Frankfurt am Main, July 13, 2021 -- Moody's Investors Service (Moody's) has today taken rating actions on four German banks, including the upgrade of the junior senior unsecured rating of one bank and the affirmation of the junior senior unsecured rating of one bank. The rating actions were driven by revisions to Moody's Advanced Loss Given Failure (LGF) framework, which is applied to banks operating in jurisdictions with Operational Resolution Regimes, following the publication of Moody's updated Banks Methodology on 9 July 2021. This methodology is available at this link:
A full list of affected ratings and assessments can be found at the end of this Press Release.
All other German banks were unaffected by today's rating actions and the update of the Banks Methodology.

RATINGS RATIONALE

Today's rating actions on four German banks were driven by revisions to the Advanced LGF framework within Moody's updated Banks Methodology. In particular, ratings were affected by revised LGF notching guidance thresholds at lower levels of subordination and volume in the liability structure that have been applied to all German banks. For German banks that are subsidiaries of multinational groups, the rating actions also reflect Moody's view that group-wide resolutions coordinated in a unified manner will be more common following the requirement to issue internal loss absorbing capital (ILAC), leading to a likely transfer of losses from subsidiaries to parents at the point of failure. For banks that are subsidiaries of international parents and subject to ILAC requirements, the rating actions reflect the required and expected issuance of such instruments.

RATINGS RATIONALE FOR INDIVIDUAL BANKS

- ING-DiBa AG

Moody's affirmed the A2 long-term deposit ratings of ING-DiBa AG (ING-DiBa) and its Aa3 long-term Counterparty Risk Ratings (CRR); the outlook on the long-term deposit rating remains stable. At the same time, the rating agency downgraded the bank's Baseline Credit Assessment (BCA) and Adjusted BCA to a3 from a2, as well as the long-term Counterparty Risk Assessment (CR Assessment) to Aa3(cr) from Aa2(cr).

The rating action reflects Moody's expectation of a higher probability that ING-DiBa will be resolved in a unified manner alongside its Dutch parent, ING Bank N.V., which limits the scope for differences between the BCA of ING-DiBa and its parent. Moody's therefore now caps the BCA of ING-DiBa at a3, one notch above the BCA of its parent. In parallel, the rating agency believes that ING-DiBa will issue ILAC in the form of junior senior unsecured instruments to its parent. In Moody's Advanced LGF analysis, this results in one notch of additional rating uplift for the bank's deposits and CRRs, reflecting the greater levels of protection afforded to the bank's senior creditors. For ING-DiBa's deposit ratings and CRRs, this additional notch of uplift offsets the one notch downgrade of the bank's BCA and resulted in the affirmation of these ratings.

- Santander Consumer Bank AG

Moody's upgraded the long-term deposit and issuer ratings of Santander Consumer Bank AG (SCB) to A2 from A3; the outlook remains stable. At the same time, the rating agency upgraded the bank's short-term deposit ratings to P-1 from P-2, and its long-term CRRs to A1 from A2.

The rating upgrades reflect Moody's revised view of the joint benefits of SCB's ratings being a core subsidiary of Santander Consumer Finance S.A. and of its ultimate parent Banco Santander S.A. (Spain) through affiliate support and rating uplift from SCB's Advanced LGF analysis. Moody's believes that the presence of ILAC is additive to any extraordinary support the bank might receive from its parent prior to the point of failure. Accordingly, the full inclusion of SCB's junior senior unsecured instruments issued to its parent in its Advanced
LGF analysis results in one additional notch of rating uplift for the bank's deposit ratings, issuer ratings and CRRs.

- Sparkasse KoelnBonn

Moody's affirmed the Baa1 junior senior unsecured debt rating of Sparkasse KoelnBonn (SKKB). The affirmation of SKKB's junior senior unsecured debt rating reflects the rating agency's expectation that the benefit from the change in the notching guidance at the lower level of subordination will only be temporary for SKKB, because future balance sheet growth in combination with a forecasted decline in the volume of junior senior liabilities will offset the benefits of revised LGF notching. At the same time, Moody's downgraded the bank's CRR to Aa3 from Aa2, reflecting a decline in the volume of instruments subordinated to counterparty risk liabilities.

- UniCredit Bank AG

Moody's upgraded the junior senior unsecured debt ratings of UniCredit Bank AG (UCB) to Baa2 from Baa3. The upgrade of UCB's junior senior ratings reflects the benefits from the change in the notching guidance at the lower level of subordination. The rating agency believes the outstanding volume of preference shares and subordinated debt to remain largely unchanged during the next years and sufficient to absorb some balance sheet growth while still maintaining the required protection under the revised LGF notching guidance to position the junior senior unsecured instruments at the level of UCB's baa2 Adjusted BCA.

OUTLOOK

The rating outlooks on ING-DiBa and SCB were maintained stable. The rating outlooks on all other banks affected by today's rating actions remain unchanged.

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

The affected ratings and assessments could be upgraded following an improvement in the standalone creditworthiness of the banks or as a result of higher affiliate support assumptions.

The affected ratings and assessments could also be upgraded following a significant increase in the stock of bail-in-able liabilities.

The affected ratings and assessments could be downgraded following a deterioration in the standalone creditworthiness of the banks, as a result of lower affiliate support assumptions or parental creditworthiness, or following a reduction in the stock of bail-in-able liabilities.

LIST OF AFFECTED RATINGS

Issuer: ING-DiBa AG

..Downgrades:

....Long-term Counterparty Risk Assessment, downgraded to Aa3(cr) from Aa2(cr)
....Baseline Credit Assessment, downgraded to a3 from a2
....Adjusted Baseline Credit Assessment, downgraded to a3 from a2

..Affirmations:

....Long-term Bank Deposits, affirmed A2, outlook remains Stable
....Long-term Counterparty Risk Ratings, affirmed Aa3

..Outlook Action:

....Outlook remains Stable

Issuer: Santander Consumer Bank AG

..Upgrades:
....Long-term Counterparty Risk Ratings, upgraded to A1 from A2
....Long-term Bank Deposits, upgraded to A2 from A3, outlook remains Stable
....Short-term Bank Deposits, upgraded to P-1 from P-2
....Long-term Issuer Ratings, upgraded to A2 from A3, outlook remains Stable
....Outlook Action:
....Outlook remains Stable
Issuer: Sparkasse KoelnBonn
....Affirmations:
....Junior Senior Unsecured Regular Bond/Debenture, affirmed Baa1
....Upgrades:
....Junior Senior Unsecured Regular Bond/Debenture, upgraded to Baa2 from Baa3
....Junior Senior Unsecured Medium-Term Note Program, upgraded to (P)Baa2 from (P)Baa3
PRINCIPAL 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.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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