

Bayerische Landesbank (/gws/en/esp/issr/81203048)



Fitch: No Impact on BayernLB's 'AAA' Pfandbriefe from Breakeven OC Revision

Fitch Ratings-Frankfurt/London-23 March 2018: Fitch Ratings says the 'AAA' rating on Bayerische Landesbank's (BayernLB; A-/Stable/F1) public sector Pfandbriefe is not affected by the increase in Fitch's 'AAA' breakeven overcollateralisation (OC) to 10.5% from 10%.

The breakeven OC revision follows an increase of the foreign currency (FX) stress applied to the programme's open GBP position. As the weighted average life (WAL) of BayernLB's cover assets exceeds eight years, the exposure is above the stress period considered in Fitch's FX stresses. To account for this, we treated the EUR/GBP currency pair as a category 3 instead of category 2 under Fitch's FX stress assumptions. Thus, the cash flow valuation component has increased to 4.1% from 3.7%, driving the rise in Fitch's 'AAA' breakeven OC.

The 'AAA' rating of the programme continues to be based on BayernLB's Long-Term Issuer Default Rating (IDR) of 'A-', a one-notch IDR uplift and a two-notch recovery uplift. The payment continuity uplift of five notches is unchanged. The OC that Fitch takes into account in its analysis continues to be 38%, which provides more protection than the revised 'AAA' breakeven OC.

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