MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns first-time issuer ratings to five German banks

11 Sep 2018

Frankfurt am Main, September 11, 2018 -- Moody's Investors Service today assigned first-time long-term and short-term issuer ratings to the following five German banks: Berlin Hyp AG, DekaBank Deutsche Girozentrale, Deutsche Hypothekenbank (Actien-Gesellschaft), Deutsche Kreditbank AG, and Muenchener Hypothekenbank eG.

Moody's assigns banks' issuer ratings at the level of the most senior unsecured debt class available to that bank for plain vanilla instruments. For Germany, being a jurisdiction with an operational resolution regime and where multiple classes of senior unsecured debt exist, this is the senior unsecured debt class. The outlooks of the long-term issuer ratings match the outlooks of the banks' long-term senior unsecured debt ratings, where assigned.

All other ratings of the five banks were unaffected by today's rating action.

A full list of assigned ratings can be found at the end of this press release.

RATINGS RATIONALE

Moody's issuer ratings are opinions of a bank's ability to honour senior unsecured debt obligations and, accordingly, the issuer ratings assigned today reflect: (1) the banks' Baseline Credit Assessment (BCA) and Adjusted BCA; (2) the results of Moody's Advanced Loss Given Failure (LGF) analysis, resulting in three notches of rating uplift for all banks, which is the maximum level possible under Moody's Banks methodology; and (3) the rating agency's assumptions of government support for the five banks' senior unsecured debt obligations, reflected in moderate support assumptions and one notch of uplift for all, except for Deutsche Kreditbank AG, where a low government support assumption and zero notches of uplift apply.

Banks' issuer ratings are assigned at the level of the most senior plain vanilla unsecured bonds, which for German banks is the senior unsecured debt rating. As a result, the banks' issuer ratings equal their respective senior unsecured debt ratings, where these are assigned.

Because the banks' issuer ratings are aligned with their senior unsecured debt ratings, the outlooks on the long-term issuer ratings mirror the banks' outlooks on their assigned long-term senior unsecured debt ratings.

WHAT COULD CHANGE THE RATINGS UP

The banks' issuer ratings could be upgraded following an upgrade of their BCA and Adjusted BCA.

Upward pressure on the banks' BCA could develop as a result of improvements in their solvency, specifically through a reduction of leverage and a strengthening of capital ratios, as well as an improvement of profitability without compromising their risk profiles. In addition, upward pressure on the standalone intrinsic strength may stem from a greater diversification of the banks' funding sources, including less market confidence sensitive funding, where applicable.

The banks' Adjusted BCAs could be upgraded as a consequence of an upgrade of the BCA and/or higher rating uplift from affiliate support, where applicable. Higher uplift from affiliate support could result from Moody's re-assessment of available affiliate support and/or a strengthening of support providers' standalone financial strength.

WHAT COULD CHANGE THE RATINGS DOWN

The banks' issuer ratings could be downgraded following a downgrade of their BCA and Adjusted BCA, or due to lower rating uplift for senior obligations under Moody's Advanced LGF analysis, or because of a reduction in government support assumptions, where applicable.

Downward pressure on the banks' BCA could develop as a result of a weakening of their solvency metrics or a deterioration in their combined liquidity profile.

Downward pressure on the banks' Adjusted BCAs could develop as a result of a BCA downgrade or a weakening of their affiliate support providers' standalone financial fundamentals, which may result in lower rating uplift from affiliate support.

The banks' ratings could also experience downward pressure from a rising loss severity. Sustained lower volumes of subordinated liabilities, junior senior unsecured debt or senior unsecured debt could result in fewer notches of rating uplift under Moody's Advanced LGF analysis. Specifically, a gradual replacement of junior senior unsecured debt or subordinated liabilities by senior unsecured debt could result in fewer notches of rating uplift for issuer ratings.

Furthermore, where applicable, Moody's re-assessment of the likelihood of government support could reduce rating uplift and downward rating pressure for rating classes that presently benefit from government support uplift.

LIST OF AFFECTED RATINGS

Issuer: Berlin Hyp AG

Assignments:

.... Long-term Issuer Rating (Local and Foreign Currency), Assigned Aa2 Stable

.... Short-term Issuer Rating (Local and Foreign Currency), Assigned P-1

Issuer: DekaBank Deutsche Girozentrale

Assignments:

.... Long-term Issuer Rating (Local and Foreign Currency), Assigned Aa2 Stable

.... Short-term Issuer Rating (Local and Foreign Currency), Assigned P-1

Issuer: Deutsche Hypothekenbank (Actien-Gesellschaft)

Assignments:

.... Long-term Issuer Rating (Local and Foreign Currency), Assigned Baa2 Negative

.... Short-term Issuer Rating (Local and Foreign Currency), Assigned P-2

Issuer: Deutsche Kreditbank AG

Assignments:

.... Long-term Issuer Rating (Local and Foreign Currency), Assigned A1 Stable

.... Short-term Issuer Rating (Local and Foreign Currency), Assigned P-1

Issuer: Muenchener Hypothekenbank eG

Assignments:

.... Long-term Issuer Rating (Local and Foreign Currency), Assigned Aa3 Stable

.... Short-term Issuer Rating (Local and Foreign Currency), Assigned P-1

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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