

20 DEC 2021

Fitch Affirms Bayerische Landesbank's Pfandbriefe at 'AAA'; Withdraws Ratings

Fitch Ratings - Frankfurt am Main - 20 Dec 2021: Fitch Ratings has affirmed Bayerische Landesbank's (BayernLB; A-/Stable/F1) public-sector Pfandbriefe and guaranteed public-sector Pfandbriefe at 'AAA' and subsequently withdrawn the ratings. The Outlook on the Pfandbriefe is Stable.

Fitch Ratings has chosen to withdraw the ratings of BayernLB's public-sector Pfandbriefe and guaranteed public-sector Pfandbriefe for commercial reasons and will no longer provide ratings or analytical coverage of them.

KEY RATING DRIVERS

Public-Sector Pfandbriefe

The 'AAA' rating of the public-sector Pfandbriefe is based on BayernLB's Long-Term Issuer Default Rating (IDR) of 'A-', the various uplifts above the IDR granted to the programme and over-collateralisation (OC) protection for Pfandbrief holders.

The public-sector Pfandbriefe are rated six notches above the bank's IDR. This is out of a maximum achievable uplift of nine notches, consisting of a resolution uplift of one notch, a payment continuity uplift (PCU) of six notches and a two-notch recovery uplift. The Stable Outlook reflects that on BayernLB's IDR and a three-notch buffer against an IDR downgrade.

As BayernLB's Short-Term IDR is 'F1', Fitch relies on the lowest reported OC over the last 12 months of 18.8%, which provides more protection than Fitch's 'AAA' break-even OC of 11.5%.

The ALM (assets and liabilities mismatches) loss (8.4%) and credit loss (3.2%) components of Fitch's 'AAA' break-even OC remain unchanged from a recent review of the public-sector Pfandbriefe programme on 11 November 2021.

Guaranteed Public-Sector Pfandbriefe

The rating of the guaranteed public-sector Pfandbriefe is based on the scope of the grandfathering (Gewährtraegerhaftung) provided by the state of Bavaria. The rating is also driven by Bavaria's credit quality, which in Fitch's view, is underpinned by the stability of the German solidarity system linking its creditworthiness to that of the Federal Republic of Germany (AAA/Stable/F1+). The guarantee applies to bonds issued before 18 July 2001.

The key rating drivers listed in the criteria, but not mentioned above, are not material to this rating

action.

RATING SENSITIVITIES

Rating Sensitivities are no longer relevant due to the withdrawal.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Public-Sector Pfandbriefe

BayernLB's public-sector Pfandbrief rating is credit-linked to Germany as a significant share of cover assets are made up of exposures to or guaranteed by the German sovereign.

The Pfandbriefe rating is driven by the credit risk of BayernLB as measured by its Long-Term IDR.

Guaranteed Public-Sector Pfandbriefe

The 'AAA' rating of BayernLB's guaranteed public-sector Pfandbriefe is credit-linked to Germany.

ESG Considerations

Public-Sector Pfandbriefe

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Bayerische Landesbank			
• senior secured, Public Sector LT Covered Bonds, Public	AAA ●	Affirmed	●

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Sector Pfandbriefe			
<ul style="list-style-type: none"> senior secured, Public Sector Covered LT Bonds, Public Sector Pfandbriefe 	WD	Withdrawn	◐
<ul style="list-style-type: none"> senior secured, Public Sector Covered LT Bonds, Guaranteed Public Sector Pfandbriefe 	AAA ◐	Affirmed	◐
<ul style="list-style-type: none"> senior secured, Public Sector Covered LT Bonds, Guaranteed Public Sector Pfandbriefe 	WD	Withdrawn	◐

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◇
NEGATIVE	⊖	◇
EVOLVING	◊	◆
STABLE	⊙	

Applicable Criteria

[Bank Rating Criteria \(pub.12 Nov 2021\) \(including rating assumption sensitivity\)](#)

[CLOs and Corporate CDOs Rating Criteria \(pub.17 Sep 2021\) \(including rating assumption sensitivity\)](#)

[Covered Bonds Rating Criteria \(pub.02 Jun 2021\) \(including rating assumption sensitivity\)](#)

[Covered Bonds and CDOs Public Entities' Asset Analysis Rating Criteria \(pub.24 Sep 2021\) \(including rating assumption sensitivity\)](#)

[Fitch's Covered Bonds Refinancing Spread Level \(RSL\) Assumptions - Supplementary Data File \(pub.02 Jun 2021\)](#)

[Fitch's Foreign-Currency Stress Assumptions for Residual Foreign-Exchange Exposures in Covered Bonds and Structured Finance - Supplementary Data File \(pub.02 Jun 2021\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub.04 Nov 2021\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub.04 Nov 2021\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub.28 Oct 2021\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub.20 Sep 2021\)](#)

Additional Disclosures

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