MOODY'S INVESTORS SERVICE

CREDIT OPINION
23 October 2023

Update

Send Your Feedback

RATINGS

DekaBank Deutsche Girozentrale

Domicile	Frankfurt am Main, Germany
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa2
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Aa2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Bernhard Held, CFA +49.69.70730.973
VP-Sr Credit Officer
bernhard.held@moodys.com

Alexander Hendricks, CFA +49.69.70730.779
Associate Managing Director
alexander.hendricks@moodys.com

» Contacts continued on last page

DekaBank Deutsche Girozentrale

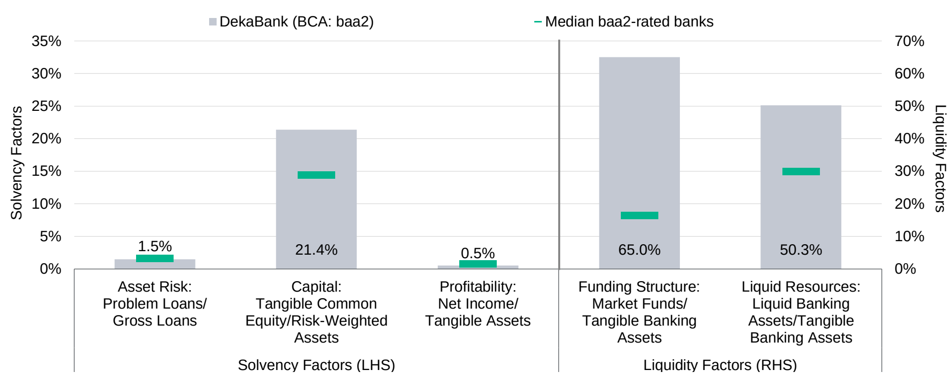
Update to credit analysis

Summary

DekaBank Deutsche Girozentrale's (DekaBank) Aa2 deposit and senior unsecured debt ratings reflect the bank's baa2 BCA; two notches of rating uplift from its membership in the institutional protection scheme of Sparkassen-Finanzgruppe (S-Finanzgruppe, Aa2 stable, a2[1]); and three notches of uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class; plus a one-notch rating uplift from government support, given its membership in the systemically relevant S-Finanzgruppe.

DekaBank's baa2 BCA reflects the bank's business model and status as the securities service provider for S-Finanzgruppe, which results in a high share of fee income. Despite this, DekaBank has a meaningful loan exposure, including concentrations in commercial real estate (CRE). The BCA also reflects the bank's strong capitalisation and sufficient profitability, which mitigate the asset risk stemming from its concentrated lending book. At the same time, the BCA incorporates the bank's high reliance on market funding, which is balanced by its access to an ample funding pool provided through excess deposits of S-Finanzgruppe's member banks.

Exhibit 1
Rating Scorecard - Key financial ratios
As of June 2023



For the problem loan and profitability ratios, we review the latest three year-end ratios, as well as the most recent intra-year ratio, where applicable, and base our starting point ratio on the weaker of the average of this period and the latest figure. For the capital ratio, we use the latest figure. For the funding structure and liquid asset ratios, we use the latest year-end figures.
Source: Moody's Investors Service

Credit strengths

» High share of recurring fee income

» Sound capitalisation

» Status as a core institution of S-Finanzgruppe

Credit challenges

» Concentrated credit risk exposures in asset-based lending areas

» Dependence on wholesale funding

» Economic risks weigh on capital market performance and could lead to higher problem loans

Outlook

The stable rating outlook reflects our view that DekaBank will continue to maintain a stable solvency and liquidity profile, and that the bank's liability structure provides continued strong protection for senior creditors through loss-absorbing liabilities.

Factors that could lead to an upgrade

» An upgrade of DekaBank's ratings could result from an upgrade of its BCA and Adjusted BCA. An upgrade of the BCA could, however, be offset by a reduced affiliate support uplift.

» DekaBank's BCA could be upgraded in the event of further improvement in the bank's solvency, or if the bank significantly strengthened its liquidity buffers.

» Upward pressure from our Advanced LGF analysis could only arise through an increase in the share of DekaBank's junior senior unsecured and lower-ranking instruments within the bank's overall liability structure, such that it results in additional notches of rating uplift from Moody's Advanced LGF analysis.

Factors that could lead to a downgrade

» A downgrade of DekaBank's ratings could be triggered by a downgrade of the bank's Adjusted BCA or a reduction in the rating uplift from our Advanced LGF analysis.

» DekaBank's BCA could be downgraded in case of weakening solvency factors, in combination with a pronounced reduction in liquidity or an increase in its market funding reliance. A downgrade of the BCA could, however, be offset by additional affiliate support uplift.

» DekaBank's ratings could also be downgraded should there be a significant decrease in the bank's stock of loss-absorbing liabilities, which may lead to fewer notches of rating uplift from our Advanced LGF analysis.

Key indicators

Exhibit 2
DekaBank Deutsche Girozentrale (Consolidated Financials) [1]

	06-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	103.5	97.4	88.8	85.5	97.2	1.8[4]
Total Assets (USD Billion)	112.9	103.9	100.6	104.6	109.2	1.0[4]
Tangible Common Equity (EUR Billion)	6.2	6.0	5.5	4.9	4.8	7.8[4]
Tangible Common Equity (USD Billion)	6.8	6.4	6.2	6.0	5.3	6.9[4]
Problem Loans / Gross Loans (%)	1.5	1.2	1.1	2.0	0.7	1.3[5]
Tangible Common Equity / Risk Weighted Assets (%)	21.4	19.0	17.7	15.6	14.8	17.7[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	6.5	5.6	5.9	10.0	3.8	6.4[5]
Net Interest Margin (%)	0.2	0.2	0.2	0.1	0.1	0.2[5]
PPI / Average RWA (%)	4.3	2.5	2.5	1.7	1.4	2.5[6]
Net Income / Tangible Assets (%)	0.9	0.4	0.6	0.2	0.2	0.5[5]
Cost / Income Ratio (%)	50.4	62.9	61.9	66.8	74.1	63.2[5]
Market Funds / Tangible Banking Assets (%)	63.8	65.0	64.2	66.7	69.3	65.8[5]
Liquid Banking Assets / Tangible Banking Assets (%)	54.1	50.3	49.5	51.7	49.9	51.1[5]
Gross Loans / Due to Customers (%)	104.9	122.5	142.9	129.5	136.2	127.2[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

DekaBank Deutsche Girozentrale (DekaBank) is the securities service provider (Wertpapierhaus) for Sparkassen-Finanzgruppe (S-Finanzgruppe). On a combined basis, S-Finanzgruppe accounts for more than a third of the German banking system. As of 30 June 2023, DekaBank reported consolidated balance-sheet assets of €104.5 billion, while its Total of Asset Managment volume (off-balance assets under management) and Deka-certificates volume amounted to €373 billion (€200 billion from retail customers and €173 billion from institutional customers).

DekaBank provides its private and institutional clients with a range of fund-based products, covering all major asset classes. It also offers real estate funds and financing; lending; capital market-related trading and sales services; treasury facilities, including liquidity, asset and liability management; and funding. Furthermore, DekaBank launched its private banking and wealth management brand Deka Private & Wealth at the beginning of 2023. As of 30 June 2023, DekaBank employed 5,298 employees (4,512 on a full-time equivalent basis), mainly operating from its headquarters in Frankfurt am Main and its most important foreign office in Luxembourg.

DekaBank was established on 1 January 1999 following the merger of DekaBank GmbH and Deutsche Girozentrale — Deutsche Kommunalbank. Since June 2011, the bank has been fully owned by the German Sparkassen (savings banks) through two joint shareholders: Deutsche Sparkassen-und Giroverband ö.K. (DSGV ö.K., the German Savings Banks Association) and Deka Erwerbsgesellschaft mbH & Co. KG.

DekaBank's weighted Macro Profile is Strong (+)

DekaBank's main exposures are located in Europe, with 50.6% of total gross loans located in its home market Germany (Aaa stable), 26.7% in other euro area countries (of this, 10.8% in Luxembourg [Aaa stable] and 8.0% in France [Aa2 stable]), 7.5% in the United Kingdom (Aa3 negative), and the remaining 15.3% in other countries as of 30 June 2023. DekaBank's weighted Macro Profile exposures results in a Strong (+), in line with the Strong (+) Macro Profile of Germany.

Detailed credit considerations

Asset quality remained strong but affected by economic shocks and uncertainty

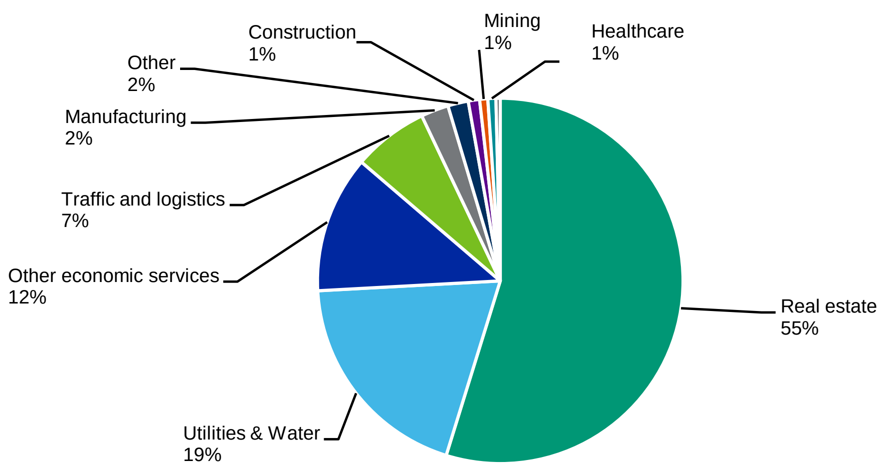
We assign a baa2 Asset Risk score, five notches below the aa3 initial score, reflecting DekaBank's market risk profile as well as credit risks from its concentrated lending positions. Because of its role as the securities service provider of S-Finanzgruppe, DekaBank's business risks are only partly driven by credit risks from its lending activities. Changes in the market value of underlying investments of the bank's fund management business have a direct impact on the magnitude of fee income derived and, for some products, may result in changes in provisioning needs for contingent liabilities. Asset managers, including DekaBank, are exposed to operational and reputational risks, which can increasingly stem from potential breaches of data security and customer privacy.

DekaBank's corporate lending exposures remain strongly concentrated on the real estate sector, as Exhibit 3 illustrates. DekaBank's outstanding CRE loan volume increased to €8.7 billion in June 2023 from €8.4 billion as of year-end 2022. In addition to CRE lending, DekaBank has further indirect exposure to commercial property markets through its €3.0 billion lending book (December 2022: €3.0 billion) as of 30 June 2023 through its lending business for in-house and third-party mutual property funds. Most of the bank's real estate financing focuses on European and North American properties. DekaBank's CRE loan book is mostly backed by office space mainly in prime locations and we understand the vast majority of DekaBank's real estate loans has conservative loan-to-value ratios while refinancing risks remain manageable.

Exhibit 3

DekaBank's corporate loan book breakdown remained focused on the real estate sector as of 30 June 2023

Breakdown of loans to non-financial private sector borrowers by industry

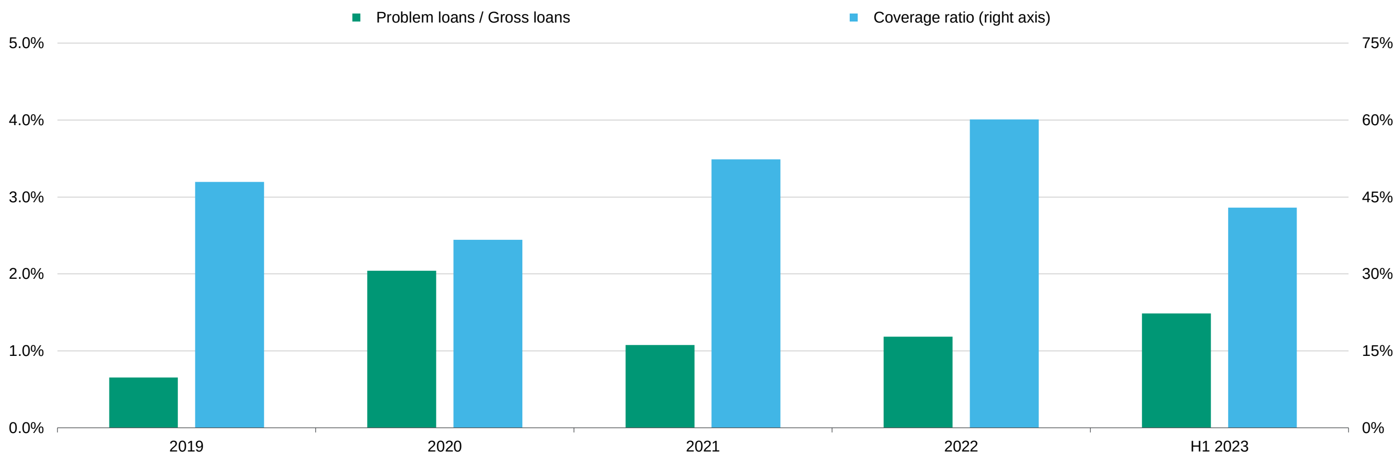


Sources: Pillar 3 disclosure report and Moody's Investors Service

As of 30 June 2023, DekaBank's problem loan ratio increased to 1.5%, from 1.2% as of year-end 2022. At the same time, DekaBank's problem loan coverage ratio decreased from 60.1% as of year-end 2022 to 42.9% at the end of June 2023. This mainly reflected a partial reversal of specific risk provisions and of post-model adjustment, which were originally put in place to address potential risks stemming from energy shortages and inflation, including elevated risk faced by commercial real estate.

Exhibit 4

DekaBank's problem loans remain at a low level and their coverage by provisions reverted in 1H23 to a level consistent with the high levels of collateralization.



Sources: Company and Moody's Investors Service

Apart from counterparty (credit) risk, DekaBank is also exposed to considerable market risk related to investments and derivative positions. Accordingly, potential dislocations in capital markets that are more severe than those seen in H1 2020 represent tail risks for the bank's securities lending business. For certain fund-based retirement savings products, DekaBank provides capital guarantees to investors. As of 30 June 2023, the bank set aside €54.1 million in provisions targeting products offered to private pensioners (2022: €51.9 million) for potential liabilities in case fund returns for covering investor capital fall short.

Capitalisation remains sound

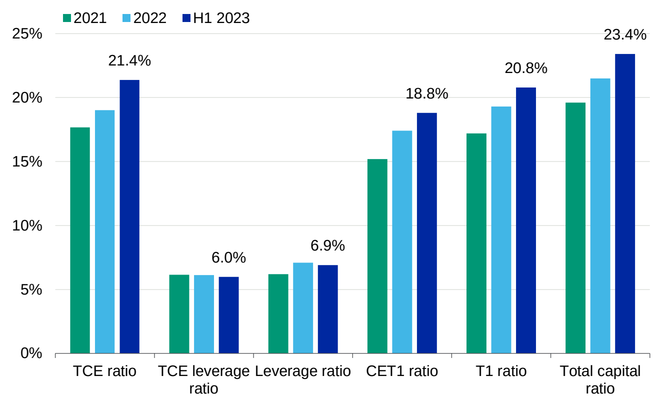
We assign a Capital score of a1, three notches below the aa1 initial score. We expect capital ratios to remain strong, but the adjustment also incorporates our expectation of growth in risk-weighted assets (RWA) led by tighter regulatory measures as well as the sizable gap between our higher tangible common equity (TCE) ratio — measured as TCE/RWA — and the lower regulatory regulatory Common Equity Tier 1 (CET1) capital ratio.

DekaBank has been managing its capital ratios significantly above the regulatory requirements, and its TCE ratio increased to 21.4% as of June 2023 from 19.0% as of year-end 2022. Lower share price and interest rate risks under DekaBank's market risk model led to a reduction in RWA during 1H23. At the same time, the bank's TCE leverage remained at a sound level of 6.9% in June 2023, slightly down from 7.1% as of year-end 2022. DekaBank reported a 18.8% CET1 capital ratio as of June 2023, up 140 basis points compared to year-end 2022. DekaBank's regulatory CET1 capital ratio reflects additional regulatory deductions not applied in our TCE ratio, such as deductions for some asset fair values as well as for valuation gains on the bank's own liabilities.

DekaBank used internal models to calculate the credit risk weights of €12.7 billion out of its €16.9 billion of total credit risk positions[2] as of June 2023, mainly related to its corporate lending book. The risk weights for the remaining €4.2 billion are calculated using the standardised approach or relate to equity investments. Regulatory changes because of the phase-in of Basel IV requirements are expected to enter into force on 1 January 2025 and will ultimately limit the benefits of internal models, which will increase the bank's RWA over the medium term.

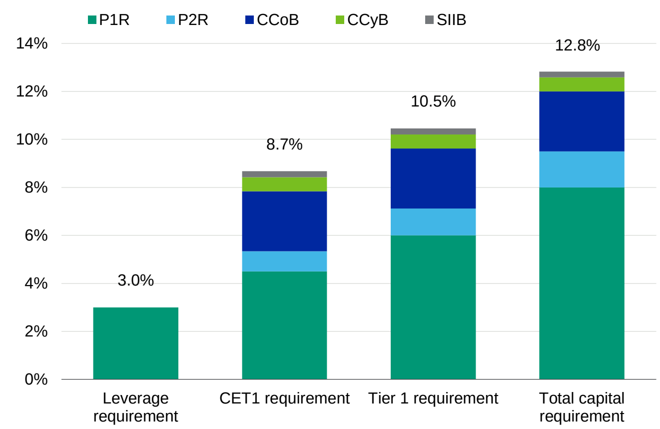
On top of the 8% Pillar 1 total capital requirement, DekaBank has to meet the 2.5% capital conservation buffer, an 0.25% buffer for its domestically systemic role and a 0.58% (as at the end of June 2023 up from 0.2% in 2022) countercyclical buffer. The increase of the latter reflects the introduction of this buffer for domestic exposures. The 2% systemic risk buffer the German authorities introduced in parallel for domestic, housing related exposures has not led to an additional increase in DekaBank's capital requirements, reflecting the very limited role domestic multi-family CRE lending plays in the bank's portfolio. DekaBank has to comply with a 1.5% Pillar 2 requirement for risks not captured under Pillar 1, which the bank can meet in part through additional tier 1 and tier 2 capital components. This requirement is among the lowest published for 2023 by the European Central Bank for directly supervised banks under its Supervisory Review and Evaluation Process (SREP), suggesting a relatively favorable assessment of the bank's business model, internal governance and risk management, as well as risks to capital.

Exhibit 5
DekaBank's regulatory capital and TCE ratio development



TCE = Tangible common equity (our calculation); CET1 = Common Equity Tier 1; T1 = Tier 1 capital.
Sources: Company and Moody's Investors Service

Exhibit 6
DekaBank's capital ratios are well above the minimum requirements of H1 2023



P1R/P2R = Pillar 1/2 requirement; CCoB = Capital conservation buffer; CCyB = Countercyclical capital buffer; SIIB = Systemically important institutions buffer.
Source: Company

High share of stable fee income provides an earnings buffer

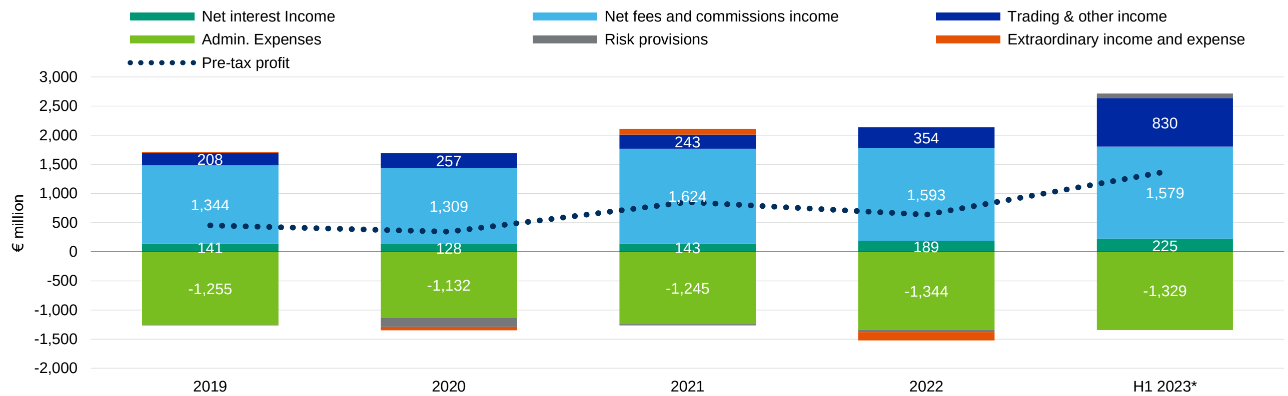
We assign a Profitability score of baa3, one notch below the initial score reflecting our expectation that DekaBank will be able to sustainably achieve a solid profitability close to the level of the past few years. Fee and commission income remains the main component of the bank's income stream, and remained broadly stable in the volatile operating environment. The stability of fee income has proved to be an important buffer for credit and market-related losses, even as a shift towards passive investments could hurt the bank's asset-based margin in the long term. As the preferred retail asset manager of the savings banks sector and a leading provider of institutional investment funds, DekaBank's net fee and commission income accounted for 62% of operating income in H1 2023.

DekaBank experienced a net outflow from its assets under management in H1 2023, which reflected the loss of a major institutional client whereas retail sales remained positive. In the retail area, the past years' dynamic growth in regular fund savings plans has in the first six months of 2023 been displaced by strong demand for structured notes certificates. These represented mostly step-up coupon bonds and money market bonds sold through S-Finanzgruppe's primary savings banks to retail customers seeking a more highly remunerated alternative for deposit balances. While DekaBank grew its own certificates business, the bank also cooperated with third-party issuers by offering so-called cooperation certificates (€5.9 billion in H1 2023, up from €0.5 billion in H1 2022).

Based on our adjusted financials, DekaBank's first-half 2023 net income increased to €462 million (H1 2022: €382 million). DekaBank's operating expenses increased 6.1% to €665 million in H1 2023 (H1 2022: €626 million), mainly driven by higher personnel expenses. The effect was partially offset by strengthened net interest income of €112 million (H1 2022: €88 million), supported by the higher rates environment resulting in an operating ratio of 50.4% in the first-half year 2023, down from 53.4% in the previous year.

Exhibit 7

Net fee and commission income remained stable while net interest income and trading income gained from the higher market rate environment in H1 2023



*H1 2023 annualised
Sources: Company and Moody's Investors Service

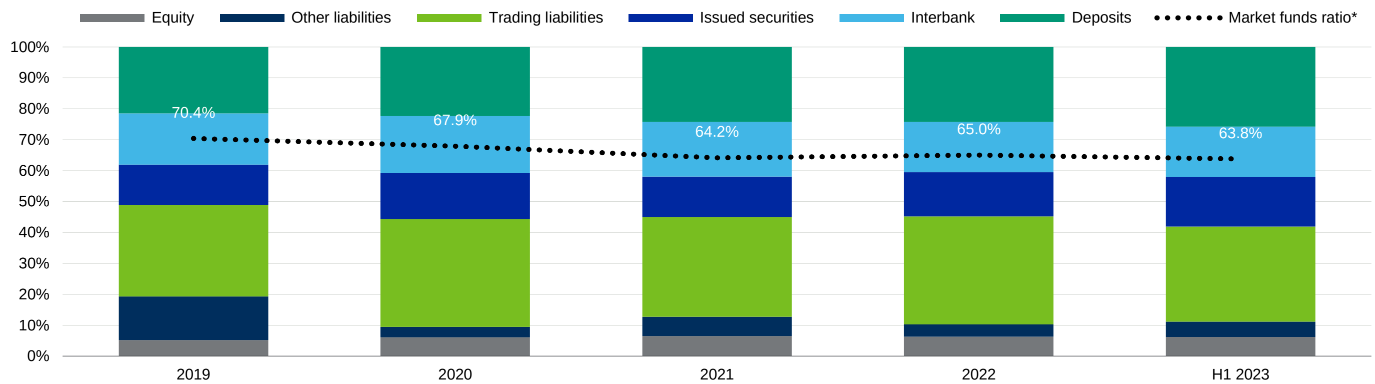
DekaBank's H1 2023 economic[3] pre-tax result of €634 million (down from €971 million in H1 2022) was below the bank's reported €698 million IFRS pre-tax profit (which was €915 million in H1 2022) but exceeded the bank's forecast of €500 million. DekaBank's outlook for H2 2023 is significantly more cautious, projecting an economic pre-tax result of at least €800 million, which however gives the bank ample leeway to absorb any additional risk provisioning requirements, which could result from borrowers in the commercial real estate segment facing increased market pressure in the higher rate environment.

Wholesale funding dependence mitigated by strong access to sector funding

We assign a Funding Structure score of ba3, four notches above the caa1 initial score, incorporating the bank's access to additional funding resources and the expected trend.

DekaBank is highly dependent on wholesale funds, but prudently limits its balance sheet growth below the bank's potential. More than half of the bank's balance sheet is funded through interbank repo and other short-term products, as Exhibit 8 shows, specifically institutional deposits. This high dependence on confidence-sensitive wholesale funding sources is balanced by DekaBank's strong and recurring access to funds from the savings banks sector, and substantial regular excess cash from its mutual funds franchise, from which the bank held €16.5 billion of customer deposits as of December 2022 (December 2021: €16.0 billion). In light of DekaBank's strong track record of net new money generation and advance planning for larger single ticket outflows at the level of its investment funds, we consider the risk of unexpected deposit outflows from these to be well controlled. The modest volume of €27.9 billion of DekaBank's gross customer loans as of 30 June 2023 is sufficiently matched by medium- and long-term funds.

Exhibit 8
A significant share of DekaBank's tangible banking assets is funded by market funds



*Market funds ratio = Market funds/tangible banking assets.
Sources: Company and Moody's Investors Service

In H1 2023, DekaBank repaid its €1.7 billion of funds that had remained outstanding under the European Central Bank's targeted longer-term refinancing operations (TLTROs).

DekaBank's net stable funding ratio (NSFR) declined to 113.8% as of 30 June 2023, down from 118.1% as of year-end 2022, but maintains a sufficient distance to the regulatory requirement of 100%. At the same time, this metric will limit DekaBank's ability to perform any pronounced shifts in its funding structure towards shorter-term funding products, such as its commercial paper programme. The regulatory minimum requirement for own funds and eligible liabilities (MREL) is a far less binding constraint for DekaBank. Since 1 January 2022, the bank's MREL requirement has been set against both RWA and leverage exposure. As of June 2023, DekaBank reported a higher MREL ratio of 56.9% (against RWA, up from 52.0% as of year-end 2022) and a leverage ratio exposure-based ratio of 18.8%, down from 19.1% as of year-end 2022. DekaBank's MREL instruments included €6.8 billion of own funds, €5.9 billion of senior non-preferred issues, €4.1 billion of senior preferred issues and €0.2 billion of other unsecured subordinated liabilities, which constitute the non-eligible components of legacy capital instruments in regulatory phase-out.

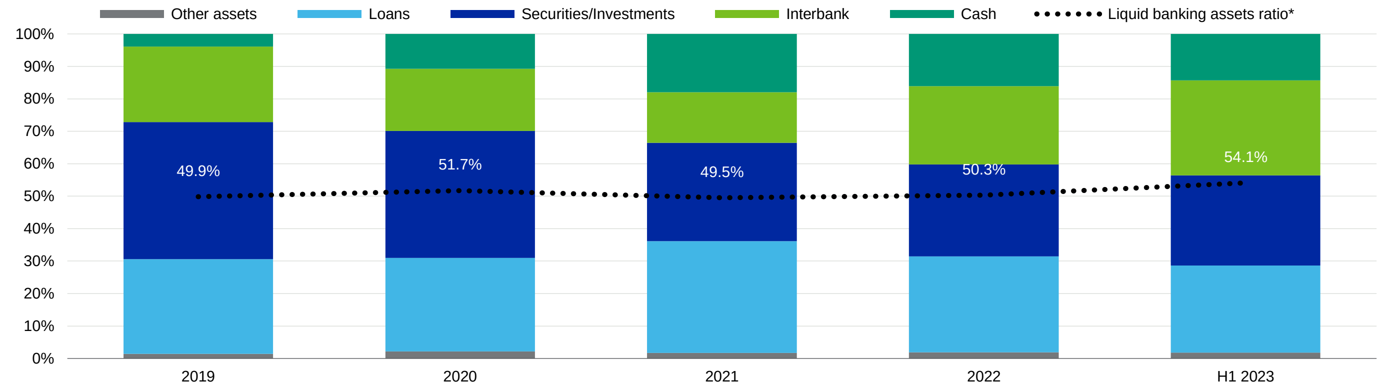
Highly liquid balance sheet despite asset encumbrance

We assign DekaBank a Liquid Resources score of a2, three notches below the initial score. The a2 assigned score takes into account the strong buffer of liquid resources based on cash, liquid securities and interbank claims. However, this buffer is reduced by a significant extent through encumbrance resulting from secured funding transactions.

More than half of DekaBank's balance sheet can — in principle — be considered liquid, as Exhibit 9 shows, reflecting securities lending and reverse repo balances, cash and trading positions. However, a relevant share of these assets are encumbered. As of 30 June 2023, DekaBank's cash holdings decreased to €14.8 billion (December 2022: €15.7 billion). DekaBank's interbank receivables rose to €30.3 billion (December 2022: €23.5 billion), mainly as a result of significantly higher reverse repo claims of €15.8 billion (December 2022: €10.2 billion) but also because DekaBank intensified its funding for German savings banks.

DekaBank's €4.6 billion of day one net cash flows and liquidity potential of around €4.2 billion as of 30 June 2023 and total unencumbered high-quality liquid assets (HQLA) eligible for the regulatory liquidity coverage ratio (LCR) of €25.5 billion on average between July 2022 and June 2023 provide sound buffers against unforeseen market swings. Consequently, the LCR remained solid at 149.9% as of 30 June 2023, but lower than the value of 159.1% prior to TLTRO repayment at year-end 2022. Even so, HQLA still more than covered weighted stressed outflows of €22.8 billion over the 30 days horizon, even without taking into account the €6.7 billion of offsetting stressed contractual inflows, of which €2.5 billion related to short-term inflows from secured reverse repo transactions, which we believe the bank could scale back at short notice without negative impact on its franchise.

Exhibit 9
Prior to adjustments for encumbrance, a large share of DekaBank's tangible banking assets are in principle liquid.



*Liquid banking assets ratio = Liquid assets/tangible banking assets.
Sources: Company and Moody's Investors Service

ESG considerations

DekaBank Deutsche Girozentrale's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 10
ESG Credit Impact Score

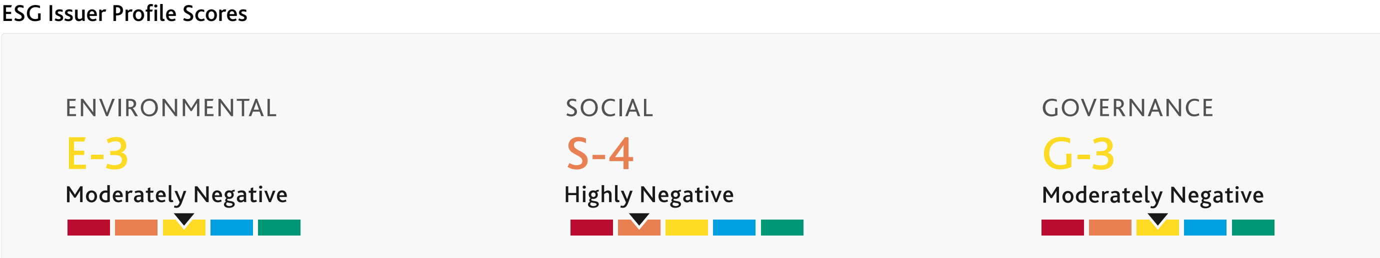
CIS-2
Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

DekaBank's **CIS-2** indicates that ESG considerations are not material to the rating because of the mitigating rating impact of affiliate support from Sparkassen-Finanzgruppe (S-Finanzgruppe) over DekaBank's ESG risk profile. Environmental and social factors have a limited impact on the bank's credit profile to date. The bank's corporate governance risks mainly stem from the bank's subdued operational efficiency and concentration risks in its loan book, which are inherent to its business profile.

Exhibit 11
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

DekaBank faces moderate exposure to environmental risks, primarily because of its exposure to carbon transition risk from its corporate lending activities. Within its asset management business, DekaBank has low direct corporate exposure to environmental risks and its fund exposures are well diversified. In response to increasing stakeholder focus on environmental stewardship in its asset management products and on meeting broader carbon transition goals, DekaBank is actively engaging in aligning its business with the transition to a low-carbon economy.

Social

DekaBank faces high industrywide social risks related to customer relations, mostly arising from the marketing and distribution of financial products as an asset manager with a large retail business. Rising digitization will increase data security risks. High cyber and personal data risks are mitigated by technology solutions and organisational measures to prevent data breaches. DekaBank faces moderate exposure to demographic and societal trends, related primarily to its focus on active management against the backdrop of increasing popularity of passive asset management strategies. As a mitigant, DekaBank benefits from strong net new money inflows from its retail customer base which is mostly covered by the strong distribution network of local German savings banks that benefits from a strong degree of customer loyalty.

Governance

Governance risks for DekaBank are moderate, reflecting higher concentration risks inherent in its business model as a specialised lender. Its strategy, risk management function and organisational structure are in line with industry practices. Management's ability to address the bank's modest profitability remains a concern because it provides only a limited buffer against adverse developments and limits the bank's capital generation capacity and, hence, growth prospects. DekaBank's board of directors' composition reflects the group's savings banks owners, with limited independent representation, but this does not result in incremental governance risks because of Germany's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

DekaBank benefits from cross-sector support from S-Finanzgruppe. This cross-sector support significantly reduces the probability of default, as it would be available to stabilise a distressed member bank and not just compensate for losses in resolution. We consider the readiness of the sector to support DekaBank Very High because of the bank's key service function for the sector and its 100% ownership by the sector's savings banks. Cross-sector support continues to provide two notches of rating uplift from the baa2 BCA, leading to an a3 Adjusted BCA.

Loss Given Failure (LGF) analysis

DekaBank is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime. Therefore, we apply our Advanced LGF analysis, where we consider the risks faced by the different debt and deposit classes across the liability structure should the bank enter resolution.

We assume a residual TCE of 3%, post-failure losses of 8% of tangible banking assets, a 26% proportion of junior deposits, a 25% run-off of these before failure and a 5% run-off in preferred deposits. These metrics are in line with our standard assumptions.

» For deposits and senior unsecured debt, our LGF analysis indicates an extremely low loss given failure, leading us to position the Preliminary Rating Assessment at aa3, three notches above the a3 Adjusted BCA.

» We rate DekaBank's junior senior unsecured debt A2, one notch of uplift above the a3 Adjusted BCA, reflecting a low loss given failure.

» We rate DekaBank's subordinated debt Baa1, one notch below the a3 Adjusted BCA, reflecting a high loss given failure.

» We rate DekaBank's perpetual Additional Tier 1 notes Baa3(hyb), three notches below the a3 Adjusted BCA, reflecting our framework for rating non-viability contingent convertible securities.

Government support considerations

Following the introduction of the BRRD, we lowered our expectation of the degree of support the government might provide to a bank in Germany in the event of need. Because of its size on a consolidated basis, we consider S-Finanzgruppe systemically relevant. Therefore, we attribute a moderate probability of government support for all members of the sector, in line with our support assumptions for other systemically relevant banking groups in Europe. Therefore, we still include one notch of government support uplift in our CRRs and senior unsecured debt and deposit ratings of S-Finanzgruppe member banks that are incorporated in Germany, including DekaBank. For junior securities, the likelihood of government support is low and these ratings do not include any related uplift.

Counterparty Risk Ratings (CRRs)

DekaBank's CRRs are Aa2/P-1

The CRRs, before government support, are three notches above the Adjusted BCA of a3, reflecting the extremely low loss given failure from the high volume of instruments, primarily junior senior unsecured debt, which are subordinated to CRR liabilities. DekaBank's CRRs also benefit from one notch of rating uplift provided by government support, in line with our support assumptions on deposits and senior unsecured debt.

Counterparty Risk (CR) Assessment

DekaBank's CR Assessment is Aa2(cr)/P-1(cr)

DekaBank's CR Assessment is four notches above the Adjusted BCA of a3, incorporating three notches of uplift derived from the buffer against default provided by more subordinated instruments, primarily junior senior unsecured debt, to the senior obligations represented by the CR Assessment; and one notch of government support uplift, assuming a moderate level of support. To determine the CR Assessment, we focus purely on subordination and we do not take into account the volume of the instrument class.

Methodology and scorecard

Methodology

The principal methodology used in rating DekaBank was the Banks Methodology, published in July 2021.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard might significantly differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and can be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 12
DekaBank Deutsche Girozentrale

MACRO FACTORS						
WEIGHTED MACRO PROFILE	**STRONG +**	**100%**				

FACTOR	HISTORIC RATIO	INITIAL SCORE	EXPECTED TREND	ASSIGNED SCORE	KEY DRIVER #1	KEY DRIVER #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.5%	aa3	↔	baa2	Market risk	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	21.4%	aa1	↓	a1	Expected trend	Risk-weighted capitalisation
Profitability						
Net Income / Tangible Assets	0.5%	baa2	↓	baa3	Expected trend	Return on assets
Combined Solvency Score		aa3		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	65.0%	caa1	↔	ba3	Market funding quality	Extent of market funding reliance
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	50.3%	aa2	↔	a2	Asset encumbrance	Quality of liquid assets
Combined Liquidity Score		ba1		baa3		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				2		
Adjusted BCA				a3		

Balance Sheet is not applicable.

DEBT CLASS	DE JURE WATERFALL		DE FACTO WATERFALL		NOTCHING		LGF NOTCHING GUIDANCE VS. ADJUSTED BCA	ASSIGNED LGF NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT
	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	INSTRUMENT VOLUME + SUBORDINATION	SUB-ORDINATION	DE JURE	DE FACTO				
Counterparty Risk Rating	-	-	-	-	-	-	-	3	0	aa3
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	aa3 (cr)
Deposits	-	-	-	-	-	-	-	3	0	aa3
Senior unsecured bank debt	-	-	-	-	-	-	-	3	0	aa3
Junior senior unsecured bank debt	-	-	-	-	-	-	-	1	0	a2
Dated subordinated bank debt	-	-	-	-	-	-	-	-1	0	baa1
Non-cumulative bank preference shares	-	-	-	-	-	-	-	-1	-2	baa3

INSTRUMENT CLASS	LOSS GIVEN FAILURE NOTCHING	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT	GOVERNMENT SUPPORT NOTCHING	LOCAL CURRENCY RATING	FOREIGN CURRENCY RATING
Counterparty Risk Rating	3	0	aa3	1	Aa2	Aa2
Counterparty Risk Assessment	3	0	aa3 (cr)	1	Aa2(cr)	
Deposits	3	0	aa3	1	Aa2	Aa2
Senior unsecured bank debt	3	0	aa3	1	Aa2	Aa2
Junior senior unsecured bank debt	1	0	a2	0	A2	
Dated subordinated bank debt	-1	0	baa1	0	Baa1	
Non-cumulative bank preference shares	-1	-2	baa3	0	Baa3 (hyb)	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 13

Category	Moody's Rating
DEKABANK DEUTSCHE GIROZENTRALE	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa2
Senior Unsecured -Dom Curr	Aa2
Junior Senior Unsecured -Dom Curr	A2
Junior Senior Unsecured MTN -Dom Curr	(P)A2
Subordinate -Dom Curr	Baa1
Pref. Stock Non-cumulative -Dom Curr	Baa3 (hyb)
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	(P)P-1

Source: Moody's Investors Service

Endnotes

1 The ratings shown are S-Finanzgruppe's corporate family ratings, outlook and BCA.

2 excluding counterparty credit risk exposures

3 In addition to its results under International Financial Reporting Standards (IFRS), DekaBank reports an economic result to better represent its true economic position. This non-GAAP pretax measure incorporates several items not shown in the IFRS income statement, such as valuation gains and losses from hedged lending, actuarial gains and losses, potential charges and interest expense related to Additional Tier 1 bonds (with the latter also being reclassified into interest expenses in our adjusted financials).

REPORT NUMBER 1379886

Contacts

Bernhard Held, CFA
VP-Sr Credit Officer

Sarah Sorek
Associate Analyst

MOODY'S
INVESTORS SERVICE