



RATING ACTION COMMENTARY

Fitch Affirms Investitionsbank des Landes Brandenburg at 'AAA'; Outlook Stable

Tue 15 Feb, 2022 - 9:00 AM ET

Fitch Ratings - Frankfurt am Main - 15 Feb 2022: Fitch Ratings has affirmed Investitionsbank des Landes Brandenburg's (ILB) Long-Term Issuer Default Rating (IDR) at 'AAA' with a Stable Outlook and Short-Term IDR at 'F1+'.

Following the update of its Bank Rating Criteria on 12 November 2021, Fitch has withdrawn the bank's Support Rating of '1' as it is no longer considered relevant to the agency's coverage. In line with the updated criteria, we have assigned ILB a Shareholder Support Rating (SSR) of 'aaa'.

KEY RATING DRIVERS

IDRs, SENIOR UNSECURED DEBT AND SSR

ILB's IDRs are based on shareholder support from the bank's guarantor, the federal state Brandenburg.

Brandenburg explicitly, unconditionally and directly guarantees ILB's liabilities. Support from the Federal Republic of Germany (AAA/Stable/F1+) underpins Brandenburg's creditworthiness through the German federal solidarity system. The strong support mechanism enables ILB to fulfil its mandate without any restrictions.

The Stable Outlook on ILB's Long-Term IDR mirrors that on Germany and reflects our view that the nature of the support from the bank's owners is unlikely to change significantly, due to the strategic importance of ILB to the regional economy.

ILB is a public law institution and a regional development bank owned by Brandenburg and [NRW.BANK](#) (AAA/Stable/F1+), North Rhine-Westphalia's regional development bank. We base ILB's ratings only on support from Brandenburg as [NRW.BANK](#) does not engage in ILB's operational activities and its statutory support obligation is capped at twice its share of ILB's paid-in equity.

ILB's primary mandate is to support Brandenburg's economic, environmental and social development with funding and grants in the areas of business, employment, infrastructure and housing construction. ILB also manages Brandenburg's housing assets as a trustee, engages in other tasks including consultancy services as well as other special tasks for Brandenburg, and participates in projects initiated by other European development institutions.

Brandenburg also provides the bank with a maintenance obligation (Anstaltslast), which ensures its continuation as an economic entity, and a statutory guarantor's liability (Gewährtraegerhaftung). The guarantee and these support mechanisms have a high influence on Fitch's assessment Brandenburg's support propensity and underpin ILB's SSR of 'aaa'.

Similar to its peers', ILB's business model complies with EU state-aid rules as it exclusively undertakes non-competitive activities. A state guarantee framework agreed in 2002 by Germany and the European Commission allows German public development banks to receive state support.

ILB is insolvency-remote by law and has not been subject to capital requirement regulation since June 2019, in line with its peers. It is exempt from the Single Resolution Mechanism, the Recovery and Resolution Act and the Restructuring Fund Act. This releases ILB from the obligation to draw up recovery plans. In addition, ILB no longer falls under the scope of the German Deposit Guarantee Act.

Banks and insurance companies investing in ILB's debt benefit from 0% regulatory risk-weighting and level 1 treatment for their liquidity coverage ratio. This reflects Brandenburg's guarantee and provides ILB with reliable access to debt markets.

ILB's long-term senior unsecured debt rating is aligned with the bank's Long-Term IDR, which is at the highest level on Fitch's rating scale.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

IDRs, SENIOR UNSECURED DEBT AND SSR

ILB's ratings are primarily sensitive to changes in Brandenburg's creditworthiness, which is linked to that of Germany.

A downgrade of Germany's IDRs or a weakening of Brandenburg's ability to provide support as assessed by Fitch would trigger a downgrade of ILB's IDRs and senior unsecured debt rating. ILB's ratings are also sensitive to adverse changes in Fitch's assumptions about Brandenburg's propensity to support. This could result from a weakening of the terms of the guarantee.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

ILB's ratings are at the highest level on Fitch's rating scale and therefore cannot be upgraded.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

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

ILB's ratings are linked to Fitch's assessment of Brandenburg's creditworthiness and, by extension, to Germany's ratings.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Investitionsbank des Landes Brandenburg	LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
	ST IDR	F1+	Affirmed	F1+
	Support	WD	Withdrawn	1
	Shareholder Support	aaa	New Rating	

senior unsecured

LT AAA Affirmed

AAA

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 12 Nov 2021\) \(including rating assumption sensitivity\)](#)

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[Solicitation Status](#)

[Endorsement Policy](#)

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Investitionsbank des Landes Brandenburg

EU Issued, UK Endorsed

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Banks Europe Germany

