Fitch Affirms Helaba's Mortgage Pfandbriefe at 'AAA'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 10 December 2019:

Fitch Ratings has affirmed Landesbank Hessen-Thueringen Girozentrale's (Helaba, A+/Stable/F1+) outstanding mortgage Pfandbriefe at 'AAA' with a Stable Outlook.

RATING ACTIONS

ENTITY/DEBT	RATING		PRIOR
Landesbank Hessen-Thueringen Girozentrale			
senior secured, Mortgage Covered Bonds, Mortgage Pfandbriefe	LT AAA ● Affirmed		AAA ●

KEY RATING DRIVERS

The mortgage covered bonds' 'AAA' rating is based on Helaba's 'A+' Long-Term Issuer Default Rating (IDR) and the various uplifts above the IDR granted to the programme. It also considers overcollateralisation (OC) protection for covered bond holders.

The covered bonds are rated four notches above the bank's IDR. This is out of a maximum achievable uplift of eight notches, consisting of an IDR uplift of two notches, a payment continuity uplift (PCU) of four notches and a recovery uplift of two notches.

Fitch relies on the lowest reported OC over the last 12 months of 22.1%, which provides more protection than Fitch's 'AAA' breakeven OC of 19% (up from 18% a year ago). The Stable Outlook on the rating reflects that of the issuer and a four-notch buffer against an IDR downgrade due to the different uplift factors above the bank's IDR.

The increase of Fitch 'AAA' breakeven OC mirrors a 1.1 percentage point deterioration in the 'AAA' credit loss component. The share of US assets, for which Fitch applies larger credit loss rates than for the rest of the cover pool, has increased to 19% of the cover pool from 15% before. The credit loss for the US loans has in addition widened due to lower expected recoveries driven mainly by higher observed loan-to- value ratios for these assets.

Currently the difference between the sum of foreign exchange (FX) cover assets and the sum of FX covered bonds is greater than Fitch's limit of 10% of total assets (at 14% as of end of November 2019) as per its Covered Bonds Rating Criteria. The issuer has indicated its intention to reduce the open FX position to below 10% in the near future. Given the expected short term nature of the 10% limit breach no adjustments were made to the current analysis.

RATING SENSITIVITIES

The 'AAA' rating on Helaba's mortgage Pfandbriefe would be vulnerable to downgrade if the bank's IDR is downgraded by five notches or more to 'BBB-' or lower. In addition, the 'AAA' rating would be vulnerable to downgrade if the relied-upon OC drops below Fitch's 'AAA' breakeven level of 19%.

Fitch's breakeven OC for the covered bond rating will be affected, among other factors, by the profile of the cover assets relative to outstanding covered bonds, which can change over time, even in the absence of new issuance. Therefore, the breakeven OC to maintain the covered bond rating cannot be assumed to remain stable over time.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The covered bond ratings are driven by the credit risk of the issuing financial institution as measured by its Long-Term IDR.

ESG Considerations

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 Helaba's covered bonds, either due to their nature or the way in which they are being managed by the programme.

For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg

Additional information is available on www.fitchratings.com

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Applicable Criteria

Bank Rating Criteria (pub. 12 Oct 2018)
Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 23 Oct 2018)
Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 18 Apr 2019)
Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 18 Apr 2019)
U.S. and Canadian Multiborrower CMBS Rating Criteria (pub. 26 Apr 2019)
Covered Bonds Rating Criteria (pub. 24 Jul 2019)
Fitch's Foreign-Currency Stress Assumptions for Residual Foreign-Exchange Exposures in Covered Bonds and Structured Finance (Excel) (pub. 24 Jul 2019)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 06 Dec 2019)
Fitch Ratings Interest Rate Stress Assumptions for Structured Finance and Covered Bonds (Excel) (pub. 06 Dec 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
Solicitation Status
Endorsement Policy

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