

MOODY'S

RATINGS

Rating Action: Moody's Ratings confirms Berlin Hyp AG's A2 junior senior unsecured ratings

08 May 2024

Frankfurt am Main, May 08, 2024 -- Moody's Ratings (Moody's) today confirmed the junior senior unsecured debt rating of Berlin Hyp AG (Berlin Hyp) at A2. The rating agency also confirmed the bank's junior senior unsecured medium-term note program rating at (P)A2.

Today's rating action concludes the rating review for Berlin Hyp's junior senior unsecured debt and medium-term note program ratings, which Moody's initiated on 9 February 2024 and extended on 19 March 2024.

RATINGS RATIONALE

The confirmation of Berlin Hyp's A2 junior senior unsecured debt rating reflects the updated forward-looking expectations used in Moody's Advanced Loss Given Failure (LGF) analysis. Moody's expects Berlin Hyp to be included in the resolution perimeter of its parent, Landesbank Baden-Wuerttemberg (LBBW, deposits Aa2 stable/senior unsecured debt Aa2 stable, Baseline Credit Assessment (BCA) baa2).

The rating agency expects the combination of reduced issuance volumes and balance sheet growth at the level of LBBW to result in a higher loss severity than previously for its and Berlin Hyp's junior senior unsecured debt instruments, which now results in a one-notch uplift, from two notches before, from the Adjusted BCA.

The rating continues to incorporate Berlin Hyp's ba1 BCA, four notches of rating uplift from affiliate support and no uplift from government support.

OUTLOOK

Junior senior unsecured debt ratings do not carry an outlook.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of Berlin Hyp's junior senior unsecured debt ratings could be triggered by an improvement in the financial strength of Sparkassen-Finanzgruppe (Corporate Family Rating Aa2 stable, BCA a2) or if the bank's parent LBBW were to issue higher volumes of junior senior unsecured, subordinate or preferred shares liabilities than Moody's currently expects.

Berlin Hyp's junior senior unsecured debt ratings could be downgraded following a downgrade of the bank's Adjusted BCA, either as a result of a deterioration in the financial strength of Sparkassen-Finanzgruppe or caused by a significantly weaker BCA of LBBW. Further, a shift in the liability structure of LBBW towards non-bail-in-able instruments, such that it further increases the loss severity for junior senior unsecured debt of its resolution group could result in a downgrade.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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