MOODY'S
INVESTORS SERVICE

CREDIT OPINION
29 October 2021

Update

Rate this Research

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.

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DekaBank Deutsche Girozentrale

Update to credit analysis

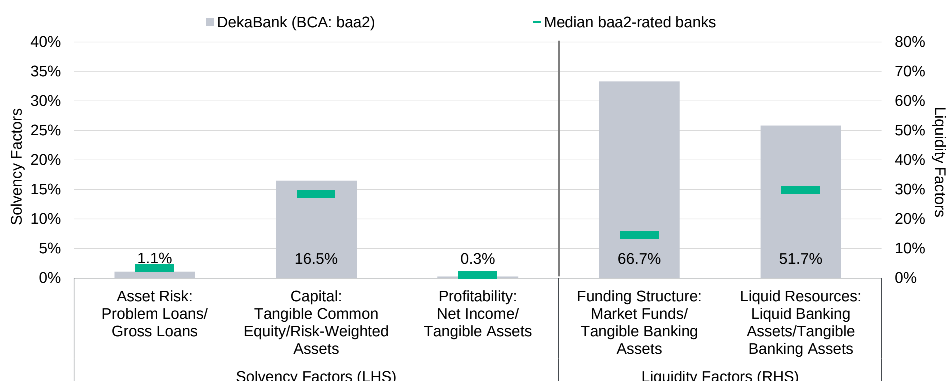
Summary

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

DekaBank's 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]); the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities, which indicates an extremely low loss given failure and results in three notches of rating uplift; and 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 significant loan exposure, including from 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



Source: Moody's Financial Metrics

Credit strengths

» High share of recurring fee income, supported by strong domestic savings rate

» Sound capitalisation

» Status as a core institution of S-Finanzgruppe

Credit challenges

» Partial reversal of prior reduction in problem loans, which reflects concentrated credit risk exposures in asset-based lending areas hit by the coronavirus pandemic

» Dependence on wholesale funding

» Higher cost of risk and depressed interest rate levels, which limit the contribution of non-fee income to the bank's results

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 for 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. An upgrade of the BCA could, however, be offset by reduced affiliate support uplift.

» DekaBank's BCA could be upgraded in the event of broad-based and significant improvement in solvency factors, in combination with a pronounced reduction in its market funding reliance.

» Upward pressure from our Advanced LGF analysis could only arise for instruments ranking lower than senior unsecured debt, and only if DekaBank significantly increases its volume of subordinated instruments.

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 by a reduction in the rating uplift resulting from our Advanced LGF analysis.

» DekaBank's BCA could be strained in case of a higher reliance on or a weaker quality of market funding. In addition, DekaBank's BCA could be downgraded if additional risks emerge from its commercial banking activities; the bank fails to maintain capital ratios at strong levels; or profitability declines substantially. 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]

	06-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	94.3	85.5	97.2	100.4	93.8	0.2[4]
Total Assets (USD Billion)	111.8	104.6	109.2	114.8	112.6	(0.2)[4]
Tangible Common Equity (EUR Billion)	5.1	4.9	4.8	4.7	4.6	2.9[4]
Tangible Common Equity (USD Billion)	6.0	6.0	5.3	5.4	5.5	2.5[4]
Problem Loans / Gross Loans (%)	1.1	2.0	0.7	0.6	2.1	1.3[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.5	15.6	14.8	16.2	18.4	16.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	6.2	10.0	3.8	3.3	9.2	6.5[5]
Net Interest Margin (%)	0.2	0.1	0.1	0.1	0.1	0.1[5]
PPI / Average RWA (%)	2.1	1.7	1.4	1.6	2.1	1.8[6]
Net Income / Tangible Assets (%)	0.4	0.2	0.2	0.2	0.3	0.3[5]
Cost / Income Ratio (%)	66.3	66.8	74.1	72.9	68.2	69.7[5]
Market Funds / Tangible Banking Assets (%)	66.7	66.7	69.3	68.6	63.4	67.0[5]
Liquid Banking Assets / Tangible Banking Assets (%)	52.3	51.7	49.9	54.6	46.9	51.1[5]
Gross Loans / Due to Customers (%)	137.8	129.5	136.2	105.4	78.0	117.4[5]

[-] Further to the publication of our revised methodology in July 2021, for issuers that have "high trigger" additional Tier 1 instruments outstanding, not all ratios included in this report reflect the change in treatment of these instruments. [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 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 2021, DekaBank reported consolidated balance-sheet assets of €94 billion, while its total customer assets, comprising off-balance sheet assets under management and structured notes, amounted to €368 billion (€181 billion from retail customers and €187 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 30 June 2021, DekaBank employed 4,823 employees (4,199 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.

For more information, please see DekaBank's Issuer Profile.

DekaBank's Weighted Macro Profile is Strong (+)

DekaBank's main exposures are located in Europe: 50% of total gross loan volume as of 30 June 2021 were located in its home market of Germany (Aaa stable), 28% in other euro area countries (thereof 2% in Italy [Baa3 stable] and Spain [Baa1 stable]), 9% in the UK (Aa3 stable), and the remaining 13% in other countries outside the euro area. Weighting by DekaBank's exposures results in a Strong (+) Macro Profile, on par with the Strong (+) Macro Profile of Germany.

Recent developments

All G-20 countries sustained severe output losses in 2020, but the contraction in some economies was sharper than in the others. We expect the pace of improvement to be asymmetric across countries. The recovery path is beset with uncertainty and will remain highly dependent on the distribution of vaccines, effective pandemic management and government policy support.

The Government of Germany (Aaa stable) launched a large stimulus package, and its support has been crucial for corporate borrowers in industries directly hurt by the pandemic, such as the airlines, tourism, retail and shipping sectors, and smaller companies experiencing weak liquidity and high leverage. The scale of the support package is unprecedented and is far larger than the support provided during the 2008-09 financial crisis. At the same time, the government made it easier to access its furlough scheme and extended it to a broader pool of workers, which will limit the spike in unemployment and the fall in domestic consumption. The measures, which are adapted to the evolution of the economic effects of the pandemic, add to Germany's already expansionary fiscal policy stance and to the automatic stabilisers that support household incomes when unemployment increases.

Detailed credit considerations

Following a temporary spike, problem loans resumed the multi-year downward trend

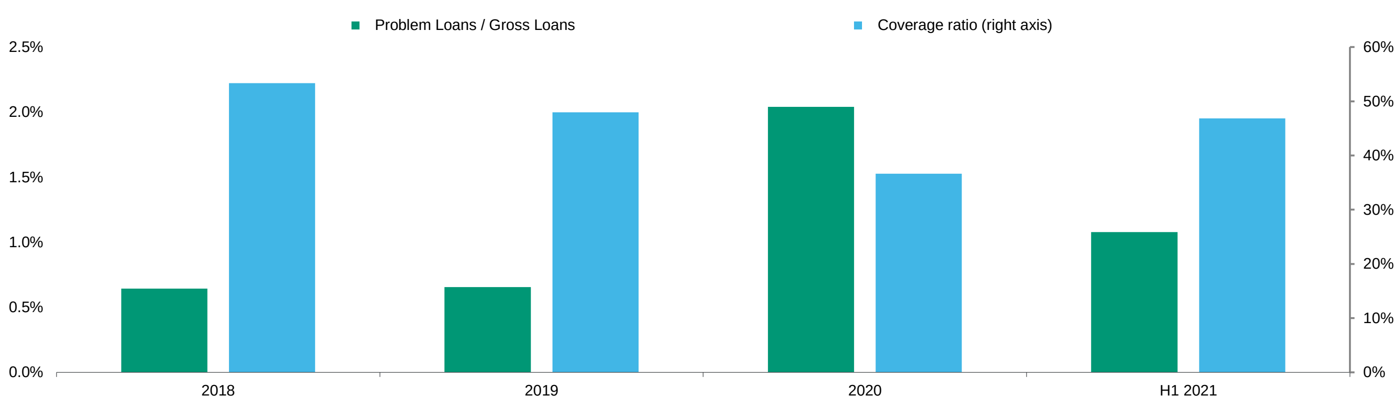
We assign a baa2 Asset Risk score, five notches below the aa3 initial score (which is conditioned by the bank's Strong (+) Weighted Macro Profile), reflecting DekaBank's credit risks from concentrated lending positions and market risk profile.

Due to 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 and are accordingly not reflected in the bank's problem loan ratio. 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 resulting from contingent liabilities. Asset managers, including DekaBank, are exposed to operational and reputational risks, which can increasingly result from potential breaches of data security and customer privacy.

The economic shock caused by the pandemic caused a marked initial increase in the bank's problem loans to 2.0% of gross loans as of December 2020 from 0.7% as of year-end 2019, but during H1 2021, problem loans declined to €323.8 million or 1.1% of gross loans. Of the €324 million nonperforming exposures as of June 2021, €143 million related to the transport and export finance business, and €181 million stemmed from the property portfolio.

Exhibit 3

Nonperforming loans (NPLs) increased markedly because of the pandemic-induced shock



The problem loan ratio is per our definition.
Sources: Company and Moody's Investors Service

DekaBank's transport finance book consists of ship and aircraft financing. Its €2.6 billion (December 2020: €2.9 billion) aircraft financing portfolio represented 51% of the bank's tangible common equity (TCE) as of 30 June 2021 and has been particularly strained by the economic downturn.

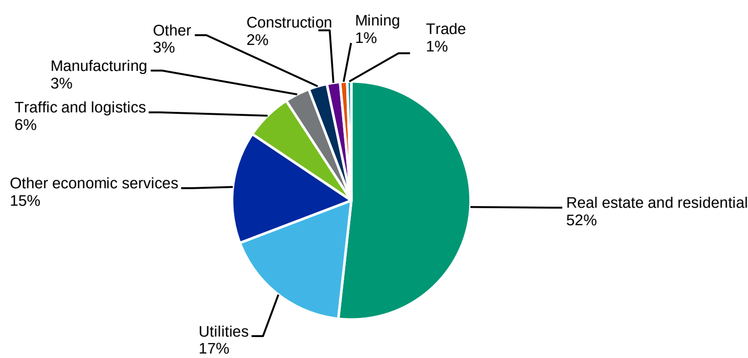
The second lending segment particularly exposed to the economic disruption caused by the pandemic is the bank's commercial real estate (CRE) lending segment. DekaBank's outstanding CRE loan volume increased moderately to €8 billion in June 2021 from €7.8 billion as of year-end 2020. In addition to CRE lending, DekaBank has further indirect exposure to commercial property markets through its €2.4 billion lending book (December 2020: €2.5 billion) as of 30 June 2021 and to its in-house mutual property funds. DekaBank's combined CRE lending segment is backed 7% by retail and 4% by hotel properties, both of which were hit particularly hard by lockdown measures and by the structural changes accelerated during the pandemic. However, the moderate portfolio shares of these subsegments compare favourably with CRE lender peers. At the same time, DekaBank benefits — to a limited extent because the bank's CRE lending business is focused on non-domestic markets — from the relative stability of its home market.

DekaBank's ship finance book decreased to €0.9 billion as of the end of first half of 2021 from €1.1 billion as of year-end 2020. Almost all of the remaining shipping loan book of DekaBank was underwritten after 2009 on the basis of more prudent lending standards than those used by German shipping lenders up to the global financial crisis. The reduction in legacy shipping loans had been a key driver of declining nonperforming loans (NPLs) before the pandemic.

Exhibit 4

DekaBank's corporate lending exposures are focused on the real estate sector

Breakdown of loans to non-financial private sector borrowers by industry, H1 2021



Sources: H1 2021 Pillar 3 disclosure report and Moody's Investors Service

Apart from counterparty (credit) risk, DekaBank is 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 2021, the bank set aside €57 million in provisions (2020: €52 million) for potential liabilities in case fund returns for covering investor capital fall short.

Capitalisation remains sound despite decline because of balance-sheet expansion

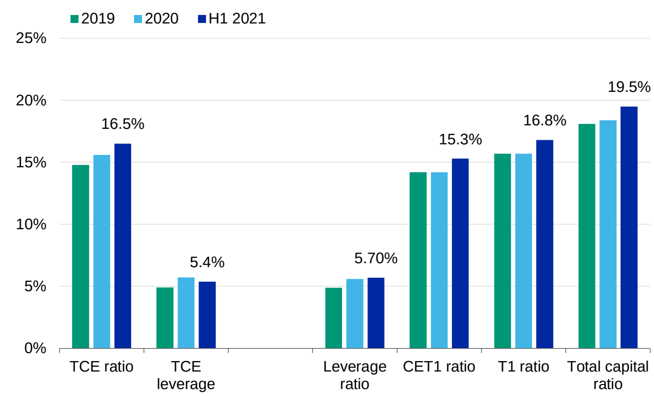
We assign a Capital score of a2, three notches below the aa2 initial score, taking into account the bank's sound capitalisation, despite growing risk-weighted assets (RWA) and an improved leverage ratio. The negative adjustment reflects our expectation of a moderate future decline in capitalisation because of tighter regulatory risk measurement requirements and falling leverage in case DekaBank reflates its currently reduced total asset base.

DekaBank's TCE ratio, measured as TCE/RWA, increased to 16.5% as of June 2021 from 15.6% as of year-end 2020. At the same time, the bank reported a 15.3% transitional Common Equity Tier 1 (CET1) capital ratio. After results appropriation, the CET1 ratio was at 15.0%[2] as of year-end 2020. The bank's TCE leverage decreased moderately to 5.4% as of 30 June 2021 from 5.7% as of the year-end 2020. This decrease mainly reflected the strong increase by €8.8 billion to €94.1 billion of DekaBank's tangible assets during H1 2021. Similarly, credit risk-weighted assets (excluding CVA risk) increased by €2.4 billion to €20 billion, an effect that was more than offset by a €2.9 billion decline in market risk-weighted assets to €6.7 billion.

DekaBank uses internal models to calculate credit risk weights of €30 billion out of its €66 billion of net risk positions as of 30 June 2021, mainly in relation to its corporate lending book. The risk weights for the remaining €36 billion are calculated using the standardised approach. Regulatory changes because of the phase-in of Basel IV requirements will limit the benefits of internal models, which will increase the bank's RWA over the medium term. A moderate weakening of capital ratios might result from certain legal risks, mainly stemming from investigations into past transactions in German stocks near the dividend payment dates. As of 30 June 2021, DekaBank's minimum capital requirements determined by the Supervisory and Review Process (SREP) were 8.44% on a CET1 basis and 12.32% on a total capital basis. DekaBank comfortably exceeded these levels at all times.

Exhibit 5

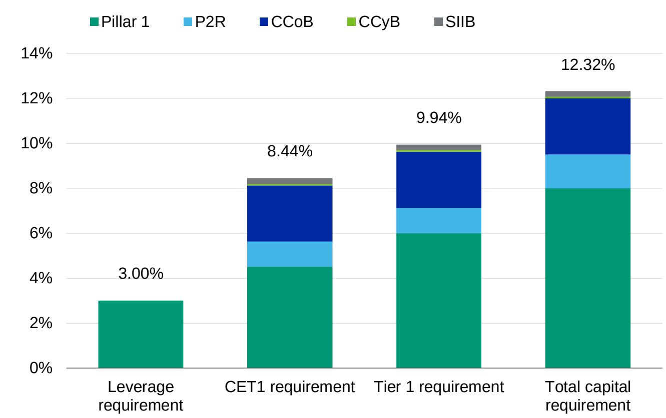
DekaBank's CET1 and TCE ratios



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

Exhibit 6

DekaBank's H1 2021 capital ratios exceeded regulatory minima



CCoB = Capital conservation buffer; CCyB = Countercyclical capital buffer; SIIB = Systemically important institutions buffer.
Source: Company

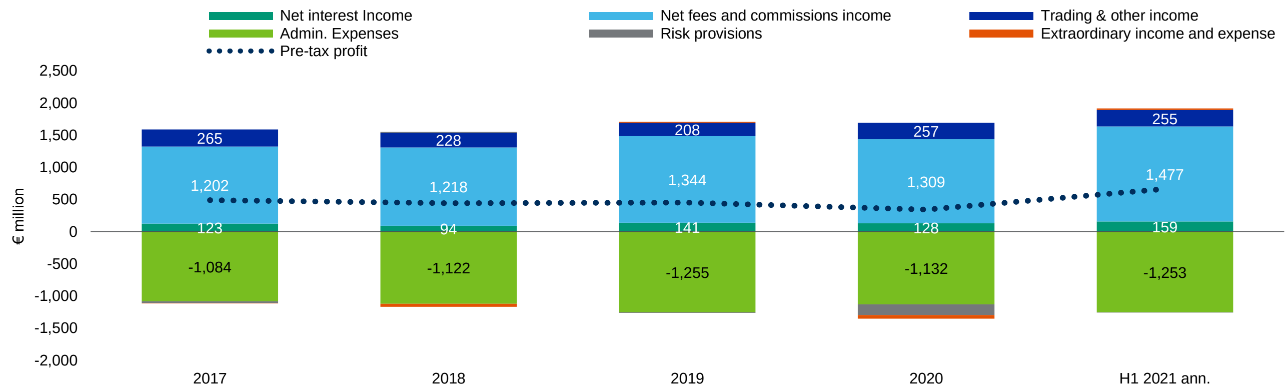
High share of stable fee income provides earnings buffer

We assign a Profitability score of ba2, at the level of the initial score, reflecting DekaBank's stable earnings in a difficult economic and volatile capital market environment, and our expectation that the bank will be able to broadly maintain such stable profitability as economic activity recovers.

Based on our adjusted financials, DekaBank's net income increased by €82 million to €201 million as of 30 June 2021, from the same period a year earlier. DekaBank's net commission income, the bank's main profitability driver, increased by €162 million (28%) to €739 million as of June 2021 from the same period in 2020. Commissions from the investment fund business increased, in particular due to higher portfolio-related fees as a result of higher average total customer assets. Net interest income in H1 2021 declined by 22% to €75 million, but improved loan-loss provisions of €18 million (H1 2020: €69 million) brought DekaBank's net interest income after provisions to €93 million, up from €28 million in H1 2020. Within the more volatile non-fee and non-interest income operating result, the bank's trading profit declined to €74 million during the first half of 2021, down from €279 million a year earlier, but made a profit on financial instruments mandatorily measured at fair value of €10 million, after a loss of €29 million as of June 2020.

The fee income from its strong and profitable asset management franchise has proved to be an important buffer for credit and market-related losses, even as a shift toward 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 78% of net revenue as of 30 June 2021. Net new asset growth from the bank's actively managed retail investment products increased 60% to €11.1 billion during H1 2021 from the level a year earlier. Meanwhile, net new asset generation from the bank's institutional franchise declined 67% to €2.5 billion during the same period due to the one-off loss of a large-volume contract. Overall, this led to an increase in total customer assets to €368 billion in June 2021, up 8.6% from the level as of 30 June 2020.

Exhibit 7
Net fees and commissions income supported earnings, while trading income improved



Note: Expenses and revenues of H1 2021 have been annualised.
Sources: Company and Moody's Investors Service

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 AT1 bonds (with the latter also being reclassified to interest expenses in our adjusted financials).

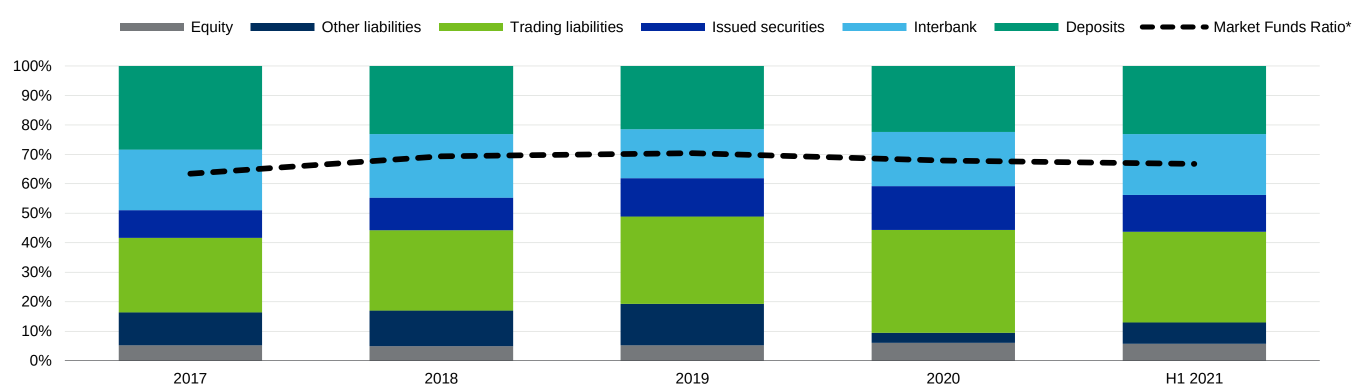
DekaBank's H1 2021 economic pretax result of €342.9 million (up from €162.5 million in H1 2020) was €9.0 million above the bank's IFRS result (H1 2020: €81.5 million below the IFRS result).

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. More than half of the bank's balance sheet is funded through interbank repo and other short-term products, as shown in Exhibit 7, 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 bank sector, and substantial regular excess cash from its mutual funds franchise. The still-modest volume of €30 billion of customer loans (as of June 2021) is sufficiently matched by medium- and long-term funds.

Exhibit 8
Composition of market funding sources



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

According to DekaBank, central bank funding accounted for 8.7% of its €17.2 billion of year-end 2020 money-market funding, up from 4.1% as of year-end 2019. The bank also sources funds through the ECB's targeted longer-term refinancing operations (TLTRO), but we expect this to be of temporary nature and to be repaid out of excess cash held by the bank.

By the end of June 2021, the bank's funding mix partly reverted its year-end 2020 change, with the share of money market instruments in the total funding mix increasing to 57% as of June 2021 from 52% as of year-end 2020 (December 2019: 59%). In particular, commercial paper issuance recovered moderately after a drop in its outstanding amount to €0.3 billion as of December 2020 from €10.7 billion as of year-end 2019. The bank moderately increased customer liabilities to €23.1 billion from €21.7 billion as of June 2021 and interbank funding rose to €21.6 billion from €17.1 billion.

From June 2021, a minimum regulatory Net Stable Funding Ratio (NSFR) of 100% came in force. At 118.5% as of June 2021, DekaBank comfortably complied with it, yet this metric will limit DekaBank's ability to shift its funding structure back toward 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. From 1 January 2022 on, the bank's MREL requirement will be set against both RWA and leverage exposure. As of June 2021, DekaBank reported very strong MREL ratios of 61.6% (against RWA) and 21.0% (against leverage exposure).DekaBank's MREL instruments included €6.2 billion of own funds and subordinated debt, €8.5 billion of junior senior unsecured liabilities and €4.3 billion of eligible senior unsecured debt.

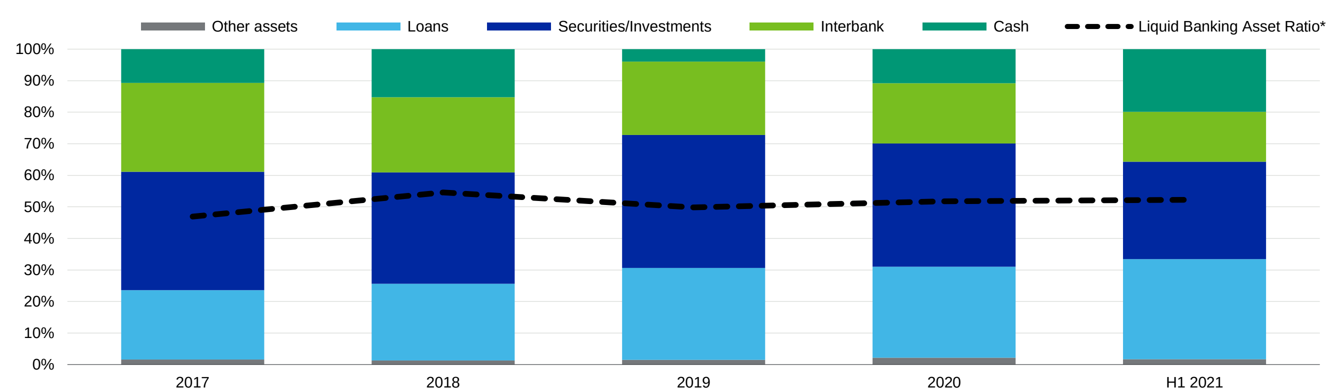
Highly liquid balance sheet despite asset encumbrance

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.

About half of DekaBank's balance sheet can — in principle — be considered liquid, as shown in Exhibit 8, reflecting securities lending and reverse repo balances, cash and trading positions. However, a relevant share of these are encumbered. As of year-end 2020, DekaBank had provided €4.6 billion in liquid assets as collateral for derivative transactions, up from €0.8 billion as of year-end 2019. At the peak of 2020's market volatility in H1 2020, the bank had posted up to €7.7 billion of liquid assets as collateral, highlighting the need to maintain ample buffers for unforeseen market swings.

DekaBank's Day One liquidity potential of €3.2 billion and total unencumbered high-quality liquid resources eligible for the regulatory liquidity coverage ratio (LCR) of on average €23.2 billion during Q2 2021 provide sound buffers against such unforeseen market swings. Consequently, the LCR remained solid during H1 2021, averaging 166% in the first six months of 2021 and closing at 150% as of 30 June 2021 — 149% was the lowest and 199% was the highest level recorded during this period.

Exhibit 9
Composition of liquid assets



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

Per June 2021, DekaBank raised its cash holdings to €18.7 billion from €9.2 billion as of year-end 2020. At the same time, liabilities to banks rose increased by €4.5 billion to €21.6 billion, mainly driven by repo and securities lending liabilities. We expect DekaBank's excess cash position to normalise upon the repayment of its undisclosed TLTRO borrowing amount.

ESG considerations

In line with our general view of the banking sector, DekaBank has low exposure to environmental risks (see our environmental heat map[3] for further information).

In terms of social risks, in line with our general view of the banking sector, DekaBank has moderate exposure (see our social heat map[4]). This includes considerations in relation to the spread of the pandemic, because of the substantial implications for public health and safety, and the deteriorating global economic outlook, which is 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. DekaBank shows an appropriate risk management framework related to its risk appetite. Despite its past involvement in transactions around dividend payments, we do not have any particular governance concern for the bank, and do not apply any corporate behaviour adjustment for DekaBank. Nonetheless, corporate governance remains a key credit consideration because of new emerging risks and requires ongoing monitoring.

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 to be 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 residual TCE of 3%, losses post-failure of 8% of tangible banking assets, a 26% proportion of junior deposits and 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.

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

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

» For the perpetual Additional Tier 1 notes issued in 2014, the Preliminary 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 considerations

Following the introduction of the BRRD, we have 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, that 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 10

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	1.1%	aa3	↔	baa2	Sector concentration	Market risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	16.5%	aa2	↔	a2	Expected trend	Risk-weighted capitalisation
Profitability						
Net Income / Tangible Assets	0.3%	ba2	↔	ba2	Expected trend	Return on assets
Combined Solvency Score		a1		baa2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	66.7%	caa1	↔	ba3	Market funding quality	Extent of market funding reliance
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	51.7%	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	-	-	-	-	-	-	-	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 11

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	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-Finanzgruppe's Corporate Family Ratings, outlook and BCA.

2 DekaBank's CET1 ratio before earnings-appropriation stood at 14.2% as of 31 December 2020.

3 Environmental risks can be defined as environmental hazards encompassing the effects of air pollution, soil/water pollution, water shortages, and natural and human-made hazards (physical risks). Additionally, regulatory or policy risks — such as the effect 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 particularly high in the area of data security and customer privacy, which are 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 toward digital banking services increasing information technology costs, ageing population concerns in several countries straining demand for financial services or socially driven policy agendas translating into regulations that strain banks' revenue bases.

5 Corporate governance is a well-established key driver for banks, and the 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. 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.

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