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BAYERNLB

GROUP FINANCIAL REPORT

FIRST QUARTER OF 2012

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Note

This Group financial report as at 31 March 2012 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 correctness.

Foreword

*Dear customers and business partners,
ladies and gentlemen,*

BayernLB ended the first quarter of 2012 with positive earnings before taxes in an environment which remains challenging. Earnings in the first three months of this year were marked by two contrasting developments; while business with and for customers performed well, results were driven down by the technical effects of valuation rules. Business at Group subsidiary MKB continued to suffer from the consequences of earlier decisions by the Hungarian government. By contrast, there was a positive impact from forging ahead with BayernLB's transition to a corporate and real estate financier focused on Bavarian and German customers and acting as a reliable partner to the savings banks. The savings banks are very important to BayernLB, not only as customers, but also as sales partners, as a source of refinancing and as owners.

In the first quarter of 2012, earnings before taxes at BayernLB amounted to EUR 54 million, compared with a good first quarter in 2011, which closed with pre-tax profits of EUR 149 million. The positive performance from business with customers was overshadowed by mark-to-market valuations as at the reporting date on two items which were reflected in gains or losses on fair value measurement.

Mark-to-market valuations of cross currency swaps conducted by BayernLB to hedge loans funded in US dollars and British pounds dampened earnings to the tune of EUR –146 million. As the past few quarters have shown, the fair value of these instruments, which are recorded on the balance sheet, decreases due to their insurance character whenever the supply of liquidity to the financial markets is loosened – and vice versa. Owing to the extensive efforts of the European Central Bank to inject money into the financial system in recent months and the resulting oversupply of liquidity in the German markets, BayernLB had to significantly mark down the valuation of these instruments as at 31 March 2012 as dictated by IFRS accounting standards. In addition, a mark-to-market writedown of EUR –56 million on the value of its own credit spread as required by IFRS standards also weighed on Group earnings. Although BayernLB in principle does not value its own liabilities at fair value and thus avoids having to take account of changes in its own credit spread, under IFRS standards certain types of structured bonds must be marked to market. The sharp reduction in the risk premium on BayernLB's own liabilities thus led to a higher valuation of the liability side. The valuation of both these items was well in the black as at 31 December 2011. These mark-to-market valuations have no impact on earnings under German GAAP rules (HGB).

Furthermore, an expense of EUR 30 million was posted in the gains or losses on fair value measurement item due to the strategic decision to bulk up the liquidity reserve last year. This higher expense is a direct result of the ECB's expansive policies, which have provided the markets with excess liquidity in the past few months. Despite the surplus liquidity at the moment, the new BayernLB will continue to not partake in credit substitute business, but rather will only conduct sustainably profitable customer business.

In the first three months of this year, BayernLB boosted earnings in business with corporate and real estate customers and the savings banks year on year. The “Corporates, Mittelstand & Retail Customers” segment posted earnings before taxes of EUR 240 million (Q1 2011: EUR 141 million). Group subsidiary DKB, which is consolidated in this segment, performed significantly better than in the year-before period – due in part to the sale of DKB Immobilien AG. It also ramped up the number of retail customers to around 2.4 million. In the real estate business, earnings before taxes rose by 17 percent to EUR 41 million, thanks to higher revenues and lower administrative expenses among other factors. Earnings before taxes in the Savings Banks/Association division also jumped to EUR 13 million (Q1 2011: EUR 3 million) due particularly to demand for capital market products and the flourishing trade in notes, coins and precious metals.

The situation in eastern Europe, which is not one of BayernLB’s core markets, remained difficult. The pre-tax loss at Group subsidiary MKB rose by EUR 11 million from the year-before period to EUR –44 million. The decline in total revenues there was primarily driven by the major depreciation in the forint compared to the year-before period and the loss in earnings from the Foreign Currency Loan Repayment Law of September 2011, which triggered early repayment of over one third of foreign currency loans in the retail customer segment. Furthermore, the Hungarian bank levy, expected to be EUR 46 million for full-year 2012, weighed on earnings. These moves require a major restructuring at MKB with significant cost reductions in addition to the steps already taken in 2011. In March 2012, Dr Pál Simák was appointed new CEO of MKB. BayernLB’s Board of Management continues to work intensively with the new management of MKB on restructuring the bank. However, BayernLB has no influence on potential further government interventions in the banking system such as the current legislation concerning a transaction tax in Hungary.

BayernLB continued to reduce those activities defined as non-core business in the reporting period. The loans and securities portfolio pooled in the Restructuring Unit was trimmed further in the first quarter, as risk assets in the internal restructuring unit shrank by EUR 1.2 billion to EUR 10.3 billion. For example, in January, the remaining Greek government bonds held by Group subsidiaries DKB and Banque LBLux were sold, as had already been reported in the 2011 Annual Report. However, this had no significant negative impact on first quarter results. The IFRS carrying amount of all the BayernLB Group’s exposures to the eurozone countries particularly impacted by the debt crisis is now EUR 472 million, which is of minor importance in relation to BayernLB’s gross credit risk.

Moreover, BayernLB continued to streamline its investment portfolio: in March 2012 DKB sold DKB Immobilien AG which contained its residential property portfolio and in April MKB sold its Romanian subsidiary Nextebank. BayernLB is thus becoming slimmer, stronger and focused long-term on its core business. Prudent exposure to renewable energy, a sector in which BayernLB, together with DKB, has positioned itself successfully as the Bank of the energy revolution, will continue to be a part of this in the future.

A key factor in successful business going forward will continue to be an adequate capital base, fully complying with future regulatory requirements. At the end of the first quarter, BayernLB had a solid core capital ratio of 11.7 percent. The core tier I ratio as defined by the European Banking Authority (EBA) amounted to 10.1 percent.

For the full year, BayernLB still expects earnings before taxes in its core business areas to be positive. Nevertheless, 2012 will remain a challenging year. This applies to both the market environment and to additional changes which will be required from the expected outcome of the EU state aid proceedings. Together with our loyal customers and our dedicated employees, whom we thank most sincerely for the trust they have placed in us, we will successfully take the next steps to becoming a new, sustainable and solid customer bank.

Sincerely

Gerd Haeusler,
CEO

Dr. Edgar Zoller,
Deputy CEO

Jan-Christian Dreesen,
Member of the Board
of Management

Marcus Kramer,
Member of the Board
of Management

Stephan Winkelmeier,
Member of the Board
of Management

Nils Niermann,
Member of the Board
of Management

BayernLB Group – the first quarter of 2012 at a glance

Income statement (IFRS)

EUR million	1 Jan – 31 Mar 2012	1 Jan – 31 Mar 2011	Change in %
Net interest income	428	479	–10.7
Risk provisions in the credit business	–53	–49	8.2
Net commission income	64	58	10.4
Gains or losses on fair value measurement	6	60	–89.9
Gains or losses on financial investments	4	–45	–
Administrative expenses	–354	–363	–2.4
Expenses for bank levies	–54	–70	–23.0
Gains or losses on restructuring	–3	–2	6.3
Earnings before taxes	**54**	**149**	–63.7

Balance sheet (IFRS)

EUR billion	31 Mar 2012	31 Dec 2011	Change in %
Total assets	304.6	309.1	–1.5
Credit volume	224.4	220.7	1.7
Equity and subordinated capital	21.4	21.2	1.1

Banking supervisory ratios under the German Banking Act (KWG)

	31 Mar 2012	31 Dec 2011	Change in %/pp
Core capital (EUR billion)	13.5	13.5	0.3
Own funds (EUR billion)	18.2	18.4	–1.1
Risk positions under the Solvency Ordinance (EUR billion)	116.0	118.4	–2.0
Core capital ratio	11.7%	11.4%	0.3 pp[1]
Total capital ratio	15.7%	15.6%	0.1 pp[1]

Employees

	31 Mar 2012	31 Dec 2011	Change in %
Number of employees employees	10,760	10,893	–1.2

Current ratings

	Long-term	Short-term	Pfandbriefs[2]
Fitch Ratings	A+	F1+	AAA
Moody's Investors Service	Baa1	Prime-2	Aaa

1 Percentage points

2 Applies to public-sector Pfandbriefs and mortgage Pfandbriefs

Business performance in the first quarter of 2012

Earnings

EUR million	1 Jan – 31 Mar 2012	1 Jan – 31 Mar 2011	Change in %
Net interest income	428	479	–10.7
Risk provisions in the credit business	–53	–49	8.2
Net interest income after risk provisions	**375**	**430**	**–12.8**
Net commission income	64	58	10.4
Gains or losses on fair value measurement	6	60	–89.9
Gains or losses on hedge accounting (hedge accounting)	5	36	–87.3
Gains or losses on financial investments	4	–45	–
Income from interests in companies valued at equity	–1	8	–
Administrative expenses	–354	–363	–2.4
Expenses for bank levies	–54	–70	–23.0
Other income and expenses	12	37	–68.3
Gains or losses on restructuring	–3	–2	6.3
Earnings before taxes	**54**	**149**	**–63.7**

Rounding differences may occur in the tables.

The satisfactory performance in customer business was overshadowed by valuation markdowns on cross currency swaps as at the reporting date amounting to EUR –146 million, resulting in earnings before taxes for the BayernLB Group of EUR 54 million in the first quarter of 2012. The great uncertainty among market participants created by the sovereign debt crisis had already resulted in high volatility in the valuation of cross currency swaps in 2011. BayernLB does not use these swaps for speculative purposes but to hedge the funding of assets in foreign currencies. The positive or negative impact on earnings from changes in the valuation of cross currency swaps should therefore be considered transitory since they cancel out on expiry of the transactions.

The BayernLB Group has forged ahead with reducing its non-core activities by selling DKB Immobilien AG to the Hamburg-based TAG Immobilien Group. In addition, the remaining exposure to the Greek government at the end of 2011 was completely wound down in January 2012.

Net interest income totalled EUR 428 million (Q1 2011: EUR 479 million). MKB in particular posted a considerable slump, due in part to the overall decline in customer business and in part to the major depreciation in the Hungarian forint during 2011.

Risk provisions in the credit business remained largely unchanged at EUR –53 million (Q1 2011: EUR –49 million). It must be taken into account here that due to the value adjustment period of the preceding annual financial statements, credit risk provisions in the first quarter are usually below the pro rata value of the full year.

The 10.4 percent increase in net commission income to EUR 64 million was primarily related to the SoFFin-guaranteed bond, originally for EUR 5 billion, which matured on 23 January 2012. This reduced commission expenses, as it cut the fees payable to SoFFin.

The gains or losses on fair value measurement item (including gains or losses on hedge accounting) amounted to EUR 11 million (Q1 2011: EUR 96 million). Weighing on the results here was a EUR 146 million mark-to-market writedown on the valuation of cross currency swaps as at the reporting date. Positive contributions were provided in particular from additional interest-related transactions (EUR 71 million), credit value adjustments (EUR 38 million) and reversals of impairments in the credit portfolios affected by the financial crisis (EUR 39 million). An expense equivalent to the reversals was posted in the "gains or losses on financial investments" item, resulting from the "umbrella" guarantee agreement concluded with the Free State of Bavaria. The aim of the umbrella is to offset losses and valuation changes in the ABS portfolio, whereby for measurement reasons, earnings are reported in different periods and interdependencies with the gains or losses on fair value measurement arise. Customer margins performed positively and rose to EUR 53 million (Q1 2011: EUR 35 million).

Gains or losses on financial investments were nearly flat at EUR 4 million (Q1 2011: EUR –45 million). The previously mentioned effect from the measurement of the umbrella guarantee agreement was offset in particular by proceeds from the sale of DKB Immobilien AG.

Administrative expenses amounted to EUR –354 million, which was 2.4 percent less than the previous-year period.

Other income and expenses represents the net amount of other income and expenses. The income from the Group's real estate activities are reported here, among other things. Other income and expenses in Q1 2012 totalled EUR 12 million (Q1 2011: EUR 37 million).

Based on BayernLB's earnings in financial year 2011 under the German Commercial Code (HGB), expenses of EUR 54 million are expected for bank levies in 2012 (FY 2011: EUR 70 million).

The cost/income ratio was 68.9 percent (Q1 2011: 54.2 percent). The impact of the high valuation markdown on the cross currency swaps dampened return on equity, which at 2.7 percent was lower than the previous year's figure (6.3 percent).

Net assets and financial position

Assets

EUR million	31 Mar 2012	31 Dec 2011	Change in %
Cash reserves	1,513	2,645	–42.8
Loans and advances to banks	55,579	49,555	12.2
Loans and advances to customers	155,645	157,589	–1.2
Risk provisions	–2,858	–2,922	–2.2
Portfolio hedge adjustment assets	1,478	1,393	6.1
Assets held for trading	42,495	48,607	–12.6
Positive fair values from derivative financial instruments (hedge accounting)	4,751	4,548	4.5
Financial investments including interests in companies valued at equity	40,470	42,009	–3.7
Investment property	2,054	2,061	–0.4
Property, plant and equipment	623	611	2.0
Intangible assets	151	147	2.4
Current tax assets	839	888	–5.5
Non-current assets and disposal groups held for sale	418	1,255	–66.7
Other assets	1,464	756	93.5
Total assets	**304,620**	**309,144**	**–1.5**

Liabilities

EUR million	31 Mar 2012	31 Dec 2011	Change in %
Liabilities to banks	78,928	75,715	4.2
Liabilities to customers	89,666	92,682	–3.3
Securitised liabilities	70,172	74,075	–5.3
Liabilities held for trading	34,200	35,717	–4.2
Negative fair values from derivative financial instruments (hedge accounting)	3,289	3,306	–0.5
Provisions	4,071	4,064	0.2
Current tax liabilities	1,121	1,150	–2.5
Liabilities from disposal groups	291	536	–45.8
Other liabilities	1,466	724	>100.0
Subordinated capital	6,901	6,964	–0.9
Equity	14,517	14,211	2.2
Total liabilities	**304,620**	**309,144**	**–1.5**

Rounding differences may occur in the tables.

Total assets fell by 1.5 percent to EUR 304.6 billion in the first three months of 2012. In particular, the EUR 6.1 billion decline in assets held for trading to EUR 42.5 billion made a significant contribution. Loans to domestic customers, on the other hand, rose slightly by 0.2 percent to EUR 115.9 billion.

The following chart gives an overview of the changes in IFRS carrying amounts of the sovereign debt of those EMU countries most affected by the debt crisis.

EUR million	Nominal exposure 31 Mar 2012	IFRS carrying amount 31 Mar 2012	IFRS carrying amount 31 Dec 2011
Greece	0	0	43
Italy	465	472	463
Ireland	0	0	0
Portugal	0	0	0
Spain	0	0	0
Total	**465**	**472**	**506**

The IFRS carrying amount of all the BayernLB Group's exposures to the EMU central governments particularly affected by the debt crisis totalled EUR 472 million and is of minor importance compared to the BayernLB Group's gross credit risk.

The only exception is Spain, where there is an additional gross credit risk of EUR 544 million (31 December 2011: EUR 543 million) to Spanish public authorities and state-owned companies.

Banking supervisory capital and ratios

The core capital ratio as at 31 March 2012 edged higher to 11.7 percent (31 December 2011: 11.4 percent) due to the decrease in risk positions during the first quarter of 2012. BayernLB's capital base thus remains solid. The equity ratio climbed slightly by 0.1 percentage points to 15.7 percent. Risk provisions were hereby reduced further in the first quarter of 2012 by 2.0 percent to EUR 116.0 billion. Own funds amounted to EUR 18.2 billion, core capital to EUR 13.5 billion (as at 31 December 2011: EUR 18.4 billion and EUR 13.5 billion respectively).

Core and non-core business of the BayernLB Group

As part of Project Hercules, BayernLB defined core and non-core businesses. The latter were earmarked for winding down to free up liquidity and capital, and this process is being systematically driven forward. Non-core activities have been pooled in the Restructuring Unit segment and include the Eastern Europe segment and selected loan portfolios managed by the Restructuring Unit, but retained by the business segments for reasons of efficiency, and selected subsidiaries.

In the core business, negative measurement effects from cross currency swaps weighed on total earnings and earnings before taxes. Adjusted for the impact of these valuation effects, which are in part attributable to refinancing of the non-core business, customer business with corporate, real estate and retail customers remained good.

Segment reporting

Segment reporting is based on the monthly internal report to the Board of Management and reflects the six segments of the BayernLB Group. The business segments “Corporates, Mittelstand & Retail Customers”; “Markets”; “Real Estate & Savings Banks/Association” and “Eastern Europe” incorporate BayernLB’s operating business areas, the legally dependent institutions Bayerische Landesbodenkreditanstalt (BayernLabo) and Bayerische Landesbausparkasse (LBS Bayern) and consolidated subsidiaries. In addition, details are reported on the two additional segments: “Restructuring Unit” (RU), and “Central Areas & Others”.

The “Corporates, Mittelstand & Retail Customers” segment generated earnings before taxes of EUR 240 million in the first three months of the year (Q1 2011: EUR 141 million). Net interest and net commission income remained almost unchanged on the previous-year period at EUR 249 million (Q1 2011: EUR 251 million) thanks to solid volumes of new business generated. Risk provisions fell EUR 6 million to EUR –37 million on the previous-year period due to a further improved portfolio structure. The gains or losses on fair value measurement item contributed significantly to the surge in other earnings at EUR 130 million due to good market performance (Q1 2011: EUR 51 million). In addition, gains or losses on financial investments of EUR 41 million (Q1 2011: EUR 2 million) was positively impacted by the sale of an investment. Return on equity climbed to 14.6 percent (Q1 2011: 9.2 percent) and the cost/income ratio improved to 37.7 percent (Q1 2011: 44.1 percent).

The Corporates & Mittelstand divisions posted earnings before taxes of EUR 96 million (Q1 2011: EUR 84 million). Total revenues in the first quarter of 2012 performed well, rising EUR 6 million to EUR 148 million, due in part to a rise in the volume of new business on stable margins. Additions to risk provisions were matched by releases in the reporting period, so that risk provisions remained essentially flat at approximately EUR 0 million (Q1 2011: EUR 4 million). Administrative expenses fell by around EUR 10 million to EUR 52 million, down from EUR 61 million in the year-before period.

In the first quarter of the current year, DKB achieved earnings before taxes of EUR 131 million (Q1 2011: EUR 40 million). In addition to the stable business performance, gains or losses on fair value measurement as well as the sale of an investment contributed to the rise in overall earnings. Despite strong competition, the Bank expanded its customer base in the Retail Customers segment to 2.4 million customers and deposits grew further. Total customer deposits rose by EUR 1 billion in Q1 2012.

The solid business performance at Banque LBLux S.A. contributed to the segment’s results with earnings before taxes of EUR 12 million (Q1 2011: EUR 16 million).

The “Real Estate & Savings Banks/Association” segment generated earnings before taxes of EUR 108 million (Q1 2011: EUR 113 million). Net interest and net commission income was EUR 133 million due to good business performance and was thus only slightly less than the year-before figure of EUR 134 million. A net release of risk provisions amounting to EUR 5 million (Q1 2011: EUR 2 million) had a positive impact on earnings in the reporting period. The decrease from the year-before period was mainly due to the EUR 6 million fall in gains or losses on fair value measurement to EUR 33 million (Q1 2011: EUR 39 million), which resulted principally from low interest rates in the capital markets. Return on equity was 24.2 percent (Q1 2011: 29.0 percent), the cost-income ratio stood at 41.6 percent (Q1 2011: 40.1 percent).

The good business performance of the Real Estate division in 2011 continued into 2012. This was underscored by a 17 percent increase in earnings on the year-before period to EUR 41 million. In addition to a EUR 2 million rise in total earnings to EUR 54 million, a EUR 1 million reduction in administrative expenses to EUR 18 million also contributed to the results. There was a net release in risk provisions in the credit business of EUR 4 million in the first three months of the year (Q1 2011: EUR 2 million).

The Savings Banks & Association division boosted its earnings before taxes considerably on the previous year to EUR 13 million (Q1 2011: EUR 3 million). The division reaped the benefits of good business with Markets products and trade in coins, notes, and precious metals, in particular on behalf of the savings banks.

LBS Bayern followed a successful 2011 with very good new business figures in 2012. With a gain of 54 percent year on year in terms of numbers and 16 percent in volume of newly concluded home loan savings contracts, new business remained very buoyant.

BayernLabo's total commitments fell 21 percent to EUR 467 million in the first three months of this year compared to the year-before period, although the individual programmes performed very differently. While subsidised residential loans programmes declined 14 percent to around EUR 101 million, the programmes Investkredit Kommunal Bayern and Energiekredit Kommunal Bayern recorded growth rates of over 100 percent. Business with the Free State of Bavaria also continued to perform well, with growth of 13 percent.

Earnings before taxes in the "Markets" segment were once again particularly affected by temporary mark-to-market valuations in the first quarter of 2012 and amounted to EUR –258 million (Q1 2011: EUR –98 million). As in the previous year, the negative valuation of cross currency swaps totalling EUR –146 million weighed on total revenue of EUR –200 million (Q1 2011: EUR –57 million). BayernLB mainly uses cross currency swaps to raise funding in foreign currencies. As part of the planned reduction in activities abroad, funding activities via cross currency swaps have also been systematically cut back. Earnings with financial institutions and institutional customers and business with customers from the Corporates, Mittelstand, Savings Banks and Real Estate divisions were buoyant. Customer earnings amounted to EUR 62 million, of which EUR 48 million were allocated to the other business areas on the basis of specific customers.

Earnings before taxes in the "Eastern Europe" segment were EUR –44 million (Q1 2011: EUR –33 million). In addition to the sharp depreciation in the value of the Hungarian forint, the fall in total revenues to EUR 82 million (Q1 2011: EUR 103 million) was also due in large part to lost earnings from the Foreign Currency Loan Repayment Law of September 2011 and other political moves, such as the forced nationalisation of private pension funds. The very high bank levy, which is not based on earnings, weighed on earnings again (EUR –46 million; Q1 2011: EUR –50 million). Risk provisions of EUR –23 million remained virtually unchanged on the year-before period (EUR –21 million). Administrative expenses contracted by EUR 7 million to EUR –57 million.

In the first quarter of the current year, the “Restructuring Unit” segment posted earnings before taxes of EUR 27 million (Q1 2011: EUR 45 million). Risk assets have been reduced by another EUR 1.2 billion to EUR 10.3 billion so far in this financial year. The credit volume including commitments fell 8 percent to EUR 9.9 billion in the first three months of 2012, as a result of both active reduction measures and scheduled repayments.

Outlook

For the full year, BayernLB still expects earnings before taxes in its core business areas to be positive. Overall, the statements in the Outlook section of the Annual Report 2011 remain valid.

Segment reporting as at 31 March 2012

EUR million	Corporates, Mittelstand & Retail Customers	Real Estate & Savings Banks/Association	Markets	Eastern Europe	Restructuring Unit	Central Areas & Others	Consolidation	Group
Net interest income	207	125	17	56	30	48	–55	428
Risk provisions for the credit business	–37	5	–3	–23	6	0	0	–53
Net commission income	41	8	5	13	3	–6	0	64
Gains or losses on fair value measurement	130	33	–194	14	44	10	–31	6
Gains or losses on hedge accounting	–1	1	4	0	3	1	–3	5
Gains or losses on financial investments	41	3	0	2	–42	0	0	4
Income from interests in companies measured at equity	0	0	0	–1	0	0	0	–1
Administrative expenses	–147	–72	–54	–57	–15	–11	1	–354
Expenses for bank levies	–5	0	0	–46	0	–3	0	–54
Other income and expenses	11	7	–32	–1	–2	24	5	12
Gains or losses on restructuring	–2	0	0	0	0	0	0	–3
Earnings before taxes	**240**	**108**	**–258**	**–44**	**27**	**64**	**–84**	**54**
Return on equity (RoE) (%)	14.6	24.2	–46.7	1.5	4.2	–	–	2.7[1]
Cost-income ratio (CIR) (%)	37.7	41.6	–27.0	70.2	18.7	–	–	68.9

1 The portion of earnings and capital attributable to BayernLabo are not taken into account in the return on equity (in percent) at Group level.

Segment reporting as at 31 March 2011

EUR million	Corporates, Mittelstand & Retail Customers	Real Estate & Savings Banks/Association	Markets	Eastern Europe	Restructuring Unit	Central Areas & Others	Consolidation	Group
Net interest income	220	121	47	78	33	24	−44	479
Risk provisions for the credit business	−43	2	9	−21	0	3	0	−49
Net commission income	30	13	−4	15	5	−2	0	58
Gains or losses on fair value measurement	51	39	−101	9	63	9	−10	60
Gains or losses on hedge accounting	17	−1	11	1	7	3	−2	36
Gains or losses on financial investments	2	3	−4	0	−45	0	0	−45
Income from interests in companies measured at equity	0	0	0	0	1	0	8	8
Administrative expenses	−146	−73	−51	−64	−16	−14	0	−363
Expenses for bank levies	−2	0	0	−50	0	−18	0	−70
Other income and expenses	12	9	−6	0	−1	23	0	37
Gains or losses on restructuring	−2	0	0	0	0	0	0	−2
Earnings before taxes	**141**	**113**	**−98**	**−33**	**45**	**29**	**−48**	**149**
Return on equity (RoE) (%)	9.2	29.0	−18.1	9.3	5.3	–	–	6.3[1]
Cost-income ratio (CIR) (%)	44.1	40.1	−94.4	62.3	15.2	–	–	54.2

1 *The portion of earnings and capital attributable to BayernLabo are not taken into account in the return on equity (in percent) at Group level.*

Administrative bodies of BayernLB

Board of Administration

Dr Markus Söder
Chairman
State Minister
Bavarian State Ministry of Finance
Munich

Alexander Mettenheimer
First Deputy Chairman
Former banker
Munich

Walter Strohmaier
Second Deputy Chairman
CEO
Sparkasse Niederbayern-Mitte
Straubing

Professor Dr Georg Crezelius
Professor
University of Bamberg
Bamberg

Dr Dr Axel Diekmann
Shareholder
Verlagsgruppe Passau GmbH
Passau

Ralf Haase
Chairman of the General Staff Council
BayernLB
Munich

Joachim Herrmann
State Minister
Bavarian State Ministry of the Interior
Munich

Wolfgang Lazik
Deputy Secretary
Bavarian State Ministry of Finance
Munich

Dr Klaus von Lindeiner-Wildau
Member of the Executive Board (retired)
Wacker Chemie GmbH
Independent Consultant
Munich

Hans Schaidinger
Lord Mayor
Regensburg

Martin Zeil
State Minister
Bavarian State Ministry of Economic Affairs,
Infrastructure, Transport and Technology
Munich

Board of Management

Gerd Haeusler
CEO
Corporate Center Central Area
(excluding Group Compliance)

Dr Edgar Zoller
Deputy CEO
Real Estate & Savings Banks/
Association Business Area
Bayerische Landesbodenkreditanstalt1)
Bayerische Landesbausparkasse1)

Jan-Christian Dreesen
Corporates, Mittelstand &
Retail Customers Business Area

Marcus Kramer
Risk Office Central Area
Restructuring Unit Central Area
Group Compliance

Stephan Winkelmeier
Financial Office & Operations Central Area
Eastern Europe segment

Nils Niermann
Markets Business Area
IT Central Area

1 Institutions of the Bank.

Segment definitions

Corporates, Mittelstand & Retail Customers

Within the Corporates, Mittelstand & Retail Customers segment, the Corporates division serves large corporate customers and multinational corporations in Germany and the core regions of Europe and North America. The Mittelstand division serves companies throughout Germany with sales of EUR 50 million to EUR 1 billion. The segment also includes Deutsche Kreditbank AG (DKB) and Banque LBLux S.A. (LBLux), which are principally active in retail and private banking.

Markets

The Markets segment offers capital market and Treasury products for the large corporates, Mittelstand, savings banks and real estate customer groups as well as banks, insurance companies and other institutional customers. The latter-named customer relationships are directly allocated to this segment. In addition to bundling all the trading and issuing activities, this segment also includes BayernLB's Asset Liability Management (ALM) and the consolidated subsidiary BayernInvest.

Real Estate & Savings Banks/Association

The Real Estate & Savings Banks/Association segment comprises the Real Estate division and the Savings Banks/Association division. The segment also pools the development bank Bayerische Landesbodenkreditanstalt (BayernLabo), the Bayerische Landesbausparkasse (LBS Bayern) and the consolidated subsidiary Real I.S. AG.

Eastern Europe

The Eastern Europe segment consists of the Hungarian subsidiary, the MKB sub-group.

Restructuring Unit

The Restructuring Unit (RU) segment ringfences selected portfolios (non-core activities) from the operating activities of the business segments. In addition, it contains the portfolio of ABS instruments, including the related hedging instruments. The consolidated units Giro Lion Funding Limited and KGAL GmbH Co. KG (measured at equity) are also allocated to this segment.

Central Areas & Others

The “Central Areas & Others” segment incorporates the earnings contributions from the central areas Corporate Center, Financial Office, IT & Operations, and Risk Office. The segment also includes transactions whose earnings contributions cannot be allocated to either a business area or a central area. The consolidated subsidiaries BayernLB Capital LLC I, and GBW AG sub-group are also allocated to this segment.

The “Consolidation” column shows consolidation entries not allocated to any other segment.

Bayerische Landesbank
Brienner Strasse 18
80333 Munich
Germany

www.bayernlb.de