

RATING ACTION COMMENTARY

Fitch Revises Berlin Hyp's Outlook to Stable after Similar Action on Sparkassen-Finanzgruppe

Fri 02 Jul, 2021 - 10:30 AM ET

Fitch Ratings - Frankfurt am Main - 02 Jul 2021: Fitch Ratings has revised the Outlook on Berlin Hyp AG's Long-Term Issuer Default Rating (IDR) to Stable from Negative and affirmed the IDR at 'A+'. A full list of rating actions is detailed below.

The Outlook revision follows the revision of the Outlook on Berlin Hyp's ultimate provider of support, Sparkassen-Finanzgruppe (SFG; see 'Fitch Revises SFG Outlook to Stable, Affirms IDR at 'A+' on 30 June 2021). Berlin Hyp's IDRs are based on Fitch's assessment of institutional support from SFG. Berlin Hyp's 'bbb' Viability Rating (VR) is unaffected by the rating action.

KEY RATING DRIVERS**IDRs, SUPPORT RATING (SR) AND SENIOR NON-PREFERRED (SNP) DEBT RATINGS**

Unless noted below, the key rating drivers for Berlin Hyp are those outlined in our Rating Action Commentary published in November 2020 (see 'Fitch Affirms Berlin Hyp's Long-Term IDR at 'A+' / Negative; VR at 'bbb').

Berlin Hyp's IDRs, SR and SNP debt ratings are underpinned by institutional support from the bank's ultimate parent, SFG, the German savings banks group that collectively owns Berlin Hyp's immediate parent, Landesbank Berlin Holding AG. In Fitch's view, Berlin Hyp benefits from an extremely high probability of support from the savings banks, if required. Therefore, Berlin Hyp's IDRs are aligned with those of SFG.

The Stable Outlook on Berlin Hyp's Long-Term IDR mirrors that on SFG's Long-Term IDR.

In our view, the savings banks' reputation and their mutual support scheme's credibility would be greatly damaged if SFG failed to support Berlin Hyp, which is part of the scheme, when the need arises. Therefore, we believe that SFG has a very high propensity to support Berlin Hyp. SFG is not a legal entity but a banking network, whose cohesion is ensured by a mutual support scheme. This could increase the complexity of devising extraordinary support measures, but we expect the savings banks to be able to coordinate adequate and timely support measures if needed. Given Berlin Hyp's small size relative to SFG, any required support would be immaterial for SFG.

SENIOR PREFERRED (SP) DEBT AND DEPOSIT RATINGS

Berlin Hyp's long-term SP debt and deposit ratings are one notch above its Long-Term IDR due to its large buffer of SNP debt equivalent to 45% of risk-weighted assets (RWA) at end-2020. We believe that this buffer provides the bank's preferred creditors with considerable additional protection compared with senior-non-preferred creditors in a resolution. The bank has started to replace maturing legacy SNP debt with cheaper SP debt, but Fitch believes that Berlin Hyp will retain a comfortable buffer over its MREL.

The short-term SP debt and deposit ratings of 'F1+' are the only options mapping to the respective long-term ratings.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

An upgrade of Berlin Hyp's IDRs and SNP debt ratings would require an upgrade of SFG's ratings.

Unless Berlin Hyp includes SP debt in its resolution buffer and the sum of its senior non-preferred and more junior debt buffers falls below 10% of RWA, the bank's long-term SP debt and deposit ratings would be upgraded if its Long-Term IDR was upgraded.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

A downgrade of SFG's ratings would trigger a downgrade of Berlin Hyp's IDRs and SNP debt ratings, which are also sensitive to a weakening of the owners' propensity to support. This could result from changes in Berlin Hyp's ownership structure or contractual relationship with the savings banks, in particular, Berlin Hyp's membership in SFG's mutual support scheme.

Berlin Hyp's SP debt and deposit ratings are primarily sensitive to changes in the bank's IDRs. The long-term SP debt and deposit ratings would be downgraded if Berlin Hyp's Long-Term IDR was downgraded or if we expect the bank to include SP debt in its resolution buffer and if the sum of senior non-preferred and more junior debt buffers falls below 10% of RWA.

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

Berlin Hyp's ratings are driven by potential support from SFG.

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

RATING ACTIONS

| ENTITY/DEBT | RATING | | | PRIOR |
|------------------------|---------|--------------------------|----------|----------------------------|
| Berlin Hyp AG | LT IDR | A+ Rating Outlook Stable | Affirmed | A+ Rating Outlook Negative |
| | ST IDR | F1+ | Affirmed | F1+ |
| | Support | 1 | Affirmed | 1 |
| ● Senior non-preferred | LT | A+ | Affirmed | A+ |
| ● long-term deposits | LT | AA- | Affirmed | AA- |
| ● Senior | LT | AA- | Affirmed | AA- |

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Markus Glabach

Director

Primary Rating Analyst

+49 69 768076 195

markus.glabach@fitchratings.com

Fitch Ratings – a branch of Fitch Ratings Ireland Limited

Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Roger Schneider

Director

Secondary Rating Analyst

+49 69 768076 242

roger.schneider@fitchratings.com

Konstantin Yakimovich

Senior Director

Committee Chairperson

+44 20 3530 1789

konstantin.yakimovich@fitchratings.com

MEDIA CONTACTS

Louisa Williams

London

+44 20 3530 2452

louisa.williams@thefitchgroup.com

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

Berlin Hyp AG

EU Issued, UK Endorsed

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN

ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-](https://www.fitchratings.com/rating-definitions-document)

[DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH

RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING

TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE

AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT,

CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

[READ LESS](#)

COPYRIGHT

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other

information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Banks Europe Germany

ga('set', '732-ckh-767', 'USER_ID');