

Fitch: Duesseldorfer Hypothekenbank Remains on Rating Watch Negative

16 Mar 2010 1:16 PM (EDT)

Fitch Ratings-London-16 March 2010: Fitch Ratings is maintaining Germany-based Duesseldorfer Hypothekenbank AG's (DHB) Long-term Issuer Default Rating (IDR) of 'A-', Short-term IDR of 'F1' and Support Rating of '1' on Rating Watch Negative (RWN). At the same time, Fitch has affirmed DHB's Individual Rating at 'F'.

DHB's IDRs and Support Rating are currently based on the extremely high potential, in Fitch's view, that support for DHB would be provided by the Bundesverband deutscher Banken (BdB), its current ultimate majority shareholder, if required. The RWN on DHB's IDRs and Support Rating continues to reflect the likelihood that the bank will be sold.

The RWN will be resolved as soon as Fitch has clarity about DHB's new ownership structure and has assessed the probability of its new owners and/or other external sources providing support in case of need. Given the difficult market environment and limited universe of potential acquirers, the sales process will not, in Fitch's view, result in an upgrade of DHB's ratings. Due to DHB's weak standalone financial condition, Fitch expects its IDRs to remain support-driven. Any downgrade of the Long-term IDR arising from the change in ownership could be by several notches.

When BdB and the Pruefungsverband deutscher Banken e.V. acquired DHB in April 2008 via two acquisition vehicles, it was announced that a new owner would be sought in due course. This sales process is still ongoing, and in its annual report the bank stated that it now expects a finalization of the sales process in 2010.

The agency will reassess DHB's Individual Rating upon completion of the sales process and when the bank's business model, funding structure and capitalisation under the new owner have been established. A successful restructuring and recapitalisation of DHB would result in upward pressure on the Individual Rating.

For FY09 DHB reported a small gain, amounting to EUR1.6m. New business activity was negligible in FY09.

In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual ratings and the prospect of external support is reflected in Fitch's Support ratings. Collectively these ratings drive Fitch's Long- and Short-term IDRs.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 29 December 2009, are available on www.fitchratings.com

Contacts: Simone Brehmer, Frankfurt, Tel: +49 69 7680 76263; Patrick Rioual, +49 69 7680 76123.

Media Relations: Christian Giesen, Frankfurt am Main, Tel: + 49 (0) 69 7680 762 32, Email: christian.giesen@fitchratings.com; Hannah Warrington, London, Tel: +44 (0) 207 417 6298, Email: hannah.warrington@fitchratings.com.

Additional information is available at www.fitchratings.com.

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

THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. 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.