Disclosure Report as at 31 March 2020

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

Contents

Preliminary remarks

This disclosure report as at 31 March 2020 has been drafted in accordance with the supervisory provisions under Part Eight of the CRR (Capital Requirements Regulation/Regulation (EU) No 575/2013), CRD IV (Capital Requirements Directive IV/Directive 2013/36/EU) and the version of the EBA Guidelines on disclosure currently in effect.

By publishing this information, the BayernLB Group meets the intrayear disclosure requirements for institutions with a total exposure measure exceeding EUR 200 billion. As at 31 March 2020, this figure is approximately EUR 254 billion for BayernLB.
The report contains qualitative and quantitative information regarding the

- own funds and capital requirements
- capital ratios
- leverage ratio and
- liquidity coverage ratio (LCR)

of the BayernLB Group.

As an institution's disclosure practices are subject to regular reviews as to their suitability and effectiveness, BayernLB has established a set of rules for disclosure. The disclosure report is part of the Bank's process map and internal control system. The official disclosure process regulates the competencies and controls for the information published in the disclosure report. The accounting parameters, furthermore, are specified separately in writing. The disclosure report is released for publication by way of resolution by the Board of Management.

As BayernLB functions as an overarching institution, its disclosure report is aggregated at Group level. It is based on IFRS.

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 CRR.

The data in this report has not been audited.

Note:

The last unit in the tables may be rounded to the nearest digit. Any data which does not appear in this report has been omitted insofar as the particular disclosure requirement does not apply to the BayernLB Group and/or does not apply to the year 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, Additional Tier 1 capital and Tier 2 capital of the BayernLB Group, along with their regulatory adjustments.

Own funds structure

EUR million	31 Mar 2020	31 Dec 2019*
Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,321	10,650
Regulatory adjustments	(468)	(386)
Common Equity Tier 1 (CET1) capital	**9,853**	**10,264**
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)	**9,854**	**10,266**
Tier 2 capital before regulatory adjustments	1,396	1,389
Regulatory adjustments	184	166
Tier 2 (T2) capital	**1,580**	**1,555**
Total capital (TC = T1 + T2)	**11,434**	**11,821**

* *with annual accounts*

The EUR 411 million decline in Common Equity Tier 1 capital (CET1) over 31 December 2019 was caused by the loss for the quarter, the lower revaluation surplus and the increased capital deduction items for prudent valuation, all in turn resulting from the crisis.

Tier 2 capital (T2) increased by a mere EUR 25 million compared with 31 December 2019.

The EUR 150 million in dividend payments is already factored in the capital. However, the European Central Bank has since recommended a stop on dividend payments for the duration of the Covid-19 pandemic and at least until 1 October 2020. The General Meeting of BayernLB has therefore followed the recommendation by the Supervisory Board and Board of Management and has postponed the decision on appropriation of profit for the time being.

Capital 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 risk-weighted assets (RWAs)

	RWA		Minimum capital requirements
EUR million	31 Mar 2020	31 Dec 2019	31 Mar 2020
Credit risk (excluding CCR)	**56,471**	**54,838**	**4,518**
of which the standardised approach	1,260	1,440	101
Central governments or central banks	0	0	0
Regional governments or local authorities	8	7	1
Public sector entities	46	45	4
Multilateral development banks	–	–	–
International organisations	–	–	–
Institutions	56	14	4
Corporates	425	602	34
Retail exposures	338	407	27
Exposures secured by mortgages on immovable property	51	129	4
Exposures in default	121	117	10
Exposures associated with particularly high risk	121	18	10
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)	31	19	2
Equity exposures	–	–	–
Other items	63	83	5
of which the foundation IRB (FIRB) approach	49,460	47,861	3,957
Central governments and central banks	1,871	2,077	150
Institutions	4,684	4,544	375
Corporates - SMEs	11,486	11,235	919
Corporates - Specialised lending	8,941	9,288	715
Corporates - Others	22,480	20,717	1,798
of which the advanced IRB (AIRB) approach	3,762	3,799	301
Retail - Secured by immovable property - SMEs	96	102	8
Retail - Secured by immovable property - non-SMEs	914	960	73
Retail – qualified revolving	207	209	17
Retail - Other SMEs	249	253	20
Retail - Other retail	2,295	2,275	184
of which equity exposures	1,211	1,362	97
Simple risk-weighted approach	1,153	1,282	92
Private equity exposures	569	602	46
Exchange-traded equity exposures	112	111	9
Other equity exposures	471	569	38
Equity exposures subject to other risk weights	58	81	5
PD/LGD approach	–	–	–
IMA	–	–	–

EUR million	RWA 31 Mar 2020	RWA 31 Dec 2019	Minimum capital requirements 31 Mar 2020
Other non-credit obligation assets	778	375	62
Counterparty credit risk (CCR)	**2,853**	**2,620**	**228**
of which mark to market	1,836	1,735	147
of which original exposure	–	–	–
of which standardised approach	–	–	–
of which internal model method (IMM)	–	–	–
of which financial collateral simple and comprehensive method	345	179	28
of which risk exposure amount for contributions to the default fund of a CCP	27	30	2
of which CVA	644	675	52
Settlement risk	**0**	**9**	**0**
Securitisation exposures in the banking book (after the cap)	**639**	**416**	**51**
of which SEC-SA	40	40	3
of which SEC-ERBA	19		2
of which internal assessment approach (IAA)	580		46
of which rating-based approach (IRBA) (transitional regulations)	–	–	–
of which IRB supervisory formula approach (SFA) (transitional regulations)	–	0	–
of which internal assessment approach (IAA) (transitional regulations)	–	320	–
of which ratings-based approach (SA) (transitional regulations)	–	15	–
of which IRB approach	–	41	–
Market risk	**2,895**	**2,727**	**232**
of which standardised approach	2,895	2,727	232
of which IMA	–	–	–
Large exposures	**–**	**–**	**–**
Operational risk	**3,980**	**3,900**	**318**
of which basic indicator approach	–	–	–
of which standardised approach	3,980	3,900	318
of which advanced measurement approach	–	–	–
Other risk position amounts	**299**	**94**	**24**
Amounts below the thresholds for deduction (subject to 250% risk weight)*	**1,322**	**1,449**	**106**
Floor adjustment	**–**	**–**	**–**
Total	**67,137**	**64,604**	**5,371**

* *for information only*

The rise in RWAs in the first quarter was due to, among other factors, an increase in drawdowns on previously approved loans and to new calculation parameters for securitisations.

The “other risk position amounts” item of EUR 299 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 (approx. EUR 89 million). Also, this is the first reporting date to include a EUR

210 million temporary capital premium in application of the new definition of default pursuant to Delegated Regulation (EU) 2018/171.

Table CR8 shows the changes in RWAs from 31 December 2019 to 31 March 2020 for the IRB credit risk. 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	RWA	Capital requirements
RWAs as at 31 Dec 2019	**51,661**	**4,133**
Asset size	1,858	149
Asset quality	(299)	(24)
Model updates	–	–
Methodology and policy	–	–
Acquisitions and disposals	–	–
Foreign exchange movements	2	0
Other	–	–
RWAs as at 31 Mar 2020	**53,222**	**4,258**

Capital ratios

The table below shows the capital ratios, with the CRR transition rules (phase-in) applied, as at 31 March 2020.

Capital ratios

		31 Dec 2019	
in %	31 Mar 2020	as reported	with annual accounts
CET1 capital ratio	14.7	15.6	15.9
Tier 1 capital ratio	14.7	15.6	15.9
Total capital ratio	17.0	17.9	18.3

The fully loaded total capital ratio is 16.7%.

The decrease in the CET1 ratio in the first quarter, from 15.9% to 14.7%, stems from a decline in CET1 capital of approx. EUR 0.4 billion and an RWA increase of around EUR 2.5 billion.

Leverage (article 451 CRR)

Disclosure is pursuant to Commission Implementing Regulation (EU) 2016/200 of 15 February 2016.

Leverage ratio

EUR million	**31.3.2020**	**31 Dec 2019**
Tier 1 capital (T1 - phase in)	9,854	10,266
Total leverage ratio exposure	253,930	243,124
Leverage ratio (phase in)	3.9%	4.2%

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, due in turn not least to the line drawdowns (see Table OV1).

Liquidity coverage ratio (article 435 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 units:** EUR million		**Total adjusted value**			
Quarter ending on		**30 Jun 2019**	**30 Sep 2019**	**31 Dec 2019**	**31 Mar 2020**
Number of data points used in the calculation of averages		12	12	12	12
21	**Liquidity buffer**	34,312	35,760	35,591	35,232
22	**Total net cash outlfows**	21,487	21,478	20,429	20,615
23	**Liquidity coverage ratio (%)**	161%	168%	175%	172%

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 average liquidity coverage ratio changed only slightly from the end of the previous quarter.

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