BayernLB

Presseinfo

17 August 2018

BayernLB's solid performance continues, with profit before taxes for the first half of 2018 up at EUR 452 million

- **All operating segments contribute positively to earnings**
- **Net interest income rises 4.0 percent, buoyed by positive performance at DKB**
- **Good portfolio quality: net risk provisions positive once again, low NPL ratio (1.3 percent)**
- **Cost trend under control: cost/income ratio at 59.5 percent**
- **Fully loaded Common Equity Tier 1 (CET1) ratio remains very stable at 14.4. percent**

Munich - In the first six months of 2018, BayernLB continued to put in a solid business performance and increased its profit before taxes by 6.0 percent to EUR 452 million (H1 2017: EUR 426 million). Once again, all the operating segments – corporate and real estate customers, savings banks and the public sector, financial institutions and retail customers – made a positive contribution.

"The results reflect the path we have taken in the past few years, specifically placing the customer at the heart of our activities," commented BayernLB's CEO, Johannes-Jörg Riegler. "Our universal bank approach has proved its worth once again. We have built on this strong foundation, developing a grounded ethos which will enable us to rise to the challenges of the future and achieve success for both ourselves and our customers. We will continue in this vein, acting as a steadfast partner to German business and working to establish BayernLB as one of the strongest regional banks in Europe in the medium term," Riegler continued.

Communications & Press · Press contact
Tel +49 (0)89 2171- 27176 · Fax +49 (0)89 2171-21332 · presse@bayernlb.de · www.bayernlb.de

Finanzgruppe

Consolidated profit (after taxes) climbed to EUR 342 million (H1 2017: EUR 330 million). BayernLB's fully loaded **capital ratio** (CET1 ratio) is 14.4 percent and remains very solid. **Return on equity (RoE)** improved to 10.0 percent in the first six months of 2018 (H1 2017: 9.6 percent). At 59.5 percent, the **cost/income ratio (CIR)** was on par with the year-before period and remained within the target range (H1 2017: 59.5 percent).

Despite the challenging environment, BayernLB's **net interest income** rose by a further 4.0 percent to EUR 879 million (H1 2017: EUR 845 million) thanks to a sharp increase at DKB.

Net commission income, by comparison, was down slightly at EUR 132 million (H1 2017: EUR 141 million). In addition, the Bank benefited from its conservative risk policy and posted positive net **risk provisions in the credit business** of EUR 103 million (H1 2017: EUR 90 million). Good portfolio quality, the stable economic environment in the Bank's core markets and recoveries on written down receivables were contributory factors.

Gains or losses on **fair value measurement** totalled EUR 35 million, considerably less than the previous-year figure of EUR 143 million. This was due to lower income from customer-driven business with capital market products and slimmer measurement gains. In addition, measurement gains overstated the year-before period figure.

Administrative expenses grew slightly by 5.4 percent to EUR 644 million (H1 2017: EUR 612 million). This was largely due to higher expenses for meeting regulatory requirements, strategic investments in sales and Group-wide initiatives to digitalise the Bank's business and operating model.

Expenses for the bank levy and deposit guarantee scheme comprised a total charge of EUR 90 million (H1 2017: EUR 84 million). This included EUR 52 million for the bank levy (H1 2017: EUR 52 million) and a EUR 38 million contribution to the Savings Banks Finance Group's deposit guarantee scheme (H1 2017: EUR 31 million).

Total assets and risk-weighted assets (RWAs) edged up in response to BayernLB's expansion of its lending and money market business with customers.

As at 30 June, BayernLB's **total assets** amounted to EUR 226.3 billion, 5.5 percent higher than at the end of 2017. **RWAs** rose slightly by 4.8 percent to EUR 64.4 billion.

Further improvement in the viability rating

Rating agency Fitch raised BayernLB's viability rating in the second quarter to bbb+, to reflect the Bank's positive performance, its significantly improved capital base and good asset quality. The rating for subordinated bonds (Tier 2) followed suit, climbing one notch to BBB. The long-term issuer rating of A- was confirmed with a stable outlook.

Earnings in the operating business segments

Corporates & Mittelstand

The Corporates & Mittelstand segment reported profit before taxes of EUR 181 million (H1 2017: EUR 212 million). Impacted by tough competition and the resulting pressure on margins, operating earnings from net interest and net commission income declined to EUR 184 million (H1 2017: EUR 201 million). The income from capital market products, by contrast, was mostly stable. A continuously good portfolio quality, further releases of risk provisions and high recoveries on written down receivables resulted in net positive risk provisions of EUR 125 million (H1 2017: EUR 133 million). BayernLB further expanded its lending business with corporate customers to EUR 54 billion, an increase of EUR 1 billion compared to the year-before period (H1 2017: EUR 53 billion).

Real Estate & Savings Banks/Association

In the Real Estate & Savings Banks/Association segment, profit before taxes was down on the year-before period at EUR 73 million (H1 2017: EUR 100 million). A large portion of the segment's earnings once more came from the real estate business, which posted profit before taxes of EUR 57 million (H1 2017: EUR 79 million). Persistently high customer demand drove up the volume of new business acquired compared to the year-before period, which in turn also pushed up operating earnings by EUR 4 million to EUR 100 million. At EUR -10 million, profit before taxes in business with savings banks (Savings Banks & Association division) was slightly below that of the year-before period (EUR -9 million). BayernLabo, BayernLB's development institute for residential construction, posted profit before taxes of EUR 19 million (H1 2017: EUR 23 mil-

lion). Earnings at Real I.S., BayernLB's real estate management company, were on par with the previous-year period at EUR 6 million.

Financial Markets

The Bank's capital market activities, customer business with financial institutions and the asset management subsidiary BayernInvest are bundled under the Financial Markets segment. The segment's profit before taxes amounted to EUR 21 million (H1 2017: EUR 106 million), whereby the high figure for the previous-year period was boosted significantly by high one-off income and measurement gains. Income from the customer business was stable compared with the previous year in spite of stiff competition and subdued demand. As usual, BayernLB reported earnings from Financial Markets products on behalf of the other customer-serving business segments under those segments. The release of fair value adjustments of derivatives transactions resulted once again in a small measurement gain totalling EUR 8 million in the reporting period (H1 2017: EUR 58 million). BayernInvest posted profit before taxes of EUR 3 million (H1 2017: EUR 5 million).

DKB

The DKB segment posted profit before taxes of EUR 204 million, a marked increase once again on the previous year (H1 2017: EUR 116 million). Most of this amount (EUR 190 million; H1 2017: EUR 113 million) related to the DKB sub-group, while EUR 12 million (H1 2017: EUR 2 million) related to Bayern Card-Services (BCS). Net interest income was significantly higher than the year-before period again at EUR 511 million (H1 2017: EUR 429 million) despite the persistently difficult interest-rate environment. The interest income came partly from an improved refinancing structure (e.g. a more cost-effective replacement of expiring transactions). The number of retail customers that DKB serves online broke through the 3.8 million mark.

Outlook for the full year 2018

BayernLB reaffirms its previous forecast for the year and expects profit before taxes for full year 2018 to be in the mid-triple-digit million range.

Additional details on the BayernLB Group's financial figures as at 30 June 2018 can be found in the supplementary IR presentation and in the Group Financial Report as at 30 June 2018. Both documents can be downloaded at www.bayernlb.de.

Communications & Press · Press contact
Tel +49 (0)89 2171- 27176 · Fax +49 (0)89 2171-21332 · presse@bayernlb.de · www.bayernlb.de

Business performance as at 30 June 2018 -– Results of operations

EUR million	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017	Change in %
Net interest income	879	845	4.0
Risk provisions in the credit business	103	90	14.1
Net commission income	132	141	-6.0
Gains or losses on fair value measure-ment	35	143	-75.7
Gains or losses on hedge accounting (hedge accounting)	-44	-93	-53.2
Gains or losses on financial investments	33	16	> 100.0
Administrative expenses	-644	-612	5.4
Expenses for the bank levy and deposit guarantee scheme	-90	-84	7.6
Other income and expenses	52	-25	
Gains or losses on restructuring	2	4	-65.8
Profit before taxes	**452**	**426**	**6.0**
Income taxes	-105	-96	8.7
Profit after taxes	**347**	**330**	**5.2**
Profit/loss attributable to non-controlling interests	-5	0	
Consolidated profit/loss	**342**	**330**	**3.8**
Cost/income ratio (CIR)	59.5	59.5	
Return on Equity (RoE)	10.0	9.6	0.4 pp

Rounding differences may occur in the tables.

Balance sheet (IFRS)

EUR billion	30 Jun 2018	31 Dec 2017	Change in %
Total assets	226.3	220.9	5.5
Credit volume	185.7	183.2	1.4
Equity and subordinated capital	12.7	12.6	0.9

Employees

	30 Jun 2018	31 Dec 2017	Change in %
Number of employees	7,377	7,219	2.2

Communications & Press · Press contact
Tel +49 (0)89 2171- 27176 · Fax +49 (0)89 2171-21332 · presse@bayernlb.de · www.bayernlb.de