

BayernLB Holding AG (Bayerische Landesbank)

Public Section of 2013 §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”) ¹ 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,² Critical Operations,³ and Core Business Lines.⁴ 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

¹ 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.

² 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).

³ 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.

⁴ 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).⁵ 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 the 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.

c. Consolidated Financial Information

The following is BayernLB’s global balance sheet as of the end of its 2012 fiscal year.

⁵ As of December 31, 2012, the Sparkassenverband Bayern owned 6% of BayernLB Holding AG. Its ownership increased to ~25% during 2013.

Assets

	Notes	31 Dec 2012 EUR million	31 Dec 2011 EUR million	1 Jan 2011 EUR million
Cash reserves	(7, 40)	2,583	2,645	2,609
Loans and advances to banks	(8, 41)	44,446	49,555	61,688
Loans and advances to customers	(8, 42)	150,612	157,589	155,414
Risk provisions	(9, 43)	-2,830	-2,922	-2,979
Portfolio hedge adjustment assets	(10)	2,334	1,393	798
Assets held for trading	(11, 44)	42,094	48,607	40,924
Positive fair values from derivative financial instruments (hedge accounting)	(12, 45)	4,162	4,548	4,062
Financial investments	(13, 46)	38,606	41,926	47,247
Interests in companies measured at equity	(14, 47)	111	110	162
Investment property	(15, 48)	69	2,061	2,773
Property, plant and equipment	(15, 49)	629	611	693
Intangible assets	(16, 50)	186	147	208
Current tax assets	(27, 51)	67	72	78
Deferred tax assets	(27, 51)	417	818	1,711
Non-current assets or disposal groups held for sale	(17, 52)	2,460	1,255	163
Other assets	(18, 53)	877	756	865
Total assets		286,823	309,172	316,415

Rounding differences may occur in the tables.

Liabilities

	Notes	31 Dec 2012 EUR million	31 Dec 2011 EUR million	1 Jan 2011 EUR million
Liabilities to banks	(19, 54)	70,521	75,715	83,171
Liabilities to customers	(19, 55)	90,819	92,682	91,734
Securitised liabilities	(19, 56)	60,319	74,075	79,468
Liabilities held for trading	(20, 57)	34,747	35,717	30,918
Negative fair values from derivative financial instruments (hedge accounting)	(21, 58)	3,864	3,306	2,498
Provisions	(22, 59)	2,880	4,064	4,002
Current tax liabilities	(27, 60)	274	373	197
Deferred tax liabilities	(27, 60)	90	778	1,655
Liabilities of disposal groups	(23, 61)	1,250	536	73
Other liabilities	(24, 62)	545	724	1,002
Subordinated capital	(63)	6,346	6,964	7,727
Equity	(64)	15,168	14,238	13,970
• Equity excluding non-controlling interests		15,066	14,116	13,743
– Subscribed capital		6,556	6,150	6,241
– Specific-purpose capital		612	612	612
– Compound instruments (equity component)	(25)	182	334	346
– Capital surplus		4,036	4,473	4,688
– Retained earnings		3,775	3,333	2,931
– Revaluation surplus		–34	–714	–1,007
– Foreign currency translation reserve		–61	–72	–68
– Net retained profit/net accumulated loss		–	–	–
• Non-controlling interests		102	122	227
Total liabilities		286,823	309,172	316,415

Rounding differences may occur in the tables.

d. U.S. Derivative and Hedging Activities

The Branch engages in derivative activities primarily to hedge interest rate risk associated with its banking book.

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

As of December 31, 2012, the Branch managed the Bank's Cayman Branch.

g. Material Supervisory Authorities

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

In Germany, the Bank is supervised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), and the Bundesbank.

h. Identities of Principal Officers

The following table sets forth the members of BayernLB's Board of Management, as of December 31, 2012:

Name	Role/Title
Gerd Haeusler	CEO
Dr Edgar Zoller	Deputy CEO
Marcus Kramer	Member of the Board of Management
Stephan Winkelmeier	Member of the Board of Management
Michael Bücker	Member of the Board of Management
Nils Niermann*	Member of the Board of Management

(*Mr. Niermann left the Bank in October 2013.)

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. The Steering Committee works with representatives from key operating functions and lines of business in the Branch. A Project Management Office supported the Steering Committee as it drafted the initial plan, and it may provide ad-hoc advice and support for the ongoing maintenance of the plan.

The Board of Management reviewed and approved the Resolution Plan.

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.