Disclosure Report as at 30 September 2019

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 2019 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 2019 the total exposure measure is approximately EUR 260 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
- liquidity coverage ratio

of the BayernLB Group.

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 2019	30 Jun 2019
CET1 capital before regulatory adjustments	10,441	9,953
Regulatory adjustments	−518	−398
Common Equity Tier 1 (CET1) capital	**9,923**	**9,554**
Additional Tier 1 capital before regulatory adjustments	1	1
Regulatory adjustments	–	–
Additional Tier 1 (AT1) capital	**1**	**1**
Tier 1 capital (T1 = CET1 + AT1)	**9,925**	**9,555**
Tier 2 capital before regulatory adjustments	1,437	1,441
Regulatory adjustments	124	129
Tier 2 (T2) capital	**1,561**	**1,570**
Total capital (TC = T1 + T2)	**11,486**	**11,125**

The increase in Common Equity Tier 1 capital compared to 30 June 2019 is mainly due to taking into account the net income for the first half of the year. Tier 2 capital, by contrast is almost unchanged.

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

	RWAs		Minimum capital requirements
EUR million	30 Sep 2019	30 Jun 2019	30 Sep 2019
Credit risk (excluding CCR)	**57,073**	**56,576**	**4,566**
• of which the standardised approach	1,552	1,359	124
– Central governments or central banks	0	0	0
– Regional governments or local authorities	6	5	0
– Public sector entities	42	37	3
– Multilateral development banks	9	–	1
– International organisations	–	–	–
– Institutions	24	24	2
– Corporates	727	463	58
– Retail exposures	408	527	33
– Exposures secured by mortgages on immovable property	134	136	11
– Exposures in default	80	63	6
– Exposures associated with particularly high risk	18	–	1
– 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)	22	21	2
– Equity exposures	–	–	–
– Other items	83	83	7
• of which the foundation IRB (FIRB) approach	49,272	49,347	3,942
– Central governments and central banks	2,012	1,980	161
– Institutions	5,213	5,166	417
– Corporates – SMEs	10,989	10,877	879
– Corporates – Specialised lending	9,703	9,772	776
– Corporates – Others	21,354	21,552	1,708
• of which the advanced IRB (AIRB) approach	3,835	3,513	307
– Retail – Secured by immovable property – SMEs	105	109	8
– Retail – Secured by immovable property – non-SMEs	1,004	982	80
– Retail – Qualifying revolving	208	113	17
– Retail – Other SMEs	251	238	20
– Retail – Other retail	2,267	2,071	181
• of which equity exposures	2,037	1,981	163
– Simple risk-weighted approach	1,957	1,903	157
Private equity exposures	1,312	1,269	105
Exchange-traded equity exposures	104	106	8
Other equity exposures	541	528	43
– Equity exposures subject to other risk weights	80	78	6
– PD/LGD approach	–	–	–
– IMA	–	–	–
• Other non-credit obligation assets	376	376	30

EUR million	RWAs 30 Sep 2019	RWAs 30 Jun 2019	Minimum capital requirements 30 Sep 2019
Counterparty credit risk (CCR)	**3,545**	**3,324**	**284**
• of which mark to market	2,267	2,002	181
• of which original exposure	–	–	–
• of which standardised approach	–	–	–
• of which internal model method (IMM)	–	–	–
• of which financial collateral simple and comprehensive method	525	589	42
• of which risk exposure amount for contributions to the default fund of a CCP	33	35	3
• of which CVA	720	698	58
Settlement risk	**0**	**0**	**0**
Securitisation exposures in the banking book (after the cap)	**388**	**399**	**31**
• of which IRB approach	–	–	–
• of which IRB supervisory formula approach (SFA)	0	0	0
• of which internal assessment approach (IAA)	373	384	30
• of which standardised approach	15	15	1
Market risk	**3,268**	**3,348**	**261**
• of which standardised approach	3,268	3,348	261
• of which IMA	–		–
Large exposures	**–**	**–**	**–**
Operational risk	**3,900**	**3,900**	**312**
• of which basic indicator approach	–		–
• of which standardised approach	3,900	3,900	312
• of which advanced measurement approach	–		–
Other risk exposure amounts (due to article 3 CRR)	**98**	**96**	**8**
Amounts below the thresholds for deduction (subject to 250% risk weight)*	**1,449**	**1,471**	**116**
Floor adjustment	**–**	**–**	**–**
Total	**68,272**	**67,643**	**5,462**

**for information only*

The “other risk exposure amounts” item of EUR 98 million stems from the RWA premium, due to the TRIM for non-defaulted retail exposures which are secured by immovable property and not treated as SMEs.

The additional quarter-on-quarter rise in RWAs was driven by controlled expansion of business.

Table CR8, below, shows the variations in RWAs for credit risk under IRBA between 30 June 2019 and 30 September 2019. 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 2019	**52,860**	**4,229**
Asset size	637	51
Asset quality	−562	−45
Model updates	–	–
Methodology and policy	–	–
Acquisitions and disposals	–	–
Foreign exchange movements	172	14
Other	–	–
RWAs as at 30 Sep 2019	**53,107**	**4,249**

Capital ratios

The table below shows the capital ratios as at 30 September 2019.

Capital ratios

in %	30 Sep 2019	30 Jun 2019
Common Equity Tier 1 capital (CET1) ratio	14.5	14.1
Tier 1 ratio (T1 ratio)	14.5	14.1
Total capital ratio (TC ratio)	16.8	16.5

The fully loaded total capital ratio is 16.5 percent.

The capital ratios increased as a result of the changes in Common Equity Tier 1 capital and RWAs as described above.

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 2019**	**30 Jun 2019**
Tier 1 capital (T1 - phase in)	9,925	9,555
Total exposure measure	259,684	260,250
Leverage ratio (phase in)	3.8%	3.7%

The higher leverage ratio is mainly due to the rise 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 2018**	**31 Mar 2019**	**30 Jun 2019**	**30 Sep 2019**
Number of data points used in the calculation of averages		12	12	12	12
21	Liquidity buffer	33,047	33,650	34,312	35,760
22	Total net cash outflows	23,031	22,531	21,487	21,478
23	Liquidity coverage ratio (%)	144%	151%	161%	168%

As can be seen, the minimum regulatory threshold of 100 percent for the liquidity coverage ratio 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 in the last quarter resulted primarily from an increase in the liquidity buffer.

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