

Group financial report Q1 2018

BayernLB makes a strong start to the year

Munich, 15 May 2018



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Financial performance



Profit before taxes of EUR 237 m up 2.8 % on the excellent year-before figure of EUR 230 m



Net interest income climbs 4.5 % to EUR 450 m thanks to a significant rise at DKB (Q1 2017: EUR 430 m)

Q1 2018

CET

Very solid capital base:
CET1 ratio at 14.6 %



Good portfolio quality and high releases result in positive risk provisions of EUR +117 m; NPL ratio of 1.3% is a new best

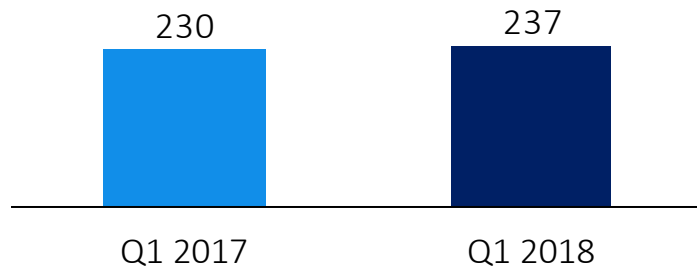


Stable performance in customer business, all operating segments post positive earnings

Earnings remained stable and continued to perform well in a persistently tough market environment

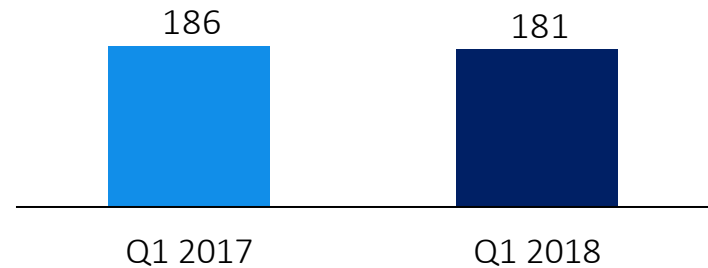
Profit before taxes

EUR million



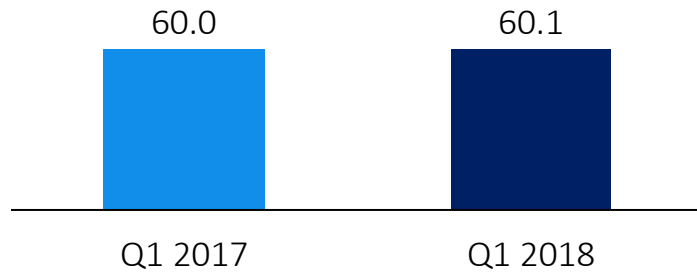
Consolidated profit

EUR million



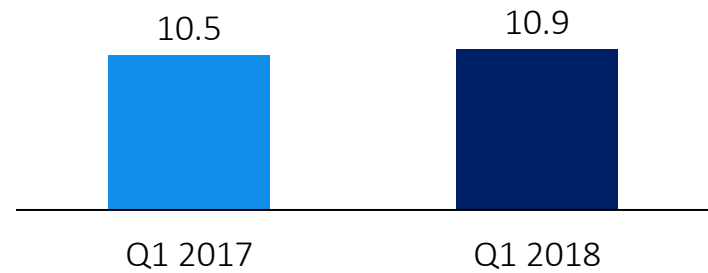
CIR

in %



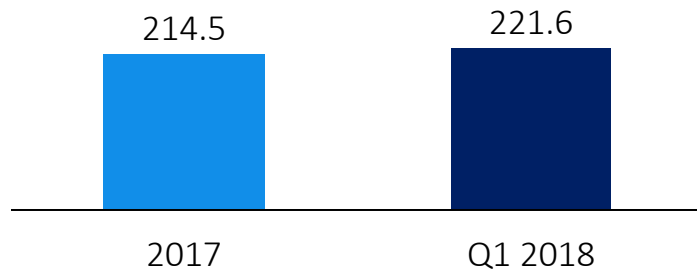
RoE

in %

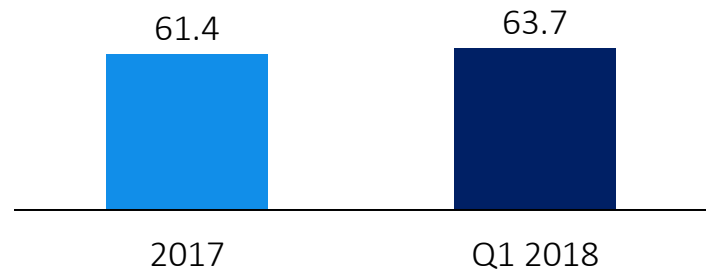


Higher money market and lending transactions resulted in elevated RWAs and an increase in total assets

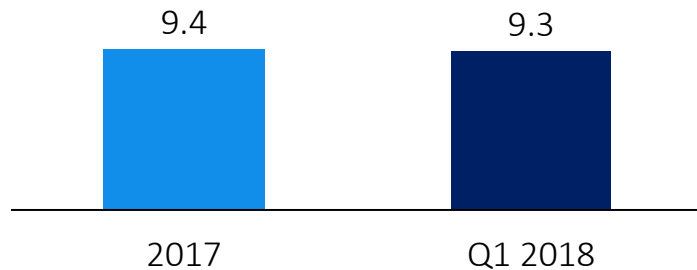
Total assets
EUR billion



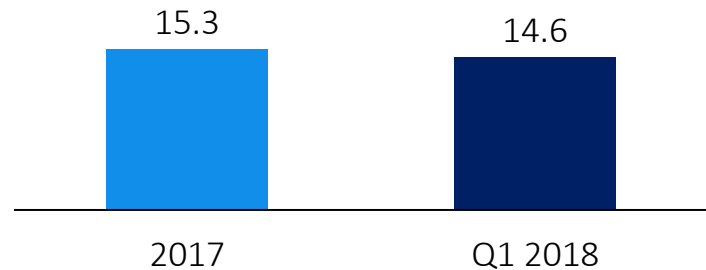
RWAs
EUR billion



CET1 capital (fully loaded)
EUR billion

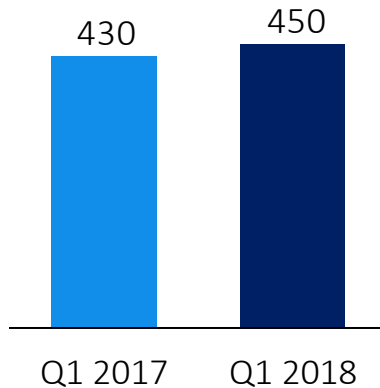


CET1 capital ratio (fully loaded)
in %

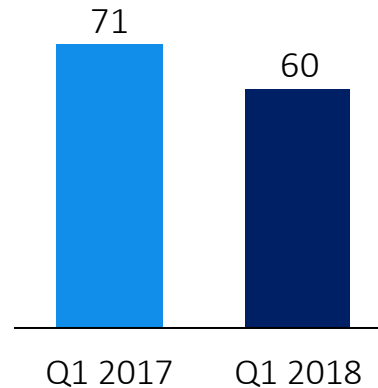


Net interest and net commission income rose on balance

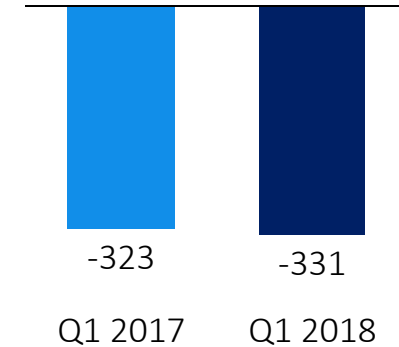
Net interest income
EUR million



Net commission income
EUR million



Administrative expenses
EUR million



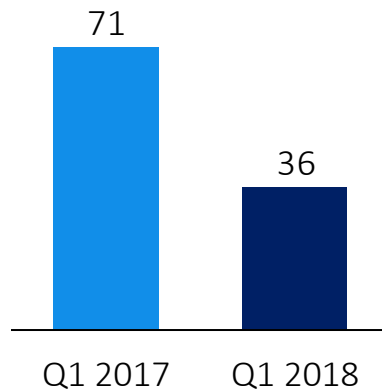
› Net interest income rose thanks to a considerable increase at DKB

› Net commission income down on year-before period due to lower income from the credit business

› Administrative expenses roughly on a par with year-before period at EUR -331 m

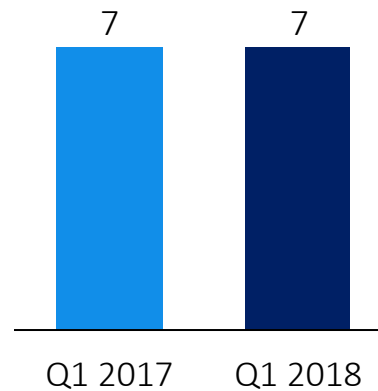
High releases and good portfolio quality resulted in positive risk provisions, NPL ratio improved further

Gains or losses on fair value measurement
EUR million



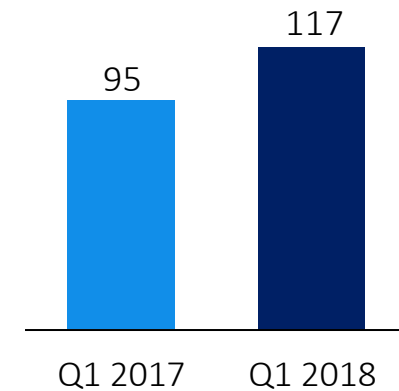
- › High fair-value gains at DKB in Q1 2017

Gains or losses on financial investments
EUR million



- › Unchanged on year-before period

Risk provisions
EUR million



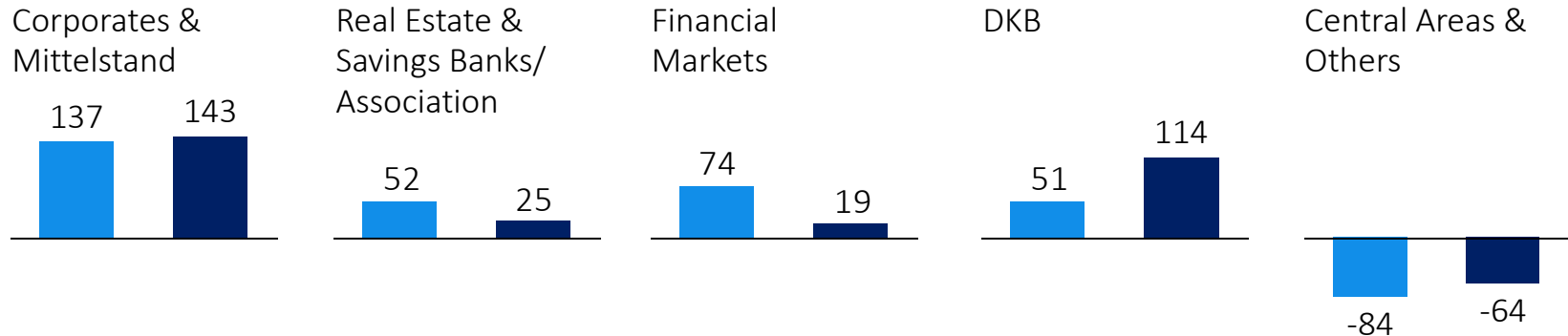
- › High releases of risk provisions and recoveries on written down receivables
- › NPL ratio reaches a new best at 1.3 %

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

Profit before taxes by segment

EUR million

■ Q1 2017 ■ Q1 2018



- › Earnings in the customer segments were stable overall compared to Q1 2017.
- › The decline in the Real Estate & Savings Banks/ Association and Financial Markets segments was due to positive risk provisions and extraordinary and measurement gains included in the year-before period.
- › This was offset by higher earnings at DKB as a result of good performance and at C & M thanks to positive risk provisions.
- › CA & Others was negatively impacted, mainly by the high bank levy.
- › Note: The change in the figures from the year-before period reflects the transfer of the former non-core portfolios back into the business areas.

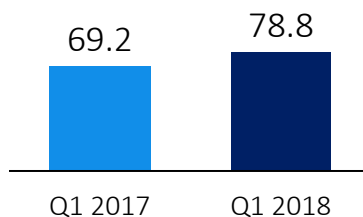
Corporates & Mittelstand

EUR million	Q1 2018	Q1 2017
Net interest income	63	73
Risk provisions in the credit business	123	103
Net commission income	23	28
Other earnings components	11	8
Administrative expenses	-76	-75
Profit before taxes	143	137
Risk-weighted assets (RWAs)	19,864	21,045

- › Profit before taxes climbed to EUR 143 m (Q1 2017: EUR 137 m), primarily due to another high release of risk provisions.
- › Net interest and net commission income was down at EUR 86 m (Q1 2017: EUR 101 m) as a result of the highly competitive market and lower interest rates.
- › Other earnings components rose to EUR 11 m (Q1 2017: EUR 8 m), on the back of good sales of capital market products at the beginning of the year.
- › Declining RWAs with higher credit volume is proof that portfolio quality has improved.

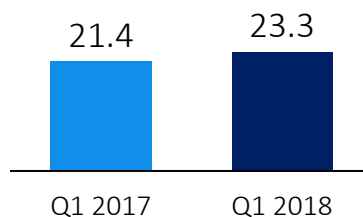
CIR

in %



RoE

in %

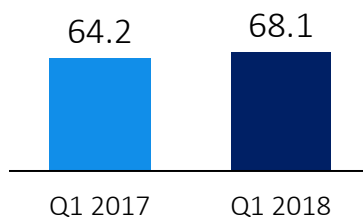


Real Estate & Savings Banks/Association

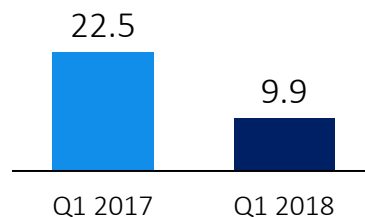
EUR million	Q1 2018	Q1 2017
Net interest income	60	53
Risk provisions in the credit business	-7	17
Net commission income	31	37
Other earnings components	7	9
Administrative expenses	-67	-64
Profit before taxes	25	52
Risk-weighted assets (RWAs)	7,908	7,823

- › Profit before taxes slid to EUR 25 m (Q1 2017: EUR 52 m), mainly due to a high release of risk provisions in the year-before period.
- › Total earnings from net interest and net commission income remained unchanged at EUR 91 m (Q1 2017: EUR 90 m).
- › Real I.S. posted stable earnings of EUR 2 m (Q1 2017: EUR 2 m).
- › Profit before taxes at BayernLabo dropped slightly to EUR 9 m (Q1 2017: EUR 12 m), due to measurement gains on interest hedges.

CIR
in %



RoE
in %

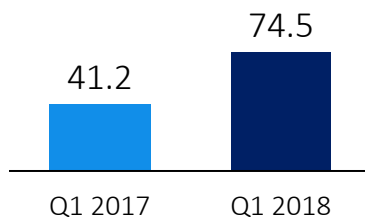


Financial Markets

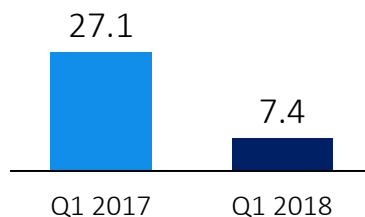
EUR million	Q1 2018	Q1 2017
Net interest income	40	68
Risk provisions in the credit business	0	0
Net commission income	6	8
Other earnings components	28	50
Administrative expenses	-56	-52
Profit before taxes	19	74
Risk-weighted assets (RWAs)	8,394	9,162

- › Profit before taxes fell to EUR 19 m (Q1 2017: EUR 74 m), primarily due to extraordinary and measurement gains in the year-before period.
- › Net interest and net commission income slumped to EUR 46 m (Q1 2017: EUR 76 m) as a result of extraordinary income in the year-before period.
- › Other earnings components amounting to EUR 28 m (Q1 2017: EUR 50 m) mostly included measurement gains, such as on fair value adjustments for derivatives of EUR 12 m (Q1 2017: EUR 27 m).
- › Despite persistently tough market conditions, earnings from Financial Markets products remained stable; as usual these earnings were reported under the segments that directly sold them.
- › Profit before taxes at BayernInvest remained unchanged at EUR 2 m.

CIR
in %



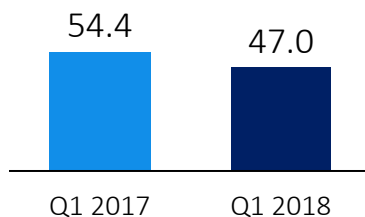
RoE
in %



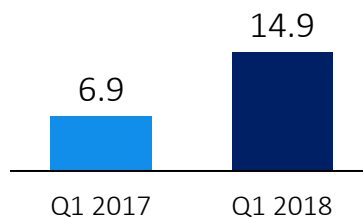
EUR million	Q1 2018	Q1 2017
Net interest income	275	209
Risk provisions in the credit business	0	-25
Net commission income	2	0
Other earnings components	-42	-18
Administrative expenses	-121	-115
Profit before taxes	114	51
Risk-weighted assets (RWAs)	24,546	24,719

- › Profit before taxes jumped to EUR 114 m (Q1 2017: EUR 51 m), primarily due to ongoing good performance and lower interest expenses.
- › Taking into account creations and releases, risk provisions were neutral overall.
- › Other earnings components included expenses for the bank levy and deposit insurance scheme.
- › Administrative expenses edged up to EUR -121 m (Q1 2017: EUR -115 m), largely as a result of implementing regulatory requirements.
- › Bayern Card Services posted stable profit before taxes of EUR 1 m (Q1 2017: EUR 1 m).

CIR
in %



RoE
in %



Central Areas and Others

EUR million	Q1 2018	Q1 2017
Net interest income	11	26
Risk provisions in the credit business	1	1
Net commission income	-1	-1
Other earnings components	-63	-92
Administrative expenses	-11	-17
Profit before taxes	-64	-84
Risk-weighted assets (RWAs)	2,986	2,938

- › Profit before taxes amounted to EUR -64 m (Q1 2017: EUR -84 m) and was impacted by the bank levy, which was recognised in full at EUR -77 m (Q1 2017: EUR -59 m), and extraordinary tax-related income.

Outlook for 2018

Profit before taxes expected to be in the mid-triple-digit million range again

After the compulsory part, it is time for “freestyle”

Fine-tuning on the earnings side

Our ambitions

Consolidate our position as one of the strongest regional banks in Europe

Detailed charts

Year-on-year earnings comparison

EUR million	Q1 2018	Q1 2017	Change in %
Net interest income	450	430	4.5
Risk provisions in the credit business	117	95	23.4
Net interest income after risk provisions	567	525	7.9
Net commission income	60	71	-15.3
Gains or losses on fair value measurement	36	71	-49.2
Gains or losses on hedge accounting	-23	-47	-50.6
Gains or losses on derecognised financial assets	2	0	-
Gains or losses on financial investments	7	7	12.1
Administrative expenses	-331	-323	2.7
Expenses for the bank levy and deposit guarantee scheme	-100	-79	26.7
Other income and expenses	19	6	>100.0
Gains or losses on restructuring	-1	-1	-37.2
Profit before taxes	237	230	2.8
Income taxes	-55	-44	24.7
Profit/loss after taxes	182	186	-2.4
Profit/loss attributable to non-controlling interests	0	0	-
Consolidated profit	181	186	-2.4

Segment overview

EUR million	Corporates & Mittelstand	Real Estate & Savings Banks/ Association	Financial Markets	DKB	Central Areas & Other	Group
Net interest income	63	60	40	275	11	450
Risk provisions in the credit business	123	-7	0	0	1	117
Net interest income after risk provisions	185	54	40	275	12	567
Net commission income	23	31	6	2	-1	60
Gains or losses on fair value measurement	11	6	24	-1	-4	36
Gains or losses on hedge accounting	0	0	-1	-20	-2	-23
Gains or losses on derecognised financial assets	0	0	0	2	0	2
Gains or losses on financial investments	0	0	7	0	0	7
Administrative expenses	-76	-67	-56	-121	-11	-331
Expenses for the bank levy and deposit guarantee scheme	0	0	0	-23	-77	-100
Other income and expenses	0	1	-3	0	20	19
Gains or losses on restructuring	0	0	0	0	-1	-1
Profit before taxes	143	25	19	114	-64	237
Return on equity (RoE) (%)	23.3	9.9	7.4	14.9	-	10.9
Cost/income ratio (CIR) (%)	78.8	68.1	74.5	47.0	-	60.1

Segment overview Q1 2017

EUR million	Corporates & Mittelstand	Real Estate & Savings Banks/ Association	Financial Markets	DKB	Central Areas & Other	Group
Net interest income	73	53	68	209	26	430
Risk provisions in the credit business	103	17	0	-25	1	95
Net interest income after risk provisions	176	70	68	184	26	525
Net commission income	28	37	8	0	-1	71
Gains or losses on fair value measurement	9	9	49	30	-25	71
Gains or losses on hedge accounting	0	-1	-2	-37	-7	-47
Gains or losses on financial investments	0	0	1	5	1	7
Administrative expenses	-75	-64	-52	-115	-17	-323
Expenses for the bank levy and deposit guarantee scheme	0	0	0	-20	-59	-79
Other income and expenses	-1	1	2	4	-1	6
Gains or losses on restructuring	0	0	0	0	-1	-1
Profit before taxes	137	52	74	51	-84	230
Return on equity (RoE) (%)	21.4	22.5	27.1	6.9	-	10.5
Cost/income ratio (CIR) (%)	69.2	64.2	41.2	54.4	-	60.0

Balance sheet overview

EUR billion	Q1 2018	2017	Change in %
Loans and advances to banks	36.7	37.8	-2.8
Loans and advances to customers	138.0	134.7	2.5
Assets held for trading	12.7	12.0	5.8
Financial investments	23.7	23.4	1.3
Total assets	221.6	214.5	3.3
Liabilities to banks	59.4	54.4	9.1
Liabilities to customers	93.2	91.9	1.4
Securitised liabilities	42.3	41.8	1.1
Liabilities held for trading	7.6	7.7	-0.7
Subordinated capital	1.8	1.9	-3.7
Equity	10.8	10.8	-0.5

Key capital figures

Fully loaded	Q1 2018	2017
CET1 capital (EUR bn)	9.3	9.4
CET1 ratio (%)	14.6	15.3
Total capital (EUR bn)	10.3	10.3
Total capital ratio (%)	16.2	16.8
RWAs (EUR bn)	63.7	61.4
Leverage ratio (%)	4.0	4.0
LCR (%)	151	159