Disclosure Report as at 30 June 2015

Pursuant to Part Eight of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR)
Facts. Figures.

BayernLB

Preliminary remarks

This disclosure report, which refers to the period from 1 January 2015 to 30 June 2015, has been drafted in accordance with EBA/GL/2014/14 of 23 December 2014 and the supervisory provisions under Part Eight of the CRR (Capital Requirements Regulation/Regulation (EU) No 575/2013) and CRD IV (Capital Requirements Directive IV/Directive 2013/36/EU), which apply as from 1 January 2014.

By publishing this information, BayernLB meets the intrayear disclosure requirements for institutions with a total exposure measure (Art. 429 CRR) exceeding EUR 200 billion. As at 30 June 2015, this figure is approximately EUR 240 billion for BayernLB.

The report contains quantitative information on the
- own funds
- own funds requirements
- capital ratios
- leverage ratio

of the BayernLB Group. All the data published herein take into account the 2015 half-year financial statements.

The data in this report have not been audited.

Note:
The last unit in the tables may be rounded to the nearest digit.

Own funds (article 437 CRR)

Regulatory capital adequacy

To ensure the proper amount of regulatory capital, the objectives, methods and processes below have been defined:

The starting point for the allocation of regulatory capital is the BayernLB Group's own funds planning. Own funds are defined as Common Equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital. Common Equity Tier 1 capital comprises subscribed capital plus reserves, the state aid of the Free State of Bavaria and various supervisory adjustments and deductions. Additional Tier 1 capital is mainly silent partner contributions. Tier 2 capital includes profit participation Certificates and long-term subordinated liabilities.

Own funds planning is based largely on the internal target Common Equity Tier 1 capital ratio (ratio of Common Equity Tier 1 capital to RWA) and an internally set target total capital ratio (ratio of own funds to RWA) to be used for offsetting market movements. It establishes for the planning period upper limits for credit risks, market risks and operational risks arising from the business activities.

In the planning process, regulatory capital is distributed to each planning unit based on the RWA component. The planning units (Group units) are the defined business areas and central areas of BayernLB, as well as BayernLabo and Deutsche Kreditbank AG, Berlin (DKB).

Risk-weighted assets (RWA) are allocated to the Group units through a top-down distribution approved by the Board of Management for credit, market and operational risks, combined with an internally assumed capital ratio of 10 percent. The RWA allocation to each Group unit is constantly monitored for compliance by the Asset Liability Committee (ALCO). The Board of Management receives monthly reports on current RWA utilisations.

Own funds

Pursuant to article 72 of the CRR, the BayernLB Group's own funds comprise core capital, in turn consisting of Common Equity Tier 1 and additional Tier 1 capital, and Tier 2 capital.

Common Equity Tier 1 capital (CET1 capital)

CET1 capital consists mainly of subscribed capital, reserves and the capital contribution of BayernLabo. During the transition period, the perpetual silent partner contribution of the Free State of Bavaria (state aid) is also an element of CET1 capital. Furthermore, regulatory adjustments and deductions as set out under article 32 et seq. of the CRR are taken into account. These are mostly intangible assets, deferred tax assets which are dependent on future profitability, the shortfall resulting from discrepancies between writedowns and expected loss, and also certain adjustments (prudent valuation). For the transition period, however, these items are not to be completely deducted from CET1 capital but instead are being phased in in 20-percent portions (40 percent deducted from CET1 capital as at 30 June 2015). Amounts not to be deducted from CET1 capital are instead to be deducted from additional Tier 1 capital and Tier 2 capital.

Additional Tier 1 capital (AT1 capital)

Additional Tier 1 capital comprises mainly residual dated and perpetual silent partner contributions (excluding the state aid of the Free State of Bavaria) and the remaining deduction items pursuant to the transition regulations (article 469 et seq. of the CRR).

Dated silent partner contributions have original maturities of ten years or more. The annual Dividend is dependent on capital market yields at the time of distribution and includes a risk Premium based on market conditions. Although the CRR criteria for AT1 capital are not fulfilled, the dated silent partner contributions may be recognised as AT1 capital under the transition regulations.

Undated silent partner contributions have broadly similar terms and conditions but are perpetual and not cumulative (unpaid dividends are not carried forward). The capital-market based distribution is agreed for a ten-year time period. The instruments only meet the criteria for AT1 capital under the transitional rules and will be classified as T2 capital when the transitional rules cease to apply.

Article 484 et seq. of the CRR allow for all silent partner contributions at BayernLB to be recognised as AT1 capital at present.

Tier 2 capital (T2 capital)

Tier 2 capital in the BayernLB Group consists primarily of profit participation certificates and subordinated liabilities. While most of the T2 instruments do not formally qualify as T2 capital, they currently may nevertheless be recognised as such, with maturity adjustments taken into account, under the grandfathering regulations of article 484 et seq. of the CRR. These instruments are to be phased out analogously to the AT1 capital instruments. Only one subordinated liability is not in compliance with the CRR; it is not counted towards own funds.

Profit participation certificates have original maturities of at least five years, though most have maturities of ten years or more or are perpetual. The annual dividend is dependent on capital market yields at the time of distribution and includes a risk premium based on market conditions.

Long-term subordinated liabilities have original maturities of at least five years, whereby most have maturities of ten years or more. Interest rates are dependent on capital market yields at the time of distribution and include a risk premium based on market conditions.

The tables below show the capital structure and instruments in detail.

Own funds structure

As at 30 June 2015, the own funds of the BayernLB Group, adjusted for the 2015 half-year financial accounts, were as follows:

	EUR million	30 Juni 2015		31 Dec 2014	
		30 Jun 2015	Pre-CRR-treatment residual amount	31 Dec 2014	Pre-CRR-treatment residual amount
	Common Equity Tier 1 capital (CET1): instruments and reserves				
1	Capital instruments and the related share premium accounts	3,888		3,888	
	of which: statutory nominal capital including premium	3,276		3,276	
	of which: capital contribution	612		612	
2	Retained earnings	3,495		3,589	
3	Accumulated other comprehensive income (and other reserves)	1,124		1,265	
3a	Funds for general banking risk	N/A		N/A	
4	Grandfathered instruments	1,867		1,867	
	of which: public-sector capital injections grandfathered until 1 January 2018	1,867		1,867	
5	Minority interests (amount eligible as consolidated CET1)	N/A	N/A	N/A	N/A
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	N/A		N/A	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**10,374**		**10,610**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Prudent valuation pursuant to Art. 105 CRR	–91	N/A	–65	N/A
8	Intangible assets (net of related tax liability)	–45	–67	–23	–91
9	[In the EU: blank field]				
10	Deferred tax assets that rely on future profitability	–110	–164	–55	–219
11	Fair value reserves related to gains or losses on cash flow hedges	N/A	N/A	N/A	N/A
12	Negative amounts resulting from the calculation of expected loss amounts	–105	–158	–79	–315
13	Equity increase resulting from securitised assets	0	N/A	0	N/A
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–115	N/A	–115	N/A
15	Defined-benefit pension fund assets	0	0	0	0
16	Direct and indirect holdings by an institution of own CET1 instruments	0	0	0	0
17	Direct, indirect and synthetic holdings of CET1 instruments of financial-sector entities with reciprocal cross-holdings	N/A	N/A	N/A	N/A
18	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial-sector entities in which the institution has no significant investment	N/A	N/A	N/A	N/A
19	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial-sector entities in which the institution has a significant investment	N/A	N/A	N/A	N/A
20	[In the EU: blank field]				
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	N/A	N/A	N/A	N/A
20b	of which: qualifying holdings outside the financial sector	N/A	N/A	N/A	N/A
20c	of which: securitisation exposures (negative amount)	N/A	N/A	N/A	N/A
20d	of which: free deliveries	N/A	N/A	N/A	N/A

	EUR million	30 Juni 2015		31 Dec 2014	
		30 Jun 2015	Pre-CRR-treat-ment residual amount	31 Dec 2014	Pre-CRR-treat-ment residual amount
21	Deferred tax assets arising from temporary differences	N/A	N/A	N/A	N/A
22	Amount exceeding the 15.0% threshold	N/A	N/A	N/A	N/A
23	of which: direct and indirect holdings by the institution of CET1 instruments of financial-sector entities in which the institution has a significant investment	N/A	N/A	N/A	N/A
24	[In the EU: blank field]				
25	of which: deferred tax assets arising from temporary differences	N/A	N/A	N/A	N/A
25a	Losses for the current financial year	0	0	0	0
25b	Foreseeable tax charges relating to CET1 items	N/A	N/A	N/A	N/A
26	Regulatory adjustments applied to Common Equity Tier 1 capital in respect of amounts subject to pre-CRR treatment	0		0	
26a	Regulatory adjustments relating to unrealised gains and losses	−191		−452	
	of which: deductions and filters for unrealised losses (revaluation surplus)	0		0	
	of which: deductions and filters for unrealised gains (revaluation surplus)	−191		−452	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	N/A		N/A	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution	0		0	
28	**Total regulatory adjustments to Common Equity (CET1) Tier 1 capital**	**−656**		**−788**	
29	**Common Equity Tier 1 (CET1) capital**	**9,718**		**9,822**	
	Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	N/A		N/A	
31	of which: classified as equity under applicable accounting standards	N/A		N/A	
32	of which: classified as liabilities under applicable accounting standards	N/A		N/A	
33	Grandfathered instruments	299		304	
	of which: public-sector capital injections grandfathered until 1 January 2018	N/A		N/A	
34	Instruments qualifying as Tier 1 capital issued by subsidiaries	N/A	N/A	N/A	N/A
35	of which: instruments issued by subsidiaries subject to phase-out	N/A		N/A	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**299**	N/A	**304**	N/A
	Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments	0	0	0	0
38	Holdings of AT1 instruments of financial-sector entities with reciprocal cross-holdings	N/A	N/A	N/A	N/A
39	Direct and indirect holdings by the institution of AT1 instruments of financial-sector entities in which the institution has no significant investment	N/A	N/A	N/A	N/A
40	Direct and indirect holdings by the institution of AT1 instruments of financial-sector entities in which the institution has a significant investment	N/A	N/A	N/A	N/A

	EUR million	30 Juni 2015		31 Dec 2014	
		30 Jun 2015	Pre-CRR-treat-ment residual amount	31 Dec 2014	Pre-CRR-treat-ment residual amount
41	Regulatory adjustments applied to additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments (CRR residual amounts)	0		0	
41a	Residual amounts deducted from additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period	–147		–248	
	of which: losses for the current financial year	0		0	
	of which: intangible assets	–68		–91	
	of which: negative amounts resulting from the calculation of expected loss amounts	–79		–158	
41b	Residual amounts deducted from additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period	N/A		N/A	
41c	Amount to be deducted from or added to additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	N/A		N/A	
	of which: any deductions and filters for realised losses	N/A		N/A	
	of which: any deductions and filters for realised gains	N/A		N/A	
42	Qualifying Tier 2 deductions that exceed the Tier 2 capital of the institution	0		0	
43	**Total regulatory adjustments to additional Tier 1 (AT1) capital**	**–147**		**–248**	
44	**Additional Tier 1 (AT1) capital**	**152**		**55**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**9,871**		**9,877**	
	Tier 2 (T2) capital: instruments and reserves				
46	Capital instruments and the related share premium accounts	0		0	
47	Grandfathered instruments	1,542		1,833	
	of which: public-sector capital injections grandfathered until 1 January 2018	N/A		N/A	
48	Instruments qualifying as Tier 2 capital issued by subsidiaries	134	N/A	163	N/A
49	of which: instruments issued by subsidiaries subject to phase-out	N/A		N/A	
50	Credit risk adjustments	12		N/A	
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,688**		**1,996**	
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	0	0	0	0
53	Holdings of T2 instruments and subordinated loans of financial-sector entities with reciprocal cross-holdings	N/A	N/A	N/A	N/A
54	Direct and indirect holdings by the institution of T2 instruments and subordinated loans of financial-sector entities in which the institution has no significant investment	N/A	N/A	N/A	N/A
54a	of which: new holdings not subject to transitional arrangements	N/A	N/A	N/A	N/A
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements	N/A	N/A	N/A	N/A

		30 Juni 2015		31 Dec 2014	
	EUR million	30 Jun 2015	Pre-CRR-treatment residual amount	31 Dec 2014	Pre-CRR-treatment residual amount
55	Direct and indirect holdings by the institution of T2 instruments and subordinated loans of financial-sector entities in which the institution has a significant investment	N/A	N/A	N/A	N/A
56	Regulatory adjustments applied to Tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments (CRR residual amounts)	0		0	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period	–79		–158	
	of which: negative amounts resulting from the calculation of expected loss amounts	–79		–158	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from additional Tier 1 capital during the transitional period	N/A		N/A	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	N/A		N/A	
	of which: any deductions and filters for realised losses	N/A		N/A	
	of which: any deductions and filters for realised gains	N/A		N/A	
	of which: deductions required pre-CRR	N/A		N/A	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–79**		**–158**	
58	**Tier 2 (T2) capital**	**1,609**		**1,838**	
59	**Total capital (TC = T1 + T2)**	**11,479**		**11,715**	
	Risk assets before adjustments				
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments (CRR residual amounts)	N/A		N/A	
	of which: items not deducted from CET1 items	N/A		N/A	
	of which: items not deducted from AT1 items	N/A		N/A	
	of which: items not deducted from T2 items	N/A		N/A	
60	**Total risk-weighted assets**	**71,877**		**76,616**	
	Capital ratios and buffers				
61	Common Equity Tier 1 capital ratio	13.5%		12.8%	
62	Tier 1 capital ratio	13.7%		12.9%	
63	Total capital ratio	16.0%		15.3%	
64	Institution-specific buffer requirement	N/A		N/A	
65	of which: capital conservation buffer requirements	N/A		N/A	
66	of which: countercyclical buffer requirements	N/A		N/A	
67	of which: systemic risk buffer requirements	N/A		N/A	
67a	of which: buffer requirements for global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIs)	N/A		N/A	
68	Common Equity Tier 1 capital available to meet buffers	9.0%		8.3%	
69	[Not relevant to EU directive]				
70	[Not relevant to EU directive]				
71	[Not relevant to EU directive]				

	EUR million	30 Juni 2015		31 Dec 2014	
		30 Jun 2015	Pre-CRR-treat-ment residual amount	31 Dec 2014	Pre-CRR-treat-ment residual amount
	Capital and buffers				
72	Direct and indirect holdings by the institution of capital instruments of financial-sector entities in which the institution has no significant investment	97		218	
73	Direct and indirect holdings by the institution of CET1 instruments of financial-sector entities in which the institution has a significant investment	130		85	
74	[In the EU: blank field]				
75	Deferred tax assets arising from temporary differences	40		58	
	Applicable caps on the inclusion of provisions in Tier 2 capital				
76	Credit risk adjustments included in T2 capital in respect of exposures subject to the standardised approach	0		0	
77	Cap on inclusion of credit risk adjustments in T2 capital under the standardised approach	49		52	
78	Credit risk adjustments included in T2 capital in respect of exposures subject to the Internal Ratings-Based approach	12		0	
79	Cap on inclusion of credit risk adjustments in T2 capital under the Internal Ratings-Based approach	351		374	
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	0		0	
81	Amount excluded from CET1 due to cap	0		0	
82	Current cap on AT1 instruments subject to phase-out arrangements	1,033		1,181	
83	Amount excluded from AT1 due to cap	0		0	
84	Current cap on T2 instruments subject to phase-out arrangements	3,041		3,475	
85	Amount excluded from T2 due to cap	0		0	

Capital instruments

As the features of the capital instruments have been disclosed in great detail, this information has been published on the BayernLB website as a separate file.

Balance sheet reconciliation of all elements of regulatory capital

Reconciliation from the consolidated balance sheet to the "prudential" balance sheet

Assets EUR million	**Consolidated balance sheet under IFRS**	**Impact of consolidation/ deconsolidation**	**„Prudential" balance sheet**	**Reference**
Cash reserves	1,432	0	1,432	
Loans and advances to banks	33,536	−5	33,530	
Loans and advances to customers	134,267	272	134,539	
Risk provisions	−3,014	0	−3,014	
Portfolio hedge adjustment assets	1,298	0	1,298	
Assets held for trading	20,481	0	20,481	
Positive fair values from derivative financial instruments (hedge accounting)	2,071	0	2,071	
Financial investments	32,561	319	32,880	
Investment property	36	0	36	
Property, plant and equipment	354	0	355	
Intangible assets	112	0	112	1
Current tax assets	62	0	62	
Deferred tax assets	347	0	347	
• of which: loss/interest carryforwards	274	0	274	2
Non-current assets or disposal groups classified as held for sale	64	−50	14	
Other assets	919	3	923	
Total assets	**224,526**	539	**225,065**	

Liabilities EUR million	**Consolidated balance sheet under IFRS**	**Impact of consolidation/ deconsolidation**	**„Prudential" balance sheet**	**Reference**
Liabilities to banks	63,158	0	63,158	
Liabilities to customers	81,384	632	82,016	
Securitised liabilities	40,064	0	40,064	
Liabilities held for trading	15,764	0	15,764	
Negative fair values from derivative financial instruments (hedge accounting)	2,309	0	2,309	
Provisions	4,356	4	4,360	
Current tax liabilities	201	−1	200	
Deferred tax liabilities	84	0	84	
Other liabilities	401	8	409	
Subordinated capital	4,724	0	4,724	
• Subordinated liabilities	4,266	0	4,266	3
• Profit participation certificates (debt component)	363	0	363	4
• Dated silent partner contributions (debt component)	21	0	21	5
• Hybrid capital	73	0	73	6
Equity	12,082	−104	11,978	
• Subscribed capital	5,525	0	5,525	
– Statutory nominal capital	2,800	0	2,800	7
– Capital contribution	612	0	612	8
– Perpetual silent partner contributions	2,113	0	2,113	9
of which: silent partner contribution of the Free State of Bavaria	1,867	0	1,867	10
• Compound instruments	143	0	143	
– Profit participation certificates (equity component)	132	0	132	11
– Dated silent partner contributions (equity component)	11	0	11	12
• Capital surplus	2,356	0	2,356	13
– of which: premium on subscribed capital	476	0	476	14
• Retained earnings	3,430	−102	3,328	15
– of which: remeasurement of defined benefit plans	−958	0	−958	16
• Revaluation surplus	319	0	319	17
• Foreign currency translation reserve	−1	0	−1	18
• Consolidated profit/loss	310	−2	308	
Total liabilities	**224,526**	539	**225,065**	

The impact of consolidation/deconsolidation as shown above reflects the discrepancy between the accounting scope of consolidation and the prudential scope of consolidation. The significant change resulted particularly from the deconsolidation of Banque LBLux S.A. from the supervisory scope of consolidation as at 30 June 2015. As the banking license was returned in April 2015, the criteria for inclusion in the supervisory scope of consolidation were no longer met.

Reconciliation from the “prudential” balance sheet to regulatory capital

EUR million	30 Jun 2015		Balance sheet reference
Common Equity Tier 1 capital: Instruments and reserves			
Capital instruments and related premium		**3,888**	
• Statutory nominal capital	2,800		7
• Share premium	476		14
• Capital contribution	612		8
Retained earnings		**3,495**	
• Retained earnings including benefit plans	3,328		15
• Removal of negative remeasurement of defined benefit plans	958		16
• Regulatory adjustment[1]	−782		
• Regulatory adjustment to Art. 26 Abs. 2 CRR	−9		
Other retained earnings		**1,880**	
• Capital surplus	2,356		13
• Less premium on subscribed capital	−476		14
Cumulative other income		**−756**	
• Revaluation surplus	319		17
• Foreign currency translation reserve	−1		18
• Revaluation surplus from benefit plans	−958		16
• Regulatory adjustment to Art. 26 Abs. 2 CRR	−116		
State allocations to equity grandfathered until 1 January 2018		**1,867**	
• Silent partner contributions of the Free State of Bavaria	1,867		10
CET1 capital before regulatory adjustments		**10,374**	
CET1 capital: regulatory adjustments			
Prudent valuation pursuant to Art. 105 CRR		**−91**	
Intangible assets		**−112**	1
Deferred tax assets dependent on future profitability		**−274**	2
Negative results from the expected loss calculation		**−263**	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		**−115**	
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities		**0**	
Transitional adjustments to CET1 pursuant to Art. 469 - 472 CRR		**199**	

EUR million	30 Jun 2015		Balance sheet reference
Common Equity Tier 1 capital (CET1)		**9,718**	
Additional Tier 1 capital: Instruments			
Grandfathered instruments		**299**	
• Perpetual silent partner contributions (less silent contributions of the Free State of Bavaria)	246		9–10
• Dated silent partner contributions (equity component)	11		12
• Dated silent partner contributions (debt component)	21		5
• Hybrid capital	73		6
• Regulatory maturity adjustment	–49		
• Other regulatory adjustments	–3		
Additional Tier 1 capital before regulatory adjustments		**299**	
Additional Tier 1 capital: regulatory adjustments			
Transitional adjustments to additional Tier 1 capital pursuant to Art. 474 and 475 CRR		**–147**	
Additional Tier 1 capital (AT1 capital)		**152**	
Tier 1 capital (T1 capital)		**9,871**	
Tier 2 capital: Instruments and reserves			
Grandfathered instruments		**1,542**	
• Subordinated liabilities[2]	3,946		3
• Profit participation certificates (debt component)[2]	342		4
• Profit participation certificates (equity component)	132		11
• Non-CRR-conform instruments	–488		
• Regulatory maturity adjustment	–2,035		
• Other regulatory adjustments[3]	–355		
Instruments issued by subsidiaries		**134**	
• Subordinated liabilities and profit participation certificates	341		
• Regulatory maturity adjustment	–207		
IRB Excess of provisions over expected losses eligible		**12**	
Tier 2 capital before regulatory adjustments		**1,688**	
Tier 2 capital: regulatory adjustments			
Transitional adjustments to Tier 2 capital pursuant to Art. 476 and 477 CRR		**–79**	
Tier 2 capital (T2 capital)		**1,609**	
Equity		**11,479**	

1 *Restatement of the values of so-called special-purpose assets, carried at nominal value in the IFRS annual financial statements, to their lower present value in accordance with German GAAP.*

2 *Excluding instruments issued by subsidiaries*

3 *Includes hedge accounting and prorated interest*

Capital requirements (article 438 CRR)

Own funds requirements for CRR reporting

EUR million	30 Jun 2015 Own funds requirements	30 Jun 2015 RWA	31 Dec 2014 Own funds requirements	31 Dec 2014 RWA
Credit risk	**5,023**	**62,782**	**5,210**	**65,127**
• Standardised approach	311	3,885	329	4,108
– Central governments and central banks	8	102	14	176
– Regional or local authorities	11	137	10	126
– Public authorities	2	20	1	17
– Multilateral development banks	0	0	0	0
– International organisations	0	0	0	0
– Institutions	4	54	5	68
– Corporates	55	686	99	1,239
– Retail business	61	758	61	758
– Exposures secured by real estate	50	628	56	699
– Impaired exposures	10	123	6	70
– Exceptionally high-risk exposures	72	897	42	521
– Covered bonds	0	0	0	2
– Securitisation exposures	2	24	2	23
– Exposures to institutions and corporates with short-term credit rating	0	0	0	0
– Undertakings for collective investments (UCIs)	0	3	0	3
– Investment risk	33	410	29	364
– Other items	3	42	3	42
• IRB approach	4,699	58,738	4,863	60,788
– Central governments and central banks	96	1,204	85	1,060
– Institutions	608	7,601	612	7,645
– Corporates	3,474	43,428	3,651	45,643
– Retail business	379	4,738	387	4,843
Exposures secured by real estate, SMEs	14	169	9	107
Exposures secured by real estate, non-SMEs	270	3,370	293	3,663
Qualified revolving	19	234	19	239
Other, SMEs	18	220	11	132
Other, retail	60	745	56	702
– Investment risks	85	1,068	71	883
Simple investment approach	85	1,068	71	883
Risks from private venture capital in sufficiently diversified portfolios	33	411	18	226
Exchange-traded investment risks	3	40	7	87
Other investment risks	49	617	46	570
PD/LGD approach	0	0	0	0
Internal model approach	0	0	0	0
– Securitisation exposures	25	315	24	297
– Other non-credit-obligation assets	31	384	33	417
• Exposure to contributions to a CCP default fund	13	159	19	232

EUR million	30 Jun 2015 Own funds requirements	30 Jun 2015 RWA	31 Dec 2014 Own funds requirements	31 Dec 2014 RWA
Settlement and delivery risk	**0**	**0**	**0**	**0**
Market risk	**236**	**2,955**	**293**	**3,657**
• Standardised approach	236	2,955	293	3,657
– Exchange-traded bonds	194	2,425	240	2,996
of which securitisation exposures	0	0	0	0
– Equity	7	91	8	96
– Currency risk	28	344	35	438
– Commodities risk	8	94	10	127
• Internal model approach	0	0	0	0
Operational risk	**390**	**4,870**	**462**	**5,776**
• Basic indicator approach	0	0	0	0
• Standardised approach	390	4,870	462	5,776
• Advanced measurement approaches (AMA)	0	0	0	0
Additional exposure amount due to fixed overheads	**0**	**0**	**0**	**0**
Credit valuation adjustment (CVA) risk	**102**	**1,270**	**164**	**2,056**
• Advanced method	0	0	0	0
• Standardised method	102	1,270	164	2,056
• Based on the original exposure method	0	0	0	0
Risk relating to large exposures in the trading book	**0**	**0**	**0**	**0**
Other exposures	**0**	**0**	**0**	**0**
Total	**5,751**	**71,877**	**6,129**	**76,616**

Capital ratios

in %	30 Jun 2015 CRR/CRD IV	31 Dec 2014 CRR/CRD IV
Common Equity Tier 1 capital ratio (CET1 ratio)	13.5	12.8
Tier 1 ratio (T1 ratio)	13.7	12.9
Total capital ratio (TC ratio)	16.0	15.3

Based on the adopted half-year financial statements as at 30 June 2015, the BayernLB Group had a fully loaded CET1 ratio of 10.6 percent.

Leverage Ratio (article 451 CRR)

Description of the process to manage the risk from excessive leverage

In addition to risk-weighted capital requirements, a non-risk based metric (leverage ratio) was also added under CRR/ CRD IV rules. Although the leverage ratio does not become mandatory until 2018, disclosure is required beginning in 2015.

The leverage ratio is currently in a test phase and there is no mandatory minimum ratio that banks have to meet. It is to be gradually integrated into corporate management and planning processes.

Tier 1 capital as a key component is distributed in the planning process to each planning unit through RWA. The planning units (Group units) are the defined business areas and central areas of BayernLB, as well as BayernLabo and DKB.

Risk-weighted assets (RWA) are allocated to the Group units through a top-down distribution approved by the Board of Management for credit, market and operational risks. The RWA allocation to each Group unit is constantly monitored for compliance by the Asset Liability Committee (ALCO). The Board of Management receives monthly reports on current RWA utilisations.

Additionally, the Board of Management is informed by ALCO about tied up capital by means of the leverage ratio. The ratio results from dividing Tier 1 capital by total leverage ratio exposure defined as the sum of the exposure values of all assets and off balance sheet items in accordance with Art. 1 of Delegated Regulation (EU) 2015/62 10 October 2014. For management purposes, total leverage ratio exposures are divided among the Group units and integrated into the planning process. ALCO not only reports on the current status of the leverage ratio but also provides an outlook for the trend over the next years.

Description of the factors that had an impact on the disclosed leverage ratio during the period to which the disclosed leverage ratio refers.

Since the CRR took effect, BayernLB has reported a leverage ratio calculated in accordance with Article 430 of the CRR in conjunction with Implementing Regulation (EU) No. 680/2014 16 April 2014 as part of COREP reporting.

The manner in which the leverage ratio is calculated was revised in Delegated Regulation (EU) No. 2015/62 10 October 2014 which was published in the EU Official Journal on 17 January 2015.

In its Single Rule Book Q&A Process, the European Banking Authority (EBA) has made it clear that Implementing Regulation (EU) No. 680/2014 applies for reporting the leverage ratio. For disclosure purposes, however, the amendments in Delegated Regulation (EU) No. 2015/62 must also be taken into account. Accordingly, the amendments have been included in the following tables.

Summary reconciliation of accounting assets and leverage ratio exposures

EUR million		
1	Total assets as per published financial statements	224,526
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of CRR*	0
4	Adjustments for derivative financial instruments	−5,959
5	Adjustments for securities financing transactions "SFTs"	−83
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	21,724
EU-6a	Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of CRR*	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of CRR*	0
7	Other adjustments	−498
8	**Total leverage ratio exposure**	**239,712**

- *in conjunction with COMMISSION DELEGATED REGULATION (EU) No 2015/62 10 October 2014 which revised REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLAMENT AND OF THE COUNCIL*

Leverage ratio common disclosure

EUR million		**CRR leverage ratio exposures**
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	201,139
2	Asset amounts deducted in determining Tier 1 capital	−498
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**200,641**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	8,563
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	4,537
EU-5a	Exposure determined under Original Exposure Method	6
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	Exempted CCP leg of client-cleared trade exposures	−93
9	Adjusted effective notional amount of written credit derivatives	0
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**13,013**

EUR million		CRR leverage ratio exposures
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	4,415
13	Netted amounts of cash payables and cash receivables of gross SFT assets	−426
14	Counterparty credit risk exposure for SFT assets	344
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of CRR*	0
15	Agent transaction exposures	0
EU-15a	Exempted CCP leg of client-cleared SFT exposure	0
16	**Total securities financing transaction exposures**	**4,333**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	54,769
18	Adjustments for conversion to credit equivalent amounts	−33,045
19	**Other off-balance sheet exposures**	21,724
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of CRR* (on and off balance sheet)	0
EU-19b	Exposures exempted in accordance with Article 429 (14) of CRR* (on and off balance sheet)	0
Capital and total exposures		
20	**Tier 1 capital**	**9,871**
21	**Total leverage ratio exposures**	**239,712**
Leverage Ratio		
22	**Leverage Ratio**	**4.1%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	yes - transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR*	5,066

- *in conjunction with COMMISSION DELEGATED REGULATION (EU) No 2015/62 10 October 2014 which revised REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLAMENT AND OF THE COUNCIL*

The leverage ratio as at 31 March 2015 was 3.7 percent (first-time disclosure). The improvement in the ratio to 4.1 percent as at 30 June 2015 was due primarily to a decrease in total leverage ratio exposures as a result of increased use of netting agreements and to a planned scaling down of total assets.

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

EUR million		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	201,139
EU-2	• Trading book exposures	3,444
EU-3	• Banking book exposures, of which:	197,695
EU-4	– Covered bonds	6,705
EU-5	– Exposures treated as sovereigns	56,776
EU-6	– Exposures to regional governments, multilateral development banks, international organisations and public sector entities NOT treated as sovereigns	9,811
EU-7	– Institutions	32,832
EU-8	– Secured by mortgages of immovable properties	13,341
EU-9	– Retail exposures	3,092
EU-10	– Corporate	64,113
EU-11	– Exposures in default	3,166
EU-12	– Other exposures (eg equity, securitisations, and other non-credit obligation assets)	7,858

Use of the IRB approach to credit risk (article 452 CRR)

		Central governments and central banks	Institutions	Corporates	of which specialised financing	Retail	Exposures secured by real estate, SMEs	Exposures secured by real estate, non-SMEs	of which qualifying revolving retail receivables	other, SMEs	other, retail	Total
PD category 0% to < 0.5%	Total loan portfolio (EUR million)	48,516	28,506	72,507	16,546	12,187	266	5,901	4,949	287	785	**161,716**
	Exposure value (EUR million)	55,485	26,108	60,584	15,396	10,475	263	5,877	3,355	264	716	**152,652**
	Avg. LGD (in %)	–	–	–	–	40.7	28.6	28.8	57.3	58.8	58.4	**40.7**
	Avg. risk weighting (in %)	2.0	21.8	33.7	35.8	11.4	11.5	14.7	2.3	25.7	21.1	**18.6**
PD category 0.5% to < 5%	Total loan portfolio (EUR million)	1,009	1,957	27,052	4,480	3,840	287	2,268	429	266	588	**33,857**
	Exposure value (EUR million)	107	1,418	20,235	3,456	3,720	286	2,267	329	255	581	**25,480**
	Avg. LGD (in %)	–	–	–	–	39.6	29.0	31.7	59.2	58.8	56.5	**39.6**
	Avg. risk weighting (in %)	107.2	112.4	91.4	98.9	45.4	43.1	41.2	31.6	65.7	61.6	**85.9**
PD category 5% to < 100%	Total loan portfolio (EUR million)	1	341	4,415	288	931	40	710	50	42	90	**5,689**
	Exposure value (EUR million)	1	181	2,144	278	925	40	710	47	40	89	**3,251**
	Avg. LGD (in %)	–	–	–	–	40.2	31.4	36.3	58.4	58.7	57.7	**40.2**
	Avg. risk weighting (in %)	242.3	176.9	180.5	181.9	184.3	171.2	199.1	123.5	133.1	126.8	**181.4**
Default PD = 100%	Total loan portfolio (EUR million)	3	651	5,032	1,198	506	–	381	6	0	119	**6,191**
	Exposure value (EUR million)	3	647	4,816	1,181	506	–	381	6	0	119	**5,971**
	Avg. LGD (in %)	–	–	–	–	58.7	–	52.6	71.9	57.2	77.6	**58.7**
	Avg. risk weighting (in %)	–	–	–	–	56.3	–	42.1	29.2	19.6	103.5	**56.3**
Total (excluding defaults)	Total loan portfolio (EUR million)	49,526	30,805	103,974	21,314	16,958	593	8,879	5,428	595	1,463	**201,262**
	Exposure value (EUR million)	55,593	27,707	82,963	19,130	15,120	589	8,854	3,732	559	1,387	**181,383**
	Avg. LGD (in %)	–	–	–	–	40.4	29.0	30.1	57.5	58.8	57.5	**40.4**
	Avg. risk weighting (in %)	2.2	27.4	51.5	49.3	30.3	37.6	36.3	6.4	51.6	44.9	**30.9**

The reported exposure values are IRBA exposures pursuant to article 166 of the CRR, after applying credit risk mitigation techniques and provided they can be allocated to PD categories. For exposure values of the central governments and central banks, institutions and corporate exposure classes bearing a PD of 100 percent, no risk weighting is calculated. Instead, article 158 of the CRR applies. Exposure to investments are not shown here as the BayernLB Group uses the simple risk-weighted method. The data for retail apply solely to DKB as it is the only member of the BayernLB Group to use this procedure.

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