

Ratings Affirmed On Deutsche Pfandbriefbank's Public Sector Covered Bonds

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OVERVIEW

- Today's rating actions follow the application of our revised criteria for assessing asset-liability mismatch risk in covered bonds.
- We have affirmed and removed from CreditWatch developing our ratings on Deutsche Pfandbriefbank's public sector covered bonds.
- We have also assigned a stable outlook to the covered bonds issued under the covered bond program.

FRANKFURT (Standard & Poor's) Aug. 6, 2010--Standard & Poor's Ratings Services today affirmed and removed from CreditWatch developing its 'AA+' credit ratings on Deutsche Pfandbriefbank AG's (BBB/Watch Pos/A-2) public sector covered bonds ("öffentliche pfandbrief"). At the same time, we have assigned a stable outlook to these public sector covered bonds (see ratings list below).

Today's affirmations follow the application of our updated covered bond criteria (see "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published Dec. 16, 2009). Our rating actions follow a review of the most recent asset and cash flow information provided to us, as well as discussions with the issuer to understand its planned issuance profile and expected levels of credit enhancement.

Following the application of our five-step criteria process (see "Ratings Lowered On Five Covered Bond Programs (April 16, 2010 Review)," we lowered the rating on Deutsche Pfandbriefbank's covered bonds to 'AA+' and placed them on CreditWatch developing. After further discussion with the issuer, we have assessed the current asset-liability mismatch (ALMM) risk, the program's

categorization, the maximum potential covered bond ratings uplift, the cash flow and market value risk, and the credit enhancement provided.

Based on the program characteristics we have determined an ALMM risk assessment of "Low" and with the country categorization of "1". Under our criteria, this means that the rating on Deutsche Pfandbriefbank's public sector covered bonds can be elevated up to seven notches above Deutsche Pfandbriefbank's issuer credit rating, provided that the target credit enhancement is met.

For the affirmed ratings, we believe our analysis of these factors, along with other risk factors, is commensurate with a 'AA+' rating. We have consequently affirmed our ratings on Deutsche Pfandbriefbank's public sector covered bonds. At the same time, we have assigned a stable outlook to these bonds.

The stable outlook reflects our understanding that the issuer is committed to manage the public sector program, aimed at maintaining the highest achievable rating. We have reviewed the impact on the ALMM of several large jumbo covered bonds maturing soon, and consider that the forthcoming maturities don't currently have a material effect on the ALMM. Additionally, we believe that the regulatory requirement to always support maturities in the next 180 days should allow Deutsche Pfandbriefbank's covered bond ratings to maintain the ALMM risk assessment of "Low" and thus its 'AA+' rating.

The stable outlook is, however, constrained by uncertainties about the European Commission's decision on the group's restructuring plan. Further, the bank's ability to manage and support the program's cover pools is limited due to the ongoing government support, in our opinion.

For program-specific details on these factors, see "Global Covered Bond Characteristics And Rating Summary," published Aug. 6, 2010, to include the program listed below.

We use Standard & Poor's Covered Bond Monitor (CBM) for our quantitative analysis of most covered bond programs. The CBM is a model that uses a Monte Carlo technique to simulate different economic stress scenarios.

RELATED CRITERIA AND RESEARCH

- Global Covered Bond Characteristics And Rating Summary, Aug. 6, 2010
- Ratings Lowered On Five Covered Bond Programs (April 16, 2010 Review), April 16, 2010
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Credit FAQ: Standard & Poor's Explains Update To Criteria For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 17, 2009

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's Web site at www.standardandpoors.com. Alternatively, call one of the following

Ratings Affirmed On Deutsche Pfandbriefbank's Public Sector Covered Bonds

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RATINGS LIST

Program/	To	Rating	From
Country:	Covered bond	type	

Ratings Affirmed And Removed From CreditWatch Developing; Outlook Assigned

Deutsche Pfandbriefbank AG			
	AA+/Stable		AA+/Watch Dev
Germany:	Öffentliche Pfandbrief.		

Additional Contact:

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