

Bulletin:

German Cooperative Banking Sector Downgrade Does Not Affect Ratings On Four Covered Bond Programs

June 28, 2021

FRANKFURT (S&P Global Ratings) June 28, 2021--S&P Global Ratings said today that the recent downgrade of members of the Cooperative Banking Sector Germany does not affect the ratings on the following: covered bonds (Pfandbrief) issued by Deutsche Apotheker- und Aerztebank eG, the public sector and mortgage covered bonds issued by DZ Hyp AG, and DZ Briefe issued by DZ Bank AG.

The rating action on the Cooperative Banking Sector Germany on June 24, 2021 resulted from the challenges facing the German banking sector. It also stemmed from our view that German banks are now less competitive relative to global peers due to slow progress improving revenue diversification, cost structures, and digitalization (see “Various German Banks Downgraded On Persistent Profitability Challenges And Slow Digitalization Progress” on RatingsDirect).

We uplift covered bond ratings from a reference rating level (RRL), derived from the issuer credit rating (ICR) on the bank. All programs issued by the above banks continue to reach the current rating based on jurisdictional support. As a result of the downgrade of the Cooperative Banking Sector Germany, Deutsche Apotheker- und Aerztebank eG and DZ Hyp AG's covered bond programs now have four unused notches of uplift available to them, from five previously. The DZ Briefe program now has two, from three previously. The outlook on the covered bond ratings remains stable, reflecting our view that a four-notch lowering of the long-term ICRs on Deutsche Apotheker- und Aerztebank eG and DZ Hyp AG, or two notches in the case of DZ Bank, would not trigger a downgrade of the covered bonds issued by those banks, all else remaining equal.

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Related Research

- Various German Banks Downgraded On Persistent Profitability Challenges And Slow Digitalization Progress, June 24, 2021
- Transaction Update: DZ HYP AG (Public Sector Covered Bond Program), April 12, 2021
- Transaction Update: DZ HYP AG (Mortgage Covered Bond Program), Feb. 23, 2021
- Transaction Update: Wuestenrot Bausparkasse AG (Mortgage Covered Bond Program), Jan. 29, 2021

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- Transaction Update: Deutsche Apotheker- und Aerztebank eG Mortgage Covered Bond Program, July 17, 2020
- Covered Bonds Criteria, Dec. 9, 2014

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