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DekaBank Deutsche Girozentrale

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DekaBank Deutsche Girozentrale

SACP	bbb		+	Support	+4	+	Additional Factors	0

Anchor	a-	
Business Position	Moderate	-1
Capital and Earnings	Adequate	0
Risk Position	Moderate	-1
Funding	Average	0
Liquidity	Adequate	

ALAC Support	0
GRE Support	0
Group Support	+4
Sovereign Support	0

Issuer Credit Rating
A+/Negative/A-1

Major Rating Factors

Strengths:	Weaknesses:
• Expected ongoing and extraordinary group support from its owners, the German savings banks, if needed. • Position as one of the leading domestic asset managers, benefiting from its integration into the German savings bank sector. • Adequate capital levels and liquidity comparable with other German commercial banks.	• Potential earnings volatility due to revenues' sensitivity to capital market conditions. • Lower level of risk diversification and higher operational and reputational risks than peers; notable loan exposure to the transportation sector. • Reliance on wholesale funding.

Outlook: Negative

The negative outlook on DekaBank reflects our view of persisting economic and industry risks for the German banking sector. In particular, we anticipate that the German savings banks--the 100% owners of DekaBank--will be exposed to the economic and industry risks facing the German banking industry in the context of the COVID-19 pandemic and prolonged low-interest rate environment.

We could lower our ratings on DekaBank if we lowered our assessment on the German savings banks, following a negative revision of our view on industry risks in the German banking sector leading to a change in the anchor--the starting point of our ratings--to 'bbb+' from 'a-'. We could also take a negative rating action if the German savings banks' profitability were to erode materially in light of the low interest-rate environment or from rising risk costs in the COVID-19 stressed economic environment, such that it prevented the group from covering its normalized credit losses. We could also take a negative rating action if the German savings banks unexpectedly decreased the sales volumes of DekaBank's products over a prolonged period.

We could revise the outlook to stable over the 24-month outlook if we were to reassess our industry risk trend for the German banking industry back to stable; for instance, if German banks sustainably improved profitability. This would also require that we saw reduced downside risks from the pandemic to the group's financial profile.

We do not assign outlooks to bank issue ratings. That said, we expect our ratings on DekaBank's senior subordinated (senior nonpreferred) issuances will move in tandem with our issuer credit rating on the bank. For details on ratings on such hybrid debt, see the hybrid issue ratings section below.

Rationale

The 'A+/A-1' ratings on DekaBank benefit from four notches of uplift from its 'bbb' stand-alone credit profile (SACP). We base this on the bank's core group status to its 100% owners, the German savings banks. In the unlikely event that DekaBank required extraordinary support, we believe that Deutscher Sparkassen- und Giroverband (DSGV; the German Savings Banks Association), which holds the 100% stake in DekaBank on behalf of the savings banks, would serve as the principal source of such support for DekaBank.

The group status is underpinned by DekaBank's high strategic alignment and integration with the savings banks, as well as DekaBank's and the German savings banks' reliance on each other in the production and distribution of retail mutual funds. In light of pressure on interest income, the generation of commission income (for example, from securities and mutual funds) is becoming more important for savings banks to stabilize their earnings. Furthermore, DekaBank's strategy is to holistically support savings banks' securities investments and advisory production chains in the context of increasing regulatory and customer requirements.

The 'bbb' SACP reflects our assumption that DekaBank will maintain its sound position as one of Germany's largest asset managers, and our projections that it will maintain adequate capitalization and continue to prudently manage its funding and liquidity risk. This is partly offset by the bank's limited presence in asset management outside Germany, as well as its below-average market position in commercial banking activities. Another factor weighing on DekaBank's ratings is its concentration in commercial segments with generally higher risk, such as transportation, which we expect to be more vulnerable in the light of pandemic-induced economic stress. Furthermore, its capital ratios could underestimate its exposure to reputational and operational risks from asset management and its trading activities.

Anchor:a-', reflecting operations focused on Germany

Our bank criteria use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating (ICR). Our anchor for banks operating mainly in Germany is 'a-'.

Our assessment of economic risk considers the strengths from Germany's highly diverse and competitive economy, with a demonstrated ability to absorb economic and financial shocks. Due to COVID-19, we expect a sharp German 5.4% real GDP contraction in 2020, which will be compensated by a strong rebound with 4.7% expansion in 2021, and 2.4% in 2022. We see the damage to the economy, household wealth, and various corporate sectors from the pandemic, but anticipate that Germany's ample fiscal and monetary measures will mitigate the cyclical shock to the economy, the banking system, and retail and corporate customers, as well as limit German banks' credit losses. That said, the high degree of openness, with exports accounting for 50% of GDP, makes the trajectory of recovery also dependent on broad-based international developments. Reviving housing demand and sector-specific challenges--for example, in the automotive industry--will also continue to represent a downside risk to growth post-pandemic. Our negative trend on economic risk signals that there is some risk that a weaker recovery could push credit losses higher than we currently expect.

Our assessment of industry risk considers the improvements that have been made in transparency and the harmonization of banking supervision and regulation. However, the German banks entered the crisis already suffering from profitability pressure, owing to intense competition, low interest rates, and a relatively high cost base. Challenges to profitability could intensify further as a result of pandemic-related stress, as reflected in our negative trend on industry risk. In addition to expected increasing--albeit manageable--risk cost, we see further pressure stemming from the German banking industry's commitment to investment in core banking systems and digital customer services. These investments are essential to avoid the risks of tech disruption and franchise damage from cyberattacks and customer-data mismanagement.

Table 1

DekaBank Deutsche Girozentrale--Key Figures

	--Year ended Dec. 31--				
(Mil. €)	**2020***	**2019**	**2018**	**2017**	**2016**
Adjusted assets	105,868.7	97,098.3	100,256.0	93,545.6	85,756.6
Customer loans (gross)	24,956.6	23,934.7	19,869.2	18,031.4	18,035.3
Adjusted common equity	4,723.1	4,615.9	4,520.4	4,475.6	4,330.1
Operating revenues	898.3	1,683.2	1,517.8	1,540.7	1,653.9
Noninterest expenses	608.9	1,168.2	1,099.8	1,082.2	1,014.6
Core earnings	118.8	289.7	267.9	273.2	280.2

*Data as of June 30.

Business position: A leading domestic asset manager, with ancillary commercial banking activities

Our assessment of DekaBank's moderate business position reflects the balance between its sound market position as one of the largest asset management providers in Germany, an earnings mix (see tables 2 and 3) that is appropriately diversified but still sensitive to capital market conditions, and its below-average market position in commercial lending. Its business model benefits from, but also relies on, the continued strong integration between its asset management and banking operations; for instance, in the commercial real estate area, where DekaBank's lending business has the advantage of its large real estate funds' experience.

Table 2

DekaBank Deutsche Girozentrale--Divisional Economic Pretax Profit Composition (Mil. €)

Business division	Main activities	2020*	2019	2018	2017
Asset management securities	Actively managed securities, mutual funds, specialty funds	121.4	416.7	230.5	345.4
Asset management real estate	Open-ended mutual property funds	52.8	146.4	162.7	111.0
Asset management services	Provision of banking services for asset management	17.8	10.3	4.1	(4.8)
Capital markets	Money market, foreign exchange, certificates, derivatives, commission trading	78.0	107.1	85.0	206.8
Financing	Corporate finance, transportation & export finance, commercial property finance	(31.5)	90.3	67.4	50.5
Other	Other/consolidation	(75.9)	(336.8)	(97.8)	(259.9)
Economic pretax profit		162.5	434.0	451.8	448.9

*2020 half-year figures.

Table 3

DekaBank Deutsche Girozentrale--Business Position

	--Year ended Dec. 31--				
(%)	2020*	2019	2018	2017	2016
Total revenue from business line (mil. €)	898.3	1,683.2	1,571.4	1,545.4	1,653.9
Commercial banking/total revenue from business line	27.1	29.1	29.5	34.8	27.1
Asset management/total revenue from business line	60.1	75.8	71.7	75.1	69.8
Other revenue/total revenue from business line	12.8	(4.8)	(1.3)	(9.9)	3.0
Return on average common equity	4.7	4.2	5.8	5.5	5.8

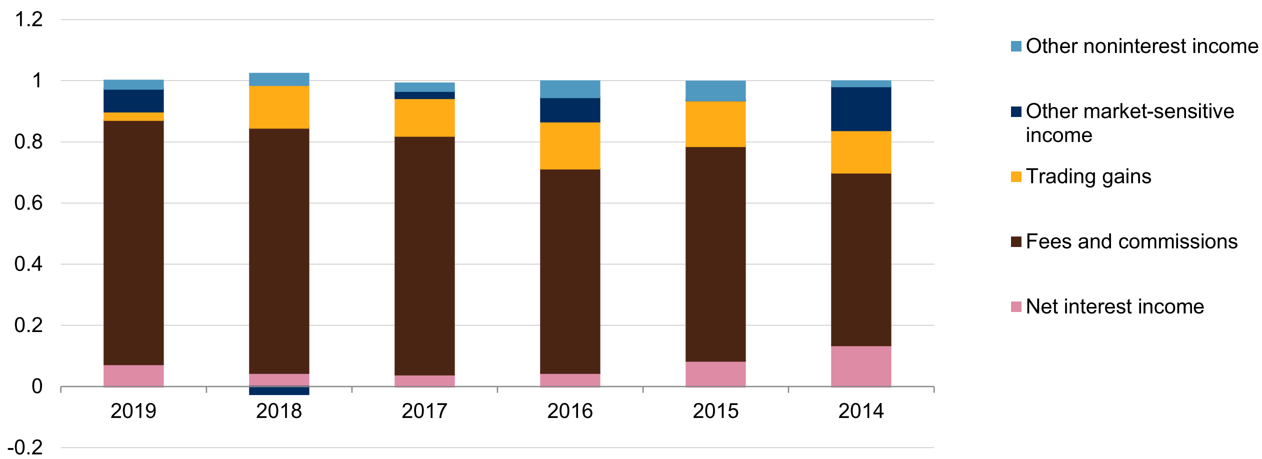
*Data as of June 30.

DekaBank is one of Germany's four leading providers of asset management products, with total assets under management, advice, or administration of €310 billion on June 30, 2020. Retail investment products, mainly mutual funds, account for 50% of assets (domestic market share 15.1% by assets under management). The other 50% are institutional investment products, which are mainly specialized funds (6.4% market share). Accordingly, net commission income represents the bulk of its operating revenue (see chart 1).

Chart 1

DekaBank's Asset Management Income Is Its Major Source Of Operating Revenues

Components of operating revenues



Source: S&P Global Ratings.

German savings banks are the exclusive third-party distributors of DekaBank's mutual fund products, and we understand that most retail mutual funds distributed by the German savings banks are DekaBank products. The German savings banks sector collectively is the largest German retail banking group, with a network of about 12,590 branches (including self-service centers) and total assets of €1.3 trillion at year-end 2019. In 2019, net distribution of DekaBank products to retail clients, mainly by savings banks, reached €11.1 billion, and net new money generated by institutional clients--including the savings banks' own investments--was €6.9 billion.

Access to the German savings banks provides DekaBank with a large and stable distribution platform. However, it also restricts its access to other third parties, because DekaBank is not allowed to actively sell mutual funds to retail customers outside the savings bank universe. Moreover, compared with other asset managers, DekaBank has very limited franchise recognition outside Germany.

DekaBank's product suite is largely focused on actively managed funds--which generally tend to be subject to heightened cost-reward scrutiny--real estate funds, and certificates. It has a marginal position in the still-small but faster-growing market for exchange-traded funds.

The management team aims to position DekaBank as an innovative and sustainable asset manager for the savings banks by 2025. This goal implies the further build up and promotion of sustainable investment products, particularly for investors who make decisions according to environmental, social, and governance (ESG) standards. We therefore expect ESG to become a more important element of DekaBank's product offering. After years of relatively strong growth since 2012, the volume of sustainable investment products has reached €12.1 billion at year-end 2019.

As part of its sustainability strategy, DekaBank established a framework that will allow the issuance of green bonds, the proceeds of which can be used for purposes such as building renovation and renewable energy developments.

Apart from fee income on asset management products, the largest profit contribution is from DekaBank's trading operations, mainly in money market and securities lending products, derivatives, and securities commission trading. We generally consider trading revenues to be less stable and more exposed to market confidence. However, at DekaBank, they also include earnings on the bank's certificates business, which are essentially market-linked asset management products issued by DekaBank to clients and are therefore on the bank's balance sheet. Stand-alone lending activities amounted to almost €28 billion at mid-year 2020. More than half of that, €16 billion, comprised opportunistic exposures in infrastructure, transportation, and export finance, with the remainder related to commercial real estate loans (about €8.5 billion).

We anticipate that DekaBank will continue to focus on transforming further into a servicer for the savings banks in all asset management- and securities-related issues, and continue its integration with the savings banks via its established liquidity exchange platform. We also anticipate that the share of its commercial banking exposures will remain comparably small, and long-term growth will be focused mainly on its asset management activities. These strategic priorities should provide stability for DekaBank's market position, although revenue will likely remain sensitive to capital market conditions.

We expect DekaBank's management to continue pursuing a conservative strategy in line with its owners' preference. This includes a contained growth of its lending activities and the organic expansion of its intragroup asset management activities. This also implies that DekaBank does not intend to play an active role in market consolidation in the European asset management industry.

Capital and earnings: DekaBank's risk-adjusted capital (RAC) ratio is materially sensitive to anticipated loan growth

Our assessment of DekaBank's capital and earnings reflects our view that the bank's RAC ratio before diversification will remain in the 8.5%-9.0% range through the end of our forecast horizon.

The RAC ratio was 9.0% at year-end 2019, down by 120 basis points (bps) year-on year, driven by ongoing strong loan growth and increased regulatory risk charges for market risks. In anticipation of a worsening operating environment due to the pandemic, and shrinking headroom above minimum regulatory capital requirements, we project growth in DekaBank's loan book will materialize at a lower level than in previous years. This will help to stabilize its RAC ratio around current levels, in our view.

In our base case, we estimate that loss provision needs could reach up to €150 million annually over the coming two years. This will limit DekaBank's potential for earnings retention. We therefore expect DekaBank's economic pretax profit (economic result) to come in at a lower level than the initially targeted €400 million-€450 million annually over 2020-2022. The economic result is DekaBank's management's earnings metric broadly equivalent to total comprehensive income under International Financial Reporting Standards (IFRS). That said, this is on a pretax basis, with a few add-ons and forward-looking management adjustments. It is appropriate to consider this metric in addition to reported net income, given that roughly half of DekaBank's total balance sheet assets are held at fair value (including derivatives' credit amounts); and that the bank often does not apply hedge accounting, even though economic hedges exist.

Our RAC ratio for DekaBank remains materially lower than the regulatory fully loaded Core Equity Tier 1 (CET1) ratio of 13% at mid-year 2020. This primarily indicates our more conservative approach to its loan and securities portfolio, as well as higher charges for credit valuation adjustment, which require a higher buffer under our RAC framework.

We assess the quality of capital and earnings as neutral. Positively, adjusted common equity represents a high 91% of total adjusted capital (TAC), and we consider DekaBank's ownership structure as supportive for capital quality, as demonstrated by generally moderate dividend payout requirements. Our assessment is partly mitigated by a relatively higher reliance on market-sensitive income.

Table 4

DekaBank Deutsche Girozentrale--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Tier 1 capital ratio	14.4	15.7	17.1	18.8	19.2
S&P Global Ratings' RAC ratio before diversification	N/A	9.0	10.2	11.5	11.2
S&P Global Ratings' RAC ratio after diversification	N/A	8.4	9.6	10.7	11.4
Adjusted common equity/total adjusted capital	90.9	90.7	90.5	90.4	90.1
Net interest income/operating revenues	7.3	7.3	4.4	3.9	4.4
Fee income/operating revenues	64.2	79.8	80.2	78.0	66.9
Market-sensitive income/operating revenues	27.7	10.2	11.4	14.8	23.3
Cost to income ratio	67.8	69.4	72.5	70.2	61.3
Preprovision operating income/average assets	0.6	0.5	0.4	0.5	0.7
Core earnings/average managed assets	0.2	0.3	0.3	0.3	0.3

*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 5

DekaBank Deutsche Girozentrale--Risk-Adjusted Capital Framework Data

(Mil. €)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government and central banks	13,734.5	44.5	0.3	379.7	2.8
Of which regional governments and local authorities	547.2	0.4	0.1	30.1	5.5
Institutions and CCPs	34,334.4	3,462.1	10.1	5,847.5	17.0
Corporate	31,338.0	12,819.2	40.9	24,287.6	77.5
Retail	323.0	242.2	75.0	193.8	60.0
Securitization§	121.3	69.3	57.1	69.6	57.4
Other assets†	824.1	596.6	72.4	1,320.7	160.3
Total credit risk	80,675.3	17,234.0	21.4	32,098.9	39.8
Credit valuation adjustment					
Total credit valuation adjustment	--	569.7	--	1,338.9	--

Table 5

DekaBank Deutsche Girozentrale--Risk-Adjusted Capital Framework Data (cont.)

Market Risk					
Equity in the banking book	647.0	1,913.2	295.7	4,656.2	719.7
Trading book market risk	--	9,269.2	--	14,863.5	--
Total market risk	--	11,182.4	--	19,519.6	--
Operational risk					
Total operational risk	--	3,243.3	--	3,819.0	--

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	32,229.4	--	56,776.5	100.0
Total diversification/ concentration adjustments	--	--	--	4,026.4	7.1
RWA after diversification	--	32,229.4	--	60,802.8	107.1

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	5,053.0	15.7	5,089.5	9.0
Capital ratio after adjustments‡	5,053.0	15.7	5,089.5	8.4

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to tier 1 ratio are additional regulatory requirements (e.g. transitional floor or pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. CCP--Calling party pays. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2019, S&P Global Ratings.

Risk position: Lower level of diversification and higher potential operational and reputational risks than peers

Our risk position assessment for DekaBank reflects the bank's lower-than-peers' level of risk diversification and focus on wholesale-oriented portfolios with higher single-name concentrations. In addition, we believe that our RAC ratio could understate certain risks, such as operational and reputational risks intrinsic to DekaBank's asset-management and trading businesses. Furthermore, credit spread risks from its large securities holdings contributes to earnings volatility.

In general, we regard DekaBank's commercial banking business as riskier than its core asset-management activities. In the context of the pandemic, we particularly consider at risk its gross exposures in more cyclical sectors, such as commercial real estate (€8.5 billion) and transportation finance (which includes exposures to airlines [€3.4 billion] and shipping [€1.3 billion], at June 30, 2020). This already led to a significant rise in risks costs to €68 million in the first six months of 2020, compared with only €11 million for full-year 2019.

That said, DekaBank has entered the pandemic-triggered global economic downturn with a clean balance sheet, also reflecting the favorable economic cycle over the past few years. The ratio of nonperforming assets to customer loans increased to 2.1% on June 30, 2020, from only 1% as of end-2019. Moreover, the relatively small size of DekaBank's loan book compared with its equity base mitigates the rise in the bank's nonperforming assets ratio.

However, following years of loan growth in a favorable economic environment, we still believe that DekaBank's loan book (particularly its transportation and commercial real estate exposure) has to demonstrate its resilience through a less favorable economic cycle.

Table 6

DekaBank Deutsche Girozentrale--Risk Position

	--Year ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Growth in customer loans	8.5	20.5	10.2	(0.0)	7.7
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	7.1	6.9	6.8	N/A
Total managed assets/adjusted common equity (x)	22.5	21.1	22.2	20.9	19.9
New loan loss provisions/average customer loans	0.6	0.0	(0.1)	0.2	1.1
Net charge-offs/average customer loans	0.1	0.0	0.1	1.1	0.6
Gross nonperforming assets/customer loans + other real estate owned	2.1	1.0	1.1	3.0	4.7
Loan loss reserves/gross nonperforming assets	27.3	36.8	38.8	26.4	39.1

*Data as of June 30. N/A--Not applicable. RWA--Risk-weighted assets.

Funding and liquidity: Broadly matched funding and liquidity access through the savings banks

Our overall assessment of both funding and liquidity reflects our expectation of DekaBank's sustainable access to the savings banks, which we consider as ongoing support included in our funding assessment. It also reflects the sizable portfolio of broad liquid assets representing a significant share of the bank's balance sheet. These factors mitigate the bank's strong reliance on short-term wholesale funding, which we consider a weakness compared with the average funding profile of German banks.

Given its lack of retail deposit franchise, DekaBank is likely to remain purely wholesale-funded. In particular, short-term wholesale funding accounted for 58% of the funding base on Dec. 31, 2019. However, DekaBank largely applies a matched funding policy and maintains a large pool of liquid assets. We therefore consider that its funding profile is appropriate for its assets. This mitigates its stable funding ratio (SFR) of 79% on Dec. 31, 2019, and its broad liquid assets-to-wholesale funding ratio (BLAST) of 0.8x on the same date, which remain at the lower end of peers in Germany. DekaBank's regulatory liquidity coverage ratio (group level) stood high at 149% on June 30, 2020. DekaBank has adequate stress-testing capabilities, which include several extreme scenarios to derive its liquidity needs in times of severe market stress.

Qualitatively, the institutional nature of DekaBank's customer depositors is not fully reflected in DekaBank's SFR and BLAST ratios. Institutional customer deposits are less granular and more confidence-sensitive than retail deposits, and are therefore exposed to higher outflow risk than assumed in our ratios. This is mitigated by our understanding that DekaBank sources about €20 billion of its money market funding either from investment funds--partly those managed by DekaBank, which need to hold minimum amounts of statutory liquidity--or from the German savings bank sector, which should exhibit stronger permanence than other bank deposits.

Moreover, a large share of DekaBank's nonderivative trading liabilities consists of certificates with maturities overwhelmingly longer than one year. Still, as some of these certificates might have early knock-out clauses that could allow for an early redemption, we treat them more conservatively as short-term funding. That said, treating those certificates as long-term funding would make our funding and liquidity ratios more comparable with regulatory ratios and those of peers.

Table 7

DekaBank Deutsche Girozentrale--Funding And Liquidity

	--Year ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Core deposits/funding base	31.7	28.0	28.0	28.4	29.5
Customer loans (net)/customer deposits	86.9	101.5	80.4	77.6	84.6
Long-term funding ratio	47.9	45.5	42.2	44.3	49.7
Stable funding ratio	84.3	78.5	89.9	90.9	97.1
Short-term wholesale funding/funding base	55.2	58.0	61.2	59.2	53.7
Broad liquid assets/short-term wholesale funding (x)	0.9	0.8	1.0	1.0	1.0
Net broad liquid assets/short-term customer deposits	(28.7)	(50.0)	(10.2)	(9.0)	6.7
Short-term wholesale funding/total wholesale funding	80.2	79.9	84.4	82.0	75.4
Narrow liquid assets/3-month wholesale funding (x)	0.9	0.8	1.0	1.0	1.0

*Data as of June 30.

Support: Four notches of uplift for potential group support by German savings banks

We consider DekaBank to be a core subsidiary of its sole owner, the network of German savings banks, whose group credit profile (GCP) we assess at 'a+' (see "Credit FAQ: An Update On How We Rate German Savings Banks," published Sept. 26, 2019, on RatingsDirect). We believe that the savings banks would support DekaBank under any circumstances through the DSGV. As a result, our long-term issuer credit rating on DekaBank is four notches higher than its SACP.

German savings banks remain well-capitalized overall, partly owing to a marginal earnings payout requirement. In addition, they are the leading retail banking group in Germany by market share, benefiting from their extensive branch network, which supports their large and very granular retail deposit base. At the same time, these factors are partly offset by the lower strategic effectiveness of the savings banks compared with other domestic peers, limited fungibility of capital and liquidity in the group, and risks from their equity stakes in associated Landesbanks.

Generally, under our group rating methodology, we consider the savings banks to be a group, given the level of strategic cohesiveness, use of a common brand and services, common legal status as public law institutions, and the existence of a mutual protection scheme, which has prevented the failure of individual banks for decades. The German savings banks form a decentralized organization without a formal parent company. However, in our view, strategic coordination and access to group members' cash flows by their central association is sufficiently strong to consider all German savings banks to be group members.

The sector also enjoys the benefits of its joint liability scheme, the goal of which is to safeguard member institutions' liquidity and solvency. Ultimately, if a bank were to fail, the scheme would also serve as a deposit protection scheme, and EU authorities would recognize it as an institutional protection scheme.

We do not add any support uplift to the GCP of the savings banks sector (for more information, see "Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity," published April 27, 2015). We believe that regulators would apply a resolution framework to individual institutions of the sector and not to the group as a whole.

The German savings banks hold a 100% stake in DekaBank via their central association, DSGV. In our view, the savings banks are unlikely to surrender control of DekaBank given the track record of increased strategic alignment since the complete takeover in 2011. Moreover, DekaBank's supervisory board comprises representatives of German savings banks and their regional associations, who are ultimately in charge of deciding, on behalf of the German savings banks' institutional protection scheme, whether support should be granted to DekaBank. We therefore believe that the German savings banks are able to detect problems early and organize support, as appropriate, in a timely fashion.

We understand that DekaBank's tools are firmly integrated into the savings banks' central IT system and standard process design. Ultimately, such deeper integration could also benefit DekaBank's SACP.

Hybrids

We believe that the savings banks would seek to prevent a regulatory resolution scenario at DekaBank because of its important role for the sector. We therefore use the ICR as the starting point from which we derive the ratings on DekaBank's senior subordinated debt. We deduct one notch for subordination from the ICR, resulting in 'A' ratings on these debt obligations. A resolution scenario--and therefore a potential bail-in of DekaBank's senior subordinated debt instruments--might occur in the unlikely event that it were to reach a point of nonviability, without support from its owners. The German Federal Financial Supervisory Authority, BaFin, has classified DekaBank as an "other systemically important institution".

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- Negative Rating Actions Taken On Multiple German Banks On Deepening COVID-19 Downside Risks, April 23, 2020
- Banking Industry Country Risk Assessment: Germany, Oct 1, 2019
- Outlooks On Various German Banks Revised To Negative On Rising Banking Sector Risks; Ratings Affirmed, Sept. 18, 2019
- Tech Disruption In Retail Banking: German Banks Have Little Time For Digital Catch-Up, May 14, 2019

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	**a-**	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of October 20, 2020)*	
DekaBank Deutsche Girozentrale	
Issuer Credit Rating	A+/Negative/A-1
Commercial Paper	
Local Currency	A-1
Senior Subordinated	A
Senior Unsecured	A+
Short-Term Debt	A-1
Issuer Credit Ratings History	
17-Sep-2019	A+/Negative/A-1
09-Feb-2017	A+/Stable/A-1
14-Aug-2015	A/Positive/A-1
Sovereign Rating	
Germany	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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