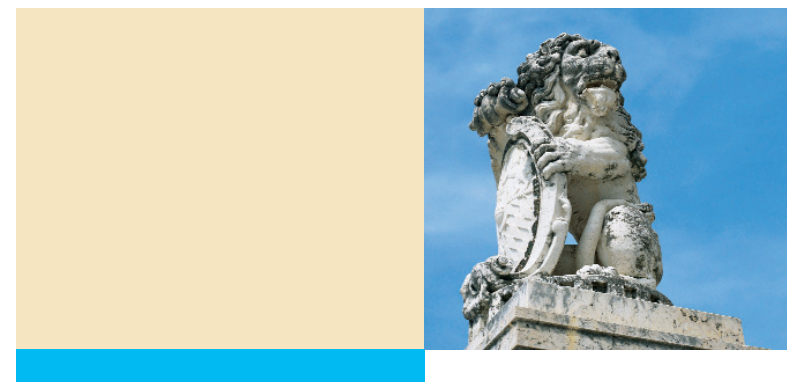


Balance sheet figures as at 30 June 2002			
Consolidated accounts			
in € billion	30/06/2002	31/12/2001	Change
	Status	Balance sheet	in %
Total assets	333.0	325.8	2.2
Transaction volume	352.5	347.5	1.4
Lending volume	220.9	218.2	1.2
Assets			
Cash reserves	0.8	1.2	-37.7
Due from banks	90.9	91.0	-0.1
Due from customers	140.1	134.7	4.0
Bonds and other fixed-interest securities	77.4	73.8	4.9
Shares and other non fixed-interest securities	3.2	3.2	1.6
Investments and shares in affiliated companies	3.5	3.5	-0.1
Assets administered on behalf of third parties	9.2	9.3	-1.4
Tangible assets	0.4	0.4	8.3
Liabilities			
Due to banks	130.2	127.4	2.2
Due to customers	65.3	60.7	7.6
Securitised liabilities	99.2	105.6	-6.1
Liabilities administered on behalf of third parties	9.2	9.3	-1.4
Subordinated liabilities	5.6	5.9	-4.6
Profit-participation certificates	2.9	2.8	2.5
Fund for general banking risks	0.5	0.4	5.7
Capital and reserves	8.3	8.4	-0.8
Derivative instruments			
Nominal volume	1,118.0	993.4	12.5
Credit risk equivalent	6.7	6.4	4.6

Global presence

The BayernLB Group is present in the world's key financial centres. We offer our customers a comprehensive range of banking products and services through our own branches, representative offices and holdings in other banks in the key European markets, including central and eastern Europe, and in North America and Asia. Alongside our 12 entities in Germany, we have 10 in the rest of Europe, and a total of 27 worldwide.



Interim Report as at 30 June 2002

Contact

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Performance (in € million)	01/01-30/06/2002	01/01-30/06/2001	Change in %
Net interest income	1,126	1,005	12.0
Net commission income	206	177	16.2
Administrative expenses	702	640	9.7
Net result from financial transactions	-13	-5	*
Operating result before risk provisioning	682	565	20.7
Cost-income ratio	53.3%	54.4%	
Return on equity	8.4%	15.3%	
Balance sheet figures (in € billion)	30/06/2002	31/12/2001	Change in %
Total assets	333.0	325.8	2.2
Lending volume	220.9	218.2	1.2
Total deposits	195.5	188.1	3.9
Securitised liabilities	99.2	105.6	-6.1
Equity disclosed	17.3	17.5	-1.4
Derivative transactions (in € billion)			
Nominal volume	1,118.0	993.4	12.5
Credit risk equivalent	6.7	6.4	4.6
Capital ratio (pursuant to Principle I)			
	10.0%	9.7% ¹⁾	
Core capital ratio (pursuant to Principle I)			
	6.2%	6.0% ¹⁾	

* Change of more than 100%
1) based on balance sheet figures

Ladies and Gentlemen:

The environment in which Bayerische Landesbank operates has changed irrevocably. The difficult global economic situation has not been the only factor driving this change. Other key elements have been the EU investigation into the so-called *Anstaltslast* (maintenance obligation) and *Gewährträgerhaftung* (guarantee obligation) of the German *Landesbanken*,

globalisation and EMU, the impact of new technologies (particularly the internet), changes to banking products, Basle II, changes in customer requirements and the cost situation. These factors make the need for economies of scale especially pressing. It is therefore essential to focus on and be aware of our core competences. Consequently, there is a need for action on strategy, structure, management and monitoring in the Bayerische Landesbank Group. The foundation for this will be the new Bayerische Landesbank model.

Following the passing of the Landesbank Act on 11 July 2002, this will be implemented as planned, in parallel with the registration of the new company BayernLB Holding AG. This involves

- the adaptation of the Bank's liability principles – *Anstaltslast* and *Gewährträgerhaftung* – to European requirements
- the transfer of the Free State of Bavaria's and the Association of Bavarian Savings Banks' holdings in the nominal capital of BayernLB to the new BayernLB Holding AG
- the opportunity of raising equity in the markets
- the reform of the Bank's executive bodies
- the use of the name "Bayerische Landesbank" without "Girozentrale".

Other strategic principles based on the Landesbank model have been decided upon and are already being systematically implemented. These include:

- strengthening of core activities and of the role of central clearing bank to the savings banks
- concentration on profitable customer business, lending business and special products with appropriate levels of risk- and cost-adjusted earnings and a uniform trading and funding strategy
- review of the investment portfolio: to expand the Bank's market share and earnings for strategic holdings, and primarily to safeguard long-term return on financial investments.

Implementing this new strategy requires a new internal structure which takes account of the German Minimum Requirements for the Lending Activities of Banks and focuses on the business areas of Corporates, Financial Institutions & Sovereigns, Real Estate, Global Markets, LBS and LABO. The Bank's basis is the savings banks association and its role as clearer for the savings banks. This basis affects all areas of the Bank's activities. Operations comprise the Risk Office, Corporate Services, including transaction banking and the Corporate Centre.

The new structure is to be in place by end-2002 and has two overriding aims:

- to improve long-term risk-adjusted earnings power
- to create the conditions for a competitive rating once the current liability principles cease to apply.

The strategic cooperation with Landesbank Hessen-Thüringen is progressing – the joint *Transaktionsbank* commenced business on 1 July 2002. The strategic

Performance in the first half of 2002 Consolidated accounts			
in € million	01/01-30/06/ 2002	01/01-30/06/ 2001	Change in %
Net interest income	1,126	1,005	12.0
Net commission income	206	177	16.2
Personnel expenses	375	342	9.6
Operating costs incl. depreciation	327	298	9.9
Net result from financial transactions	-13	-5	*
Balance of other operating expenses/income	65	28	*
Operating result before risk provisions	682	565	20.7

* Change of more than 100%

partnership with Eulia, the third-largest French banking group, is being stepped up. On 28 June 2002, the first agreements were approved for a joint pan-European growth capital and LBO fund and for the founding of a combined joint venture in asset management.

The Board of Management

Results and business performance in the first half of 2002

Results

Despite the difficult market conditions, Bayerische Landesbank achieved a healthy operating profit (EUR 682 million; +20.7%) before risk provisions and revaluation in the first half of 2002. For the full year, the Bank expects risk provisions to be at least on a par with last year's level in view of the continuing deterioration in the general economic situation.

Overall, operating revenues from net interest income and net commission income rose EUR 150 million (+12.5%) compared with the same period last year, reaching EUR 1.332 billion as at 30 June 2002. Although the result from financial operations was slightly in the red at EUR -13 million due to the still unfavourable market situation, the Bank expects the result to be well in the black by the year-end.

Administrative expenses rose by EUR 62 million (+9.7%) year-on-year, although this increase was primarily due to the first-time consolidation of SaarLB. Adjusted for the impact of the initial consolidation of SaarLB, the growth rate for administrative expenses falls within the target set by the Board of Management of a maximum of 5%.

Business performance

In the first half of 2002, the BayernLB Group's total assets increased slightly, by 2.2% to EUR 333 billion. The weakness of the US dollar was a key factor here, reducing the total by EUR 10.2 billion. The total lending volume advanced a modest 1.2% to EUR 220.9 billion in the period under review. On the funding side there was a shift away from securitised liabilities (-6.1%) towards bank and customer deposits (+3.9%). The slight fall in equity disclosed, down 1.4% to EUR 17.3 billion, was due to the depreciation of the US dollar, affecting USD-denominated subordinated liabilities, and to maturities of securities including profit-participation certificates. The total capital and core capital ratios under Principle I improved from 9.7% to 10.0% and from 6.0% to 6.2% respectively.

Outlook for full-year results 2002

For 2002 as a whole, BayernLB currently expects to be able to achieve an operating profit before risk provisions and revaluation comparable with that of 2001. BayernLB's ongoing review of its portfolio of holdings will have a positive impact on earnings through one-off effects. Along with the reduction of risk provisioning, which is again expected to be high, there should also be the opportunity of strengthening the Bank's capital base.