MOODY'S INVESTORS SERVICE

CREDIT OPINION
17 November 2022

Update

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RATINGS

DekaBank Deutsche Girozentrale

Domicile	Frankfurt am Main, Germany
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa2
Type	Senior Unsecured - 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 following downgrade of junior senior debt

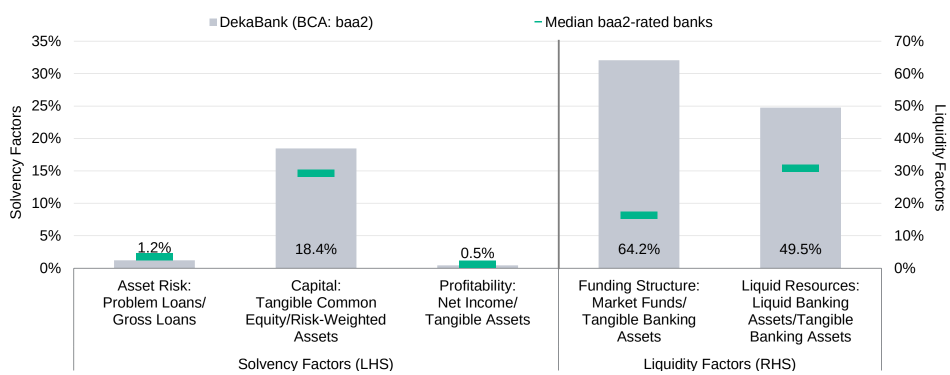
Summary

On 9 November, we downgraded DekaBank Deutsche Girozentrale's (DekaBank) junior senior unsecured debt rating to A2 from A1. All other ratings of DekaBank have been unaffected by this rating action, including the bank's Aa2 (stable) deposit and senior unsecured debt ratings and its baa2 Baseline Credit Assessment (BCA) and a3 Adjusted BCA.

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 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 Investors Service

Credit strengths

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

» Sound capitalisation

» Status as a core institution of S-Finanzgruppe

Credit challenges

» Concentrated credit risk exposures in asset-based lending areas

» Dependence on wholesale funding

» Economic risks weigh on capital market performance and could lead to higher problem loans

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 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 a reduced affiliate support uplift.

» DekaBank's BCA could be upgraded in the event of further improvement in the bank's solvency, or if the bank significantly strengthened its liquidity buffers.

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

» DekaBank's BCA could be downgraded in case of weakening solvency factors, in combination with a pronounced reduction in liquidity or an increase in its market funding reliance. 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]

	06-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	101.8	88.8	85.5	97.2	100.4	0.4[4]
Total Assets (USD Billion)	106.4	100.6	104.6	109.2	114.8	(2.1)[4]
Tangible Common Equity (EUR Billion)	6.0	5.5	4.9	4.8	4.7	7.3[4]
Tangible Common Equity (USD Billion)	6.3	6.2	6.0	5.3	5.4	4.6[4]
Problem Loans / Gross Loans (%)	1.1	1.1	2.0	0.7	0.6	1.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	18.4	17.7	15.6	14.8	16.2	16.5[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	5.6	5.9	10.0	3.8	3.3	5.7[5]
Net Interest Margin (%)	0.2	0.2	0.1	0.1	0.1	0.1[5]
PPI / Average RWA (%)	3.4	2.5	1.7	1.4	1.6	2.1[6]
Net Income / Tangible Assets (%)	0.8	0.6	0.2	0.2	0.2	0.4[5]
Cost / Income Ratio (%)	53.4	61.9	66.8	74.1	72.9	65.8[5]
Market Funds / Tangible Banking Assets (%)	62.4	64.2	66.7	69.3	68.6	66.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	50.9	49.5	51.7	49.9	54.6	51.3[5]
Gross Loans / Due to Customers (%)	113.5	142.9	129.5	136.2	105.4	125.5[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences 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 (DekaBank) 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 2022, DekaBank reported consolidated balance-sheet assets of €101.9 billion, while its total customer assets, including off-balance sheet assets under management, amounted to €367 billion (€185 billion from retail customers and €182 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 2022, DekaBank employed 4,964 employees (4,281 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, with 53.9% of total gross loans located in its home market Germany (Aaa stable), 22.8% in other euro area countries (of this, 10.2% in Luxembourg [Aaa stable] and 5.4% in France [Aa2 stable]), 6.6% in the United Kingdom (Aa3 stable), and the remaining 16.7% in other countries as of 30 June 2022. DekaBank's weighted Macro Profile exposures results in a Strong (+), in line with the Strong (+) Macro Profile of Germany.

Detailed credit considerations

Following a temporary spike, problem loans resumed the multiyear downward trend

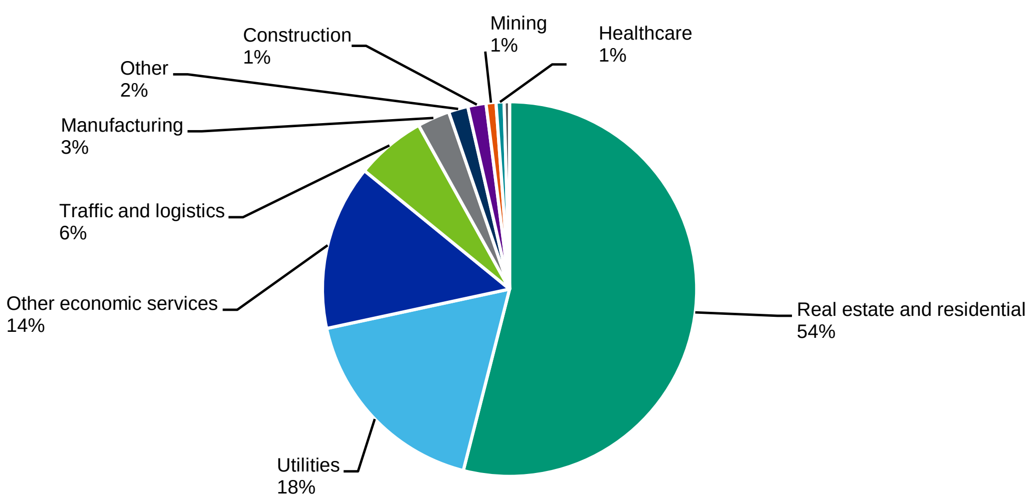
We assign a baa2 Asset Risk score, five notches below the aa3 initial score, reflecting DekaBank's credit risks from its concentrated lending positions and market risk profile. Because of its role as the securities service provider of S-Finanzgruppe, DekaBank's business risks are only partly driven by credit risks from its lending activities. 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 for contingent liabilities. Asset managers, including DekaBank, are exposed to operational and reputational risks, which can increasingly stem from potential breaches of data security and customer privacy.

As Exhibit 3 shows, DekaBank's corporate lending exposures are strongly focused on CRE. DekaBank's outstanding CRE loan volume increased to €9.2 billion in June 2022 from €8.6 billion as of year-end 2021. In addition to CRE lending, DekaBank has further indirect exposure to commercial property markets through its €3.2 billion lending book (December 2021: €2.7 billion) as of 30 June 2022 through its in-house mutual property funds. A small share of DekaBank's combined CRE lending segment exposures are backed by retail (7%) and hotel properties (3%), both of which have been hit by structural changes accelerated during the coronavirus pandemic. The hotel sector showed a significant recovery driven mainly by the increase in non-business travel since the COVID pandemic, while retail is likely to experience further pressures because of high inflation, driven by supply-chain issues and increased prices of energy commodities following the Russia-Ukraine conflict. DekaBank's direct exposure to Russia and Ukraine (Caa3 negative) is not significant, with a gross loan volume of €53 million to counterparties in Russia. Moreover, the bank had no exposure to counterparties in Ukraine or Belarus (Ca negative) as of the end of the first half of 2022.

Exhibit 3

DekaBank's loan book breakdown illustrates the bank's continued corporate lending exposures, which remained focused on the CRE sector as of the end of June 2022

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

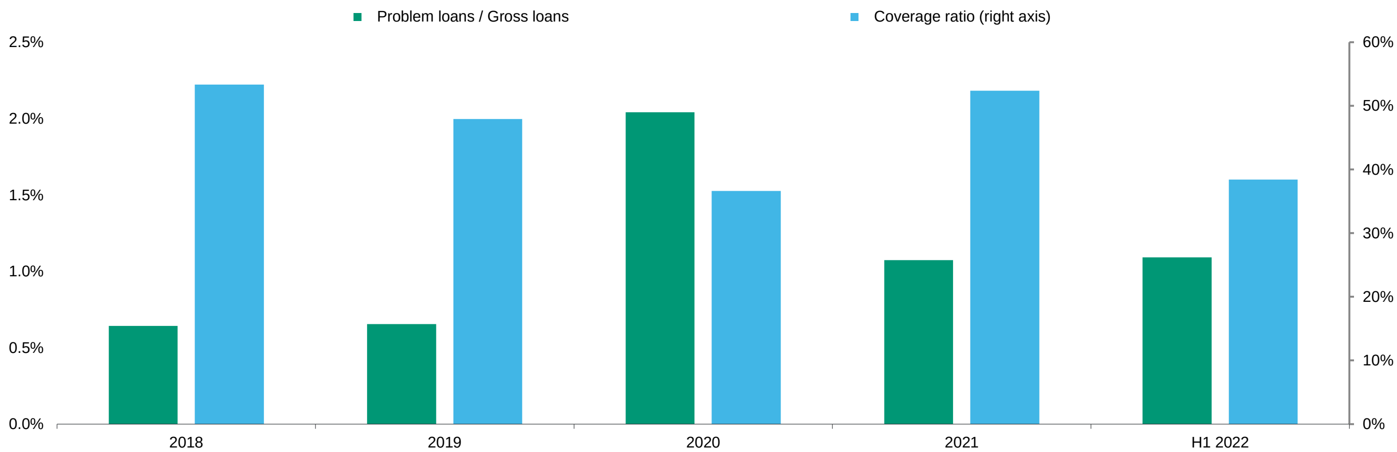


Sources: Pillar 3 disclosure report and Moody's Investors Service

As of 30 June 2022, DekaBank's problem loan ratio remained stable at 1.1%, compared with the level as of year-end 2021, after a significant decline from 2.0% as of year-end 2020. During 2020, the pandemic triggered a spike in problem loans, in particular in DekaBank's transport finance segment, which included €2.9 billion of aircraft financing gross loans as of December 2020. It was managed down by €0.5 billion in 2021 and remained stable at €2.4 billion as of the end of June 2022. Reversals of loan loss provisions related to transport sector exposures were also the key driver behind DekaBank's reduced loan loss reserve coverage as of June 2022, as shown in Exhibit 4.

Exhibit 4

A reduction in general loan loss reserves during H1 2022 resulted in lower problem loan coverage



The problem loan ratio is per our definition.
Sources: Company 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 2022, the bank set aside €43.5 million in provisions targeting products offered to private pensioners (2021: €47.7 million) for potential liabilities in case fund returns for covering investor capital fall short.

Capitalisation remains sound and benefits from earnings retention

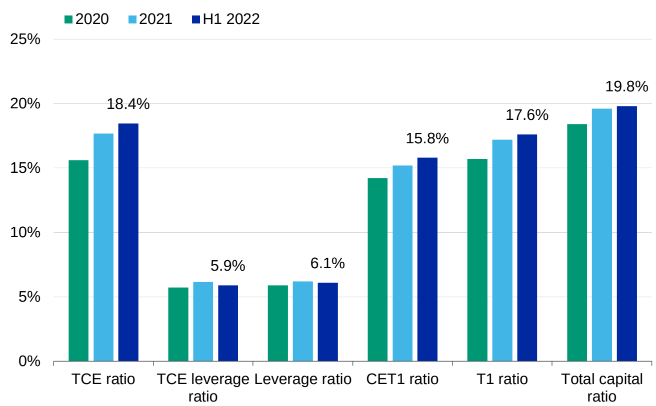
We assign a Capital score of a2, three notches below the aa2 initial score. We expect a moderate decline in capital ratios over the course of 2022, and our adjustment incorporates our expectation of growth in risk-weighted assets (RWA) led by tighter regulatory measures.

DekaBank has been managing its capital ratios significantly above the regulatory requirements, and its tangible common equity (TCE) ratio — measured as TCE/RWA — increased to 18.4% as of June 2022 from 17.7% as of year-end 2021. The bank's TCE leverage remained relatively stable at 6.1% in June 2022, compared with year-end 2021. DekaBank reported a 15.8% regulatory Common Equity Tier 1 (CET1) capital ratio as of June 2022 (and 16.3% as of 30 September 2022), up 60 basis points from the level as of year-end 2021 following significant profit retention. The TCE ratio remains well above the regulatory capital ratio, because it includes the strong H1 interim profit, while the CET1 ratio continues to be affected by regulatory deductions.

DekaBank used internal models to calculate the credit risk weights of €14.3 billion out of its €18.6 billion of credit risk positions[2] as of June 2022, mainly related to its corporate lending book. The risk weights for the remaining €4 billion are calculated using the standardised approach or relate to equity investments. 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 the capital ratios could result from certain legal risks, mainly stemming from investigations into past transactions in German stocks near the dividend payment dates. However, the bank considers it unlikely that the tax authority will be able to make a successful claim.

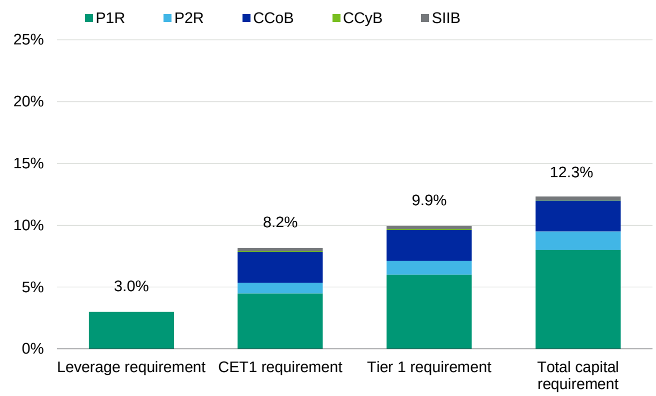
On top of the 8% Pillar 1 total capital requirement, DekaBank has to meet the 2.5% Capital conservation buffer, an 0.5% buffer for its domestically systemic role and a small 0.066% countercyclical buffer related to DekaBank's non-domestic exposures out of CET1 capital. In addition, DekaBank has to comply with a 1.5% Pillar 2 requirement for risks not captured under Pillar 1, which the bank can meet in part through additional tier 1 and tier 2 capital components. Starting in 2023, the introduction of a countercyclical buffer requirement, equivalent to 0.75% of domestic RWA, will add to DekaBank's regulatory capital requirements.

Exhibit 5
DekaBank's CET1 and TCE ratio development



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 2022 capital ratios are well above the minimum requirements



P1R = Pillar 1 requirement; P2R = Pillar 2 requirement; CCoB = Capital conservation buffer; CCyB = Countercyclical capital buffer; SIIB = Systemically important institutions buffer.
Source: Company

High share of stable fee income provides an earnings buffer

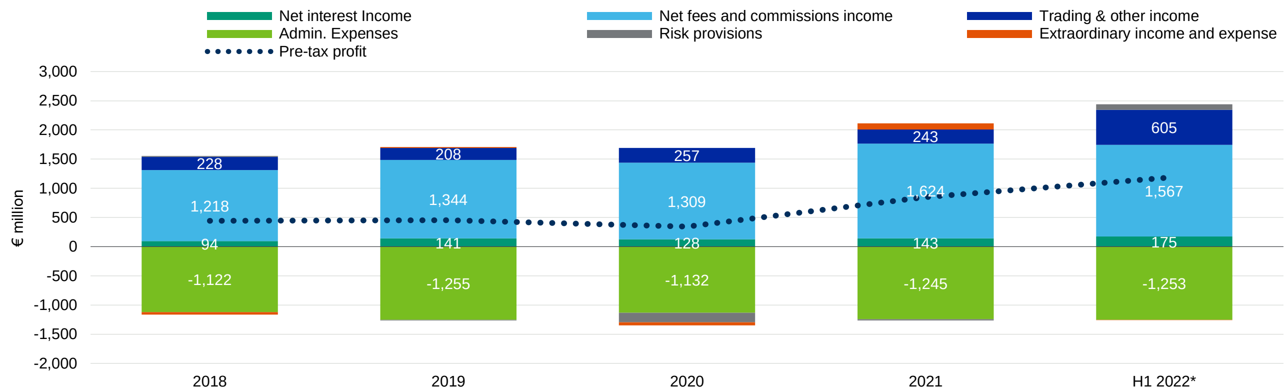
We assign a Profitability score of ba1, in line with the initial score, reflecting DekaBank's stable earnings in a difficult economic and volatile capital market environment, and our expectation that the bank will not be able to significantly grow its revenue during the outlook horizon of twelve to eighteen months as it had in the first half of the year 2022 because of weaker capital markets and the difficult operating environment. However, we expect the bank to still be able to exceed its 2021 profit in 2022.

Commission income remains the main component of the bank's income stream, which is reflected in the growing fee income from its strong and profitable asset management franchise. This has proved to be an important buffer for credit and market-related losses, even as a shift towards 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 50% of operating income in H1 2022. DekaBank's net sales reached €14.3 billion, up 5% year on year, and have been positively impacted by its retail customer segment, which increased by 5% to €11.6 billion in H1 2022 compared to H1 2021, while net sales to institutional customers increased by 7% to €2.7 billion in the same period. Overall, total customer assets declined by 7% to €367 billion during H1 2022 because of negative investment performance as rising inflation and energy prices depressed asset values.

Based on our adjusted financials, DekaBank's H1 2022 net income increased by 90% year on year to €382 million. DekaBank's net commission income, which remains the bank's main profitability driver, increased by €45 million (6%) to €783 million (reported as of September 2022: €1.2 billion, up 2% from first nine months of 2021). Commissions from the investment fund business rose, in particular because of higher portfolio-related fees as a result of higher average total customer assets, a benefit we expect to revert in H2 2022. In H1 2022, DekaBank also benefitted from net reversals in loan loss provisions by €47.7 million (reported as of September 2022: €57.5 million) compared with €18.4 million in the previous year, which were triggered by rating improvements and the reversal of additional provisions recognised for the aviation, hotel real estate and shopping centre lending segments. The bank's reported trading profit increased to €584.9 million in H1 2022, up from €73.8 million a year earlier, but the increase was driven mainly by valuation results from its own trading issues following the increase in credit spreads, an effect that partly reversed during Q3.

Exhibit 7

Net fee and commission income supported earnings, with trading income contributing significantly in H1 2022



*H1 2022 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 Additional Tier 1 bonds (with the latter also being reclassified into interest expenses in our adjusted financials).

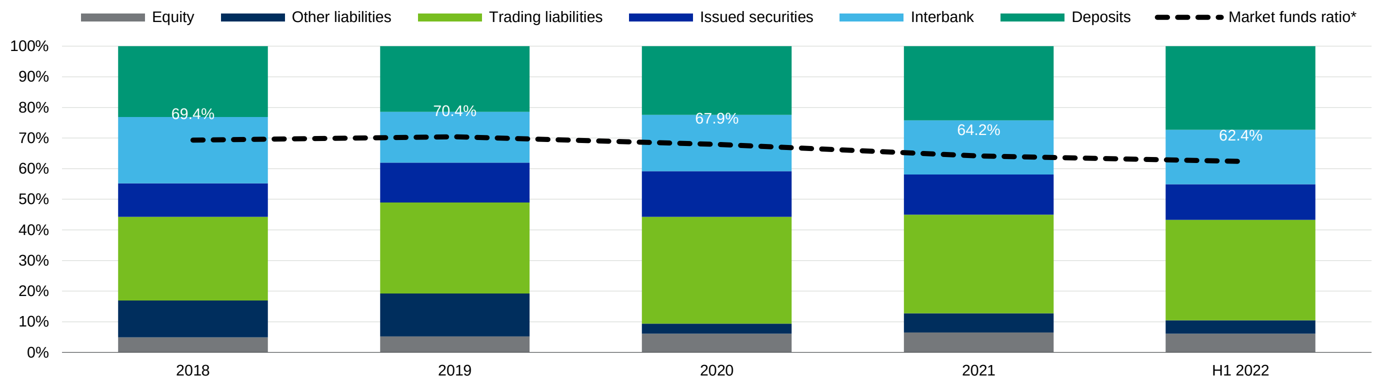
DekaBank's H1 2022 economic pre-tax result of €971 million (up from €343 million in H1 2021) was moderately above the bank's reported €915 million IFRS pre-tax profit but increased only slightly during Q3 to €995 million for the first nine months of 2022. The strong earnings stream of the first half of 2022 was primarily driven by the positive impact of operating activities and positive valuation effects resulting from market volatility. The economic result without these valuation effects amounted to €556 million as of H1 2022 and €760 million during the first nine months of 2022.

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 Exhibit 8 shows, 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 banks sector, and substantial regular excess cash from its mutual funds franchise, from which the bank received €46.8 billion in December 2021. The still-modest volume of €31.5 billion of customer loans as of June 2022 is sufficiently matched by medium- and long-term funds.

Exhibit 8
Detailed composition of market funding



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

Moderate amounts of temporarily sourced funds from the European Central Bank's targeted longer-term refinancing operations (TLTROs) are used for arbitrage purposes and contributed €8.5 million of refinancing gains to DekaBank in H1 2022. We expect these funds to be repaid out of the excess cash held by the bank. Even so, we expect the bank's tangible assets to remain close to €100 billion for the next years, after a significant increase during H1 2022.

At 123.0% as of June 2022, DekaBank comfortably complied with the regulatory net stable funding ratio (NSFR) requirement of 100%, yet this metric will limit DekaBank's ability to shift its funding structure back towards 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, the bank's MREL requirement is set against both RWA and leverage exposure. As of June 2022, DekaBank reported still strong, but significantly reduced MREL ratios of 46.8% (against RWA, down from 59.7% as of year-end 2021) and 16.2% (against leverage exposure, down from 21.7% as of year-end 2021). DekaBank's MREL instruments included €6.4 billion of own funds, €6.2 billion of senior non-preferred issues, €4.1 billion of senior preferred issues and €0.2 billion of unsecured subordinated liabilities.

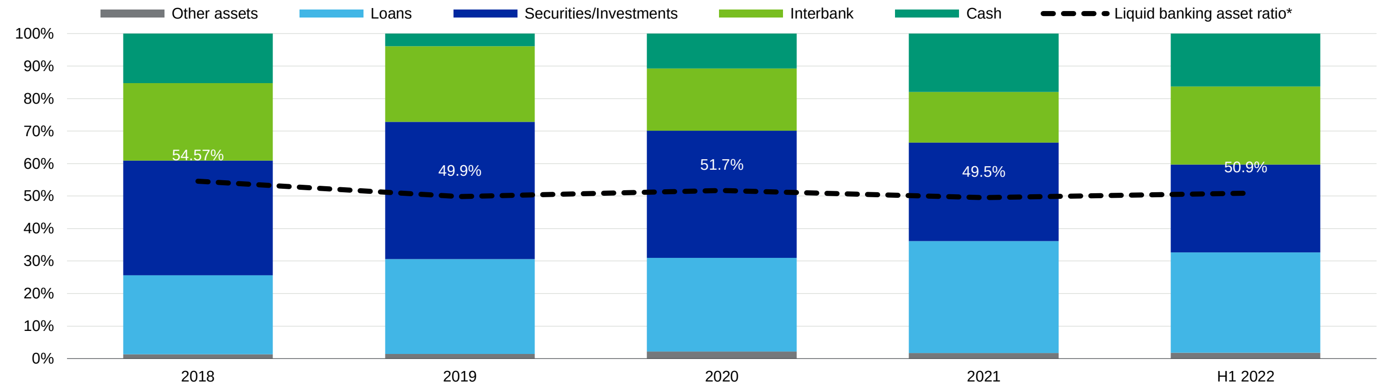
Highly liquid balance sheet despite asset encumbrance

We assign DekaBank a Liquid Resources score of a2, two 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 Exhibit 9 shows, reflecting securities lending and reverse repo balances, cash and trading positions. However, a relevant share of these assets are encumbered.

DekaBank's around €1.5 billion of day one net cash flows and liquidity potential of around €5.3 billion as of 30 June 2022 and total unencumbered high-quality liquid resources eligible for the regulatory liquidity coverage ratio (LCR) of €25.6 billion on average between July 2021 and June 2022 provide sound buffers against unforeseen market swings. Consequently, the LCR remained solid at 184.4% as of 30 June 2022, up from 160.3% at year-end 2021.

Exhibit 9
Composition of liquid assets



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

As of June 2022, DekaBank's cash holdings increased to €16.6 billion from €16.0 billion as of year-end 2021. At the same time, liabilities from banks increased significantly to €24.4 billion, compared with €13.8 billion as of year-end 2021, because reverse repo transactions increased, resulting in a significant rise during the period.

ESG considerations

DekaBank Deutsche Girozentrale's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 10
ESG Credit Impact Score

CIS-2
Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

DekaBank's ESG Credit Impact Score is neutral-to-low (**CIS-2**), reflecting the mitigating rating impact of affiliate support from Sparkassen-Finanzgruppe (S-Finanzgruppe) over DekaBank's ESG risk profile. Environmental and social factors have a limited impact on the bank's credit profile to date. The bank's corporate governance risks mainly stem from the bank's subdued operational efficiency and concentration risks in its loan book, which are inherent to its business profile.

Exhibit 11
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-4	G-3
Moderately Negative	Highly Negative	Moderately Negative

Source: Moody's Investors Service

Environmental
DekaBank faces moderate exposure to environmental risks, primarily because of its exposure to carbon transition risk from its corporate lending activities. Within its asset management business, DekaBank has low direct corporate exposure to environmental risks and its fund exposures are well diversified. In response to increasing stakeholder focus on environmental stewardship in its asset management products and on meeting broader carbon transition goals, DekaBank is actively engaging in aligning its business with the transition to a low-carbon economy.

Social
DekaBank faces high industrywide social risks related to customer relations, mostly arising from the marketing and distribution of financial products as an asset manager with a large retail business. Rising digitization will increase data security risks. High cyber and personal data risks are mitigated by technology solutions and organisational measures to prevent data breaches. DekaBank faces moderate exposure to demographic and societal trends, related primarily to its focus on active management against the backdrop of increasing popularity of passive asset management strategies. As a mitigant, DekaBank benefits from strong net new money inflows from its retail customer base which is mostly covered by the strong distribution network of local German savings banks that benefits from a strong degree of customer loyalty.

Governance
Governance risks for DekaBank are moderate, reflecting higher concentration risks inherent in its business model as a specialised lender. Its strategy, risk management function and organisational structure are in line with industry practices. Management's ability to address the bank's modest profitability remains a concern because it provides only a limited buffer against adverse developments and limits the bank's capital generation capacity and, hence, growth prospects. DekaBank's board of directors' composition reflects the group's savings banks owners, with limited independent representation, but this does not result in incremental governance risks because of Germany's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

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

» We rate DekaBank's junior senior unsecured debt A2, one notch of uplift above the a3 Adjusted BCA, reflecting a low loss given failure.

» We rate DekaBank's subordinated debt Baa1, one notch below the a3 Adjusted BCA, reflecting a high loss given failure.

» We rate DekaBank's perpetual Additional Tier 1 notes Baa3(hyb), 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 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, which 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 12

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	1.2%	aa3	↔	baa2	Sector concentration	Market risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	18.4%	aa2	↔	a2	Expected trend	Risk-weighted capitalisation
Profitability						
Net Income / Tangible Assets	0.5%	ba1	↔	ba1	Expected trend	Return on assets
Combined Solvency Score		a1		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	64.2%	caa1	↔	ba3	Market funding quality	Extent of market funding reliance
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	49.5%	aa3	↔	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	-	-	-	-	-	-	-	1	0	a2
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	1	0	a2	0	A2	
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 13

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	A2
Junior Senior Unsecured MTN -Dom Curr	(P)A2
Subordinate -Dom Curr	Baa1
Pref. Stock Non-cumulative -Dom Curr	Baa3 (hyb)
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	P-1

Source: Moody's Investors Service

Endnotes

1 The ratings shown are S-Finanzgruppe's corporate family ratings, outlook and BCA.

2 excluding counterparty credit risk exposures

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