Bayern LB

Financing progress.

Disclosure Report as at 31 March 2021

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

Finanzgruppe

Contents

Preliminary remarks

This disclosure report as at 31 March 2021 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 2021, this figure is approximately EUR 264 billion for BayernLB.
The report contains qualitative and quantitative information on the

- own funds
- own funds 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 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.

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 the year under review.

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	31.03.2021	31.12.2020
Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,748	10,805
Regulatory adjustments	(612)	(504)
Common Equity Tier 1 (CET1) capital	**10,136**	**10,301**
Additional Tier 1 capital before regulatory adjustments	-	1
Regulatory adjustments	-	-
Additional Tier 1 (AT1) capital	**-**	**1**
Tier 1 capital (T1 = CET1 + AT1)	**10,136**	**10,302**
Tier 2 capital before regulatory adjustments	1,406	1,355
Regulatory adjustments	342	336
Tier 2 (T2) capital	**1,748**	**1,691**
Total capital (TC = T1 + T2)	**11,884**	**11,993**

The EUR 165 million decrease in Common Equity Tier 1 (CET1) capital over 31 December 2020 is due in particular to the higher regulatory deductions and the interest-rate-driven drop in the revaluation surplus.

Tier 2 capital (T2) increased by EUR 57 million compared with 31 December 2020 due to the raising of new Tier 2 capital.

The EUR 75 million in dividend payments for financial year 2020 is factored into the capital.

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)

	RWA		Minimum capital requirements
EUR million	31.03.2021	31 Dec 2020	31.03.2021
Credit risk (excluding CCR)	**56,106**	**55,099**	**4,488**
of which the standardised approach	1,235	969	99
Central governments or central banks	-	-	-
Regional governments or local authorities	12	11	1
Public sector entities	40	41	3
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	34	37	3
Corporates	588	360	47
Retail	355	306	28
Exposures secured by mortgages on immovable property	42	45	3
Exposures in default	79	77	6
Exposures associated with particularly high risk	25	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)	59	60	5
Equity exposures	-	-	-
Other items	0	0	0
of which the foundation IRB (FIRB) approach	48,831	48,148	3,907
Central governments and central banks	1,882	1,640	151
Institutions	5,070	5,212	406
Corporates - SMEs	9,201	9,292	736
Corporates - Specialised lending	10,251	8,845	820
Corporates - Others	22,428	23,159	1,794
of which the advanced IRB (AIRB) approach	3,519	3,513	282
Retail - Secured by immovable property - SMEs	53	63	4
Retail - Secured by immovable property - non-SMEs	652	687	52
Retail – qualified revolving	182	188	15
Retail - Other SMEs	167	211	13
Retail - Other retail	2,466	2,363	197
of which equity exposures	1,882	1,786	151
Simple risk-weighted approach	1,842	1,747	147
Private equity exposures	1,023	1,001	82
Exchange-traded equity exposures	129	102	10
Other equity exposures	690	644	55
Equity exposures subject to other risk weights	40	39	3
PD/LGD approach	-	-	-
IMA	-	-	-

	RWA		Minimum capital requirements
EUR million	31.03.2021	31 Dec 2020	31.03.2021
Other non-credit obligation assets	639	682	51
Counterparty credit risk (CCR)	**2,781**	**2,765**	**222**
of which mark to market	1,466	1,485	117
of which original exposure	-	-	-
of which standardised approach	-	-	-
of which internal model method (IMM)	-	-	-
of which financial collateral simple and comprehensive method	983	643	79
of which risk exposure amount for contributions to the default fund of a CCP	32	114	3
of which CVA	300	524	24
Settlement risk	**-**	**1**	**-**
Securitisation exposures in the banking book (after the cap)	**471**	**536**	**38**
of which SEC-IRBA	-	-	-
of which SEC-ERBA	17	17	1
of which internal assessment approach (IAA)	414	479	33
of which SEC-SA	40	40	3
Market risk	**2,025**	**2,320**	**162**
of which standardised approach	2,025	2,320	162
of which IMA	-	-	-
Large exposures	**-**	**-**	**-**
Operational risk	**4,125**	**3,980**	**330**
of which basic indicator approach	-	-	-
of which standardised approach	4,125	3,980	330
of which advanced measurement approach	-	-	-
Other risk position amounts	**273**	**273**	**22**
Amounts below the thresholds for deduction (subject to 250% risk weight)*	**1,542**	**1,250**	**123**
Floor adjustment	**-**	**-**	**-**
Total	**65,781**	**64,974**	**5,262**

** For information purposes only*

RWAs rose in the first quarter as a result of the growth, in keeping with strategy, seen especially in the real estate business and at DKB.

The “other risk position amounts” item of EUR 273 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 63 million), and the temporary capital premium (approx. EUR 210 million) 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 2020 to 31 March 2021 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 2020	**51,661**	**4,133**
Asset size	792	63
Asset quality	(302)	(24)
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	200	16
Other	-	-
RWA-Bestand zum 31.03.2021	**52,351**	**4,188**

Capital ratios

The table below shows the capital ratios, with the CRR transition rules (phase-in) applied, as at 31 March 2021.

Capital ratios

in %	31.03.2021	31.12.2020
CET1 capital ratio	15.4	15.9
Tier 1 capital ratio	15.4	15.9
Total capital ratio	18.1	18.5

The fully-loaded total capital ratio is 17.9%.

The decline in the CET1 ratio in the first quarter, from 15.9% to 15.4%, is due equally to the increase in RWAs (approx. EUR 0.8 billion) and to the reduction in CET1 capital (approx. EUR 0.2 billion).

Leverage (article 451 CRR)

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

Leverage ratio

EUR million	**31.03.2021**	**31.12.2020**
Tier 1 capital (T1 - phase in)	10,136	10,302
Total leverage ratio exposure	264,159	238,847
Leverage ratio (phase in)	3.8%	4.31%

The leverage ratio went down both as a result of the decline in Tier 1 capital as described above and of the increase in the total exposure, due in turn not least to the strategically planned growth (see Table OV1) and to the rise in money market transactions.

Regulation (EU) 2020/873 of 24 June 2020 (CRR “Quick Fix”) and Decision 2020/1306 of the European Central Bank of 16 September 2020 gave European banks the option of temporarily excluding certain exposures to central banks from the calculation of their total exposure measure. For reasons of strategy, the BayernLB Group has been making use of this option since September 2020.

In the first quarter of 2021 the BayernLB Group excluded approx. EUR 45 billion in central bank deposits from its total exposure. Were it not for this option, the leverage ratio would stand at 3.3%.

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	**30.06.2020**	**30.09.2020**	**31.12.2020**	**31.03.2021**
	Number of data points used in the calculation of averages	12	12	12	12
21	**Liquidity buffer**	36,003	39,317	44,478	51,703
22	**Total net cash outflows**	20,803	20,357	20,964	21,605
23	**Liquidity coverage ratio (%)**	174%	193%	213%	239%

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 increased liquidity surplus is due to additional customer deposits and to the participation in the ECB'S TLTRO tender. The average liquidity coverage ratio saw a further improvement from the end of the previous quarter.

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