

## RATING ACTION COMMENTARY

# Fitch Affirms Sparkasse Hannover's Mortgage Pfandbriefe at 'AAA'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 31 Oct 2025: Fitch Ratings has affirmed Sparkasse Hannover's (SkH; A+/Stable/F1+) mortgage Pfandbriefe at 'AAA' with Stable Outlook.

The affirmation follows Fitch's periodic review of the programme.

## KEY RATING DRIVERS

**Four Notches Above IDR:** The 'AAA' rating of the mortgage Pfandbriefe is based on SkH's 'A+' Long-Term Issuer Default Rating (IDR), the various uplifts above the IDR granted to the programme and the over-collateralisation (OC) protection provided to the bondholders. The Stable Outlook on the programme reflects the Outlook on SkH's IDR and a six-notch buffer against an IDR downgrade.

SkH's Pfandbriefe are rated four notches above its IDR. This is out of a maximum achievable uplift of 10 notches, consisting of an unchanged resolution uplift of two notches, a payment continuity uplift (PCU) of six notches and a recovery uplift of two notches.

**Two-Notch Resolution Uplift:** The covered bonds have a two-notch resolution uplift, resulting in a 'AA' resolution reference point. Fitch considers that Germany has adopted an advanced bank resolution regime in which fully collateralised covered bonds are exempt from bail-in. The Pfandbriefe have been issued under the legislative framework of the Pfandbrief law and are secured by standard mortgage loans. Pfandbriefe play an important role in the funding of German banks and there are many Sparkassen with Pfandbrief licences within the Sparkassen Finanzgruppe.

**Six-Notch PCU:** The six-notch PCU reflects principal liquidity protection provided by a 12-month maturity extension feature. The mandatory inclusion of liquid assets in the cover pool matching the maximum negative accumulated balance of cash flows for the

next 180 days provides effective protection of interest payments and senior expenses in excess of the minimum three months under Fitch's criteria.

**Two-Notch Recovery Uplift:** Fitch has granted a recovery uplift of two notches to the programme. This is because the 'AA' timely payment rating level is investment grade and we expect outstanding recoveries on the cover pool consisting of standard mortgage loans.

**Lower 'AAA' Break-Even OC:** Fitch has reduced its 'AAA' break-even OC by 25% to 5.5% (from 7.5%), given that the resolution reference point for the Pfandbriefe, i.e. the IDR increased by the two-notch resolution uplift, is above 'BBB+' and the issuer has sufficient eligible assets. This compares to a relied-upon OC of 43.9%, which is equal to the lowest OC of the last 12 months as SkH's IDRs are 'A+/'F1+'. The 'AAA' break-even OC corresponds to the rounded 'AAA' credit loss for the cover pool, reduced by 25%, of 5.6%.

**Credit Loss Sole Component of 'AAA' Break-Even OC:** Fitch carried forward the results of its asset models, as the asset characteristics have not changed materially since the last annual review in December 2024 and the relied upon OC is more than twice the break-even OC for the rating. The Pfandbriefe achieve a two-notch recovery uplift above their 'AA' resolution reference point. Therefore, we did not stress-test assets and liabilities cash flows for timely payment in our analysis. We would include an asset and liability management loss component in the calculation of the Pfandbriefe 'AAA' break-even OC if SkH's IDR was downgraded.

## **RATING SENSITIVITIES**

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

The covered bonds' rating would be vulnerable to a downgrade if the bank's IDR was downgraded by seven notches to 'BB' or below; or if the OC considered by Fitch in its analysis provides less protection than Fitch's 'AAA' break-even OC of 5.5%.

If the OC that Fitch considers in its analysis drops to the legal minimum requirement of 2%, the programme could only achieve a two-notch resolution uplift and one-notch recovery uplift above the IDR. As a result, the Pfandbrief rating would likely be downgraded to 'AA+'.

Fitch's break-even OC for the covered bond rating will be affected, among other factors, by the profile of the cover assets relative to outstanding covered bonds, which can change over time, even in the absence of new issuance. Therefore, the break-even OC to maintain the covered bond rating cannot be assumed to remain stable over time.

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

The covered bonds' 'AAA' rating is the highest level on Fitch' scale and cannot be upgraded.

## 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

The Pfandbrief rating is driven by SkH's credit risk as measured by its Long-Term IDR.

## 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>.

## RATING ACTIONS

| ENTITY / DEBT ⇅   | RATING ⇅  | PRIOR ⇅                         |
|---|---|---------------------------------|
| Sparkasse Hannover  |   |                                 |
| senior secured,<br>Mortgage Covered<br>Bonds, Mortgage<br>Pfandbriefe | LT    AAA Rating Outlook Stable<br><br>Affirmed | AAA Rating<br>Outlook<br>Stable |

[VIEW ADDITIONAL RATING DETAILS](#)

## FITCH RATINGS ANALYSTS

**Omari Teka**

Analyst

Primary Rating Analyst

+49 69 768076 149

omari.teka@fitchratings.com

Fitch Ratings – a branch of Fitch Ratings Ireland Limited

Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

**Sebastian Seitz, CFA**

Director

Secondary Rating Analyst

+49 69 768076 267

sebastian.seitz@fitchratings.com

**Vessela Krmnicek, CFA**

Senior Director

Committee Chairperson

+49 69 768076 298

vessela.krmnicek@fitchratings.com

**MEDIA CONTACTS****Athos Larkou**

London

+44 20 3530 1549

athos.larkou@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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**APPLICABLE CRITERIA**

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 28 Nov 2023\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 28 Nov 2023\)](#)

[SME Balance Sheet Securitisation Rating Criteria \(pub. 19 Feb 2024\) \(including rating assumption sensitivity\)](#)

[Bank Rating Criteria \(pub. 21 Mar 2025\) \(including rating assumption sensitivity\)](#)

[European RMBS Rating Criteria \(pub. 11 Apr 2025\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub. 17 Jun 2025\)](#)

[Covered Bonds Rating Criteria \(pub. 11 Sep 2025\) \(including rating assumption](#)

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Sparkasse Hannover

EU Issued, UK Endorsed

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