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Fitch Upgrades Berlin Hyp to 'A+'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 10 Jul 2024: Fitch Ratings has upgraded Berlin Hyp AG's Long-Term Issuer Default Rating (IDR) to 'A+' from 'A-'. The Outlook is Stable.

The upgrade follows the upgrade of the Long-Term IDR of Landesbank Baden-Wuerttemberg (LBBW), Berlin Hyp's sole shareholder, to 'A+' from 'A-'. Berlin Hyp's IDRs are equalised with those of its parent.

Fitch has also upgraded Berlin Hyp's Short-Term IDR and its debt and deposit ratings. The Viability Rating is unaffected. A full list of rating actions is below.

Key Rating Drivers

Support Drives IDRs: Berlin Hyp's IDRs and Shareholder Support Rating (SSR) are aligned with the IDRs of LBBW, its sole shareholder. This reflects both that Berlin Hyp is part of LBBW's resolution perimeter and that LBBW's reputation would be greatly damaged if it did not support its subsidiary if needed. The Stable Outlook on Berlin Hyp's Long-Term IDR mirrors that on LBBW.

The upgrade of LBBW's IDRs reflected our view that the likelihood of support from its owners has increased as a result of the recent reform of the institutional protection scheme (IPS) of the German savings banks group. We believe the revised IPS statutes significantly increase the probability of timely support for LBBW, and the creation of an additional fund also improves the IPS's ability to support a larger number of members requiring capital support at the same time, in a reasonable downside scenario.

LBBW's IDRs and SSR are now aligned with the IDRs of Sparkassen-Finanzgruppe (Sparkassen) (SFG, A+/Stable/F1+), the German savings bank network.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of LBBW's IDRs, or a change in the ownership structure or the owner's strategic commitment to Berlin Hyp, could lead to a downgrade of Berlin Hyp's IDRs and SSR.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of Berlin Hyp's Long-Term IDR and SSR would require an upgrade of LBBW's Long-Term IDR.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Berlin Hyp's long-term senior preferred debt and deposit ratings are rated one notch above its Long-Term IDR to reflect the protection that could accrue to these creditors from the build-up of junior resolution debt and equity buffers. This is because we expect Berlin Hyp to meet its resolution buffer requirement with senior non-preferred and more junior instruments only. Berlin Hyp's senior non-preferred debt rating is aligned with its Long-Term IDR. Berlin Hyp's short-term senior preferred debt and deposits are rated in line with LBBW's short-term senior preferred debt and deposits.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

Berlin Hyp's senior debt and deposit ratings are sensitive to a change in its IDRs.

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 shareholder support from LBBW.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Berlin Hyp AG	LT IDR	A+ ●	Upgrade	A- ●
	ST IDR	F1+	Upgrade	F1
	Shareholder Support	a+	Upgrade	a-
• Senior preferred	LT	AA-	Upgrade	A
• long- term deposits	LT	AA-	Upgrade	A
• Senior non- preferred	LT	A+	Upgrade	A-
• short- term deposits	ST	F1+	Upgrade	F1

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• Senior preferred ST	F1+	Upgrade	F1

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	◐	

Applicable Criteria

[Bank Rating Criteria \(pub.15 Mar 2024\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Berlin Hyp AG EU Issued, UK Endorsed

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