

Disclosure Report as at 30 September 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	3
Own funds (article 437 CRR)	4
Capital requirements (article 438 CRR)	5
Leverage (article 451 CRR)	8
Liquidity coverage ratio (article 435 CRR)	9

Preliminary remarks

This disclosure report as at 30 September 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 30 September 2020, this figure is approximately EUR 256 billion for BayernLB.

The report contains qualitative and quantitative information on the

- own funds
 - own funds requirements
 - leverage ratio and
 - liquidity coverage ratio
- 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 lays down 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.

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.

Quantitative information 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 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	30 Sep 2020	30 Jun 2020
Common Equity Tier 1 (CET1) capital before regulatory adjustments	10.646	10.565
Regulatory adjustment ¹	(505)	(436)
Common Equity Tier 1 (CET1) capital	10.141	10.129
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)	10.142	10.130
Tier 2 capital before regulatory adjustments	1.363	1.384
Regulatory adjustments	147	90
Tier 2 (T2) capital	1.510	1.474
Total capital (TC = T1 + T2)	11.652	11.604

The moderate rise in Common Equity Tier 1 (CET1) capital of EUR 12 million compared to 30 June 2020 is mainly the result of factoring in the net profit for the first half of 2020. This was countered, however, by the higher deduction for pension obligations and the increased capital deduction for the deposit guarantee scheme.

Tier 2 capital (T2) increased by EUR 36 million compared with 30 June 2020 due to the raising of new Tier 2 capital.

The EUR 150 million in dividend payments for financial year 2019 is already factored into 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 January 2021. 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 RWAs are broken down in terms of regulatory approach, risk type and exposure class.

OV1 – Overview of risk-weighted assets (RWAs)

EUR million	RWA		Minimum capital requirements
	30 Sep 2020	30 Jun 2020	30 Sep 2020
Credit risk (excluding CCR)	54.834	57.006	4.387
of which the standardised approach	1.096	1.113	88
Central governments or central banks	0	0	0
Regional governments or local authorities	10	8	1
Public sector entities	39	43	3
Multilateral development banks		–	
International organisations		–	
Institutions	26	16	2
Corporates	481	496	38
Retail exposures	357	350	29
Exposures secured by mortgages on immovable property	43	47	3
Exposures in default	78	88	6
Exposures associated with particularly high risk	31	31	2
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)	32	33	3
Equity exposures		–	
Other items	0	0	0
of which the foundation IRB (FIRB) approach	47.986	50.227	3.839
Central governments and central banks	1.694	1.888	136
Institutions	5.376	4.690	430
Corporates - SMEs	9.866	11.829	789
Corporates - Specialised lending	8.274	9.016	662
Corporates - Others	22.775	22.803	1.822
of which the advanced IRB (AIRB) approach	3.689	3.670	295
Retail - Secured by immovable property - SMEs	84	88	7
Retail - Secured by immovable property - non-SMEs	830	881	66
Retail – qualified revolving	198	202	16
Retail - Other SMEs	242	241	19
Retail - Other retail	2.335	2.258	187

EUR million	RWA		Minimum capital requirements
	30 Sep 2020	30 Jun 2020	30 Sep 2020
of which equity exposures	1.380	1.304	110
Simple risk-weighted approach	1.321	1.245	106
Private equity exposures	625	591	50
Exchange-traded equity exposures	107	99	9
Other equity exposures	590	555	47
Equity exposures subject to other risk weights	59	59	5
PD/LGD approach		–	
IMA		–	
Other non-credit obligation assets	683	692	55
Counterparty credit risk (CCR)	2.924	3.030	234
of which mark to market	1.478	1.588	118
of which original exposure		–	
of which standardised approach		–	
of which internal model method (IMM)		–	
of which financial collateral simple and comprehensive method	778	770	62
of which risk exposure amount for contributions to the default fund of a CCP	44	43	4
of which CVA	624	630	50
Settlement risk		0	
Securitisation exposures in the banking book (after the cap)	579	589	46
of which SEC-IRBA		–	
of which SEC-ERBA	18	18	1
of which internal assessment approach (IAA)	521	531	42
of which SEC-SA	40	40	3
Market risk	2.386	2.691	191
of which standardised approach	2.386	2.691	191
of which IMA		–	
Large exposures		–	
Operational risk	3.980	3.980	318
of which basic indicator approach		–	
of which standardised approach	3.980	3.980	318
of which advanced measurement approach		–	
Other risk position amounts	289	297	23
Amounts below the thresholds for deduction (subject to 250% risk weight)*	1.269	1.323	102
Floor adjustment		–	
Total	64.991	67.593	5.199

* for information only

The decline in RWAs stems mainly from the first-time application of the prudential “SME supporting factor” under Regulation (EU) 2020/873 (the CRR “backstop”).

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

EUR million	RWA	Capital requirements
RWAs as at 30 Jun 2020	53.897	4.312
Asset size	236	19
Asset quality	85	7
Model updates	(2.402)	(192)
Methodology and policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	(141)	(11)
Other	0	0
RWAs as at 30 Sep 2020	51.674	4.134

The reduction in RWAs induced by the model updates stems mainly from the first-time application of the new prudential “SME supporting factor” under Regulation (EU) 2020/873 (the CRR “backstop”).

Capital ratios

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

Capital ratios

In %	30 Sep 2020	30 Jun 2020
CET1 capital ratio	15.6	15.0
Tier 1 capital ratio	15.6	15.0
Total capital ratio	17.9	17.2

The fully-loaded total capital ratio is 17.7%.

The capital ratios rose in the third quarter especially because of the (approx. EUR 2.6 billion) plunge in RWAs.

Leverage (article 451 CRR)

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

Leverage ratio

EUR million	30 Sep 2020	30 Jun 2020
Tier 1 capital (T1- phase)	10.141	10.130
Total leverage ratio exposure	256.191	272.332
Leverage ratio (phase in)	4.0%	3.7%

Most of the EUR 16 billion reduction in the total exposure measure comes from the first-time exclusion of exposures to central banks in line with the CRR backstop (Regulation (EU) 2020/873). Without the exclusion the leverage ratio phase-in is 3.6%, slightly below the ratio for June 2020.

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	31 Dec 2019	31 Mar 2020	30 Jun 2020	30 Sep 2020
Number of data points used in the calculation of averages	12	12	12	12
21 Liquidity buffer	35.591	35.232	36.003	39.317
22 Total net cash outflows	20.429	20.615	20.803	20.357
23 Liquidity coverage ratio (%)	175%	172%	174%	193%

As can be seen, the minimum regulatory threshold of 100% 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 went up from the end of the previous quarter. This change arose mainly from an increase in the liquidity buffer.

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