

FITCH AFFIRMS 5 PFANDBRIEFE AT 'AAA'; OUTLOOK STABLE

Fitch Ratings-Frankfurt/London-15 April 2016: Fitch Ratings has affirmed the guaranteed Pfandbriefe issued by four Landesbanks at 'AAA' with Stable Outlook. They are the public sector Pfandbriefe issued by HSH Nordbank AG (BBB-/Negative/F3) and Landesbank Baden-Wuerttemberg (A-/Stable/F1), and the mortgage and public sector Pfandbriefe issued by Bayerische Landesbank (A-/Stable/F1) and Landesbank Hessen-Thueringen Girozentrale (A+/Stable/F1+).

At the same time, Fitch has affirmed NRW.BANK's (AAA/Stable/F1+) public sector Pfandbriefe at 'AAA' with Stable Outlook.

KEY RATING DRIVERS

The ratings of the four Landesbanks' guaranteed Pfandbriefe are based on the scope of the grandfathering (Gewahrtraegerhaftung) provided by the respective German regional states (Laender) of Bavaria, Baden-Wuerttemberg, Hamburg, Hesse, Schleswig-Holstein and Thuringia. They are also driven by the credit quality of the states, which in Fitch's view, is underpinned by the stability of the German solidarity system linking their creditworthiness to that of the Federal Republic of Germany (AAA/Stable/F1+).

The guarantee still applies to bonds issued before 18 July 2001. It also applied to bonds issued between 19 July 2001 and 18 July 2005, if they matured no later than 31 December 2015. As a result, most grandfathered bonds matured before end-2015.

In the case of HSH Nordbank, the last guaranteed mortgage Pfandbriefe matured in January 2016 and the issuer has subsequently closed the cover register. For Landesbank Hessen-Thueringen Girozentrale, the last guaranteed mortgage Pfandbriefe will be repaid on 29 April 2016. However, the issuer has continued to issue unguaranteed Pfandbriefe and will maintain the programme going forward.

The rating of NRW.BANK's public sector Pfandbriefe is driven by the bank's Issuer Default Rating (IDR) of 'AAA'.

RATING SENSITIVITIES

The 'AAA' ratings of Landesbank Baden-Wuerttemberg's guaranteed public sector Pfandbriefe, Bayerische Landesbank's and Landesbank Hessen-Thueringen Girozentrale's guaranteed public sector and mortgage Pfandbriefe would be vulnerable to a downgrade, if both of the following occur i) the German sovereign's IDR is downgraded to 'AA+' or below, and ii) the ratings of the unguaranteed Pfandbriefe cross-collateralised with the guaranteed Pfandbriefe are downgraded to 'AA+' or below.

The 'AAA' ratings of HSH Nordbank's guaranteed public sector Pfandbriefe would be vulnerable to a downgrade if the German sovereign's IDR is downgraded to 'AA+' or below. The 'AAA' rating of NRW.BANK's public sector Pfandbriefe would be vulnerable to a downgrade if NRW.BANK's IDR is downgraded to 'AA+' or below.

Contact:

Primary Analyst
Jan Seemann, CFA

Director
+49 69 768076 112
Fitch Deutschland GmbH
Taunusanlage 17
60325 Frankfurt

Secondary Analyst
Vessela Krmnicek, CFA
Director
+49 69 768076 298

Committee Chairperson
Rebecca Holter
Senior Director
+49 69 768076 261

Media Relations: Christian Giesen, Frankfurt am Main, Tel: +49 69 768076 232, Email:
christian.giesen@fitchratings.com.

Additional information is available on www.fitchratings.com.

Applicable Criteria
Covered Bonds Rating Criteria (pub. 11 Mar 2016)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=878761

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