

BayernLB Group financial report Q1 2021

Munich, 14 May 2021

BayernLB



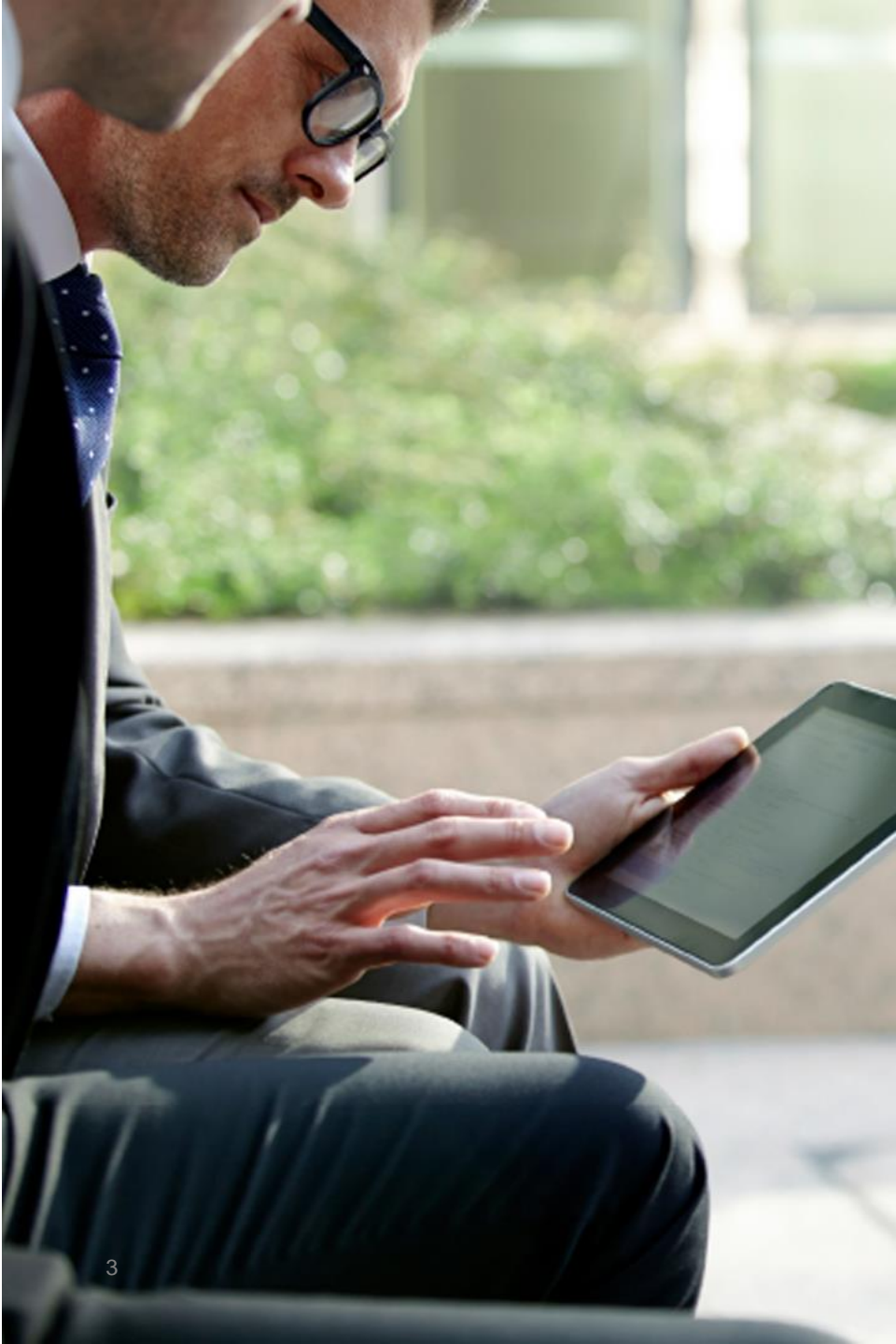
Financing progress.

The logo for Finanzgruppe, consisting of a red stylized 'F' icon followed by the word "Finanzgruppe" in a red sans-serif font.

Finanzgruppe

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- › Financial performance
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Financial performance

- › Highlights
- › Key figures

Performance highlights in Q1 2021



Profit before taxes of EUR 164 m driven by good operating earnings and net positive risk provisions



Net interest and net commission income up at EUR 570 m (Q1 2020: EUR 497 m), partly boosted by good operating performance and cheap funding



Administrative expenses stable, despite growth investment in DKB's infrastructure, thanks to savings at BayernLB core Bank



Capital base remains solid: CET1 ratio of 15.4%

Profit before taxes

EUR 164 m

Net interest and net commission income

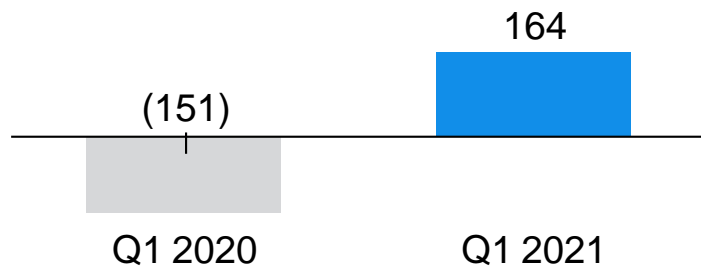
EUR 570 m

CET1 ratio

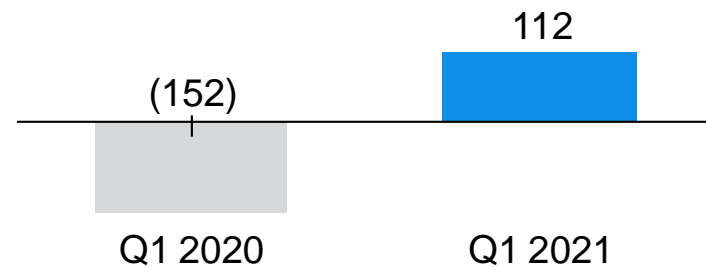
15.4 %

Good operating earnings trend with consistently good asset quality

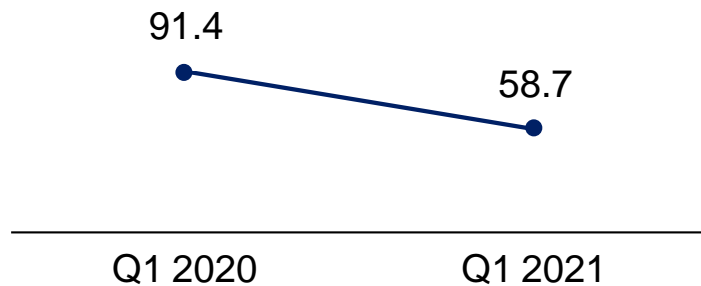
Profit/loss before taxes
EUR m



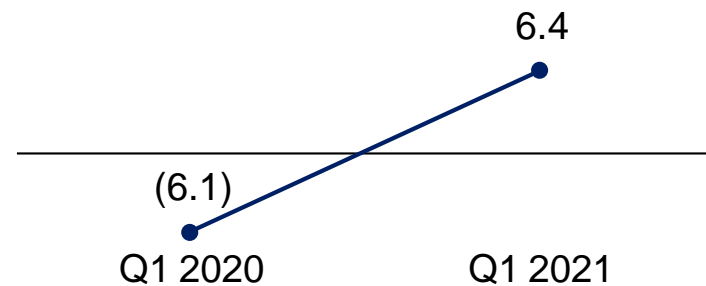
Consolidated profit/loss
EUR m



CIR
In %

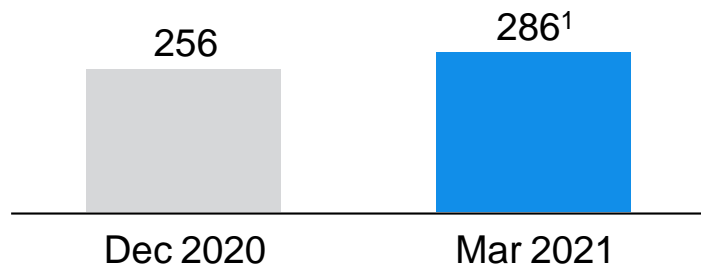


RoE
In %

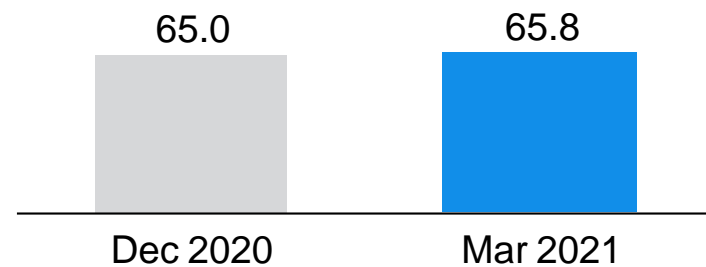


Capital base stable and at a solid level

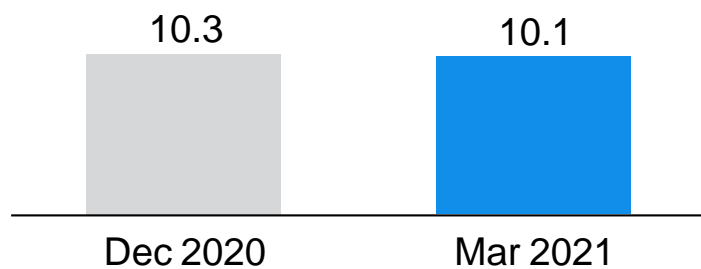
Total assets
EUR bn



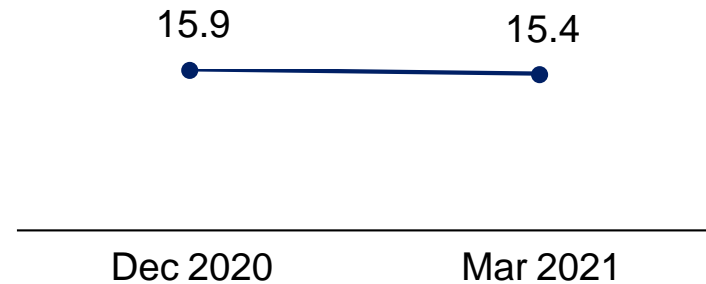
RWA
EUR bn



CET1 capital
EUR bn



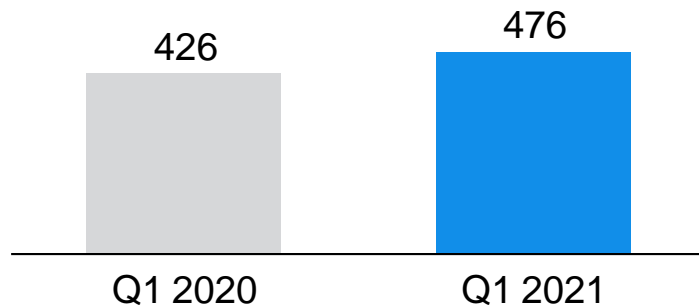
CET1 capital ratio
in %



¹ Rise in total assets partly due to participation in ECB tender

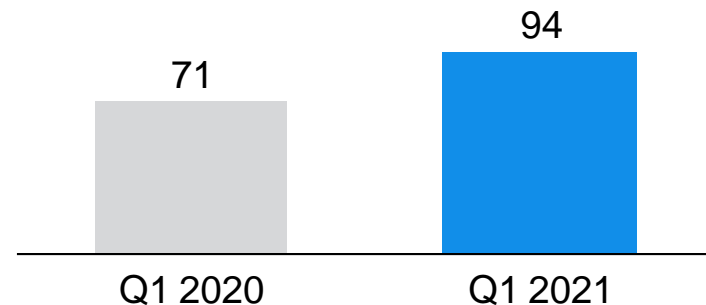
Increase in operating net interest and net commission income favoured by funding conditions

Net interest income
EUR m



- › Increase on the year-before period thanks to stable operating customer business and favourable funding conditions

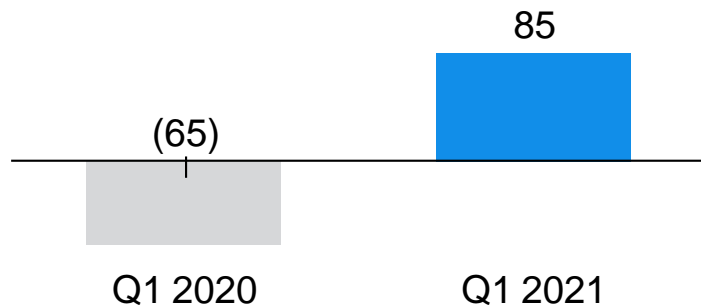
Net commission income
EUR m



- › Net commission income up considerably on year-before period
- › High contributions from credit business, customer-driven trading in foreign notes and coins and precious metals, and the Group subsidiaries Real I.S. and DKB

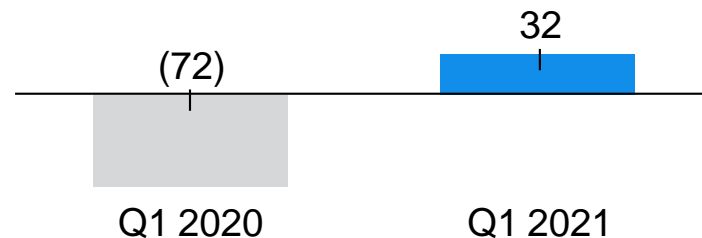
Gains from fair value and risk provisions

Gains or losses on fair value measurement
EUR m



- › The rise in earnings was mostly due to good operating customer business, such as precious metals trading, and measurement gains as a result of market performance
- › Coronavirus-related market turbulence dragged down earnings in the year-before period

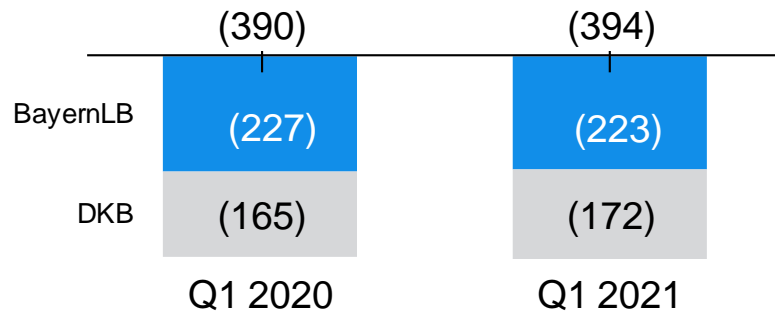
Risk provisions
EUR m



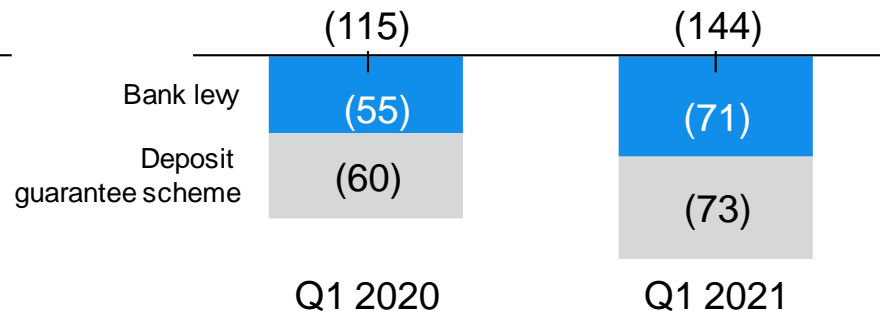
- › First quarter buoyed by persistently good asset quality and recoveries on written down receivables
- › In the year-before period, risk provisions were established as a precaution, in particular to cover potential risks from the coronavirus pandemic (post model adjustment)

Administrative expenses constant and bank levy and deposit guarantee scheme up considerably

Administrative expenses
EUR m



Expenses for the bank levy and deposit guarantee scheme
EUR m



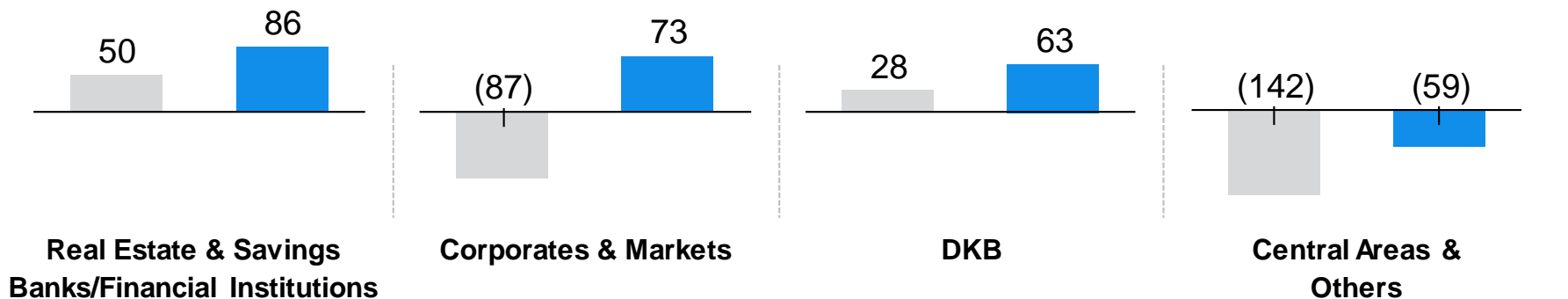
- › Operating costs fell at BayernLB
- › DKB posted higher expenses for infrastructure and new employees as part of its growth strategy
- › Increase on year-before period of around 25%

Earnings improved in all segments

Profit before taxes by segment

EUR m

■ Q1 2020 ■ Q1 2021



- › Real Estate on growth trajectory in line with strategy; earnings in the precious metals business remained high
- › Corporates & Markets: New sector-based sales approach successfully launched; high risk provisions in the year-before period due to the coronavirus pandemic
- › Positive earnings trend at DKB; high growth in credit volumes and successful new customer acquisition
- › Central Areas & Others: Net interest come buoyed by the favourable funding conditions granted by the ECB

Real Estate & Savings Banks/ Financial Institutions

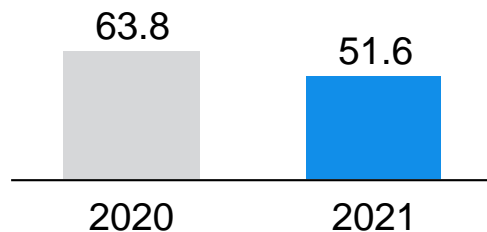
EUR m	2020	2021
Net interest income	83	89
Risk provisions in the credit business	(8)	(2)
Net commission income	57	72
Other earnings components	19	21
Administrative expenses	(101)	(94)
Profit/loss before taxes	50	86
Risk-weighted assets (RWAs)	12,243	12,172

Highlights

- › Real Estate recorded very good earnings and continued on a growth trajectory in line with strategy
- › Savings Banks & Financial Institutions continued to post high revenues in precious metals trading
- › Asset management subsidiaries had slightly higher earnings from net commission income

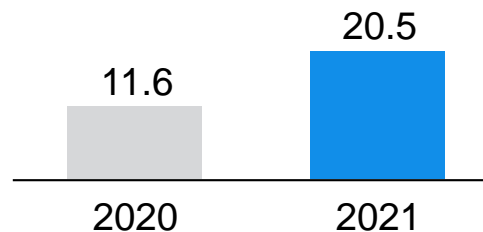
CIR

In %



RoE

In %



Corporates & Markets

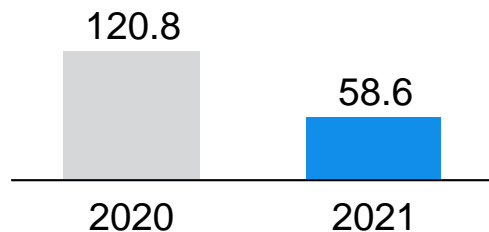
EUR m	2020	2021
Net interest income	71	73
Risk provisions in the credit business	(71)	22
Net commission income	15	19
Other earnings components	(11)	31
Administrative expenses	(91)	(72)
Profit/loss before taxes	(87)	73
Risk-weighted assets (RWAs)	24,788	23,871

Highlights

- › New sector-based sales approach implemented in full
- › Upwards trend in gross earnings, partly due to strategy of streamlining
- › The coronavirus pandemic weighed heavily on risk provisions in year-before period

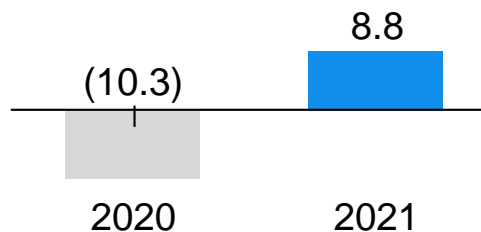
CIR

In %



RoE

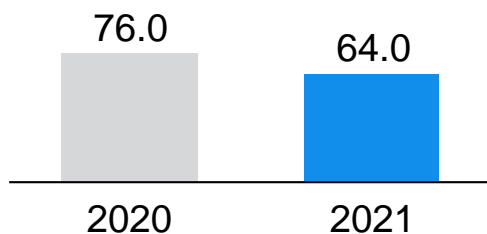
In %



EUR m	2020	2021
Net interest income	238	237
Risk provisions in the credit business	5	7
Net commission income	5	9
Other earnings components	(27)	22
Administrative expenses	(165)	(172)
Bank levy and deposit guarantee scheme	(29)	(40)
Profit/loss before taxes	28	63
Risk-weighted assets (RWAs)	24,898	24,125

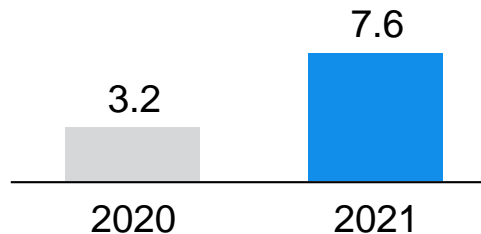
CIR

In %



RoE

In %



Highlights

- › Positive earnings performance, mainly driven by higher measurement gains
- › Retail business posted high growth in credit volumes, and successful new customer acquisition, in addition to strong growth in the number of securities accounts opened (+47% on Q1 2020) and securities transactions (+101% on Q1 2020)
- › Infrastructure with positive volume/earnings performance in the municipal growth environment
- › Corporate clients generate stable business performance

Central Areas & Others

EUR m	2020	2021
Net interest income	34	78
Risk provisions in the credit business	2	4
Net commission income	(6)	(6)
Other earnings components	(51)	25
Administrative expenses	(34)	(56)
Bank levy and deposit guarantee scheme	(86)	(104)
Profit/loss before taxes	(142)	(59)
Risk-weighted assets (RWAs)	5,209	5,664

Highlights

- › Net interest income buoyed by the ECB's favourable funding conditions
- › Unlike the year-before period, there were significant measurement gains (esp. as a result of market interest rates) in Treasury and Non-Core Portfolio



OUTLOOK

Profit before taxes of between EUR 200 and EUR 400 m expected for 2021.

	Results for 2020	Outlook for 2021
Profit before taxes	EUR 195 m	EUR 200 – 400 m
Return on equity (RoE)	1.9%	>3%
Cost/income ratio (CIR)	66%	65-70%
Common Equity Tier 1 ratio (CET1 ratio)	15.9%	>14%
Leverage ratio	4.3%	>4%

Outlook unchanged:

As it is unclear how the pandemic will unfold or what the potential, currently unpredictable impact on the German economy and financial markets will be, the forecast is fraught with a high level of uncertainty.

Appendix



Year-on-year earnings comparison

EUR m	Q1 2021	Q1 2020	Change in %
Net interest income	476	426	11.7
Risk provisions in the credit business	32	(72)	–
Net interest income after risk provisions	508	354	43.5
Net commission income	94	71	32.1
Gains or losses on fair value measurement	85	(65)	–
Gains or losses on hedge accounting	6	(19)	–
Gains or losses on derecognised financial assets	3	0	–
Gains or losses on financial investments	6	11	(44.6)
Administrative expenses	(394)	(390)	0.9
Expenses for the bank levy and deposit guarantee scheme	(144)	(115)	25.1
Other income and expenses	0	2	–
Gains or losses on restructuring	(1)	0	–
Profit/loss before taxes	164	(151)	–
Income taxes	(51)	(1)	>100.0
Profit/loss after taxes	112	(152)	–
Profit/loss attributable to non-controlling interests	–	–	–
Consolidated profit/loss	112	(152)	–

Segment overview

EUR m	Real Estate & Savings Banks/ Financial Institutions	Corporates & Markets	DKB	Central Areas & Others	Group
Net interest income	89	73	237	78	476
Risk provisions in the credit business	(2)	22	7	4	32
Net interest income after risk provisions	87	95	244	82	508
Net commission income	72	19	9	(6)	94
Gains or losses on fair value measurement	21	30	16	18	85
Gains or losses on hedge accounting	0	0	2	4	6
Gains or losses on derecognised fin. assets	0	1	2	0	3
Gains or losses on financial investments	0	0	1	5	6
Administrative expenses	(94)	(72)	(172)	(56)	(394)
Expenses for the bank levy and deposit guarantee scheme	0	0	(40)	(104)	(144)
Other income and expenses	1	0	1	(1)	0
Gains or losses on restructuring	0	0	0	(1)	(1)
Profit/loss before taxes	86	73	63	(59)	164
Return on equity (RoE) (%)	20.5	8.8	7.6	(12.9)	6.4
Cost/income ratio (CIR) (%)	51.6	58.6	64.0	57.5	58.7

Segment overview Q1 2020

EUR m	Real Estate & Savings Banks/ Financial Institutions	Corporates & Markets	DKB	Central Areas & Others	Group
Net interest income	83	71	238	34	426
Risk provisions in the credit business	(8)	(71)	5	2	(72)
Net interest income after risk provisions	75	0	243	36	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	50	(87)	28	(142)	(151)
Return on equity (RoE) (%)	11.6	(10.3)	3.2	(41.8)	(6.1)
Cost/income ratio (CIR) (%)	63.8	120.8	76.0	(141.9)	91.4

Balance sheet overview

EUR bn	Mar 2021	Dec 2020	Change in %
Loans and advances to banks	59.7	56.2	6.3
Loans and advances to customers	155.6	152.4	2.1
Assets held for trading	9.4	12.1	(22.1)
Financial investments	21.0	21.9	(3.8)
Total assets	286.3	256.3	11.7
Liabilities to banks	93.3	76.0	22.8
Liabilities to customers	115.6	109.8	5.3
Securitised liabilities	51.3	43.0	19.2
Liabilities held for trading	8.0	9.4	(14.6)
Subordinated capital	1.7	1.7	(0.5)
Equity	11.9	11.6	2.5

Key capital figures

	Mar 2021	Dec 2020
CET1 capital (EUR bn)	10.1	10.3
CET1 ratio (%)	15.4	15.9
Total capital (EUR bn)	11.7	11.8
Total capital ratio (%)	17.9	18.2
RWAs (EUR bn)	65.8	65.0
Leverage ratio (%)	3.8	4.3
LCR (%)	287	245

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Financing progress.