Disclosure Report as at 31 March 2018

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

Bayern LB

Contents

Preliminary remarks

This disclosure report as at 31 March 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 and the requirements of EBA Guideline EBA/GL/2016/11. As at 31 March 2018 the total exposure measure is approximately EUR 238 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	31 Mar 2018	31 Dec 2017
CET1 capital before regulatory adjustments	9,726	9,916
Regulatory adjustments	−410	−523
Common Equity Tier 1 (CET1) capital	**9,316**	**9,393**
Additional Tier 1 capital before regulatory adjustments	2	27
Regulatory adjustments	–	−27
Additional Tier 1 (AT1) capital	**2**	**–**
Tier 1 capital (T1 = CET1 + AT1)	**9,318**	**9,393**
Tier 2 capital before regulatory adjustments	1,390	1,384
Regulatory adjustments	–	−21
Tier 2 (T2) capital	**1,390**	**1,362**
Total capital (TC = T1 + T2)	**10,708**	**10,756**

The slight decrease in Common Equity Tier 1 capital compared to the previous quarter is due primarily to the reduction in the revaluation surplus. The impact of IFRS 9 on capital is marginal. The changes in Tier 2 capital were brought about by the raising of new Tier 2 capital.

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	31 Mar 2018	31 Dec 2017	31 Mar 2018
Credit risk (excluding CCR)	**53,314**	**51,784**	**4,265**
• of which the standardised approach	1,413	3,103	113
– Central governments or central banks	1	893	0
– Regional governments or local authorities	1	1	0
– Public sector entities	36	36	3
– Multilateral development banks	–	–	–
– International organisations	–	–	–
– Institutions	28	42	2
– Corporates	520	338	42
– Retail exposures	556	574	44
– Exposures secured by mortgages on immovable property	109	122	9
– Exposures in default	70	80	6
– Exposures associated with particularly high risk	–	55	–
– Covered bonds	–	–	–
– Exposures to institutions and corporates with a short-term credit assessment	–	–	–
– Exposures in the form of units or shares in collective investment undertakings (CIUs)	20	21	2
– Equity exposures	–	872	–
– Other items	71	68	6
• of which the foundation IRB (FIRB) approach	45,493	43,320	3,639
– Central governments and central banks	1,827	668	146
– Institutions	4,772	4,420	382
– Corporates – SMEs	14,751	14,945	1,180
– Corporates – Specialised lending	8,602	8,482	688
– Corporates – Others	15,541	14,805	1,243
• of which the advanced IRB (AIRB) approach	4,027	4,059	322
– Retail – Secured by immovable property – SMEs	128	135	10
– Retail – Secured by immovable property – non-SMEs	1,587	1,677	127
– Retail – Qualifying revolving	167	173	13
– Retail – Other SMEs	271	267	22
– Retail – Other retail	1,874	1,808	150
• of which equity exposures	2,015	849	161
– Simple risk-weighted approach	1,937	849	155
Private equity exposures	1,328	301	106
Exchange-traded equity exposures	101	17	8
Other equity exposures	507	531	41
– Equity exposures subject to other risk weights	78	–	6
– PD/LGD approach	–	–	–
– IMA	–	–	–
• Other non-credit obligation assets	366	453	29
Counterparty credit risk (CCR)	**2,985**	**2,758**	**239**

EUR million	RWA 31 Mar 2018	RWA 31 Dec 2017	Minimum capital requirements 31 Mar 2018
• of which mark to market	1,702	1,946	136
• of which original exposure	–	–	–
• of which standardised approach	–	–	–
• of which internal model method (IMM)	–	–	–
• of which financial collateral simple and comprehensive method	555	137	44
• of which risk exposure amount for contributions to the default fund of a CCP	80	87	6
• of which CVA	647	587	52
Settlement risk	**–**	**0**	**–**
Securitisation exposures in the banking book (after the cap)	**336**	**334**	**27**
• of which IRB approach	–	–	–
• of which IRB supervisory formula approach (SFA)	1	1	0
• of which internal assessment approach (IAA)	319	317	25
• of which standardised approach	16	17	1
Market risk	**3,294**	**2,660**	**264**
• of which standardised approach		2,660	264
• of which IMA	–	–	–
Large exposures	**–**	**–**	**–**
Operational risk		**3,884**	**302**
• of which basic indicator approach	–	–	–
• of which standardised approach	3,770	3,884	302
• of which advanced measurement approach	–	–	–
Amounts below the thresholds for deduction (subject to 250% risk weight)*	**1,502**	**1,131**	**120**
Floor adjustment		**–**	**–**
Total	**63.699**	**61,420**	**5,096**

**for information only*

The increase in RWAs from the previous quarter is the result of a business upswing. The exposure classes equity and central governments and central banks were moved from CRSA to IRB as a result of expired transition regulations and adjusted interpretations.

Table CR8, below, shows the variations in RWAs for credit risk under IRBA between 31 December 2017 and 31 March 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 31 Dec 2017	**47,379**	**3,790**
Asset size	2,894	232
Asset quality	−688	−55
Model updates	–	–
Methodology and policy	–	–
Acquisitions and disposals	–	–
Foreign exchange movements	−65	−5
Other	–	–
RWAs as at 31 Mar 2018	**49,520**	**3,962**

Capital ratios

The following table shows the capital ratios with the CRR transition rules (phase-in) applied.

Capital ratios

in %	**31 Mar 2018**	**31 Dec 2017**
Common Equity Tier 1 capital (CET1) ratio	14.6	15.3
Tier 1 ratio (T1 ratio)	14.6	15.3
Total capital ratio (TC ratio)	16.8	17.5

As at 31 March 2018 the BayernLB Group had a fully-loaded CET1 ratio of 14.6 percent.

The decrease in the capital ratios is due primarily to the increase in RWAs, due in turn to business growth.

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	31 Mar 2018	31 Dec 2017
Tier 1 capital (T1 – phase in)	9,318	9,393
Total exposure measure	238,327	232,737
Leverage Ratio (phase in)	3.9%	4.0%

See the section “Own funds” for more information about changes in Tier 1 capital. A moderate increase in total exposure measure is caused by positive business developments.

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		**30 Jun 2017**	**30 Sep 2017**	**31 Dec 2017**	**31 Mar 2018**
Number of data points used in the calculation of averages		10	12	12	12
21	Liquidity buffer	29,688	30,589	32,285	32,631
22	Total net cash outflows	19,029	19,173	19,762	20,481
23	Liquidity coverage ratio (%)	156%	160%	164%	160%

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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