07

Interim Group Report

for the first half of 2007

Finanzgruppe Bayern

BayernLB

Contents

BayernLB Group – the first half of 2007 at a glance

Key ratios

in %	1.1.–30.6.2007	1.1.–30.6.2006
Return on equity (RoE)	13.6	15.2
Cost-income ratio	52.7	52.4

Profit and loss account figures

EUR million	1.1.–30.6.2007	1.1.–30.6.2006
Net interest income	1,217	998
Net commission income	178	175
Administrative expenses	805	767
Net result from financial transactions	20	110
Operating result	637	621

Balance sheet figures

EUR billion	30.6.2007	31.12.2006
Total assets	383.4	353.2
Business volume	472.7	442.2
Credit volume	249.8	234.4
Total deposits	231.2	205.0
Securitised liabilities	113.5	112.9
Equity disclosed	20.5	18.5

Derivatives transactions

EUR billion	30.6.2007	31.12.2006
Nominal volume	1,411.9	1,423.7
Credit risk equivalent (after netting)	4.2	4.3

Key banking regulatory data under the German Banking Act (KWG)*

	30.6.2007	31.12.2006
Core capital (EUR billion)	10.9	10.7
Own funds (EUR billion)	17.8	17.5
Risk positions (EUR billion)	170.8	163.8
Core capital ratio (in %)	7.4	7.7
Own funds ratio (Group level) (in %)	10.4	10.7

Employees

	30.6.2007	31.12.2006
Number of employees	10,142	10,080

** Calculation as at 30 June 2007 in accordance with the Solvency Regulation and as at 31 December 2006 pursuant to Principle I*

Foreword by the Board of Management

Ladies and Gentlemen,

The BayernLB Group got off to a good start in 2007. The Bank stabilised its earnings at a high level in the first half of the year. The operating result posted for January to June 2007 was EUR 637 million, compared to EUR 621 million the previous year. This underscores the strength of our business model and our firm strategic positioning. Our efforts to generate more growth and increase profitability are paying off in all business areas, the aim being to stabilise earnings performance. The surprisingly dynamic economic growth in Germany also provided a boost. The economic climate is likely to remain conducive as the year progresses.

Given this scenario, the BayernLB Group has been able to make the most of its market position. Thanks to our Bavarian roots, focus on core regions, global network, extensive experience on international financial markets and partnership with the savings banks, we have made customer proximity one of our strengths. We seek to deliver locally-based support to our customers. After all, they place their faith in the customised services of the BayernLB Group, which, although a global operator also has a strong domestic focus. We strive constantly to create added value for our customers, which means we need to excel in ways that are important to them. Our aim is to set ourselves apart from the competition with individually tailored financial solutions. However, this is just one important distinguishing feature; another is our staff, without whom the BayernLB Group would not earn the appreciation of its customers. We would like to thank our employees for their efforts and commitment and would encourage them always to think and act as entrepreneurs in the interests of the Bank as a whole.

Our retail banking segment has evolved into a strong earnings component in recent years. In Germany, Deutsche Kreditbank AG has significantly expanded its business with retail customers and continues to grow at a dynamic rate. Our foreign subsidiary MKB Bank Zrt has noted strong demand for loans and investment products thanks to the brisk economic growth enjoyed by Eastern European countries. There is substantial catch-up potential in these areas; our prediction is that these markets will continue to grow. Trends in the leasing segment are also looking very robust and there has been a sharp increase in demand for leasing financing in these markets.

Against this backdrop, and, as stated many times – most recently in the Annual Report 2006 – we have resolved to further develop and refine the BayernLB business model by expanding the Group's strong position in central and eastern Europe and strengthening the retail segment. Our purchase of a majority stake in Klagenfurt-based Hypo Alpe-Adria-Bank International AG – the transaction is due to be terminated by end-2007 –, has enabled us to acquire a renowned financial institution with a highly promising market position in Austria and South-Eastern Europe. With the Hypo Group Alpe Adria on board, the BayernLB Group is ideally placed to participate in the growth of the booming markets of South-Eastern Europe. Thanks to its retail customer focus, broad presence in Central and Eastern Europe and specific expertise in attractive product segments such as leasing, Hypo Group Alpe Adria will make a substantial contribution to tapping new and diversifying existing sources of revenue. At the same time, the BayernLB Group will be able to offer its customers and the customers of the Bavarian savings banks an even better and more optimal range of products and services in this high-growth region. The new ownership structure will also offer Hypo Group Alpe Adria, its employees and customers security and stability.

Our achievements strengthen our confidence that the BayernLB Group will again post good results in 2007. Our business model, allied with our strategic direction, has given us an enviable market position. We look forward to serving the customers of Hypo Group Alpe Adria, who value personalised and discerning advice. The rapid integration of Hypo Group Alpe Adria into the BayernLB Group will prove decisive over the months ahead. Based on previous experience and market successes, we are confident of achieving our goals. The common goal of the BayernLB Group is still to attract more customers and pursue our successful course. We are very grateful to our customers, business partners and shareholders for the recognition they have shown us.

The Board of Management of Bayerische Landesbank

Werner Schmidt
Chairman of the Board of Management

Dr. Rudolf Hanisch
Deputy Chairman of the Board of Management

Theo Harnischmacher
Deputy Chairman of the Board of Management

Stefan W. Ropers

Dr. Gerhard Gribkowsky

Dr. Ralph Schmidt

Dr. Michael Kemmer

Interim group management report

Management report

Earnings

During the period under review, the BayernLB Group's performance was once again better than its good results in the first half of 2006. The operating result rose by 2.6 percent to EUR 637 million and consolidated net income increased markedly to EUR 431 million (previous year: EUR 234 million), mainly due to the discontinuation of extraordinary charges.

Earnings were marked by an 18.9 percent rise in gross income (net interest income and net commission income) to EUR 1,395 million, which was countered by a modest rise in administrative expenses (+ 4.9 percent to EUR 805 million).

The cost-income ratio* rose a marginal 0.3 percentage points to 52.7 percent.

EUR million	1.1.–30.6.2007	1.1.–30.6.2006	Change in %
Net interest income	1,217	998	21.9
Net commission income	178	175	1.8
Personnel expenses	–419	–382	9.6
Operating expenses	–386	–385	0.2
Net result from financial transactions	20	110	–82.2
Balance of other operating income and expenses	112	181	–37.9
Risk provisioning/revaluation result	–85	–76	10.9
Operating result	**637**	**621**	**2.6**
Extraordinary expenses	0	–202	
Corporate income tax	–97	–65	48.3
Partial profit transfer	–109	–120	–9.0
Consolidated net income	**431**	**234**	**83.9**

The previous year's figures for the profit and loss account as at 30 June 2006 presented in the management report do not fully meet the requirements of the DRS 16 near final draft. The discrepancies have mainly arisen due to the partial recording in 2006, on a pro-rata basis, of income from investments, and also the partial recording of budgeted figures. However, the overall performance assessment is unaffected by these discrepancies.

* *Administrative expenses/operating income*

Net interest income rose a substantial 21.9 percent to EUR 1,217 million, boosted by strong growth at BayernLB and the Group's strategic subsidiaries and by the initial consolidation of an associated company (EUR 117 million).

Net commission income increased a marginal EUR 3 million overall to EUR 178 million. BayernLB, its subsidiaries MKB Bank Zrt, Landesbank Saar and asset manager BayernInvest Kapitalanlagegesellschaft mbH all recorded double-digit growth rates. Deutsche Kreditbank AG (DKB) incurred high commission expenses – relating to customer acquisition and therefore to be regarded as future investments – which had an adverse impact on the Group's overall returns.

Administrative expenses amounted to EUR 805 million within the BayernLB Group, which represented an increase of 4.9 percent over the year-earlier period. The rise is largely attributable to the Group subsidiaries and also includes pure exchange rate-related hikes (MKB Bank Zrt).

Since the provisions of the wage agreement in 2006 did not take effect until the second half of the year, personnel expenses rose 9.6 percent to EUR 419 million compared to the year-before period. However, the pro-rata figure for the year 2006, including the effects of the wage agreement, stood at EUR 413 million, which represents an increase of just 1.3 percent in the first half of 2007. Operating expenses remained virtually unchanged (up EUR 1 million to EUR 386 million), with reductions within BayernLB offsetting increases at the subsidiaries.

The net result from financial transactions was a less than satisfactory EUR 20 million (previous year: EUR 110 million), following a loss in BayernLB's equity trading of around EUR 45 million.

The EUR 69 million decline in the balance of other operating expenses and income to EUR 112 million relates to BayernLB and results primarily from the high tax refunds in 2006. The overall position was determined by the residential real estate activities within the DKB Group, GBWAG and its subsidiaries.

Risk provisioning/revaluation result posted EUR –85 million, which was higher on balance than the previous year (EUR –76 million). Risk provisions for the securities in the liquidity and investment portfolios are primarily interest rate-induced and rose due to the sharp hike in interest rates in June 2007. Credit risk provisions remained very low in the first half of 2007 owing to a conservative risk policy, and include further allocations to general loan loss provisions due to charge-offs undertaken in previous years.

The operating result (after risk provisioning/revaluation) improved by 2.6 percent to EUR 637 million. At 13.6 percent, return on equity was 1.6 percent down on the previous year due to a broader capital base. After injecting additional money into pension provisions in 2005 and 2006 to bring them in line with IAS/IFRS accounting standards, these extraordinary expenses have ceased in 2007 (previous year: EUR –202 million). At EUR 431 million, consolidated net income rose 83.9 percent year-on-year, with EUR 11 million (previous year: EUR 4 million) attributable to minority shareholders.

Assets, liabilities and financial position

Total assets rose 8.6 percent to EUR 383.4 billion in the first half of 2007. The increase largely occurred in BayernLB and reflects increased activity in money market trading and securities lending.

Both the DKB Group and MKB Bank Zrt posted double-digit growth rates in amounts due from customers. The securities portfolio received another boost. Of the EUR 11.9 billion rise at Group-level (to EUR 103.9 billion), EUR 11.0 billion was accounted for by BayernLB. The rise in bonds is partially explained by the further expansion of the investment portfolio. The EUR 1.1 billion decline in the portfolio of shares is largely attributable to the closure of securities lending positions and the partial disposal of units in a special fund.

Customer deposits at Group level increased by 10.4 percent to EUR 87.4 billion. Capital resources were also beefed up in line with this rapid growth rate. Subordinated liabilities rose by EUR 1.8 billion to EUR 6.6 billion and liabilities relating to profit participation rights increased by EUR 0.5 billion to EUR 2.8 billion.

Whereas the capital ratios were calculated on the basis of Principle I of the German Banking Act in 2006, as of January 2007 they are calculated in accordance with the provisions of the Solvency Regulation. Therefore the figures are not completely comparable. As at 30 June 2007, the core capital ratio is 7.4 percent and the own funds ratio 10.4 percent.

Segment results

In the first half of 2007, the individual segments contributed to the EUR 637 million Group operating result as follows:

EUR million	**1.1.–30.6.2007**	**1.1.–30.6.2006**
Corporates	224	218
Real Estate	98	88
Financial Markets	–43	41
Financial Institutions & Sovereigns	76	60
Savings Banks and Bavarian Market	21	22
BayernLabo/LBS Bayern	53	51
The Group's Strategic Subsidiaries	504	201
Other/Consolidation	–295	–60

Although competition remained tough, the Corporates segment increased its operating result by EUR 6 million year-on-year in the first half of 2007. The improvement in earnings is largely down to strong growth in interest and commission income.

Real Estate also posted an increased operating result. The segment exceeded the previous year by EUR 10 million year-on-year, which is largely attributable to interest income and to the net write-backs of credit risk provisions.

The operating result for the Financial Markets segment in the first half of 2007 suffered a sharper decline year-on-year due not only to a loss incurred but also to market-driven write-downs in the securities portfolio.

Business was pleasingly brisk in the Financial Institutions/Sovereigns segment, with a EUR 16 million increase in the contribution to the Group operating result versus the previous-year figure. The segment's success is reflected in the net interest income, which accounts for a substantial slice of the increase.

The Savings Banks and Bavarian Market segment posted an operating result of EUR 21 million, which is virtually on a par with the previous-year result. This meant the segment was able once again to stabilise at a satisfactory level in a difficult and fiercely competitive market environment.

At EUR 53 million (previous year: EUR 51 million), the retail-oriented BayernLabo/LBS Bayern's contribution to the Group operating result was slightly higher year-on-year.

The segment consisting of the Group's Strategic Subsidiaries encompasses BayernLB Group's activities in the national and international banking sector. These activities are divided up among the following participations:
- Deutsche Kreditbank AG, Berlin
- Banque LBLux S.A., Luxembourg
- MKB Bank Zrt, Budapest
- Landesbank Saar, Saarbrücken
- LB(Swiss) Privatbank AG, Zurich and
- BayernInvest Kapitalanlagegesellschaft mbH, Munich

The sharp year-on-year rise in this segment's operating result is largely due to the sale to BayernLB of Deutsche Kreditbank AG's participations in the real estate sector which are subject to consolidation. This had positive one-off effects on the segment's operating result, as reflected in a corresponding consolidation entry in the Other/Consolidation transfer item. In terms of operating business, the Bank is pleased to report that all subsidiaries included in the segment performed according to plan.

Outlook

The forecasts set out in the following report relating to BayernLB Group's performance in the second half of 2007 may deviate substantially from the actual outcome should one of the following uncertain factors or other uncertainties occur, or should the assumptions underlying our forecasts prove incorrect. BayernLB is under no obligation to update its forecasts in light of new information or future events taking place in the forecast period. Furthermore, this section is to be read in conjunction with the Outlook in the 2006 Annual Report.

In light of current forecasts from various quarters confirming that the recovery in Germany will continue unabated for the remainder of 2007, and the still favourable global economic climate, the BayernLB Group considers itself well positioned. BayernLB has revised the growth rate predicted for Germany in the 2006 Annual Report to 2.7 percent and also anticipates a sharper rise in long-term rates on the global bond markets. The Group expects to sustain its good business performance during the second half of 2007. With its regional focus, global network and worldwide presence combined with extensive experience on the international financial markets, it is ideally placed to serve its customers and those of the Sparkassen-Finanzgruppe. Business is progressing well, which shows that our increased activity within the Group – for example in winning new customers – is bearing fruit. In view of its excellent positioning in the business areas, the BayernLB Group sees plenty of potential for further growth and increased profitability.

The purchase of a majority stake in Klagenfurt-based Hypo Alpe-Adria-Bank International AG, represents an important milestone in the BayernLB Group's most recent history. The strengths of Hypo Group Alpe Adria are virtually an ideal fit for the BayernLB Group's business model and strategic orientation. The deal, which is expected to be terminated in the second half of 2007, constitutes a further important step towards the Group's strategic re-orientation as a broad-based universal bank with a significant presence in the retail business and strong position in the highly promising markets of Central and South-Eastern Europe. The BayernLB Group's well-established position in the core market of Central and South-Eastern Europe will be significantly strengthened. The rapid integration of Hypo Group Alpe Adria into the BayernLB Group will be vital to the exploitation of cooperation and growth potential.

BayernLB holds securities, via its foreign entity in New York, which are backed by loans from the sub-prime segment of the US real estate market or by indirect investments in this segment. Up to 80 percent are invested in the highest AAA rating category, with the remaining 20 percent rated AA. The portfolios have an average term of approx. 3 to 4 years and are gradually reduced each month. There have been no payment defaults in these portfolios so far. Thanks to the collateral structure in these rating categories, the Bank does not anticipate any defaults at least in the near future based on current information. That said, current market unrest is leading to price falls and uncertainty over valuations in even the highest rating categories.

One of the effects of the corporate tax reform act 2008 approved by the Bundesrat (German Federal Council) on 6 July 2007 will be to reduce corporate tax from 25 percent as it stands to 15 percent from 2008. The deferred taxes will need to be re-calculated in the annual financial statements for 2007 due to the amended legal basis. It can be assumed that following the revaluation, tax expenses will increase as a result of disclosing lower deferred taxes on the asset side.

Furthermore, the forecasts and other statements on the Group's prospective performance over the current financial year, as detailed in the Outlook section of the 2006 Annual Report, remain valid at this point in time. The BayernLB Group continues to see growth and earnings potential coming mainly from

- even closer cooperation with the Bavarian savings banks,
- stronger market penetration in Bavaria by providing customised financial services,
- stepping up direct banking business via Deutsche Kreditbank AG, and
- strengthening foreign activities, especially in Central and South-Eastern Europe as well as in Asia.

For the full year, we project that the BayernLB Group's operating result will once again be good. However, any change in the operating environment could have a corresponding impact on the BayernLB Group's performance.

Risk report

Risk management and monitoring

BayernLB employs uniform procedures to control and monitor its risks across its business areas. The objective is to optimise the Bank's risk/return profile for all of the various types of risk. Precisely defined principles, processes and organisational structures are applied for managing all types of risk. The Board of Management takes important and strategic risk-related decisions itself. All operational decisions are delegated to committees or units with portfolio responsibility as defined tasks, competencies and responsibilities.

Ensuring BayernLB's risk absorption capacity forms an integral element of the Bank's risk management. The Bank manages its risks under an integrated system, which allocates risk capital derived from the Bank's risk cover funds to the business areas and support operations to enable them to implement their strategies, and simultaneously restricts the various risk types by means of limits.

The risk cover funds indicate the level at which unexpected losses arising from risks undertaken can actually be covered in the event of disaster. The risk cover funds are defined using a concept of tiers based on the balance sheet and P&L account, whereby the components of capital are categorised according to their availability (liquidity) and the external impact of any changes in these funds (capital market effects).

Tier I	**Short-term reserves and forecast profit** • planned allocation to revenue reserves • hidden reserves in the securities/derivatives portfolios (minus hidden charges) • fund for general banking risks under Section 340g HGB • provisioning under Section 340f HGB • planned dividend distribution
Tier II	**Long-term reserves** • hidden reserves in the participations portfolio (minus hidden charges and hidden reserves of the Group's strategic subsidiaries)
Tier III	**Equity capital (strict definition)** • nominal capital • capital and revenue reserves • undated capital contributions of (indirect) silent partners • reserve fund for Bayerische Landesbausparkasse • less book values of the Group's strategic subsidiaries
Tier IV	**Equity capital equivalents** • dated capital contributions of (indirect) silent partners • capital contributions of other silent partners • profit participation rights • subordinated liabilities • less own subordinated liabilities and profit participation rights held in the portfolio

The maximum loss ceiling – and hence the available risk capital – is determined by the sum of capital components under tiers I to III. Tier IV of the risk cover funds is used for the additional protection of depositors and senior creditors in case of insolvency.

The risk capital requirement for each type of risk is calculated as part of the risk capacity calculation using the value at risk (VaR) method, based on a confidence level of 99.96 percent (with a one-year holding period) and then amalgamated consistent with the overall risk position.

As at 30 June 2007, BayernLB had provided EUR 7,800 million in risk capital (31 December 2006: EUR 7,672 million) from the Bank's cover funds. Taking account of a deterioration in risk scenarios, EUR 3,224 million (31 December 2006: EUR 3,346 million), or 41.3 percent, had been utilised. During the regular review of the Bank's risk capacity for relevant risk types, the liquidity risk arising from the unexpected behaviour of building savers was identified as a separate significant type of risk. Since January 2007 it has therefore been included in "Other risks" in establishing risk capacity.

BayernLB's risk capital provided and risk capital requirement as at 30 June 2007

	30.6.2007	31.12.2006	31.12.2005
EUR million	Actual	Actual	Actual
Risk capital	**7,800**	**7,672**	**8,918**
Risk capital requirement	**3,224**	**3,346**	**4,961**
arising from normal risk situations	3,006	3,108	4,625
of which credit risk	1,146	1,564	2,998
of which country risk	1,106	903	850
of which investment risk	156	218	357
of which operational risk	164	245	218
of which market risk	332	179	202
of which other risks	102		
arising from risk situations that have deteriorated (scenarios)	218	238	336
Free risk capital	**4,576**	**4,326**	**3,956**

(BayernLB incl. BayernLABO and LBS Bayern)

The risk capacity calculations compiled by the Group's strategic subsidiaries themselves will be amalgamated into a Group-wide risk capacity analysis from the second half of 2007.

Risk profile

BayernLB's risk management processes differentiate between six types of risk: Counterparty, investment, country, market price, liquidity and operational risks. All risk types are accounted for by the planned risk profiles.

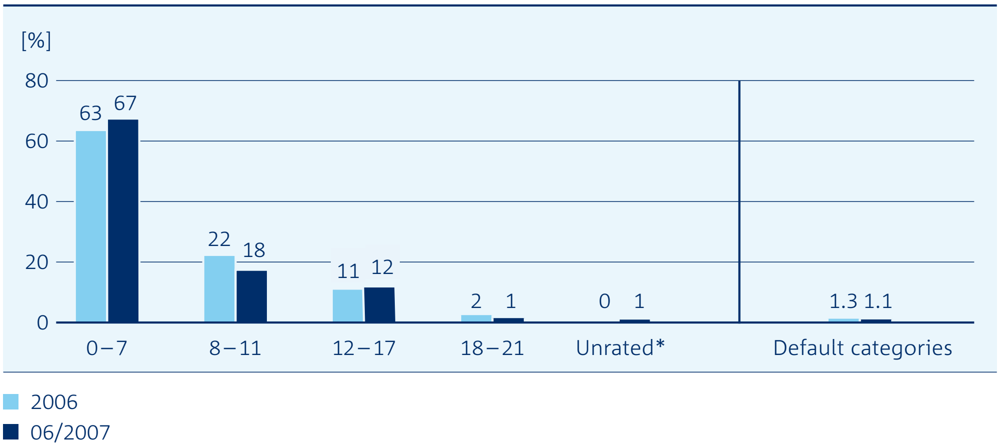
A detailed description of the methods, processes, tools and organisation of risk management and controlling can be found in the Management report for 2006.

Credit business constitutes the Bank's core business by virtue of its scale and share of risk. BayernLB conducts its credit business through direct customer relationships, as a member in syndicated loans, mainly as part of its cooperative market development with the Bavarian savings banks, and on secondary markets. It supports both its shareholders and its customers as a strategic business partner.

In the first half of 2007, the Group's gross credit exposure increased by EUR 13.4 billion. This was largely driven by increased demand for loans and the expansion of the Group's strategic subsidiaries' new private customer and retail business in view of ongoing economic buoyancy.

The distribution of the credit exposure among the rating categories corresponds to the Bank's projected risk/return profile, with the Bank's exposure in default categories 22 to 24 still on the decline.

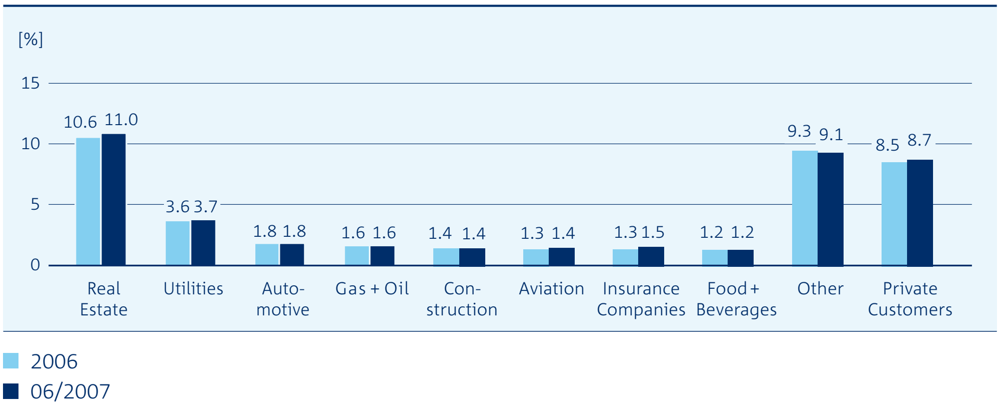
Gross exposure of the Group by rating category



** Note on "Unrated":*
The "Unrated" category includes the as yet unrated exposure of the Group's subsidiaries.

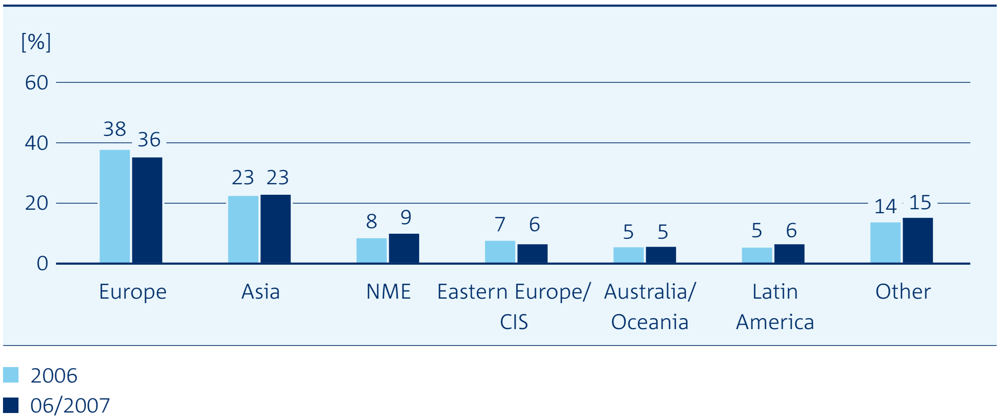
There was no substantial change in exposure to the industrial sectors in the first half of 2007. Sector exposure remains well diversified with no cluster risks in any one sector.

Gross exposure of the Group by sector group



There were no significant concentrations or noteworthy changes in credit exposure by region in the first half of 2007. This was especially the case for risk-rated countries.

Group net exposure in risk-rated countries



Appropriate risk provisions were set aside for all identifiable risks in credit business in the first half of 2007. General loan loss provisions were formed for latent risks. Based on the average credit volume, the default rate in credit business at Group level was 0.15 percent. Direct write-offs on claims came to EUR 21 million at Group level.

Provisions for counterparty and country risks*

	Group					
EUR million	**30.6.2007**	**2006**	**2005**	**2004**	**2003**	**2002**
As at 1 January	1,952	2,844	4,382	5,038	4,625	2,784
Write-backs	−150	−437	−729	−525	−420	−398
Utilisation	−353	−882	−1,470	−846	−692	−346
Allocations	124	434	609	748	1,766	2,659
Other changes**	−3	−7	52	−33	−241	−74
As at 30 June 2007/ 31 December 2006	**1,570**	**1,952**	**2,844**	**4,382**	**5,038**	**4,625**

** Not including global loan loss provisions, changes in reserve pursuant to Section 340f and 340g HGB, other loan loss provisions as well as price gains/losses and write-downs or reversals of write-downs on securities of the liquidity portfolio*
*** Changes to the group of consolidated companies, changes in exchange rates, account transfers*

BayernLB's negotiations to acquire 50 percent plus one share of Hypo Alpe-Adria-Bank International AG were successfully completed in the first half of 2007. Once the transaction is fully terminated in the second half of 2007, the new subsidiary is to be consolidated as part of the Group and integrated into the group-wide portfolio and participations management system.

BayernLB has extensive holdings of securities eligible for refinancing with central banks or through repo transactions to make sure it has sufficient liquidity. These reserves help the Bank obtain funding even in the case of a considerable cash outflow or market disruption. In addition, the Bank applies a number of money market and capital market instruments to ensure that its ad-hoc and structural liquidity position is appropriate.

The total risk arising from market price risks increased by EUR 15.3 million to EUR 61.6 million between year-end 2006 and 30 June 2007 due mainly to new transactions in alternative investments. These involved investments in diversified hedge-fund portfolios with guaranteed capital on maturity and additional hedging through CPPI (Constant Proportion Portfolio Insurance) strategies. The risks arising from these portfolios are monitored and reported on daily. The VaR also increased due to investment book portfolios being integrated further into the daily market risk calculation under the TRIAS project.

Market VaR for different risk factors

EUR million	Average VaR in 2007	Minimum VaR in 2007	Maximum VaR 2007	VaR as at 30.6.2007	VaR as at 31.12.2006
Interest rate risk	42.06	36.22	49.29	45.22	37.00
Share price risk	7.08	4.12	25.64	7.14	6.04
Currency risk	8.59	4.37	22.49	5.70	6.73
Commodity risk	1.77	0.91	2.53	1.82	1.65
Volatility risk	2.58	1.39	3.89	2.98	2.03
Altern. investments	4.50	3.44	7.06	7.06	N/A
Total risk	**54.91**	**47.71**	**77.71**	**61.62**	**46.29**

(Figures for the Bank; VaR with a holding period of one day)

The VaR figures for BayernLB are based on a confidence level of 99 percent for a one-day holding period. In order to determine the risk capital requirement for the risk capacity calculation, the figures are input at the uniform confidence level of 99.96 percent, assuming a liquidation period of 20 days.

Interim consolidated financial statements

Consolidated balance sheet as at 30 June 2007

Assets

EUR million	30.6.2007	31.12.2006
1. Cash reserves	550	802
2. Debt certificates issued by public entities and bills of exchange eligible for refinancing with central banks	1,296	946
3. Due from banks	115,783	109,455
4. Due from customers	142,087	132,806
5. Bonds and other fixed-interest securities	98,952	85,764
6. Shares and other non fixed-interest securities	4,946	6,275
7. Investments/shares in affiliated companies	1,390	1,136
8. Assets held in trust	7,095	7,441
9. Intangible assets/tangible assets	2,898	2,708
10. Other assets	8,426	5,885
Total assets	**383,423**	**353,218**

Liabilities

EUR million	30.6.2007	31.12.2006
1. Due to banks	143,776	125,823
2. Due to customers	87,384	79,135
3. Securitised liabilities	113,537	112,896
4. Liabilities held in trust	7,095	7,441
5. Provisions	3,110	3,149
6. Other liabilities	7,609	6,137
7. Subordinated liabilities	6,559	4,787
8. Profit-participation certificates	2,845	2,368
9. Fund for general banking risks	665	665
10. Equity	10,843	10,817
Total liabilities	**383,423**	**353,218**

1. Contingent liabilities	19,643	19,267
2. Other obligations	69,670	69,694

Consolidated profit and loss account for the period from 1 January to 30 June 2007

EUR million	1.1. – 30.6.2007	
1. Interest income from		
a) Credit and money market transactions	7,183	
b) Fixed-interest securities and debt-register claims	1,888	9,071
2. Interest expenses		8,131
3. Current income from		
a) Shares and other non fixed-interest securities	114	
b) Investments and shares in affiliated companies	45	159
4. Result from shares in associated companies		118
5. Income from profit-pooling agreements, profit transfer agreements and partial profit transfer agreements		0
6. Commission income		445
7. Commission expenses		267
8. Net income or net expenses from financial transactions		20
9. Other operating income		193
10. Income from write-back of special reserve		0
11. General administrative expenses		
a) Personnel expenses	419	
b) Other administrative expenses	345	764
12. Depreciation and value adjustments on intangible and tangible assets		41
13. Other operating expenses		74
14. Write-downs of and value adjustments on receivables and certain securities, and allocations to provisions in credit business		62
15. Income from reversals of write-downs of receivables and certain securities, and from write-backs of provisions in credit business		0
16. Write-downs of and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets		18
17. Income from reversals of write-downs on investments, shares in affiliated companies and securities treated as fixed assets		0
18. Expenses from loss transfers		5
19. Allocations to special reserve		0
20. Result from ordinary activities		**644**
21. Extraordinary income		0
22. Extraordinary expenses		0
23. Extraordinary result		**0**
24. Taxes on income and earnings		97
25. Other taxes, unless disclosed under position 13		7
26. Profits transferred under partial profit transfer agreement		109
27. Consolidated net income		**431**
28. Profit shares of minority shareholders		11
29. Consolidated profit		**420**

Notes to the consolidated financial statements

Accounting principles of the interim report

The interim report of the BayernLB Group as at 30 June 2007 has been prepared in accordance with the provisions of the German Commercial Code (HGB) and the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers and taking account of the German Accounting Standards no. 16 near final draft (DRS 16 near final draft) dated 18 July 2007. The accounting policies applied in the interim report are the same as those applied in the 2006 consolidated financial statements (see 2006 Annual Report and Accounts, p. 172 ff.). Pursuant to the DRS 16 near final draft, it is not required to state previous-year figures for the profit and loss account.

Any major changes in the balance sheet and the profit and loss account compared with the corresponding previous-year figures and the performance thereof over the period under review are explained in the interim management report.

Income taxes, including deferred taxes, are calculated on the basis of the half-year figures and tax law applicable on 30 June 2007.

Group of consolidated companies

The newly established BayernLB Capital LLC I, Wilmington, was added to the group of companies consolidated in BayernLB Group in 2007. GBWAG Bayerische Wohnungs-AG, Munich and its subsidiaries previously formed part of the DKB Group/Deutsche Kreditbank AG, Berlin but will be directly consolidated in BayernLB following the transfer of their shares to BayernLB. These changes to the group of consolidated companies had no impact on the result.

In addition to BayernLB, the group of consolidated companies includes the following subsidiaries:
- Banque LBLux S.A., Luxembourg
- BayernInvest Kapitalanlagegesellschaft mbH, Munich
- BayernLB Capital LLC I, Wilmington
- DKB Group/Deutsche Kreditbank Aktiengesellschaft, Berlin
- GBWAG Bayerische Wohnungs-AG, Munich
- GBW Beteiligungs-GmbH, Berlin
- GBW Holding GmbH, Munich
- Gemeinnützige Wohnungsgesellschaft Franken GmbH, Würzburg
- Gemeinnützige Wohnungsgesellschaft Niederbayern und Oberpfalz GmbH, Regensburg
- Gemeinnützige Wohnungsgesellschaft Oberbayern und Schwaben GmbH, Munich
- Landesbank Saar, Saarbrücken
- MKB Bank Zrt, Budapest

LB(Swiss) Privatbank AG, Zurich, is consolidated at 50 percent in accordance with its ownership.

The limited partnership Allgemeine Leasing GmbH & Co., Grünwald, will be included in the consolidated financial statements as an associated company for the first time and valued according to the equity method. The TxB Transaktionsbank GmbH, Aschheim-Dornach, also valued according to the equity method hitherto, was sold in March 2007. The transaction gave rise to a revaluation result of EUR 9 million at Group level.

The remaining subsidiaries and joint ventures have neither been consolidated nor valued according to the equity method because they are not material with respect to the assets and financial position of the Group and the results of its operations.

Segment reporting

The primary segment report breaks down Group earnings into key areas: the individual business areas, the dependent entities BayernLabo and LBS Bayern, and the Group's strategic subsidiaries. Earnings are allocated to the segments based on where they originated. Net interest income is calculated using the market interest rate method. The Other/Consolidation segment includes consolidation effects as well as earnings which are not allocated to the business areas. This includes in particular earnings from the support operations which cannot be allocated to one of the business areas.

Segment report as at 30 June 2007

EUR million	Corporates	Real Estate	Financial Markets	Financial Institutions & Sovereigns	Savings Banks and Bavarian market	BayernLabo/ LBS Bayern	The Group's Strategic Subsidiaries	Other/ Consolidation	Group
Net interest income	195	114	127	74	55	144	410	98	1,217
Net commission income	65	15	11	23	35	2	42	−15	178
Administrative expenses	−91	−51	−155	−26	−78	−74	−284	−45	−805
Net result from financial transactions	0	0	4	0	3	0	13	0	20
Other operating result	0	2	2	0	2	4	43	61	112
Risk provisioning/ revaluation result	53	18	−31	5	5	−23	280	−392	−85
Operating result	224	98	−43	76	21	53	504	−295	637
Segment assets	37,235	15,694	140,843	53,978	32,362	25,575	82,733	−4,998	383,423
Segment liabilities*	35,243	15,001	139,468	53,285	31,944	23,734	79,306	−2,346	375,635
Av. equity capital disclosed*	1,955	680	1,350	680	410	1,838	3,180	−2,470	7,623
Return on equity* (RoE in %)	22.1	21.6	−6.3	22.2	9.3	4.8	31.0	–	13.6
Cost-income ratio (in %)	34.7	39.1	108.1	27.0	83.1	49.3	55.9	–	52.7
Av. staff capacity	243	162	417	106	325	793	4,505	2,889	9,441

** The amount of equity capital used for calculating the RoE and the segment liabilities is based on a forecast as per year-end 2007.*

For the purposes of internal management, equity capital is allocated to the business areas and support operations of each segment in accordance with their risk positions.

The segment report measures the performance of the business areas using RoE and CIR as benchmarks. Return on equity is determined by dividing the business area's operating result (before changes in reserves) by the average allocated capital. The CIR is the quotient of administrative expenses divided by the sum total of net interest income, net commission income, net result from financial transactions and the other operating result.

Note on segment definition

The segment definition corresponds to the management approach to segment reporting.

The Corporates segment serves large SME corporate customers in Germany as well as multinationals in Germany and in the Bank's core markets of Europe, North America and Asia.

The Real Estate segment comprises BayernLB's commercial and residential real estate customers at both national and international levels.

The Financial Markets segment combines all trading and issuing activities as well as the Asset Liability Management (ALM) of BayernLB.

The Financial Institutions & Sovereigns segment encompasses business relations worldwide with banks, insurance companies and other institutional customers, as well as government and non-Bavarian municipal customers from the public sector.

The Savings Banks and Bavarian Market segment, acting as an interface, comprises all of BayernLB's activities in support of the Bavarian savings banks as well as Bavarian municipal and corporate customers. BayernLB's Private Banking activities (retail customers and cards business) are also included in this segment.

The BayernLabo/LBS Bayern segment comprises the legally dependent institutions Bayerische Landesbodenkreditanstalt (BayernLabo) and Bayerische Landesbausparkasse (LBS Bayern).

The segment entitled the Group's Strategic Subsidiaries encompasses all consolidated subsidiaries of the BayernLB Group, including the capital investment company BayernInvest. The subsidiaries' business activities are focused mainly on retail and private banking.

The Other/Consolidation segment comprises, in addition to consolidation effects, the profit contributions of our Corporate Center, Corporate Services, Risk Office and Financial Office support operations, which are not allocated to the business areas according to the origination principle. This mainly concerns the income from participations as well as expenditure on the refinancing and management of these participations. This segment also includes cross-divisional transactions whose contribution to the overall profit is allocable to neither business areas nor support operations, nor other consolidated subsidiaries.

In order to provide insight into BayernLB's activities on a regional basis, the primary segment report has been supplemented with a secondary segment report broken down by region. Key performance indicators by region are shown below:

Segment report as at 30 June 2007

EUR million	Germany	Europe (excl. Germany)	America	Asia/Pacific	Consolidation	Group
Result before risk provisioning/revaluation result	407	167	72	10	66	722
Risk provisioning/revaluation result	384	−51	−16	−1	−401	−85
Operating result	791	116	56	9	−335	637
Av. equity capital disclosed*	7,228	1,915	819	163	−2,503	7,623
Cost-income ratio (%)	60.7	45.0	29.4	42.7	—	52.7
Av. staff capacity	6,784	2,344	216	97	—	9,441

* *The amount of equity capital is based on a forecast as per year-end 2007.*

Consolidated balance sheet and profit and loss account data

Other assets

EUR million	30.6.2007	31.12.2006
Other assets	6,613	4,307
Deferred taxes	1,075	606
Deferred expenses	738	972
Other assets	**8,426**	**5,885**

The increase in the other assets item results from capitalising premiums earned from the growth in trading derivative products and, in particular, from the return of units in a special securities fund which has yet to be settled in accounting terms.

Other liabilities

EUR million	30.6.2007	31.12.2006
Other liabilities	6,470	4,996
Deferred income	1,121	1,123
Reserve fund for Home Loan division	18	18
Other liabilities	**7,609**	**6,137**

The increase in the other liabilities item is largely based on the intra-year growth in securities lending activities.

Equity

EUR million	30.6.2007	31.12.2006
Nominal capital	1,800	1,800
Capital contributions of silent partners	2,766	3,018
Specific-purpose capital	612	612
Capital reserve	476	476
Revenue reserves	4,495	4,516
Offsetting item for shares of minority shareholders	274	273
Consolidated profit	420	122
Equity	**10,843**	**10,817**

Business volume

EUR million	30.6.2007	31.12.2006
Total assets	383,423	353,218
Contingent liabilities	19,643	19,267
Other obligations	69,670	69,694
Business volume	**472,736**	**442,179**

Credit volume

EUR million	30.6.2007	31.12.2006
Due from banks* (not including due from banks payable on demand)	108,878	102,525
Due from customers*	140,905	131,824
Discount credits	0	1
Credit volume	**249,783**	**234,350**

** excluding accrued interest*

Derivatives transactions

	Nominal values		Positive market values	Negative market values
EUR million	30.6.2007	31.12.2006	30.6.2007	30.6.2007
Interest rate risks	1,145,698	1,188,196	13,060	12,373
Currency risks	135,307	131,259	3,549	3,636
Share and other price risks	10,802	8,801	381	339
Risks from credit derivatives	120,132	95,434	545	470
Derivatives transactions	**1,411,939**	**1,423,690**	**17,535**	**16,818**
of which: trading transactions	1,291,999	1,312,820	14,821	14,852

Administrative bodies of BayernLB

Board of Administration

Dr. Siegfried Naser
Chairman
Executive President
Association of Bavarian
Savings Banks
Munich

Prof. Dr. Kurt Faltlhauser
First Deputy Chairman
State Minister
Bavarian State Ministry
of Finance
Munich

Hansjörg Christmann
Second Deputy Chairman
Chief District Administrator
Dachau

Dr. Günther Beckstein
Third Deputy Chairman
State Minister
Bavarian State Ministry
of the Interior
Munich

Alois Hagl
Chairman of the Board of
Directors of
Sparkasse im Landkreis
Schwandorf
Schwandorf

Erwin Huber
State Minister
Bavarian State Ministry
of Economic Affairs,
Infrastructure,
Transport and Technology
Munich

Karl-Ludwig Kamprath
Chairman of the Board of
Directors of
Kreissparkasse München-
Starnberg
Munich

Hans Schaidinger
Lord Mayor
Regensburg

Georg Schmid
Permanent Secretary
Bavarian State Ministry
of the Interior
Munich

Klaus Weigert
Deputy Secretary
Bavarian State Ministry
of Finance
Munich

Board of Management

Werner Schmidt
Chairman
Corporate Center Support
Operations

Theo Harnischmacher
Deputy Chairman
Savings Banks and Bavarian
Market Business Area
Bayerische Landesbausparkasse

Dr. Rudolf Hanisch
Deputy Chairman
Real Estate Business Area
Financial Institutions &
Sovereigns Business Area
Bayerische Landesboden-
kreditanstalt

Dieter Burgmer
(until 28 June 2007)
Financial Markets Business Area

Stefan W. Ropers
Corporates Business Area

Dr. Gerhard Gribkowsky
Risk Office Support Operations

Dr. Ralph Schmidt
Corporate Services Support
Operations (until 30 June 2007)
Financial Markets Business Area
(from 1 July 2007)

Dr. Michael Kemmer
Financial Office Support
Operations

Responsibility statement by the Board of Management

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, 21 August 2007

Bayerische Landesbank
The Board of Management

Werner Schmidt	Dr. Rudolf Hanisch	Theo Harnischmacher
Stefan W. Ropers	Dr. Gerhard Gribkowsky	
Dr. Ralph Schmidt	Dr. Michael Kemmer	

Review report

To Bayerische Landesbank, an institution established under public law, Munich

We have reviewed the condensed interim consolidated financial statements – comprising the condensed balance sheet, condensed profit and loss account and selected notes – and the interim group management report of Bayerische Landesbank for the period from 1 January to 30 June 2007, which are part of the half-year financial report according to § 37w WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with the German commercial code and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Board of Management of Bayerische Landesbank. Our responsibility is to issue a report on these condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and conduct the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with German commercial law and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to surveys of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our mandate, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the German commercial code, or that the interim group management report has not been prepared, in all material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Munich, 21 August 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes
Auditor

Eberhard Feil
Auditor

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