

29 DEC 2021

Fitch Affirms Helaba's Mortgage Pfandbriefe at 'AAA'; Withdraws Ratings

Fitch Ratings - Frankfurt am Main - 29 Dec 2021: Fitch Ratings has affirmed Landesbank Hessen-Thüringen Girozentrale's (Helaba, A+/Stable/F1+) outstanding mortgage Pfandbriefe at 'AAA' and subsequently withdrawn the ratings. The Outlook on the Pfandbriefe is Stable.

Fitch has chosen to withdraw the rating of Helaba's mortgage Pfandbriefe for commercial reasons and will no longer provide rating or analytical coverage of this programme.

KEY RATING DRIVERS

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

The mortgage Pfandbriefe are rated four notches above the bank's IDR. This is out of a maximum achievable uplift of 10 notches, consisting of a resolution uplift of two notches, a payment continuity uplift (PCU) of six notches and a two-notch recovery uplift. The Stable Outlook reflects that on Helaba's IDR and a six-notch buffer against an IDR downgrade.

As Helaba's Short-Term IDR is 'F1+', Fitch relies on the lowest reported OC over the last 12 months of 45.2%, which provides more protection than Fitch's 'AAA' break-even OC of 21.5%.

'AAA' BREAK-EVEN OC

The 21.5% 'AAA' break-even OC is based on the 'AAA' credit loss for the cover pool, as the rating is based on a two-notch recovery uplift above the resolution reference point of 'AA', without testing the covered bonds for timely payments.

The credit loss component of Fitch's 'AAA' break-even OC remains unchanged from the recent review of the mortgage Pfandbriefe programme on 2 November 2021.

The difference between the sum of foreign currency-denominated cover assets and the sum of foreign currency-denominated covered bonds was 24% as of end-September 2021, greater than Fitch's limit of 10% of total assets as per its Covered Bonds Rating Criteria. However, no foreign-exchange stresses were applied in the analysis of Helaba's Pfandbrief programme, given the bank's Short-Term IDR of 'F1+'.

UPLIFTS

The two-notch resolution uplift reflects that collateralised Pfandbriefe in Germany are exempt from bail-in, that Fitch deems the risk of under-collateralisation at the point of resolution as sufficiently low, and that a resolution of Helaba, should it happen, is not likely to result in the direct enforcement of the recourse against the cover pool. The two-notch resolution uplift also takes into account that Helaba's Long-Term IDR is based on the bank's participation in a mutual support scheme and equalised with the IDR of Sparkassen Finanzgruppe Hessen-Thuringen, of which Helaba is part.

The six-notch PCU reflects the principal liquidity protection provided by a 12-month maturity extension feature. The mandatory inclusion of liquid assets in the cover pool matching the maximum negative accumulated balance of cash flows for the next 180 days also effectively covers interest payments and senior expenses.

The recovery uplift for the programme is two notches, as the programme's 'AA' resolution reference point is in the investment-grade category and no material downside risk to recoveries has been identified. The open foreign-exchange position has no impact on the analysis, given the high OC buffer of 23.7% between the relied-upon OC and the 'AAA' break-even OC.

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

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

ESG Considerations

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
Landesbank Hessen- Thueringen Girozentrale			
• senior secured, Mortgage Covered LT Bonds, Mortgage Pfandbriefe	WD	Withdrawn	◐
• senior secured, Mortgage Covered LT Bonds, Mortgage Pfandbriefe	AAA ◐	Affirmed	◐

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	◐	

Applicable Criteria

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

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

[Sovereign Rating Criteria \(pub.26 Apr 2021\) \(including rating assumption sensitivity\)](#)

[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 \(pub.28 Oct 2021\)](#)

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