

BayernLB Group financial report Q1 2020

Munich, 14 May 2020



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BayernLB makes provisions for risks from the coronavirus pandemic and posts a loss in the first quarter of 2020

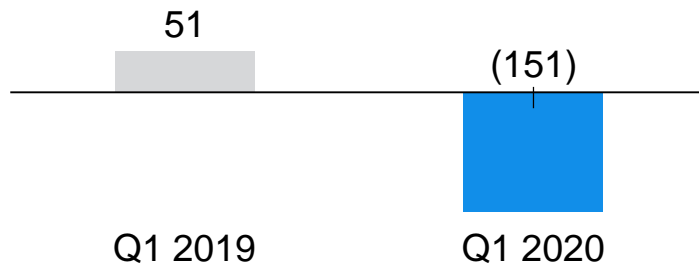


HIGHLIGHTS

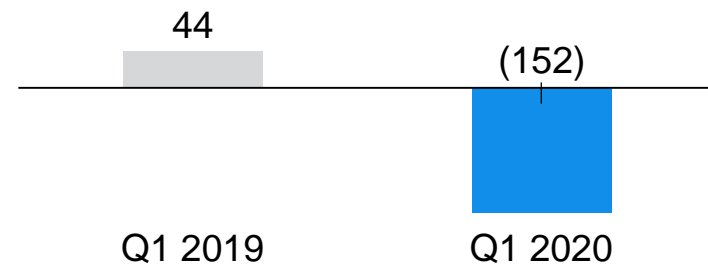
- › Operating performance in line with forecasts: net interest and commission income up slightly on the year-before period at just under EUR 500 m
- › Risk provisions of EUR 72 m and a loss on fair value measurement of EUR 65 m
- › Profit before taxes in the Group was a negative EUR 151 m after recognising in full the charge for the EU bank levy and contributions to the deposit guarantee scheme of EUR 115 m
- › Progress in the transformation process: initial cost-cutting measures launched
- › BayernLB is on hand to serve and support its customers in the coronavirus crisis with a very solid CET1 ratio of 14.7%

Higher contributions for the bank levy and deposit guarantee scheme weigh on earnings

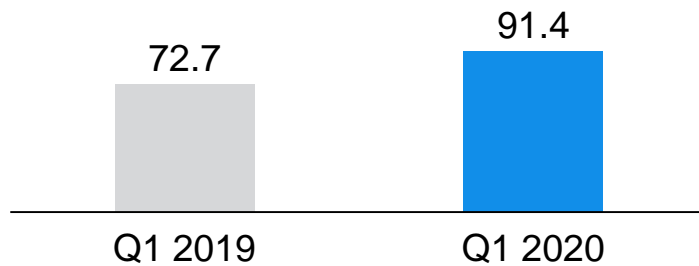
Profit/loss before taxes
EUR m



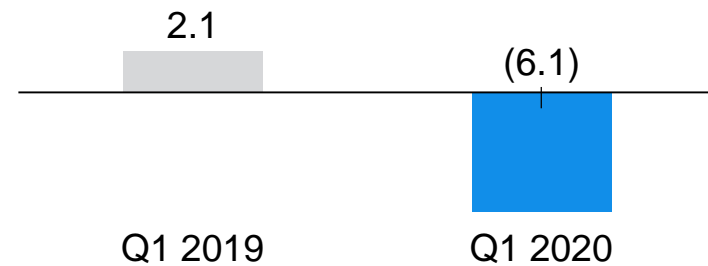
Consolidated profit/loss
EUR m



CIR
In %

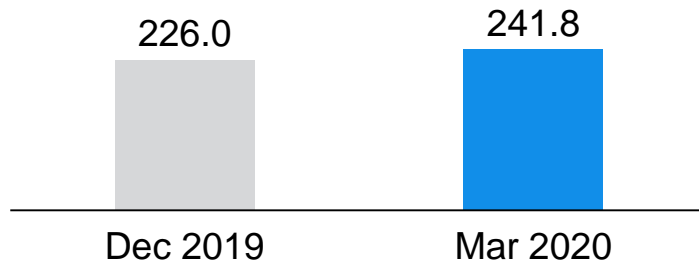


RoE
In %

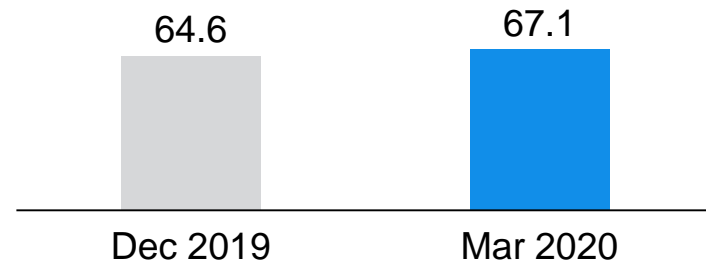


Solid capital base despite market turbulence as a result of the Covid 19 pandemic

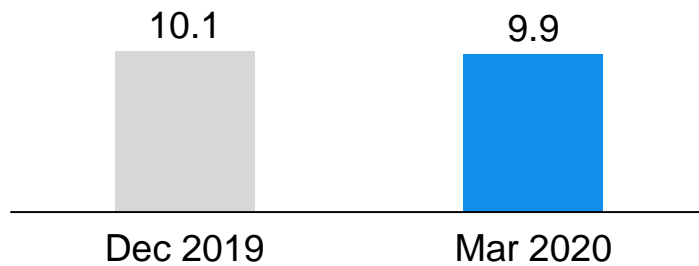
Total assets
EUR bn



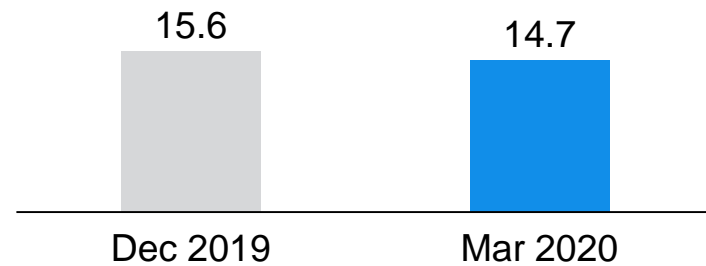
RWAs
EUR bn



CET1 capital (fully loaded)
EUR bn

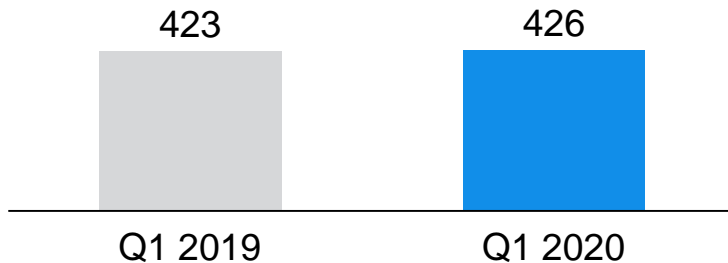


CET1 capital ratio (fully loaded)
In %

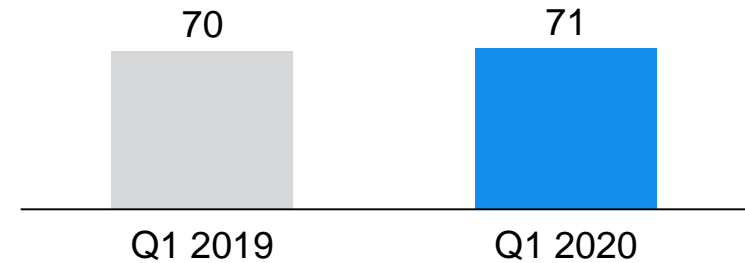


Net interest and net commission income in line with our expectations at approx. EUR 500 m

Net interest income
EUR m



Net commission income
EUR m

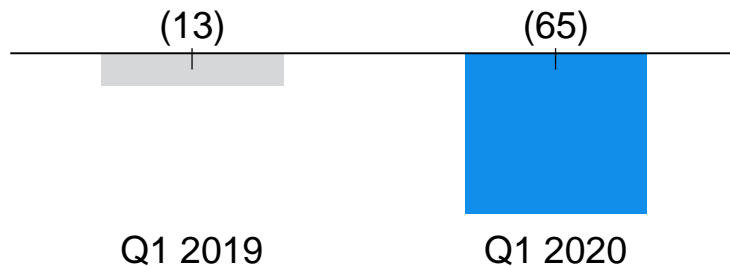


› Net interest income in line with our expectations in an intensely competitive environment and unchanged on the year-before period

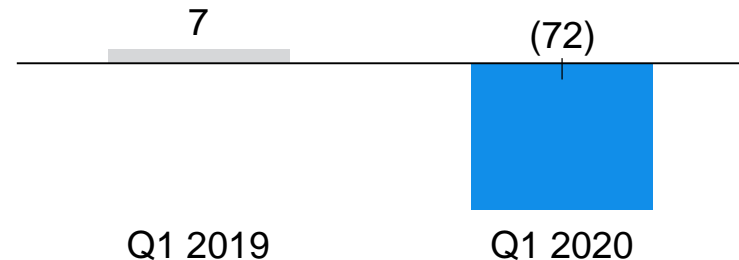
› Unchanged on year-before period

Gains or losses on fair value measurement and risk provisions impacted by coronavirus pandemic

Gains or losses on fair value measurement
EUR m



Risk provisions
EUR m

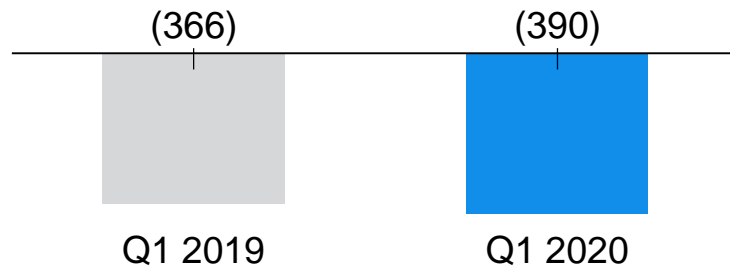


› Significant loss on fair value measurement due to market turbulence resulting from the coronavirus pandemic

- › Precautionary increase in risk provisions to cover currently foreseeable potential risks from the coronavirus pandemic
- › Year-before period buoyed by high releases and recoveries on written down receivables
- › NPL ratio remains unchanged at 0.7%

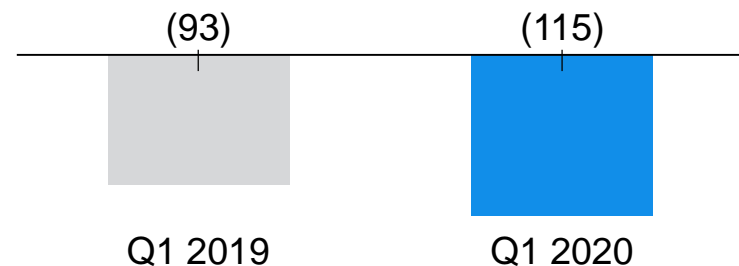
Capex-related higher administrative expenses and increased costs from BL/DG

Administrative expenses
EUR m



- › Higher investment in sales and digitalisation at DKB
- › Stable administrative expenses at BayernLB

Expenses for the bank levy and deposit guarantee scheme
EUR m



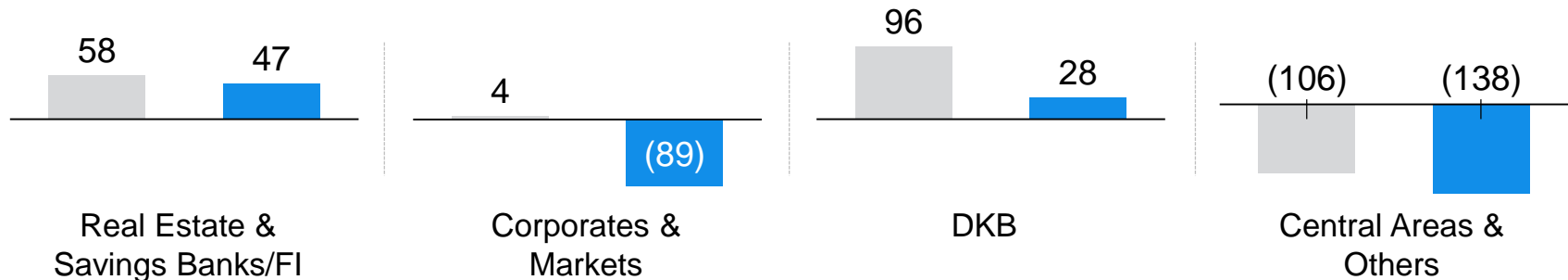
- › Expenses for the bank levy EUR 55 m (Q1 2019: EUR 52 m)
- › Expenses for the deposit guarantee scheme approx. EUR 60 m (Q1 2019: EUR 41 m); increase reflects cost of support measures

Operating earnings in the Group on par with year-before period

Profit before taxes by segment

EUR m

■ Q1 2019 ■ Q1 2020



Note: the previous year's figures in all segments apart from DKB have been changed following the BayernLB Group's strategic realignment

- › Earnings in Real Estate & Savings Banks/FI in the year-before period were buoyed by releases of risk provisions. Earnings have grown this year due to the positive trend in new business performance and the precious metals business.
- › Additional risk provisions in relation to coronavirus and measurement losses weighed heavily on earnings in Corporates & Markets.

- › The decline in earnings at DKB was mainly due to measurement losses as a result of the persistent turbulence on the stock markets and strategically-driven higher administrative expenses
- › Earnings performance in Central Areas & Others was largely marked by higher contributions for the bank levy and deposit guarantee scheme and measurement losses.

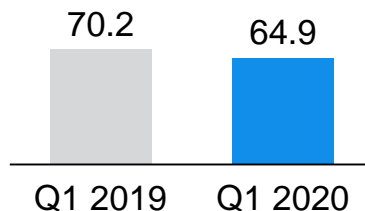
Real Estate & Savings Banks/FI

EUR m	Q1 2020	Q1 2019
Net interest income	80	70
Risk provisions in the credit business	(8)	17
Net commission income	57	52
Other earnings components	19	16
Administrative expenses	(101)	(97)
Profit/loss before taxes	47	58
Risk-weighted assets (RWAs)	12,243	12,532

- › Profit before taxes dropped to EUR 47 m (Q1 2019: EUR 58 m) as a result of an extraordinary gain in the Real Estate Division in the year-before period.
- › The growth in earnings from net interest and net commission income to EUR 138 m (Q1 2019: EUR 122 m) mainly reflects good new business in real estate.
- › Other earnings components benefited from the significant increase in business with precious metals in the Savings Banks & FI Division.
- › Administrative expenses increased as a result of Bank-wide capex for sales and projects.
- › Earnings at BayernLabo were down on the year-before period at EUR 4 m (Q1 2019: EUR 14 m), due to losses on measurement of interest rate hedges.
- › Earnings of EUR 4 m (Q1 2019: EUR 4 m) at Real I.S. and EUR 1 m (Q1 2019: EUR 2 m) at BayernInvest were unchanged on the year-before period.

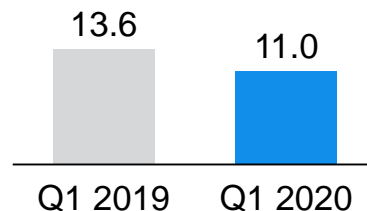
CIR

In %



RoE

In %



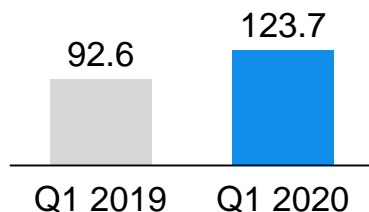
Corporates & Markets

EUR m	Q1 2020	Q1 2019
Net interest income	69	71
Risk provisions in the credit business	(71)	(3)
Net commission income	15	24
Other earnings components	(11)	3
Administrative expenses	(91)	(91)
Profit/loss before taxes	(89)	4
Risk-weighted assets (RWAs)	24,788	25,519

- › Profit before taxes fell to EUR -89 m (Q1 2019: EUR 4 m), driven mainly by lower earnings and greater additions to risk provisions in relation to the coronavirus crisis. Unlike the year-before period they were not offset by releases of risk provisions in a similar amount.
- › Net interest and net commission income dropped to EUR 85 m (Q1 2019: EUR 95 m), mainly as a result of less high-commission new business being concluded.
- › Other earnings components were marked by measurement losses.
- › Administrative expenses were in line with year-before period.
- › RWAs lower than year-before period, due in particular to the portfolio reduction in Markets.

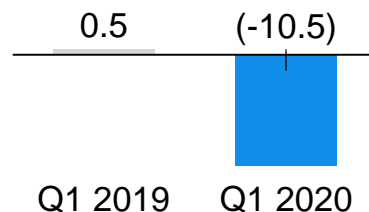
CIR

In %



RoE

In %

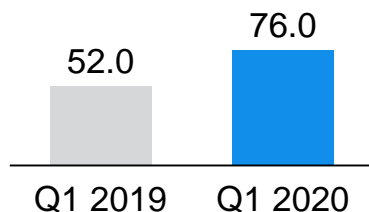


EUR m	Q1 2020	Q1 2019
Net interest income	238	247
Risk provisions in the credit business	5	(7)
Net commission income	5	0
Other earnings components	(56)	(4)
Administrative expenses	(165)	(141)
Profit/loss before taxes	28	96
Risk-weighted assets (RWAs)	24,898	23,814

- › Profit before taxes dropped to EUR 28 m (Q1 2019: EUR 96 m), largely as a result of measurement losses and higher administrative expenses.
- › Net interest income declined due to a market-induced tightening of interest margins. Net commission income grew thanks to currently higher income related to the increasing importance of contactless payment and the considerable uptick in securities transactions.
- › Other earnings components shrank due to measurement losses, primarily from the fund portfolio.
- › Administrative expenses climbed to EUR 165 m (Q1 2019: EUR 141 m), mainly due to strategic investment in digitalisation and customer service and higher expenses to meet regulatory requirements.
- › Bayern Card-Services posted profit before taxes of approx. EUR 1 m.

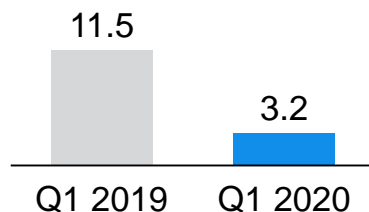
CIR

In %



RoE

In %



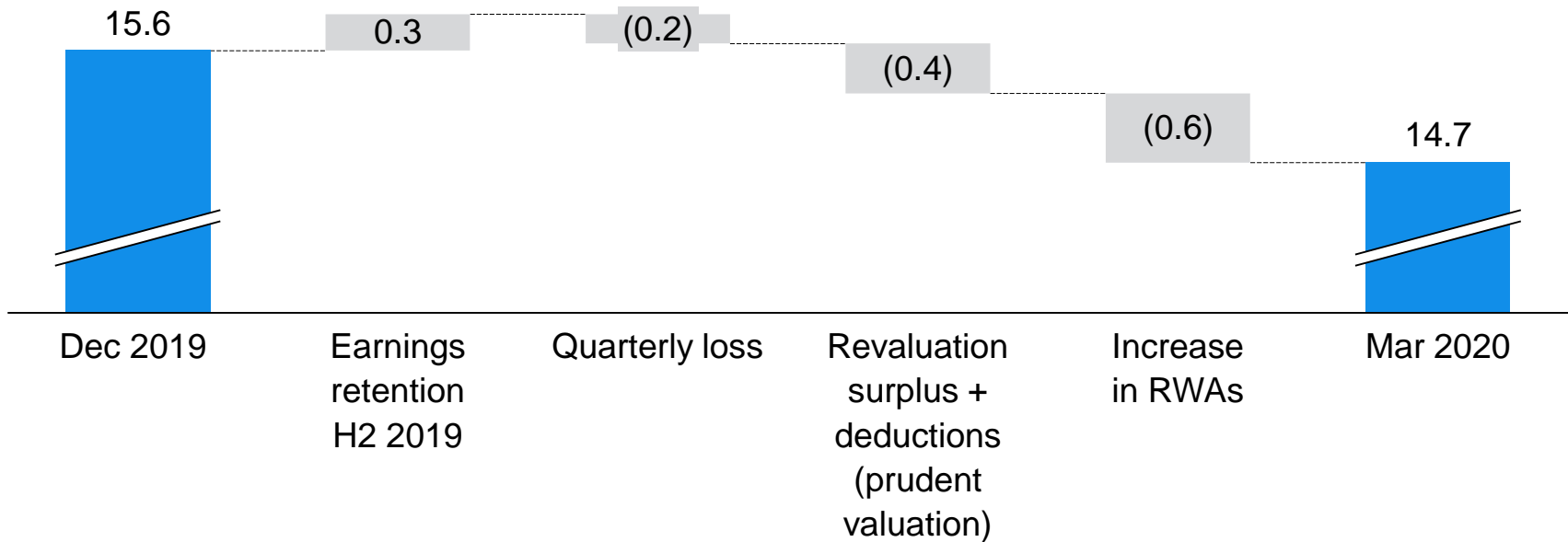
Central Areas & Others

EUR m	Q1 2020	Q1 2019
Net interest income	38	35
Risk provisions in the credit business	2	1
Net commission income	(6)	(7)
Other earnings components	(138)	(98)
Administrative expenses	(34)	(36)
Profit/loss before taxes	(138)	(106)
Risk-weighted assets (RWAs)	5,209	5,054

- › Profit before taxes was affected mostly by high expenses for the bank levy and deposit guarantee scheme of EUR 86 m (Q1 2019: EUR 65 m).
- › An additional drag on profit before taxes came from measurement losses in relation to the coronavirus crisis.

Performance of the CET1 ratio

CET1
In %



- › RWAs climbed, largely as a result of money market dealings, higher drawdowns on commitments and new calculation requirements for securitisations. There was no rating-induced increase.

Outlook

BayernLB still declines to issue an earnings forecast for the full year.

As it emphasised in its annual results press briefing on 3 April, the Group and the entire banking sector is facing exceptionally high uncertainty for 2020 on account of the coronavirus pandemic. The negative impact on global economic output will be considerable and will be greater the longer the pandemic continues.

This will also require a further increase in risk provisions. It is still not possible to make a serious earnings forecast for 2020 at the moment.



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Year-on-year earnings comparison

EUR m	Q1 2020	Q1 2019	Change in %
Net interest income	426	423	0.9
Risk provisions in the credit business	(72)	7	-
Net interest income after risk provisions	354	430	(17.7)
Net commission income	71	70	2.4
Gains or losses on fair value measurement	(65)	(13)	>100
Gains or losses on hedge accounting	(19)	(12)	56.8
Gains or losses on derecognised financial assets	0	0	-
Gains or losses on financial investments	11	31	(64.1)
Administrative expenses	(390)	(366)	6.7
Expenses for the bank levy and deposit guarantee scheme	(115)	(93)	23.9
Other income and expenses	2	4	(47.0)
Gains or losses on restructuring	0	0	-
Profit/loss before taxes	(151)	51	-
Income taxes	(1)	(7)	(83.1)
Profit/loss after taxes	(152)	44	-
Profit/loss attributable to non-controlling interests	0	0	-
Consolidated profit/loss	(152)	44	-

Segment overview

EUR m	Real Estate & Savings Banks/ FI	Corporates & Markets	DKB	Central Areas & Other	Group
Net interest income	80	69	238	38	426
Risk provisions in the credit business	(8)	(71)	5	2	(72)
Net interest income after risk provisions	73	(2)	243	40	354
Net commission income	57	15	5	(6)	71
Gains or losses on fair value measurement	17	(13)	(28)	(42)	(65)
Gains or losses on hedge accounting	0	0	(3)	(16)	(19)
Gains or losses on derecognised fin. assets	0	1	(1)	0	0
Gains or losses on financial investments	0	0	2	9	11
Administrative expenses	(101)	(91)	(165)	(34)	(390)
Expenses for the bank levy and deposit guarantee scheme	0	0	(29)	(86)	(115)
Other income and expenses	1	0	3	(2)	2
Gains or losses on restructuring	0	0	0	0	0
Profit/loss before taxes	47	(89)	28	(138)	(151)
Return on equity (RoE) (%)	11.0	(10.5)	3.2	-	(6.1)
Cost/income ratio (CIR) (%)	64.9	>100.0	76.0.	-	91.4

Segment overview Q1 2019

EUR m	Real Estate & Savings Banks/ Association	Corporates & Mittelstand	DKB	Central Areas & Other	Group
Net interest income	70	71	247	35	423
Risk provisions in the credit business	17	(3)	(7)	1	7
Net interest income after risk provisions	87	68	240	35	430
Net commission income	52	24	0	(7)	70
Gains or losses on fair value measurement	13	3	14	(42)	(13)
Gains or losses on hedge accounting	1	1	(2)	(12)	(12)
Gains or losses on derecognised fin. assets	0	0	0	0	0
Gains or losses on financial investments	0	0	6	25	31
Administrative expenses	(97)	(91)	(141)	(36)	(366)
Expenses for the bank levy and deposit guarantee scheme	0	0	(28)	(65)	(93)
Other income and expenses	2	0	6	(4)	4
Gains or losses on restructuring	0	0	0	0	0
Profit/loss before taxes	58	4	96	(106)	51
Return on equity (RoE) (%)	13.6	0.5	11.5	-	2.1
Cost/income ratio (CIR) (%)	70.2	92.6	52.0	-	72.7

Balance sheet overview

EUR billion	Mar 2020	Dec 2019	Change in %
Loans and advances to banks	32.1	31.1	3.2
Loans and advances to customers	150.3	145.0	3.7
Assets held for trading	16.5	13.9	18.2
Financial investments	23.6	23.6	0.1
Total assets	241.8	226.0	7.0
Liabilities to banks	55.2	50.2	10.1
Liabilities to customers	107.9	100.4	7.4
Securitised liabilities	46.1	44.6	3.5
Liabilities held for trading	12.1	10.3	16.9
Subordinated capital	1.7	2.1	(17.4)
Equity	11.1	11.5	(3.8)

Key capital figures

Fully loaded	Mar 2020	2019¹
CET1 capital (EUR bn)	9.9	10.1
CET1 ratio (%)	14.7	15.6
Total capital (EUR bn)	11.2	11.4
Total capital ratio (%)	16.7	17.6
RWAs (EUR bn)	67.1	64.6
Leverage ratio (%)	3.8	4.1
LCR (%)	154	168

¹ Data as reported.

Thank you
for your attention.

