



## **BayernLB Group performance as at 30 September and in Q3 2011**

**"Stable earnings in customer business"**  
Telephone conference, Stephan Winkelmeier, CFO

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 **Finanzgruppe**

 **Bayern LB**

# Stable earnings in customer business

- BayernLB posted earnings before taxes of EUR 152 million for the first nine months.
- Earnings came completely from the new BayernLB's core business as a corporate and real estate financier and partner to the savings banks.
- Higher net interest and net commission income reflects satisfactory business with customers year to date.
- Abrupt legal changes in Hungary, coupled with the sovereign debt crisis, led to a loss of EUR 92 million in the third quarter.
- Bank levies weigh on BayernLB to the tune of EUR 115 million.
- Without the massive state intervention in Hungary and losses from non-core business, such as Greek government bonds bought years ago, BayernLB would have been in the black in the third quarter as well.
- Operating business remains satisfactory. However, given the current unpredictability of markets and political decisions, BayernLB is refraining from forecasting earnings for full year 2011.

## Net interest and net commission income stable

### Income statement

(EUR million)	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010	Change in %
<b>Net interest income</b>	<b>1,444</b>	<b>1,418</b>	<b>1.9</b>
<b>Risk provisions in the credit business</b>	<b>-323</b>	<b>-378</b>	<b>-14.4</b>
<b>Net interest income after risk provisions</b>	<b>1,121</b>	<b>1,040</b>	<b>7.8</b>
<b>Net commission income</b>	<b>189</b>	<b>186</b>	<b>1.5</b>
<b>Gains or losses on fair value measurement</b>	<b>166</b>	<b>547</b>	<b>-69.7</b>
<b>Gains or losses on financial investments**</b>	<b>-156</b>	<b>-125</b>	<b>25.4</b>
<b>Other income</b>	<b>60</b>	<b>30</b>	<b>96.8</b>
<b>Administrative expenses</b>	<b>-1,102</b>	<b>-1,096</b>	<b>0.6</b>
<b>Expenses for bank levies</b>	<b>-115</b>	<b>-38</b>	<b>&gt; 100.0</b>
<b>Gains or losses on restructuring</b>	<b>-10</b>	<b>124</b>	
<b>Earnings before taxes</b>	<b>152</b>	<b>669</b>	<b>-77.3</b>

\* Including gains or losses on hedge accounting \*\* Including income from interests in companies valued at equity

# Hungary, Greece and market headwinds in Q3

(EUR million)	Q3 2011	Q2 2011	Q1 2011
<b>Net interest income</b>	<b>468</b>	<b>497</b>	<b>479</b>
<b>Risk provisions in the credit business</b>	<b>-211</b>	<b>-63</b>	<b>-49</b>
<b>Net interest income after risk provisions</b>	<b>257</b>	<b>434</b>	<b>430</b>
<b>Net commission income</b>	<b>64</b>	<b>67</b>	<b>58</b>
<b>Gains or losses on fair value measurement</b>	<b>-31</b>	<b>101</b>	<b>96</b>
<b>Gains or losses on financial investments**</b>	<b>-51</b>	<b>-69</b>	<b>-37</b>
<b>Administrative expenses</b>	<b>-369</b>	<b>-370</b>	<b>-363</b>
<b>Expenses for bank levies</b>	<b>-27</b>	<b>-18</b>	<b>-70</b>
<b>Other income</b>	<b>68</b>	<b>-45</b>	<b>37</b>
<b>Gains or losses on restructuring</b>	<b>-3</b>	<b>-5</b>	<b>-2</b>
<b>Earnings before taxes</b>	<b>-92</b>	<b>95</b>	<b>149</b>

\* Including gains or losses on hedge accounting \*\* Including income from interests in companies valued at equity

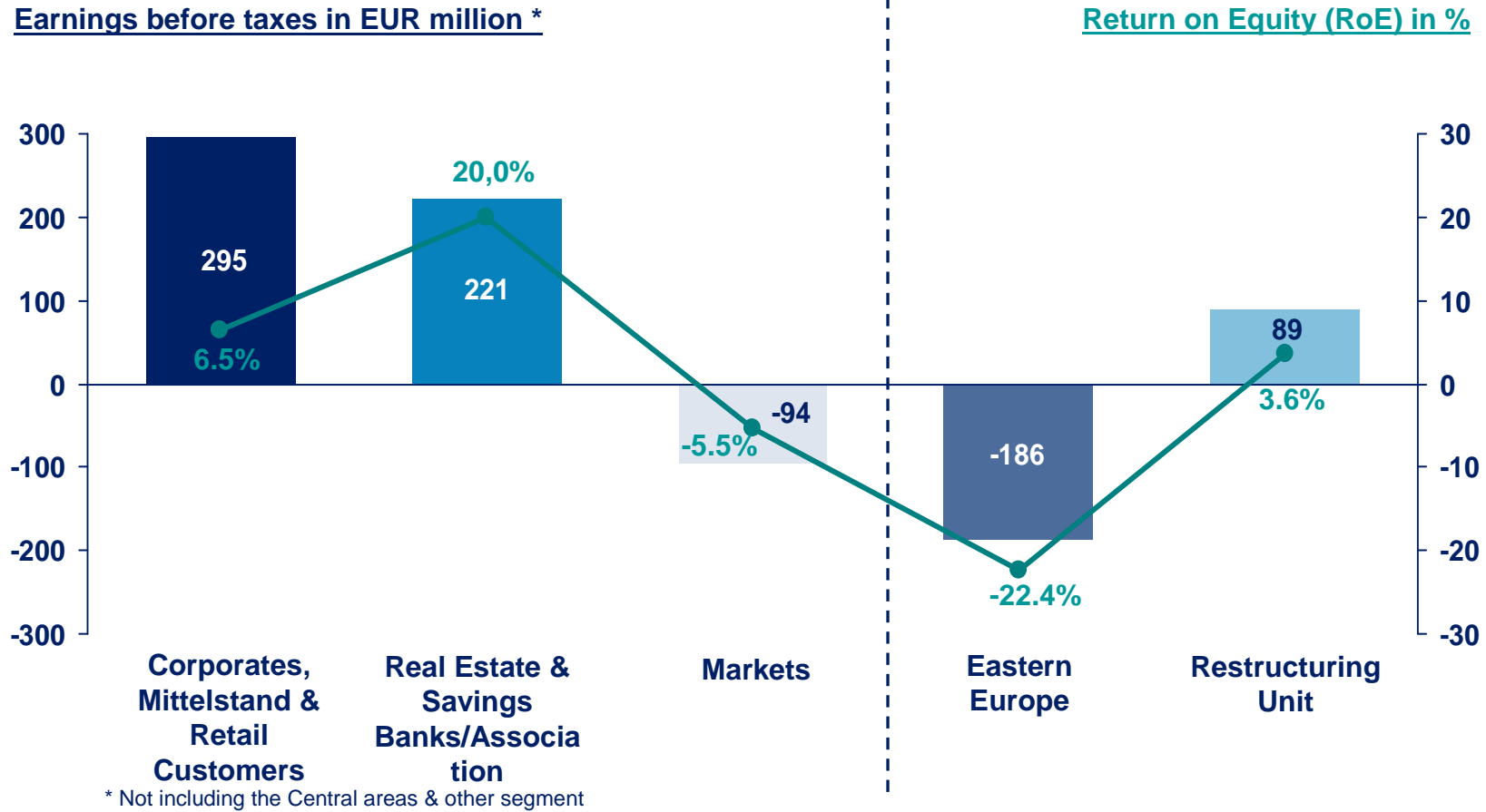
# MKB

## Large charges due to forced foreign-currency loan conversions and bank levy in Hungary

- MKB – like all Hungarian banks – has been directly affected by the disproportionately high Hungarian bank levy and the forced conversion of CHF and EUR foreign-currency loans (FX loans).
- MKB has put aside EUR 108 million in risk provisions as a result.
- This will lead to a loss at MKB in 2011.
- Without the bank levy and the foreign currency loan conversion plan forced upon Hungarian banks, MKB would have almost broken even.
- The quantitative impact on earnings and on the value of the stake in MKB cannot be calculated in detail until the loan repayment period closes (31 Dec 2011 and 29 Feb 2012).
- The legality of the law with respect to its compatibility both with Hungarian and European law is currently being examined through the appropriate legal channels.

# Stable and profitable customer business

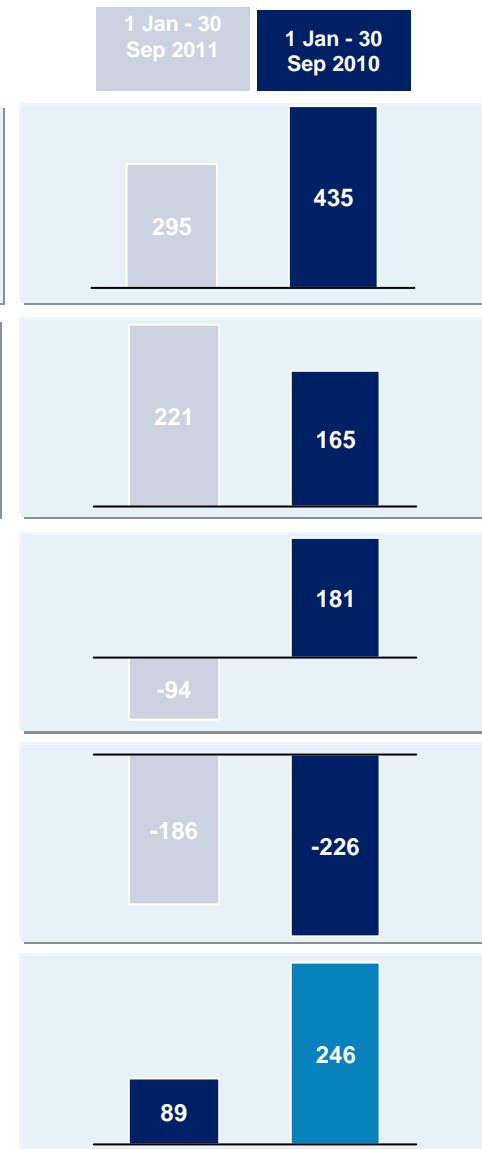
## Segment earnings 1 January - 30 September 2011



# Stable earnings trend in customer business excluding non-core business

## Earnings before taxes, EUR million, by segment

<p><b>Corporates, Mittelstand &amp; Retail Customers</b></p> <ul style="list-style-type: none"> <li>Good results for the first nine months of the year, with performance remaining positive</li> <li>Net interest and net commission income significantly higher</li> <li>Impairment charges on Greek government bonds weigh on earnings</li> </ul>
<p><b>Real Estate &amp; Savings Banks/Association</b></p> <ul style="list-style-type: none"> <li>Real Estate, BayernLabo and LBS post good new business figures</li> <li>Large decrease in risk provisions for the credit business</li> <li>Very pleasing business in foreign notes and coins and in precious metals</li> </ul>
<p><b>Markets</b></p> <ul style="list-style-type: none"> <li>Customer-driven business on target</li> <li>Temporary valuation markdowns and additions to the strategic liquidity reserve weigh on earnings</li> </ul>
<p><b>Eastern Europe</b></p> <ul style="list-style-type: none"> <li>Hungarian bank levy cuts earnings by EUR 51m</li> <li>Pre-tax earnings critically affected by the Hungarian foreign-currency loan repayment plan passed in September 2011</li> </ul>
<p><b>Restructuring Unit</b></p> <ul style="list-style-type: none"> <li>Volume reduced by EUR 37bn to EUR 30bn since RU's founding in July 2009</li> <li>More capital freed up than planned due to successful winding down of risk assets by EUR 3.4bn to EUR 11.7bn</li> </ul>

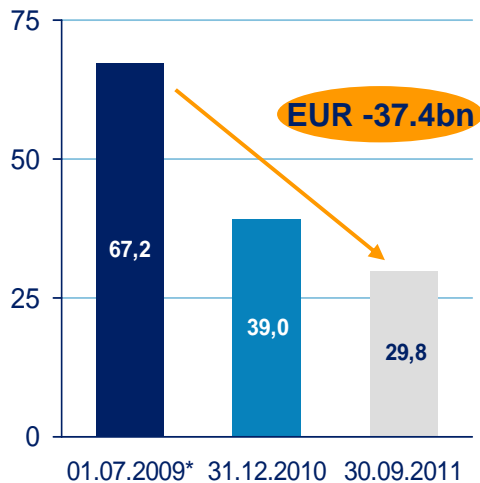


# Non-core business successfully being wound down

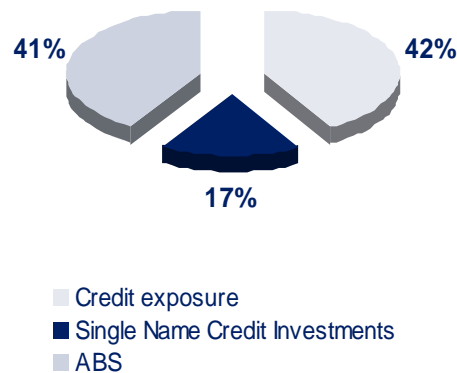
## Internal Restructuring Unit (RU) plays a major role in BayernLB's new strategy:

- Internal RU established an early stage (30 June 2009)
- Started operating immediately - no drawn out process as with setting up a special purpose entity
- Greater-than-planned portfolio decrease without hurting income statement by systematically applying strategically and operationally focused active reduction measures
- Frees up capital for the core businesses

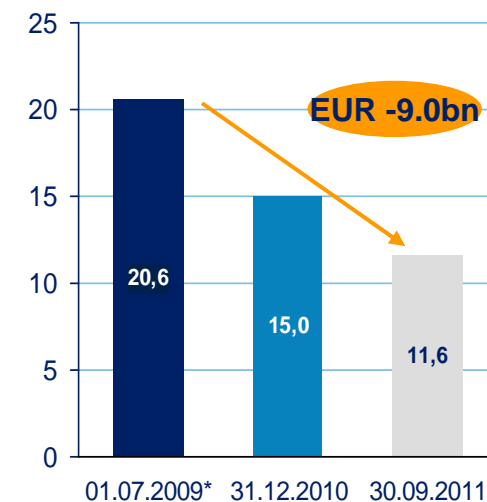
**Gross exposure**  
EUR billion



**Portfolio breakdown**  
in percent as at 30 Sep 2011



**RWA**  
EUR billion



\* Start of RU, adjusted for retransferred assets

# Total assets cut; solid tier 1 capital ratio

## Key figures at a glance

	30 Sep 2011	31 Dec 2010	Change in %
<b>Total assets (EUR billion)</b>	<b>313.1</b>	<b>316.4</b>	<b>-1.0</b>
<b>Own funds under German Banking Act</b>	<b>18.4</b>	<b>19.2</b>	<b>-4.0</b>
<b>Core capital under German Banking Act</b>	<b>13.6</b>	<b>13.9</b>	<b>-2.3</b>
<b>Equity ratio</b>	<b>15.7%</b>	<b>15.5%</b>	<b>0.2 pp</b>
<b>Core capital ratio</b>	<b>11.6%</b>	<b>11.2%</b>	<b>0.4 pp</b>
<b>Return on Equity (RoE) (each for first nine months)</b>	<b>3.0%</b>	<b>6.2%</b>	<b>-3.2 pp</b>
<b>Cost-Income ratio (CIR) (each for first nine months)</b>	<b>59.3%</b>	<b>51.1%</b>	<b>8.2 pp</b>
<b>Employees</b>	<b>10,874</b>	<b>10,853</b>	<b>0.2</b>