Rating Action: Moody's assigns Counterparty Risk Ratings to 26 German banks

19 Jun 2018

Ratings are assigned following 6 June 2018 update to Moody's Banks rating methodology


Moody's Counterparty Risk Ratings (CRR) are opinions of the ability of entities to honor the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honored. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralized portion of payables arising from derivatives transactions and the uncollateralized portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

For a full list of assigned CRRs, please refer to the end of this press release.

RATINGS RATIONALE

In assigning CRRs to the banks, their subsidiaries and branches subject to this rating action, Moody's starts with the banks' Adjusted Baseline Credit Assessment (Adjusted BCA) and uses the agency's existing Advanced Loss-Given-Failure (LGF) approach that takes into account the level of subordination to CRR liabilities in the bank's balance sheet and assumes a nominal volume of such liabilities. In addition, where applicable, Moody's has incorporated the likelihood of government support for CRR liabilities.

As a result, the CRRs assigned to 19 German banks are four notches higher than their respective Adjusted BCAs, incorporating the maximum amount of three notches of LGF uplift allowed under Moody's rating methodology. For five German banks, the CRRs assigned are three notches higher than their respective Adjusted BCAs. The CRR of Debeka Bausparkasse AG is two notches higher than its Adjusted BCA and ING-DiBa AG's CRRs are one notch above the bank's Adjusted BCA.

In all cases for German banks, the CRRs assigned are equal to or higher than the rated banks' senior debt and deposit ratings. This reflects Moody's view that secured counterparties to banks typically benefit from greater protections under insolvency laws and bank resolution regimes than do senior unsecured creditors, and that this benefit is likely to extend to the unsecured portion of such secured transactions in most bank resolution regimes. Moody's believes that in many cases regulators will use their discretion to allow a bank in resolution to continue to honor its CRR liabilities or to transfer those liabilities to another party who will honor them, in part because of the greater complexity of bailing in obligations that fluctuate with market prices, and also because the regulator will typically seek to preserve much of the bank's operations as a going concern in order to maximize the value of the bank in resolution, stabilize the bank quickly, and avoid contagion within the banking system. CRR liabilities at these banking groups therefore benefit from the subordination provided by more junior liabilities, with the extent of the uplift of the CRR from the Adjusted BCA depending on the amount of subordination.

What Could Change the Rating Up

As the banks' CRRs are based on the Adjusted BCA as well as the results of Moody's Advanced LGF analysis, any upward change to the Adjusted BCA and rating uplift under the LGF analysis would likely also affect these
ratings. The banks' Adjusted BCAs could be upgraded as a consequence of a strengthening of their standalone financial fundamentals as well as higher rating uplift from affiliate support, where applicable, following a reassessment of affiliate support assumptions and/or a strengthening of support providers' standalone financial strength.

The banks' CRRs could also experience upward pressure from movements in the loss-given-failure faced by these liabilities. Changes in the banks' liability structure, which would indicate a lower loss severity for senior creditors, could result in higher ratings uplift, unless the CRR already benefits from the maximum amount of three notches of Advanced LGF uplift allowed under Moody's rating methodology.

What Could Change the Rating Down

Likewise, as the banks' CRRs are based on the Adjusted BCA and the results of Moody's Advanced LGF analysis, any deterioration of the Adjusted BCA and lower rating uplift under the LGF analysis would likely also affect these ratings.

Downward pressure on the banks' Adjusted BCAs could develop as a result of a weakening of their and/or their affiliate support providers' standalone financial fundamentals as well as lower rating uplift from affiliate support.

The banks' CRRs could also experience downward pressure from movements in the loss-given-failure faced by these liabilities. Sustained lower volumes of subordinated liabilities, senior debt instruments, or junior deposits could result in fewer notches of rating uplift for CRRs under the Advanced LGF analysis.

Furthermore, where applicable, Moody's re-assessment of the likelihood of systemic support could reduce rating uplift and lead to downgrades of CRRs.

LIST OF AFFECTED RATINGS

Issuer: Aareal Bank AG

..Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-2

Issuer: Bausparkasse Mainz AG

..Assignments:

....Long-term Counterparty Risk Rating (Local Currency), assigned A2

....Short-term Counterparty Risk Rating (Local Currency), assigned P-1

Issuer: Bayerische Landesbank

..Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: Bayerische Landesbank, (London Branch)

..Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: Bayerische Landesbank, (New York Branch)
Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Bayerische Landesbank, (Paris Branch)

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Berlin Hyp AG

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Berliner Sparkasse

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Commerzbank AG

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Commerzbank AG, London Branch

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Commerzbank AG, New York Branch

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Commerzbank Finance & Covered Bond S.A.

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: DB Privat- und Firmenkundenbank AG

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A3
Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-2
Issuer: Debeka Bausparkasse AG

Assignments:

Long-term Counterparty Risk Rating (Local Currency), assigned A3
Short-term Counterparty Risk Rating (Local Currency), assigned P-2

Issuer: DekaBank Deutsche Girozentrale

Assignments:

Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa2
Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: Deutsche Apotheker- und Aerztebank eG

Assignments:

Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa1
Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: Deutsche Hypothekenbank (Actien-Gesellschaft)

Assignments:

Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Baa2
Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-2

Issuer: Deutsche Kreditbank AG

Assignments:

Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: DVB Bank S.E.

Assignments:

Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa1
Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: DZ BANK AG

Assignments:

Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa1
Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: HSH Nordbank AG

Assignments and placed on review for upgrade:

Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Baa3
Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-3
Issuer: HSH Nordbank, Luxembourg Branch
..Assignments and placed on review for upgrade:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Baa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-3
Issuer: ING-DiBa AG
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: KfW IPEX-Bank GmbH
..Assignments and placed on review for upgrade:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A2
..Assignments:
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Kreissparkasse Koeln
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Landesbank Baden-Wuerttemberg
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Landesbank Baden-Wuerttemberg, New York
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Landesbank Baden-Wuerttemberg, Singapore Branch
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Landesbank Berlin AG
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Landesbank Hessen-Thueringen GZ
Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Landesbank Hessen-Thueringen GZ, NY Branch

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Landesbank Saar

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: Muenchener Hypothekenbank eG

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: NORD/LB Luxembourg S.A. Covered Bond Bank

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Baa2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-2
Issuer: Norddeutsche Landesbank GZ

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Baa2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-2
Issuer: Norddeutsche Landesbank GZ, New York Branch

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Baa2
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-2
Issuer: Sparkasse KoelnBonn

Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
Issuer: UniCredit Bank AG

Assignments:
Issuer: Unicredit Bank AG, Hong Kong Branch
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: UniCredit Bank AG, London Branch
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: UniCredit Bank AG, New York Branch
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: UniCredit Bank AG, Paris Branch
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: Unicredit Bank AG, Singapore Branch
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: Unicredit Bank AG, Tokyo Branch
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: UniCredit Luxembourg S.A.
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned A1
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1

Issuer: Volkswagen Bank GmbH
..Assignments:
....Long-term Counterparty Risk Rating (Local and Foreign Currency), assigned Aa3
....Short-term Counterparty Risk Rating (Local and Foreign Currency), assigned P-1
PRINCIPAL METHODOLOGY

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

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