



## Rating Action: Moody's places ratings of several members of Sparkassen-Finanzgruppe on review for upgrade

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09 Feb 2024

Frankfurt am Main, February 09, 2024 -- Moody's Investors Service (Moody's) has today placed ratings of seven German banking groups that are members of Sparkassen-Finanzgruppe (S-Finanzgruppe; Corporate Family Rating Aa2 stable, BCA a2) on review for upgrade. Those banking groups are: Bayerische Landesbank AoR (BayernLB), DekaBank Deutsche Girozentrale (DekaBank), Landesbank Baden-Wuerttemberg (LBBW), Landesbank Hessen-Thueringen Girozentrale (Helaba), Landesbank Saar (SaarLB), Norddeutsche Landesbank - Girozentrale - (NORD/LB), Sparkasse KoelnBonn (SKKB), and include their rated subsidiaries. The review for upgrade also pertains to the banks' respective Adjusted Baseline Credit Assessments (Adjusted BCA).

The review for upgrade reflects a potential change in Moody's assessment of the likelihood of member banks receiving direct or indirect support via S-Finanzgruppe's institutional protection scheme (IPS) on the back of recently updated IPS statutes, which strengthen the support mechanism.

Please click on this link [https://www.moody's.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL484707](https://www.moody's.com/viewresearchdoc.aspx?docid=PBC_ARFTL484707) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

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

#### – KEY DRIVERS OF THE REVIEW FOR UPGRADE

In early 2024, S-Finanzgruppe published updated statutes for its IPS<sup>[1]</sup>, following regulatory pressure to reduce complexity, to increase reliability, and to increase the level of directly available reserves. Key improvements of the support scheme include a more rule-based approach for decision taking, including tight deadlines that ensure timely execution of support measures as well as stronger empowerment of the central governing body of the IPS.

The support measures include access to higher and readily available resources that will be accumulated from 2025 onwards with a specific reserve for IPS support cases, while the role of the central IPS governing body is strengthened by enhancing its powers regarding the application of early intervention measures as well as its access to the various support funds that are available in this decentralized group at regional and national level.

Should Moody's conclude that the IPS's improved support governance and practices as well as available resources are credible and enhance the likelihood of swift forthcoming support for S-Finanzgruppe's member banks in case of

need, this could result in an upward revision of the rating agency's current affiliate support assumptions and consequently upward pressure on the Adjusted BCAs and select ratings of the banks affected by today's rating action.

#### – FOCUS OF THE RATINGS REVIEW

During the review, Moody's will update its opinion regarding the IPS's willingness and capacity to provide support in case of need to the affected banking groups.

In particular, the rating agency will consider whether the new statutes implement a reliably strengthened governance structure with respect to i) a strong central body with sufficient powers across the support value chain; ii) proactive risk monitoring with clear triggers and escalation steps; iii) timely, frictionless support decision making and execution; and iv) plausible access to necessary funds and liquidity.

The rating agency will further consider several characteristics of the rated entities, such as their ownership structure, size, and business model as well as their importance to the overall sector, which will be reflected in the assumptions about the likelihood of receiving support. Furthermore, Moody's will assess whether it could be reasonably expected that capital instruments, such as Additional Tier 1 and Tier 2 instruments, can benefit from the same support assumptions as more senior liabilities under the new framework.

#### – OUTLOOK

Previously, the outlook on the long-term deposit, long-term issuer, and senior unsecured ratings – where applicable – was stable for LBBW and its subsidiary Berlin Hyp AG, for BayernLB's subsidiary Deutsche Kreditbank AG, and for Helaba, DekaBank, and SaarLB, while it was positive for BayernLB, NORD/LB, and SKKB.

As reflected in the review for upgrade on the ratings and the Adjusted BCAs, a change to a higher affiliate support assumption could exert upwards rating pressure.

The ratings could be confirmed if, other things equal, Moody's were to conclude that the likelihood of affiliate support remains unchanged despite the recent changes to the IPS statutes. Furthermore, the ratings for capital instruments could be confirmed in case the rating agency identifies that burden sharing with investors in such liabilities is a feasible option for the IPS in a support scenario.

In addition, ratings could be upgraded following a strengthening of the banks' stand-alone creditworthiness, as expressed by their BCA, which would lead to a stronger Adjusted BCA, but also due to potentially higher ratings uplift from Moody's Advanced Loss Given Failure (LGF) analysis.

The banks' ratings could be downgraded following a weakening of their BCAs that concurrently imposes downwards pressure on the Adjusted BCA, as well as due to lower rating uplift from Moody's Advanced LGF analysis.

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on

<https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL484707](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL484707) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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- Rating Solicitation
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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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