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CREDIT OPINION
21 April 2020

Update

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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 - Fgn 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.

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DekaBank Deutsche Girozentrale

Update to credit analysis

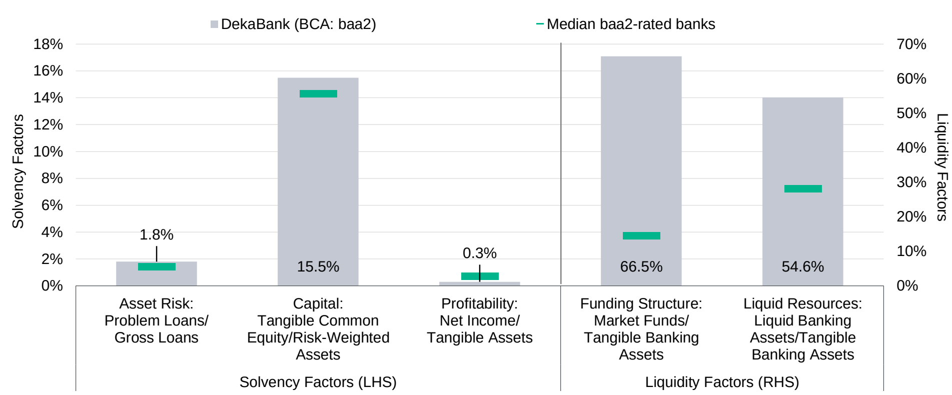
Summary

We assign Aa2/P-1 deposit and senior unsecured ratings, as well as A1 junior senior unsecured debt ratings to DekaBank Deutsche Girozentrale (DekaBank). We further assign a baa2 Baseline Credit Assessment (BCA), an a3 Adjusted BCA, and Aa2/P-1 Counterparty Risk Ratings (CRR).

DekaBank's Aa2 deposit and senior unsecured ratings reflect the bank's baa2 BCA, two notches of rating uplift from its membership in the institutional protection scheme of Sparkassen-Finanzgruppe (S-Group; Aa2 negative, a2[1]), the application of Moody's Advanced Loss Given Failure (LGF) analysis to its liabilities, yielding three notches of rating uplift, and one notch of government support, given DekaBank's membership in S-Group.

DekaBank's baa2 BCA reflects the bank's sound risk-weighted capitalisation and low to moderate, but so far stable profitability, which mitigates the asset risk stemming from its commercial real estate (CRE), aircraft financing and shipping exposures. At the same time, the BCA incorporates the bank's high reliance on market funding, which is balanced, though, by its substantial stock of liquid assets. Our view on the bank's BCA could change if the current economic shock due to the global spread of coronavirus broadens and lengthens relative to our base case scenario.

Exhibit 1
Rating Scorecard - Key Financial Ratios



Source: Moody's Financial Metrics

Credit strengths

» Sound capitalisation

» High share of recurring fee income

» Robust net new asset growth in retail investment products

» Core institution of S-Group

Credit challenges

» Rising asset risk from a growing commercial real estate book and potential write-down risks from remaining shipping and aircraft financing exposures

» Depressed net interest income given the low interest-rate environment

» Dependence on wholesale funding

» Potential shifting preferences among German retail investors away from actively managed funds towards lower-margin passive investment products

» Weakness in institutional net new asset growth

Rating outlook

» The outlook on the ratings is stable, reflecting our anticipation that (1) the implied creditworthiness of DekaBank's owners will not decline by more than one notch and that existing cross-sector support mechanisms will stay stable; and (2) the liability structure of the bank, which forms the basis for our Advanced LGF analysis, will stay broadly stable over the outlook horizon.

Factors that could lead to an upgrade

» An upgrade of DekaBank's ratings could result from (1) an upgrade of its Adjusted BCA; and/or (2) a higher rating uplift as a result of our Advanced LGF analysis.

» A strengthening of DekaBank's BCA would likely be offset by less affiliate support uplift and would therefore not lead to an upgrade of the a3 Adjusted BCA. Consequently, upward pressure on the Adjusted BCA could only develop if the creditworthiness of S-Group improves, which is unlikely, given the negative outlook. DekaBank's BCA on its own could be upgraded in the event of an enduring improvement in the bank's capital levels, a material improvement of its profitability, and a pronounced reduction in its market-funding reliance.

» Positive pressure resulting from our LGF analysis could only arise on the junior senior unsecured ratings, should DekaBank materially raise its volume of subordinated instruments; deposit and senior unsecured ratings, as well as the CRR, already incorporate the highest possible rating uplift of three notches.

Factors that could lead to a downgrade

» A downgrade of DekaBank's ratings could be triggered by (1) a lowering of the bank's BCA; (2) a deterioration in the implied creditworthiness of its owners; and/or (3) a reduction in rating uplift as a result of our LGF analysis.

» DekaBank's BCA could come under pressure if additional risks emerge from its commercial banking activities, if the bank fails to maintain capital ratios at adequate levels, or if profitability declines further; an ever higher reliance on market funding or a weaker quality of market funding could also result in pressure on the BCA. We would expect, though, that a one-notch downgrade of the BCA would be offset by additional affiliate support, as long as the BCA of S-Group is not lowered.

» Negative pressure on the debt and deposit ratings, as well as the CRR could arise if DekaBank's volume of unsecured and subordinated debt instruments decreases relative to total banking assets.

Key indicators

Exhibit 2

DekaBank Deutsche Girozentrale (Consolidated Financials) [1]

	06-19[2]	12-18[2]	12-17[2]	12-16[2]	12-15[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	108.8	100.4	93.8	86.0	108.0	0.2[4]
Total Assets (USD Billion)	123.8	114.8	112.6	90.7	117.3	1.6[4]
Tangible Common Equity (EUR Billion)	4.7	4.7	4.6	4.4	4.3	2.8[4]
Tangible Common Equity (USD Billion)	5.3	5.4	5.5	4.6	4.6	4.2[4]
Problem Loans / Gross Loans (%)	0.8	0.9	2.1	3.5	3.1	2.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.5	16.2	18.4	18.4	13.6	16.4[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	4.5	4.5	9.2	17.1	15.6	10.2[5]
Net Interest Margin (%)	0.1	0.1	0.1	0.1	0.2	0.1[5]
PPI / Average RWA (%)	1.8	1.7	2.2	2.3	2.2	2.0[6]
Net Income / Tangible Assets (%)	0.3	0.3	0.3	0.3	0.3	0.3[5]
Cost / Income Ratio (%)	67.5	70.8	67.5	61.0	59.7	65.3[5]
Market Funds / Tangible Banking Assets (%)	67.7	66.5	63.4	64.0	65.9	65.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	55.3	54.6	46.9	37.1	50.2	48.8[5]
Gross Loans / Due to Customers (%)	93.4	95.3	78.0	99.0	77.2	88.6[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 due to scale of reported amounts. [4]Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5]Simple average of periods presented for the latest accounting regime. [6]Simple average of Basel III periods presented.

Source: Moody's Investors Service; Company Filings

Profile

DekaBank is the securities service provider (Wertpapierhaus) for S-Group (on a combined basis, S-Group accounts for more than a third of the German banking system). As of 31 December 2019, DekaBank reported consolidated balance sheet assets of €97 billion, while its total customer assets, comprising on-balance sheet assets and off-balance sheet assets under management, amounted to €313 billion (€159 billion from retail customers and €155 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. As of 31 December 2019, DekaBank employed 4,741 employees (4,108 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 the 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 – the Deutsche Sparkassen- und Giroverband ö.K. (DSGV ö.K., the German Savings Banks and Giro Association) and Deka Erwerbsgesellschaft mbH & Co. KG.

For more information, please see DekaBank's Issuer Profile and our German Banking System Profile.

DekaBank's Weighted Macro Profile is Strong (+)

DekaBank has exposures mainly across Europe: 43% of total gross loans as of 30 June 2019 related to its home market Germany, 28% to other Eurozone countries (3% to Italy and Spain), 14% to the UK, 12% to Canada and the US, and the remainder mainly represented international organisations and exposures outside of Europe. Their weighted average results in a Strong (+) Macro Profile for DekaBank, same as the Strong (+) Macro Profile of Germany.

Recent developments

Global economy continues to slide as coronavirus outbreak worsens. The full extent of the economic downswing will be unclear for some time but global recession risks have risen. In Europe, the coronavirus outbreak adds to late-cycle risks for European banks. Under our baseline scenario, the direct negative credit impact on the European banking sector would be limited. A prolonged outbreak, however, would have a more severe outcome, weighing on the banks' asset quality and profitability. We expect fiscal policy measures, as already announced by a variety of euro-area governments to mitigate the economic contraction caused by the outbreak.

In March 2020, the European Central Bank (ECB) announced a series of measures to help the European Union economies weather the widening effects of the coronavirus pandemic, temporarily increasing banks' liquidity provision as well as lowering regulatory capital and liquidity requirements. As part of these temporary measures, the ECB increased its targeted long-term refinancing operations (TLTRO III) under more favourable terms as well as its financial asset purchase program, while refraining from lowering interest rates further. The temporary suspension of buffer requirements for regulatory capital and the liquidity coverage ratio (LCR) provides banks with greater flexibility and additional leeway to absorb weakening borrower creditworthiness and satisfy additional corporate liquidity needs. Overall, the package is intended to support the banks ability to provide loans to corporates and small and mid-sized businesses suffering from the effects of the coronavirus outbreak. We believe that the ECB's measures will provide a limited relief for banks and their borrowers and it will require meaningful fiscal policy measure by the European Union and its member states to soften higher default rates in banks' lending books.

Germany announced a large stimulus package that complements the European Central Bank's (ECB) supportive policy actions. The German government launched emergency corporate lending guarantee programs and expanded short-time work subsidies and investments. The measures add to Germany's already expansionary fiscal policy stance and to automatic stabilizers that support household incomes when unemployment increases. These policy measures will soften the negative economic effects of the coronavirus outbreak, but might not fully mitigate the credit-negative operational effect from the coronavirus.

Due to the turmoil created by the coronavirus outbreak, S-Group also announced on 19 March 2020 that the talks between DekaBank and Landesbank Hessen-Thueringen GZ (Helaba; Aa3 stable, baa2[2]) about a closer cooperation or even a potential merger would be called off for the time being.

On 7 April 2020, DekaBank then reported its 2019 financials. The bank's economic result (its non-GAAP pretax measure) declined by 4% or €18 million to €434 million, mainly due to a €140 million capital injection for S-Group's S-PensionsManagement (S-Group's corporate pension provider), €41 million of restructuring expenses related to DekBank's cost containment programme, an €89 million lower trading result of €183 million, 7% or €70 million higher operating expenses of €1,127 million, and loan loss provisions of €9 million (a €15 million write-back was recorded in 2018). This was mostly offset by a €21 million higher net interest income of €203 million, 10% higher net fee and commission income of €1,344 million, and a €155 million positive swing from the valuation of securities.

DekaBank's net new asset generation on the retail side remained robust at €11.1 billion in 2019 (a 1.6% decline from the 2018 level), while its institutional business recovered somewhat with net new asset inflows of €6.9 billion (in 2018, only €0.5 billion of net inflows were recorded, partly due to the planned termination of an individual master funds mandate). In combination with strong market performance, total customer assets (off-balance sheet assets under management and structured notes), thus accelerated by 13% or €39 billion to €313 billion as of year-end 2019.

Dekabank's balance sheet, meanwhile, declined by 3.1% or €3 billion to €97 billion as of year-end 2019, which reflected a marked €11 billion reduction in cash reserves, partly offset by €4 billion higher customer lending balances, which reached €28 billion, as well as a €5 billion higher trading and investment book, which stood at €30 billion.

As a result of the bank's asset mix shift, risk-weighted assets rose by €3 billion to €32 billion and the bank's fully loaded CET1 ratio declined to 14.2% from 15.4% during 2019. The bank's regulatory leverage ratio, on the other hand, improved to 4.9% from 4.6% during the period.

Detailed credit considerations

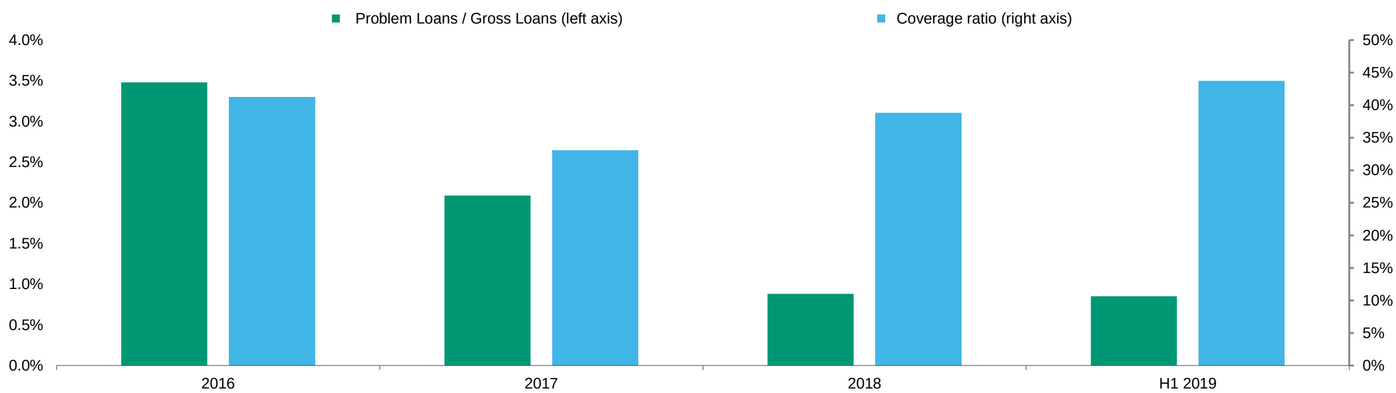
Asset risk from legacy shipping exposures declined, but CRE exposures increased

We assign a baa3 Asset Risk score, five notches below the a1 initial score (which is conditioned by the bank's Strong (+) Weighted Macro Profile), to reflect DekaBank's credit risks from illiquid lending positions and its market risk profile.

The ship finance book of DekaBank had increased to €1.4 billion (representing 30% of TCE) by end of June 2019, from €1.1 billion at year-end 2018 (2017: €1.2 billion, 2016: €1.6 billion). Of gross exposures, €0.2 billion related to legacy ship financing loans underwritten prior to 2010 and €1.2 billion represented positions originated post a change in lending risk strategy (€0.4 billion of net new lending was undertaken during the first half of 2019). The reduction in shipping loans until year-end 2018 was partly due to sales, which allowed the bank to cut its stock of problem loans by almost three quarters since 2016 and resulted in a much improved problem loan ratio of 0.8% as of June 2019.

Exhibit 3

Substantial decline in problem loans following the workout of legacy ship finance exposures



Problem loan ratio as per our definition

Source: Company reports, Moody's Investors Service

While DekaBank has not been impacted as much by the global shipping crisis as some of the other German ship lenders, its remaining exposures might create further write-downs should shipping markets deteriorate again in 2020 and beyond, following the tentative recovery seen in 2017 and 2018.

In addition to the bank's ship financing exposures, DekaBank runs a sizeable commercial real estate (CRE) book with €8.1 billion of direct exposures and €1.9 billion of loans to open-ended property funds, which on a combined basis increased by €0.3 billion or 3% during first six months of 2019, and represented 215% of TCE as of June 2019. Further credit risk stems from the bank's €3.6 billion aircraft financing business (77% of TCE), which remained stable in H1 2019, and its infrastructure financing portfolio, which rose by €0.4 billion to €3.5 billion (75% of TCE) in the corresponding period. In contrast, the bank's savings bank financing book, which is low risk, declined slightly to €3.5 billion as of June 2019 from €3.6 billion as of December 2018.

Apart from the bank's credit risk, DekaBank runs considerable market risk related to investments and derivative positions. While market risk RWA declined in 2016 following the application of an internal model for the calculation of market price risk, dislocations in capital markets could represent tail risks for the bank's securities financing business. In addition, DekaBank is in the process of expanding its long-term, more illiquid lending book in the areas of commercial real estate and structured finance, which confer higher margins, but also higher risks. Hence, to take account of risks relating to the bank's still substantial market risk and the changing asset risk profile overall, we adjust the initial Asset Risk score of a1 downward by five notches to baa3.

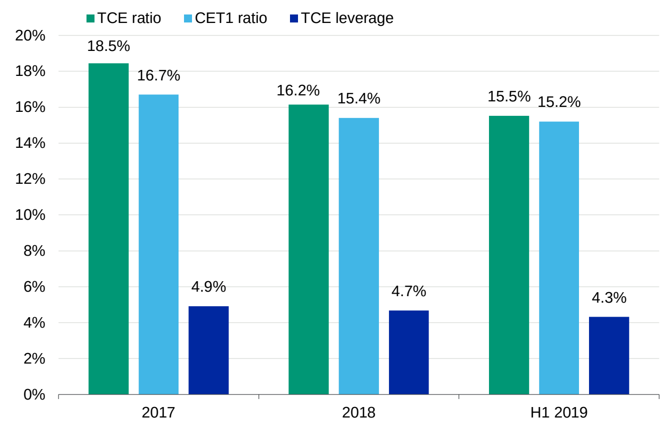
Sound, but declining capitalisation, reflecting balance sheet expansion

We assign an a2 Capital score, two notches below the aa3 initial score, to take into account the bank's leverage ratio as well as potential balance sheet growth and certain legal risks.

As of June 2019, DekaBank reported a 15.2% fully loaded CET1 ratio under the Capital Requirements Regulation and Directive (CRR/ CRD IV), a slight decline from the 15.4% recorded as of December 2018. CET1 capital rose by 3% during the first half of 2019, while risk-weighted assets (RWAs) were up 4%, stemming from a 3% rise in credit risk RWAs and a 12% rise in market risk RWAs. The increase in RWAs reflected continuing expansion of DekaBank's balance sheet by €8.3 billion, or 8%, to €109 billion during the first half of 2019, as well as increased spread risks (risk-weighted density - RWA to total assets - marginally declined to 28% as of June 2019 compared to 29% as of December 2018). As a result of the bank's balance sheet growth, the regulatory fully loaded leverage ratio also declined somewhat to 4.5% as of June 2019 from 4.6% as of December 2018 (TCE to tangible assets declined to 4.3% from 4.7% as of the same dates).

Exhibit 4

Declining capital and leverage ratios due to balance sheet expansion

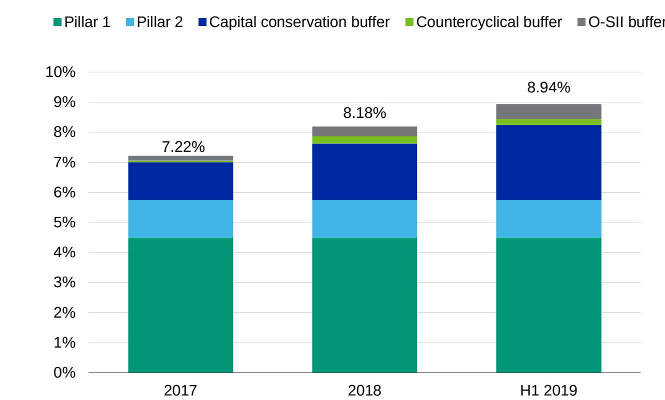


TCE = Tangible common equity (our calculation), CET1 = Common Equity Tier 1 (fully-loaded).

Source: Company reports, Moody's Investors Service

Exhibit 5

DekaBank's CET1 requirements in detail



Source: Company reports

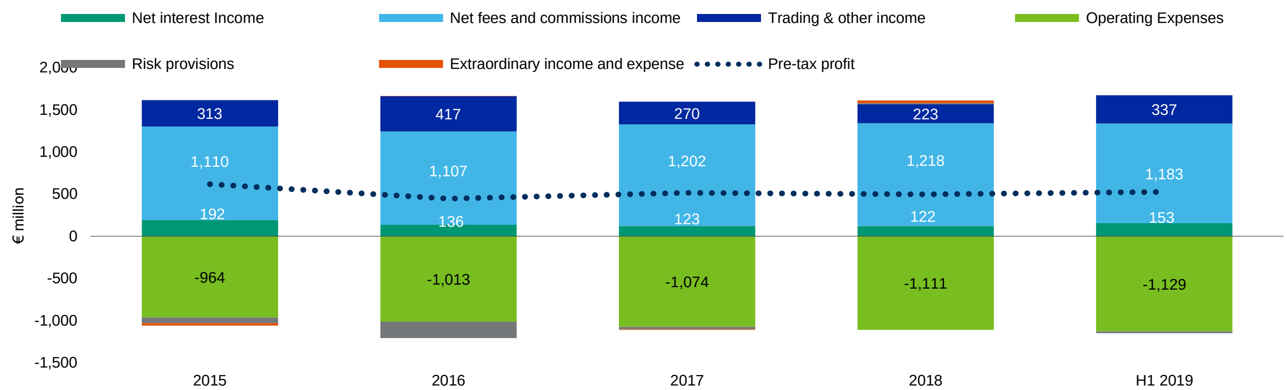
Our assigned a2 Capital score, two notches below the aa3 initial score, takes into account the bank's TCE leverage ratio, which remains below our 5% threshold level, as well as a negative impact on capital ratios from potential further balance sheet growth and certain legal risks, mainly stemming from investigations into past transactions in German stocks near the record date. As of June 2019, DekaBank's minimum capital requirements determined by the Supervisory and Review Process (SREP) were 8.94% on a CET1 basis and 12.44% on a Total Capital basis, which DekaBank comfortably exceeded at all times.

High share of stable fee income provides earnings cushion

We assign a ba2 Profitability score, in line with the initial score, reflecting DekaBank's sustainable earnings run rate in the current low interest rate environment.

Owing to its strong and profitable asset management franchise, DekaBank's fee income represents an important cushion for credit and market-related losses. As the preferred retail asset manager of the savings bank sector and a leading provider of institutional investment funds, DekaBank's resilient net fee and commission income accounted for 71% of net revenues during the first half of 2019. However, the market shift towards passive investments could put a dent in the bank's asset-based margin in the long-term. Also, during the first half of 2019, net new asset growth from the bank's actively managed retail investment products had shrunk significantly compared to the prior year period (down 33% to €4.4 billion), while the bank's institutional franchise also saw a marked decline in net new asset generation (down 42% to €2.3 billion). The decline in net new asset growth came on the back of heightened market volatility seen at the end of 2018, but more constructive markets in the first half of 2019 has led to a recovery in the second half of the year as outlined above.

Exhibit 6
Large share of recurring net fee and commission income supports earnings



H1 2019 data is annualised
Source: Company reports, Moody's Financial Metrics

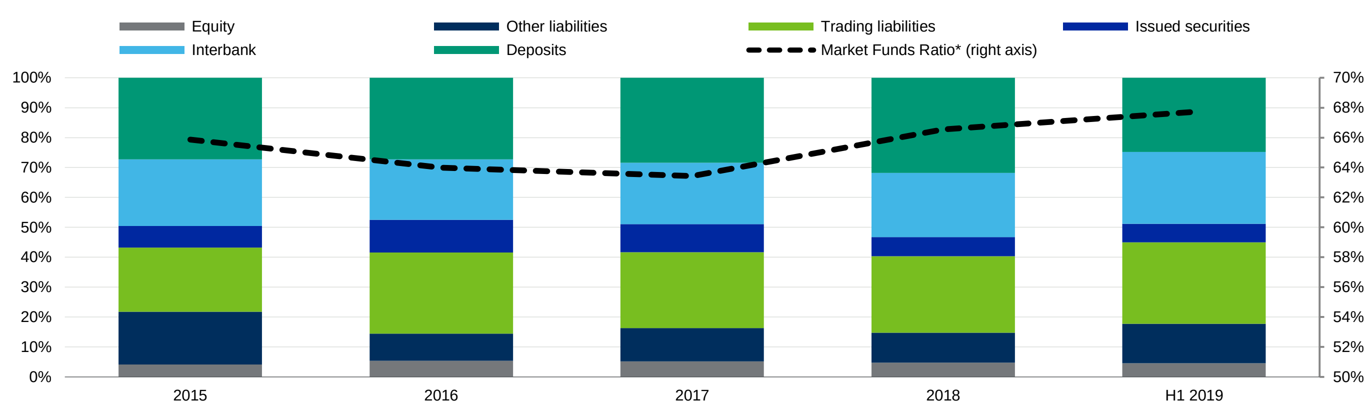
In the first half of 2019, DekaBank's reported economic result (the bank's non-GAAP pretax measure) of €223 million, which was almost unchanged from the bank's performance in the corresponding period in 2018. The result reflected a €28 million (5%) higher net commission income, which rose to €591 million, owing to higher performance fees and average assets under management, an acceleration in net interest income (up 26% to €98 million) due to volume growth, as well as higher net financial income, which grew 53% mainly due to positive valuation effects on securities in the banking book, reflecting changes in spreads in the first six months of 2019. These positive developments were offset, though, by more pronounced actuarial losses on pension provisions and higher staff and other administrative expenses.

DekaBank's reported economic result 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, as well as interest expense related to AT1 bonds, to better represent the true economic position. On an IFRS basis, and following our standard adjustments, DekaBank reported net income of €155 million in the first half of 2019, €32 million more than in the first half of 2018. The return on tangible assets thus reached 0.28%, which we consider to be in line with the sustainable run rate for DekaBank in the current low interest rate environment. As a result, we assign a Profitability score of ba2, in line with the initial score.

Wholesale funding dependence mitigated by strong access to sector funding

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

Exhibit 7
Composition of market funding sources



*Market funds ratio = market funds/tangible banking assets.
Source: Company reports, Moody's Investors Service

DekaBank is highly dependent on wholesale funds. More than half of the bank's balance sheet is funded through interbank repo and other short-term products, specifically institutional deposits and commercial paper. 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, as well as substantial regular excess cash from its mutual funds franchise. These benefits are captured in our ba3 assigned Funding Structure score, four notches above the initial score. The still modest volume of €25 billion of customer loans (as of June 2019) is sufficiently matched by medium- and long-term funds.

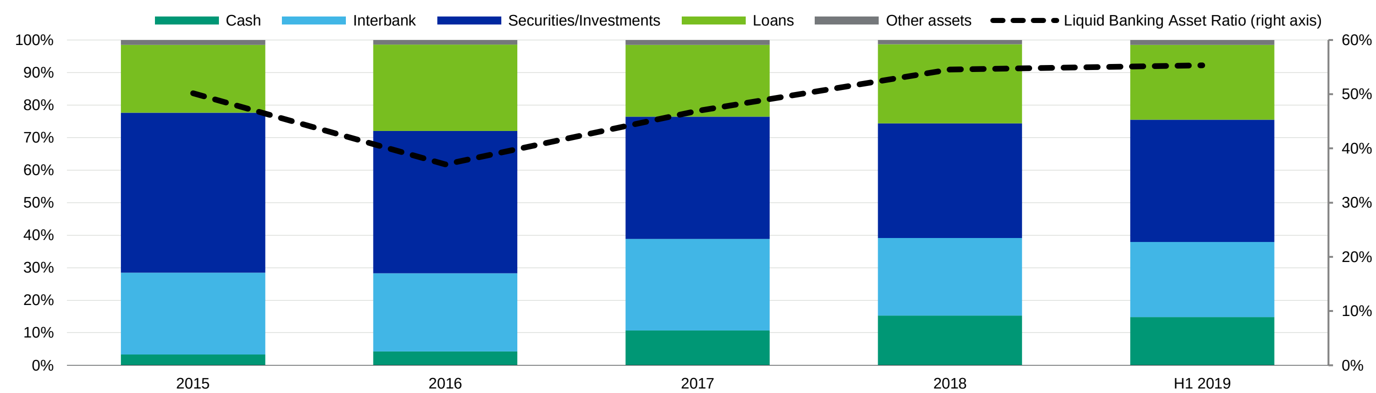
Highly liquid balance sheet despite asset encumbrance

We assign an aa3 Liquid Resources score, one notch below the aa2 initial score, taking into account asset encumbrance.

About half of DekaBank's balance sheet can be considered as liquid, reflecting securities lending and reverse repo balances, cash, as well as trading positions, which are partly encumbered, though, as reflected in our aa3 assigned Liquid Resources score. Structurally, DekaBank is slightly overfunded, with no liquidity shortfalls in short- and long-term buckets. Full coverage also applies in its combined stress scenario, a stress test introduced in compliance with domestic regulatory requirements, which pointed to a liquidity surplus under stress of €15.6 billion over a three months horizon as of 30 June 2019. The bank's ample liquid resources are also expressed in its Liquidity Coverage Ratio (LCR), which reached an average of 142% during the first half of 2019 and stood at 138% as of 30 June 2019 (138% was also the lowest level recorded during this period).

Exhibit 8

Composition of liquid assets



*Liquid banking assets ratio = liquid assets/tangible banking assets.
Source: Company reports, Moody's Investors Service

Environmental, social and governance (ESG) considerations

In line with our general view on the banking sector, DekaBank has a low exposure to environmental risks (see our environmental risk heatmap[3] for further information).

For social risks, we also place DekaBank in line with our general view for the banking sector, which indicates a moderate exposure (see our social risk heatmap[4]). This includes considerations in relation to the rapid and widening spread of the coronavirus outbreak, given the substantial implications for public health and safety and deteriorating global economic outlook, creating a severe and extensive credit shock across many sectors, regions and markets.

Corporate Governance[5] is highly relevant for DekaBank, as it is to all issuers in the banking industry. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven, and for DekaBank we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Affiliate support

DekaBank benefits from cross-sector support from S-Group. Cross-sector support materially 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 to be Very High, given 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 analysis

DekaBank is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider to be an Operational Resolution Regime. We therefore 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.

In our Advanced LGF analysis, we consider the results of both the formal legal position (pari passu, or 'de jure' scenario), to which we assign a 75% probability, and an alternative liability ranking, reflecting resolution authority discretion to prefer deposits over senior unsecured debt (full depositor preference, or 'de facto' scenario), to which we assign a 25% probability.

We further assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets. In addition, we assume a 26% share of deposits being "junior" wholesale deposits, for which we factor in a 25% run-off prior to failure, while we assume a 5% run-off in preferred deposits. These ratios are in line with our standard assumptions. The results of our Advanced LGF analysis are:

» For deposits and senior unsecured debt, as well as counterparty risk liabilities, our LGF analysis indicates an extremely low loss-given-failure, leading us to position their Provisional Rating Assessments at aa3, three notches above the a3 Adjusted BCA.

» For junior senior unsecured debt, our LGF analysis indicates a very low loss-given-failure, leading us to position its Provisional Rating Assessment at a1, two notches above the a3 Adjusted BCA.

» For subordinated debt, our LGF analysis indicates a high loss-given-failure, leading us to position its Provisional Rating Assessment at baa1, one notch below the a3 Adjusted BCA.

» For the perpetual Additional Tier 1 notes issued in 2014, the Provisional Rating Assessment is positioned at baa3, three notches below the a3 Adjusted BCA, reflecting our framework for rating non-viability Contingent Convertible Securities.

Government support

Following the introduction of the BRRD, we have lowered our expectations about the degree of support the government might provide to a bank in Germany in the event of need. Owing to its size on a consolidated basis, we consider S-Group as systemically relevant and, therefore, attribute a Moderate probability of German government support for all members of the sector, in line with support assumptions for other systemically relevant banking groups in Europe. We, therefore, still include one notch of government support uplift in our CRR, senior unsecured debt and deposit ratings of S-Group member banks that are incorporated in Germany, including DekaBank. For junior securities, we continue to believe that the likelihood for government support is Low and these ratings do not include any related uplift.

Counterparty Risk Ratings

Counterparty Risk Ratings (CRR) are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

DekaBank's CRR are positioned at Aa2/P-1.

The CRR, prior to government support, are positioned 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, that are subordinated to CRR liabilities. DekaBank's CRR 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 Assessment

The Counterparty Risk Assessment (CR Assessment) is an opinion of how counterparty obligations are likely to be treated if a bank fails and is distinct from debt and deposit ratings in that it (1) considers only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default; and (2) applies to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

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

The bank's CR Assessment is positioned four notches above the a3 Adjusted BCA, incorporating 1) three notches of LGF-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 2) one notch of government support uplift, assuming a Moderate level of support. To determine the CR Assessment, we focus purely on subordination in our Advanced LGF analysis, taking no account of the volume of the instrument class.

Methodology and scorecard

Methodology

The principal methodology we used in rating DekaBank was Banks Methodology published in November 2019.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially 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 may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 9
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	1.8%	a1	←→	baa3	Sector concentration	Market risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	15.5%	aa3	←→	a2	Expected trend	Nominal leverage
Profitability						
Net Income / Tangible Assets	0.3%	ba2	←→	ba2	Expected trend	Return on assets
Combined Solvency Score		a2		baa2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	66.5%	caa1	←→	ba3	Market funding quality	Term structure
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	54.6%	aa2	←→	aa3	Asset encumbrance	Stock of liquid assets
Combined Liquidity Score		ba1		baa2		
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	-	-	-	-	-	-	-	2	0	a1
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	2	0	a1	0	A1	
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 10

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	Aa2
Junior Senior Unsecured -Dom Curr	A1
Junior Senior Unsecured MTN -Dom Curr	(P)A1
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-Group's Corporate Family Rating and outlook and its Baseline Credit Assessment.

2 The ratings shown are Helaba's senior unsecured and deposit ratings and outlook, and its Baseline Credit Assessment.

3 Environmental risks can be defined as environmental hazards encompassing the impacts of air pollution, soil/water pollution, water shortages and natural and man-made hazards (physical risks). Additionally, regulatory or policy risks, such as the impact of carbon regulation or other regulatory restrictions, including the related transition risks such as policy, legal, technology and market shifts, that could impair the evaluation of assets are an important factor. Certain banks could face a higher risk from concentrated lending to individual sectors or operations exposed to the aforementioned risks.

4 Social risk considerations represent a broad spectrum, including customer relations, human capital, demographic and social trends, health and safety, and responsible production. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are articularly high in the area of data security and customer privacy, which are partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct are further social risks. Social trends are

also relevant in a number of areas, such as shifting customer preferences towards digital banking services increasing information technology costs, ageing population concerns in several countries affecting demand for financial services or socially driven policy agendas translating into regulations that affect banks' revenue bases.

5 Corporate governance is a well-established key driver for banks and related risks are typically included in our evaluation of the banks' financial profile. Further factors such as specific corporate behaviour, key-person risk, insider and related-party risk, strategy and management risk factors, and dividend policy may be captured in individual adjustments to the BCA, if deemed applicable. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. When credit quality deteriorates because of poor governance, such as a breakdown in controls resulting in financial misconduct, it can take a long time to recover. Governance risks are also largely internal rather than externally driven.

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