

August 27, 2010

Ratings Affirmed And Outlook Assigned On Deutsche Pfandbriefbank's Mortgage 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 negative our 'AA+' ratings on Deutsche Pfandbriefbank's mortgage covered bonds.
- We have also assigned a stable outlook to the covered bonds issued under the covered bond program.

FRANKFURT (Standard & Poor's) Aug. 27, 2010--Standard & Poor's Ratings Services today affirmed and removed from CreditWatch negative its 'AA+' credit ratings on Deutsche Pfandbriefbank AG's (BBB/Watch Pos/A-2) mortgage covered bonds ("Hypothekentpfandbrief"). At the same time, we have assigned a stable outlook to these mortgage covered bonds (see ratings list below).

Today's affirmation follows 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, we lowered the rating of Deutsche Pfandbriefbank's covered bonds to 'AA+' and placed them on CreditWatch Negative (see "Ratings Lowered On Five Covered Bond Programs

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(April 16, 2010 Review)"). 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 of "Low" and with the country categorization of "1" the mortgage sector covered bonds of Deutsche Pfandbriefbank can become elevated up to seven notches above the issuer credit rating, provided that the target credit enhancement is provided.

For the affirmed ratings, we believe our analysis of these factors, along with other risk factors, is commensurate with a 'AA+' rating, following an increase in the level of credit enhancement provided. We have consequently affirmed our ratings on Deutsche Pfandbriefbank's mortgage covered bonds.

At the same time, we have assigned a stable outlook to Deutsche Pfandbriefbank's mortgage covered bonds. While the current credit enhancement provided is commensurate with the 'AA+' rating and allows for the highest elevation, we understand that the issuer intends to manage the mortgage covered bond program only in the 'AA' rating category. While a potential rating change on the issuer credit rating, in combination with the current ALMM measure and the program categorization, might allow for a potentially higher rating on the covered bonds, the issuer might then manage the credit enhancement provided only in line with a 'AA' rating category.

The outlook is constrained by uncertainties that persist on the European Commission's decision on the group's restructuring plan, and by the bank's limited ability to manage and support the cover pool due to the ongoing government support.

For program-specific details on these factors, see "Global Covered Bond Characteristics And Rating Summary," published Aug. 27, 2010, to include the program listed below.

RELATED CRITERIA AND RESEARCH

- Global Covered Bond Characteristics And Rating Summary, Aug. 27, 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 Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

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RATINGS LIST

	Rating	
Program/	To	From
Country: Covered bond type		

Ratings Affirmed And Removed From CreditWatch Negative; Outlook Assigned

Deutsche Pfandbriefbank AG		
AA+/Stable		AA+/Watch Neg
Germany: Hypothekenpfandbrief.		

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