



Fitch Ratings: Sufficient Downgrade Buffer for German Public Sector Pfandbriefe

Link to Fitch Ratings' Report(s): German Public Sector Pfandbrief Programmes - Peer Review

Fitch Ratings-Frankfurt-20 February 2020: Fitch Ratings says the German public sector Pfandbrief programmes, included in this peer review, have sufficient buffers against issuer downgrades, resulting in all ratings being on Stable Outlook. The programmes are all rated 'AAA' despite the differing default risk of their respective issuing financial institutions, with Long-Term Issuer Default Ratings (IDR) ranging between 'BBB+' and 'A+'. The four Fitch-rated Pfandbrief programmes are issued by Landesbank Hessen-Thüringen Girozentrale (Helaba), Bayerische Landesbank, UniCredit Bank AG and Landesbank Saar.

All four programmes benefit from buffers against deterioration of asset performance or increase of asset-liability mismatches as the over-collateralisation (OC) levels Fitch relies upon are well above the agency's breakeven OC for the ratings. Likewise, the programmes in this peer review provide a cushion of two to five notches against issuers' downgrade and are all on a Stable Outlook.

The high IDR of Helaba allows the programme to be rated based on the IDR as adjusted by the IDR uplift and another two notches of recovery uplift. As a result, no cash-flow modelling is performed and the Fitch 'AAA' breakeven OC is based on the determined 'AAA' credit loss for the programme. For the remaining three programmes, cash-flow modelling is performed.

More detailed information on the four public sector Pfandbrief programmes and how they compare with the average of the currently active public sector Pfandbrief programmes is available in the report "German Public Sector Pfandbrief Programmes - Peer Review" at www.fitchratings.com or by clicking the link above.

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