



**Rating Action: Moody's upgrades DekaBank's long-term deposit and senior unsecured ratings;
stable outlook**

15 Mar 2024

Frankfurt am Main, March 15, 2024 – Moody's Ratings (Moody's) has today upgraded DekaBank Deutsche Girozentrale (DekaBank)'s long-term deposit, long-term issuer, and senior unsecured ratings to Aa1 from Aa2 with a stable outlook. Previously, the ratings were on review for upgrade.

At the same time, the rating agency upgraded the bank's long-term Counterparty Risk Ratings (CRR) to Aa1 from Aa2, the senior unsecured MTN rating to (P)Aa1 from (P)Aa2, the junior senior unsecured rating to A1 from A2, the junior senior unsecured MTN rating to (P)A1 from (P)A2, the subordinate ratings to A3 from Baa1, the subordinate MTN rating to (P)A3 from (P)Baa1, and the non-cumulative preferred stock rating to Baa2(hyb) from Baa3(hyb).

Concurrently Moody's affirmed the bank's short-term CRR, short-term deposit, short-term issuer and Commercial Paper ratings at P-1. Moody's also affirmed DekaBank's Other Short Term rating at (P)P-1.

In addition, Moody's affirmed DekaBank's Baseline Credit Assessment (BCA) at baa2, upgraded its and Adjusted BCA to a2 from a3, upgraded the long-term Counterparty Risk Assessment (CR Assessment) to Aa1(cr) from Aa2(cr), and affirmed the short-term CR Assessment at P-1(cr).

This rating action concludes the review initiated on 9 February 2024.

RATINGS RATIONALE

– AFFIRMATION OF THE BCA

The affirmation of DekaBank's baa2 BCA reflects a continued strengthening of DekaBank's capitalization and profit generation capacity, which will enable DekaBank to absorb higher loan loss provisioning needs and problem loan formation in the bank's commercial real estate (CRE) loan book, which constitutes a material concentration risk for the bank. The baa2 BCA further reflects the bank's high reliance on market funding, which is appropriately mitigated by the bank's liquid resources and the access to funds sourced within the savings banks sector.

– UPGRADE OF THE ADJUSTED BCA

The upgrade of DekaBank's Adjusted BCA to a2 from a3 reflects the affirmation of the bank's BCA and Moody's assumption of a higher probability of cross-sector support from Sparkassen-Finanzgruppe (S-Finanzgruppe; Corporate Family Rating Aa2 stable, BCA a2) under its institutional protection scheme (IPS) whose statutes were

updated earlier in 2024[1]. Moody's increased its assumption of DekaBank receiving support from S-Finanzgruppe in case of need to 'affiliate-backed' from 'very high' following the strengthening of the IPS, which is now a more rule-based IPS that implements an early intervention system with clearly identified triggers and timely escalation of decision-making steps as well as increased ex-ante funds over time, which, in the view of the rating agency, further increases the likelihood and timeliness of support for DekaBank, being the sector's core securities service provider.

This effectively aligns DekaBank's Adjusted BCA with the BCA of its ultimate support provider, S-Finanzgruppe, thereby leading to three notches of rating uplift from the bank's baa2 BCA.

– UPGRADE OF LONG-TERM RATINGS

The upgrade of DekaBank's long-term deposit, senior unsecured debt and issuer ratings to Aa1 from Aa2 follows the upgrade of its Adjusted BCA and also considers the unchanged results of Moody's Advanced Loss Given Failure (LGF) analysis, which provides three notches of rating uplift to the bank's deposit and senior unsecured debt ratings from the bank's a2 Adjusted BCA.

The unchanged moderate support assumption for liabilities ranking above junior senior unsecured debt and the resulting one notch of rating uplift reflects the bank's membership in the systemically important S-Finanzgruppe.

AFFIRMATION OF SHORT-TERM RATINGS

Because DekaBank's short-term ratings were already at the highest possible level prior to the upgrade of the respective long-term ratings, the short-term ratings were affirmed at P-1.

OUTLOOK

The stable outlook on DekaBank's long-term deposit, long-term issuer, and senior unsecured ratings reflects the stable outlook of S-Finanzgruppe. The stable outlook further incorporates the rating agency's expectation of a broadly unchanged liability structure of DekaBank.

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

An upgrade of DekaBank's long-term ratings could be triggered by an improvement in the financial strength of S-Finanzgruppe. The ratings of DekaBank's junior senior unsecured and of lower-ranking liabilities could potentially also be upgraded if the bank were to issue substantial additional volumes of liabilities designed to absorb losses in resolution or of instruments eligible as Tier 2 or Additional Tier 1 capital, such that it reduces the loss severity for these instrument classes.

DekaBank's BCA could be upgraded if the bank manages to maintain its current financial strength in the deteriorated operating environment by keeping problem loan formation in check, defending current very strong capital levels and its improved profitability. However, an upgrade of DekaBank's BCA would not result in an upgrade of its Adjusted BCA or its ratings.

DekaBank's ratings would be downgraded following a downgrade of the Adjusted BCA, which would be triggered by

deterioration in the financial strength of S-Finanzgruppe. Furthermore, a shift in the liability structure towards non-bail-in-able instruments, such that it increases the loss severity for a respective debt class and results in reduced rating uplift from Moody's Advanced LGF analysis, could result in a downgrade.

The BCA could be downgraded in case of a material weakening of DekaBank's asset quality, a concurrent decline in capitalisation and profitability, and a deterioration of the bank's combined liquidity profile. However, a BCA downgrade for DekaBank in itself is unlikely to trigger a downgrade of the bank's Adjusted BCA and ratings.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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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 on <https://ratings.moodys.com/rating-definitions>.

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REFERENCES/CITATIONS

[1] Statutes of the institutional protection scheme of Sparkassen-Finanzgruppe (Rahmensatzung für das institutsbezogene Sicherungssystem der Sparkassen-Finanzgruppe), Deutscher Sparkassen- und Giroverband 22-Jan-2024

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Bernhard Held

VP - Senior Credit Officer

Financial Institutions Group

Moody's Deutschland GmbH

An der Welle 5

Frankfurt am Main, 60322

Germany

JOURNALISTS: 44 20 7772 5456

Client Service: 44 20 7772 5454

Alexander Hendricks, CFA

Associate Managing Director

Financial Institutions Group

JOURNALISTS: 44 20 7772 5456

Client Service: 44 20 7772 5454

Releasing Office:

Moody's Deutschland GmbH

An der Welle 5

Frankfurt am Main, 60322

Germany

JOURNALISTS: 44 20 7772 5456

Client Service: 44 20 7772 5454

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