MOODY'S
INVESTORS SERVICE

CREDIT OPINION
17 May 2021

Update

Rate this Research

DekaBank Deutsche Girozentrale

Update following rating affirmation

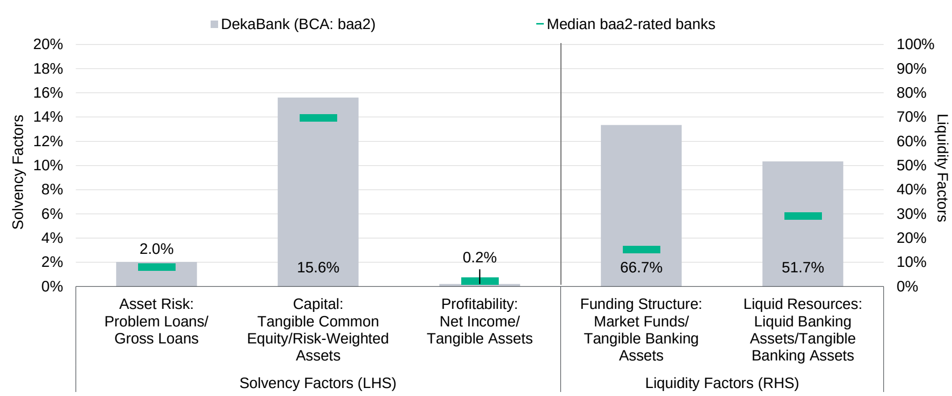
Summary

On 5 May 2021, we affirmed the ratings of DekaBank Deutsche Girozentrale (DekaBank), including the bank's Aa2(stable)/P-1 deposit and senior unsecured ratings, and its A1 junior senior unsecured debt ratings. We further affirmed DekaBank's baa2 Baseline Credit Assessment (BCA), a3 Adjusted BCA and Aa2/P-1 Counterparty Risk Ratings (CRRs).

DekaBank's Aa2 deposit and senior unsecured 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 negative, a2[1]); the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities, which results in an extremely low loss-given-failure and three notches of rating uplift; and one notch of government support uplift because of its membership in the systemically relevant S-Finanzgruppe.

DekaBank's baa2 BCA reflects the bank's maintained sound solvency profile on the back of its stable business performance amid a challenging economic environment, driven by a strong contribution of fee income derived from the bank's fund management core business, which reflects its status as the securities service provider for S-Finanzgruppe. However, despite its focus on asset management the bank also has meaningful loan exposure to commercial real estate. DekaBank's high reliance on market funding is mitigated by its high level of liquid resources and its access to an ample funding pool through excess deposits of S-Finanzgruppe's member banks.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

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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» Contacts continued on last page

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 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 outlook reflects our view that DekaBank will continue to maintain a stable solvency and liquidity profile, and the bank's liability structure will ensure 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. However, an upgrade of the BCA could 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 Loss Given Failure (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 BCA or by a reduction in the rating uplift resulting from our Advanced LGF analysis.

» DekaBank's BCA could be strained by 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 the bank's profitability declines substantially. However, a downgrade of the bank's BCA could be offset by additional affiliate support uplift.

» DekaBank's ratings could also be downgraded if there is a significant decrease in the bank's stock of loss-absorbing liabilities, which could lead to fewer notches of rating uplift from our Advanced LGF analysis.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

DekaBank Deutsche Girozentrale (Consolidated Financials) [1]

	12-20[2]	12-19[2]	12-18[2]	12-17[2]	12-16[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	85.5	97.2	100.4	93.8	86.0	(0.1)[4]
Total Assets (USD Billion)	104.6	109.2	114.8	112.6	90.7	3.6[4]
Tangible Common Equity (EUR Billion)	4.9	4.8	4.7	4.6	4.4	2.7[4]
Tangible Common Equity (USD Billion)	6.0	5.3	5.4	5.5	4.6	6.6[4]
Problem Loans / Gross Loans (%)	2.0	0.7	0.6	2.1	3.5	1.8[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.6	14.8	16.2	18.4	18.4	16.7[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	10.0	3.8	3.3	9.2	17.1	8.7[5]
Net Interest Margin (%)	0.1	0.1	0.1	0.1	0.1	0.1[5]
PPI / Average RWA (%)	1.7	1.4	1.6	2.1	2.3	1.8[6]
Net Income / Tangible Assets (%)	0.2	0.2	0.2	0.3	0.3	0.2[5]
Cost / Income Ratio (%)	66.8	74.1	72.9	68.2	61.0	68.6[5]
Market Funds / Tangible Banking Assets (%)	66.7	69.3	68.6	63.4	64.0	66.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	51.7	49.9	54.6	46.9	37.1	48.0[5]
Gross Loans / Due to Customers (%)	129.5	136.2	105.4	78.0	99.0	109.6[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 31 December 2020, DekaBank reported consolidated balance-sheet assets of €86 billion, while its total customer assets, comprising off-balance sheet assets under management and structured notes, amounted to €339 billion (€167 billion from retail customers and €172 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 31 December 2020, DekaBank employed 4,711 employees (4,131 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 and our German Banking System Profile.

DekaBank's Weighted Macro Profile is Strong (+)

DekaBank has main exposures are across Europe: 44% of total gross loan volume as of 31 December 2020 were located in its home market of Germany (Aaa stable), 29% in other euro area countries (thereof 3% in Italy [Baa3 stable] and Spain [Baa1 stable]), 13% in the UK [Aa3 stable], and the remainder (14%) in other countries outside the euro area. Weighting by DekaBank's exposures results in a Strong (+) Macro Profile at the same level as the Strong (+) Macro Profile of Germany.

Recent developments

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

The European Central Bank (ECB) introduced a series of measures to help the European Union (EU) economies weather the widening effects of the pandemic, temporarily increasing banks' liquidity provisions, and lowering regulatory capital and liquidity requirements. As part of these temporary measures, the ECB increased its targeted longer-term refinancing operations (TLTRO III) under more favourable terms, and its financial asset purchase programme, while refraining from lowering the ultralow interest rates further. The temporary suspension of buffer requirements for regulatory capital and the liquidity coverage ratio (LCR) gives banks greater flexibility and additional leeway to absorb the economic effects, such as asset-quality declines. Overall, the package aims to help banks continue to finance corporates, and small and medium-sized enterprises (SMEs) suffering from the effects of the pandemic. The ECB's measures will provide limited relief for banks and their borrowers, and it will require continued significant fiscal policy measures by the EU and its member states to avert higher default rates in banks' lending books.

The Government of Germany (Aaa stable) launched a large stimulus package, and its support has been crucial for corporate borrowers in industries immediately 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 according to the evolution of the economic effects of the pandemic, add to Germany's already expansionary fiscal policy stance and to automatic stabilisers that support household incomes when unemployment increases.

Detailed credit considerations

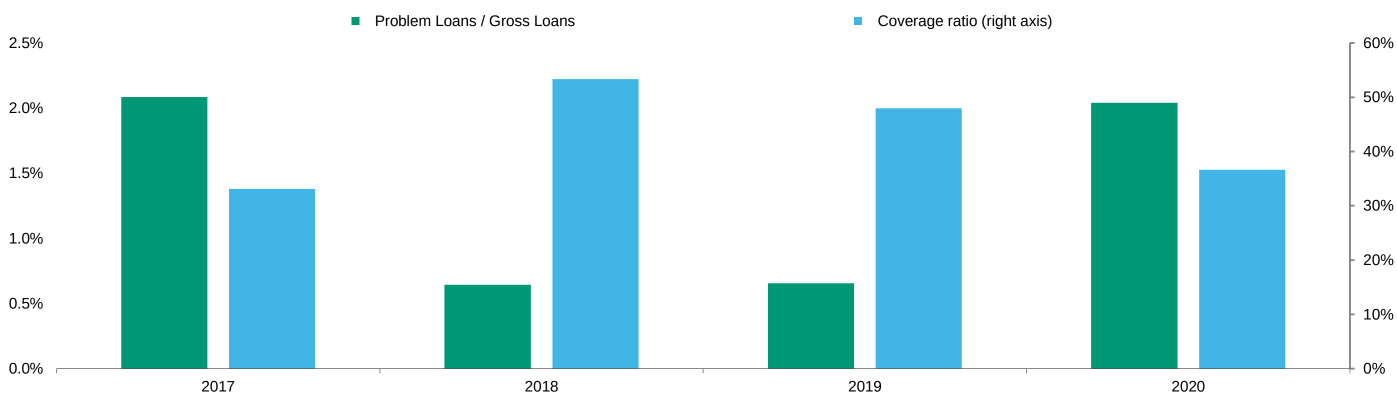
Asset risk from legacy shipping exposure has declined, commercial real estate exposure has also declined

We assign a baa3 Asset Risk score, four notches below the a2 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.

Because of the economic shock caused by the coronavirus pandemic, the bank experienced a marked increase in problem loans to 2.0% of gross loans in 2020 from 0.7% as of year-end 2019. Of the €537 million nonperforming exposures as of year-end 2020, €307 million relate to the transport and export finance business, €185 million stem from the property portfolio and €45 million are from the energy and utility infrastructure business. In addition, DekaBank reported €1.0 billion (4% of gross loans, up from €91 million as of December 2019) of performing forborne exposures, split between commercial real estate (€732 million) and transport and export finance (€268 million).

Exhibit 3

Nonperforming loans (NPLs) increased markedly because of the coronavirus 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. The €2.9 billion (December 2019: €3.5 billion) aircraft financing portfolio represented 59% of the bank's tangible common equity (TCE) as of year-end 2020 and has been specially strained by the economic downturn.

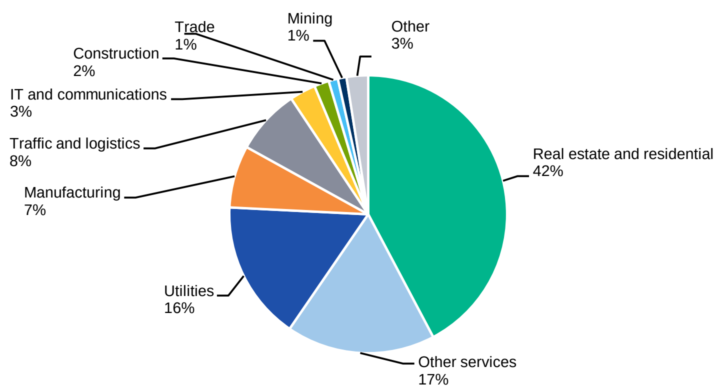
The second lending segment particularly exposed to the economic consequences of the pandemic is DekaBank's commercial real estate (CRE) lending segment. In light of muted new business activity, DekaBank's outstanding CRE loan volume declined to €7.8 billion in 2020 from €8.9 billion as of year-end 2019. In addition to CRE lending, DekaBank has further indirect exposure to commercial property markets through its €2.5 billion lending book (December 2019: €2.3 billion) as of year-end 2020 and to its in-house mutual property funds. In DekaBank's the combined CRE lending segment, 8% and 4%, respectively, are backed by retail and hotel properties. These low shares in CRE subsegments particularly hard-hit by lockdown measures and by the structural changes accelerated during the pandemic 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 €1.1 billion as of the end of December 2020 from €1.4 billion as of year-end 2019. 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 performing loans before risk provisions by industry, excluding the financial and public sectors, 2020



Sources: 2020 Pillar 3 disclosure report and Moody's Investors Service

Apart from counterparty (credit) risk, DekaBank runs considerable market risk related to investments and derivative positions. Accordingly, potential dislocations in capital markets that are more severe than those seen in the first half of 2020 represent tail risks for the bank's securities lending business. Under certain fund-based retirement savings products, DekaBank provides capital guarantees to investors. In 2020, the bank set aside €52 million in provisions (2019: €19 million) for the potential liabilities arising in the case the fund returns fall short of covering investor capital.

Capitalisation remains sound despite decline because of balance-sheet expansion

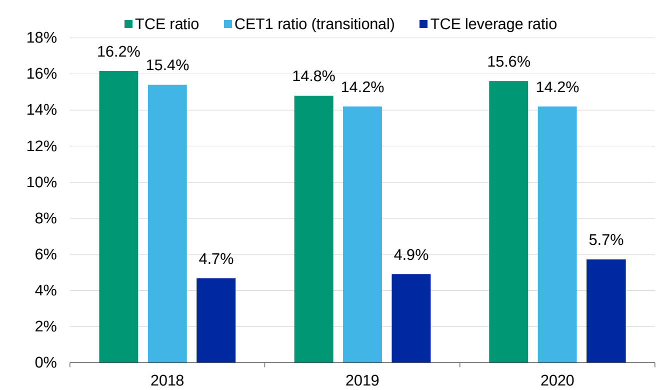
We assign an a2 Capital score, two notches below the aa3 initial score, taking into account the bank's sound capitalisation despite growing risk-weighted assets (RWA), and its improved leverage ratio. The negative adjustment reflects the possibility of a moderate future decline in capitalisation as a result of tighter regulatory risk measurement requirements and falling leverage in case DekaBank reflates its currently reduced total assets base.

DekaBank's TCE ratio, measured as TCE/RWA, increased to 15.6% as of December 2020 from 14.8% as of year-end 2019. At the same time, the bank reported a 15.0% transitional Common Equity Tier 1 (CET1) capital ratio (after 2020 results appropriation). Before results appropriation, the CET1 ratio was at 14.2%[2] as of year-end 2020. As a result of DekaBank's 12% decline in tangible assets during 2020, its TCE leverage improved markedly to 5.7% as of December 2020, up from 4.9% a year earlier. In 2020, DekaBank's tangible assets declined strongly by €11.8 billion to €85.5 billion. Similarly, credit risk-weighted assets declined by €1.5 billion to €17.6 billion, an effect partly offset by higher contributions of market and operational risks. DekaBank will increase its tangible assets from the relatively low level as of year-end 2020 so that the recent improvement in the bank's TCE leverage ratio might not be sustainable.

DekaBank uses internal models to calculate credit risk weights of €35 billion out of its €61 billion of net risk positions, mainly in relation to its corporate lending book. The risk weights for the remaining €26 billion are calculated under the standardised approach. Because regulatory changes as a result of the phase-in of Basel IV requirements will limit the benefits of internal models, DekaBank will experience some increase in RWA over the medium term. A moderate negative effect on 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 December 2020, DekaBank's minimum capital requirements determined by the Supervisory and Review Process (SREP) were 8.42% on a CET1 basis and 12.30% on a total capital basis. DekaBank comfortably exceeded these levels at all times.

Exhibit 5

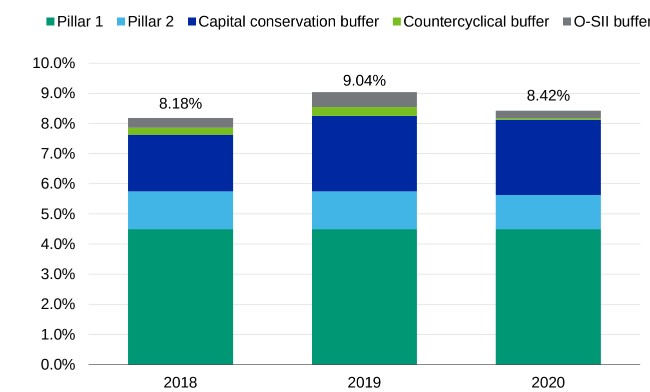
DekaBank's TCE ratio and leverage ratio increased recently



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

Exhibit 6

DekaBank's CET1 requirements



Source: Company

High share of stable fee income provides earnings buffer

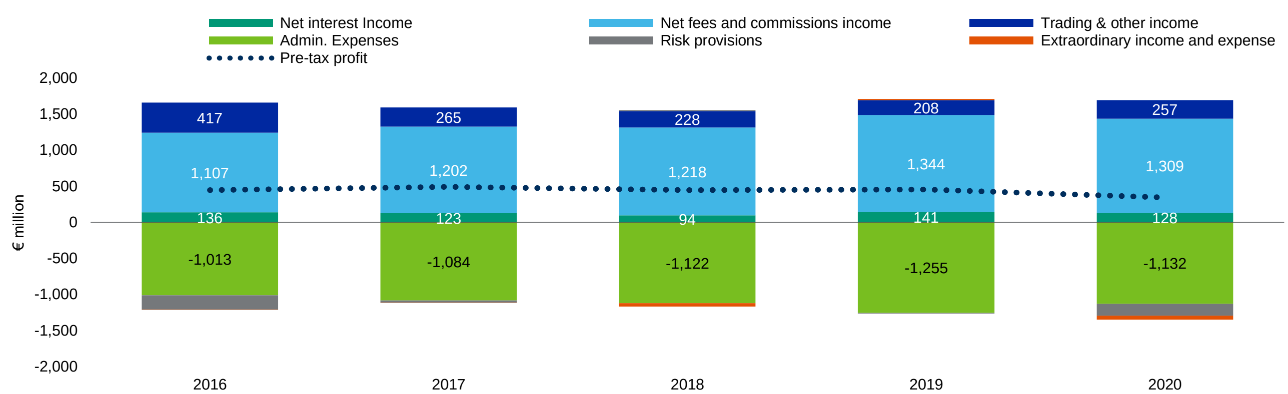
We assign a ba3 Profitability score, one notch above the initial score, reflecting DekaBank's lower but positive earnings in a difficult economic and capital market environment, and our expectation that the bank will be able to improve its profitability moderately in an environment marked by stabilising economic activity.

Based on our adjusted financials, DekaBank achieved a net income of €175 million in 2020, €53 million less than that in 2019. DekaBank's net commission income, the bank's main profitability driver, declined moderately by €35 million (3%) to €1,309 million. The decline reflected higher provisions for guarantee products in 2020. Loan loss provisions of €178 million (2019: €11 million) exceeded the bank's net interest income of €157 million (down by 8%). Within the more volatile non-fee and non-interest income operating result, the bank improved its trading profit to €152 million in 2020, up from €46 million a year earlier, but made a loss on financial instruments mandatorily measured at fair value of €14 million, after a gain of €88 million in 2019.

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 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 78% of net revenue in 2020. Net new asset growth from the bank's actively managed retail investment products increased in 2020 from the level a year earlier, up 13% to €12.6 billion. The bank's institutional franchise saw even more significant growth in net new asset generation, up 182% to €19.5 billion. This led to an increase in total customer assets to €339 billion in 2020, up 8.2% from the level as of year-end 2019.

Exhibit 7

Net fees and commissions income supports earnings, while trading income improved



Sources: Company and Moody's Investors Service

In addition to its results under IFRS, DekaBank reports an economic result to better represent the 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 2020 economic pretax result of €269 million (down from €434 million in 2019) was €116 million (2019: €23 million) lower than the bank's IFRS pretax result as a result of a €76.4 million lower financial result. The 2020 economic pretax result benefitted from €40 million of reversed general provision to cover potential risks not yet booked under IFRS.

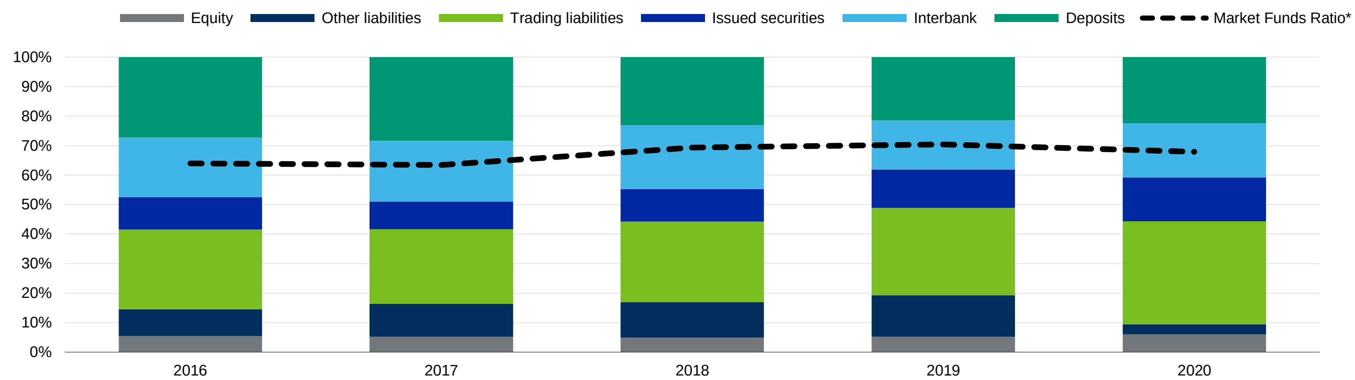
Wholesale funding dependence mitigated by strong access to sector funding

We assign a ba3 Funding Structure score, 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, 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. The still-modest volume of €25 billion of customer loans (as of December 2020) 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

In 2020, the bank's funding mix changed significantly, reducing the share of money market instruments in the total funding mix to 52% as of year-end 2020 from 59% a year earlier. In particular, commercial paper outstanding fell to €0.3 billion from €10.7 billion as of year-end 2019. The bank moderately decreased customer liabilities to €21.7 billion from €23.7 billion a year earlier, and interbank funding fell to €17.1 billion from €17.5 billion.

From June 2021, a minimum regulatory Net Stable Funding Ratio (NSFR) of 100% will be in force. 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, which reported a 25.2% ratio of MREL instruments over total liabilities and own funds (TLOF) as of year-end 2020, up from 22.0% a year earlier. DekaBank's MREL instruments included €5.9 billion of own funds and subordinated debt, €9.6 billion of junior senior unsecured liabilities and €3.7 billion of eligible senior unsecured debt.

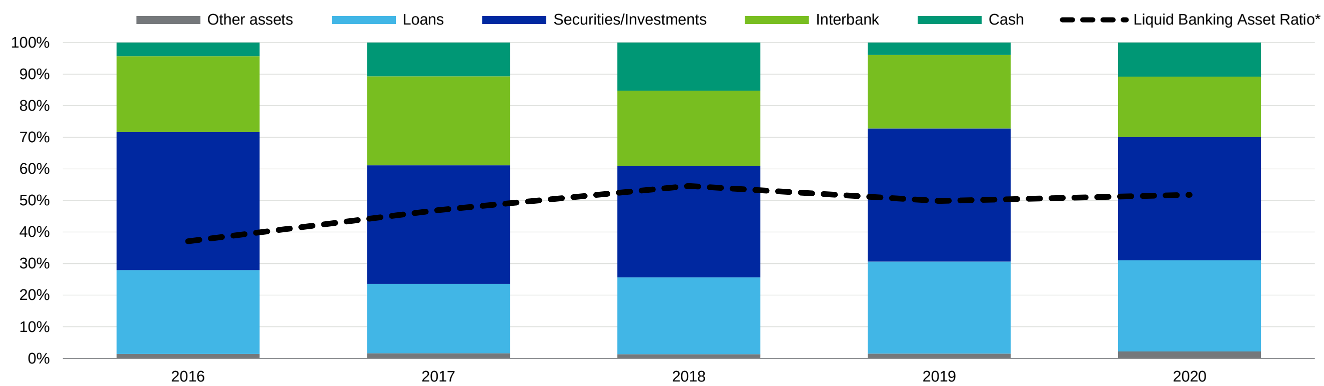
Highly liquid balance sheet despite asset encumbrance

We assign an a2 Liquid Resources score, 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, it is reduced to a significant extent through encumbrance resulting from secured funding transactions.

About half of DekaBank's balance sheet can — in principle — be considered liquid, 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 €9.9 billion and total unencumbered high-quality liquid resources eligible for the regulatory LCR of €18.4 billion as of year-end 2020 provide sound buffers against such unforeseen market swings. Consequently, the LCR remained high during 2020, averaging 180% in 2020 and closing at 186% as of year-end 2020 — 139% was the lowest and 219% 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

ESG considerations

In line with our general view of the banking sector, DekaBank has low exposure to environmental risks (see our environmental risk 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 risk heat map[4]). This includes considerations in relation to the rapid and widening spread of the coronavirus 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 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-given-failure, 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)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

DekaBank's CRRs are positioned at Aa2/P-1

The CRRs, before government support, are positioned 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

The CR Assessment is an opinion of how counterparty obligations are likely to be treated if a bank fails and is distinct from debt and deposit ratings in that it takes into account only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default; and applies to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

DekaBank's CR Assessment is positioned at Aa2(cr)/P-1(cr)

DekaBank's CR Assessment is positioned four notches above the a3 Adjusted BCA, 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 our Banks Methodology, published in March 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	2.0%	a2	↓	baa3	Sector concentration	Market risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	15.6%	aa3	↔	a2	Expected trend	Risk-weighted capitalisation
Profitability						
Net Income / Tangible Assets	0.2%	b1	↑	ba3	Expected trend	Return on assets
Combined Solvency Score		a3		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 towards 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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