



# OLB delivers further inorganic growth

Acquisition of Degussa Bank

September 14, 2022



# Degussa Bank - highly complementary acquisition opportunity for OLB

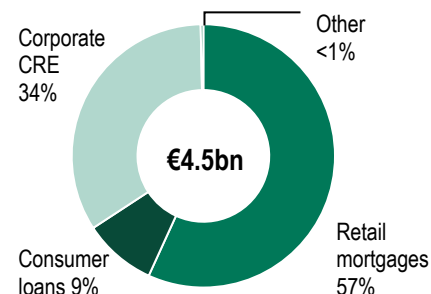
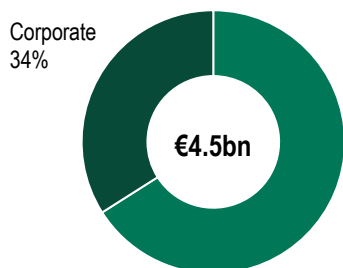
## Overview

- › Degussa Bank is the **German worksite financial services provider** with an omnichannel strategy, headquartered in Frankfurt with c. 500 FTE<sup>1</sup>
- › Serving **c. 340k customers in retail and corporate banking** throughout Germany with a focus on industrial and economic centres (e.g. Ruhr area, Greater Munich area) as well as nationwide online
- › Key business areas include **real estate financing** (retail mortgages & corporate CRE), **consumer lending**, **securities business**, and **cards business**
- › Degussa Bank's **B2B2C focus** is based on its **worksite banking business model** operating c. 60 bank shops on the premises of partner companies to serve retail clients
- › **Corporate partners** include well-known **German companies** from diverse sectors such as chemicals, heavy industries and pharmaceuticals, including **both DAX and large privately-owned companies**

## Loan portfolio split

Loan book value by customer type

Loan book value by loan type



Data as of FY2021 unless otherwise stated and based on German GAAP (HGB).

1) As of May 2022

2) Including retained profit for 2021. Reported CET1 ratio excluding retained profit is 11.9%

## Key financials

**€4.5bn**  
Loan volume

**€5bn**  
Deposit volume

**€1.8bn**  
RWA

**17.7%<sup>2</sup>**  
CET1 ratio

## Degussa worksite bank shops



- Northern Germany:**
  - Aurubis
  - Atlas Elektronik
  - ArcelorMittal
- East-central-Germany:**
  - SIEMENS
  - arevipharma
  - axel springer
  - K+S
  - Dow
  - BASF
- Lower Saxony + Hesse:**
  - BEHRINGWERKE
  - Chemetal
  - SALZGITTERFAG
  - Continental
  - K+S
  - M+H
  - Medizinische Hochschule Hannover
  - Dn
- Ruhr-Sauerland:**
  - CHEMIEPARKMARL
  - EVONIK
  - Baxter
  - Hettich
  - BASF
  - BYK
  - KHS
  - thyssenkrupp
- Rhineland:**
  - Shell
  - EVONIK
  - Henkel
  - CHEMPARK
- Southern Germany:**
  - SIEMENS
  - EVONIK
  - ROHDE & SCHWARZ
  - Infineon
  - Continental
- BW + South Hesse:**
  - BASF
  - ROHM
  - SIEMENS
  - Fraport
  - MERCK
- Rhine Main:**
  - EVONIK
  - VAC
  - P&G
  - VDMA

# Value-accretive acquisition of Degussa Bank in line with OLB's strategy

## OLB announces the acquisition of Degussa Bank...

- Degussa Bank – a sizeable German retail bank, with 340k<sup>1</sup> customers, €4.5bn<sup>1</sup> loans and €5bn<sup>1</sup> deposits
- EPS and RoE accretive transaction given strong synergy potential
- €220m all cash purchase price; Degussa Bank to be delivered with material excess capital (€357m CET1 capital at closing); OLB to benefit from €137m negative goodwill
- Closing expected around half-year 2023, with subsequent merger into OLB AG envisaged

## ...backed by a compelling strategic and financial rationale

- 1 Acquisition of a highly complementary retail banking franchise in OLB's core market, adding scale
- 2 Substantial cost synergies, generating material shareholder value, with further revenue upside potential
- 3 Transaction financed from existing resources; ability to redeploy target's excess capital within OLB group
- 4 Digestible, low complexity acquisition, to be integrated within short timeframe
- 5 In line with inorganic growth strategy and further adding to OLB's strong M&A track record
- 6 Transaction puts OLB into comfortable position to achieve profitability targets at upper end of range

<sup>1</sup> As of 31/12/2021.

# Acquisition of highly complementary retail banking operations in core market

## Material strategic benefits for OLB

### Adding significant scale to OLB's retail banking franchise

- › Acquisition of 340k<sup>1</sup> retail customers in core German market
- › Geographically complementary customer base in areas where OLB is underrepresented (e.g. Ruhr area/economic centres)
- › Adding c. 60 worksite-focused retail bank shops

Moving towards  
**~1m**  
**customers**  
on a combined basis

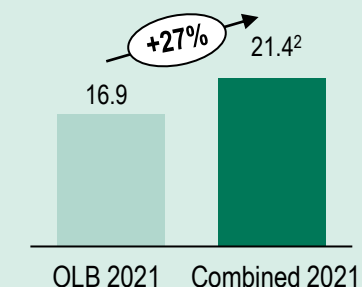
### Strengthening OLB's capabilities and unlocking redeployment benefits

- › Significant enhancement of OLB's online banking presence through Degussa Bank's advanced digital banking shop
- › Upside from Degussa Bank's corporate partnership proposition and cross-selling potential (e.g. securities business, real estate asset management cooperation)
- › Profitable redeployment of Degussa Bank's excess capital within OLB upon merger

### Material cost synergy potential, driven by low complexity

- › Immediately additive on the asset side, with low integration complexity
- › IT & back office landscape similar to OLB (same core banking system)
- › Relevant Degussa non-core subsidiaries already sold / to be sold before closing

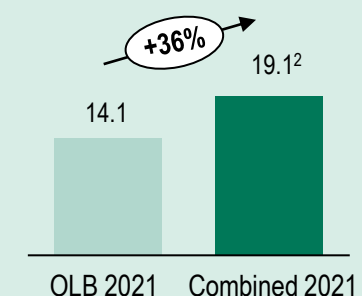
Customer loans (in €bn)



### Expanding low-cost, sticky deposit base

- › Acquisition of €5bn<sup>1</sup> deposit base, mainly comprising low-cost, sticky retail deposits
- › Highly attractive in current environment given interest rate changes
- › Funding cost benefit for OLB

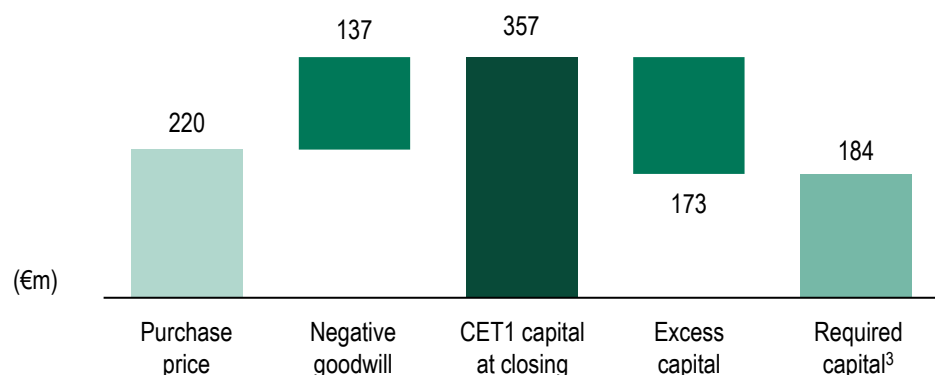
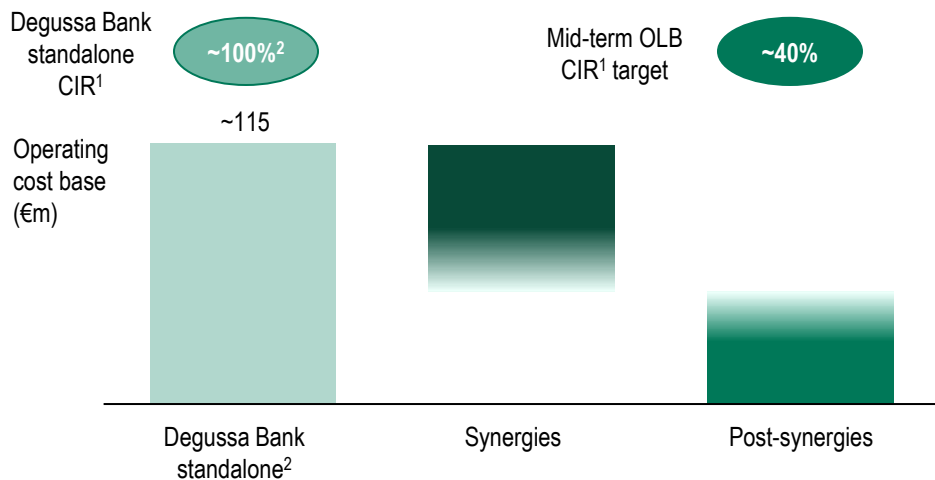
Customer deposits (in €bn)



<sup>1</sup> As of 31/12/2021. <sup>2</sup> OLB figures based on IFRS. Degussa Bank figures based on German GAAP (HGB).

# Material value generation potential unlocked at attractive entry valuation

## Significant medium-term benefits for shareholders

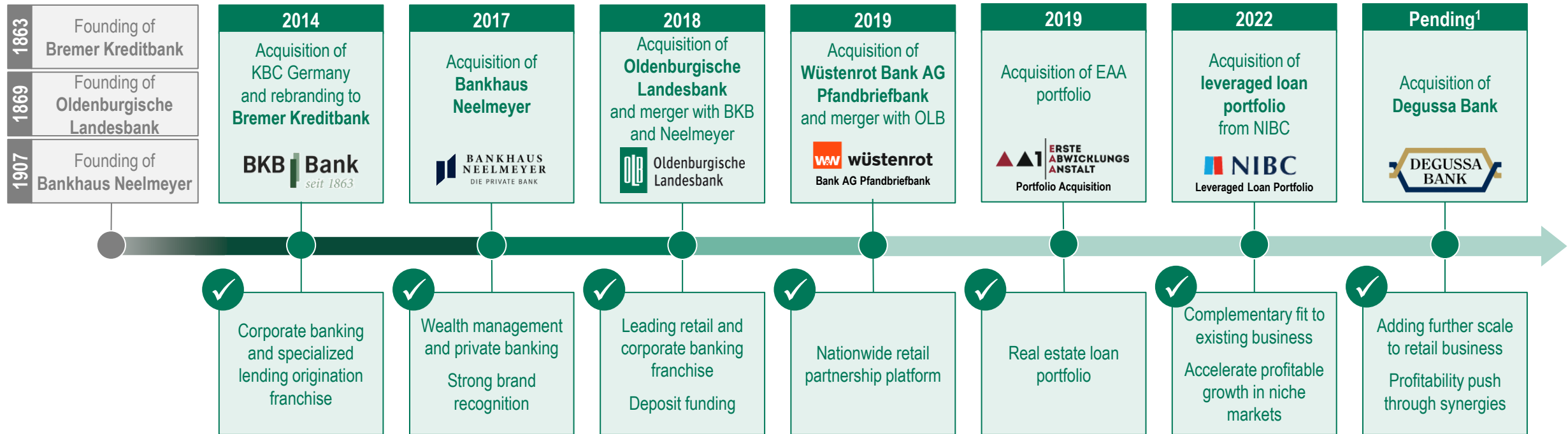


- › **Material synergy potential** on Degussa Bank’s ~€115m operating cost base<sup>2</sup>, based on clearly identified cost saving measures and OLB’s **proven integration track record**
- › Ability to bring **CIR<sup>1</sup> in line with ~40% OLB mid-term target in short period of time** given low complexity, with **limited cost-to-achieve**
- › **Revenue synergies not included in plan** – providing further potential upside
- › Transaction is EPS and RoE accretive, further strengthening OLB’s ability to generate a post-tax RoE **at the top end of the 13-15% target range** in the mid-term

- › Transaction **financed from existing resources** (not requiring primary capital); CET1 mid-term target ratio of >12.25% remains unaffected
- › Capital required **significantly below the CET1 capital delivered** at closing, allowing material excess capital to be **redeployed at attractive margins**
- › **Strengthened organic capital generation** of combined institution will enhance dividend capacity; mid-term dividend payout ratio target of ~50% remains in place

<sup>1</sup> Cost-income ratio. <sup>2</sup> Based on FY2021, excluding regulatory charges. CIR normalised for one-off effects. <sup>3</sup> Required CET1 capital @12.25%, based on Degussa Bank’s RWA of approx. €1.5bn at closing.

# Acquisition of Degussa Bank is in line with OLB's inorganic growth strategy and further confirms OLB's strong M&A track record



<sup>1</sup> Closing of transaction is subject to customary regulatory and other closing conditions (including protection for potential CumCum/CumEx legacy risks).

# Transaction puts OLB into comfortable position to achieve profitability targets at upper end of range

OLB – Highly profitable banking franchise with significant growth and dividend potential

## High profitability

Upper end of  
**13-15% range**

Mid-term target  
RoE after tax



## Strict cost management

**~40%**

Mid-term target  
CIR<sup>1</sup>



## Solid capital base

**>12.25%**

Mid-term target  
CET1 ratio



## Attractive capital return

**~50%**

Mid-term target  
Dividend payout ratio



Delivering attractive total shareholder value

<sup>1</sup> Cost-income ratio.

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