Disclosure Report as at 30 September 2018

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

BayernLB

Contents

Preliminary remarks

This disclosure report as at 30 September 2018 has been drafted in accordance with 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), the EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency (EBA/GL/2014/14) and the EBA Guidelines on disclosure requirements under CRR (EBA/GL/2016/11).

By publishing this information, the BayernLB Group meets the intra year disclosure requirements for institutions with a total exposure measure exceeding EUR 200 billion. As at 30 September 2018 the total exposure measure is approximately EUR 242 billion for the BayernLB Group. BayernLB is also implementing the requirements of EBA Guidelines EBA/GL/2016/11 and EBA/GL/2017/01 by virtue of this report.

This report contains qualitative and quantitative information regarding
- own funds
- own funds requirements
- capital ratios
- leverage ratio
- liqidity coverage ratio

of the BayernLB Group.

International Financial Reporting Standard 9 was introduced on 1 January 2018. The BayernLB Group has not made use of the supervisory transitional provisions for the first-time effects from IFRS 9 pursuant to Article 473a of the CRR.

The disclosure policies of all institutions must be examined on a regular basis in terms of appropriateness and practicality. BayernLB has established its own parameters for disclosure. The disclosure report is part of the Bank's process map and internal control system. The disclosure process is regulated using clear-cut responsibilities and control mechanisms for the data to be published in the disclosure report. The operative specialist instructions are furthermore regulated in functional plans. The disclosure report is released for publication by way of resolution by the Board of Management.

The data in this report have not been audited.

Note:

The last unit in the tables may be rounded to the nearest digit. Any data which do not appear in this report have been omitted insofar as the particular disclosure requirement does not apply to the BayernLB Group and/or does not apply to the period under review. Article 441 of the CRR, furthermore, is not relevant for BayernLB as the Bank is not classified as a global systemic institution.

Own funds (article 437 CRR)

The following table shows the Common Equity Tier 1 capital, the additional Tier 1 capital and the Tier 2 capital as well as the related regulatory adjustments of the BayernLB Group.

Own funds structure

EUR million	30 Sep 2018	30 Jun 2018
CET1 capital before regulatory adjustments	9,885	9,691
Regulatory adjustments	−358	−444
Common Equity Tier 1 (CET1) capital	**9,527**	**9,247**
Additional Tier 1 capital before regulatory adjustments	1	1
Regulatory adjustments	0	0
Additional Tier 1 (AT1) capital	**1**	**1**
Tier 1 capital (T1 = CET1 + AT1)	**9,528**	**9,248**
Tier 2 capital before regulatory adjustments	1,353	1,381
Regulatory adjustments	0	0
Tier 2 (T2) capital	**1,353**	**1,381**
Total capital (TC = T1 + T2)	**10,881**	**10,629**

The increase in Tier 1 capital compared to the previous quarter is due primarily to the recognition of the semi-annual profit. The slight decline of Tier 2 capital results from the maturity and daily amortisation of Tier 2 capital components.

Own funds requirements (article 438 CRR)

Own funds requirements

Table OV1, below, shows how the own funds requirements and the RWA are broken down in terms of regulatory approach, risk type and exposure class.

OV1 – Overview of RWAs

	RWA		Minimum capital requirements
EUR million	30 Sep 2018	30 Jun 2018	30 Sep 2018
Credit risk (excluding CCR)	**54,045**	**53,758**	**4,324**
• of which the standardised approach	1,254	1,425	100
– Central governments or central banks	1	1	0
– Regional governments or local authorities	2	1	0
– Public sector entities	39	39	3
– Multilateral development banks	–	–	–
– International organisations	–	–	–
– Institutions	35	28	3
– Corporates	384	549	31
– Retail exposures	544	547	43
– Exposures secured by mortgages on immovable property	92	102	7
– Exposures in default	66	68	5
– Exposures associated with particularly high risk	–	–	–
– Covered bonds	1	1	0
– Exposures to institutions and corporates with a short-term credit assessment	–	–	–
– Exposures in the form of units or shares in collective investment undertakings (CIUs)	19	18	2
– Equity exposures	–	–	–
– Other items	71	71	6
• of which the foundation IRB (FIRB) approach	46,290	45,878	3,703
– Central governments and central banks	1,714	1,661	137
– Institutions	4,892	4,790	391
– Corporates – SMEs	10,860	14,768	869
– Corporates – Specialised lending	12,775	8,618	1,022
– Corporates – Others	16,050	16,041	1,284
• of which the advanced IRB (AIRB) approach	3,963	4,022	317
– Retail – Secured by immovable property – SMEs	127	129	10
– Retail – Secured by immovable property – non-SMEs	1,395	1,491	112
– Retail – Qualifying revolving	172	174	14
– Retail – Other SMEs	263	262	21
– Retail – Other retail	2,006	1,965	160
• of which equity exposures	2,165	2,058	173
– Simple risk-weighted approach	1,931	1,987	154
Private equity exposures	1,269	1,342	102
Exchange-traded equity exposures	120	121	10
Other equity exposures	541	524	43
– Equity exposures subject to other risk weights	235	71	19
– PD/LGD approach	–	–	–
– IMA	–	–	–
• Other non-credit obligation assets	372	374	30

EUR million	RWA 30 Sep 2018	RWA 30 Jun 2018	Minimum capital requirements 30 Sep 2018
Counterparty credit risk (CCR)	**3,216**	**3,046**	**257**
• of which mark to market	1,865	1,743	149
• of which original exposure	–	–	–
• of which standardised approach	–	–	–
• of which internal model method (IMM)	–	–	–
• of which financial collateral simple and comprehensive method	565	510	45
• of which risk exposure amount for contributions to the default fund of a CCP	53	57	4
• of which CVA	733	736	59
Settlement risk	**–**	**0**	**–**
Securitisation exposures in the banking book (after the cap)	**366**	**334**	**29**
• of which IRB approach	–	–	–
• of which IRB supervisory formula approach (SFA)	1	1	0
• of which internal assessment approach (IAA)	350	318	28
• of which standardised approach	16	16	1
Market risk	**3,302**	**3,460**	**264**
• of which standardised approach	3,302	3,460	264
• of which IMA	–	–	–
Large exposures	**–**	**–**	**–**
Operational risk	**3,770**	**3,770**	**302**
• of which basic indicator approach	–	–	–
• of which standardised approach	3,770	3,770	302
• of which advanced measurement approach	–	–	–
Amounts below the thresholds for deduction (subject to 250% risk weight)*	**1,443**	**1,526**	**115**
Floor adjustment	**–**	**–**	**–**
Total	**64,700**	**64,368**	**5,176**

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The slight increase in RWAs from the previous quarter is the result of a business upswing.

Table CR8, below, shows the variations in RWAs for credit risk under IRBA between 30 June 2018 and 30 September 2018. The table does not show any RWAs for other assets and equity investments.

CR8 – RWA flow statements of credit risk exposures under the IRB approach

EUR million	RWAs	„Capital requirements“
RWAs as at 30 Jun 2018	**49,900**	**3,992**
Asset size	746	60
Asset quality	−412	−33
Model updates	–	–
Methodology and policy	–	–
Acquisitions and disposals	–	–
Foreign exchange movements	19	1
Other	–	–
RWAs as at 30 Sep 2018	**50,253**	**4,020**

Capital ratios

The table below shows the capital ratios as at 30 September 2018.

Capital ratios

in %	30 Sep 2018	30 Jun 2018
Common Equity Tier 1 capital (CET1) ratio	14.7	14.4
Tier 1 ratio (T1 ratio)	14.7	14.4
Total capital ratio (TC ratio)	16.8	16.5

The fully loaded total capital ratio is 16.3 percent.

The increase in the capital ratios is due primarily to the increase in Tier 1 capital.

Leverage ratio (article 451 CRR)

The ratio is calculated based on the requirements of Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.

Leverage Ratio

EUR million	**30 Sep 2018**	**30 Jun 2018**
Tier 1 capital (T1 – phase in)	9,528	9,248
Total exposure measure	242,334	242,387
Leverage Ratio (phase in)	3.9 %	3.8 %

The increase in the leverage ratio is due to the increase in Tier 1 capital.

Liquidity coverage ratio (article 435 CRR)

Besides the CRR, the requirements for disclosing the liquidity coverage ratio are specified in the EBA's Guidelines on liquidity coverage ratio (LCR) disclosure to complement the disclosure of liquidity risk management under article 435 of the CRR (EBA/GL/2017/01). In keeping with sub-section 16 of the Guidelines, the items

- total adjusted value of the liquidity buffer
- total adjusted value of total net cash outflows and
- total adjusted value of the liquidity coverage ratio

are to be regarded as items prone to rapid change and are thus disclosed on a quarterly basis.

Table LIQ1, below, shows the LCR items mentioned above.

LIQ1 – Liquidity coverage ratio (LCR)

Scope of consolidation: consolidated					
Currency and unity: EUR million		**Total adjusted value**			
Quarter ending on		**31 Dec 2017**	**31 Mar 2018**	**30 Jun 2018**	**30 Sep 2018**
Number of data points used in the calculation of averages		12	12	12	12
21	Liquidity buffer	32,285	32,631	33,227	33,107
22	Total net cash outflows	19,762	20,481	21,896	22,538
23	Liquidity coverage ratio (%)	164 %	160 %	153 %	148 %

As can be seen, the minimum threshold of 100 percent for the liquidity coverage ratio, imposed in 2018 by the regulatory authorities, is by far exceeded. To ensure compliance with the statutory minimum ratio at individual institution and Group levels, BayernLB and DKB hold an adequate safety buffer at all times. The liquidity coverage ratio is relatively stable. The moderate change is mostly the result of a relatively small rise in net cash outflows.

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