, this merits a top credit rating (Aaa) – which gives the LfA access to the best possible conditions on the capital market.
- ▶ The LfA is a credit institution pursuant to the German Banking Act (KWG). It is therefore subject to the **regulations of the Banking Act**, e.g. those pertaining to equity capitalisation and risk controlling.
- ▶ The LfA is also subject to **banking supervision** by the Federal Ministry of Finance (BAFin) and Germany's central bank, the Deutsche Bundesbank.
- ▶ The LfA's supervisory authority for legal matters is the Bavarian Ministry of Finance. The Bavarian Ministry of Economic Affairs bears principle responsibility for overseeing the bank's mandate.

LfA Förderbank Bayern at a Glance

Working for Business, Industry and Trade

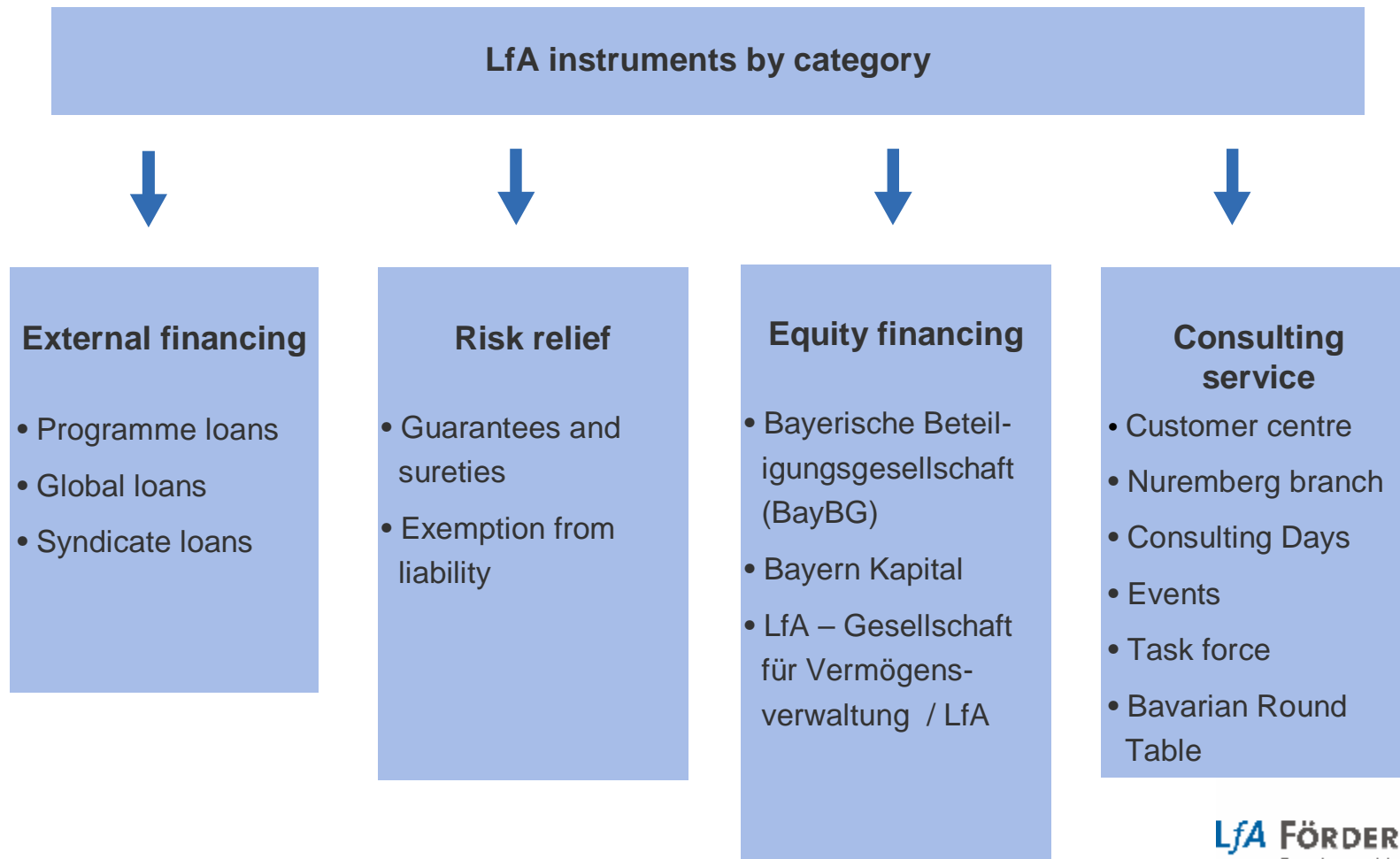
Financial support for ventures by commercial enterprises to improve and strengthen Bavaria's economic, transport and environmental structure

Requirements:

- ▶ LfA products must demonstrate a “**Bavaria effect**”, i.e. be of indirect or direct benefit to the Bavarian economy.
- ▶ The LfA only exercises a **complementary market role**, i.e. when existing products on the market are inadequate to realise promising new ventures.
- ▶ The LfA provides “**support for self-help**”, i.e. its products frequently take the form of proportional financing.
- ▶ LfA products **conform to EU state aid rules**.

LfA Förderbank Bayern at a Glance

Promotional Instruments



LfA Förderbank Bayern at a Glance

Business Activities



▶ Start-ups



▶ Growth



▶ Innovation



▶ Environmental protection



▶ Stabilisation

Financial Market Activities of the LfA Förderbank Bayern

Funding / Refinancing

The LfA's main issue market is the Euro capital market

- ▶ Placing of own issues (bearer debt instruments)
- ▶ Sale of own debenture loans

Benefits of LfA securities are:

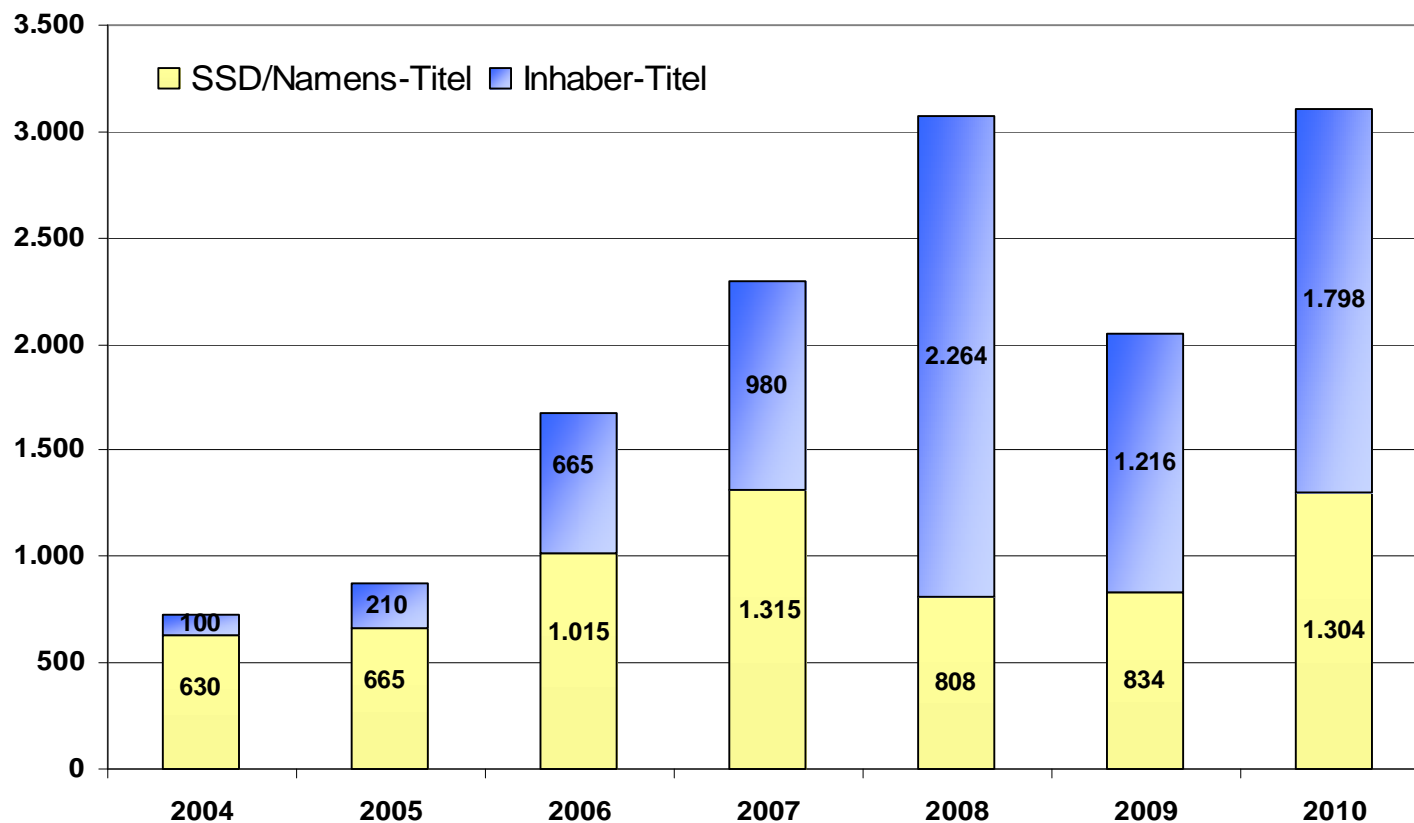
- ▶ Outstanding financial standing through continued Aaa rating from Moody's
- ▶ Guaranteed by the Free State of Bavaria
- ▶ "Solva 0" provision applies to capital adequacy requirement*
- ▶ Eligible at the ECB, gilt-edged, eligible for premium reserve stock

* Titles are zero-weighted in calculation of risk-weighted assets (cook-ratio) for determining capital ratios (KWG, Solvency Ordinance, BIS requirements).

Financial Market Activities of the LfA Förderbank Bayern

Funding / Refinancing

Borrowing on the capital market from 2004 to 2010 in million EUR



Financial Market Activities of the LfA Förderbank Bayern

Funding / Refinancing

Outlook for 2011:

- ▶ Refinancing volume of €3.3 billion
- ▶ As a rule, medium- to long-term refinancing for 3 to 10 years, from €5 million

Financial Market Activities of the LfA Förderbank Bayern

Investment Business

Investment of equity and other funds leads to increased scope for development activities

- ▶ Fixed-income bearer instruments or registered bonds and debentures
- ▶ Principally from domestic and selected European banks
- ▶ Covered and senior unsecured bonds
- ▶ Corporate bonds

Investments are made within limits depending on the quality of the product

Financial Market Activities of the LfA Förderbank Bayern

Investment Business

The LfA's investment strategy is:

- ▶ **Safety oriented** – sound track records
- ▶ **Commercially profitable** – long-term high interest yield
- ▶ **Oriented to the long-term** – buy and hold

Financial Market Activities of the LfA Förderbank Bayern

Derivatives

Derivatives are used only for managing interest and currency risks

- ▶ The LfA uses **derivates**, e.g. swaps, exclusively for hedging interest rate and currency risks.

Financial Market Activities of the LfA Förderbank Bayern

Money Market

Short-term financial transactions ensure unrestricted willingness to pay and also control of liquidity

- ▶ Call and term deposits and borrowing in the money market
- ▶ Open market transactions / ECB facilities

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