# Disclosure Report as at 31 March 2019

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

BayernLB

# Contents

1

Preliminary remarks 3

2

Own funds (article 437 CRR) 4

3

Own funds requirements (article 438 CRR) 5

4

Leverage ratio (article 451 CRR) 8

5

Liquidity coverage ratio (article 435 CRR) 9

# Preliminary remarks

This disclosure report as at 31 March 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 31 March 2019 the total exposure measure is approximately EUR 252 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 | 31 Mar 2019 | 31 Dec 2018 |
|---|---|---|
| CET1 capital before regulatory adjustments | 10,133 | 10,296 |
| Regulatory adjustments | −380 | −323 |
| **Common Equity Tier 1 (CET1) capital** | **9,753** | **9,973** |
| 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)** | **9,754** | **9,974** |
| Tier 2 capital before regulatory adjustments | 1,622 | 1,352 |
| Regulatory adjustments | 0 | 139 |
| **Tier 2 (T2) capital** | **1,622** | **1,491** |
| **Total capital (TC = T1 + T2)** | **11,376** | **11,465** |

The main reason for the decline in Common Equity Tier 1 capital as compared to the end of 2018 was an increase in the valuation of the pension obligations, due in turn to lower interest rates. The increase in Tier 2 capital was the result of new subordinated liabilities that were entered into during the first quarter of 2019.

# Own funds requirements (article 438 CRR)

## Own funds requirements

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

**OV1 – Overview of RWAs**

| | RWAs | | Minimum capital requirements |
|---|---|---|---|
| EUR million | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2019 |
| **Credit risk (excluding CCR)** | **56,460** | **54,960** | **4,517** |
| • of which the standardised approach | 1,357 | 1,367 | 109 |
| – Central governments or central banks | 0 | 1 | 0 |
| – Regional governments or local authorities | 3 | 2 | 0 |
| – Public sector entities | 34 | 40 | 3 |
| – Multilateral development banks | – | – | – |
| – International organisations | – | – | – |
| – Institutions | 3 | 17 | 0 |
| – Corporates | 563 | 455 | 45 |
| – Retail exposures | 436 | 538 | 35 |
| – Exposures secured by mortgages on immovable property | 143 | 84 | 11 |
| – Exposures in default | 70 | 80 | 6 |
| – Exposures associated with particularly high risk | – | – | – |
| – 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 | 79 | 2 |
| – Equity exposures | – | – | – |
| – Other items | 84 | 71 | 7 |
| • of which the foundation IRB (FIRB) approach | 48,863 | 47,290 | 3,909 |
| – Central governments and central banks | 2,012 | 1,891 | 161 |
| – Institutions | 5,649 | 5,324 | 452 |
| – Corporates – SMEs | 10,643 | 10,776 | 851 |
| – Corporates – Specialised lending | 9,459 | 9,144 | 757 |
| – Corporates – Others | 21,101 | 20,155 | 1,688 |
| • of which the advanced IRB (AIRB) approach | 3,880 | 3,893 | 310 |
| – Retail – Secured by immovable property – SMEs | 119 | 125 | 10 |
| – Retail – Secured by immovable property – non-SMEs | 1,249 | 1,299 | 100 |
| – Retail – Qualifying revolving | 163 | 174 | 13 |
| – Retail – Other SMEs | 249 | 253 | 20 |
| – Retail – Other retail | 2,100 | 2,041 | 168 |
| • of which equity exposures | 1,991 | 2,042 | 159 |
| – Simple risk-weighted approach | 1,912 | 1,813 | 153 |
| Private equity exposures | 1,263 | 1,212 | 101 |
| Exchange-traded equity exposures | 119 | 122 | 10 |
| Other equity exposures | 530 | 479 | 42 |
| – Equity exposures subject to other risk weights | 80 | 229 | 6 |
| – PD/LGD approach | – | – | – |
| – IMA | – | – | – |
| • Other non-credit obligation assets | 369 | 368 | 29 |

| EUR million | RWAs 31 Mar 2019 | RWAs 31 Dec 2018 | Minimum capital requirements 31 Mar 2019 |
|---|---|---|---|
| **Counterparty credit risk (CCR)** | **3,122** | **3,085** | **250** |
| • of which mark to market | 1,968 | 1,915 | 157 |
| • of which original exposure | – | – | – |
| • of which standardised approach | – | – | – |
| • of which internal model method (IMM) | – | – | – |
| • of which financial collateral simple and comprehensive method | 392 | 441 | 31 |
| • of which risk exposure amount for contributions to the default fund of a CCP | 34 | 41 | 3 |
| • of which CVA | 728 | 687 | 58 |
| **Settlement risk** | **–** | **0** | **–** |
| **Securitisation exposures in the banking book (after the cap)** | **392** | **423** | **31** |
| • of which IRB approach | – | – | – |
| • of which IRB supervisory formula approach (SFA) | 0 | 1 | 0 |
| • of which internal assessment approach (IAA) | 377 | 407 | 30 |
| • of which standardised approach | 16 | 15 | 1 |
| **Market risk** | **3,045** | **3,356** | **244** |
| • of which standardised approach | 3,045 | 3,356 | 244 |
| • of which IMA | – | – | – |
| **Large exposures** | **–** | **–** | **–** |
| **Operational risk** | **3,900** | **3,770** | **312** |
| • of which basic indicator approach | – | – | – |
| • of which standardised approach | 3,900 | 3,770 | 312 |
| • of which advanced measurement approach | – | – | – |
| **Amounts below the thresholds for deduction (subject to 250% risk weight)*** | **1,471** | **1,450** | **118** |
| **Floor adjustment** | **–** | **–** | **–** |
| **Total** | **66,919** | **65,594** | **5,354** |

**for information only*

The rise in RWAs in the first quarter was the result of the controlled expansion of business (see also table CR8).

Table CR8, below, shows the variations in RWAs for credit risk under IRBA between 31 December 2018 and 31 March 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 31 Dec 2018** | **51,183** | **4,095** |
| Asset size | 1,727 | 138 |
| Asset quality | −294 | −24 |
| Model updates | – | – |
| Methodology and policy | – | – |
| Acquisitions and disposals | – | – |
| Foreign exchange movements | 127 | 10 |
| Other | – | – |
| **RWAs as at 31 Mar 2019** | **52,743** | **4,219** |

## Capital ratios

The table below shows the capital ratios as at 31 March 2019.

**Capital ratios**

| in % | 31 Mar 2019 | 31 Dec 2018 |
|---|---|---|
| Common Equity Tier 1 capital (CET1) ratio | 14.6 | 15.2 |
| Tier 1 ratio (T1 ratio) | 14.6 | 15.2 |
| Total capital ratio (TC ratio) | 17.0 | 17.5 |

The fully loaded total capital ratio is 16.6 percent.

The capital ratios decreased due to 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 | 31 Mar 2019 | 31 Dec 2018 |
|---|---|---|
| Tier 1 capital (T1 - phase in) | 9,754 | 9,974 |
| Total exposure measure | 252,143 | 241,117 |
| Leverage ratio (phase in) | 3.9% | 4.1% |

The leverage ratio went down both as a result of the decline in Tier 1 capital as described above and the increase in the total exposure. This increase was due mainly to the rise in loans and advances to banks in the first quarter.

# 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 2018** | **30 Sep 2018** | **31 Dec 2018** | **31 Mar 2019** |
| **Number of data points used in the calculation of averages** | | 12 | 12 | 12 | 12 |
| 21 | Liquidity buffer | 33,227 | 33,107 | 33,047 | 33,650 |
| 22 | Total net cash outflows | 21,896 | 22,538 | 23,031 | 22,531 |
| 23 | Liquidity coverage ratio (%) | 153% | 148% | 144% | 151% |

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 a slight increase in the liquidity buffer related to a slight reduction in net cash outflows.

Bayerische Landesbank
Brienner Strasse 18
80333 Munich
Germany

www.bayernlb.com

Bayern LB