



Rating & Investor Relations

Q1 2017 Consolidated profit

BayernLB kicks off 2017 with profit before taxes of EUR 230m
and rating upgrade in Q1

11 May 2017

Agenda

- » **Overview of Q1 2017**
- » Appendix

First quarter of 2017 at a glance



Profit before taxes more than doubles from year-before period to EUR 230m, strong earnings contribution from all segments



EUR 79m charge for bank levy and deposit guarantee scheme recognised in full in Q1



Good portfolio quality results in gain of EUR 95m from risk provisions



Solid CET 1 ratios: 14.6% on a phase-in basis, 13.1% fully loaded



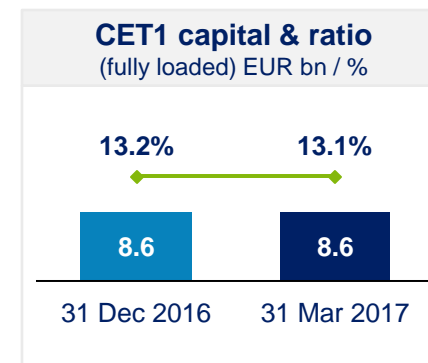
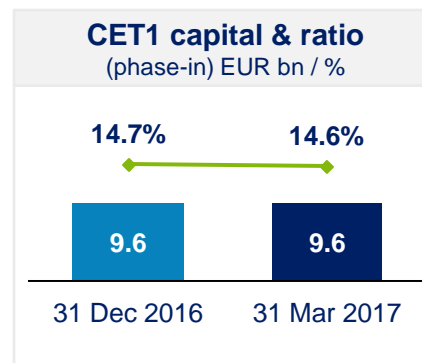
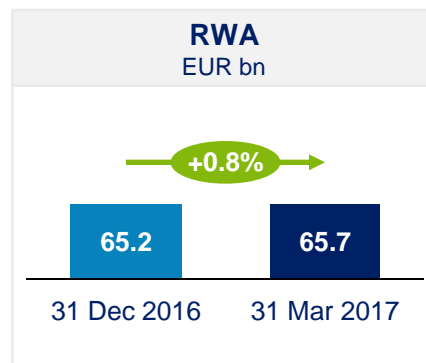
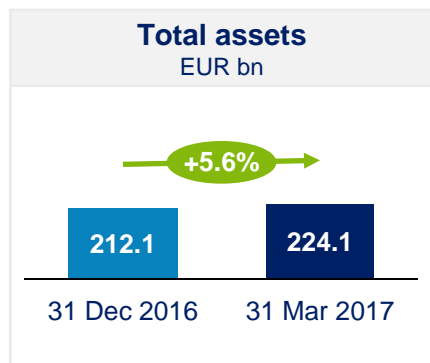
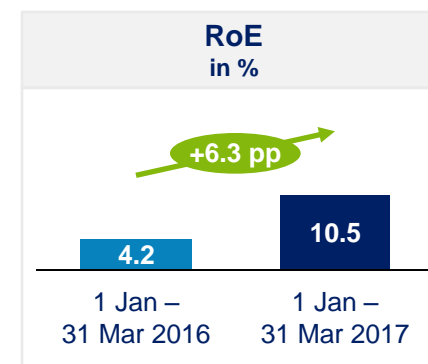
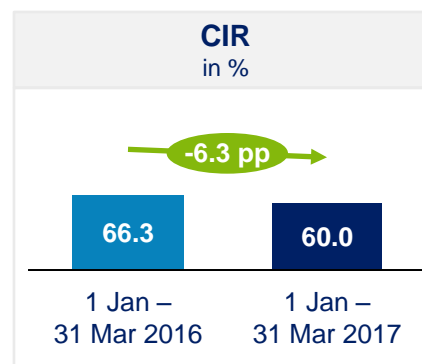
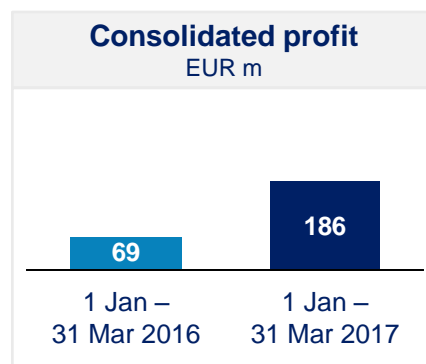
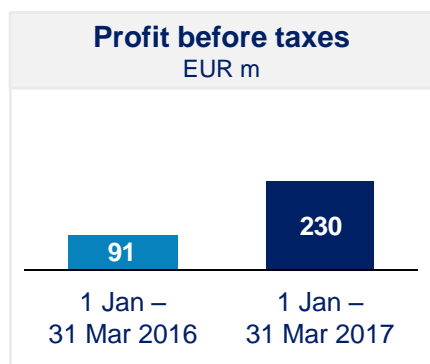
Moody's upgrades long-term issuer rating to A1



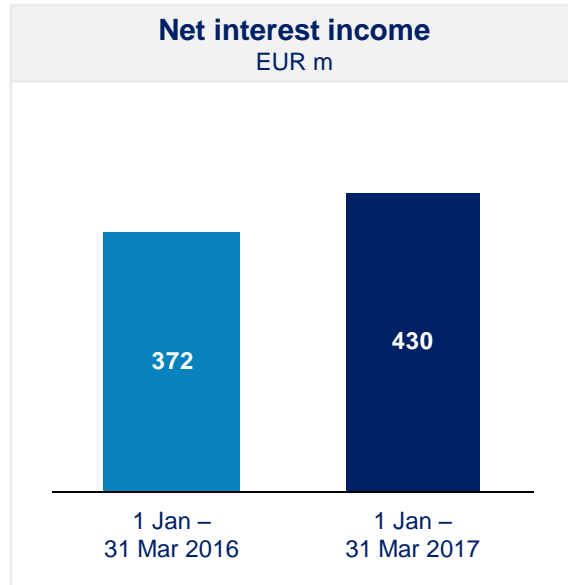
Outlook: profit before taxes expected to be in the mid-triple-digit million range

Key figures

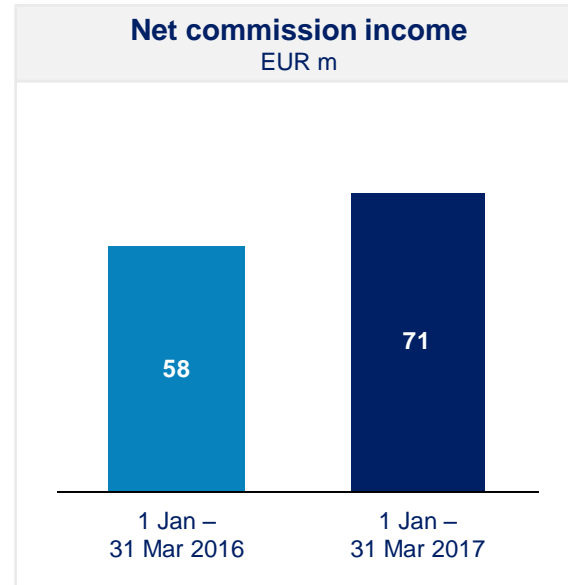
- Consolidated profit up sharply to EUR 186m (Q1 2016: EUR 69m)
- Total assets rise slightly to EUR 224bn, RWA virtually unchanged at EUR 65.7bn thanks to strict management
- Phase-in leverage ratio 4.0%, fully loaded 3.6%



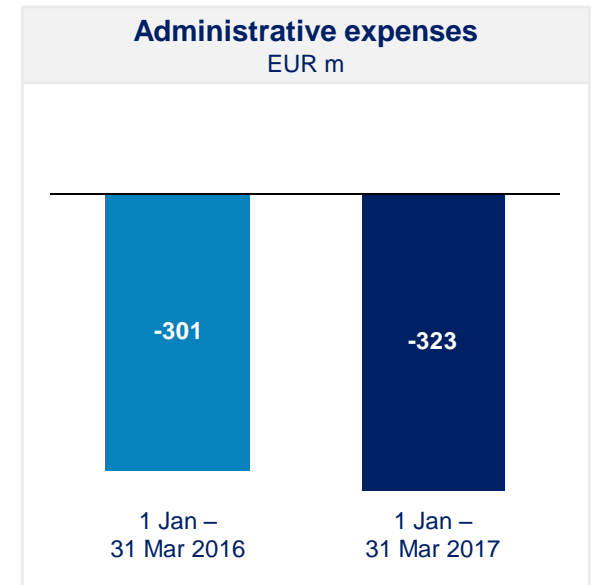
Good net interest and net commission income



- Net interest income at BayernLB and DKB rose by a total of 16%, despite tough conditions

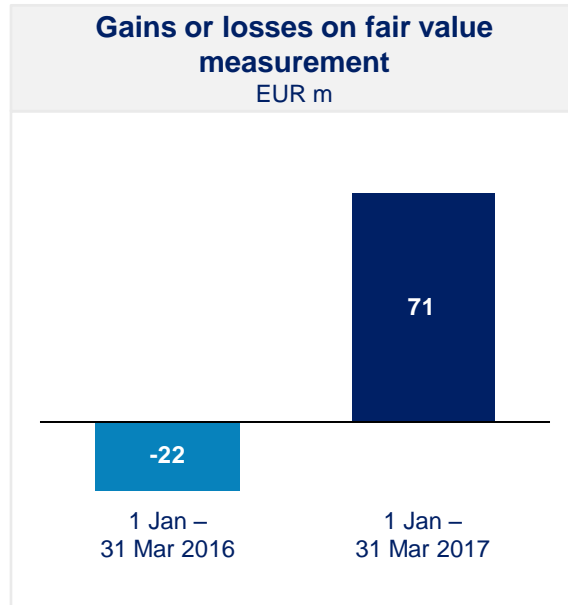


- Net commission income increased to EUR 71m

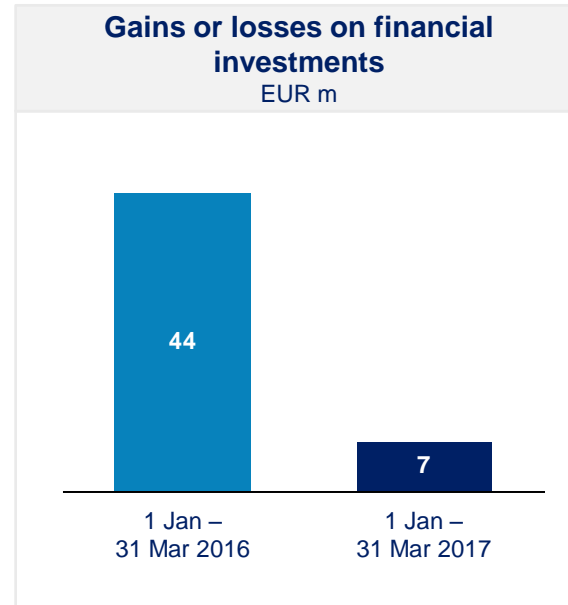


- Major regulatory projects drive administrative expenses higher again
- Strict cost discipline lessened but could not altogether offset the increase

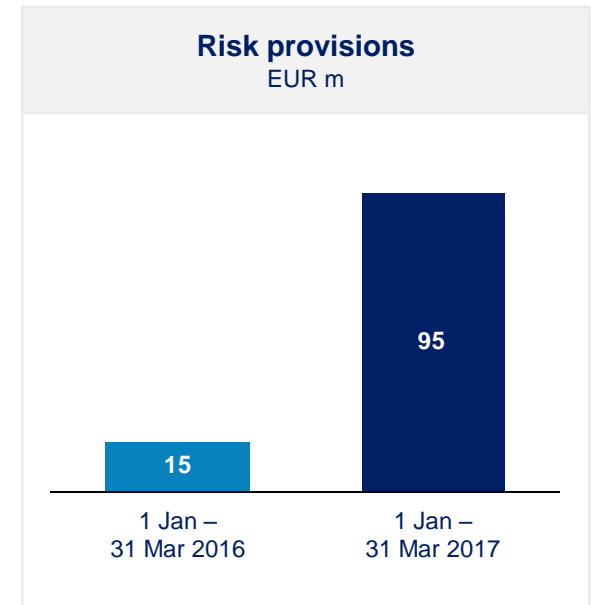
Releases of risk provisions and low NPL ratio



- Jump in earnings resulted mainly from fair value adjustments of EUR 33m due to higher interest and EUR 30m from swaps at DKB



- Previous year reflected sales of shares

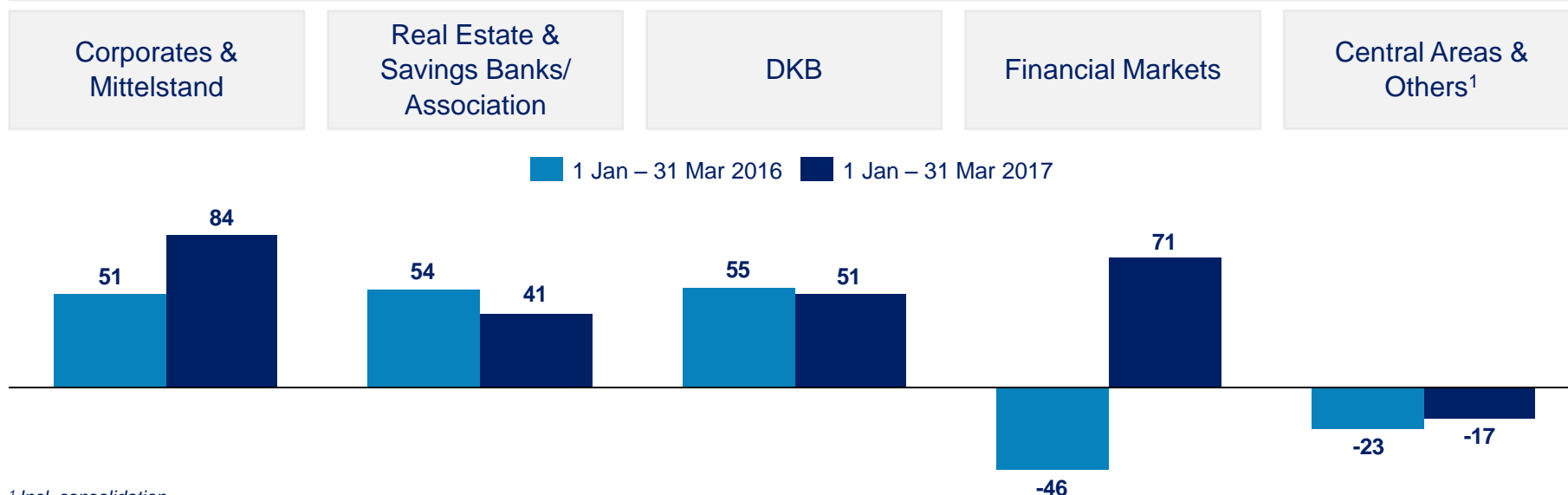


- Gain due mainly to the release of provisions thanks to good portfolio quality and recoveries on written down loan exposures
- NPL ratio improved slightly again from 1.6% to 1.5%

Stable performance in customer business, all operating segments posted positive earnings

- All four operating segments contributed to the profit before taxes of EUR 230m with positive earnings
- Operating earnings from customer business in the Corporates & Mittelstand, Real Estate & Savings Banks/Association, and DKB segments largely stable; earnings of all three segments boosted again by gains from risk provisions
- The nearly EUR 120m turnaround in earnings in Financial Markets resulted primarily from much higher net interest income and measurement gains on fair value adjustments related to derivatives transactions
- Earnings of Central Areas & Others were hurt by the charge for the bank levy and deposit guarantee scheme recognised in Q1 but benefited from positive earnings from BayernLB's remaining non-core business

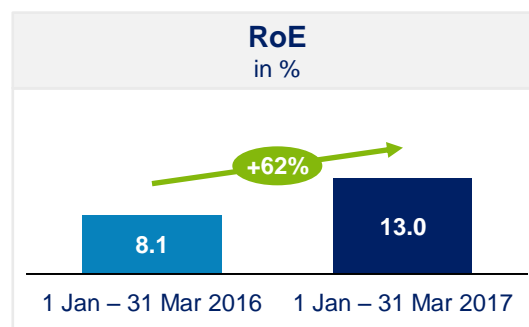
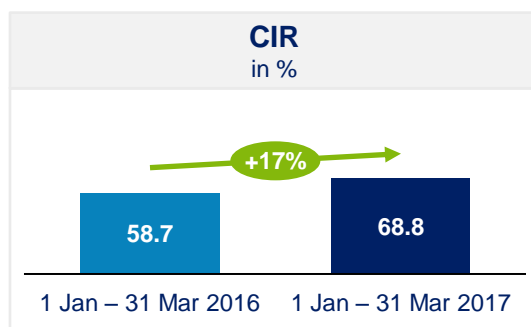
Profit before taxes by segment
EUR m



¹ Incl. consolidation

Corporates & Mittelstand

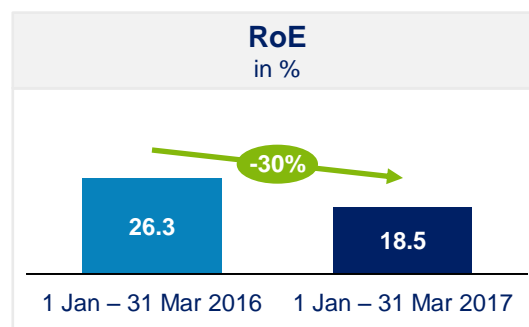
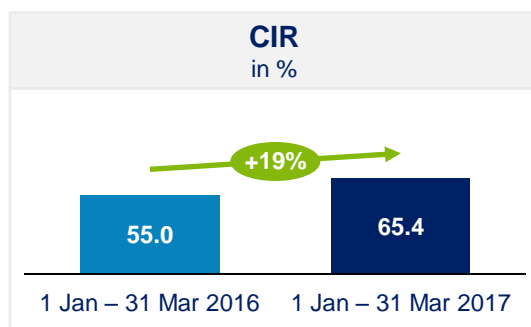
EUR m	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016
Net interest income	75	75
Risk provisions in the credit business	50	2
Net commission income	29	29
Gains or losses on fair value measurement	9	16
Other earnings components	-1	1
Administrative expenses	-77	-70
Profit/loss before taxes	84	51
Risk-weighted assets (RWA)	21,546	21,478



- Profit before taxes: EUR 84m (Q1 2016: EUR 51m)
- Earnings increase driven mainly by a gain of EUR 50m (Q1 2016: EUR 2m) from risk provisions, significantly boosted by recoveries on written down receivables
- Combined net interest and net commission income stable at a total of EUR 103m (Q1 2016: EUR 103m)
- Earnings in the gains or losses from fair value item fell to EUR 9m (Q1 2016: 16m) due to weak demand for capital market products
- Increase in administrative expenses to EUR -77m (Q1 2016: EUR -70m) mainly due to major regulatory-related projects

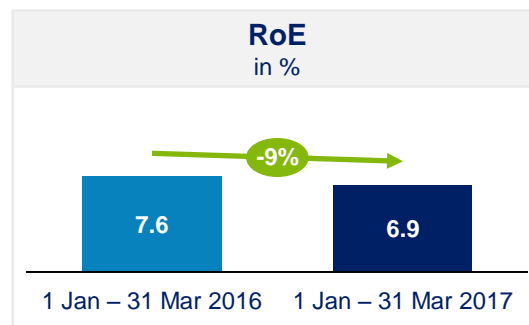
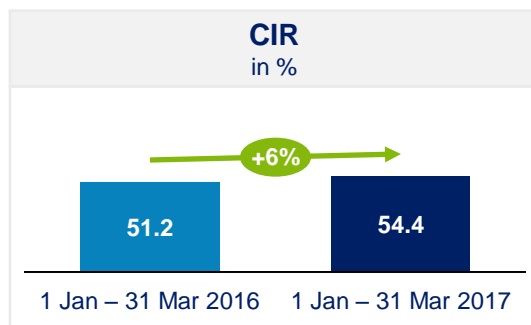
Real Estate & Savings Banks/Association

EUR m	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016
Net interest income	52	59
Risk provisions in the credit business	8	5
Net commission income	37	25
Gains or losses on fair value measurement	9	12
Other earnings components	0	12
Administrative expenses	-64	-60
Profit/loss before taxes	41	54
Risk-weighted assets (RWA)	7,505	6,991



- Profit before taxes in the Real Estate division largely stable: EUR 33m (Q1 2016: EUR 36m)
- Net interest and net commission income of EUR 43m (Q1 2016: EUR 42m) on par with year before period
- Profit before taxes in the Savings Bank & Association division: EUR -6m (Q1 2016: EUR -5m)
- Subdued demand for capital market products and low funding requirements due to the good liquidity in the Group continued to weigh on earnings
- Profit before taxes at BayernLabo: EUR 12m (Q1 2016: EUR 24m)
- The decline largely reflects mark-to-market gains in the year-before period
- Profit before taxes of Real I.S. rose to EUR 2m (Q1 2016: EUR -1m)

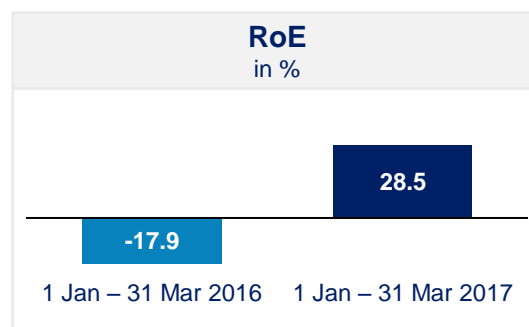
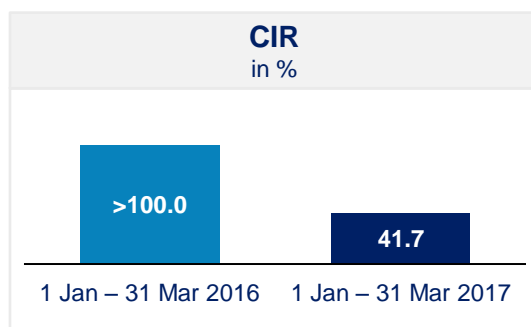
EUR m	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016
Net interest income	209	197
Risk provisions in the credit business	-25	-29
Net commission income	0	-1
Gains or losses on fair value measurement	30	13
Other earnings components	-48	-22
<i>of which: Expenses for bank levy and deposit guarantee scheme</i>	<i>-20</i>	<i>-15</i>
Administrative expenses	-115	-104
Profit/loss before taxes	51	55
Risk-weighted assets (RWA)	24,719	25,191



- Profit before taxes: EUR 51m (Q1 2016: EUR 55m)
- Net interest income rose from EUR 197m in Q1 2016 to EUR 209m despite the tough interest rate environment
- Expenses for risk provisions fell to EUR -25m (Q1 2016: EUR -29m) primarily due to positive performance in the remaining non-core business
- Administrative expenses higher year on year at EUR -115m (Q1 2016: EUR -104m), driven particularly by the cost of implementing and fulfilling new regulatory requirements
- Expenses for the bank levy and deposit guarantee scheme rose significantly to EUR -20m (Q1 2016: EUR -15m)

Financial Markets

EUR m	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016
Net interest income	67	4
Risk provisions in the credit business	0	0
Net commission income	7	5
Gains or losses on fair value measurement	47	-43
Other earnings components	2	35
Administrative expenses	-51	-46
Profit/loss before taxes	71	-46
Risk-weighted assets (RWA)	8,240	9,464

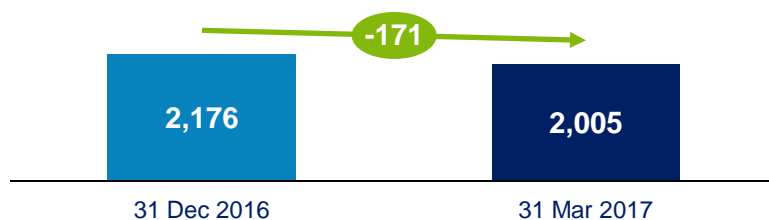


- Profit before taxes: EUR 71m (Q1 2016: EUR -46m)
- Net interest income soared to EUR 67m (Q1 2016: EUR 4m). In addition to individual positive effects, the main reason for the increase was successful measures to counter the impact of low interest rates
- Earnings were boosted by measurement: gains of EUR 27m related to the reversal of fair value adjustments for derivatives transactions; low interest rates weighed on the year-before period (EUR -57m)
- Weak demand for capital market products weighed on earnings from Financial Markets products for the customer-serving segments; these earnings are reported under the segments that sold them, as usual
- Profit before taxes at BayernInvest unchanged at EUR 2m (Q1 2016: EUR 2m)

Central Areas & Others segment

EUR m	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016
Net interest income	28	36
Risk provisions in the credit business	63	38
Net commission income	-1	0
Gains or losses on fair value measurement	-24	-19
Other earnings components	-67	-56
<i>of which: Expenses for bank levy and deposit guarantee scheme</i>	-59	-61
Administrative expenses	-17	-21
Profit/loss before taxes	-17	-23
Risk-weighted assets (RWA)	3,676	5,226

RWA in BayernLB's remaining non-core business (EUR m)



- Profit before taxes: EUR -17m (Q1 2016: EUR -23m)
- Earnings were weighed on by expenses for the bank levy and the deposit guarantee scheme of EUR -59m (not including DKB share, Q1 2016: EUR -61m) recognised in full in the first quarter
- BayernLB's remaining non-core business once again posted a positive profit before taxes of EUR 52m (Q1 2016: EUR 46m)
- This was mainly due to a EUR 63m gain from risk provisions (Q1 2016: EUR 38m), which benefited from high releases and recoveries on written down receivables
- RWA in remaining non-core business continues to be systematically wound down: RWA fell by another EUR 0.2bn from year-end 2016 to EUR 2.0bn

Agenda

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- » **Appendix**

Year-on-year earnings comparison

EUR m	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016	Change in %
Net interest income	430	372	15.7
Risk provisions in the credit business	95	15	>100.0
Net interest income after risk provisions	525	387	35.7
Net commission income	71	58	23.9
Gains or losses on fair value measurement	71	-22	-
Gains or losses on hedge accounting	-47	-6	>100.0
Gains or losses on financial investments	7	44	-85.1
Administrative expenses	-323	-301	7.1
Expenses for the bank levy and deposit guarantee scheme	-79	-76	4.5
Other income and expenses	6	8	-32.9
Gains or losses on restructuring	-1	-1	-30.3
Profit/loss before taxes	230	91	>100.0
Income taxes	-44	-21	>100.0
Profit/loss after taxes	186	70	>100.0
Profit/loss attributable to non-controlling interests	0	-1	-31.9
Consolidated profit/loss	186	69	>100.0

Segment overview Q1 2017

EUR m 1 Jan - 31 Mar 2017	Corporates & Mittelstand	Real Estate & Savings Banks/Association	DKB	Financial Markets	Central Areas & Others (including Consolidation)	Group
Net interest income	75	52	209	67	28	430
Risk provisions in the credit business	50	8	-25	0	63	95
Net commission income	29	37	0	7	-1	71
Gains or losses on fair value measurement	9	9	30	47	-24	71
Gains or losses on hedge accounting	0	-1	-37	-2	-7	-47
Gains or losses on financial investments	0	0	5	1	1	7
Other income and expenses	-1	1	4	2	-1	6
Administrative expenses	-77	-64	-115	-51	-17	-323
Expenses for the bank levy and deposit guarantee scheme	0	0	-20	0	-59	-79
Gains or losses on restructuring	0	0	0	0	-1	-1
Profit/loss before taxes	84	41	51	71	-17	230
Return on equity (RoE) (%)	13.0	18.5	6.9	28.5	-	10.5
Cost/income ratio (CIR) (%)	68.8	65.4	54.4	41.7	-	60.0

Segment overview Q1 2016

EUR m 1 Jan - 31 Mar 2016	Corporates & Mittelstand	Real Estate & Savings Banks/Association	DKB	Financial Markets	Central Areas & Others (including Consolidation)	Group
Net interest income	75	59	197	4	36	372
Risk provisions in the credit business	2	5	-29	0	38	15
Net commission income	29	25	-1	5	0	58
Gains or losses on fair value measurement	16	12	13	-43	-19	-22
Gains or losses on hedge accounting	0	3	-16	6	0	-6
Gains or losses on financial investments	0	0	9	28	7	44
Other income and expenses	0	9	1	0	-2	8
Administrative expenses	-70	-60	-104	-46	-21	-301
Expenses for the bank levy and deposit guarantee scheme	0	0	-15	0	-61	-76
Gains or losses on restructuring	0	0	0	0	-1	-1
Profit/loss before taxes	51	54	55	-46	-23	91
Return on equity (RoE) (%)	8.1	26.3	7.6	-17.9	-	4.2
Cost/income ratio (CIR) (%)	58.7	55.0	51.2	>100.0	-	66.3

Balance sheet overview

EUR bn	31 Mar 2017	31 Dec 2016	Change in %
Loans and advances to banks	35.6	28.8	23.7
Loans and advances to customers	136.4	134.8	1.2
Assets held for trading	15.3	16.9	-9.7
Financial investments	25.7	26.7	-3.7
Total assets	224.1	212.1	5.6
Liabilities to banks	61.5	54.2	13.5
Liabilities to customers	90.2	86.8	3.9
Securitised liabilities	42.1	39.6	6.3
Liabilities held for trading	9.2	11.0	-16.6
Subordinated capital	3.1	3.1	1.3
Equity	11.2	11.1	1.7



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