

**Rating Action: Moody's affirms DekaBank's Aa2 senior unsecured debt and deposit ratings, outlook remains stable**

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05 May 2021

Frankfurt am Main, May 05, 2021 -- Moody's Investors Service (Moody's) today affirmed DekaBank Deutsche Girozentrale's (DekaBank) Aa2 long-term deposit, senior unsecured debt and issuer ratings; the outlook on these ratings remains stable. At the same time, the rating agency affirmed all other ratings of DekaBank, including the bank's baa2 Baseline Credit Assessment (BCA), its a3 Adjusted BCA, the Aa2/P-1 Counterparty Risk Ratings and the Aa2(cr)/P-1(cr) Counterparty Risk Assessment as well as the bank's A1 junior senior unsecured debt and Baa1 subordinate debt ratings.

A full list of affected ratings and assessments can be found at the end of this press release.

**RATINGS RATIONALE**

**BCA AFFIRMATION REFLECTS DEKABANK'S SOLID PERFORMANCE WITHIN A CHALLENGING OPERATING ENVIRONMENT**

The affirmation of DekaBank's baa2 BCA reflects the bank's ability to maintain a sound solvency profile on the back of its stable business performance amid a challenging economic environment. Unlike typical German commercial banks, DekaBank's revenues benefit from 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 Sparkassen-Finanzgruppe (S-Finanzgruppe, Corporate Family Ratings Aa2 negative, BCA a2). However, despite its focus on asset management the bank also has meaningful loan exposure, largely to commercial real estate.

DekaBank has defended a strong capitalisation over the past years and the bank has maintained an adequate profitability even in last year's challenging economic environment. Solid pre-provision income allowed DekaBank to absorb an increase in cost of risk driven by higher problem loans. DekaBank's increase in problem loans has been focused on the bank's concentrated transport finance and commercial real estate portfolios. Moody's believes the bank's increased level of loan loss reserves together with its sound capitalisation and pre-provision income generation capacity provide DekaBank with adequate buffers to absorb downside risks within its asset-based loan book.

In 2020, DekaBank significantly scaled back the use of its short-term commercial paper funding program, a step that has helped the bank reduce its still high reliance on market funding. In addition, this dependence on market funding has been mitigated by DekaBank's sound levels of liquid resources and by its access to an ample funding pool provided through excess deposits of S-Finanzgruppe's member banks.

DekaBank's important strategic positioning as the securities services provider to S-Finanzgruppe within an extremely adverse environment for deposit pricing also somewhat mitigates general trends in the asset management industry towards passive products and margin pressure.

**AFFIRMATION OF DEPOSIT AND DEBT RATINGS REFLECTS UNCHANGED VIEW ON EXTERNAL SUPPORT AND LIABILITY STRUCTURE**

The affirmation of DekaBank's long-term senior unsecured debt and deposit ratings at Aa2 reflects the rating agency's assessment of a very high support probability from S-Finanzgruppe, resulting in two notches of affiliate support. It also incorporates an unchanged moderate probability of government support for senior unsecured and higher-ranking liabilities ultimately made available in case of need through S-Finanzgruppe to the member banks of the sector's joint institutional protection scheme, including DekaBank, which results in one additional notch of rating uplift for these rating classes.

The affirmation further reflects the unchanged results of Moody's Advanced Loss Given Failure (LGF) analysis, which continues to provide three notches of uplift to DekaBank's senior unsecured debt and deposit ratings. Moody's expects these liability classes to benefit from an extremely low loss-given-failure as a result of the high volumes of subordination provided by loss-absorbing debt. The rating agency continues to expect a very

low loss-given-failure for DekaBank's A1-rated junior senior unsecured liabilities, resulting in two notches of uplift from DekaBank's a3 Adjusted BCA.

#### RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects Moody's view that the bank will continue to maintain a stable solvency and liquidity profile and that DekaBank's liability structure provides for continued strong protection for senior creditors through loss-absorbing liabilities.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of DekaBank's ratings could result from an upgrade of its BCA. An upgrade of the BCA could, however, be offset by reduced affiliate support uplift.

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

Positive pressure from Moody's 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.

A downgrade of DekaBank's ratings could be triggered by a downgrade of the bank's Adjusted BCA or by a reduction in the rating uplift resulting from Moody's Advanced LGF analysis.

DekaBank's BCA could come under pressure in case of a higher reliance on or a weaker quality of market funding. In addition, DekaBank's BCA could be downgraded if additional risks emerge from its commercial banking activities, the bank fails to maintain capital ratios at strong levels or profitability declines substantially. A downgrade of the BCA could, however, be offset by additional affiliate support uplift.

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

#### LIST OF AFFECTED RATINGS

Issuer: DekaBank Deutsche Girozentrale

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed Aa2

....Short-term Counterparty Risk Ratings, affirmed P-1

....Long-term Bank Deposits, affirmed Aa2, outlook remains Stable

....Short-term Bank Deposits, affirmed P-1

....Long-term Counterparty Risk Assessment, affirmed Aa2(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

....Long-term Issuer Ratings, affirmed Aa2, outlook remains Stable

....Short-term Issuer Ratings, affirmed P-1

....Baseline Credit Assessment, affirmed baa2

....Adjusted Baseline Credit Assessment, affirmed a3

....Senior Unsecured Regular Bond/Debenture, affirmed Aa2, outlook remains Stable

....Senior Unsecured Medium-Term Note Program, affirmed (P)Aa2

....Junior Senior Unsecured Regular Bond/Debenture, affirmed A1

....Junior Senior Unsecured Medium-Term Note Program, affirmed (P)A1

...Subordinate Regular Bond/Debenture, affirmed Baa1  
...Subordinate Medium-Term Note Program, affirmed (P)Baa1  
...Preferred Stock Non-cumulative, affirmed Baa3 (hyb)  
...Commercial Paper, affirmed P-1  
...Other Short Term, affirmed (P)P-1

..Outlook Action:

...Outlook remains Stable

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2021 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1261354](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1261354) . Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [http://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1263068](http://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1263068) .

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