Bayerische Landesbank

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1
Viability Rating	bbb+
Support Rating	1
Derivative Counterparty Rating	A- (dcr)
Deposit Ratings	A-/F1

Sovereign Risk

Long-Term Foreign-Currency IDR	AAA
Long-Term Local Currency IDR	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Sovereign Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Bayerische Landesbank

	2018	2017
Total assets (EURbn)	220.2	214.5
Total equity (EURbn)	11.2	10.8
Operating profit (EURm)	877	650
Impaired loans/gross loans (%)	1.1	3.0
Operating profit/risk-weighted assets	1.3	1.1
Fitch Core Capital/risk-weighted assets (%)	16.1	16.6
Common equity Tier 1 ratio (%)	15.2	15.3
Leverage ratio (%)	4.1	4.0
Loans/customer deposits (%)	169	168

Source: Fitch Ratings, Fitch Solutions

Related Research

Fitch Affirms Bayerische Landesbank at 'A-'; Outlook Stable (April 2019)

Bayerische Landesbank - Ratings Navigator (April 2019)

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Key Rating Drivers

Support Drives Ratings: Bayerische Landesbank's (BayernLB) Issuer Default Ratings (IDRs), Support Rating and senior debt ratings reflect Fitch Ratings' view of an extremely high probability of support from its owners, and ultimately from Germany's savings banks group, Sparkassen-Finanzgruppe (SFG, A+/Stable), if needed. BayernLB's owners are Bavaria (75%) and Bavaria's savings banks (25%).

Solid Capitalisation: BayernLB reported a common equity Tier 1 (CET1) ratio of 15.2% at end-2018, ranking it well among peers. It provides a comfortable buffer over its individual regulatory requirements for 2019 from the Supervisory Review and Evaluation Process (SREP). This level accommodates some cushion for an expected regulatory upward drift under the revised Basel rules from 2022. Its leverage ratio of 4.1% at end-2018 is acceptable but not strong.

Review of Strategic Direction: BayernLB is reviewing its strategy and risk appetite in a changing banking environment. We expect the bank's strategic plan to be finalised by end-2019 following the arrival of its new chief executive in July 2019.

Improved Asset Quality: BayernLB's asset quality has further improved in a solid domestic credit environment and after the resolution of its defaulted legacy exposure of EUR1.2 billion to HETA Asset Resolution AG, which also removed tail risks from a legal dispute. Fitch believes that asset quality is at a cyclical high and expects little or no scope for further loan loss releases.

Risk Costs to Normalise: We expect BayernLB's profitability in 2019 to be weaker than in the relatively strong 2018 when the bank benefited from a EUR135 million release from loan loss provisions and other non-recurring revenue. BayernLB reported EUR869 million pre-tax profit for 2018. However, business growth generated additional net interest income (NII) and fee income. BayernLB's cost base remains high.

Balanced Funding Profile: BayernLB's funding is stable and well-diversified. It benefits from Deutsche Kredit Bank's (DKB) retail deposits and improved funding profile as well as from access to the savings banks' strong liquidity, which lowers its reliance on capital market funding. The structure of BayernLB's liabilities allows for comfortable compliance with expected minimum requirements for own funds and eligible liabilities (MREL).

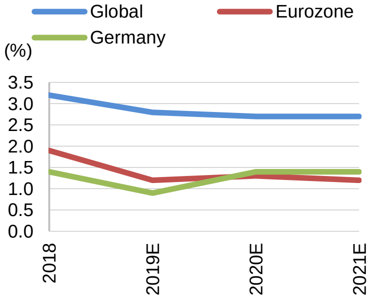
Rating Sensitivities

Support Sensitivities: The IDRs, Support Rating, and senior debt ratings are sensitive to changes in our assumptions about the propensity or ability of BayernLB's owners to provide timely support. This could result from a change in SFG's IDRs, which serve as the anchor rating for BayernLB's ratings, or a weakening of the owners' strategic commitment to BayernLB. This could also result from a change in the bank's importance for its home region or for the savings bank sector.

Economy Is Key: BayernLB's exposures to cyclical sectors in Germany, including the automotive industry, link the bank's performance very closely to the performance of the German economy. A sharp deterioration of the German economy that structurally affects the bank's asset quality would put pressure on its ratings, given the bank's sector concentration. We expect DKB's performance to be less affected by cyclical changes because of its concentration on retail business and lower concentration.

Real GDP Growth

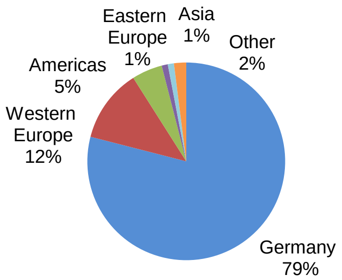
Historical data and forecast 2018-2021



Source: Fitch Ratings, Global Economic Outlook (June 2019)

Gross Credit Volume by Region

2018 total: EUR275.9bn



Source: Fitch Ratings, BayernLB

Related Criteria

Bank Rating Criteria (October 2018)

Short-Term Ratings Criteria (May 2019)

Operating Environment

Solid Asset Quality Underpinned by Benign German Economic Environment

Germany's 'AAA'/Stable sovereign IDR reflects the country's diversified, high value-added economy, strong institutions and sound public debt management. In June 2019, Fitch revised its GDP growth forecast for 2019 to 0.9% from 1.0%, reflecting slowing economic activity at the start of 2Q19, in line with weakness reported in recent manufacturing surveys.

The German economy remains split between strong domestic and weak external sectors. Germany's greater trade openness and larger exposure to China have left it particularly exposed to the global downturn. Business investment will be affected by the cooling in world trade and ongoing uncertainty surrounding trade disputes. New orders have declined rapidly, and the leading IFO index for the manufacturing sector has fallen significantly in recent months.

Expansion in the domestic economy remains largely intact. Consumer spending is supported by high employment, rising wages, increasing demand for bank loans and elevated consumer confidence, despite some moderation in the latter in recent months. Labour market tightness will continue to be reflected in higher wages given ongoing demand from companies and shortages on the supply side caused by adverse demographics.

Above-Average Credit Growth but Margin Pressure from Fierce Competition

The resilient domestic economy and the accommodating monetary policy should continue to drive strong demand for cheap SME and housing loans in the near term, despite more than eight years of strong house-price increases, especially in large cities.

The above-average lending growth in recent years has delayed the long-term erosion of net interest income, the banking sector's dominant source of revenue. However, weak profitability will remain the sector's main challenge in the foreseeable future as strong competition compounds the effects of the extra-low interest rates. Margin compression has absorbed most of the competitive pressure for now, in particular in commercial real estate and corporate lending.

However, a loosening of underwriting is increasingly likely to be necessary to maintain strong loan growth at this stage of the credit cycle. The German banks' reduced foreign presence since the 2008 crisis has also significantly increased their vulnerability to a downturn of the domestic economy. The sector's funding and liquidity remain sound. Capitalisation and leverage are adequate.

Company Profile

Medium-Sized Commercial Bank with Regional Focus

BayernLB is Germany's second-largest Landesbank by total assets. Its business model is based on its statutory role for Bavaria, a wholesale-driven commercial banking structure and the savings bank's business. BayernLB acts as a central bank for 65 savings banks in Bavaria with a combined EUR212 billion of total assets end-2018.

The bank has a regional focus although it operates nationwide in certain segments and benefits from the economic strength and industry diversity of its home region. BayernLB targets large and medium-sized corporates in Germany and, to a lesser extent, in neighbouring Austria and Switzerland, as well as residential and commercial real estate customers. The bank provides a broad range of customer-driven capital market and treasury products in its financial market divisions, including asset management. BayernLB's foreign franchise is moderate and connected to financial service requirements of its corporate customers.

DKB Adds Considerable Franchise Value

DKB is Germany's second-largest direct online bank with about four million customers. The bank's total assets of EUR77.4 billion at end-2018 represented 35% of BayernLB's balance sheet. It provides BayernLB with a second leg of retail and small business customer access across Germany, alongside the relationship with the regional savings banks. DKB adds better margin retail and small corporate business to the group. The bank is a significant contributor to the group's net interest income and its granular exposure helps to reduce BayernLB's implicit asset-concentration risks.

Integrated Development Bank Is Risk Neutral

BayernLB also includes the legally dependent but organisationally and financially independent institution Bayerische Landesbodenkreditanstalt, Munich (BayernLabo), with total assets of EUR19.0 billion at end-2018. BayernLabo does not add material risk to the group as the state of Bavaria is the unconditional, permanent and irrevocable guarantor for all of its liabilities. However, the tight business margins in BayernLabo's development business affect BayernLB's overall net interest margin. BayernLabo is included in the real estate and savings bank segment and generated an operating profit of EUR20.7 million in 2018.

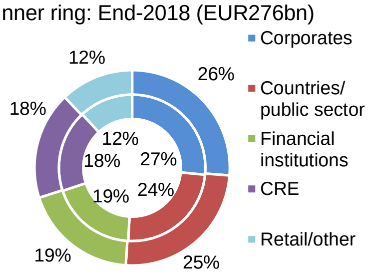
Management and Strategy

New Chief Executive to Shape Strategy

BayernLB appointed a new chief executive on 1 July 2019 following the termination of the previous chief executive's term at end-February 2019.

Bayern LB has progressed since the termination of EU restrictions on its business in July 2017, the resolution of its legacy issues and the bank restored its capitalisation. However, BayernLB is fundamentally reviewing its business model and strategic options in a changing banking environment and amid potential modifications to the structure of Germany's public-sector banks. The review includes possible changes to the bank's risk appetite and approaches to improve its earnings capacity. We understand that the direction and magnitude of such potential strategic changes are yet undecided by stakeholders and expect more details to emerge towards end-2019.

Gross Exposure
Breakdown by sub-portfolio
Outer ring: End-2017 (EUR266bn)
Inner ring: End-2018 (EUR276bn)



Source: Fitch Ratings, BayernLB

Risk Appetite

Prudently Managed Organic Growth

In 2018, BayernLB targeted organic volume growth particularly among its corporate customers. RWAs increased by 7% in 2018. However, a share of this increase was reflected in its capital market division, whereas loans and advances to customers grew by a more moderate 3%. The growth rate was broadly distributed among the bank's individual customer segments, suggesting limited appetite for higher risks in the loan book.

BayernLB's underwriting standards are sound and largely in line with the industry. They reflect a high proportion of credit exposure to investment grade counterparties and to German commercial and retail customers, whose financial strength has proven resilient. However, the unusual length of the current credit cycle means that underwriting standards have yet to be tested in a downturn. The risk of loosening generally increases at this stage of the credit cycle, especially given the bank's growth objectives in the competitive German banking sector.

Vulnerability to Lower Rates Due to Pension Obligations

We view BayernLB's market-risk exposure as acceptable and commensurate with its loss-absorbing capacity. The bank is mainly exposed to interest-rate risk and, to a lesser extent, credit spread risk. Value-at-risk calculations are based on a one-day holding period and a confidence level of 99%. BayernLB includes risks from pension obligations (EUR3.8 billion at end-2018) in its market-risk assessment. Consequently, its vulnerability to downward interest-rate shocks is comparably high, although BayernLB's commercial lending business is generally match-funded.

A 200bp downward shift in the yield curve would reduce the fair value of the bank's equity by about EUR875 million (7.6% of end-2018 equity). A 200bp upward shift would have an immaterial impact on the value of equity. This is because the negative impact on the net present value of fixed-income instruments would be counterbalanced by a reduction in pension liabilities. Foreign-exchange and equity risks are immaterial. Interest-rate risk in DKB's banking book is around a similar level, although it increased in 2018. However, DKB's interest-rate sensitivity is significantly lower than many retail banks, particularly to the German savings and cooperative banks.

Financial Profile

Asset Quality

HETA Resolution Drives Impaired Loans to Low Levels

BayernLB's non-performing loans continued to fall in 2018 and in 1Q19, supported by benign economic conditions and following resolution of its EUR1.2 billion defaulted exposure HETA. The NPL (Stage 3 loans under IFRS 9)/gross customer loans ratio declined to a low of 1.1% at end-2018, reflecting the sound asset quality in the bank's core segments. The level of BayernLB's impaired loans is now in line with levels of its major peers, but has probably reached its low for the cycle.

Until end-2017, HETA was the largest single financial institution's exposure in BayernLB's EUR4.0 billion total defaulted portfolio and we included it in our asset-quality assessment as well as in the calculation of its impaired loans. Both parties agreed in a bilateral agreement reached in December 2018 on the amount of BayernLB's claim against HETA and its senior ranking in the ordinary wind-down process, in exchange for termination of all remaining legal disputes. This has removed a substantial potential financial tail risk for the bank.

BayernLB's HETA exposure did not carry loan loss provisions because the economic risk was broadly covered by a memorandum of understanding agreed between Bavaria and Austria in July 2015, which included a preliminary compensation payment from Austria. BayernLB's previously low reserve coverage (excluding collateral) significantly improved to 69% following the resolution.

At end-2018, 87% of BayernLB's gross credit volume was rated investment-grade. Forborne loans and advances to customers almost halved to EUR2.1 billion, of which EUR415 million were impaired. BayernLB carries sector and single-name concentration risks, which we reflect in our assessment. This primarily relates to utilities and real estate assets.

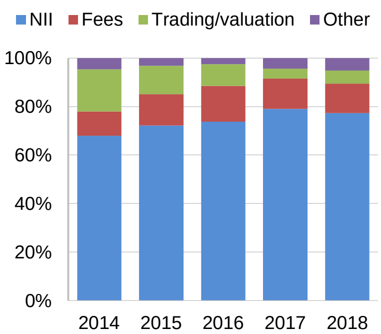
DKB's Low Impaired Loan Ratio and Granularity Support Asset Quality

About two-thirds of BayernLB's gross credit exposure resides in the parent bank and about a third in DKB, where loan exposures are generally more granular. DKB's impaired loan ratio of 0.9% is about the same level as BayernLB despite its different business mix.

Significant Exposure to Commercial Real Estate

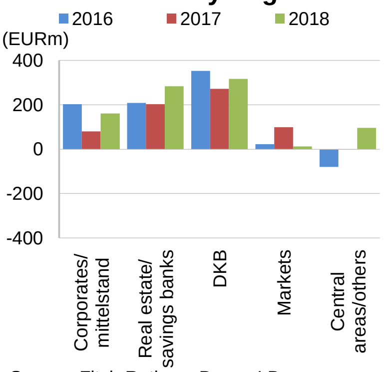
The bank's gross real estate portfolio rose moderately to EUR50.1 billion at end-2018 (2017: EUR47.5 billion) and is high compared with peers. However, the residential asset category (EUR31.8 billion) includes EUR18.9 billion of lower-risk business due to local authority or government ownership or guarantees. New business amounted to only EUR3 billion, which is lower than at comparable peers. The portfolio is focused on Germany (about 90%) and its default ratio is a low 1.1% (2.2% in 2017).

Revenue Drivers
Periods ending 2014-2018



Source: Fitch Ratings; BayernLB

Pre-tax Profits by Segment



Source: Fitch Ratings, BayernLB

Earnings and Profitability

Bayern LB's profitability shows a modest upward trend. Its operating return on RWAs of 1.3% in 2018 was moderate compared with international peers but higher than at most German commercial banks. Fitch expects earnings to decline in 2019, which is in line with BayernLB's 1Q19 pre-tax profit of EUR51 million as the bank had a significantly lower result from extraordinary items. BayernLB still benefitted from a release of loan loss provisions in 1Q19, but at a level considerably lower than a year ago and we do not expect this to continue for the rest of the year.

Rising Net Interest and Fee Income in 2018 Despite Margin Pressure

BayernLB is reliant on NII and fee income as key constituents of its business model. The largest part of NII is generated in DKB, which accounted for 56% of the group's total NII. DKB has significantly improved its funding structure in recent years and benefited from volume growth and the bank's higher margins in the retail business. The stable financial performance of DKB also positively reflects on the stability of BayernLB's earnings performance following the bank's deleveraging. Results from trading and fair-value measurements are varying, but do not add material volatility to results as they typically account for less than 10% of total revenue.

But Loan Loss Release and Other One-Offs Inflate Performance

BayernLB reported a strong profit before tax of EUR869 million at end-2018 (EUR652 million in 2017), well above the result of other Landesbanken. It was driven by above-average business growth and a related rise of NII by 5%. However, earnings in 2018 were inflated by reversals of loan loss provisions (EUR135 million), compounding recoveries from some of its remaining non-core assets, as well as the sale of a restructuring exposure in the real estate/ savings banks segment.

Little Relief on Cost Base Expected

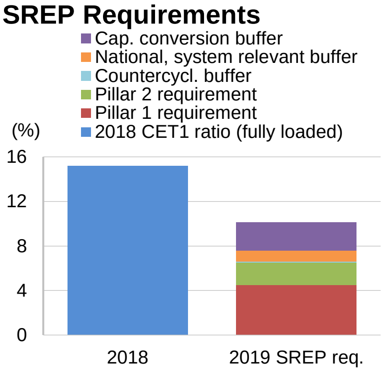
BayernLB's cost base increased and administrative expenses rose 8% in 2018 to EUR1.4 billion. The rise is due to higher regulatory requirements and investments in group-wide strategic initiatives in sales and digitalisation efforts. We do not expect a turnaround in costs in the short term but BayernLB plans to contain a significant further rise in costs in 2019 and beyond. Compared with peers, non-interest expenses to gross revenue are still reasonable at 66%. The group's efficiency is supported by DKB's lower cost base as a direct bank.

Capitalisation and Leverage

Solid Capitalisation through Profit Retention

BayernLB reported a CET1 ratio of 15.2% end-2018 (15.3% end-2017), which compares well with peers. The bank's Fitch Core Capital/RWAs ratio declined to 16.1% at the same date. The small decline in both cases reflects the bank's strong RWA growth in 2018. However, the capital consumption was mitigated by high profit retention and a minimal impact on capital from the implementation of IFRS 9. BayernLB paid a small dividend of EUR50 million in 2018 and an amount of EUR175 million in 2019. In previous years BayernLB was unable to make dividend payments due to EU restrictions that have helped to restore its capitalisation.

SREP Requirements



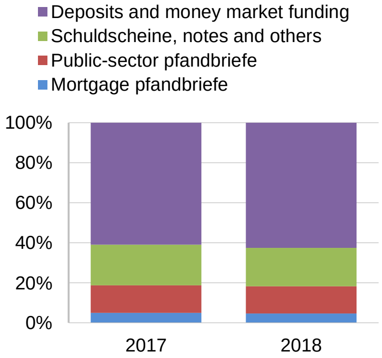
Source: Fitch Ratings, BayernLB

Comfortably Above Regulatory Threshold

BayernLB has a comfortable buffer over its individual regulatory requirements for 2019 resulting from SREP. In our view, the capital surplus provides a good loss-absorbing buffer to counter unexpected credit deterioration. However, the dynamics of its future RWA growth and related capital consumption depends on its strategic decisions.

In the medium term, BayernLB's capitalisation will be negatively affected by the revised Basel rules and potential add-ons from the ECB's Targeted Review of Internal Models. About 87% of Bayern LB's loan portfolio is calculated based on an internal rating-based approach. However, the implementation date in January 2022 and the lengthened phase-in period between 2022 and 2026 is likely to allow a smooth transition.

Stable Funding Structure



Source: Fitch Ratings, BayernLB

Acceptable EBA Stress Test Outcome

The EBA released BayernLB's stress test results in November 2018. BayernLB's fully loaded CET1 ratio was 15.5% in the baseline scenario, but it dropped to 9.4% at the end of the review period in 2020 in the adverse scenario and, therefore, below its likely SREP requirement. In addition, its leverage ratio would drop to 2.8% in the adverse scenario, below the 3% threshold. The result highlights BayernLB's sensitivity to a deteriorating economy, primarily driven by a significant rise in RWAs in 2019 and 2020.

Funding and Liquidity

Funding Mix and Diversified Customer Groups Mitigate Reliance on Capital Markets

BayernLB's loan/deposit ratio of 169% in 2018 highlights the bank's reliance on wholesale funding. However, our assessment of the bank's funding incorporates its diversified funding sources at low costs, and access to the savings banks' strong liquidity. DKB benefits from large retail deposits of about EUR54.4 billion, which forms the basis of its funding.

Moderate Funding Needs Comfortably Covered by Secured and Unsecured Debt

BayernLB's capital market funding needs amounted to slightly above EUR8 billion in 2018 and were almost equally covered by secured and unsecured debt issuance. A moderately higher amount is expected for 2019, which should be easily manageable for the bank. BayernLB and DKB are covered bond issuers and sufficient over-collateralisation of their programmes leaves material room for further issuance, if needed.

BayernLB comfortably meets is provisional MREL requirement due to the large pool of senior unsecured bonds and other qualifying debt instruments that could be bailed in. It issued EUR3.5 billion of senior non-preferred debt in 2018.

Liquidity Position in Line with that of Peers

BayernLB has healthy liquidity as reflected by highly liquid assets of around EUR33 billion on average in 2018, resulting in a liquidity coverage ratio of 143% at group level at year-end. It has access to the Federal Reserve's discount window through its New York branch. The bank's net stable funding ratio, which is not yet mandatory, was over 110% at end-2018.

Debt, Deposit and Derivative Counterparty Ratings without Uplift

BayernLB's debt ratings (senior unsecured, senior non-preferred and senior preferred) are all aligned with the bank's IDRs as are BayernLB's Derivative Counterparty and Deposit Ratings. Fitch believes that the bank's buffers of junior and vanilla senior debt do not afford any obvious incremental probability of default benefit over and above the support benefit already factored into its IDRs. We do not apply any uplift for above-average recovery prospects in the event of default because of the limited visibility on recovery levels in such circumstances. BayernLB's balance sheet would have most probably differed substantially from the current one if it would have failed and was not supported by its savings banks and state owner. BayernLB's subordinated debt instruments are notched down once from its VR to reflect loss severity relative to average recoveries.

Short-Term Ratings

BayernLB's short-term ratings are at the higher end of the two Short-Term IDRs that lead to an 'A-' Long-Term IDR on Fitch's rating scale. The Short-Term IDR reflects institutional support for BayernLB, which is typically more certain in the near term and more specifically reflects its strong links to SFG and the group's ample liquidity resources.

Bayerische Landesbank
Income Statement

	31 Dec 2018 Year End EURm Audited - Unqualified	31 Dec 2017 Year End EURm Audited - Unqualified	31 Dec 2016 Year End EURm Audited - Unqualified	31 Dec 2014 Year End EURm Audited - Unqualified
1. Interest Income on Loans	3,503	3,594	3,871	4,748
2. Other Interest Income	2,645	2,741	2,623	2,505
3. Dividend Income	n.a.	n.a.	n.a.	n.a.
4. Gross Interest and Dividend Income	**6,148**	**6,335**	**6,494**	**7,253**
5. Interest Expense on Customer Deposits	n.a.	n.a.	n.a.	n.a.
6. Other Interest Expense	4,427	4,676	5,019	5,582
7. Total Interest Expense	**4,427**	**4,676**	**5,019**	**5,582**
8. Net Interest Income	**1,721**	**1,659**	**1,475**	**1,671**
9. Net Fees and Commissions	270	263	296	249
10. Net Gains (Losses) on Trading and Derivatives	-4	60	79	-35
11. Net Gains (Losses) on Assets and Liabilities at FV	100	3	3	-59
12. Net Gains (Losses) on Other Securities	26	23	96	521
13. Net Insurance Income	n.a.	n.a.	n.a.	n.a.
14. Other Operating Income	88	91	51	114
15. Total Non-Interest Operating Income	**480**	**440**	**525**	**790**
16. Total Operating Income	**2,201**	**2,099**	**2,000**	**2,461**
17. Personnel Expenses	725	663	718	596
18. Other Operating Expenses	734	692	649	580
19. Total Non-Interest Expenses	**1,459**	**1,355**	**1,367**	**1,176**
20. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	n.a.	n.a.
21. Pre-Impairment Operating Profit	**742**	**744**	**633**	**1,285**
22. Loan Impairment Charge	-135	94	87	1,498
23. Securities and Other Credit Impairment Charges	n.a.	n.a.	n.a.	n.a.
24. Operating Profit	**877**	**650**	**546**	**-213**
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.
26. Goodwill Impairment	n.a.	n.a.	n.a.	n.a.
27. Non-recurring Income	5	9	182	n.a.
28. Non-recurring Expense	13	7	n.a.	33
29. Change in Fair Value of Own Debt	n.a.	n.a.	-20	-102
30. Other Non-operating Income and Expenses	n.a.	n.a.	n.a.	n.a.
31. Pre-tax Profit	**869**	**652**	**708**	**-348**
32. Tax expense	41	-27	158	-98
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	-1,070
34. Net Income	**828**	**679**	**550**	**-1,320**
35. Change in Value of AFS Investments	-94	-27	-94	489
36. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.
37. Currency Translation Differences	0	2	0	102
38. Remaining OCI Gains/(losses)	-105	141	-69	-243
39. Fitch Comprehensive Income	**629**	**795**	**387**	**-972**
40. Memo: Profit Allocation to Non-controlling Interests	6	2	5	n.a.
41. Memo: Net Income after Allocation to Non-controlling Interests	822	677	545	-1,320
42. Memo: Common Dividends Relating to the Period	175	50	n.a.	n.a.
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted	n.a.	n.a.	n.a.	n.a.
Exchange rate	USD1 = EUR0.8	USD1 = EUR0.8	USD1 = EUR0.9	USD1 = EUR0.8

Bayerische Landesbank
Balance Sheet

	31 Dec 2018 Year End EURm	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2014 Year End EURm
Assets				
A. Loans				
1. Residential Mortgage Loans	n.a.	n.a.	n.a.	n.a.
2. Other Mortgage Loans	n.a.	n.a.	n.a.	n.a.
3. Other Consumer/ Retail Loans	n.a.	n.a.	n.a.	n.a.
4. Corporate & Commercial Loans	n.a.	n.a.	n.a.	n.a.
5. Other Loans	138,872	134,686	134,760	134,017
6. Less: Loan Loss Allowances	1,034	1,178	1,295	2,510
7. Net Loans	**137,838**	**133,508**	**133,465**	**131,507**
8. Gross Loans	**138,872**	**134,686**	**134,760**	**134,017**
9. Memo: Impaired Loans included above	1,497	3,994	4,109	6,588
10. Memo: Specific Loan Loss Allowances	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets				
1. Loans and Advances to Banks	36,601	37,776	28,783	36,562
2. Reverse Repos and Securities Borrowing	n.a.	n.a.	n.a.	n.a.
3. Derivatives	8,779	9,980	14,491	24,056
4. Trading Securities and at FV through Income	4,475	3,357	4,349	4,731
5. Securities at FV through OCI / Available for Sale	n.a.	22,712	26,111	22,738
6. Securities at Amortised Cost / Held to Maturity	n.a.	n.a.	n.a.	n.a.
7. Other Securities	25,301	72	171	9,390
8. Total Securities	**29,776**	**26,141**	**30,631**	**36,859**
9. Memo: Government Securities included Above	n.a.	n.a.	n.a.	n.a.
10. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.
11. Equity Investments in Associates	165	491	427	353
12. Investments in Property	29	31	32	37
13. Insurance Assets	n.a.	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	n.a.	n.a.	n.a.
15. Total Earning Assets	**213,188**	**207,927**	**207,829**	**229,374**
C. Non-Earning Assets				
1. Cash and Due From Banks	3,335	3,556	2,096	1,041
2. Memo: Mandatory Reserves included above	n.a.	n.a.	n.a.	n.a.
3. Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	342	340	347	360
5. Goodwill	n.a.	n.a.	n.a.	n.a.
6. Other Intangibles	85	86	86	114
7. Current Tax Assets	16	10	44	74
8. Deferred Tax Assets	696	544	358	314
9. Discontinued Operations	n.a.	0	25	80
10. Other Assets	2,565	2,058	1,365	767
11. Total Assets	**220,227**	**214,521**	**212,150**	**232,124**
Liabilities and Equity				
D. Interest-Bearing Liabilities				
1. Total Customer Deposits	82,406	79,965	74,557	81,635
2. Deposits from Banks	52,631	52,737	52,499	64,138
3. Repos and Securities Lending	n.a.	n.a.	n.a.	n.a.
4. Commercial Paper and Short-term Borrowings	13,491	12,355	8,944	16,929
5. Customer Deposits and Short-term Funding	**148,528**	**145,057**	**136,000**	**162,702**
6. Senior Unsecured Debt	15,269	14,202	14,053	27,471
7. Subordinated Borrowing	1,449	1,446	2,600	4,275
8. Covered Bonds	29,303	29,046	30,632	n.a.
9. Other Long-term Funding	n.a.	n.a.	n.a.	n.a.
10. Total LT Funding	**46,021**	**44,694**	**47,285**	**31,746**
11. Memo: o/w matures in less than 1 year	n.a.	n.a.	n.a.	n.a.
12. Trading Liabilities	1,421	746	632	518
13. Total Funding	**195,970**	**190,497**	**183,917**	**194,966**
14. Derivatives	7,569	7,776	11,466	19,828
15. Total Funding and Derivatives	**203,539**	**198,273**	**195,383**	**214,794**
E. Non-Interest Bearing Liabilities				
1. Fair Value Portion of Debt	-92	-71	-61	-115
2. Credit impairment reserves	n.a.	n.a.	n.a.	n.a.
3. Reserves for Pensions and Other	4,251	4,233	4,421	4,360
4. Current Tax Liabilities	275	252	198	175
5. Deferred Tax Liabilities	n.a.	0	0	28
6. Other Deferred Liabilities	n.a.	n.a.	28	26
7. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
8. Insurance Liabilities	n.a.	n.a.	n.a.	n.a.
9. Other Liabilities	523	561	644	621
10. Total Liabilities	**208,496**	**203,248**	**200,613**	**219,889**
F. Hybrid Capital				
1. Pref. Shares and Hybrid Capital accounted for as Debt	476	457	481	446
2. Pref. Shares and Hybrid Capital accounted for as Equity	21	45	1,069	2,256
G. Equity				
1. Common Equity	11,210	10,468	9,658	9,073
2. Non-controlling Interest	18	13	15	n.a.
3. Securities Revaluation Reserves	4	288	315	452
4. Foreign Exchange Revaluation Reserves	2	2	-1	8
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	n.a.	n.a.
6. Total Equity	**11,234**	**10,771**	**9,987**	**9,533**
7. Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as E	11,255	10,816	11,056	11,789
8. Total Liabilities and Equity	**220,227**	**214,521**	**212,150**	**232,124**
9. Memo: Fitch Core Capital	10,550	10,187	9,486	9,145

Bayerische Landesbank
Summary Analytics

	31 Dec 2018 Year End	31 Dec 2017 Year End	31 Dec 2016 Year End	31 Dec 2014 Year End
A. Interest Ratios				
1. Interest Income/ Average Earning Assets	2.8	3.0	3.0	3.0
2. Interest Income on Loans/ Average Gross Loans	2.5	2.7	2.8	3.5
3. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.
4. Interest Expense/ Average Interest-bearing Liabilities	2.1	2.3	2.5	2.5
5. Net Interest Income/ Average Earning Assets	0.8	0.8	0.7	0.7
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.9	0.7	0.7	0.1
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	0.8	0.8	0.7	0.7
B. Other Operating Profitability Ratios				
1. Operating Profit/ Risk Weighted Assets	1.3	1.1	0.8	-0.3
2. Non-Interest Expense/ Gross Revenues	66.3	64.6	68.4	47.8
3. Loans and securities impairment charges/ Pre-impairment Op. Profit	-18.2	12.6	13.7	116.6
4. Operating Profit/ Average Total Assets	0.4	0.3	0.3	-0.1
5. Non-Interest Income/ Gross Revenues	21.8	21.0	26.3	32.1
6. Non-Interest Expense/ Average Total Assets	0.7	0.6	0.6	0.5
7. Pre-impairment Op. Profit/ Average Equity	6.8	7.0	6.4	11.0
8. Pre-impairment Op. Profit/ Average Total Assets	0.3	0.3	0.3	0.5
9. Operating Profit/ Average Equity	8.0	6.1	5.5	-1.8
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	7.6	6.4	5.5	-11.3
2. Net Income/ Average Total Assets	0.4	0.3	0.3	-0.5
3. Fitch Comprehensive Income/ Average Total Equity	5.8	7.5	3.9	-8.3
4. Fitch Comprehensive Income/ Average Total Assets	0.3	0.4	0.2	-0.4
5. Taxes/ Pre-tax Profit	4.7	-4.1	22.3	28.2
6. Net Income/ Risk Weighted Assets	1.3	1.1	0.8	-1.7
D. Capitalization				
1. FCC/ FCC-Adjusted Risk Weighted Assets	16.1	16.6	14.6	11.9
2. Tangible Common Equity/ Tangible Assets	4.9	4.8	4.5	4.0
3. Equity/ Total Assets	5.1	5.0	4.7	4.1
4. Basel Leverage Ratio	4.1	4.0	4.2	n.a.
5. Common Equity Tier 1 Capital Ratio	15.2	15.3	14.7	12.5
6. Fully Loaded Common Equity Tier 1 Capital Ratio	n.a.	15.3	13.2	n.a.
7. Tier 1 Capital Ratio	15.2	15.3	13.3	12.5
8. Total Capital Ratio	17.5	17.5	17.0	14.9
9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital	4.4	27.6	29.7	44.6
10. Impaired Loans less Loan Loss Allowances/ Equity	4.1	26.1	28.2	42.8
11. Cash Dividends Paid & Declared/ Net Income	21.1	7.4	n.a.	n.a.
12. Risk Weighted Assets/ Total Assets	29.8	28.6	30.7	33.0
13. Risk Weighted Assets - Standardised/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
14. Risk Weighted Assets - Advanced Method/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
E. Loan Quality				
1. Impaired Loans/ Gross Loans	1.1	3.0	3.1	4.9
2. Growth of Gross Loans	3.1	-0.1	-0.8	-2.9
3. Loan Loss Allowances/ Impaired Loans	69.1	29.5	31.5	38.1
4. Loan Impairment Charges/ Average Gross Loans	-0.1	0.1	0.1	1.1
5. Growth of Total Assets	2.7	1.1	-1.7	-9.1
6. Loan Loss Allowances/ Gross Loans	0.7	0.9	1.0	1.9
7. Net Charge-offs/ Average Gross Loans	0.0	0.1	1.1	0.3
8. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	1.1	3.0	3.1	4.9
F. Funding and Liquidity				
1. Loans/ Customer Deposits	168.5	168.4	180.8	164.2
2. Liquidity Coverage Ratio	143.0	159.0	136.0	n.a.
3. Customer Deposits/ Total Funding (including Pref. Shares & Hybrids)	41.9	41.9	40.2	41.3
4. Interbank Assets/ Interbank Liabilities	69.5	71.6	54.8	57.0
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	3.1	7.3	1.8	-5.3

Bayerische Landesbank
Reference Data

	31 Dec 2018 Year End EURm	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2014 Year End EURm
A. Off-Balance Sheet Items				
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	n.a.	n.a.
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	n.a.	n.a.
3. Guarantees	11,202.0	10,753.0	10,671.0	11,477.0
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	n.a.	n.a.
5. Committed Credit Lines	26,324.0	25,510.0	24,085.0	24,053.0
6. Other Contingent Liabilities	3.0	6.0	n.a.	n.a.
7. Other Off-Balance Sheet items	201.0	134.0	35.0	290.0
8. Total Assets under Management	n.a.	n.a.	n.a.	n.a.
B. Average Balance Sheet				
1. Average Loans	137,748.0	135,620.0	136,230.0	135,043.0
2. Average Earning Assets	216,478.0	214,793.0	215,151.0	241,892.0
3. Average Total Assets	222,007.0	218,824.0	220,227.0	248,346.0
4. Average Managed Securitized Assets (OBS)	n.a.	0.0	n.a.	n.a.
5. Average Interest-Bearing Liabilities	207,792.0	204,690.0	203,221.0	227,146.0
6. Average Common equity	10,854.0	10,414.0	9,648.0	11,606.0
7. Average Equity	10,930.0	10,601.0	9,969.0	11,684.0
8. Average Customer Deposits	86,977.0	87,744.0	83,628.0	85,698.0
C. Maturities				
Asset Maturities:				
Loans & Advances < 3 months	13,199.0	13,225.0	11,871.0	15,021.0
Loans & Advances 3 - 12 Months	10,824.0	10,191.0	11,884.0	10,852.0
Loans and Advances 1 - 5 Years	46,299.0	42,968.0	41,787.0	37,525.0
Loans & Advances > 5 years	68,550.0	68,302.0	69,218.0	70,619.0
Debt Securities < 3 Months	n.a.	n.a.	n.a.	n.a.
Debt Securities 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Debt Securities 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Debt Securities > 5 Years	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks < 3 Months	17,513.0	20,381.0	11,174.0	15,468.0
Loans & Advances to Banks 3 - 12 Months	3,998.0	3,634.0	4,156.0	6,362.0
Loans & Advances to Banks 1 - 5 Years	6,591.0	5,542.0	6,079.0	7,271.0
Loans & Advances to Banks > 5 Years	8,499.0	8,219.0	7,374.0	7,461.0
Liability Maturities:				
Retail Deposits < 3 months	66,367.0	64,650.0	59,550.0	51,679.0
Retail Deposits 3 - 12 Months	5,935.0	4,761.0	3,646.0	5,587.0
Retail Deposits 1 - 5 Years	6,773.0	7,821.0	7,820.0	8,426.0
Retail Deposits > 5 Years	14,404.0	14,713.0	15,779.0	15,943.0
Other Deposits < 3 Months	n.a.	n.a.	n.a.	n.a.
Other Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Other Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Other Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.
Deposits from Banks < 3 Months	12,938.0	11,908.0	10,964.0	14,834.0
Deposits from Banks 3 - 12 Months	4,616.0	5,126.0	5,291.0	8,518.0
Deposits from Banks 1 - 5 Years	13,731.0	14,058.0	15,074.0	18,024.0
Deposits from Banks > 5 Years	22,775.0	23,350.0	22,882.0	22,762.0
Senior Debt Maturing < 3 months	10,374.0	8,604.0	4,374.0	3,712.0
Senior Debt Maturing 3-12 Months	3,117.0	3,751.0	4,570.0	13,217.0
Senior Debt Maturing 1- 5 Years	16,043.0	14,640.0	14,831.0	15,016.0
Senior Debt Maturing > 5 Years	16,027.0	14,923.0	15,843.0	12,455.0
Total Senior Debt on Balance Sheet	**45,561.0**	**41,918.0**	**39,618.0**	**44,400.0**
Fair Value Portion of Senior Debt	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	n.a.	n.a.
Total Subordinated Debt on Balance Sheet	**1,449.0**	**1,446.0**	**2,600.0**	**4,275.0**
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.
D. Risk Weighted Assets				
1. Risk Weighted Assets	65,594.0	61,420.0	65,206.0	76,616.0
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Asse	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital Adjusted Risk Weighted Assets	**65,594.0**	**61,420.0**	**65,206.0**	**76,616.0**
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	**65,594.0**	**61,420.0**	**65,206.0**	**76,616.0**
E. Fitch Core Capital Reconciliation				
1. Total Equity as reported (including non-controlling interests)	11,234.0	10,771.0	9,987.0	9,533.0
2. Fair-value adjustments relating to own credit risk on debt issued	(92.0)	(71.0)	(61.0)	0.0
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.0	0.0
4. Goodwill	0.0	0.0	0.0	0.0
5. Other intangibles	85.0	86.0	86.0	114.0
6. Deferred tax assets deduction	507.0	427.0	354.0	274.0
7. Net asset value of insurance subsidiaries	0.0	0.0	0.0	0.0
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.0	0.0
9. Fund for general banking risks if not already included and readily convertible into equi	0.0	0.0	0.0	0.0
10. Fitch Core Capital	**10,550.0**	**10,187.0**	**9,486.0**	**9,145.0**

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.