

# **FITCH RATES BERLIN HYP'S DEBT ISSUANCE PROGRAMME**

Fitch Ratings-Frankfurt/London-23 August 2018: Fitch Ratings has assigned programme ratings to Berlin Hyp AG's (Berlin Hyp) EUR25 billion debt issuance programme, under which the bank can issue senior preferred and senior non-preferred debt.

A full list of rating actions is at the end of this rating action commentary.

Senior preferred is a new class of senior unsecured debt introduced by amendments to Article 46f of the German Banking Act that came into force on 21 July 2018. This new regime implements the reform of the Bank Resolution and Recovery Directive agreed at EU level at end-2017, which aims at harmonising the ranking of senior debt in resolution and insolvency and creating a level playing field across the EU.

The revised Article 46f defines senior preferred debt as the new reference senior debt class and gives German banks the possibility (by specifying so in each notes' issuance documentation) of issuing senior non-preferred debt that ranks between senior preferred and subordinated Tier 2 debt.

The outstanding stock of senior unsecured debt issued prior to 21 July 2018 that is not considered by the German regulators to contain complex embedded derivatives ranks pari passu with senior non-preferred debt (and thus junior to the new senior preferred debt) issued under the new regime. Conversely, the outstanding stock of senior unsecured debt issued prior to 21 July 2018 that is considered by the German regulators to contain complex embedded derivatives ranks pari passu with senior preferred debt issued since 21 July 2018.

Under our Bank Rating Criteria, we equalise the ratings of senior non-preferred and pari passu legacy senior unsecured debt with the banks' respective Issuer Default Ratings (IDRs).

Senior preferred debt ratings can benefit from a one-notch uplift above the banks' IDRs if we assess that the banks have sufficient buffers of qualifying junior and senior non-preferred debt to protect senior preferred creditors in a resolution (see "Fitch Assigns Derivative Counterparty and Deposit Ratings to German Banks" dated 12 December 2016 and "Fitch Upgrades Deutsche Bank's and Aareal's "Preferred" Senior Unsecured Notes" dated 16 June 2017 at [www.fitchratings.com](http://www.fitchratings.com)).

## **KEY RATING DRIVERS**

The 'A+' long-term programme ratings assigned to Berlin Hyp's debt issuance programme for senior preferred and senior non-preferred debt are equalised with the bank's Long-Term IDR, which is driven by institutional support from the German savings banks (Sparkassen-Finanzgruppe (SFG), A+/Stable/F1+/a+). SFG is the bank's ultimate owner through its ownership of Berlin Hyp's parent, Landesbank Berlin Holding AG (LBBH).

We have not given any uplift to Berlin Hyp's senior preferred debt rating, as in Fitch's opinion, the bank's debt buffers do not afford any incremental probability of default benefit over and above the support benefit already factored into Berlin Hyp's support-driven IDRs.

The short-term rating assigned to Berlin Hyp's senior preferred debt issuance programme is aligned with Berlin Hyp's Short-Term IDR.

## **RATING SENSITIVITIES**

Berlin Hyp's debt issuance programme ratings issuing senior preferred and senior non-preferred notes are primarily sensitive to a change in the bank's IDRs. The IDRs are primarily sensitive to a change in Berlin Hyp's owner's ability or propensity to provide extraordinary support, if needed.

The rating actions are as follows:

Senior preferred debt issuance programme rating: assigned 'A+/F1+'

Senior non-preferred debt issuance programme rating: assigned 'A+'

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Applicable Criteria

Bank Rating Criteria (pub. 22 Jun 2018)

<https://www.fitchratings.com/site/re/10034713>

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