

FITCH: DHB'S PUBLIC SECTOR PFANDBRIEFE REMAIN ON RATING WATCH NEGATIVE

Fitch Ratings-London/Frankfurt-02 July 2010: Fitch Ratings said that Duesseldorfer Hypothekenbank AG's (DHB, 'BBB-', Stable Outlook) EUR8.1bn public sector Pfandbriefe - rated 'AAA' - remain on Rating Watch Negative (RWN). This follows today's downgrade of the bank's Long-term Issuer Default Rating (IDR) to 'BBB-' from 'A-' (see the comment entitled "Fitch Downgrades Duesseldorfer Hypothekenbank to BBB-; off Rating Watch Negative" available at www.fitchratings.com).

DHB's public sector covered bond's Discontinuity Factor of 6.1%, together with the bank's Long-term IDR of 'BBB-', now limits the public sector covered bonds rating to 'AA' on a probability of default basis, compared to 'AAA' previously. However, the covered bonds can be maintained at 'AAA' if the stressed cash-flow analysis supports a two-notch uplift reflecting recoveries expectation from the cover pool should the covered bonds suffer a default in this rating scenario. All else being equal, the covered bonds rating could no longer be maintained at 'AAA' if the issuer was downgraded to 'BB+'.

As at end-March 2010 DHB's outstanding public sector Pfandbriefe were backed by a cover pool of EUR8.7bn. The resulting nominal OC stood at 7.8%; however, as the issuer has a Short-term IDR of 'F3' Fitch would only give credit to a lower percentage of 7.4% based on the publicly committed nominal OC.

Fitch will reassess the level of OC supporting the current rating and resolve the RWN in the coming weeks.

Applicable criteria, 'Covered Bonds Rating Criteria', dated 18 December 2009, 'Assessment of Liquidity Risks in Covered Bonds', dated 2 March 2010, are available at www.fitchratings.com.

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Additional information is available at www.fitchratings.com.

Related Research:

Covered Bonds Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=492290

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