

# **BayernLB Holding AG (Bayerische Landesbank)**

## **Public Section of 2016 §165(d) Tailored Resolution Plan**

## Public Section

### a. Introduction

To promote financial stability, Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and its implementing rules (collectively, the “Rule”) <sup>1</sup> require, among other things, any company covered by section 165(d) to periodically submit to the Board of Governors of the Federal Reserve System (the “Federal Reserve” or the “Board”) a plan for such company’s rapid and orderly resolution in the event of material financial distress or failure. Included in Covered Companies are foreign-based covered companies, which are defined in the Rule as “any covered company that is not incorporated or organized under the laws of the United States.”

BayernLB Holding AG (“BayernLB” or the “Bank”) wholly owns Bayerische Landesbank, which itself has more than \$50 billion in consolidated global assets, and operates a New York Branch (the “Branch”). Therefore, and as more fully explained below, BayernLB is considered a “Covered Company” under the Rule and must file this Resolution Plan with the Federal Reserve.

Under the requirements of the Rule, Covered Companies are required to assess their U.S. banking operations for the presence of Material Entities,<sup>2</sup> Critical Operations,<sup>3</sup> and Core Business Lines.<sup>4</sup> BayernLB determined that its U.S. operations have no Material Entities, Critical Operations, or Core Business Lines as defined in the Rule.

### b. Background

BayernLB is a large commercial bank that is majority-owned by the Free State of Bavaria (Freistaat Bayern). The Bank is headquartered in Munich, Germany and maintains branches, subsidiaries and representative offices in key international financial centers and economic regions. It is one of the leading commercial banks for large and mid-market commercial

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<sup>1</sup> The implementing rules were jointly issued by the Federal Reserve System (the “Board”), codified at 12 C.F.R. Part 243, and the Federal Deposit Insurance Corporation (the “FDIC”), codified at 12 C.F.R. Part 381 (together, the “Agencies”), on November 1, 2011.

<sup>2</sup> 12 CFR 243.2(l) *Material entity* means a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line (as defined in this part).

<sup>3</sup> 12 CFR 243.2(g) *Critical operations* means those operations of the covered company, including associated services, functions and support, the failure or discontinuance of which, in the view of the covered company or as jointly directed by the Board and the Corporation, would pose a threat to the financial stability of the United States.

<sup>4</sup> 12 CFR 243.2(d). *Core business lines* means those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value.

customers in Germany. The Bank serves retail customers in Germany mostly through its subsidiary Deutsche Kreditbank (“DKB”).

The Bank’s minority owner is the Association of Bavarian Savings Banks (Sparkassenverband Bayern).<sup>5</sup> Because of this relationship, the Bank works in close cooperation with the Bavarian savings banks, offering them a wide range of products while also acting as central bank within the Association.

In the United States, BayernLB operates a federally-licensed Branch. The Branch is primarily regulated by the Office of the Comptroller of the Currency (“OCC”). Because it has the Branch, BayernLB is subject to Federal Reserve supervision as a Foreign Banking Organization under the Bank Holding Company Act of 1956, as amended. Because BayernLB’s total consolidated global assets exceed \$50 billion, it is a Covered Company under the Rule and must submit a resolution plan that covers its U.S. operations.

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<sup>5</sup> As of December 31, 2015, the Sparkassenverband Bayern owns one share less than 25% of BayernLB Holding AG.

### c. Consolidated Financial Information

The following is BayernLB's global balance sheet as of the end of its 2015 fiscal year.

| <b>Balance sheet – Bayerische Landesbank</b>          |            |            |            |                   |                   |
|---|------------|------------|------------|-------------------|-------------------|
| as at 31 December 2015                                |            |            |            |                   |                   |
|   |            |            |            | <b>2015</b>       | <b>2014</b>       |
| <b>Assets</b>   | EUR '000   | EUR '000   | EUR '000   | EUR '000          | EUR '000          |
| <b>Cash reserves</b>                                  |            |            |            |                   |                   |
| a) Cash   |            |            | 41,578     |                   | 20,247            |
| b) Deposits with central banks                        |            |            | 1,484,905  |                   | 361,421           |
| of which:   |            |            |            |                   |                   |
| at Deutsche Bundesbank                                | 225,141    |            |            |                   | 141,567           |
|   |            |            |            | <b>1,526,483</b>  | <b>381,668</b>    |
| <b>Due from banks</b>                                 |            |            |            |                   |                   |
| a) Payable on demand                                  |            |            | 1,239,076  |                   | 949,898           |
| b) Other receivables                                  |            |            | 27,449,587 |                   | 37,556,701        |
| of which:   |            |            |            |                   |                   |
| • mortgage loans                                      | 15,572     |            |            |                   | 29,717            |
| • municipal loans                                     | 239,282    |            |            |                   | 2,453,899         |
|   |            |            |            | <b>28,688,663</b> | <b>38,506,599</b> |
| <b>Due from customers</b>                             |            |            |            | <b>71,117,365</b> | <b>70,923,190</b> |
| of which:   |            |            |            |                   |                   |
| • mortgage loans                                      | 14,174,937 |            |            |                   | 15,195,605        |
| • municipal loans                                     | 29,209,985 |            |            |                   | 31,090,685        |
| <b>Bonds and other fixed-income securities</b>        |            |            |            |                   |                   |
| a) Money market instruments                           |            |            |            |                   |                   |
| aa) issued by public-sector borrowers                 |            | —          |            |                   | —                 |
| of which:   |            |            |            |                   |                   |
| eligible as collateral at Deutsche Bundesbank         | —          |            |            |                   | —                 |
| ab) issued by other borrowers                         |            | 158,265    |            |                   | 449,252           |
| of which:   |            |            |            |                   |                   |
| eligible as collateral at Deutsche Bundesbank         | —          |            | 158,265    |                   | —                 |
|   |            |            |            |                   | 449,252           |
| b) Bonds and notes                                    |            |            |            |                   |                   |
| ba) issued by public-sector borrowers                 |            | 11,326,795 |            |                   | 9,739,807         |
| of which:   |            |            |            |                   |                   |
| eligible as collateral at Deutsche Bundesbank         | 6,680,059  |            |            |                   | 6,125,081         |
| bb) issued by other borrowers                         |            | 11,531,257 |            |                   | 17,405,474        |
| of which:   |            |            |            |                   |                   |
| eligible as collateral at Deutsche Bundesbank         | 10,394,804 |            |            |                   | 16,483,881        |
|   |            |            | 22,858,052 |                   | 27,145,281        |
| c) Own debt securities                                |            |            | 1,616,268  |                   | 5,529,684         |
| Nominal value   | 1,607,192  |            |            |                   | 5,520,392         |
|   |            |            |            | <b>24,632,585</b> | <b>33,124,217</b> |
| <b>Equities and other non-fixed income securities</b> |            |            |            | <b>118,439</b>    | <b>80,199</b>     |
| <b>Trading portfolio</b>                              |            |            |            | <b>11,671,936</b> | <b>25,503,244</b> |
| Carried forward                                       |            |            |            | 137,755,471       | 168,519,117       |

| Liabilities  |           |            |            | 2015               | 2014               |
|--|-----------|------------|------------|--------------------|--------------------|
|  | EUR '000  | EUR '000   | EUR '000   | EUR '000           | EUR '000           |
| <b>Due to banks</b>  |           |            |            |                    |                    |
| a) Payable on demand                                       |           |            | 5,756,387  |                    | 5,013,097          |
| b) With agreed maturity or period of notice                |           |            | 43,757,554 |                    | 50,684,040         |
| of which:  |           |            |            |                    |                    |
| • registered mortgage Pfandbriefs                          | 337,225   |            |            |                    | 402,609            |
| • registered public Pfandbriefs                            | 991,685   |            |            |                    | 1,362,844          |
| • issued to the lender to secure loans raised:             |           |            |            |                    |                    |
| • registered mortgage Pfandbriefs                          | —         |            |            |                    | —                  |
| • registered public Pfandbriefs                            | —         |            |            |                    | —                  |
|  |           |            |            | <b>49,513,941</b>  | <b>55,697,137</b>  |
| <b>Due to customers</b>                                    |           |            |            |                    |                    |
| a) Savings deposits  |           |            |            |                    |                    |
| aa) with agreed period of notice of three months           |           | —          |            |                    | —                  |
| ab) with agreed period of notice of more than three months |           | —          |            |                    | —                  |
| b) Other liabilities                                       |           |            |            |                    |                    |
| ba) payable on demand                                      |           | 7,346,397  |            |                    | 6,767,747          |
| bb) with agreed maturity or period of notice               |           | 28,601,220 |            |                    | 25,392,603         |
| of which:  |           |            |            |                    |                    |
| • registered mortgage Pfandbriefs                          | 1,326,465 |            |            |                    | 1,487,341          |
| • registered public Pfandbriefs                            | 5,999,949 |            |            |                    | 6,112,250          |
| • issued to the lender to secure loans raised:             |           |            |            |                    |                    |
| • registered mortgage Pfandbriefs                          | —         |            |            |                    | —                  |
| • registered public Pfandbriefs                            | —         |            |            |                    | —                  |
|  |           |            | 35,947,617 | <b>35,947,617</b>  | <b>32,160,350</b>  |
|  |           |            |            |                    | <b>32,160,350</b>  |
| <b>Securitized liabilities</b>                             |           |            |            |                    |                    |
| a) Bonds issued  |           |            |            |                    |                    |
| aa) mortgage Pfandbriefs                                   |           | 3,675,656  |            |                    | 3,404,755          |
| ab) public Pfandbriefs                                     |           | 9,555,873  |            |                    | 11,131,568         |
| ac) other bonds  |           | 16,757,742 |            |                    | 31,221,640         |
|  |           |            | 29,989,271 |                    | 45,757,963         |
| b) Other securitized liabilities                           |           |            | 1,801,031  |                    | 166,979            |
| of which:  |           |            |            |                    |                    |
| • money market instruments                                 | 1,801,031 |            |            |                    | 166,979            |
| • own acceptances and promissory notes outstanding         | —         |            |            |                    | —                  |
|  |           |            |            | <b>31,790,302</b>  | <b>45,924,942</b>  |
| <b>Trading portfolio</b>                                   |           |            |            | <b>5,217,385</b>   | <b>19,561,978</b>  |
| <b>Liabilities held in trust</b>                           |           |            |            | <b>5,032,498</b>   | <b>5,140,705</b>   |
| of which:  |           |            |            |                    |                    |
| loans on a trust basis                                     | 5,031,905 |            |            |                    | 5,140,051          |
| <b>Other liabilities</b>                                   |           |            |            | <b>1,020,117</b>   | <b>1,025,300</b>   |
| Carried forward  |           |            |            | <b>128,521,860</b> | <b>159,510,492</b> |

#### **d. U.S. Derivative and Hedging Activities**

BayernLB New York Branch engages in derivative activities primarily to hedge interest rate risk associated with its banking book. It transacts a de minimis amount of interest rate swaps with existing loan customers.

#### **e. List of Memberships in Material Payment, Clearing, and Settlement Systems**

The Branch is not a member of any material payment, clearing or settlement system.

#### **f. Description of Foreign Operations of the U.S. Branch**

None.

#### **g. Material Supervisory Authorities**

The European Central Bank is BayernLB's primary supervisor.

The OCC supervises BayernLB New York Branch. Additionally, BayernLB is supervised as a Foreign Banking Organization by the Board of Governors of the Federal Reserve System.

#### **h. Identities of Principal Officers**

The following table sets forth the members of BayernLB's Board of Management, as of December 31, 2015:

| <b>Name</b>               | <b>Role/Title</b>                 |
|---------------------------|-----------------------------------|
| Dr. Johannes-Jorg Riegler | CEO                               |
| Dr Edgar Zoller           | Deputy CEO                        |
| Marcus Kramer             | Member of the Board of Management |
| Dr. Markus Wiegelmann     | Member of the Board of Management |
| Michael Bucker            | Member of the Board of Management |
| Ralf Woitschig            | Member of the Board of Management |

#### **i. Corporate Governance Structure and Processes Related to Resolution Planning**

Authority and responsibility for developing and maintaining the Resolution Plan rests with the Board of Management. The Board delegated the US resolution planning responsibility to the General Manager of the Branch. On the basis of that delegated authority, the General Manager of the Branch formed a Steering Committee, comprising senior executives within the Branch and Head Office. The Steering Committee is responsible for overseeing resolution planning to meet regulatory requirements. One member of the Steering Committee (the NY Branch Regulatory Counsel and Head of Compliance) works with representatives from key operating functions and lines of business in the Branch to maintain the plan on an ongoing basis.

The Board of Management reviewed and approved the initial filing of the Resolution Plan. Acting on the authority delegated by the Board, the General Manager and the Steering Committee reviewed and approved this updated filing for 2016.

#### **j. Description of Material Management Information Systems**

BayernLB's management information systems ("MIS") are applications that aggregate, analyze, and report financial data necessary for prudent decision making and risk management. The applications consist of third-party and in-house platform technologies and user interfaces that staff use to generate reports on both a periodic and ad-hoc basis. The key MIS at BayernLB generate numerous reports used in the normal course of business to monitor the financial health, risks, and operations of BayernLB.

The ability of BayernLB's MIS to aggregate and analyze data locally and globally is robust. BayernLB maintains detailed business continuity plans with respect to all technology platforms, including its MIS.

#### **k. High level Description of the Resolution Strategy for the Covered Company**

The resolution strategy for the Covered Company is a liquidation of the Branch. The Branch would be resolved by the OCC through a receivership pursuant to the governing provisions of the International Banking Act of 1978 and the National Banking Act. The receivership will liquidate BayernLB's U.S. assets to satisfy the claims of the Branch creditors to the fullest extent possible. Pursuant to this strategy, the plan outlines the asset sales that could occur during the resolution process. These plans include assessments as to the marketability and liquidity of the various classes of the Branch assets.