

- BayernLB was subject to the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank and Deutsche Bundesbank and Bundesanstalt für Finanzdienstleistungsaufsicht.
- BayernLB acknowledges the outcomes of the EU-wide stress tests.
- This stress test complements the risk management procedures and regular stress testing programmes set up in BayernLB under the Pillar 2 framework of the Basel II and CRD<sup>1</sup> requirements as well as the German Minimum Requirements on Risk Management (MaRisk).
- The exercise was conducted using the scenarios, methodology and key assumptions provided by CEBS (see the aggregate report published on the CEBS website<sup>2</sup>). As a result of the assumed shock under the adverse scenario, the estimated consolidated Tier 1 capital ratio would change to 9.1% in 2011 compared to 10.9% as of end of 2009. An additional sovereign risk scenario would have a further impact of 0.3 percentage point on the estimated Tier 1 capital ratio, bringing it to 8.8% at the end of 2011, compared with the CRD regulatory minimum of 4%.
- The results of the stress suggest a buffer of 3,7 bn EUR of the Tier 1 capital against the threshold of 6% of Tier 1 capital adequacy ratio for BayernLB agreed exclusively for the purposes of this exercise. This threshold should by no means be interpreted as a regulatory minimum (the regulatory minimum for the Tier 1 capital ratio is set to 4%), nor as a capital target reflecting the risk profile of the institution determined as a result of the supervisory review process in Pillar 2 of the CRD.
- Given that the stress test was carried out under a number of key common simplifying assumptions the information on benchmark scenarios is provided only for comparison purposes and should in no way be construed as a forecast.
- In the interpretation of the outcome of the exercise, it is imperative to differentiate between the results obtained under the different scenarios developed for the purposes of the EU-wide exercise. The results of the adverse scenario should not be considered as representative of the current situation or possible present capital needs. A stress testing exercise does not provide forecasts of expected outcomes since the adverse scenarios are designed as "what-if" scenarios including plausible but extreme assumptions, which are therefore not very likely to materialise. Different stresses may produce different outcomes depending on the circumstances of each institution.

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<sup>1</sup> Directive EC/2006/48 – Capital Requirements Directive (CRD)

<sup>2</sup> See: <http://www.c-eps.org/EU-wide-stress-testing.aspx>

- **Background**

The objective of the 2010 EU-wide stress test exercise conducted under the mandate from the EU Council of Ministers of Finance (ECOFIN) and coordinated by CEBS in cooperation with the ECB, national supervisory authorities and the EU Commission, is to assess the overall resilience of the EU banking sector and the banks' ability to absorb further possible shocks on credit and market risks, including sovereign risks.

The exercise has been conducted on a bank-by-bank basis for a sample of 91 EU banks from 20 EU Member States, covering at least 50% of the banking sector, in terms of total consolidated assets, in each of the 27 EU Member States, using commonly agreed macro-economic scenarios (benchmark and adverse) for 2010 and 2011, developed in close cooperation with the ECB and the European Commission.

More information on the scenarios, methodology, aggregate and detailed individual results is available from CEBS<sup>3</sup>. Information can also be obtained from the website of Deutsche Bundesbank or Bundesanstalt für Finanzdienstleistungsaufsicht.

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<sup>3</sup> See: <http://www.c-ebs.org/EU-wide-stress-testing.aspx>