

RATING ACTION COMMENTARY

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

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Fitch Ratings - Frankfurt am Main - 08 Oct 2025: Fitch Ratings has affirmed Sparkasse Dortmund's (SkDortmund; A+/Stable/F1+) mortgage Pfandbriefe at 'AAA' with a Stable Outlook.

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

KEY RATING DRIVERS

Six-Notch Rating Cushion: The 'AAA' Pfandbriefe rating is based on SkDortmund's Long-Term Issuer Default Rating (IDR) of 'A+', a resolution uplift of two notches, a payment continuity uplift (PCU) of six notches and a recovery uplift of two notches. The rating is also based on the overcollateralisation (OC) of 27.7% considered by Fitch in its analysis. This is higher than the agency's 'AAA' break-even (BE) OC of 10.5%. The six-notch buffer against a downgrade of the IDR supports the Stable Outlook on the Pfandbriefe rating.

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 greater than the minimum of 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 the agency expects outstanding recoveries on the cover pool consisting of standard mortgage loans.

Lower 'AAA' Break-Even OC: The 'AAA' BE OC of 10.5% supports a two-notch recovery uplift above the 'AA' resolution reference point. The BE OC is driven by a 'AAA' credit loss of 10.5%. Fitch carried forward the results of its asset models, as the asset characteristics have not changed materially since the previous annual review in November 2024, and the relied-upon OC is more than 2x the BE OC for the rating.

The credit loss is lower (previously 14%) due to a 25% reduction to programmes with a resolution reference point of at least 'BBB+' and sufficient eligible unencumbered assets that can be added to the programme. This reduction became applicable after publication of Fitch's updated Covered Bonds Rating Criteria on 11 September 2025.

Credit Loss Drives BE OC: The 'AAA' BE OC of 10.5% is based on the 'AAA' credit loss of the cover pool, as the Pfandbriefe rating is based on a two-notch recovery uplift above the resolution reference point of 'AA'. Fitch therefore did no modelling of asset-liability mismatches, with the Pfandbriefe rated on a recovery basis.

We would include an asset and liability management loss component in the BE OC calculation if SkDortmund's IDR were downgraded. The asset and liability management loss component would then support a timely payment rating level above the resolution reference point.

RATING SENSITIVITIES

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

SkDortmund's mortgage covered bonds' rating would be vulnerable to a downgrade if the bank's IDR were downgraded by seven notches to 'BB' or below, or if the OC considered by Fitch in its analysis provided less protection than Fitch's 'AAA' BE OC.

If the OC Fitch considers in its analysis drops to the legal minimum requirement of 2% on a nominal basis, the programme could only achieve a two-notch resolution uplift and one-notch recovery uplift above the bank's IDR. As a result, we would be likely to downgrade the Pfandbriefe rating to 'AA+'.

Fitch's BE 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 BE 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 therefore 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 Pfandbriefe rating is driven by SkDortmund'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 Dortmund		
senior secured, Mortgage Covered Bonds, Mortgage Pfandbriefe	LT AAA Rating Outlook Stable	Affirmed AAA Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Omari Teka**

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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 \(pub. 11 Sep 2025\) \(including rating assumption sensitivity\)](#)**ADDITIONAL DISCLOSURES**[Dodd-Frank Rating Information Disclosure Form](#)

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Sparkasse Dortmund

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