

CREDIT OPINION

22 March 2024

Update



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RATINGS

Sparkasse KoelnBonn

Domicile	Koeln, Germany
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	(P)Aa3
Type	Senior Unsecured MTN - Dom Curr
Outlook	Not Assigned
Long Term Deposit	Aa3
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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Sparkasse KoelnBonn

Update following rating upgrade

Summary

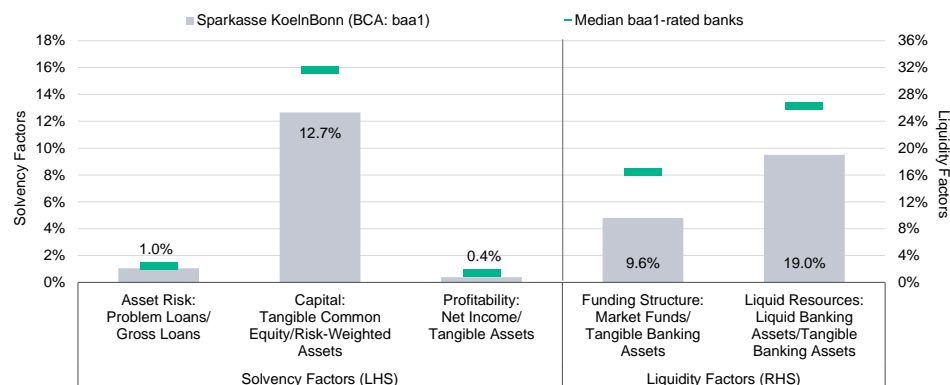
On 15 March 2024, we upgraded the long-term deposit ratings of [Sparkasse KoelnBonn](#) (SKKB) to Aa3 from A1 and its junior senior unsecured debt rating to A3 from Baa1. The outlook on the long-term deposit ratings was changed to stable from positive. We also upgraded SKKB's Baseline Credit Assessment (BCA) to baa1 from baa2 and its Adjusted BCA to a2 from a3.

SKKB's Aa3 deposit ratings reflect the bank's baa1 BCA, a two-notch rating uplift from its membership in the institutional protection scheme of [Sparkassen-Finanzgruppe](#) (S-Finanzgruppe; Aa2 stable, a2¹), the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities, which indicates a low loss given failure and results in one notch of rating uplift, and a one-notch rating uplift resulting from government support, given its membership in systemically relevant S-Finanzgruppe.

SKKB's baa1 BCA takes account of the bank's moderate problem loan formation to date, which we expect to remain contained even in a more challenging macroeconomic environment. SKKB also continues to display a sound capitalisation with sufficient buffers to regulatory minima and has meaningfully improved its underlying risk-adjusted profitability, providing additional buffers against the most plausible downside risks, including meaningfully higher loan loss charges. Moreover, the bank's market funding dependence has remained at low levels, in part owing to the high granularity and stability of its low-cost deposit base while its liquidity remains ample.

Exhibit 1

Rating Scorecard - SKKB - Key financial ratios



Source: Moody's Ratings and company filings

Credit strengths

- » Stable asset quality as a result of the benign credit environment in recent years
- » Solid, mostly deposit-based funding profile and sound liquid resources
- » Solid leverage metrics and satisfying risk-weighted capitalisation

Credit challenges

- » Elevated concentration risks within the lending book because of the bank's regional focus and high share of CRE and SME lending
- » Maintain sufficient volumes of junior senior and subordinated debt for its loss-absorption capacity

Outlook

- » The stable outlook on SKKB's long-term deposit 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 SKKB.

Factors that could lead to an upgrade

- » An upgrade of SKKB's ratings could be triggered by an improvement in the financial strength of S-Finanzgruppe, resulting in a higher Adjusted BCA, or by a significant increase in the volume of liabilities designed to be bailed-in, such that it meaningfully reduces the loss severity for a respective debt class and results in higher rating uplift from our Advanced LGF analysis.
- » SKKB's BCA could be upgraded if the bank meaningfully improves its capitalisation and sustains a significantly improved profitability even in a more adverse macroeconomic environment. An upgrade would also require the bank to maintain a very low level of problem loans and very low market funding dependence in combination with persistently sound liquidity buffers. An upgrade of SKKB's BCA would, however, not lead to a higher Adjusted BCA.

Factors that could lead to a downgrade

- » SKKB's ratings could be downgraded following a deterioration in the financial strength of S-Finanzgruppe, resulting in a lower Adjusted BCA, or in case of 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 our Advanced LGF analysis.
- » The bank's BCA could be downgraded because of a pronounced deterioration in the bank's asset quality, leading to meaningfully higher loan loss charges straining the bank's earnings and capital metrics. A downgrade could further result from significant outflows of deposits and a subsequent similar increase in market funding dependence and lower liquidity buffers. However, a downgrade of SKKB's BCA is unlikely to translate into a downgrade of the bank's ratings.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Sparkasse KoelnBonn (Unconsolidated Financials) [1]

	12-22 ²	12-21 ²	12-20 ²	12-19 ²	12-18 ²	CAGR/Avg. ³
Total Assets (EUR Billion)	28.0	28.0	27.8	27.1	26.5	1.4 ⁴
Total Assets (USD Billion)	29.9	31.7	34.0	30.4	30.3	(0.3) ⁴
Tangible Common Equity (EUR Billion)	1.9	1.8	1.8	1.7	1.7	3.4 ⁴
Tangible Common Equity (USD Billion)	2.1	2.1	2.2	2.0	1.9	1.6 ⁴
Problem Loans / Gross Loans (%)	1.0	1.1	0.9	0.8	1.1	1.0 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	12.7	12.4	12.8	12.4	12.1	12.5 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	10.9	11.2	9.6	8.5	10.9	10.2 ⁵
Net Interest Margin (%)	1.4	1.2	1.5	1.3	1.4	1.4 ⁵
PPI / Average RWA (%)	1.0	0.6	1.1	0.9	0.9	0.9 ⁶
Net Income / Tangible Assets (%)	0.4	0.2	0.2	0.3	0.2	0.3 ⁵
Cost / Income Ratio (%)	78.0	85.3	76.9	80.8	81.6	80.5 ⁵
Market Funds / Tangible Banking Assets (%)	9.6	11.6	11.6	11.1	12.8	11.3 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	19.0	21.5	23.2	23.0	24.0	22.2 ⁵
Gross Loans / Due to Customers (%)	101.6	99.0	96.2	96.1	99.1	98.4 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [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

SKKB is one of the largest German savings banks, with total assets of €28.0 billion and 3,491 employees as of 31 December 2022. The bank was formed in 2005 through the merger of Stadtparkasse Koeln and Sparkasse Bonn and is wholly owned by the cities of Cologne (70%) and Bonn (30%). SKKB is active in corporate and retail banking and reports its accounts under local German GAAP (HGB).

For more information, please refer to our German [Banking System Profile](#).

Weighted Macro Profile of Strong (+)

SKKB's lending business has a strong regional focus on the [Land of Nordrhein-Westfalen](#) (Aa1 stable) and, accordingly, its Weighted Macro Profile is aligned with the [German Macro Profile](#) of Strong (+).

Detailed credit considerations

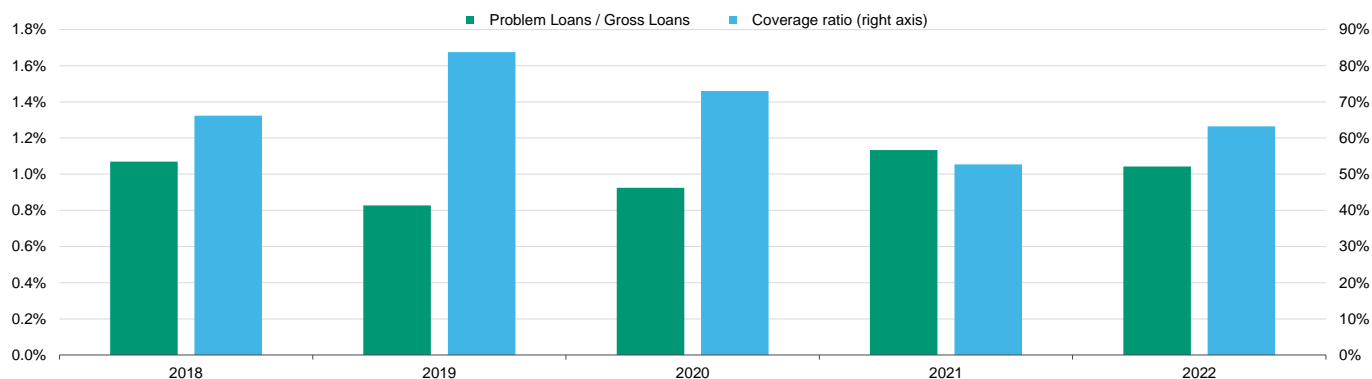
SKKB's asset risk mainly stems from sector and regional loan book concentrations

We assign a baa2 Asset Risk score, which is positioned five notches below the aa3 initial score. The downward adjustment reflects significant geographic and sector concentrations in SKKB's loan book.

Despite displaying a favourable and very stable problem loan ratio of 1.0% in 2022, SKKB's lending portfolio remains significantly concentrated in the commercial real estate (CRE) sector and vis-à-vis small and medium-sized enterprises (SME) in the Cologne and Bonn area. In 2022, exposures to commercial real estate lending, real estate developers, and construction firms amounted to €9.1 billion or 29% of its €30.6 billion loan book as of 31 December 2022. Although approximately half of SKKB's CRE loan book relates to the lower-risk housing sector, we consider the remaining non-housing CRE-related loans higher risk, despite the bank's conservative lending criteria; generally low loan-to-values (LTVs); and its collateral policy disallowing non-recourse lending arrangements.

Other corporate exposures amounted to €9.3 billion as of year-end 2022 and mostly represent loans to the service industry, with few loans (only around 5% of the total) being extended to the trade or manufacturing industries, which should shield SKKB somewhat from worsening macroeconomic conditions in Germany. Finally, the bank's retail exposures amounted to €8.9 billion as of year-end 2022, of which €6.8 billion represented highly collateralized retail mortgages.

Exhibit 3

SKKB displays fairly stable nonperforming loan and coverage ratios

Problem loan ratio is in accordance with Moody's definition. Coverage ratio = Loan-loss reserves/problem loans.

Sources: Moody's Ratings and company filings

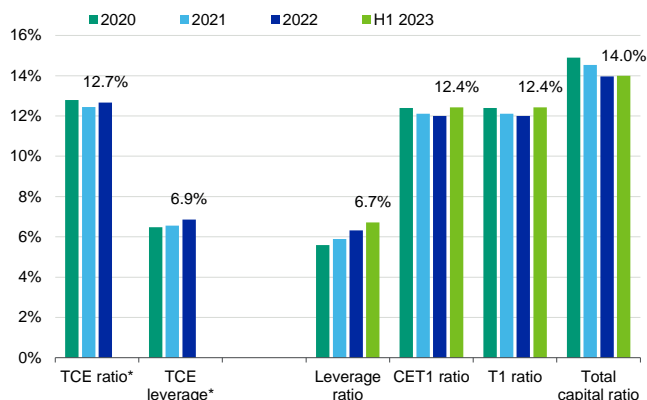
SKKB remains adequately capitalised despite temporarily lower buffers to minimum requirements

We assign an a3 Capital score, in line with the initial score, which reflects our expectation that SKKB's TCE to risk-weighted assets (RWA) ratio will remain virtually unchanged over the next 12 months.

SKKB's measures its credit risk-weighted assets under the standardised approach, leading to a higher risk density than when using an internal ratings based approach. SKKB is likely to migrate to the internal ratings-based approach (IRBA) for measuring its risk-weighted assets by 2025. Considering the overall high quality of its loan book and despite other effects straining capital, we would expect its capital ratios to improve meaningfully as and when the bank implements the IRBA.

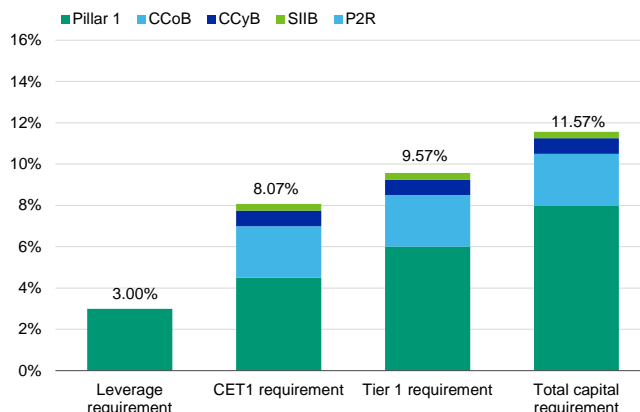
The bank's Common Equity Tier 1 (CET1) capital ratio stood at 12.4% as of 30 June 2023, providing a sturdy buffer over and above its minimum requirement, which has increased to slightly above 8% during 2023². In addition, SKKB held €150 million of fully taxed reserves booked under article 340f of the German Commercial Code (HGB) as of the same date. These reserves are included in Tier 2 capital but they could be readily converted into common equity if necessary, lifting the CET1 capital ratio by an estimated 100 basis points. Further, SKKB has earmarked €89.6 million of on-balance-sheet reserves booked under HGB article 340g for a potential future loss absorption during the thus far successful wind down of [Erste Abwicklungsanstalt](#) (Aa1 stable), which primarily unwinds the remaining positions of the former WestLB. If no longer needed, these reserves – currently excluded from our TCE ratio – could be unwound and would lead to a further strengthening of SKKB's capital position. Finally, leverage is not a concern for SKKB: its TCE leverage ratio stood at 6.9% as of year-end 2022.

Exhibit 4
SKKB's capitalisation and leverage has remained broadly stable



TCE = Tangible common equity (Moody's calculation); CET1 = Common Equity Tier 1 capital; T1 = Tier 1 capital
*TCE ratio and TCE leverage ratio are not available for June 2023 owing to lack of data.
Sources: Moody's Ratings and company filings

Exhibit 5
SKKB's capital requirements as of 30 June 2023



CCoB = Capital conservation buffer; CCyB = Countercyclical capital buffer; SIIB = Systemically important institutions buffer
Source: Moody's Ratings and company filings

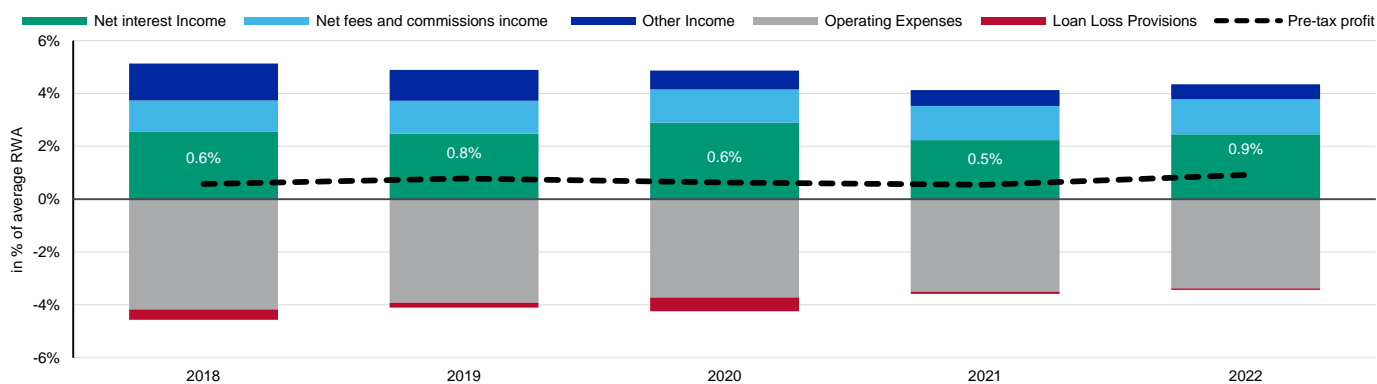
Profitability has improved, but will likely be somewhat strained by higher loan loss charges and retreating interest rates

We assign a ba2 Profitability score, two notches above the initial score, reflecting our expectation that the benefits of the higher interest environment, although partially offset by higher operating costs, higher loan losses and rising geopolitical risks, will lead to a sustained net income/tangible assets ratio of well above 0.25% over the next 12 months and potentially beyond.

SKKB's has been able to generate stable and recently rising returns aided by very low loan-loss charges in a benign credit environment, and higher net interest as well as higher net fee and commission income. In combination with contained operating expense growth and persistently low funding costs, this has allowed the bank to offset continued pressure on its asset margin in the low interest rate environment. Going forward, SKKB is likely to meaningfully benefit from the now higher interest-rate environment, although higher operating costs and gradually rising loan loss charges could exert strain on its significantly improved profitability.

In 2022, SKKB's net income before capital reserve creation, the build-up of 340f reserves, and dividends was €107 million (2021: €46 million), which resulted in a return on tangible assets of 0.38% (2021: 0.17%). The strong improvement in the bank's earnings power was driven by 10% higher revenues year-over-year on the back of rising interest rates meaningfully supporting the bank's liability margins. Operating expenses only increased slightly to €505 million (+0.3% year-over-year) while loan loss charges remained very low. On a pre-provision basis, SKKB's income increased to €143 million in 2022, up from €87 million in 2021. For 2023, we expect a significant further improvement in underlying profitability.

Exhibit 6
SKKB's pretax profit is rising alongside net interest income



Sources: Moody's Ratings and company filings

Solid, mainly deposit-based funding profile

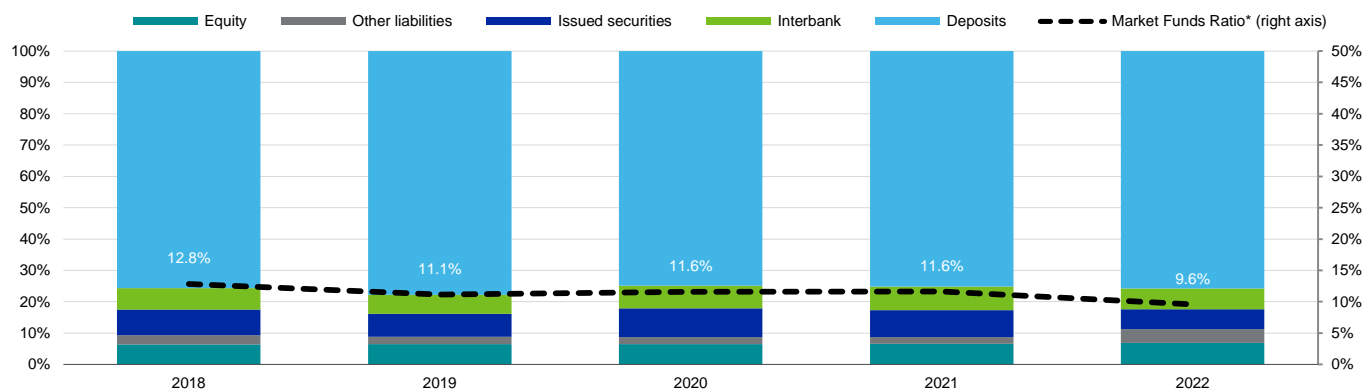
Our aa3 assigned Funding Structure score, two notches above the a2 initial score, incorporates a positive adjustment for pass-through development bank funds reported as liabilities to banks on SKKB's balance sheet. This is partly offset, however, by market funding instruments reported within liabilities to customers, which are not included in our initial calculation of market funds.

SKKB's funding profile benefits from a very stable and granular low-cost deposit base and diversified alternative funding sources, which together imply low funding risks. We expect this profile to remain broadly unchanged, underpinned by the stability of SKKB's retail-focused deposit base and high levels of household savings in Germany. In 2022, €15.4 billion of overnight deposits funded 55% of the bank's total assets, while total customer deposits refinanced 76%. Since a larger share of SKKB's long-term fixed-rate mortgages has been refinanced with short-term deposits, particularly those held in current accounts, the resulting maturity mismatch will require ongoing monitoring regarding the bank's deposit stickiness assumptions and related interest-rate risks.

In terms of market funding, SKKB had sourced €2.0 billion from other financial institutions as of year-end 2022, of which €1.6 billion represented secured funding from the regional development bank [NRW.BANK](#) (Aa1 stable)³, which SKKB passes on to its own customers, and which we do not deem to represent confidence-sensitive market funding. The bank has also issued €1.4 billion of mortgage covered bonds and €0.1 billion of senior unsecured funding on a bearer basis as of year-end 2022. On a registered basis, SKKB had sourced €0.4 billion of funding in the form of junior senior unsecured bonds, promissory notes, and savings bank certificates, which are reported within liabilities to customers and which we add to our initial calculation of market funds. We expect these numbers to have remained virtually unchanged during 2023.

Exhibit 7

SKKB's balance sheet is mainly deposit funded Limited reliance on wholesale funding



*Market funding ratio = Market funds/tangible banking assets.

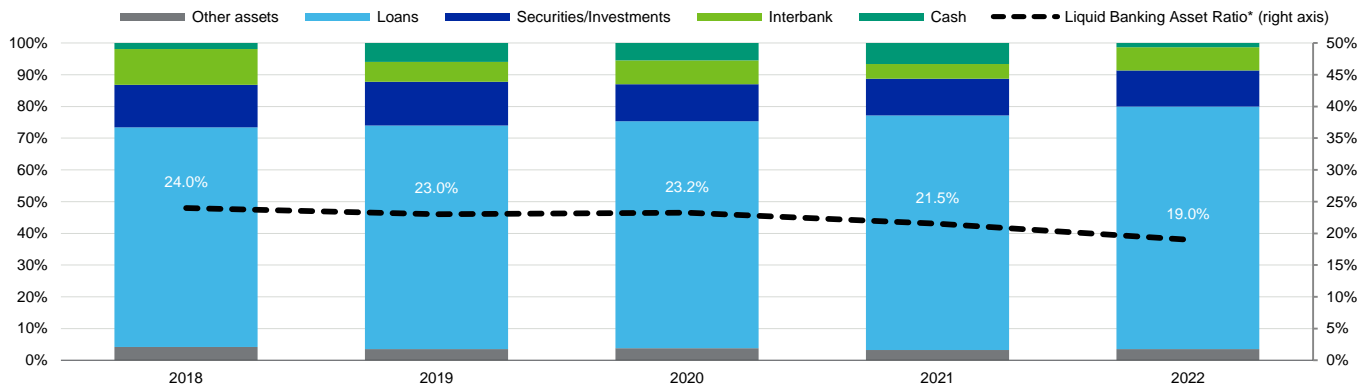
Sources: Moody's Ratings and company filings

Sound liquidity profile

We assign an a3 Liquid Resources score, one notch above the baa1 initial score, reflecting substantial leeway to generate additional liquidity at short notice by issuing covered bonds, in part offset by some fairly limited asset encumbrance not captured in our initial calculation of liquid banking assets.

SKKB's liquid banking assets comprised €0.4 billion of cash, €2.1 billion of receivables from financial institutions, and €2.9 billion of repo-eligible liquid securities, of which about €0.2 billion were encumbered, though. If required, SKKB possesses significant additional issuance leeway under its mortgage and public-sector covered bond programmes, which reported a combined nominal over-collateralisation of €5.8 billion as of 30 June 2023. The bank's strong liquidity position was also expressed by its average LCR of 153% and its NSFR of 125% as of 30 June 2023.

Exhibit 8
SKKB's share of liquid banking assets has slightly softened in recent years
 Pfandbrief cover pool over-collateralisation has increased

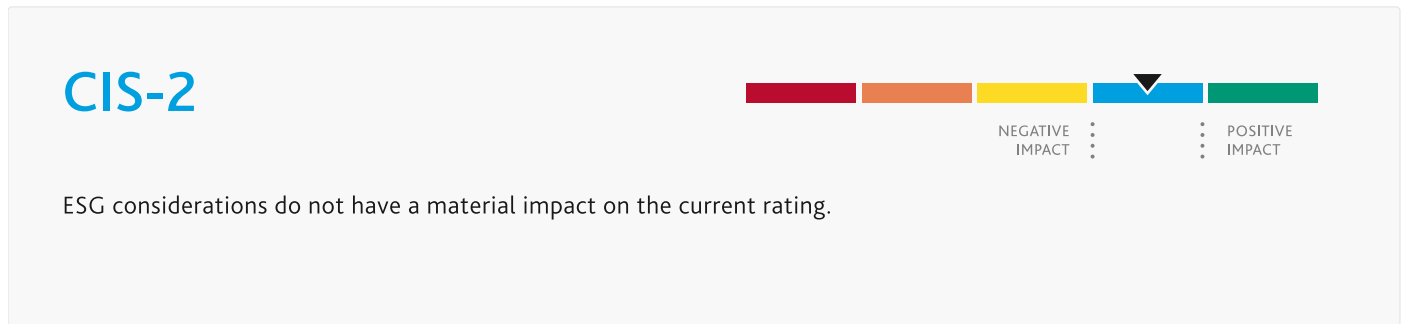


*Liquid banking assets ratio = Liquid assets/tangible banking assets
 Source: Moody's Ratings and company filings

ESG considerations

Sparkasse KoelnBonn's ESG credit impact score is CIS-2

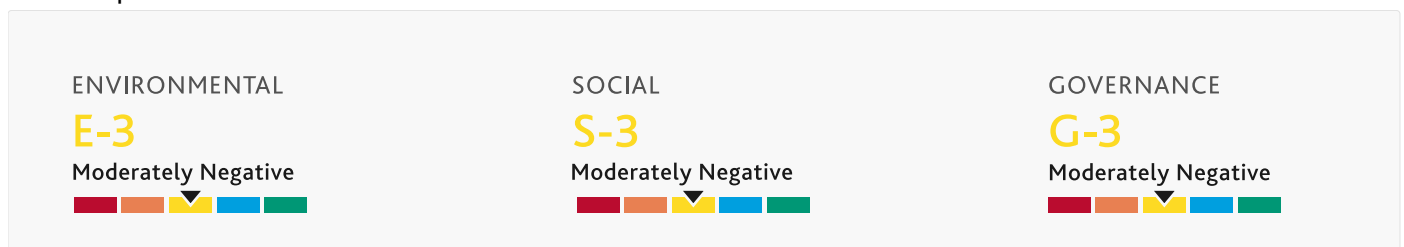
Exhibit 9
ESG credit impact score



Source: Moody's Ratings

SKKB's CIS-2 indicates that ESG considerations do not have a material impact on the current rating. This reflects the limited credit impact of environmental and social factors on the rating to date and moderate governance risks as well as the mitigating rating impact of affiliate support from Sparkassen-Finanzgruppe (S-Finanzgruppe) over the bank's ESG risk profile.

Exhibit 10
ESG issuer profile scores



Source: Moody's Ratings

Environmental

SKKB faces moderate exposure to environmental risks primarily because of its loan portfolio exposure to carbon transition risks as a diversified regional banking group. Carbon transition risks relate mostly to its corporate loan book, which represents about two-thirds of the bank's lending portfolio, with the remainder comprising residential real estate. In line with its peers, SKKB is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals.

Social

SKKB 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

SKKB's governance risks are moderate. The bank's risk management function and organizational structure are in line with industry best practices, and management has been able to address the bank's subdued profitability – in part thanks to higher interest rates – now providing a decent buffer against adverse developments. Its chosen financial strategy, however, displays certain concentration risks to CRE and smaller enterprises, which - in an adverse environment - may exert strain the bank's asset quality and earnings. Finally, as a public-sector bank, SKKB is wholly owned by the cities of Cologne (70%) and Bonn (30%), which is reflected in the composition of its board of directors. Germany's developed institutional framework mitigates associated governance risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.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

SKKB benefits from cross-sector support from S-Finanzgruppe. 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 our view, further increases the likelihood and timeliness of support for all of the savings banks, we apply an 'Affiliate-Backed' support assumption to SKKB, resulting in two notches of rating uplift from its baa1 BCA, effectively aligning SKKB's Adjusted BCA with the BCA of its ultimate support provider, S-Finanzgruppe.

Loss Given Failure analysis

SKKB is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider to be an Operational Resolution Regime (ORR). In ORRs, we apply our Advanced LGF analysis, where we consider the risks faced by the different debt and deposit classes across the liability structure should the bank enter resolution⁴.

Deviating from our standard assumptions (see above endnote for details), we assume that only a very small percentage (10%) of SKKB's granular and retail-oriented deposit base can actually be considered junior and qualify as bail-in-able under the BRRD.

The results of our Advanced LGF analysis are:

- » For CRR liabilities, our LGF analysis indicates a very low loss given failure, leading us to position their Provisional Rating Assessment at aa3, two notches above the a2 Adjusted BCA.
- » For junior deposits and SKKB's senior unsecured debt programme, our LGF analysis indicates a low loss given failure, leading us to position their Preliminary Rating Assessment at a1, one notch above the a2 Adjusted BCA.
- » For junior senior unsecured debt and SKKB's subordinated debt programme, our LGF analysis indicates a high loss given failure, leading us to position its Provisional Rating Assessment at a3, one notch below the a2 Adjusted BCA.

Government support

Because of its size and scale on a consolidated basis, we consider S-Finanzgruppe to be systemically important. We, therefore, attribute a moderate probability of German government support for all members of the sector, in line with support assumptions for other systemically relevant banking groups in Europe. This results in one notch of additional government support uplift in our CRR, senior unsecured debt and deposit ratings for SKKB. For junior senior debt and subordinated debt instruments, we continue to believe that the likelihood of government support is low and these ratings do not include any related uplift.

Aa2/P-1 Counterparty Risk Ratings (CRRs)

The CRRs are three notches above the bank's a2 Adjusted BCA, reflecting the very low loss-given-failure from the high volume of instruments that are subordinated to CRR liabilities and also include one notch of rating uplift based on government support, in line with our assumptions on deposits and senior unsecured debt.

Aa1(cr)/P-1(cr) Counterparty Risk (CR) Assessment

SKKB's CR Assessment is four notches above the a2 Adjusted BCA, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments, including junior deposits and (junior) senior unsecured debt⁵. The CR Assessment also benefits from one notch of rating uplift from government support, in line with our support assumptions on deposits and senior unsecured debt.

Rating methodology and scorecard factors

Methodology

The principal methodology we use in rating SKKB was the [Banks Methodology](#) published in March 2024.

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 11

Sparkasse KoelnBonn

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	0.9%	aa2	↓	baa2	Sector concentration	Geographical concentration	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	12.7%	a3	↑	a3	Expected trend	Risk-weighted capitalisation	
Profitability							
Net Income / Tangible Assets	0.3%	ba2	↔	ba2	Expected trend	Return on assets	
Combined Solvency Score		a3		baa2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	9.6%	a1	↔	aa3	Extent of market funding reliance	Deposit quality	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	19.0%	baa2	↔	a3	Additional liquidity resources	Asset encumbrance	
Combined Liquidity Score		a3		a1			
Financial Profile				baa1			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				-			
BCA Scorecard-indicated Outcome - Range				a3 - baa2			
Assigned BCA				baa1			
Affiliate Support notching				2			
Adjusted BCA				a2			
Balance Sheet							
		in-scope (EUR Million)	% in-scope	at-failure (EUR Million)	% at-failure		
Other liabilities		5,483	19.6%	6,976	24.9%		
Deposits		20,907	74.7%	19,444	69.4%		
Preferred deposits		18,816	67.2%	17,876	63.8%		
Junior deposits		2,091	7.5%	1,568	5.6%		
Junior senior unsecured bank debt		544	1.9%	519	1.9%		
Dated subordinated bank debt		229	0.8%	225	0.8%		
Equity		840	3.0%	840	3.0%		
Total Tangible Banking Assets		28,003	100.0%	28,003	100.0%		

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	11.3%	11.3%	11.3%	11.3%	2	2	2	2	0	aa3
Counterparty Risk Assessment	11.3%	11.3%	11.3%	11.3%	3	3	3	3	0	aa2 (cr)
Deposits	11.3%	5.7%	11.3%	5.7%	1	1	1	1	0	a1
Senior unsecured bank debt	11.3%	5.7%	5.7%	5.7%	1	0	1	-	-	-
Junior senior unsecured bank debt	5.7%	3.8%	5.7%	3.8%	-1	-1	-1	-1	0	a3
Dated subordinated bank debt	3.8%	3.0%	3.8%	3.0%	-1	-1	-1	-1	0	a3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	2	0	aa3	1	Aa2	Aa2
Counterparty Risk Assessment	3	0	aa2 (cr)	1	Aa1(cr)	
Deposits	1	0	a1	1	Aa3	Aa3
Senior unsecured bank debt	-	-	-	1	(P)Aa3	
Junior senior unsecured bank debt	-1	0	a3	0	A3	
Dated subordinated bank debt	-1	0	a3	0	(P)A3	

[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 12

Category	Moody's Rating
SPARKASSE KOELNBONN	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	a2
Counterparty Risk Assessment	Aa1(cr)/P-1(cr)
Senior Unsecured MTN -Dom Curr	(P)Aa3
Junior Senior Unsecured -Dom Curr	A3
Subordinate MTN -Dom Curr	(P)A3

Source: Moody's Ratings

Endnotes

- 1 The ratings shown are S-Finanzgruppe's corporate family rating and outlook, and its BCA.
- 2 German banks need to comply with an additional countercyclical capital buffer (CCyB) requirement of 0.75% of domestic RWA and an additional 2.0% buffer specific to RWA from domestic loans backed by residential properties effective from early 2023. This has lifted SKKB's minimum requirements by about 100 basis points.
- 3 The rating shown is NRW.BANK's senior unsecured rating and outlook.
- 4 In our Advanced LGF analysis, we consider the results of both the formal legal position (*pari passu*, or 'de jure' scenario), to which we assign a 75% probability, and an alternative liability ranking, reflecting resolution authority discretion to prefer deposits over senior unsecured debt (full depositor preference, or 'de facto' scenario), to which we assign a 25% probability. We further assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits and a 5% run-off in preferred deposits. These ratios are in line with our standard assumptions.
- 5 Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

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