

Press release

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BayernLB completes first STS-compliant synthetic securitisation with EUR 1bn reference portfolio

Munich – BayernLB has successfully placed its first-ever STS-compliant synthetic securitisation, with a EUR 1 billion reference portfolio comprising corporate loans. The transaction meets the regulatory criteria for STS (simple, transparent and standardised) securitisations. The capital structure consists of three tranches, whereby BayernLB retains the equity tranche (first loss) and the senior tranche. To transfer the entire mezzanine tranche exposure, credit-linked notes (CLNs) were issued and have been placed with two investors, Chorus Capital and M&G.

Kaikobad Kakalia, Chief Investment Officer of Chorus Capital, commented on the transaction as follows: “Chorus Capital is pleased to have anchored BayernLB’s inaugural risk-sharing transaction. This investment, part of our risk-sharing strategy focused on the core corporate lending portfolios of leading European and North American banks, provides our investors with exposure to a portfolio of high-grade German corporate credits alongside a leading originator in this market. The successful execution during a period of market turbulence and geopolitical uncertainty is a reflection of the quality of BayernLB’s origination and capital markets capabilities. We look forward to broadening our relationship with BayernLB, as they grow their risk-sharing platform.” James King, head of ABS portfolio management at M&G, added: “We were very pleased to be involved in this transaction which gives us exposure to quality corporate risk in a region we are very focussed on.”

“We are very excited to see this innovative transaction wrapped up so successfully. It’s extremely important to us strategically as well. It not only serves as a

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hedge against an unexpected loss from the securitised reference portfolio, but it will let us free up around half a billion euros in risk-weighted assets for new transactions – and it’s a key risk-sharing instrument that’s being added to our risk and capital management toolbox”, said BayernLB Chief Risk Officer Marcus Kramer. “Down the road, we want to apply what we learn from this inaugural transaction to other asset classes as well”, Kramer added.

In a synthetic securitisation, the referenced loans are not sold. Instead, credit risk is transferred to investors via an embedded financial guarantee. The underlying contract between BayernLB and the borrowers within the Bank’s Corporates & Markets segment will remain unaffected and the borrowers are not disclosed.

To manage and keep track of the transaction, BayernLB is using *iconicSecurities*, a modern, efficient and process-optimised software package developed by the Finnish IT company *iconicchain*. The software was implemented simultaneously to the structuring of the securitisation with the help of SKS Group. András Vajda, CEO of *iconicchain*, noted about the project: “We managed to implement *iconicSecurities* with considerably less lead-time than usual together with BayernLB and SKS. This speaks a lot to the great collaboration and teamwork and we are honoured to have been the chosen technology provider for BayernLB’s inaugural securitisation transaction and future deals to come.”

BayernLB acted as originator in the transaction, assisted by Deutsche Bank, as arranger, and White & Case, as a legal advisor. Oliver Gehbauer, Director in ABS & Credit Structuring at Deutsche Bank commented: “We are delighted and very proud to have successfully supported BayernLB with its first synthetic securitisation. To execute this transaction so smoothly in today’s macro-economic environment, is no small feat and is only possible with intense cooperation between the originator, arranger and investors. Congratulations to BayernLB.” Dennis Heuer, capital markets partner at White & Case added: „We are being proud to

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have advised our client BayernLB on this pioneering securitisation with a very clear and lean structure. Throughout the whole transactional process the teamwork has been incredibly good, finally leading to this great and exceptional result.“

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