

Banks Ratings Navigator		
Navigator date:	April 2019	
Last rating action:	11 Apr 2019	
Sector Details:		
Bank sector:	Wholesale Commercial	
Region:	DM Europe	
Country:	Germany	
Country IDR:	AAA Stable	
Last action:	25 Jan 19 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
11 Apr 19	bbb+	Affirmed
20 Apr 18	bbb+	Upgrade
04 May 17	bbb	Affirmed
Issuer Default Rating (IDR)		
11 Apr 19	A- Stable	Affirmed
20 Apr 18	A- Stable	Affirmed
04 May 17	A- Stable	Affirmed
Support Rating Floor (SRF)		
19 May 15	WD	Withdrawn
19 May 15	NF	SRF Rev
12 Jun 14	A+	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
	Higher Influence	
	Moderate Influence	
	Lower Influence	
Bar Arrows = Rating Factor Outlook		
	Positive	
	Negative	
	Evolving	
	Stable	
Peer Ratings bars = Count of banks		
18	DM Europe Wholesale Commercial	
5	Germany Wholesale Commercial	
Relevant Criteria & References		
Bank Rating Criteria (Oct 2018)		
Macro-Prudential Risk Monitor (Apr 2019)		
Analysts		
Roger Schneider (+49 69 768076 242)		
Patrick Rioual (+49 69 768076 123)		

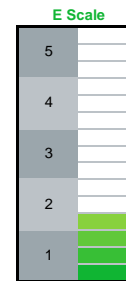
	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Institutional Support	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+
a										a	A	A
a-										a-	A-	A- Stable
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc+										ccc+	CCC+	CCC+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD
Institutional Support					Value	Drivers & Sensitivities						
Parent IDR					A+	Owners' Support Drives Ratings	BayernLB's IDRs, SR, senior unsecured and senior non-preferred debt ratings are driven by Fitch Ratings' view of strong likelihood of support from the bank's owners, Bavaria, Bavaria's savings banks and Germany's savings banks group, Sparkassen-Finanzgruppe (SFG, A+/Stable).					
Total Adjustments (notches)					-2	Solid Capitalisation	BayernLB reported a common equity Tier 1 ratio of 15.2% at end-2018 (end-2017: 15.3%), which provides a comfortable buffer over its individual regulatory requirements, accommodates for further growth and provides a cushion for a regulatory upward drift under revised Basel rules.					
Institutional Support:					A-	Uncertainties On Strategy	The VR reflects some uncertainties over the bank's future strategy and risk appetite as its newly appointed chief executive will join BayernLB in the summer.					
Support Factors (negative)					Equalised	1 Notch	2+ Notches	Improved Asset Quality				
Parent ability to support and subsidiary ability to use support								An improvement in asset quality is driven by resolution of BayernLB's defaulted exposure to HETA Asset Resolution AG. It has also removed financial tail risks from a legal dispute. Similar to its peers, BayernLB's business model entails sector and single-name loan concentration.				
Parent/group regulation								Low Risk Costs Drive Profitability				
Relative size								BayernLB's profit before taxes was EUR869 million at end-2018, with higher net interest and fee income, but its costs remained high. However, we expect a normalisation because the bank benefited from a EUR135 million release of loan loss provisions and non-recurring revenue.				
Country risks								Balanced Funding Profile				
Parent Propensity to Support								BayernLB's funding is stable at low costs and benefits from diverse funding instruments. It benefits from access to the savings banks' strong liquidity and DKB's retail deposits. The structure of its liabilities allows for comfortable compliance with expected MREL requirements.				
Role in group								IDRs Sensitive to Support Assumptions				
Potential for disposal								The IDRs, SR, senior unsecured debt and senior non-preferred debt ratings are sensitive to changes in our assumptions around the propensity or ability of BayernLB's owners to provide timely support.				
Implication of subsidiary default								Cyclical VR Sensitivity				
Integration								Cyclical credit exposures make BayernLB's VR very dependent on Germany's economic environment. A deterioration could be aggravated by the bank's sector concentration. We expect its subsidiary DKB to fare better in such a scenario because of its higher granularity.				
Size of ownership stake												
Support track record												
Subsidiary performance and prospects												
Branding												
Legal commitments												
Cross-default clauses												

Credit-Relevant ESG Derivation

Bayerische Landesbank has 5 ESG potential rating drivers			Overall ESG Scale		
<ul style="list-style-type: none"> ➔ Bayerische Landesbank has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. ➔ Governance is minimally relevant to the rating and is not currently a driver. 	key driver	0	issues	5	
	driver	0	issues	4	
	potential driver	5	issues	3	
	not a rating driver	4	issues	2	
		5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

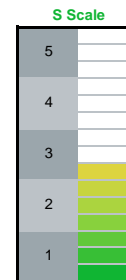
The Credit-Relevant ESG Derivation shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

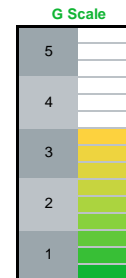
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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