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BayernLB posts EUR 51 m in profit before taxes for Q1 2019

- Operating income on target – Q1 2018 benefited from one-off income and positive net risk provisions
- Net interest and net commission income, at approx. EUR 500 m, within expectations
- Still very solid capital base: CET1 ratio of 14.6 percent
- Another gain on risk provisions thanks to good portfolio quality; NPL ratio hits new record of 0.7 percent

Munich – BayernLB posted a **profit before taxes** of EUR 51 million for the first quarter of 2019. Weighing on this figure is a cumulative EUR 93 million from the European **bank levy** and the contributions to the **deposit guarantee scheme**. The EUR 237 million posted for the year-before period, moreover, was boosted by positive one-off factors and high releases of risk provisions.

“Our operating business in the first quarter of 2019 was satisfactory and so we were able to meet our target profit before taxes despite an unrelenting market. As expected, our earnings for the first three months of 2019 were much lower than in the previous-year period, when we benefited from large one-off effects”, explained Dr Edgar Zoller, BayernLB’s Deputy CEO.

Amid a persistently challenging environment, BayernLB’s **net interest income** was for the most part stable, at EUR 423 million (Q1 2018: EUR 450 million). **Net commission income**, by contrast, rose 15.4 percent to EUR 70 million (Q1 2018: EUR 60 million).

Thanks to the robust economy and the good quality of its portfolio, BayernLB once again posted a gain on **risk provisions in the credit business**, which stood at EUR 7 million (Q1 2018: EUR 117 million). The NPL ratio, i.e. the share of non-performing loans in the overall portfolio, reached a new best at 0.7 percent.

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The **loss on fair value measurement** (EUR -13 million; Q1 2018: EUR 36 million) was chiefly the result of measurement changes arising from the unfavourable market environment. **Gains or losses on financial investments** amounted to EUR 31 million (Q1 2018: EUR 7 million).

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Administrative expenses rose to EUR 366 million (Q1 2018: EUR 331 million), due mostly to the ever-increasing costs of fulfilling regulatory requirements and to investments in sales activities, digitalisation and Group-wide strategic initiatives.

BayernLB's **total assets** climbed 6.8 percent, in comparison to the end of 2018, to EUR 235.3 billion (31 December 2018: EUR 220.2 billion). **Risk-weighted assets** (RWAs) at the end of the first quarter amounted to EUR 66.9 billion (31 December 2018: EUR 65.6 billion).

BayernLB still has a very solid capital base, with **CET1 capital** (fully loaded) amounting to EUR 9.7 billion (31 December 2018: EUR 10.0 billion). The main reason for the decline from year-end 2018 was the increase in pension obligations, stemming in turn from another drop in interest rates. This put the **CET1 ratio** (fully loaded) at 14.6 percent (31 December 2018: 15.2 percent).

Return on equity (RoE) at BayernLB stood at 2.1 percent (Q1 2018: 10.9 percent), while the **cost/income ratio** (CIR) increased to 72.7 percent (Q1 2018: 60.1 percent). Both figures are weighed on by temporary measurement effects.

Earnings in the operating customer segments

Corporates & Mittelstand

Profit before taxes in the Corporates & Mittelstand segment stood at EUR 18 million, whereby the previous-year figure (EUR 143 million) benefited from high releases of risk provisions. Net interest and commission income rose to EUR 94 million (Q1 2018: EUR 86 million) despite the challenging market environment.

Real Estate & Savings Banks/Association

At the Real Estate & Savings Banks/Association segment, profit before taxes went up to EUR 55 million (Q1 2018: EUR 25 million) thanks to more good new business in the Real Estate Division and to releases of risk provisions. Earnings from net interest and net commission income in the segment were higher than the year-before period, at EUR 95 million (Q1 2018: EUR 91 million). BayernLabo, BayernLB's development bank, posted a profit before taxes of EUR 14

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million (Q1 2018: EUR 9 million), while earnings at Real I.S. doubled to EUR 4 million (Q1 2018: EUR 2 million).

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Financial Markets

In the Financial Markets segment, profit before taxes plunged to EUR -18 million (Q1 2018: EUR 19 million) as a result of measurement losses. Net commission income, by contrast, rose to EUR 10 million (Q1 2018: EUR 6 million) thanks to increased business activity. The earnings from Financial Markets products for the customer segments were roughly on par with the previous year and are reported under the segments that directly sell them. With EUR 2 million in earnings, BayernInvest Asset Management stayed at its previous-year level.

DKB

The DKB segment saw an expected reduction in profit before taxes from the exceptionally strong year-before period (EUR 96 million (Q1 2018: EUR 114 million)). This was due to the decline in net interest income (e.g. because of lower early repayment penalties) and an increase in administrative expenses. While the bank's business volume continued to grow, its net interest income slipped to EUR 247 million (Q1 2018: EUR 275 million) as a result of market-related, narrowing interest margins. The rise in administrative expenses, to EUR -141 million (Q1 2018: EUR -121 million), came especially from new staffing measures and strategic projects, both of which having been taken up in connection with further digitalisation initiatives.

Outlook for the entire 2019 financial year

Given its sound operating business, good portfolio quality and stable customer base, BayernLB expects profit before taxes will remain in the mid-triple-digit million-euro range for the entire financial year, providing macroeconomic conditions remain unchanged.

Additional details about the BayernLB Group's financial figures in the first quarter of 2019 can be found in the supplemental IR presentation at www.bayernlb.de.

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Business performance as at 31 March 2019 – Results of operations

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EUR million	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018	Change in %
Net interest income	423	450	-6.0
Risk provisions in the credit business	7	117	-93.6
Net interest income after risk provisions	430	567	-24.1
Net commission income	70	60	15.4
Gains or losses on fair value measurement	-13	36	>100.0
Gains or losses on hedge accounting	-12	-23	-48.8
Gains or losses on derecognised financial assets	0	2	-91.9
Gains or losses on financial investments	31	7	>100.0
Administrative expenses	-366	-331	10.4
Expenses for the bank levy and deposit guarantee scheme	-93	-100	-7.0
Other income and expenses	4	19	-78.3
Gains or losses on restructuring	0	-1	-24.4
Profit/loss before taxes	51	237	-78.3
Income taxes	-7	-55	-86.5
Profit/loss after taxes	44	182	-75.8
Profit/loss attributable to non-controlling interests	0	-1	-
Consolidated profit/loss	44	181	-75.8

Rounding differences may occur in the tables.

Balance sheet (IFRS)

EUR billion	31 Mar 2019	31 Dec 2018	Change in %
Total assets	235.3	220.2	6.8
Credit volume	198.0	185.5	8.4
Subordinated capital	2.1	1.9	6.5
Equity	9.7	10.0	-3.0

Employees

	31 Mar 2019	31 Mar 2018	Change in %
Number of employees	7,908	7,313	8.1

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