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CREDIT OPINION

25 October 2024

Update

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RATINGS

Bausparkasse Schwaebisch Hall AG

Domicile	Germany
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
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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Bausparkasse Schwaebisch Hall AG

Update to credit analysis

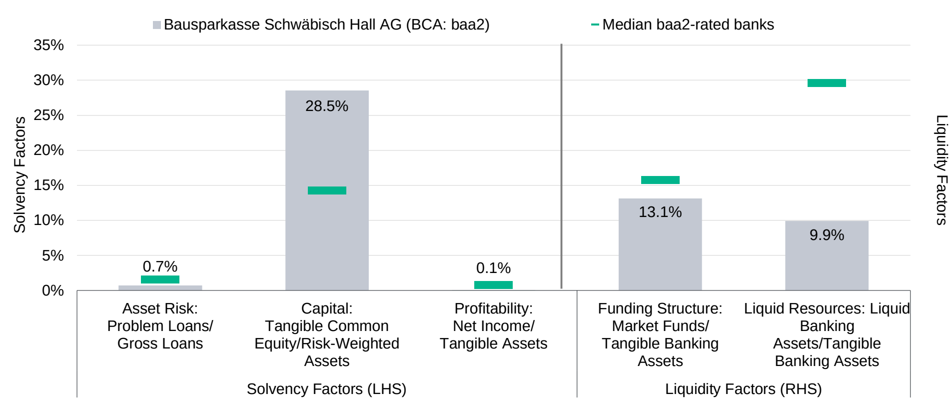
Summary

Bausparkasse Schwaebisch Hall AG's (BSH) Aa2 deposit and issuer ratings reflect the bank's baa2 BCA, two notches of uplift from its membership in the institutional protection scheme of the German cooperative banking association (Genossenschaftliche FinanzGruppe, G-Finanzgruppe), three notches of uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class, and one notch rating uplift from government support because of its membership in the systemically relevant G-Finanzgruppe.

BSH's baa2 BCA reflects the bank's strong ties with its parent, DZ BANK AG (DZ BANK, Aa2/Aa2 stable, baa2)[1], including a profit-and-loss transfer agreement and sizeable investments in DZ BANK's liabilities. While BSH' core financial ratios are stronger than those of its parent, we cap its BCA at the level of DZ BANK because of BSH's tight strategic and financial integration with its parent.

The BCA takes into account BSH's solid asset quality and sound funding profile which is predominantly based on granular deposits. Our assessment also considers BSH's low profitability and increased industrywide capital requirements, which soften its relative capital strength. Our view of BSH's solid financial profile is balanced by the very narrowly focused business model as a building society (*Bausparkasse*), which requires it to focus exclusively on residential mortgage lending products.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Ratings

Credit strengths

- Very strong risk-weighted capitalisation, with solid buffers above increased regulatory minimum requirements
- Sound asset quality, which benefits from granular and low-risk mortgages, with a clear domestic focus
- Very strong funding profile reflecting sizeable and granular deposits

Credit challenges

- Low profitability which will gradually improve as interest rates have normalized
- Moderate liquidity, balanced by access to additional sources in case of need
- BSH's highly focused and narrow business model within the specific building and loan association legal framework

Outlook

- The stable outlook reflects our expectation that BSH's financial profile remains resilient despite Germany's weak economic outlook. Further, we expect the intrinsic strength of DZ BANK, which caps BSH's BCA at baa2, to remain broadly unchanged over the 12 to 18 months outlook horizon. Further, the stable outlook incorporates our unchanged affiliate support assumption for BSH and assumes an unchanged liability structure of DZ BANK.

Factors that could lead to an upgrade

- An upgrade of BSH's ratings could be triggered by an improvement in the cooperative sector's financial strength, or by an upgrade of DZ BANK's BCA, which could result in a higher Adjusted BCA of BSH. BSH's ratings already benefit from the highest possible uplift under our Advanced LGF analysis.
- An upgrade of BSH's BCA would require an upgrade of DZ BANK's BCA, which caps BSH's BCA at baa2, and, at the same time, BSH to at least maintaining its own financial profile. An upgrade of BSH's unconstrained BCA could be prompted by a sustained improvement of its profitability.

Factors that could lead to a downgrade

- BSH's ratings could be downgraded following a downgrade of the Adjusted BCA, which could result from a downgrade of its parent's Adjusted BCA, caused either by a deterioration in the cooperative sector's financial strength or a significant deterioration in the intrinsic strength of DZ BANK. Furthermore, a shift in the liability structure at the level of DZ BANK 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 our Advanced LGF analysis, could result in a downgrade.
- BSH's BCA could be downgraded in the case of a downgrade of DZ BANK's BCA, because it caps BSH's BCA. BSH's unconstrained BCA could be downgraded as a result of lower capitalisation; pressure on profitability; more aggressive risk-taking which could hurt the bank's asset quality; or a significantly higher dependence on market funding.

Key indicators

Exhibit 2
Bausparkasse Schwaebisch Hall AG (Consolidated Financials) [1]

	12-23 [2]	12-22 [2]	12-21 [2]	12-20 [2]	12-19 [2]	CAGR/Avg. [3]
Total Assets (EUR Billion)	84.4	85.6	85.4	81.7	77.5	2.2 [4]
Total Assets (USD Billion)	93.2	91.4	96.7	99.9	87.0	1.7 [4]
Tangible Common Equity (EUR Billion)	4.9	5.1	5.1	5.0	5.0	(0.5) [4]
Tangible Common Equity (USD Billion)	5.4	5.5	5.8	6.1	5.6	(0.9) [4]
Problem Loans / Gross Loans (%)	0.7	0.7	0.8	0.9	1.0	0.8 [5]
Tangible Common Equity / Risk Weighted Assets (%)	28.5	31.0	31.0	31.9	34.4	31.4 [6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	8.6	8.2	9.7	10.4	10.4	9.4 [5]
Net Interest Margin (%)	0.6	0.8	0.7	0.7	0.7	0.7 [5]
PPI / Average RWA (%)	0.0	1.4	0.7	0.7	0.6	0.7 [6]
Net Income / Tangible Assets (%)	0.1	0.0	0.1	0.1	0.1	0.1 [5]
Cost / Income Ratio (%)	98.9	70.6	81.8	82.5	85.3	83.8 [5]
Market Funds / Tangible Banking Assets (%)	13.1	13.7	12.0	9.9	8.0	11.4 [5]
Liquid Banking Assets / Tangible Banking Assets (%)	9.9	10.4	15.3	15.8	16.5	13.6 [5]
Gross Loans / Due to Customers (%)	104.5	99.3	94.8	90.8	85.0	94.9 [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 Ratings and company filings

Profile

Bausparkasse Schwaebisch Hall AG (BSH) is Germany's largest building and loan association (*Bausparkasse*), with a domestic market share of around 30%. As a *Bausparkasse*, BSH is subject to specific legislation for German building and loan associations, which exclusively focus on long-term financial planning solutions for homebuyers. BSH's core product is the “Bauspar” contract, whereby customers make deposits over a flexible number of years in order to save for a later down payment on the home property.

At the end of 2023, BSH reported consolidated assets of €84.4 billion, of which €66.8 billion or around 79% reflected loans to customers. Around 99.6% of these loans are from domestic clientele, arising from 7 million Bauspar contracts to 6.3 million individuals.

BSH is a member of Germany's cooperative sector Institutional Protection Scheme (IPS) and benefits from access to the sector's primary banks' client base and very close collaboration, based on an integrated sales approach. DZ BANK, the central institution of the cooperative sector (*G-Finanzgruppe*), owns a 97.6% stake in BSH. The remaining shares are mostly held by cooperative banks (*Volks- und Raiffeisenbanken*).

Weighted Macro Profile of Strong+

BSH's credit profile is strongly geared to Germany and complemented by minor exposures to China and Slovakia, reflecting its at-equity booked joint-ventures. We therefore assign a Strong+ Weighted Macro Profile to BSH, which is mainly derived from Germany's Strong+ Macro Profile.

Detailed credit considerations

Close integration with DZ BANK limits BSH's standalone BCA

We cap BSH's standalone BCA at baa2, the level of the BCA of DZ BANK. BSH is one of several specialised financial institutions that are consolidated by DZ BANK, the central institution of the cooperative sector. BSH's customers significantly overlap with the sector's primary banks, and its lending products complement the product suit of Germany's *Volks- und Raiffeisenbanken*. The mutual interest in fee-generating cross-selling products and the membership in a well-established and effective IPS ensure the alignment of BSH's economic interests within that of *G-Finanzgruppe*.

In addition to the profit-and-loss transfer agreement (based on local GAAP-accounting only), BSH maintains strong financial ties with DZ BANK through investments of excess deposits, via financial securities issued by group members. Additional nonfinancial ties exist because of BSH's integration within the group's framework, for example, in the area of risk policy and as DZ BANK's centre of excellence for residential property finance.

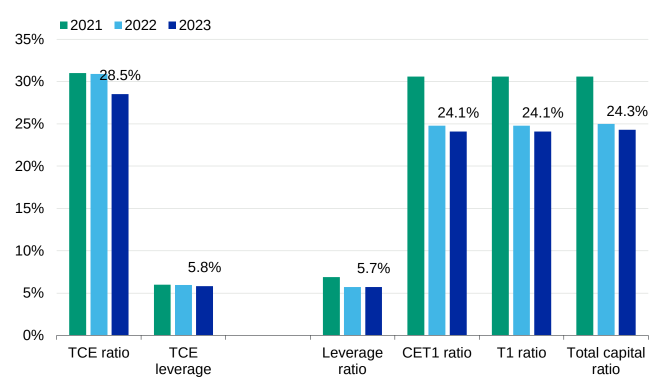
Very strong risk-weighted capitalization with solid buffers above increased regulatory minimum requirements

We assign a Capital score of aa2 to BSH, one notch below the initial score. Our negative adjustment reflects our expectation of moderately declining capital ratios due to rising risk-weighted assets (RWA), reflecting cyclical pressures following the normalization of interest rates, as well as the effects from the regulatory output floor phase-in for internal models, as suggested by the finalisation of the Basel III rules during 2025-30, also referred to as Basel IV.

BSH's very strong TCE ratio of 28.5% as of end-2023 (Exhibit 3) benefits from a low risk density of 20%, which compares RWA to assets. The low ratio reflects BSH's conservatively underwritten residential mortgages and the application of the internal ratings-based (IRB) approach to calculate RWA. Our capital metric declined more last year than the *Bausparkasse*'s regulatory ratios because we exclude fair value changes of financial assets booked through Other Comprehensive Income (OCI) from the numerator as we consider these changes temporary. Since these effects are included in regulatory capital, and somewhat reversed in 2023, the decline in BSH's CET1 ratio was lower, to 24.1% in 2023, compared with 24.8% in 2022.

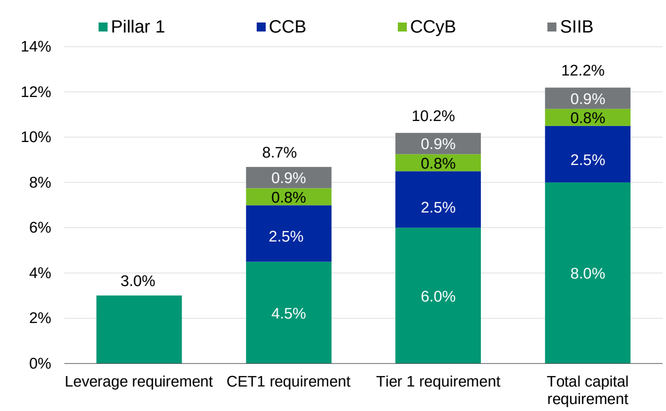
Because BSH's loan book is strongly exposed to German residential real estate, the *Bausparkasse* had to comply with a higher combined buffer requirement of 4.19% at the end of 2023, compared with 2.57% in 2022.[2] However, BSH continues to operate with sizeable buffers above its regulatory minimum requirements (Exhibit 4), also reflecting the absence of bank-specific Pillar 2 capital requirements due to its low risk business model.

Exhibit 3
BSH exhibits very high capital ratios ...
Data in % of risk-weighted assets*



Note: *TCE leverage compares TCE to tangible banking assets. The regulatory Leverage ratio compares Tier 1 capital to Exposure at Default.
Sources: Company reports, Moody's Ratings

Exhibit 4
... which exceed minimum requirements by large margins.
Data in % of risk-weighted asset, as of year-end 2023



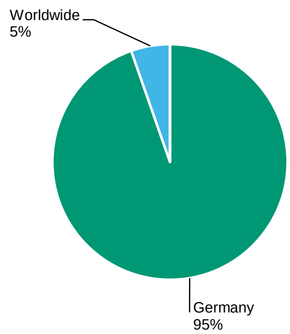
CCB = Capital conservation buffer; CCyB = Countercyclical capital buffer; SIIB = Systemic risk buffer.
Source: Company reports, Moody's Ratings

Sound asset quality, which benefits from granular and low-risk mortgages

We assign an a2 Asset Risk score to BSH, three notches below the initial score. The assigned score reflects the *Bausparkasse's* very low problem loans with high historic recoveries, and solid coverage from on-balance sheet reserves. Our negative adjustment reflects BSH's overall concentrated exposure to residential real estate, reflecting its specialized business model, and its inherent high interest rate risk because of changing customer behavior depending on the level of interest rates.

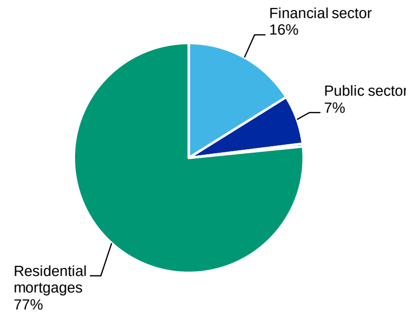
BSH's credit risk arises from lending volume of €75.1 billion, which is mostly geared to Germany (Exhibit 5). The portfolio focuses on residential mortgages, accounting for €57.5 billion or 77% of total (Exhibit 6), and exhibits high granularity. Financial sector loans accounted for 16% and public sector loans for 7% of the total as of year-end 2023.

Exhibit 5
BSH's lending is largely domestic ...
Data as of year-end 2023



Source: Company reports, Moody's Ratings

Exhibit 6
... and strongly geared to residential mortgages
Data as of year-end 2023

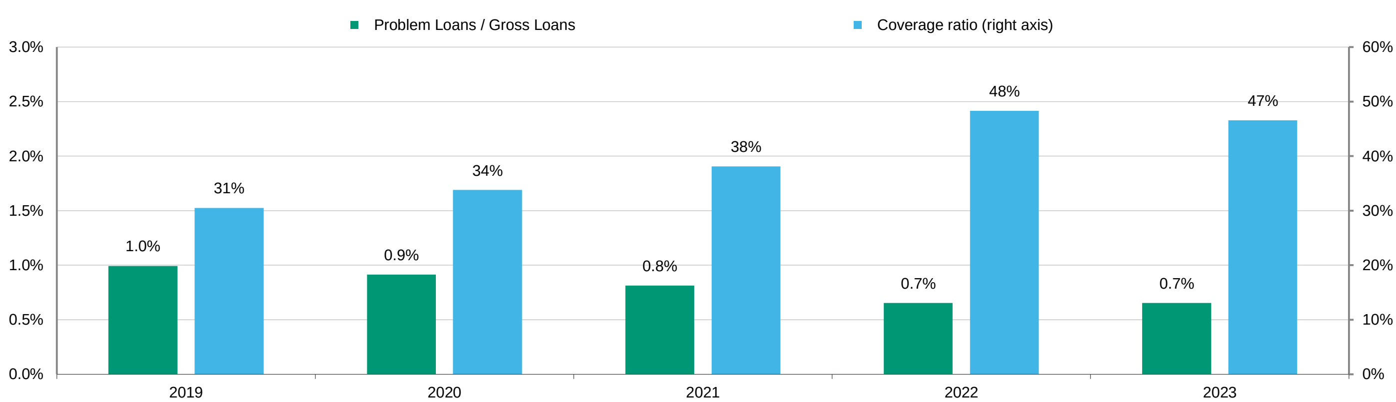


Source: Company reports, Moody's Ratings

We believe that higher inflation and interest rates will not materially weaken the strong credit performance of BSH's mortgage loans, but we expect a moderate weakening of its very low non-performing loan (NPL) ratio, which will require incremental provisions.

BSH's limited asset risks are demonstrated by a very low NPL ratio of 0.7% at the end of 2023, unchanged from the year before. Despite the pandemic and energy crisis, this reflects a moderate improvement from 1.0% in 2019. Over the same period, BSH's problem loans amounted to €438 million (2022: €435 million), down from €537 million in 2019. We consider BSH's solid NPL coverage of 46.6% (2021: 48.3%) adequate in light of the conservative loan-to-value (LTV) limits set by the German special law for building and loan associations.[3]

Exhibit 7
Despite the pandemic and energy crisis, BSH's asset quality unchanged at very low levels and benefits from solid NPL coverage*
Data in %



Note: * The coverage ratio compares specific and generic loan-loss reserves to non-performing loans.
Sources: Company reports, Moody's Ratings

BSH's exposure to interest rate risk in its banking book is low. However, its business model is sensitive to changes and the level of interest rates, because borrowers can change their behaviour. The extended period of negative interest rates incentivized Bauspar clients to extend the savings periods for their fixed-rate deposits and increase deposit balances further, while BSH and its peers were challenged to profitably reinvest such additional funds. Conversely, unexpectedly rapid rate increases expose the business model to deposit outflows but also to rising loan demand because the agreed fixed interest rates for a long period increase the attractiveness of *Bauspar* products.

Low profitability which will gradually improve as interest rates have normalized

We assign a b2 Profitability score to BSH, one notch above the initial score. The positive adjustment reflects our expectation of rising net interest income from new loans as the higher interest rate environment has improved the attractiveness of *Bauspar* loans.

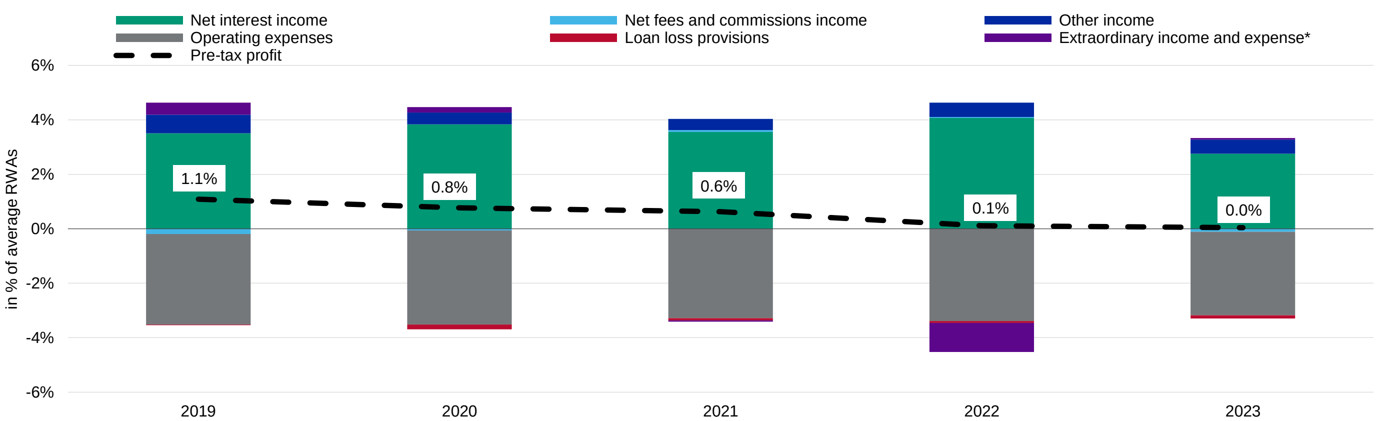
The previously low or negative rate environment had strongly impaired BSH's profitability (Exhibit 8). For the year's 2020-23, the *Bausparkasse*'s annual net income to assets (ROA) fell to 9 basis points (bps) on average, compared with around 30-50 bps for the years 2014-19 (based on IFRS accounting). During that period, fixed-rate mortgage loans originated at significantly lower rates than maturing loans and financial securities rolled over at much lower coupon rates. The low conversion rate of costly deposits into *Bauspar* loans limited BSH's ability to stabilise the net interest income, its most important revenue item accounting for around 90% of the total, which fell to 0.7% of gross loans in 2023 from 1.6% in 2018 and 2.8% in 2014.

We believe that the strong increase of lending rates since 2022 will benefit BSH's profitability over time because of rising loan demand and gradually improving margins. Within an environment of rising mortgage rates, customers of German building societies increasingly consider *Bauspar* products as a financing vehicle to secure relatively low fixed-rate loans for a long period of time to finance or modernize their homes. At the same time, the attractiveness of legacy savings contracts as vehicles for pure return-driven deposit placements is fading. In addition, BSH has adjusted its *Bauspar* products for new loans since 2021, now paying only very little interest for deposits.

Exhibit 8

BSH's profitability has strongly declined following the persistent low or negative interest rate environement until 2022

Data in % of average risk-weighted assets (RWA)



Note: * The extraordinary expense item in 2022 reflects our pre-tax standard adjustment for pension accounting because of the decline in BSH's defined benefit plan assets as interest rates have increased.
Sources: Company reports, Moody's Ratings

BSH's cost-to-income ratio will only improve over time from around 99% in 2023 as its net interest income recovers and cost initiatives and digitalisation efforts will benefit operating expenses. In addition, we expect that BSH will continue to benefit from very low credit provisions, which accounted for around three bps of gross loans on average for the years 2020-23.

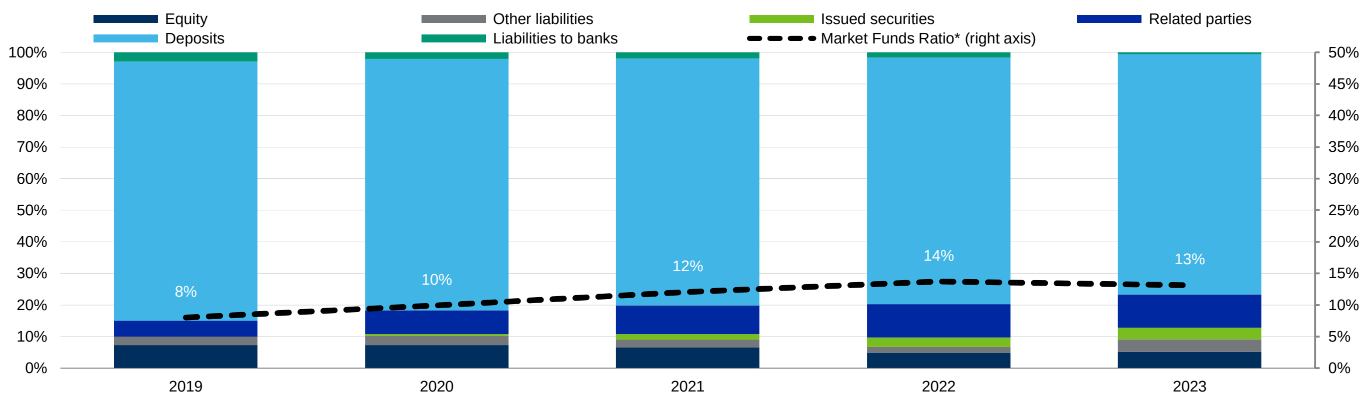
Very strong funding profile reflecting sizeable and granular deposits

We assign an aa3 Funding Structure score to BSH, two notches above the initial score. Our positive adjustment takes into account that most of BSH's liabilities to banks, around €8.9 billion or 11% of liabilities in 2023, related to members of the cooperative sector, which we don't consider market funding but rather a stable source of funding.

BSH's very strong funding profile is supported by its deep integration into Germany's cooperative sector, to which the *Bausparkasse* caters as the mortgage specialist. BSH's highly granular retail deposits accounted for around €64 billion or 76% of liabilities at the end of 2023. This funding strength is further expressed by its solid loan-to-deposit ratio of 105% in 2023 which, however, has somewhat increased from 99% in 2022, reflecting mild loan growth while deposits declined by around 4% last year, because clients found more attractive offers elsewhere paying higher interest.

BSH's Market Funds ratio increased to 13.1% at the end of 2023, up from 8.0% in 2019. The *Bausparkasse* is issuing more mortgage covered bonds in order to diversify its funding profile away from deposits. At the end of 2023, the outstanding volume of covered bonds was €3.1 billion or round 4% of liabilities, compared with €1.5 billion (1.8%) in 2021.

Exhibit 9
BSH's gradually rising market funding dependence reflects issued covered bonds to diversify its high reliance on deposits
Data in %



Note: *Market Funds Ratio = Market funds/tangible banking assets
Source: Company reports, Moody's Ratings

Further, since 1 January 2022, BSH must comply with minimum requirements for own funds and eligible liabilities (MREL). As of 30 December 2023, the Bausparkasse well exceeded its overall MREL requirement of 18.45% (based on RWA), reflecting its ample regulatory capital ratios, but was only slightly above its required MREL leverage ratio of 5.85%.

Moderate liquidity, balanced by access to additional sources in case of need

We assign a baa2 Liquidity score to BSH, three notches above the initial score. Our positive adjustment reflects high-quality financial securities not included in our initital ratio, as well as BSH's ability to source additional liquidity, if needed, through the issuance of covered bonds because of existing overcollateralization or access to the cash-rich cooperative sector.

Despite strong loan growth[4] and declining yields on financial securities, BSH held liquidity broadly stable, as expressed by our Liquid Banking Asset ratio of around 15% for the years 2018-21. The strong and sudden increase of interest rates in 2022 triggered a reduction in financial securities, excluding issuers of the cooperative sector, to around €8 billion in 2022 and 2023, equivalent to 9% of assets, compared with 13% for the years 2016-21. The reduction was the main driver for our lower LBA ratio of 10% in 2022 and remained broadly unchanged at that level in 2023 (Exhibit 10).

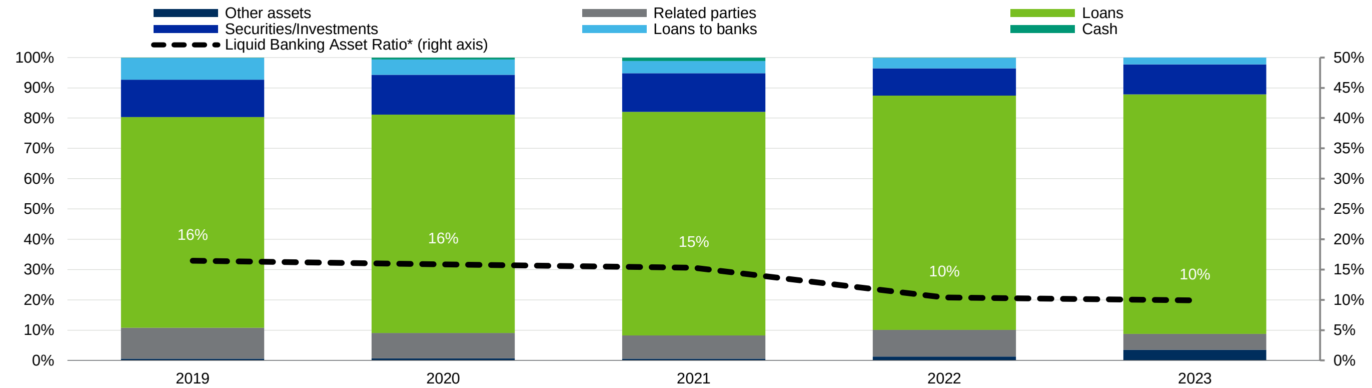
BSH's financial securities portfolio is designed to absorb any potential liquidity stress that could arise under adverse conditions and will likely shrink as BSH provides additional loans. However, because of its strong interconnectedness with the cooperative sector, BSH also holds intragroup claims and bonds, at around €4.5 billion in 2023, or 5% of assets, which could be used to cover potential liquidity shortfalls.

BSH's very conservative liquidity management is also expressed by a very solid regulatory Liquidity Coverage Ratio, which was 255% at the end of 2023 (2022: 317%), strongly above the minimum requirement of 100%.

Exhibit 10

BSH's liquid resources remained stable last year, following a mild shrinkage in 2022, reflecting a declining share of financial securities

Data in %



Note: *Liquid banking assets ratio = Liquid assets/tangible banking assets

Source: Company reports, Moody's Ratings

Qualitative adjustment captures limited business diversification

We reduce the weighted average outcome of BSH's assigned Financial Profile factor score by one notch. This adjustment reflects the *Bausparkasse*'s high concentration in mortgage lending (*Baufinanzierung*) and the *Bauspar* product and leads to currently low earnings and thus negligible diversification outside these lending activities. The scope of these activities is narrowly limited by the special law applicable for German *Bausparkassen* under which BSH operates. Therefore, we classify it as a monoline entity.

Business diversification is an important gauge of a financial institution's sensitivity to stress in a single business line. It is related to earnings stability in the sense that earnings diversification across distinct and relatively uncorrelated lines of business increases the reliability of an entity's earnings streams and its potential to absorb shocks affecting a business line.

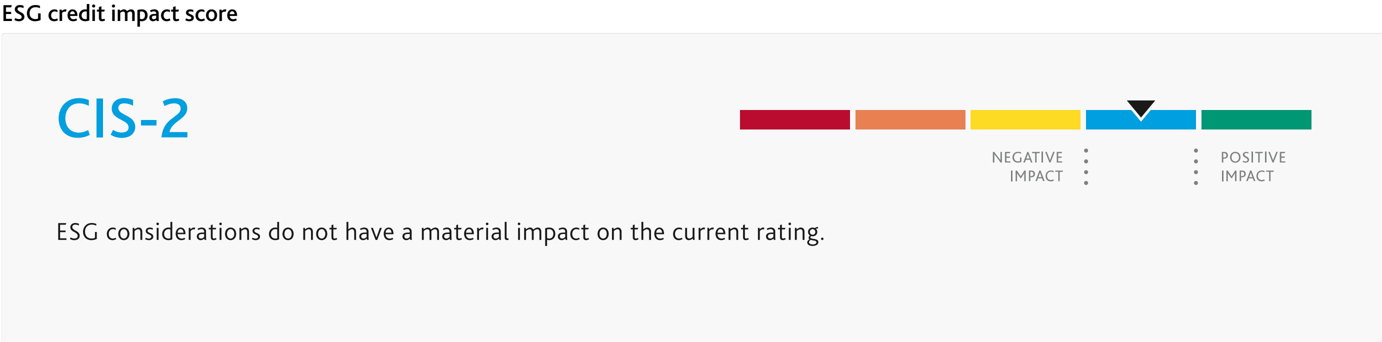
Further, most of BSH's funding relies on deposits sourced from *Bauspar* contracts. Although BSH is diversifying its funding structure via covered bonds, we expect that *Bauspar* deposits will continue to dominate its liabilities.

ESG considerations

Bausparkasse Schwaebisch Hall AG's ESG credit impact score is CIS-2

Exhibit 11

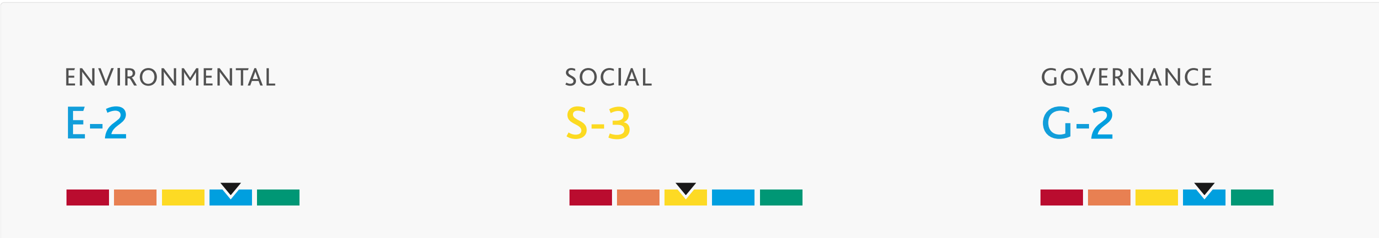
ESG credit impact score



Source: Moody's Ratings

Bausparkasse Schwaebisch Hall's (BSH) **CIS-2** indicates that ESG considerations have no material impact on the current ratings.

Exhibit 12
ESG issuer profile scores



Source: Moody's Ratings

Environmental
BSH faces low exposure to environmental risks, which is lower than its industry. The group has limited exposure to carbon transition risks because its loan book is concentrated in German residential mortgages.

Social
BSH faces moderate social risks related to customer relations and associated regulatory risks, litigation costs and high compliance standards, and from demographic and societal trends. Risks related to the distribution of financial products are mitigated by the bank's developed policies and procedures; cyber and personal data risks are mitigated by the bank's IT framework and cyber security, and by continued investment in digitalization. Banks in Germany face long-term economic and fiscal pressures from adverse demographic trends, impacting demand for certain products, or lowering economic growth. Product diversity as well as an ability to adapt to consumer preferences, regulatory changes and societal trends will help mitigate these risks.

Governance
BSH's governance risks are low, despite concentration risks inherent in its business model as a building and loan association. As a building society (Bausparkasse) its strategy, risk management function and organizational structure are in line with industry practices. BSH is wholly owned by Germany's cooperative sector, including DZ Bank AG, we have aligned the subsidiary's board structure, policies and procedures score with that of its parent, given the bank's strategic importance and public affiliation with the cooperative group, the parent's oversight of its subsidiary board and the regulated nature of both entities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support
BSH's a3 Adjusted BCA benefits from our assessment that the *Bausparkasse* is affiliate-backed by DZ BANK. Our assessment includes the implicit assumption of support from Germany's Genossenschaftliche Finanzgruppe (G-Finanzgruppe), which provides support to all members through its institutional protection scheme, a view which is embedded in the Adjusted BCA of DZ BANK, the reference for our opinion on the financial strength of the supporting entity.

As a member of the cooperative group of banks, BSH is highly likely to receive affiliate support in case of need. This support significantly reduces the probability of default because the cooperative group's cross-sector support mechanism aims to stabilise its members by avoiding any form of loss participation by creditors or bail-ins. Our affiliate support assumptions result in two notches of rating uplift from its baa2 BCA, benefiting the *Bausparkasse*'s issuer and deposit ratings, and CRRs.

Loss Given Failure analysis
BSH is domiciled in Germany, which we consider an operational resolution regime (ORR). Thus, we apply our advanced Loss Given Failure (LGF) analysis, using our standard assumptions. BSH is a domestic subsidiary of DZ BANK and we include the *Bausparkasse* in the resolution perimeter of its parent bank for the purpose of our Advanced LGF analysis, which is based on the liability structure at the DZ BANK level.

Because we use private data provided by DZ BANK to determine current amounts of senior unsecured and junior senior debt, as well as our future new issuance expectations, we do not disclose the underlying volumes of the liability tranches included in our Advanced LGF analysis for the group.

For BSH's deposit and issuer ratings, our LGF analysis indicates an extremely low loss given failure, leading to three notches of uplift from its a3 Adjusted BCA.

Government support considerations

We incorporate one notch of uplift into our senior unsecured debt and deposit ratings for members of G-Finanzgruppe, reflecting our assumption of a moderate probability of support.

Our government support assumptions, which are included in BSH's ratings, reflect the size and high systemic relevance at the domestic level of the group of cooperative banks. Such support would probably not be provided to the bank directly but rather to G-Finanzgruppe, in the unlikely event that the group either cannot provide the required support or cannot provide it quickly enough, based on the sector's combined financial strength.

Methodology and scorecard

Methodology

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at https://www.moodys.com/research/doc--PBC_1381485. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially 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 may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 13
Rating Factors

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		0.7%	aa2	↔	a2	Sector concentration	Collateral and provisioning coverage
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		28.5%	aa1	↔	aa2	Risk-weighted capitalisation	Capital retention
Profitability							
Net Income / Tangible Assets		0.1%	b3	↔	b2	Return on assets	Expected trend
Combined Solvency Score			a2		a3		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		13.1%	a2	↔	aa3	Extent of market funding reliance	Expected trend
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		9.9%	ba2	↔	baa2	Stock of liquid assets	Additional liquidity resources
Combined Liquidity Score			baa2		a2		
Financial Profile					a3		
Qualitative Adjustments					Adjustment		
Business Diversification					-1		
Opacity and Complexity					0		
Corporate Behavior					0		
Total Qualitative Adjustments					-1		
Sovereign or Affiliate constraint					Baa2		
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

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

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 14

Category	Moody's Rating
BAUSPARKASSE SCHWAEBISCH HALL AG	
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
ST Issuer Rating	P-1
PARENT: DZ BANK AG	
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	Aa2
Junior Senior Unsecured	A3
Junior Senior Unsecured MTN -Dom Curr	(P)A3
Subordinate	Baa1
Commercial Paper	P-1
Other Short Term -Dom Curr	(P)P-1

Source: Moody's Ratings

Endnotes

1 The ratings shown are DZ BANK's long-term deposit and senior unsecured ratings and outlook, and BCA.

2 Since 1 February 2023, the German banking supervisory authority BaFin applies additional capital requirements of 0.75% for domestic risk-weighted exposures and 2.0% systemic risk buffer for risk-weighted exposures collateralised by residential real estate.

3 For loans subject to the Bausparkassengesetz, the maximum LTV ratio is capped at 100% for owner-occupied property since 2015, and it capped at 80% for all other residential mortgage loans.

4 Between 2018-21, gross loans to customers increased by on average 9.7% annually.

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