FitchRatings

RATING ACTION COMMENTARY

Fitch Rates Nassauische Sparkasse's Mortgage Pfandbriefe 'AA+'; Outlook Stable

Fri 14 Mar, 2025 - 08:00 ET

Related Content:
Nassauische Sparkasse - Mortgage Pfandbriefe

Fitch Ratings - Frankfurt am Main - 14 Mar 2025: Fitch Ratings has assigned Nassauische Sparkasse's (Naspa; A+/Stable/F1+) mortgage Pfandbriefe a 'AA+' rating with Stable Outlook.

KEY RATING DRIVERS

Three Notches Above IDR: The 'AA+' mortgage Pfandbriefe rating is based on Naspa's 'A+' Long-Term Issuer Default Rating (IDR), a resolution uplift of two notches and a recovery uplift of one notch. It also considers the programme's over-collateralisation (OC) protection for Pfandbriefe holders.

Fitch has also granted a payment continuity uplift (PCU) of six notches to the programme, which has not been used as the mortgage Pfandbriefe are rated based on Fitch's limited rating uplift approach. Therefore, the rating is directly linked to Naspa's IDR. Conseqeuently, the Stable Outlook on the Pfandbriefe rating mirrors that on Naspa's IDR.

'AA+' Break-even OC: The legal minimum OC of 2.0% on a nominal basis is also the break-even OC for the rating. As Naspa's ratings are 'A+'/'F1+', Fitch relies on the lowest reported OC over the last 12 months of 87.1%.

Ample OC Cushion: As of end-December 2024, Naspa's EUR458 million mortgage Pfandbriefe were secured by EUR1.142 billion of cover assets, resulting in nominal OC of 149.3%. The cover assets consist of granular residential mortgage loans (79.6%), commercial mortgages (9.9%) and substitute assets (10.5%). All the properties are located in Germany.

Two-notch Resolution Uplift: The resolution uplift of two notches reflects that Naspa's Long-Term IDR is based on its participation in a mutual support scheme and that Pfandbriefe are exempt from bail-in in a resolution scenario. It considers Fitch's assessment that resolution of the issuer would not result in the direct enforcement of recourse against the cover pool and a low risk of under-collateralisation at the point of resolution.

Six-notch PCU: The PCU reflects the principal liquidity protection provided by a 12-month maturity extension feature. The mandatory inclusion of liquid assets in the cover pool matching the maximum net negative accumulated balance of cash flows for the next 180 days also provides effective protection for interest payments and senior expenses.

One-notch Recovery Uplift: The issuer did not deliver historical performance data for the cover assets. However, available periodic information was sufficient to form a view on recoveries from the cover pool in the event of a covered bonds default. This considered that the cover assets consist of mortgage loans subject to loan-to-value limits. Fitch deemed the legal minimum OC sufficient to deliver a 'Good' level of recoveries given default, consistent with a one-notch recovery uplift. As Naspa's cover pool is exposed to regional concentration, we conducted different credit loss sensitivities, and concluded that recoveries on the Pfandbriefe remain sufficient to grant a single notch of recovery uplift.

ESG - Data Transparency & Privacy: The data provided by Naspa does not enable Fitch to perform a full analysis. For this reason, Fitch rates the programme on a limited rating-uplift approach, not testing for timely payment and limiting the recovery uplift to one notch.

RATING SENSITIVITIES

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

Due to the direct link between the Pfandbriefe rating and Naspa's Long-Term IDR, the rating would be downgraded if the bank's IDR was downgraded by one notch or more to 'A' or below.

The 'AA+' rating of the Pfandbriefe would not be vulnerable to a downgrade if the relied-upon OC decreased to the legal minimum OC of 2%.

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

Naspa's covered bonds' rating could be upgraded if the issuer delivers data allowing for a full analysis and the OC Fitch relies upon supports a higher rating. If the bank's IDR was upgraded by one notch or more to 'AA-' or above, the covered bonds' rating would be upgraded to 'AAA'.

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 Pfandbriefe rating is linked to Naspa's IDR.

ESG CONSIDERATIONS

Nassauische Sparkasse has an ESG Relevance Score of '5' for Data Transparency & Privacy as data provided by the issuer does not enable the agency to perform a full analysis.

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		
Nassauische Sparkasse			
senior secured, Mortgage Covered Bonds, Mortgage Covered Bonds	LT	AA+	New Rating

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on 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. 15 Mar 2024) (including rating assumption sensitivity)

Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 20 Jun 2024)

Covered Bonds Rating Criteria (pub. 30 Oct 2024) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Nassauische Sparkasse	EU Issued, UK Endorsed

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