

# Press Release

12 May 2022

## BayernLB achieves EUR 29 m in profit before taxes in Q1 2022

- Operating performance in line with expectations, with 540 m in net interest and net commission income
- Earnings impacted by cumulative EUR 118 m in EU bank levy charge and deposit guarantee contribution plus EUR 28 m in coverage for potential risks from Russo-Ukrainian war
- Capital base remains solid: CET1 ratio at 16.6 percent

**Munich** – BayernLB has generated a **profit before taxes** of EUR 29 million for the first quarter of 2022 (Q1 2021: EUR 164 million). This result comes in the wake of the EU bank levy charge and the contribution to the deposit guarantee scheme, together tallying EUR 118 million, coupled with a precautionary increase in risk provisions to buffer the potential risks stemming from Russia's war in Ukraine. The Bank's earnings for the same period in 2021 were driven not least by interest rate reductions through the BayernLB Group's participation in the ECB tender and by a positive contribution from risk provisions. As at 31 March 2022 **consolidated profit** (after taxes) stood at EUR 18 million (Q1 2021: EUR 112 million).

"We've got off to a pretty good start this year, with our operating earnings holding steady in comparison with the previous year. The other good news is that all the operating business segments helped boost earnings even with the bank levy, deposit guarantee contribution and extended risk provisioning weighing down on us", said BayernLB CEO Stephan Winkelmeier.

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## Financial data for the first quarter of 2022

**Net interest income** for the BayernLB Group came to EUR 444 million (Q1 2021: EUR 476 million). The figure for the previous-year period was bolstered by the larger bonus from the Group's participation in the ECB tender (Q1 2022: EUR 24 million; Q1 2021: EUR 53 million). Net interest income from operating activities remained stable. **Net commission income** went up slightly to EUR 97 million (Q1 2021: EUR 94 million), due mostly to the higher earnings contributions from DKB's credit card business and the fund business run by the asset management subsidiaries Real I.S. and BayernInvest.

For the first quarter the BayernLB Group posted a negative EUR 28 million in **risk provisions** following its precautionary move to increase coverage for potential risks tied to Russia's war in Ukraine (Q1 2021: earnings contribution from risk provisions positive at EUR 32 million). The so-called post model adjustment was raised to EUR 366 million in response to this increased provisioning (December 2021: EUR 356 million).

**Gains or losses on fair value measurement** came in at EUR 20 million (Q1 2021: EUR 85 million). The precious metals business saw welcome gains, as did capital market products. Still, earnings declined, largely as a result of market impacts on own funds investments coupled with the higher measurement gains in the previous year, which were also market-induced.

Despite DKB's strategic growth initiatives and the related expenses, the BayernLB Group was able to keep its **administrative expenses** on par with the year-before figure, at EUR 402 million (Q1 2021: EUR 394 million). The cost base for the BayernLB core Bank inched further down thanks to the institution's streamlining strategy.

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**Expenses for the bank levy and deposit guarantee scheme** dropped to EUR 118 million (Q1 2021: EUR 144 million). This item comprises a bank levy charge of EUR 104 million (Q1 2021: EUR 71 million) and the likewise mandatory contribution of EUR 14 million to the deposit guarantee scheme (Q1 2021: EUR 73 million). The higher charge is due to the overall levy increase, whereas the plunge in the contribution to the deposit guarantee scheme is accounted for by DKB's switch to the Compensation Scheme of German Private Banks (EdB).

The BayernLB Group's **total assets** rose to EUR 290 billion (31 December 2021: EUR 267 billion). Risk-weighted assets (RWAs) stood at EUR 64.8 billion (31 December 2021: EUR 63.3 billion).

The Group continues to enjoy a solid capital base, with a **CET1 ratio** of 16.6 percent (31 December 2021: 17.3 percent).

The **cost/income ratio (CIR)** was 69.5 percent (Q1 2021: 58.7 percent). **Return on equity (RoE)** stood at 1.1 percent (Q1 2021: 6.4 percent). The year-before figures were enhanced not least by the ECB tender bonus and a positive earnings contribution from risk provisions.

## Earnings in the customer-serving operating segments

Profit before taxes in the **Real Estate & Savings Banks/Financial Institutions** segment was EUR 84 million, virtually unchanged from the year-before period (Q1 2021: EUR 86 million). These earnings are the result both of the real estate business being expanded in line with strategy and the continued success in the precious metals business.

The **Corporates & Markets segment** posted an operating performance on par with the previous-year period. Its profit before taxes was weighed down by the provisions set aside as coverage for the potential risks from the Russo-Ukrainian war, shrinking to EUR 7 million (Q1 2021: EUR 73 million).

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The **DKB** segment, too, saw an operating performance resembling that of the year-before period. The number of DKB's retail customers rose to over 5.1 million (Q1 2021: approx. 4.7 million), with DKB's lending volume also growing further. Profit before taxes stood at EUR 16 million (Q1 2021: EUR 63 million). The decline was the result of market developments that had impacted the bank's own funds investments, a calculated rise in administrative expenses in line with its growth strategy and a higher bank levy. Net interest and net commission income rose.

## Outlook for full-year 2022

As announced at the annual results press briefing late last March, the Group expects a profit before taxes of between EUR 300 million and EUR 500 million for the full year. In light of Russia's war in Ukraine and the resulting apprehension about the future of the global economy, including potential secondary and tertiary effects, the forecast is fraught with a high level of uncertainty.

*Additional details about the BayernLB Group's financial figures in the first quarter of 2022 can be found in the supplemental IR presentation at [www.bayernlb.com](http://www.bayernlb.com).*

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## Performance of the BayernLB Group

### Results of operations

EUR million	1 Jan – 31 Mar 2022	1 Jan – 31 Mar 2021	Change in %
Net interest income	444	476	(6.7)
Net commission income	97	94	3.4
Gains or losses on fair value measurement	20	85	(76.1)
Other earnings components	17	15	14.2
<b>Gross earnings</b>	<b>579</b>	<b>670</b>	<b>(13.6)</b>
Administrative expenses	(402)	(394)	2.2
Risk provisions	(28)	32	-
Gains or losses on restructuring	(3)	(1)	>100
<b>Profit before taxes, bank levy and deposit guarantee contribution</b>	<b>146</b>	<b>308</b>	<b>(52.4)</b>
Expenses for the bank levy and deposit guarantee scheme	(118)	(144)	(18.2)
<b>Profit/loss before taxes</b>	<b>29</b>	<b>164</b>	<b>(82.5)</b>
Income taxes	(10)	(51)	(79.6)
<b>Profit/loss after taxes</b>	<b>18</b>	<b>112</b>	<b>(83.8)</b>
Profit/loss attributable to non-controlling interests	-	-	-
<b>Consolidated profit/loss</b>	<b>18</b>	<b>112</b>	<b>-</b>

Rounding differences may occur in the tables.

### Balance sheet (IFRS)

EUR billion	31 Mar 2022	31 Dec 2021	Change in %
Total assets	290.0	266.6	8.8
Subordinated capital	2.6	2.7	(1.7)
Equity	12.4	12.3	0.9

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