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Consolidated profit for the first half of 2017

BayernLB's first-half earnings rise to EUR 426 million

17 August 2017

Agenda

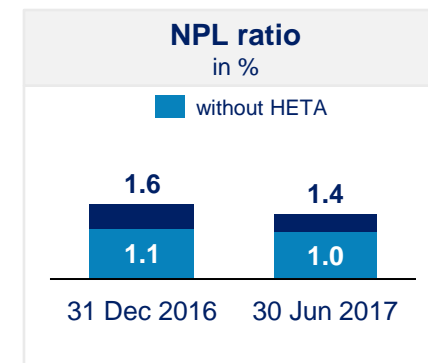
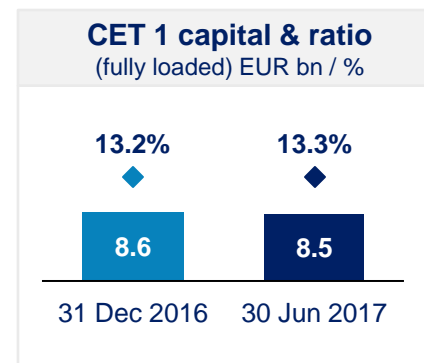
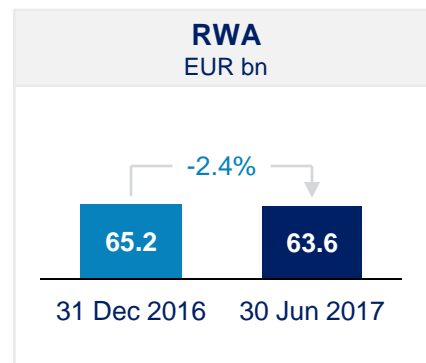
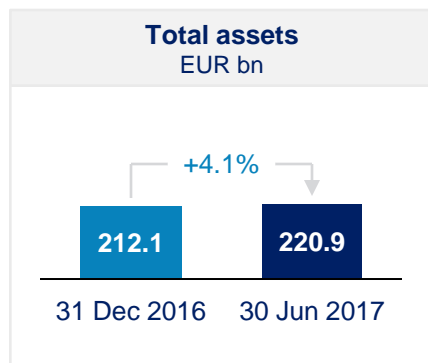
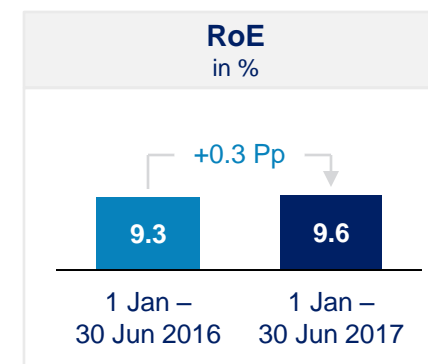
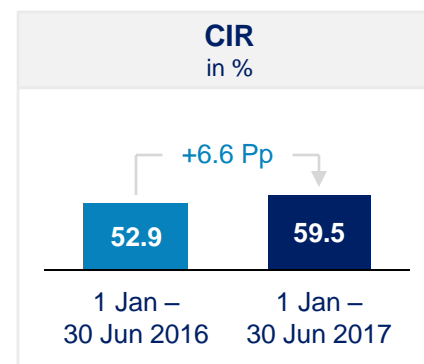
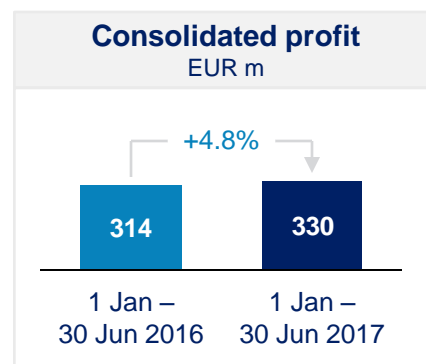
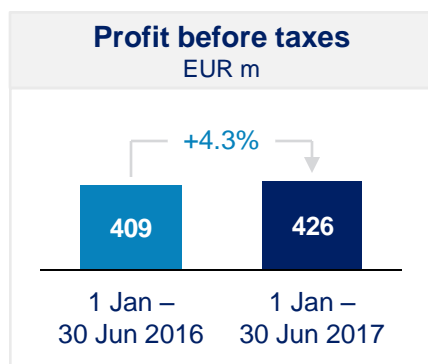
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The first half of 2017 at a glance

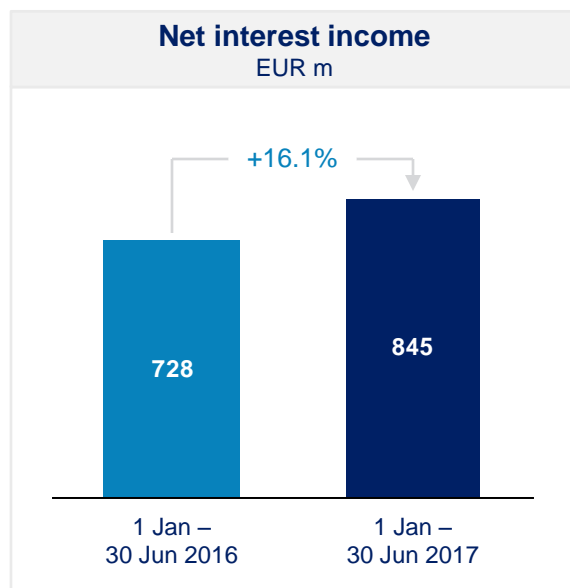
- » Profit before taxes of EUR 426m beats good results from year-before period (H1 2016: EUR 409m)
- » Positive contribution to earnings from all customer-serving business areas in a difficult business environment
- » Risk provisions fall thanks to good portfolio quality; NPL ratio hits a new low of 1.4%
- » Very good cost-income ratio of 59.5%
- » Highly solid CET1 ratio of 13.3% fully loaded
- » Final billion repaid to the Free State of Bavaria; EU proceedings end two years ahead of schedule
- » Outlook unchanged: profit before taxes expected to be in the mid-triple-digit million range

Key figures

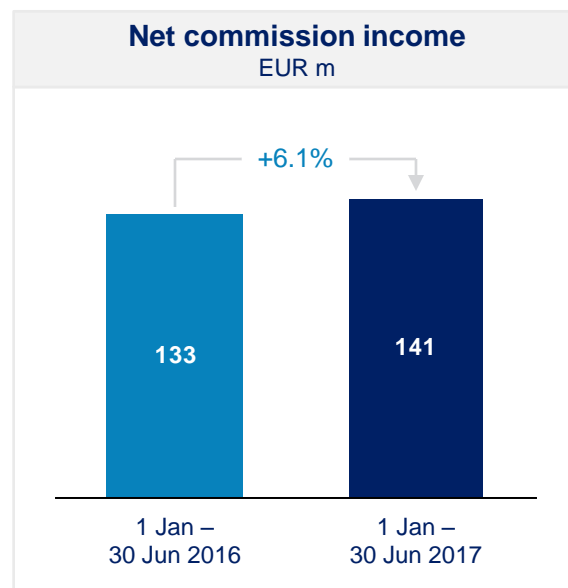
- Consolidated profit increased to EUR 330m
- RWA cut to EUR 63.6bn thanks to good portfolio quality and strict management
- Total assets slightly up at EUR 221bn, phase-in and fully loaded leverage ratio 3.6%



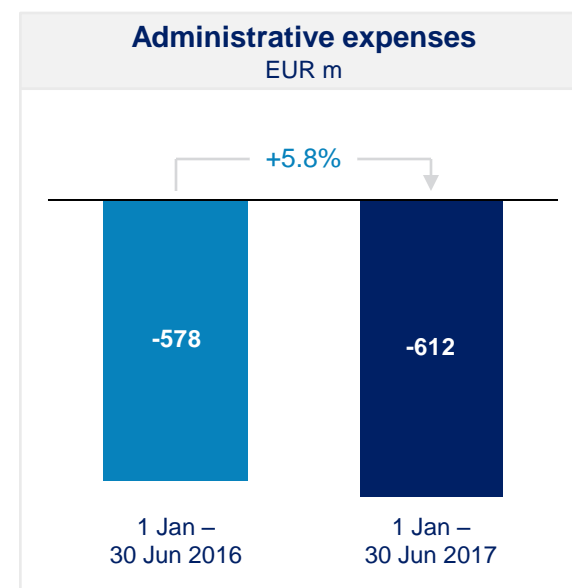
Good growth in net interest and net commission income



- Net interest income at BayernLB and DKB rose a total of 16% due to slightly higher business volume and improved funding structure

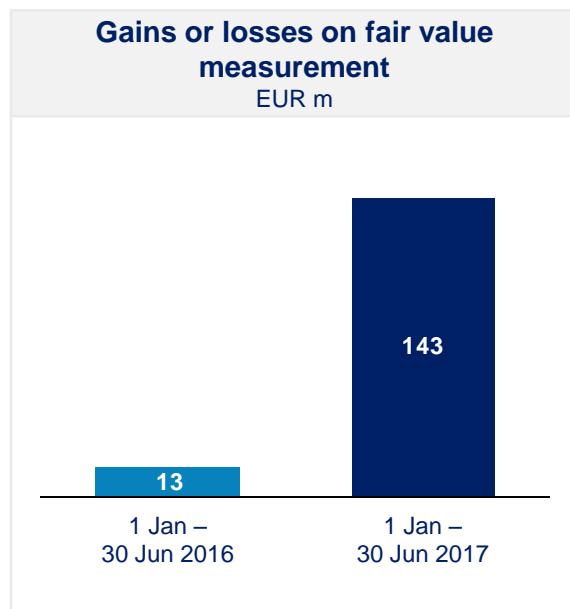


- Net commission income climbed 6% thanks to growth in business

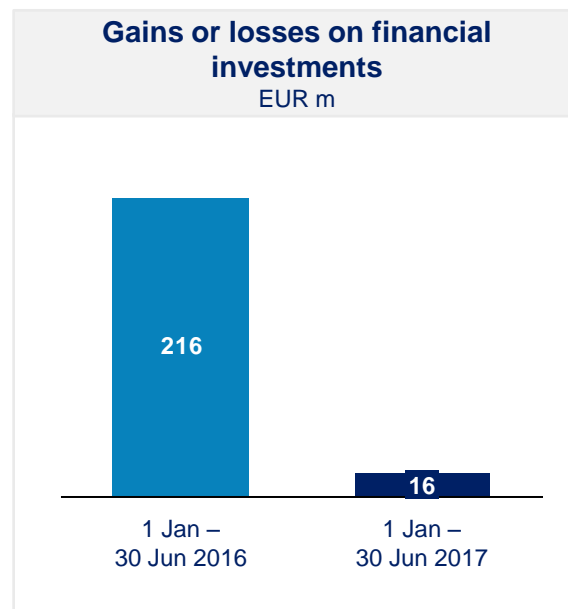


- Major regulatory projects continued to drive up administrative expenses
- Tight cost discipline dampened the increase but could not offset it completely

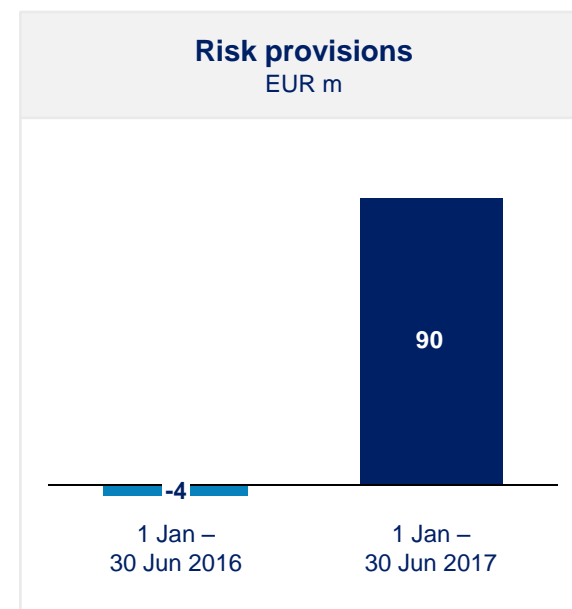
Releases of risk provisions and low NPL ratio



- Positive earnings figure mainly resulted from fair value adjustments of EUR 65m, partly due to the tightening of CDS spreads and an interest hike in the first half of the year



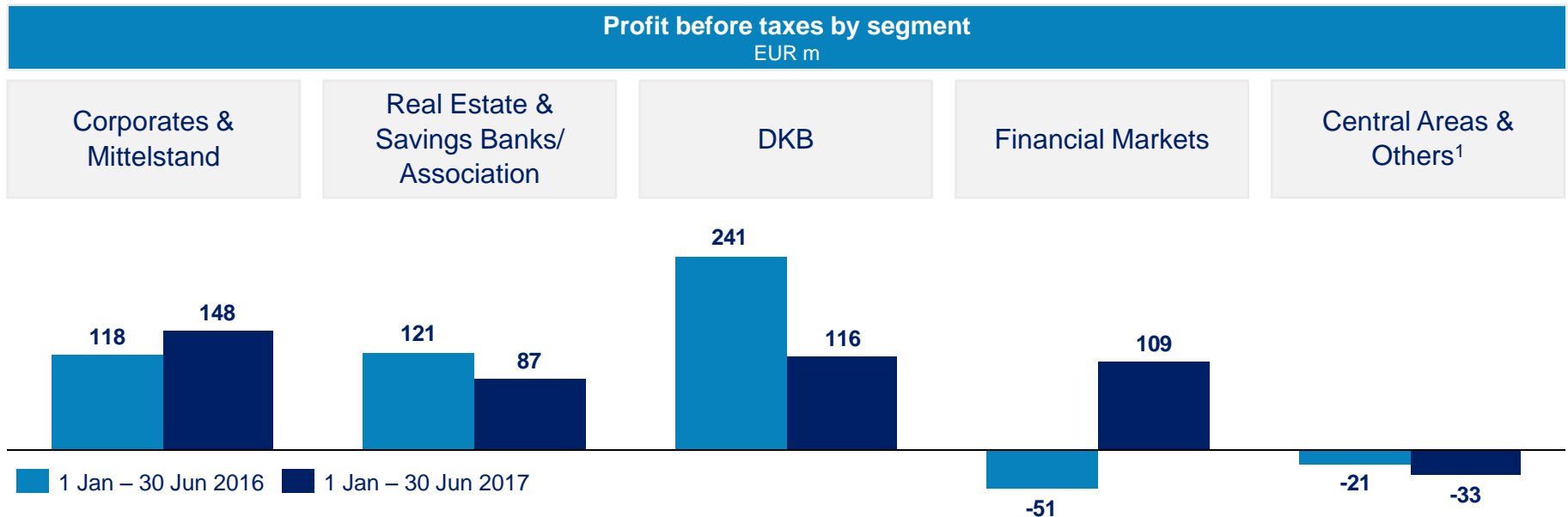
- Year-before period boosted by sales of shareholdings, in particular the sale of the Visa stake for EUR 142m



- Low additions to risk provisions due to good portfolio quality
- Releases of risk provisions and recoveries on written down loan exposures also contributed significantly

Strong earnings from all business areas

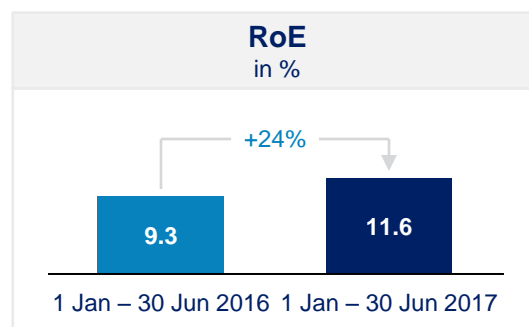
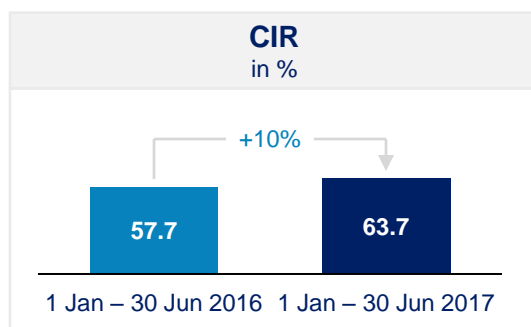
- All four operating segments contributed to the profit before taxes of EUR 426m with positive earnings
- Operating earnings from customer business in Corporates & Mittelstand, Real Estate & Savings Banks/Association, and DKB remained predominantly stable; increase in administrative expenses for major regulatory projects weighed on all segments
- Real Estate & Savings Banks/Association benefited in the year-before period from mark-to-market gains on derivatives transactions at BayernLabo; DKB's earnings from the year-before period included income from the sale of shares in Visa Europe Ltd. to Visa Inc.
- The approximately EUR 160m surge in earnings in Financial Markets resulted from much higher net interest income and mark-to-market valuations



¹ Incl. consolidation

Corporates & Mittelstand

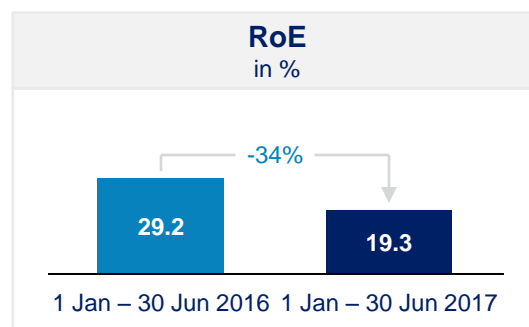
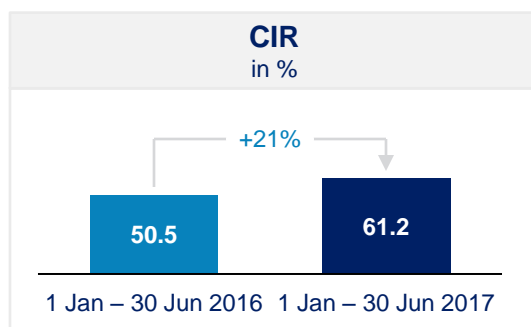
EUR m	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Net interest income	147	150
Risk provisions in the credit business	68	22
Net commission income	57	51
Gains or losses on fair value measurement	16	24
Other earnings components	-1	1
Administrative expenses	-140	-131
Profit/loss before taxes	148	118
Risk-weighted assets (RWA)	20,406	22,368



- Profit before taxes: EUR 148m (H1 2016: EUR 118m)
- Earnings from net interest and net commission income totalling EUR 204m (H1 2016: EUR 201m) were stable and trending upwards
- Earnings contribution from risk provisions amounting to EUR 68m (H1 2016: EUR 22m) benefited sharply from recoveries on written down receivables (particularly in the Global Corporates division)
- Weak demand for capital market products weighed on the gains on fair value measurement of EUR 16m (H1 2016: EUR 24m)
- Administrative expenses grew to EUR -140m (H1 2016: EUR -131m), largely reflected the segment's share of the costs for major Bank-wide regulatory projects

Real Estate & Savings Banks/Association

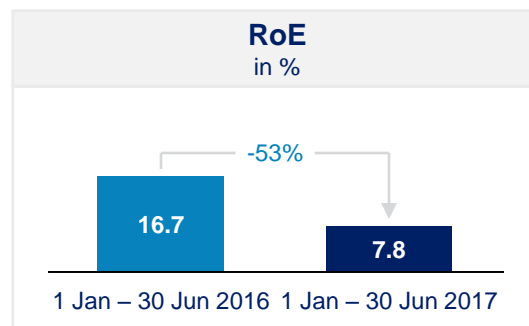
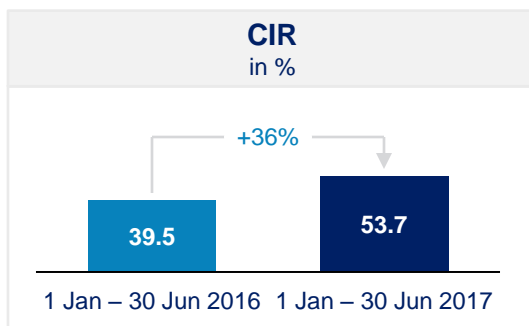
EUR m	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Net interest income	115	119
Risk provisions in the credit business	8	11
Net commission income	67	61
Gains or losses on fair value measurement	19	35
Other earnings components	-1	8
Administrative expenses	-121	-113
Profit/loss before taxes	87	121
Risk-weighted assets (RWA)	7,649	7,213



- Profit before taxes: EUR 87m (H1 2016: EUR 121m)
- Total earnings from net interest and commission income stable at EUR 182m (H1 2016: EUR 180m)
- Contribution to earnings from risk provisions positive again at EUR 8m (H1 2016: EUR 11m) thanks to very good quality of the portfolio
- Gains or losses on fair value measurement down to EUR 19m (H1 2016: EUR 35m) largely due to mark-to-market gains on derivatives transactions at BayernLabo included in the year-before period figure
- Increase in administrative expenses to EUR -121m (H1 2016: EUR -113m) largely reflected the segment's share of the costs for major Bank-wide regulatory projects
- Profit before taxes of Real I.S. rose to EUR 6m (H1 2016: EUR 2m)

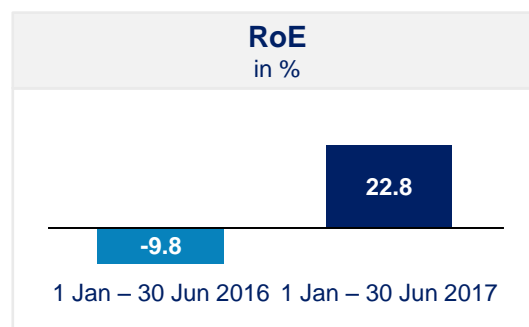
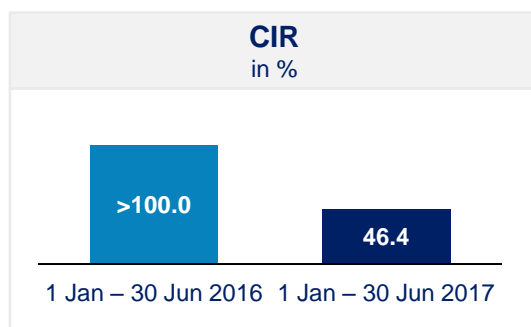
EUR m	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Net interest income	429	389
Risk provisions in the credit business	-59	-67
Net commission income	2	5
Gains or losses on fair value measurement	72	27
Other earnings components <i>of which: Expenses for bank levy and deposit guarantee scheme</i>	-96 -24	103 -22
Administrative expenses	-232	-216
Profit/loss before taxes	116	241
Risk-weighted assets (RWA)	24,579	24,972

- Profit before taxes: EUR 116m (H1 2016: EUR 241m)
- Earnings decline mainly reflects EUR 130m boost in the year-before period from sale of stake in Visa Europe Ltd.
- Net interest income rose from EUR 389m in H1 2016 to EUR 429m despite the tough interest rate environment
- Expense for risk provisions lower at EUR -59 m (H1 2016: -67m EUR); decrease mainly due to gains in the remaining non-core business
- Administrative expenses rose to EUR -232m (H1 2016: EUR -216 m) due mainly to implementing new regulatory requirements
- Profit before taxes at Bayern Card Services: EUR 2m (H1 2016: EUR 11m); year-before period boosted by sale of a shareholding



Financial Markets

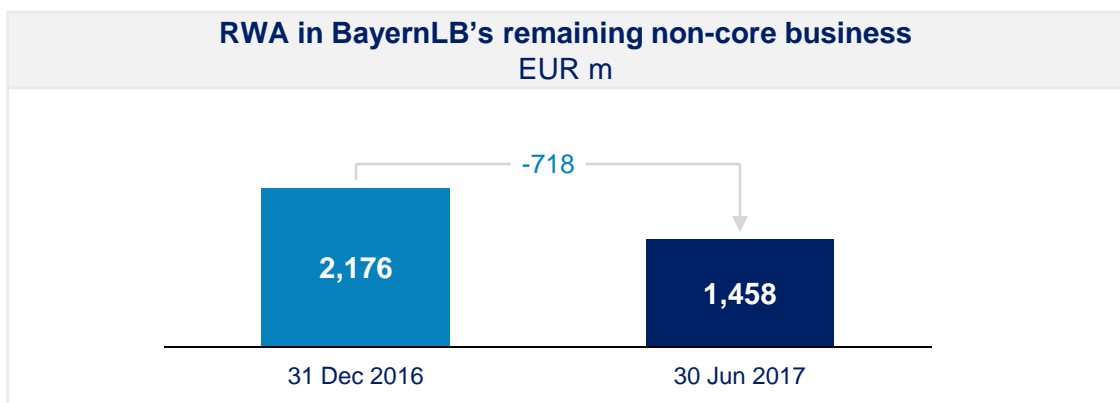
EUR m	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Net interest income	95	-11
Risk provisions in the credit business	0	0
Net commission income	15	16
Gains or losses on fair value measurement	86	-39
Other earnings components	7	68
Administrative expenses	-94	-84
Profit/loss before taxes	109	-51
Risk-weighted assets (RWA)	7,882	9,326



- Profit before taxes: EUR 109m (H1 2016: EUR -51m)
- Net interest income jumped to EUR 95m EUR (H1 2016: EUR -11m) primarily due to improved funding structure
- Earnings benefitted from mark-to-market gains of EUR 58 m (H1 2016: EUR -52m) from release of fair value adjustments on the market value of derivatives; fair value adjustments weighed on the year-before period as a result of falling interest rates
- Increase in administrative expenses to EUR -94m (H1 2016: EUR -84m) mainly due to major projects for regulatory requirements
- Weak demand for capital market products weighs on earnings from Financial Markets products; as usual these earnings are reported under the segments that directly sold them
- Profit before taxes at BayernInvest slightly higher EUR 5m (H1: EUR 4m)

Central Areas & Others segment

EUR m	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Net interest income	58	81
Risk provisions in the credit business	73	30
Net commission income	-1	-1
Gains or losses on fair value measurement	-49	-35
Other earnings components <i>of which: Expenses for bank levy and deposit guarantee scheme</i>	-91 -60	-63 -71
Administrative expenses	-24	-34
Profit/loss before taxes	-33	-21

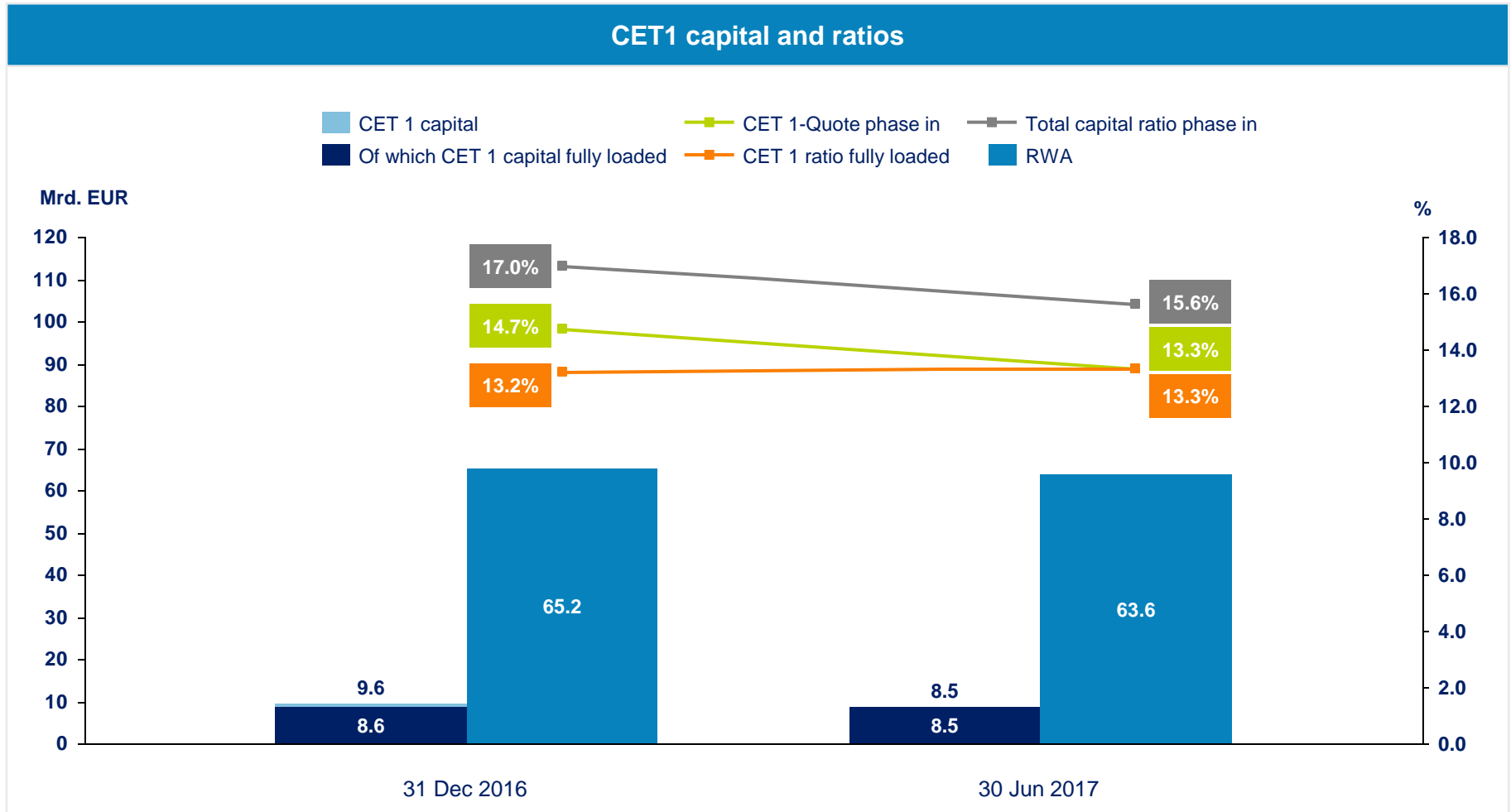


- Profit before taxes: EUR -33m (H1 2016: EUR -21m)
- Estimated expense for the bank levy and deposit guarantee scheme recognised in the first quarter (EUR -60m altogether, not including DKB's share; H1 2016: EUR -71m) weighed on earnings.
- Profit before taxes from BayernLB's remaining non-core business was positive again at EUR 56m (H1 2016: EUR 39m)
- This was mainly driven by a gain from risk provisions in the amount of EUR 72m (H1 2016: EUR 30m), due to releases of risk provisions and recoveries on written down receivables
- Systematic winding down of RWA in the remaining non-core business continued: decrease of approx one-third from end of 2016 to EUR 1.5 bn

EU state aid proceeding brought to an early end

Repayment of approx. EUR 5bn in state aid to the Free State of Bavaria (EUR million)					
Date	Payments to the Free State of Bavaria	of which silent partner contributions	of which clawback	Umbrella fee	Remaining balance of state aid
Target		3,000	1,960		4,960
2009 to 2012	446	-	240	206	4,720
2013	830	-	691	139	4,029
2014	1,809	700	1,029	80	2,300
April 2016	1,300	1,300			1,000
June 2017	1,000	1,000			0
Total	5,385	3,000	1,960	425	0

Solid capital ratio after repayment



Agenda

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Year-on-year earnings comparison

EUR m	1 Jan – 30 Jun 2017	1 Jan – 30 Jun 2016	Change in %
Net interest income	845	728	16.1
Risk provisions in the credit business	90	-4	-
Net interest income after risk provisions	935	724	29.1
Net commission income	141	133	6.1
Gains or losses on fair value measurement	143	13	>100
Gains or losses on hedge accounting	-93	-28	>100
Gains or losses on financial investments	16	216	-92.5
Administrative expenses	-612	-578	5.8
Expenses for the bank levy and deposit guarantee scheme	-84	-93	-10.2
Other income and expenses	-25	30	-
Gains or losses on restructuring	4	-9	-
Profit/loss before taxes	426	409	4.3
Income taxes	-96	-89	7.8
Profit/loss after taxes	330	319	3.4
Profit/loss attributable to non-controlling interests	0	-5	-91.5
Consolidated profit/loss	330	314	4.8

Quarterly earnings comparison

EUR m	Q2 2017	Q1 2017
Net interest income	415	430
Risk provisions in the credit business	-5	95
Net interest income after risk provisions	410	525
Net commission income	69	71
Gains or losses on fair value measurement	72	71
Gains or losses on hedge accounting	-46	-47
Gains or losses on financial investments	10	7
Administrative expenses	-289	-323
Expenses for the bank levy and deposit guarantee scheme	-5	-79
Other income and expenses	-31	6
Gains or losses on restructuring	5	-1
Profit/loss before taxes	196	230

Segment overview

EUR m 1 Jan - 30 Jun 2017	Corporates & Mittelstand	Real Estate & Savings Banks/Association	DKB	Financial Markets	Central Areas & Others (including Consolidation)	Group
Net interest income	147	115	429	95	58	845
Risk provisions in the credit business	68	8	-59	0	73	90
Net commission income	57	67	2	15	-1	141
Gains or losses on fair value measurement	16	19	72	86	-49	143
Gains or losses on hedge accounting	0	-2	-79	-4	-8	-93
Gains or losses on financial investments	0	0	13	3	1	16
Other income and expenses	0	-1	-5	8	-27	-25
Administrative expenses	-140	-121	-232	-94	-24	-612
Expenses for the bank levy and deposit guarantee scheme	0	0	-24	0	-60	-84
Gains or losses on restructuring	0	1	-1	0	4	4
Profit/loss before taxes	148	87	116	109	-33	426
Return on equity (RoE) (%)	11.6	19.3	7.8	22.8	-	9.6
Cost/income ratio (CIR) (%)	63.7	61.2	53.7	46.4	-	59.5

Segment overview H1 2016

EUR m 1 Jan - 30 Jun 2016	Corporates & Mittelstand	Real Estate & Savings Banks/Association	DKB	Financial Markets	Central Areas & Others (including Consolidation)	Group
Net interest income	150	119	389	-11	81	728
Risk provisions in the credit business	22	11	-67	0	30	-4
Net commission income	51	61	5	16	-1	133
Gains or losses on fair value measurement	24	35	27	-39	-35	13
Gains or losses on hedge accounting	0	5	-35	2	0	-28
Gains or losses on financial investments	0	0	141	56	19	216
Other income and expenses	0	3	20	9	-3	30
Administrative expenses	-131	-113	-216	-84	-34	-578
Expenses for the bank levy and deposit guarantee scheme	0	0	-22	0	-71	-93
Gains or losses on restructuring	0	0	-2	0	-7	-9
Profit/loss before taxes	118	121	241	-51	-21	409
Return on equity (RoE) (%)	9.3	29.2	16.7	-9.8	-	9.3
Cost/income ratio (CIR) (%)	57.7	50.5	39.5	>100.0	-	52.9

Balance sheet overview

EUR bn	30 Jun 2017	31 Dec 2016	Change in %
Loans and advances to banks	36.6	28.8	27.0
Loans and advances to customers	135.7	134.8	0.7
Assets held for trading	14.0	16.9	-17.3
Financial investments	25.1	26.7	-6.0
Total assets	220.9	212.1	4.1
Liabilities to banks	60.6	54.2	11.7
Liabilities to customers	90.2	86.8	3.9
Securitised liabilities	42.4	39.6	7.1
Liabilities held for trading	8.4	11.0	-23.5
Subordinated capital	3.0	3.1	-1.5
Equity	10.5	11.1	-4.9

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