Group Financial Report

30 September 2015
Facts. Figures.

BayernLB

Contents

Note:

This Group financial report as at 30 September 2015 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 2015 at a glance

Income statement (IFRS)

EUR million	1 Jan – 30 Sep 2015	1 Jan – 30 Sep 2014	Change in %/ pp[1]
Net interest income	1,223	1,251	– 2.3
Risk provisions in the credit business	– 32	– 84	– 62.2
Net commission income	167	168	– 0.6
Gains or losses on fair value measurement	– 65	186	–
Gains or losses on financial investments	242	– 140	–
Administrative expenses	– 842	– 825	2.0
Expenses for the bank levy and deposit guarantee scheme	– 147	– 2	> 100.0
Other income and expenses	50	74	– 32.6
Profit/loss before taxes	**574**	**561**	**2.4**
Income taxes	– 148	– 51	> 100.0
Gains or losses on continuing operations	**426**	**509**	**– 16.4**
Gains or losses on discontinued operations	0	– 1,071	–
Profit/loss after taxes	**426**	**– 561**	**–**
Cost/income ratio (CIR)	52.7%	55.5%	– 2.8 pp[1]
Return on equity (RoE)	6.7%	5.2%	1.5 pp[1]

Rounding differences may occur in the tables.

Balance sheet (IFRS)

EUR million	30 Sep 2015	31 Dec 2014	Change in %
Total assets	220,856	232,124	– 4.9
Credit volume	175,604	182,584	– 3.8
Equity and subordinated capital	16,614	16,510	0.6

Banking supervisory capital and ratios under CRR/CRD IV

EUR million	30 Sep 2015	31 Dec 2014	Change in %/ pp[1]
Common Equity Tier 1 capital (CET 1 capital)	9,833	9,822	0.1
Own funds	11,502	11,715	– 1.8
Total RWA	71,093	76,616	– 7.2
Common Equity Tier 1 ratio (CET 1 ratio)	13.8%	12.8%	1.0 pp[1]
Total capital ratio	16.2%	15.3%	0.9 pp[1]

1 Percentage points.

Employees

	30 Sep 2015	31 Dec 2014	Change in %
Number of employees	6,805	6,842	–0.5

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 2015.

EUR million	Q3 2015	Q2 2015	Q1 2015
Net interest income	399	415	409
Risk provisions in the credit business	–45	6	7
Net interest income after risk provisions	**354**	**421**	**416**
Net commission income	57	49	60
Gains or losses on fair value measurement	–13	66	–118
Gains or losses on hedge accounting	–14	6	–11
Gains or losses on financial investments	35	89	119
Administrative expenses	–282	–276	–284
Expenses for the bank levy and deposit guarantee scheme	0	–147	0
Other income and expenses	6	19	25
Gains or losses on restructuring	–1	0	–2
Profit/loss before taxes	**142**	**226**	**206**

Business performance as at 30 September 2015

Course of business

The BayernLB Group's core business continued to perform well in the third quarter of 2015. Earnings from core business amounted to EUR 724 million in the first nine months of the year, far exceeding the EUR 502 million in the year-before period. The non-core business posted a loss of EUR 150 million (9M 2014: gain of EUR 58 million), bringing profit before taxes down to EUR 574 million (9M 2014: EUR 561 million).

Consolidated profit swung to a gain of EUR 426 million from a loss of EUR 561 million in the year-before period. Charges from selling the stake in MKB Bank Zrt., Budapest (MKB) weighed heavily on the year-before figure.

Total assets fell another 4.9 percent from the end of 2014 to EUR 220.9 billion as a result of the continuing winding down of non-core activities. The lending business once again had a major impact on the Group's assets. The financial position was sound, solvency was assured at all times and the BayernLB Group's economic situation remained stable.

The BayernLB Group's very solid capital base has strengthened even more. As at 30 September 2015, the Common Equity Tier 1 (CET 1) ratio was 13.8 percent, up from 12.8 percent on 31 December 2014.

Results of operations

EUR million	1 Jan–30 Sep 2015	1 Jan–30 Sep 2014	Change in %
Net interest income	1,223	1,251	–2.3
Risk provisions in the credit business	–32	–84	–62.2
Net interest income after risk provisions	**1,191**	**1,167**	**2.0**
Net commission income	167	168	–0.6
Gains or losses on fair value measurement	–65	186	–
Gains or losses on hedge accounting	–19	–51	–63.4
Gains or losses on financial investments	242	–140	–
Administrative expenses	–842	–825	2.0
Expenses for the bank levy and deposit guarantee scheme	–147	–2	> 100.0
Other income and expenses	50	74	–32.6
Gains or losses on restructuring	–3	–16	–79.8
Profit/loss before taxes	**574**	**561**	**2.4**
Income taxes	–148	–51	> 100.0
Gains or losses on continuing operations	**426**	**509**	**–16.4**
Gains or losses on discontinued operations	0	–1,071	–
Profit/loss after taxes	**426**	**–561**	**–**
Profit/loss attributable to non-controlling interests	0	0	–
Consolidated profit/loss	**426**	**–561**	**–**

Net interest income fell slightly by 2.3 percent to EUR 1,223 million as a result of the continued reduction in business volume. Much higher net interest income at Deutsche Kreditbank AG, Berlin (DKB) largely offset the decrease at BayernLB that resulted in part from the further winddown of non-core business.

At EUR –32 million, **risk provisions in the credit business** were both considerably below the year-before period (9M 2014: EUR –84 million) and below forecast. Experience has shown that risk provisions increase in the fourth quarter, which also includes the adjusting events period at the beginning of the next financial year.

Net commission income remained steady at EUR 167 million, even without the net commission income of Banque LBLux S.A., Luxembourg (LBLux) which was included in the year-before period figure (9M 2014: EUR 168 million).

The **gains or losses on fair value measurement** item came in at EUR –65 million (9M 2014: EUR 186 million). The writedown on the exposure to HETA Asset Resolution AG, Klagenfurt (HETA), formerly Hypo Alpe Adria Bank International AG, Klagenfurt, amounting to around EUR 100 million, weighed heavily on this item, particularly due to the ending of the exchange rate floor for the Swiss franc in January 2015. Other measurement losses of EUR 30 million resulted from fair value adjustments (9M 2014: loss of EUR 61 million), which were offset by gains in the fair value option from changes in own credit spreads (EUR 42 million; 9M 2014: loss of EUR 23 million). Furthermore, the figure for the year-before period included a positive contribution of EUR 75 million from the guarantee agreement with the Free State of Bavaria to hedge the ABS portfolio (Umbrella), which was terminated in 2014. Customer margins increased to EUR 86 million (9M 2014: EUR 74 million).

Gains or losses on financial investments swung to a gain of EUR 242 million from a loss of EUR 140 million in the first nine months of 2014. Earnings were boosted by proceeds from the sale of securities and the sale of shareholdings. The loss in the year-before period was due to a charge of EUR 141 million arising from mark-to-market measurement of the aforementioned Umbrella guarantee agreement.

Administrative expenses were slightly up on the year-before period, rising by 2.0 percent to EUR 842 million. Staff costs rose in the wake of the first-time consolidation of DKB Service GmbH, Potsdam (DKB Service), which increased the headcount by more than 1,000, while operating costs fell. There was a significant increase in expenses for court costs relating to the legal disputes concerning the claims against HETA.

Other income and expenses in the amount of EUR 50 million (9M 2014: EUR 74 million) in 2015 included income and expenses from the non-banking activities of the subsidiaries and also interest income on tax reimbursements from previous years.

Expenses for the bank levy and deposit guarantee scheme weighed on earnings in the amount of EUR 147 million (9M 2014: EUR 2 million). This included EUR 99 million for the bank levy and a EUR 47 million contribution to the Savings Banks Finance Group's deposit guarantee scheme. Both figures are based on BayernLB's own estimates as the exact amounts due were not available as at 30 September 2015. The expected expense for full-year 2015 was recognised in each case.

There were no **gains or losses on discontinued operations** in 2015. In the first nine months of 2014, this item stood at EUR –1,071 million and included the earnings for the period and deconsolidation loss of MKB, which was sold in the third quarter of 2014.

Return on equity[1] (RoE) rose to 6.7 percent in the first nine months of 2015 (9M 2014: 5.2 percent). The **cost/income ratio**[2] (CIR) improved to 52.7 percent (9M 2014: 55.5 percent).

Core and non-core business of the BayernLB Group

Since 2009, BayernLB has been consistently focusing on its forward-looking core business and winding down all non-core activities, which were pooled into the Non-Core Unit for this purpose.

Earnings from core business were significantly higher than in the first nine months of the previous year, rising to EUR 724 million (9M 2014: EUR 502 million), in spite of persistently tough market conditions, stiff competition and high charges for the bank levy and the deposit guarantee scheme. The Bank continued to wind down its non-core business rapidly and systematically. Risk-weighted assets in the Non-Core Unit now make up less than 10 percent of the Group total.

1 Jan – 30 Sep 2015	Core business (EUR million)	Percent	Non-core business (EUR million)
Total revenues	**1,591**	**99.6**	**7**
Risk provisions	29	–	–61
Administrative expenses	–750	89.1	–92
Expenses for the bank levy and deposit guarantee scheme	–147	100.0	0
Gains or losses on restructuring	1	–	–4
Profit/loss before taxes	**724**	**–**	**–150**
Risk-weighted assets	64,447	90.7	6,646

Segments

The segment report is based on the monthly internal management report to the Board of Management and reflects the BayernLB Group's six segments. As of 30 September 2015, BayernLB's core business comprised the operating business segments Corporates & Mittelstand, Real Estate & Savings Banks/Association including the legally dependent institution Bayerische Landesbodenkreditanstalt, Munich (BayernLabo), DKB, and Financial Markets with the consolidated subsidiaries Real I.S. AG Gesellschaft für Immobilien Assetmanagement, Munich (Real I.S.) and BayernInvest Kapitalverwaltungsgesellschaft mbH, Munich (BayernInvest). Also included in the core business is the Central Areas & Others segment which is aggregated with the Consolidation column. All non-core business is consolidated in the Non-Core Unit. The Non-Core Unit primarily includes the

1 *RoE = profit or loss 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 + other income and expenses).*

Restructuring Unit, which holds portfolios of non-core assets, and other non-core activities such as the LBLux sub-group, the non-core business of the DKB sub-group and the loans to HETA (including their funding).

In line with the business model of the BayernLB Group, the segment structure has been modified somewhat from that as at 30 September 2014.

For example, at the beginning of financial year 2015, most of the Financial Institutions division was transferred from the Corporates, Mittelstand & Financial Institutions segment to the Financial Markets segment. At the same time, the subsidiary Real I.S., which was included in the Real Estate & Savings Banks/Association in the previous year, was transferred to the Financial Markets segment.

Due to the ongoing restructuring of the Group and in order to ensure more systematic allocation to financial sources, selected adjustments were also made to the allocation of earnings contributions from subsidiaries and to consolidation entries, which will be booked as far as possible under the segments.

The segment figures for the comparison period were adjusted in accordance with the new structure and the allocation of earnings contributions from subsidiaries and consolidation entries.

In accordance with internal management reporting, the Central Areas & Others segment and the Consolidation column are aggregated. A breakdown of the Central Areas & Others segment and consolidation entries not allocated to the segments is shown separately.

The contributions of the individual segments to the profit before taxes of EUR 574 million (9M 2014: EUR 561 million) are shown below:

EUR million	**1 Jan – 30 Sep 2015**	**1 Jan – 30 Sep 2014**
Corporates & Mittelstand	232	163
Real Estate & Savings Banks/Association	160	193
DKB	238	114
Financial Markets	123	– 13
Central Areas & Others (including Consolidation)	– 29	44
Non-Core Unit	– 150	58

Profit before taxes in the Corporates & Mittelstand segment jumped in the first nine months of 2015 to EUR 232 million from EUR 163 million in the year-before period. The segment's results were boosted by the positive trend in risk provisioning resulting in gains of EUR 59 million (9M 2014: EUR –35 million). This was mainly driven by releases and recoveries on written down receivables. Largely as a result of low capital spending by companies, net interest income fell to EUR 235 million (9M 2014: EUR 261 million), but this was partly offset by a rise in gains on fair value measurement in the customer business to EUR 40 million (9M 2014: EUR 25 million). Administrative expenses were on par with the year-before period at EUR 188 million (9M 2014: EUR 185 million). The segment posted another solid performance overall in the currently tough and highly competitive market environment.

The Real Estate & Savings Banks/Association segment reported profit before taxes of EUR 160 million, significantly lower than the EUR 193 million in the first nine months of the previous year.

The Real Estate division contributed a considerable EUR 119 million (9M 2014: EUR 127 million) to the segment's profit before taxes. Customer demand and the new business driven by it continued to perform well. Although total income was also good at EUR 135 million (9M 2014: EUR 144 million) it was not possible to repeat the figure from the year-before period due to market conditions which squeezed profit margins. Risk provisions boosted earnings again with a gain of EUR 29 million (9M 2014: EUR 28 million).

The Savings Banks & Association division reported profit before taxes of EUR 6 million, down considerably from the previous-year period (9M 2014: EUR 24 million). Low demand for capital market products as a result of low interest rates was principally responsible for the fall in earnings.

BayernLabo posted profit before taxes of EUR 35 million (9M 2014: EUR 42 million). The operating business was stable but net interest income declined to EUR 51 million (9M 2014: EUR 57 million) as a result of low interest rates.

The DKB segment continued to perform well in the first nine months of the year. This is reflected in the segment's profit before taxes, which more than doubled from the year-before period to EUR 238 million (9M 2014: EUR 114 million). The rise in earnings resulted primarily from a sharp increase in net interest income to EUR 588 million (9M 2014: EUR 467 million). An improved funding structure and the adjustment of variable interest rates to the low interest rate environment were mainly responsible for the hike. The charge from risk provisioning fell further to EUR 60 million from the year-before period figure of EUR 87 million, as a result of good portfolio quality. Administrative expenses rose to EUR 268 million (9M 2014: EUR 242 million). This was principally driven by the ever-growing number of customers and by the first-time consolidation of DKB Service at the end of FY 2014. Considering the current economic situation, customer business continued to perform well. For example, receivables from customers climbed by over EUR 400 million in the first nine months of 2015 despite large, early repayments. With retail customers now totalling more than 3.1 million, DKB has further strengthened its position as "Your Bank on the web."

The Financial Markets segment posted profit before taxes of EUR 123 million in the first nine months of 2015 (9M 2014: loss of EUR 13 million). Price gains on securities and a fall in charges for fair value adjustments on derivative transactions boosted earnings. Expenses of EUR 30 million from the creation of fair value adjustments took far less of a toll on earnings than in the first nine months of the previous year (9M 2014: EUR 63 million). Administrative expenses were also down on the year-before period at EUR 143 million (9M 2014: EUR 158 million). As usual, earnings from financial markets products on behalf of the other customer-serving business segments were reported under those segments. Earnings from the customer business were on par with the year-before period despite subdued demand for capital market products in the low interest rate environment.

BayernInvest posted profit before taxes of EUR 7 million (9M 2014: EUR 5 million). The contribution to profit before taxes from Real I.S. fell from EUR 5 million in the year-before period to EUR 1 million.

The Central Areas & Others segment posted a loss of EUR 29 million for the reporting period. The figure includes consolidation entries not allocated to the segments and was significantly below the year-before period, when it reported earnings of EUR 44 million. The fall in earnings was largely due to the high charge for the bank levy and deposit guarantee scheme of EUR 137 million (9M 2014: EUR 0 million). In addition to interest income related to excessive corporation tax payments in the past, the segment's results were boosted in particular by the sale of securities and an equity stake.

The consolidation entries not allocated to the segments mainly arise from differences in the way intragroup transactions are measured and the application of hedge accounting to cross-divisional derivative transactions. The resulting impact on earnings was mutually offset in the first nine months of 2015 and on balance had no impact on profit before taxes (9M 2014: EUR 12 million).

The Non-Core Unit segment posted a loss before taxes of EUR 150 million in the first nine months of financial year 2015 (9M 2014: gain of EUR 58 million). This was mainly due to a measurement effect reflecting a risk provision made in the previous year for the loans to HETA, compounded by the ending of the exchange rate floor for Swiss francs. Expenses for court costs also weighed heavily on earnings once again. This was again related to receivables due from HETA and associated legal disputes.

The Restructuring Unit division generated profit before taxes of EUR 63 million (9M 2014: loss of EUR 52 million). The segment continued to rapidly run down the securities and loan portfolios assigned to it, thereby freeing up capital. Risk-weighted assets contracted by around 30 percent to EUR 4.7 billion in the first nine months of the year.

The loss before taxes in DKB's non-core business amounted to EUR 67 million (9M 2014: loss of EUR 22 million). The main reason for the fall in earnings was an increase in risk provisions.

Segment reporting as at 30 September 2015

EUR million	Corporates & Mittelstand	Real Estate & Savings Banks/Association	DKB	Financial Markets	Central Areas & Others (including Consolidation)	Non-Core Unit	Group
Net interest income	235	181	588	90	70	59	1,223
Risk provisions in the credit business	59	30	–60	0	0	–61	–32
Net commission income	85	65	–10	26	–7	9	167
Gains or losses on fair value measurement	40	31	12	21	–53	–116	–65
Gains or losses on hedge accounting	0	0	–31	12	0	0	–19
Gains or losses on financial investments	0	0	7	101	94	40	242
Administrative expenses	–188	–143	–268	–143	–9	–92	–842
Expenses for the bank levy and deposit guarantee scheme	0	0	–9	0	–137	0	–147
Other income and expenses	2	–3	8	16	11	15	50
Gains or losses on restructuring	0	0	0	0	1	–4	–3
Profit/loss before taxes	**232**	**160**	**238**	**123**	**–29**	**–150**	**574**
Risk-weighted assets (RWA)	21,591	7,384	24,806	8,720	1,947	6,646	71,093
Average economic/reported equity	2,240	798	2,869	1,007	3,755	745	11,416
Return on equity (RoE) (%)	13.8	26.8	11.0	16.3	–1.0	–26.8	6.7
Cost/income ratio (CIR) (%)	52.0	52.2	46.6	53.8	7.4	1,402.7	52.7

Segment reporting as at 30 September 2014

EUR million	Corporates & Mittelstand	Real Estate & Savings Banks/Association	DKB	Financial Markets	Central Areas & Others (including Consolidation)	Non-Core Unit	Group
Net interest income	261	215	467	66	85	158	1,251
Risk provisions in the credit business	–35	28	–87	18	0	–8	–84
Net commission income	96	60	–24	16	–4	25	168
Gains or losses on fair value measurement	25	26	31	56	–41	90	186
Gains or losses on hedge accounting	0	3	–32	–24	1	1	–51
Gains or losses on financial investments	0	0	2	0	8	–151	–140
Administrative expenses	–185	–137	–242	–158	–12	–92	–825
Expenses for the bank levy and deposit guarantee scheme	0	0	–2	0	0	0	–2
Other income and expenses	2	–1	3	12	17	41	74
Gains or losses on restructuring	0	0	0	0	–10	–6	–16
Profit/loss before taxes	**163**	**193**	**114**	**–13**	**44**	**58**	**561**
Risk-weighted assets (RWA)	20,662	8,724	26,079	12,151	1,702	14,702	84,018
Average economic/reported equity	2,118	841	3,001	1,147	5,400	1,996	14,503
Return on equity (RoE) (%)	10.3	30.6	5.1	–1.5	1.1	3.9	5.2
Cost/income ratio (CIR) (%)	48.2	45.3	54.3	124.9	18.4	55.9	55.5

Breakdown of the aggregated results of the Central Areas & Others segment and the consolidation entries not allocated to segments:

EUR million	1 Jan – 30 Sep 2015			1 Jan – 30 Sep 2014		
	Central Areas & Others	Consolidation	Central Areas & Others (including Consolidation)	Central Areas & Others	Consolidation	Central Areas & Others (including Consolidation)
Net interest income	43	27	70	47	37	85
Risk provisions in the credit business	0	0	0	0	0	0
Net commission income	–7	0	–7	–4	0	–4
Gains or losses on fair value measurement	–28	–25	–53	–13	–28	–41
Gains or losses on hedge accounting	0	0	0	0	1	1
Gains or losses on financial investments	92	2	94	8	0	8
Administrative expenses	–12	3	–9	–13	1	–12
Expenses for the bank levy and deposit guarantee scheme	–137	0	–137	0	0	0
Other income and expenses	19	–8	11	16	1	17
Gains or losses on restructuring	1	0	1	–10	0	–10
Profit/loss before taxes	**–28**	**0**	**–29**	**33**	**12**	**44**
Risk-weighted assets (RWA)	1,947	0	1,947	1,702	0	1,702
Average economic/reported equity	270	3,485	3,755	498	4,902	5,400

Consolidation entries reported in the Consolidation column mainly relate to measurement issues in the net interest income, gains and losses on fair value measurement and other income and expenses items. These mainly arise from differences in the way intragroup transactions are measured and the application of hedge accounting to cross-divisional derivatives transactions.

Financial position

Assets

EUR million	30 Sep 2015	31 Dec 2014	Change in %
Cash reserves	3,532	1,041	> 100.0
Loans and advances to banks	30,334	37,091	–18.2
Loans and advances to customers	134,010	134,017	0.0
Risk provisions	–2,979	–3,039	–2.0
Portfolio hedge adjustment assets	1,248	1,602	–22.1
Assets held for trading	19,665	24,048	–18.2
Positive fair values from derivative financial instruments (hedge accounting)	1,832	2,968	–38.3
Financial investments	31,319	32,650	–4.1
Investment real estate	36	37	–3.7
Property, plant and equipment	352	360	–2.2
Intangible assets	107	114	–5.7
Income tax assets	372	388	–4.1
Non-current assets or disposal groups held for sale	50	80	–37.0
Other assets	977	767	27.4
Total assets	**220,856**	**232,124**	**–4.9**

Liabilities

EUR million	30 Sep 2015	31 Dec 2014	Change in %
Liabilities to banks	60,884	64,138	–5.1
Liabilities to customers	83,318	81,635	2.1
Securitised liabilities	39,223	44,285	–11.4
Liabilities held for trading	13,860	17,567	–21.1
Negative fair values from derivative financial instruments (hedge accounting)	1,697	2,780	–38.9
Provisions	4,348	4,360	–0.3
Tax liabilities	270	203	33.3
Other liabilities	641	646	–0.8
Subordinated capital	4,422	4,722	–6.3
Equity	12,191	11,789	3.4
Total liabilities	**220,856**	**232,124**	**–4.9**

Rounding differences may occur in the tables.

The BayernLB Group's **total assets** fell by a further 4.9 percent to EUR 220.9 billion.

Credit volume, defined as the total of loans and advances to banks and customers and contingent liabilities from guarantees and indemnity agreements, shrank by 3.8 percent to EUR 175.6 billion.

Loans and advances to banks, which stood at EUR 30.3 billion as at 30 September 2015, also fell significantly (31 Dec 2014: EUR 37.1 billion).

Loans and advances to customers remained unchanged at EUR 134.0 billion. In relation to the receivables due from HETA, the Free State of Bavaria and the Republic of Austria concluded a memorandum of understanding (MoU) on 7 July 2015 laying out the key points for settling the disputes. An agreement detailing how the MoU is to be implemented has now been signed by the parties to the dispute. The agreement puts an end to all legal disputes between BayernLB and both the Republic of Austria and Kärntner Landesholding. However, in the interest of legal clarity BayernLB and HETA have agreed to let the suit in Munich about the Austrian Act on Substitute Capital (EKEG) proceed to a final decision. The Republic of Austria will pay the Free State of Bavaria EUR 1.23 billion. This amount will only be paid back when and so far as BayernLB receives proceeds from the resolution of HETA. The implementation of this settlement has considerably reduced BayernLB's risks from the HETA exposure.

Liabilities to banks fell by 5.1 percent to EUR 60.9 billion. In contrast, **liabilities to customers** climbed to EUR 83.8 billion (31 Dec 2014: EUR 81.6 billion).

Securitised liabilities stood at EUR 39.2 billion as at 30 September 2015, 11.4 percent below the end of 2014, due to a higher amount of maturing issues and a fall in funding needs.

After including the consolidated profit from the first nine months of 2015, **equity** rose slightly by EUR 0.4 billion to EUR 12.2 billion.

Banking supervisory capital and ratios for the BayernLB Group

Common Equity Tier 1 capital (CET 1) amounted to EUR 9.8 billion as at 30 September 2015 (31 Dec 2014: EUR 9.8 billion). The 7.2 percent decrease in risk-weighted assets (RWA) to EUR 71.1 billion led to another improvement in capital ratios. The CET 1 ratio was a solid 13.8 percent (31 Dec 2014: 12.8 percent), while the fully loaded CET 1 ratio rose to 11.1 percent (31 Dec 2014: 10.2 percent). Total own funds as at 30 September 2015 amounted to EUR 11.5 billion (31 Dec 2014: EUR 11.7 billion) and the total capital ratio rose to 16.2 percent (31 Dec 2014: 15.3 percent).

Outlook

For key forecasts, opportunities and other statements on the expected economic performance for financial year 2015, please refer to the 2014 Group management report whose earnings forecast remains intact.

Administrative bodies of BayernLB[1]

Supervisory Board

Gerd Haeusler
Chairman of the Supervisory Board
BayernLB
Munich

Walter Strohmaier
Deputy Chairman of the Supervisory Board
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

Dr Thomas Langer
since 1 November 2015
Under Secretary
Bavarian State Ministry for Economic Affairs
and the Media, Energy and Technology
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
until 30 October 2015
Deputy Secretary
Bavarian State Ministry for Economic Affairs
and the Media, Energy and Technology
Munich

1 As at: November 2015

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

Michael Bücker
Corporates & Mittelstand

Dr Markus Wiegelmann
CFO/COO
Financial Office
Operating Office

Ralf Woitschig
Financial Markets
BayernInvest Kapitalverwaltungsgesellschaft mbH
Real I.S. AG Gesellschaft für
Immobilien Assetmangement

1 Dependent institution of the Bank.

Segment definitions

Corporates & Mittelstand

The Corporates & Mittelstand segment serves large German Mittelstand companies, large German corporations and international companies with a connection to Germany. Its clients include in particular DAX and MDAX-listed companies, and family-owned or operated businesses which conduct international business from their German home market. To better serve customers' export and trade finance needs as well as provide payment services, this segment also includes relationships with banks in emerging markets. In addition, the Corporates & Mittelstand segment conducts the syndicated loan business together with the Bavarian savings banks for their corporate customers.

Real Estate & Savings Banks/Association

The Real Estate & Savings Banks/Association segment includes business with commercial and residential real estate customers, the savings banks and the public sector. In addition, the legally dependent institution BayernLabo is allocated to this segment.

Deutsche Kreditbank (DKB)

The DKB segment consists of the core business activities of the DKB sub-group. Besides retail banking, DKB's business activities include the promising infrastructure and corporate customers markets. It specialises here largely on sectors with long-term growth potential such as residential property, healthcare and education and research. DKB also focuses on the renewable energy and agriculture target markets.

Financial Markets

The Financial Markets segment comprises the business area of the same name and the consolidated subsidiaries BayernInvest and Real I.S. The Financial Markets business area combines all trading and issuing activities as well as asset and liability management. BayernLB's business relationships with banks in the developed markets, insurers and other institutional customers which are primarily focused on capital market products are assigned to this segment. The Financial 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 (including Consolidation)

The Central Areas & Others segment incorporates the central areas Corporate Center, Financial Office, Operating Office, and Risk Office. The segment also includes core business transactions that cannot be allocated to either a business area or a central area. The consolidated subsidiary BayernLB Capital LLC I, Wilmington is also allocated to this segment. The Consolidation column, disclosed with the segment on an aggregate basis, includes consolidation entries not allocated to any segment.

Non-Core Unit

All non-core activities have been transferred to the Non-Core Unit segment. It contains the Restructuring Unit division, the non-core activities of DKB and the Other NCU sub-segment which includes the subsidiary LBLux and the loans to HETA (including their funding).

Bayerische Landesbank
Brienner Strasse 18
80333 Munich
Germany

www.bayernlb.de