Group Financial Report

30 September 2014
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Note:

This Group financial report as at 30 September 2014 has been prepared with great care. The information is presented voluntarily for our customers and the public. The report does not contain all the information and data required under IAS 34 (Interim Financial Reporting) nor does it fully comply with the disclosure and valuation standards of IFRS. The results have not been audited or reviewed for accuracy.

BayernLB Group as at 30 September 2014 at a glance

Income statement (IFRS)

EUR million	1 Jan – 30 Sep 2014	1 Jan – 30 Sep 2013	Change in %/pp
Net interest income	1,251	1,244	0.6
Risk provisions in the credit business	–84	–115	–26.6
Net interest income after risk provisions	**1,167**	**1,129**	**3.4**
Net commission income	168	153	9.8
Gains or losses on fair value measurement	186	223	–16.7
Gains or losses on hedge accounting	–51	–31	61.6
Gains or losses on financial investments	–140	234	–
Income from interests in companies measured at equity	0	–1	–
Administrative expenses	–825	–878	–6.0
Expenses for bank levies	–2	–5	–57.4
Other income and expenses	74	117	–36.9
Gains or losses on restructuring	–16	–9	82.2
Profit before taxes	**561**	**931**	**–39.8**
Income taxes	–51	–165	–69.1
Gains or losses on continuing operations	**509**	**766**	**–33.5**
Gains or losses on discontinued operations	–1,071	–160	>100.0
Profit after taxes	**–561**	**606**	**–**
Cost/income ratio (CIR)	55.5%	45.3%	10.2 pp[1]
Return on equity (RoE)	5.2%	8.2%	–3.0 pp[1]

Balance sheet (IFRS)

EUR million	30 Sep 2014	31 Dec 2013	Change in %
Total assets	244,656	255,476	–4.2
Credit volume	186,573	193,573	–3.6
Equity and subordinated capital	19,150	19,863	–3.6

Banking supervisory capital and ratios under CRR/CRD IV (31 Dec 2013 under the German Solvency Ordinance (SolvV))

EUR billion	30 Sep 2014	31 Dec 2013	
Core tier 1 capital (CET 1 capital)	11.7	–	
Tier 1 capital	11.7	13.8	
Own funds	13.1	17.0	
Risk positions	83.5	87.6	
Core tier 1 capital ratio (CET 1 ratio)	14.0%	–	
Total capital ratio	15.7%	19.4%	

1 Percentage points

Employees

	30 Sep 2014	31 Dec 2013	Change in %
Number of employees	5,629	8,568	–34.3

Current ratings

	Long-term	Short-term	Pfandbriefs[1]
Fitch Ratings	A+	F1+	AAA
Moody's Investors Service	A3	Prime-2	Aaa

1 Applies to public-sector Pfandbriefs and mortgage Pfandbriefs

Quarterly comparison

The table below compares performance in the third quarter to that in the first and second quarters of 2014.

EUR million	Q3 2014	Q2 2014	Q1 2014
Net interest income	421	450	381
Risk provisions in the credit business	–129	17	28
Net interest income after risk provisions	**291**	**466**	**409**
Net commission income	52	62	53
Gains or losses on fair value measurement	46	87	53
Gains or losses on hedge accounting	–37	–11	–2
Gains or losses on financial investments	–48	–52	–40
Income from interests in companies measured at equity	0	0	0
Administrative expenses	–288	–256	–281
Expenses for bank levies	0	0	–2
Other income and expenses	20	32	21
Gains or losses on restructuring	–3	–9	–3
Profit before taxes	**34**	**320**	**207**
Income taxes	13	–53	–11
Gains or losses on continuing operations	**46**	**267**	**196**
Gains or losses on discontinued operations	–760	–303	–7
Profit after taxes	**–714**	**–36**	**189**

Rounding differences may occur in the tables.

Business performance as at 30 September 2014

Course of business

The BayernLB Group ended the first nine months of 2014 with a solid profit before taxes of EUR 561 million (9m 2013: EUR 931 million). Adjusted for last year's gain of EUR 351 million from the sale of GBW AG, Munich (GBW), profit before taxes was in line with the year before period.

The sale of MKB Bank Zrt. Budapest (MKB) closed on 29 September 2014. With the sale, BayernLB has not only divested the last of the major shareholding required by the European Commission ahead of schedule, it has also ensured that it will not incur any further charges from MKB. The expected, resulting loss on deconsolidation amounted to just under EUR 1.1 billion, leading to a consolidated loss at Group level of EUR 561 million.

The core business again performed well overall and posted profit before taxes of EUR 502 million. The higher figure of EUR 602 million in the year-before period included several non-recurring items such as a gain on the partial buy-back of a USD hybrid bond.

The 4.2 percent reduction in total assets to EUR 244.7 billion is mainly due to the sale of MKB.

As from 1 January 2014, supervisory capital is to be calculated in accordance with the Capital Requirements Regulation (CRR)/Capital Requirements Directive IV (CRD IV). The BayernLB Group's capital base remains very solid under the new, stricter standards. Core tier I capital (Common Equity Tier 1 – CET 1) stood at 14.0 percent as at 30 September 2014.

Results of operations

EUR million	1 Jan – 30 Sep 2014	1 Jan – 30 Sep 2013[1]	Change in %
Net interest income	1,251	1,244	0.6
Risk provisions in the credit business	–84	–115	–26.6
Net interest income after risk provisions	**1,167**	**1,129**	**3.4**
Net commission income	168	153	9.8
Gains or losses on fair value measurement	186	223	–16.7
Gains or losses on hedge accounting	–51	–31	61.6
Gains or losses on financial investments	–140	234	–
Income from interests in companies measured at equity	0	–1	–
Administrative expenses	–825	–878	–6.0
Expenses for bank levies	–2	–5	–57.4
Other income and expenses	74	117	–36.9
Gains or losses on restructuring	–16	–9	82.2
Profit before taxes	**561**	**931**	**–39.8**
Income taxes	–51	–165	–69.1
Gains or losses on continuing operations	**509**	**766**	**–33.5**
Gains or losses on discontinued operations	–1,071	–160	>100.0
Profit after taxes	**–561**	**606**	**–**
Profit attributable to non-controlling interests	0	–7	–
Consolidated profit	**–561**	**598**	**–**

Rounding differences may occur in the tables.
1 Adjusted as per IFRS 5.

Negotiations for the sale of the stake in MKB resulted in MKB's classification as a discontinued operation in accordance with IFRS 5 in the first half of 2014. As a result, MKB's profit after taxes and other measurement effects are reported under the gains or losses on discontinued operations item. MKB's income and expenses are therefore no longer recognised under the individual items of the consolidated income statement from continuing operations. The previous year's figures were adjusted accordingly.

Net interest income of EUR 1,251 million was up slightly by 0.6 percent (9m 2013: EUR 1,244 million) despite the continuing targeted reduction in business volume.

Overall, **risk provisions in the credit business** at the BayernLB Group amounted to EUR –84 million, which was again below both the forecast and the figure from the previous-year period (9m 2013: EUR –115 million). In addition to good portfolio quality, net releases at Banque LBLux S.A., Luxembourg (LBLux) also made a contribution here. DKB's risk provisions remained below the previous-year period at EUR –97 million (9m 2013: EUR –107 million). Following net releases in the previous-year period, BayernLB reported moderate provisioning requirements of EUR –54 million.

Higher commission in the credit business pushed up **net commission income** by 9.8 percent to EUR 168 million.

Gains or losses on fair value measurement stood at EUR 186 million (9m 2013: EUR 223 million). In the first nine months of 2014, the difference between mark-to-market valuation and current income from cross currency swaps and also the measurement of own credit spreads nearly offset each other, leaving a balance of EUR 1 million (9m 2013: EUR –44 million). Besides the customer margin of EUR 74 million (9m 2013: EUR 100 million), a large contribution to the positive result came from impairment reversals in the ABS portfolio of EUR 75 million (9m 2013: EUR 82 million). Fair value adjustments weighed on earnings by EUR –61 million. Releases in the year before period resulted in a gain of EUR 53 million.

The EUR 374 million fall in **gains or losses on financial investments** to EUR –140 million was largely due to the deconsolidation gain of EUR 351 million recognised in the previous year from the sale of the stake in GBW. The figure includes measurement charges of EUR –141 million from the "Umbrella" guarantee agreement (9m 2013: EUR –167 million), which was partially offset by the positive EUR 75 million contribution in gains or losses on fair value measurement. The aim of the Umbrella is to offset losses and valuation swings in the ABS portfolio, where for measurement reasons, earnings are reported in different periods and interdependencies with the gains or losses on fair value measurement arise.

Administrative expenses shrank 6.0 percent to EUR 825 million. IT and staff costs fell as a result of the cost-cutting programme initiated at the end of 2013. However, the reduction was partly offset by higher costs from audit and consultancy services, notably in connection with the ECB's comprehensive assessment.

Other income and expenses came to EUR 74 million (9m 2013: EUR 117 million). The previous year's higher figure was mainly due to gains recorded on the early partial buy-back of the USD hybrid bond.

Gains or losses on discontinued operations of EUR –1,071 million reflects the sale and deconsolidation of MKB. The figure includes MKB's negative contribution to earnings from the first nine months of this year, measurement effects in accordance with IFRS 5, which were reported in the first half of the year, and the deconsolidation which could not be recognised until after the closing. Also recognised in the consolidated income statement is the loan waiver from 2013 and the waiver as part of the disposal of the stake totalling together EUR 671 million.

As economic capital decreased only slightly, the BayernLB Group's lower profit before taxes resulted correspondingly in a lower **return on equity**[1] (RoE) of 5.2 percent (9m 2013: 8.2 percent). The **cost/income ratio (CIR)**[2] was 55.5 percent, down from 45.3 percent in the previous-year period despite lower administrative expenses. Both of the 2013 figures were boosted by the high gain on the sale of GBW.

Core and non-core business of the BayernLB Group

Since 2009, BayernLB has been consistently focusing on forward-looking core business and exiting from all non-core activities. Against this backdrop, all non-core activities due to be discontinued or sold were pooled in the Non-Core Unit at the beginning of 2013 in the course of implementing the new segment structure.

The Group generated profit before taxes of EUR 561 million, with most of it, EUR 502 million (9m 2013: EUR 602 million), from core business. Despite ongoing market pressure and fierce competition, core business performed well.

1 Jan–30 Sep 2014	Core business (incl. consolidation) (EUR m)	Share	Non-core business (incl. consolidation) (EUR m)
Total income before consolidation	1,454		135
Consolidation	–127		26
Total income after consolidation	**1,327**	**89.2%**	**161**
Risk provisions[1]	–79	93.5%	–5
Administrative expenses[1]	–734	88.9%	–92
Expenses for bank levies[1]	–2	100.0%	0
Gains or losses on restructuring[1]	–10	62.7%	–6
Profit before taxes after consolidation	**502**	**89.6%**	**58**
Risk positions[1]	68,893	82.5%	14,631

1 Positions excluding consolidation.

1 *Profit before taxes/average reported equity.*

2 *CIR = administrative expenses/(net interest income + net commission income + gains or losses on fair value measurement + gains or losses on hedge accounting + gains or losses on financial investments + income from interests in companies measured at equity + other income and expenses).*

Segment reporting

The segment report is based on the monthly internal management report to the Board of Management and reflects the BayernLB Group's six segments. The core business is divided as at 30 September 2014 into the operating segments Corporates, Mittelstand & Financial Institutions, Real Estate & Savings Banks/Association, DKB, and Markets, including the legally dependent institution Bayerische Landesbodenkreditanstalt (BayernLabo) and their associated subsidiaries. The Central Areas & Others segment is also included. The Non-Core Unit comprises the Restructuring Unit containing portfolios with non-core characteristics, the subsidiary LBLux, and other non-core activities. Due to MKB's reclassification under IFRS 5, its impact on earnings is recognised under gains or losses on discontinued operations and therefore is no longer a component of the Non-Core Unit in the segment reporting; the previous year's figures have been adjusted accordingly.

The individual segments contributed as follows to profit before taxes of EUR 561 million (9m 2013: EUR 931 million):

EUR million	1 Jan – 30 Sep 2014	1 Jan – 30 Sep 2013
Corporates, Mittelstand & Financial Institutions	210	235
Real Estate & Savings Banks/Association	198	157
DKB	114	122
Markets	–63	18
Central Areas & Others	169	213
Non-Core Unit	33	348
Consolidation	–101	–163

The Corporates, Mittelstand & Financial Institutions segment closed the first nine months of financial year 2014 with profit before taxes of EUR 210 million (9m 2013: EUR 235 million). Net interest income remained unchanged year-on-year, despite subdued demand for lending and competitive pressure; net commission income climbed due to higher commission in the credit business. Total income was thus stable overall in spite of a lack of volatility in the markets which led to lower earnings from demand for interest rate and currency hedging instruments. The decline in administrative expenses was boosted by cost-cutting measures. Risk provisions in line with expectations but higher than the previous year, which was boosted by releases, were reflected in the lower profit before taxes. Contrary to the market trend, income from customer business remained good.

Profit before taxes in the Real Estate & Savings Banks/Association segment amounted to EUR 198 million, well above the figure for the first nine months of the previous year (9m 2013: EUR 157 million).

The Real Estate division made a major contribution to the segment's success with profit before taxes of EUR 127 million (9m 2013: EUR 71 million). The increase resulted from higher net interest income, better net commission income from new business, and risk provisions marked by releases. Administrative expenses were slightly down year-on-year.

Profit before taxes in the Savings Banks & Association division was unchanged from the year-before period at EUR 24 million (9m 2013: EUR 24 million). Thanks to the segment's ongoing constructive and close collaboration with the savings banks and public sector, interest income was significantly higher. The increase in interest income stemmed primarily from sales of Financial Markets products such as Schuldschein note loans to the savings banks. Administrative expenses edged up as a result of an increase in charges from other segments.

BayernLabo reported lower profit before taxes year-on-year of EUR 42 million (9m 2013: EUR 58 million). Low interest rates and higher administrative expenses resulting from extraordinary expenses for launching new IT software weighed on earnings.

The consolidated subsidiary Real I.S. AG contributed EUR 5 million (9m 2013: EUR 2 million) to the segment's earnings.

The DKB segment reported profit before taxes of EUR 114 million in the reporting period (9m 2013: EUR 122 million). Despite low interest rates, total income was on par with the year-before period. The decrease in risk provisions as a result of better portfolio quality was offset by higher administrative expenses mainly due to the ongoing growth in customers and additional costs for regulatory rules. Considering the current economic situation, customer business continued to perform well. The lending business grew slightly to EUR 57.5 billion despite early and high loan repayments and intense competition for customers with good credit ratings. Customer deposits rose by 8.6 percent to EUR 47.4 billion. DKB further expanded its position as "Your bank on the web" as the number of customers rose in all segments to a total of 3.0 million.

The Markets segment closed the reporting period with earnings in the red of EUR –63 million (9m 2013: EUR 18 million), marked by charges in total income. The main reasons for the year-on-year decrease in segment earnings were weak demand for financial instruments due to low market volatility, the creation of credit value adjustments of EUR –77 million for counterparties in the derivatives business and high one-off items in the same period in 2013. The good performance of risk provisions is attributable to the release of a credit risk provision for which a credit value adjustment had been made (net impact approx EUR –26 million). Cost cutting measures had a positive impact on administrative expenses once again. In line with BayernLB's business model, earnings produced by the segment from "Markets products" on behalf of other customer business areas are reported under the respective segments.

The Central Areas & Others segment comprises the central areas and those business transactions executed in the overall interests of the Bank or Group which are not allocated to the individual operating segments. Profit before taxes in the 2014 reporting period was down year-on-year at EUR 169 million (9m 2013: EUR 213 million). The gain from the partial buy-back of a USD hybrid bond made a significant contribution to the previous year's segment earnings.

The Non-Core Unit segment comprises all of the BayernLB Group's non-core activities. Profit before taxes of EUR 33 million (9m 2013: EUR 348 million) was sharply lower than the previous year period which was boosted by a deconsolidation gain from the sale of GBW AG. As a result of the classification of MKB as a discontinued operation as at 30 June 2014, financial details on MKB are no longer included in the Non-Core Unit segment information for the financial year. MKB was sold and deconsolidated in September 2014.

In the first nine months of FY 2014, the Restructuring Unit division made steady progress in reducing the credit and investment portfolios through scheduled and early repayments and sales. Their volume was cut by a further EUR 3.5 billion. As at 1 July 2014, the corporate banking portfolio of LBLux, totalling EUR 2 billion, was transferred to the Restructuring Unit division, taking the volume of all portfolios to EUR 21 billion. Against this background of shrinking volumes, the segment's profit before taxes fell to EUR –52 million (9m 2013: EUR –17 million). Despite lower interest and commission income, total income rose on the back of non-recurring items. Administrative expenses were lower than in the year-before period. Risk provisions increased mainly due to writedowns on a single exposure and were thus considerably lower than the gain posted in the year-before period which was marked by releases.

LBLux's business activities in the first nine months of the reporting year were marked primarily by exit activities, such as the closing of private banking and the transfer of the corporate banking portfolio, and the resulting non-recurring items. Profit before taxes amounted to EUR 108 million (9m 2013: EUR 16 million). This included the reversal of a portfolio impairment of EUR 70 million established in FY 2013 related to the sale of the corporate portfolio planned at the time.

Since 1 January 2013, the Other NCU sub-segment has comprised the non-core activities of DKB, additional non-core investments not assigned to the divisions referred to above and business transactions in non-core business executed in the overall interests of the Bank or Group. Profit before taxes in the reporting period was EUR –23 million (9m 2013: EUR 349 million), down sharply on the previous-year period, which included the deconsolidation gain from the sale of GBW.

Financial position

Assets

EUR million	30 Sep 2014	31 Dec 2013	Change in %
Cash reserves	1,969	3,160	–37.7
Loans and advances to banks	42,894	43,470	–1.3
Loans and advances to customers	132,494	137,965	–4.0
Risk provisions	–1,836	–2,668	–31.2
Portfolio hedge adjustment assets	1,677	1,687	–0.6
Assets held for trading	23,460	25,337[1]	–7.4
Positive fair values from derivative financial instruments (hedge accounting)	3,157	2,889	9.3
Financial investments	37,962	39,720	–4.4
Interests in companies measured at equity	0	26	–
Investment property	51	99	–48.5
Property, plant and equipment	361	619	–41.6
Intangible assets	96	154	–37.6
Tax assets	288	284	1.1
Non-current assets or disposal groups held for sale	326	2,065	–84.2
Other assets	1,756	668	>100.0
Total assets	**244,656**	**255,476**	**–4.2**

Liabilities

EUR million	30 Sep 2014	31 Dec 2013	Change in %
Liabilities to banks	65,346	71,191	–8.2
Liabilities to customers	85,624	86,183	–0.6
Securitised liabilities	48,899	52,964	–7.7
Liabilities held for trading	17,280	16,672[1]	3.6
Negative fair values from derivative financial instruments (hedge accounting)	2,763	2,846	–2.9
Provisions	3,615	3,503	3.2
Tax liabilities	312	294	6.3
Liabilities of disposal groups	0	1,438	–
Other liabilities	1,666	522	>100.0
Subordinated capital	4,963	4,984	–0.4
Equity	14,186	14,879	–4.7
Total liabilities	**244,656**	**255,476**	**–4.2**

Rounding differences may occur in the tables.
1 Adjusted as per IAS 8.22.

The BayernLB Group's **total assets** fell a further 4.2 percent to EUR 244.7 billion compared to the end of 2013. The decrease is mainly due to the deconsolidation of MKB.

Adjusted for the sale of MKB, **loans and advances to customers** remained unchanged at EUR 132.5 billion. The sharp fall in **risk provisions** in the credit business by 31.2 percent to EUR 1.8 billion is also related to the disposal of MKB.

While **liabilities to customers** climbed EUR 3.4 billion to EUR 85.6 billion, **securitised liabilities** contracted by the same amount to EUR 48.9 billion (changes adjusted for MKB).

The EUR 0.7 billion reduction in **equity** to EUR 14.2 billion was also due to the sale of MKB.

Banking supervisory ratios for the BayernLB Group

Since 1 January 2014, capital has been calculated for banking supervisory purposes on the basis of CRR/CRD IV. One consequence for the BayernLB Group has been a shift from the aggregation-based German GAAP rules (HGB) to calculating capital based on the IFRS consolidated financial statements. On the whole, the first-time application of CRR/CRD IV has led to lower capital ratios as a result of a decrease in eligible capital combined with an increase in risk positions. Direct comparisons between the figures as at 31 December 2013 and 30 September 2014 are not possible.

Core tier 1 capital (CET 1) amounted to EUR 11.7 billion as at 30 September 2014. Given risk positions of EUR 83.5 billion, the CET 1 ratio was a very solid 14.0 percent. Total own funds as at 30 September 2014 amounted to EUR 13.1 billion, and the total capital ratio was 15.7 percent. Under the German Solvency Ordinance (SolvV), the figures as at 31 December 2013 are: Tier 1 capital EUR 13.8 billion, risk positions EUR 87.6 billion, tier 1 capital ratio 15.8 percent, own funds EUR 17.0 billion and own funds ratio 19.4 percent.

Outlook

For the economic conditions, key forecasts, opportunities and other statements on the expected economic performance in financial year 2014, please refer to the 2013 Group management report and the Group Interim Report for the first half of 2014. On 16 October 2014, BayernLB filed a lawsuit against the HAA special law in Austria described in the Group Interim Report. The special law mandates the cancellation or mandatory deferral of receivables due from Hypo Alpe-Adria-Bank International AG, Klagenfurt (HAA).

BayernLB has passed the European Central Bank's (ECB) Comprehensive Assessment with a good score, more than fulfilling all minimum capital requirements in the process. The outcome of the asset quality review was a comfortable CET 1 ratio of 13.2 percent (minimum 8 percent); in the stress test BayernLB achieved 12.4 percent in the baseline scenario (minimum 8 percent) and 9.4 percent in the adverse scenario (minimum 5.5 percent).

At the end of October 2014, BayernLB sold its portfolio of ABS instruments with a volume of EUR 6.5 billion (as at 30 June 2014) to international investors in an auction. At the same time, the guarantee agreement with the Free State of Bavaria (Umbrella) was ended and the clawback required by the European Commission ruling for assuming the liability was repaid to the Free State of Bavaria. This took the total amount of the state aid repaid to EUR 1,960 million. The sale of the ABS portfolio provides BayernLB more planning certainty on both the earnings side and with regard to the performance of risk positions. In addition, the transaction had a slightly positive impact on the core capital ratio.

As already reported, due to the charges incurred for the deconsolidation of MKB, the BayernLB Group expects to report a loss for its full-year consolidated net income, although the Bank's capital base will remain very sound. In conjunction with the sale of the ABS portfolio, the "Umbrella" hedging agreement was terminated and the associated state aid was repaid. The related expenses will result in a loss for the year in BayernLB's stand-alone accounts prepared under German accounting standards (HGB).

Segment reporting as at 30 September 2014

EUR million	Corporates, Mittelstand & Financial Institutions	Real Estate & Savings Banks/Association	DKB	Markets	Central Areas & Others	Non-Core Unit	Consolidation	Group
Net interest income	286	216	467	43	186	154	– 101	1,251
Risk provisions in the credit business	– 32	28	– 87	15	– 3	– 5	0	– 84
Net commission income	118	60	– 24	– 6	– 4	24	0	168
Gains or losses on fair value measurement	37	26	31	44	– 13	90	– 28	186
Gains or losses on hedge accounting	0	3	– 32	– 24	0	1	1	– 51
Gains or losses on financial investments	0	0	2	0	8	– 175	25	– 140
Income from interests in companies measured at equity	0	0	0	0	0	0	0	0
Administrative expenses	– 200	– 154	– 242	– 125	– 13	– 91	0	– 825
Expenses for bank levies	0	0	– 2	0	0	0	0	– 2
Other income and expenses	2	20	3	– 9	16	41	1	74
Gains or losses on restructuring	0	0	0	0	– 10	– 6	0	– 16
Profit before taxes	**210**	**198**	**114**	**– 63**	**169**	**33**	**– 101**	**561**
Return on equity (RoE) (%)	12.1	31.3	5.1	– 8.6	–	2.2	–	5.2
Cost/income ratio (CIR) (%)	45.3	47.5	54.3	262.6	–	67.3	–	55.5

Segment reporting as at 30 September 2013

EUR million	Corporates, Mittelstand & Financial Institutions	Real Estate & Savings Banks/Association	DKB	Markets	Central Areas & Others	Non-Core Unit	Consolidation	Group
Net interest income	288	191	449	119	206	130	–139	1,244
Risk provisions in the credit business	–4	–7	–96	0	0	–7	0	–115
Net commission income	100	55	–17	–3	–4	22	0	153
Gains or losses on fair value measurement	59	52	12	48	–11	78	–15	223
Gains or losses on hedge accounting	0	4	–25	8	1	1	–20	–31
Gains or losses on financial investments	3	0	31	10	0	190	0	234
Income from interests in companies measured at equity	0	0	0	0	0	0	–1	–1
Administrative expenses	–209	–151	–230	–135	–13	–135	–5	–878
Expenses for bank levies	0	0	–3	0	–2	0	0	–5
Other income and expenses	–1	14	2	–28	37	77	16	117
Gains or losses on restructuring	0	0	0	0	0	–9	0	–9
Profit before taxes	**235**	**157**	**122**	**18**	**213**	**348**	**–163**	**931**
Return on equity (RoE) (%)	15.2	26.2	5.4	2.1	–	18.0	–	8.2
Cost/income ratio (CIR) (%)	46.6	47.8	50.9	88.2	–	27.1	–	45.3

Administrative bodies of BayernLB[1]

Supervisory Board

Gerd Haeusler
Chairman of the Supervisory Board of
BayernLB
Munich

Walter Strohmaier
Deputy Chairman of the Supervisory Board of
BayernLB
Chairman of the Board of Directors
Sparkasse Niederbayern-Mitte
Straubing

Dr Hubert Faltermeier
Chief District Administrator
Kelheim

Dr Roland Fleck
Managing Director
NürnbergMesse GmbH
Nuremberg

Dr Ute Geipel-Faber
Senior Director – Client Portfolio Management
Invesco Real Estate GmbH
Munich

Ralf Haase
Chairman of the General Staff Council
BayernLB
Munich

Dr Ulrich Klein
Under Secretary
Bavarian State Ministry of Finance,
Regional Development and Regional Identity
Munich

Wolfgang Lazik
Deputy Secretary
Bavarian State Ministry of Finance,
Regional Development and Regional Identity
Munich

Professor Dr Christian Rödl
Managing Partner
Rödl & Partner GbR
Nuremberg

Professor Dr Bernd Rudolph
LMU Munich and Steinbeis University Berlin

Dr Bernhard Schwab
Deputy Secretary
Bavarian State Ministry for Economic Affairs
and the Media, Energy and Technology
Munich

1 as at October 2014

Board of Management

Dr Johannes-Jörg Riegler
CEO
Corporate Center
Deutsche Kreditbank Aktiengesellschaft

Dr Edgar Zoller
Deputy CEO
Real Estate & Savings Banks/Association
Bayerische Landesbodenkreditanstalt[1]

Marcus Kramer
CRO
Risk Office
Restructuring Unit
Group Compliance
Banque LBLux S.A.

Michael Bücker
Corporates, Mittelstand & Financial Institutions

Dr Markus Wiegelmann
CFO/COO
Financial Office
Operating Office

Ralf Woitschig
Markets

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1 Dependent institution of the Bank.

Segment definitions

Corporates, Mittelstand & Financial Institutions

The Corporates, Mittelstand & Financial Institutions segment serves large German companies and international companies with a connection to Germany and also German Mittelstand customers primarily in the states of Bavaria and North Rhine-Westphalia. These include in particular DAX and MDAX-listed companies and family-owned businesses which conduct international business from their German home market. In addition, the Corporates, Mittelstand & Financial Institutions segment conducts the syndicated business on behalf of the Bavarian savings banks and their customers. The segment also includes BayernLB's business relationships with banks, insurance companies and other institutional customers. Not included, however, is business with non-profit foundations and similar activities.

Real Estate & Savings Banks/Association

The Real Estate & Savings Banks/Association segment incorporates business with commercial and residential real estate customers, the savings banks and the public sector. The legally dependent institution Bayerische Landesbodenkreditanstalt (BayernLabo) and the subsidiary Real I.S. AG Gesellschaft für Immobilien Assetmanagement, Munich are also assigned to this segment.

Deutsche Kreditbank (DKB)

The core business of subsidiary DKB is pooled in this segment. DKB is well positioned in retail banking as "Your bank on the web". In addition to being an internet bank, it also operates in the promising infrastructure and corporate customers areas. In this regard, it specialises particularly on sectors with sustainable growth potential, such as in the target markets of residential accommodation and agriculture.

Markets

The Markets segment comprises the business area bearing the same name and BayernInvest Kapitalanlagegesellschaft mbH, Munich, a consolidated asset manager. The Markets business area combines all trading and issuing activities as well as asset and liability management. The Markets segment also provides a range of capital market and Treasury products that are cross-sold to BayernLB's corporates, Mittelstand, savings banks and real estate customers. Market and default risks are hedged and solvency assured at all times through risk and liquidity management.

Central Areas & Others

The Central Areas & Others segment incorporates the earnings contributions from the central areas Corporate Center, Financial Office, Operating Office, and Risk Office. The segment also includes transactions whose earnings contributions are generated from core business but cannot be allocated to either a business area or a central area.

Non-Core Unit

All non-core activities have been transferred to the "Non-Core Unit" segment. This contains the Restructuring Unit, the Other NCU sub-segment and the subsidiary LBLux. Until its classification as a discontinued operation as at 30 June 2014, MKB was allocated to the Non-Core Unit. The segment information presented on the Non-Core Unit no longer contains any details on this discontinued operation in the reporting period. The quantitative information on segments was adjusted accordingly for the comparison periods.

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