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INVESTORS SERVICE

CREDIT OPINION
6 December 2022

Update

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RATINGS
IKB Deutsche Industriebank AG

Domicile	Duesseldorf-Ger, Germany
Long Term CRR	A3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Withdrawn
Type	Senior Unsecured - Fgn Curr
Outlook	Not Assigned
Long Term Deposit	Baa1
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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IKB Deutsche Industriebank AG

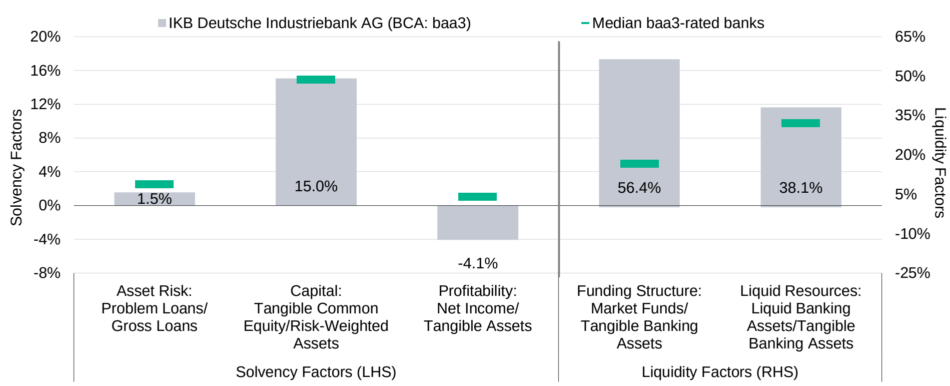
Update to credit analysis

Summary

IKB's Baa1 deposit and issuer ratings reflect the bank's baa3 Baseline Credit Assessment (BCA) and the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities, which results in a very low loss given failure and two notches of rating uplift. IKB's ratings do not benefit from any government support uplift because of its small size in the context of the German banking sector.

IKB's baa3 BCA reflects the bank's market position as a specialised lender in the German medium-sized and large company[1] market, its good asset quality and sound capitalisation. It further reflects the fact that the bank's strong focus on those customers results in a quasi-monoline business model because of its strong reliance on corporate lending for its revenue. IKB's profitability is still volatile, although the bank revamped its business model and accomplished significant cost cutting while simultaneously extensively de-risking its balance sheet. Despite a high reported market funding dependence, the underlying funding risks are much lower because of its strong reliance on development bank funding.

Exhibit 1
Rating Scorecard - Key financial ratios
IKB Deutsche Industriebank AG



Sources: Company reports and Moody's Investors Service

Credit strengths

» Sound capitalisation

» Limited reliance on confidence-sensitive market funding because of the use of development bank programmes as a key funding source after deposits

» Good asset risk profile following balance-sheet de-risking

Credit challenges

» Monoline business model with a focus on larger Mittelstand lending in Germany

» Regulatory-imposed capital add-on results in profit volatility

» High asset encumbrance limits freely available liquidity buffers

» Increasing importance of sustainable finance, which could attract new competition into IKB's core competence

Outlook

The stable rating outlook reflects our expectation that IKB's core fundamentals will remain stable over the next 12 to 18 months, despite a deterioration in the operating environment.

Factors that could lead to an upgrade

» An upgrade of IKB's ratings could be prompted by a higher BCA or by a higher rating uplift from our Advanced LGF analysis for the deposit and issuer ratings as a result of a higher volume of instruments designed to absorb losses in issuance.

» An upgrade of IKB's baa3 BCA could be prompted by a significant increase in its capitalisation, beyond the bank's current targets, and significantly increased profitability. Alternatively, IKB's BCA could be upgraded if the bank substantially diversifies its business and customer lines without taking undue strategic and operational risks as a result of such a shift.

Factors that could lead to a downgrade

» A downgrade of IKB's issuer and deposit ratings could be prompted by a BCA downgrade or a weaker result from our Advanced LGF analysis as a result of a decline beyond our expectations in instruments designed to absorb losses in case of failure.

» IKB's BCA could be downgraded in case of a combined deterioration in solvency metrics, with risk-weighted capitalisation declining significantly from improved levels, the bank's underlying profitability plummeting on a sustained basis and a marked increase in asset risk.

Key indicators

Exhibit 2
IKB Deutsche Industriebank AG (Consolidated Financials) [1]

	06-22[2]	12-21[2]	12-20[2]	03-20[2]	03-19[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	15.4	16.0	16.9	16.6	16.1	(1.2)[4]
Total Assets (USD Billion)	16.1	18.1	20.7	18.2	18.1	(3.2)[4]
Tangible Common Equity (EUR Billion)	1.2	1.5	1.4	1.4	1.4	(3.7)[4]
Tangible Common Equity (USD Billion)	1.3	1.7	1.8	1.5	1.5	(5.6)[4]
Problem Loans / Gross Loans (%)	1.5	1.9	1.4	1.4	1.5	1.5[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.0	18.6	16.2	12.0	12.1	14.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	10.2	10.1	7.6	8.7	9.5	9.2[5]
Net Interest Margin (%)	1.1	1.1	0.7	1.2	1.2	1.0[5]
PPI / Average RWA (%)	3.5	1.4	1.1	1.1	0.8	1.6[6]
Net Income / Tangible Assets (%)	-4.1	0.6	0.5	0.5	0.3	-0.5[5]
Cost / Income Ratio (%)	40.7	72.3	81.1	91.2	90.4	75.1[5]
Market Funds / Tangible Banking Assets (%)	57.4	56.4	53.7	51.7	48.3	53.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	36.4	38.1	44.3	37.5	31.4	37.6[5]
Gross Loans / Due to Customers (%)	205.3	203.4	167.3	176.4	174.2	185.3[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 Investors Service and company filings

Profile

Headquartered in Düsseldorf, Germany, IKB Deutsche Industriebank AG (IKB) is a commercial bank that specialises in lending to medium-sized and large corporates, and is active in the German market. It provides a host of financial services to German corporate clients, ranging from business loans to development bank loans (its niche), particularly from Kreditanstalt für Wiederaufbau (KfW, Aaa stable[2]).

The bank started as a real estate financing entity in 1924 and developed into its current role as a corporate lender from the 1970s. IKB was weakened by the 2008-09 financial crisis and was subsequently bailed out by a consortium consisting of KfW and several other banks. Since then, the bank's balance sheet has been extensively de-risked and its business has refocused on corporate lending. IKB is fully owned by the private equity firm Lone Star Funds.

The bank focuses on corporate customers, and further provides advisory services plus selected primarily deposit-focused services for retail customers. It currently operates from six branches in Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart.

Weighted Macro Profile of Strong+

IKB's activities are mostly based in the German market, and its remaining exposures are within Europe and North America. The assigned Macro Profile is Strong+, in line with the Strong+ Macro Profile of Germany.

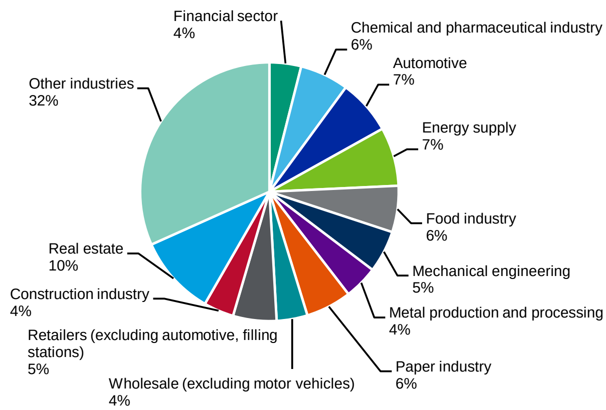
Detailed credit considerations

Asset risk is solid, although sector concentration in Mittelstand implies increased exposure to the economic cycle

We assign a baa2 Asset Risk score to IKB, four notches below the a1 initial score. The assigned score reflects the bank's concentration in Mittelstand lending, particularly in Germany; market risks related to its securities portfolio, with significant derivatives exposures that add to earnings volatility; and our expectation of a rise in nonperforming loans (NPLs) in 2023, although from a low level.

IKB's asset risk is driven by its focus on corporate Mittelstand lending in Germany, with the assigned Asset Risk score reflecting our view on the underlying credit quality of the sector, and the concentration of IKB's lending book within the Mittelstand sector. We expect the Mittelstand sector to be particularly weakened by the current economic downswing because smaller companies are more exposed to the economic cycle. Therefore, NPLs within IKB's existing lending book are likely to increase from the current, low levels, though IKB is taking measures to limit the effect, including a more selective new business and tight monitoring of particularly exposed, energy intense sectors like chemicals or metals.

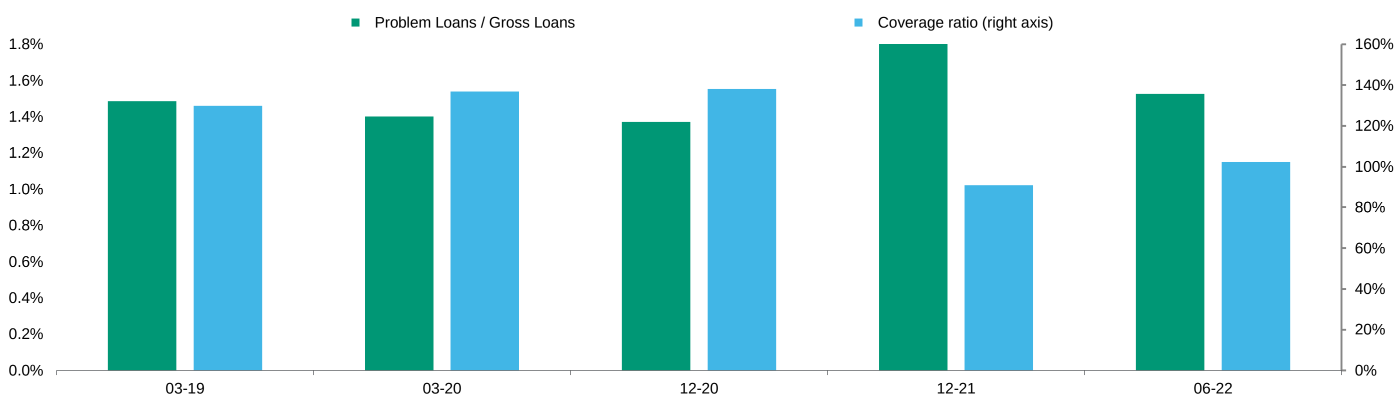
Exhibit 3
IKB's loan book by sector
As of June 2022



Source: Company's half-year report (June 2022) p.24

As of 30 June 2022, NPLs were a still-solid 1.5% of gross loans (according to our definition), slightly down from 1.9% as of December 2021. IKB's asset quality has improved in recent years, as reflected in its declining ratio of NPLs to gross loans. The improvement was driven by the de-risking of IKB's balance sheet, with a shift from international to domestic lending and a renewed focus on Mittelstand lending.

Exhibit 4
IKB has reduced its NPL stock and kept it stable
NPL stock developments and coverage, 2019-H1 2022



Sources: Company reports and Moody's Investors Service

The assigned Asset Risk score also reflects the bank's relatively high market risk, particularly related to its large derivatives portfolio, exposing the bank to highly volatile fair value developments, especially in a more adverse market environment, as illustrated in the first six months of 2022. Given re-evaluation needs within its sizeable fixed income portfolio as a consequence of rising rates, the bank consequently reduced its fixed income portfolio by €0.7 billion to €2.8 billion as of June 2022.

Capital is still solid

We assign an a3 Capital score to IKB, three notches below the aa3 initial score. The assigned score reflects the bank's overall solid capital levels after the release of €345 million in capital reserves to cover evaluation losses as half-year 2022 and our expectation that the capital ratios will stabilise at 13%-14%. The assigned score takes into account the bank's strong leverage ratios — a tangible common equity (TCE) leverage ratio of 7.8% and a regulatory leverage ratio of 6.4% as of 30 June 2022.

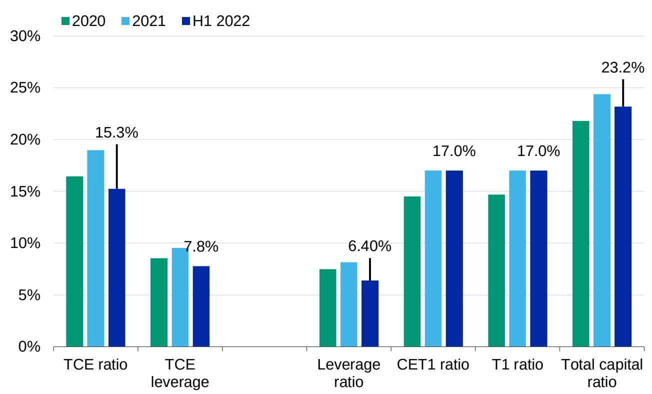
IKB's capitalisation levels have fallen in 2022, with TCE of 15.3% as of June 2022, from 19.0% in 2021, but are still up from levels of around 12% as of March 2020 and 2019. The Common Equity Tier 1 (CET1) capital ratio was 17.0% as of June 2022, while the total capital ratio was 23.2%, providing a substantial buffer against regulatory requirements. Regulatory capital ratios are higher than our TCE, because IKB used an option to include unrealized evaluation gains for the regulatory capital calculations.

IKB does not plan to pay dividends for the time being because it received a capital add-on by the German regulator Bafin in spring 2022 because of shortfalls with respect to the orderly conduct of business. The bank's SREP requirements now stand at 8.15% for CET1, 10.02% for Tier 1 and 12.52% for total capital, with the add on at 225bps for CET1, 300 bps for Tier 1 and 400 bps for total capital.

During the first half 2022, the bank has reduced its risk-weighted assets (RWA) by slowing loan growth, further supported by still positive rating migrations. Given the expected slowdown in economic growth for 2023, we expect RWA to increase, particularly for corporates that are challenged by higher energy costs and operating costs because of inflation, weakening their profitability and ability to service debt.

Exhibit 5

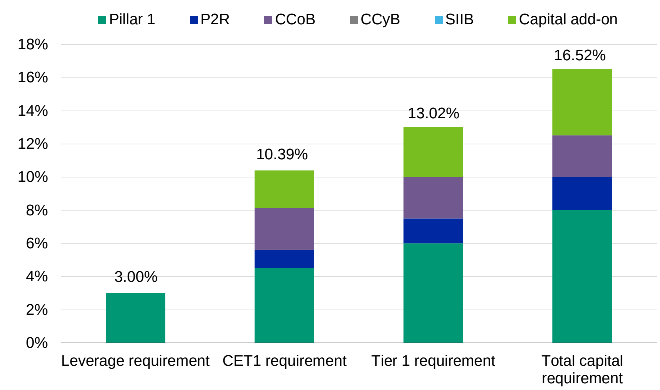
IKB's capitalisation declined in H1 2022



TCE = Tangible common equity (our calculation); CET1 = Common Equity Tier 1 capital; T1 = Tier 1 capital.
Sources: Company reports and Moody's Investors Service

Exhibit 6

IKB's H2 2022 capital ratios exceed regulatory minimal requirements, despite a significant add on



CCoB = Capital conservation buffer; CCyB = Countercyclical capital buffer; SIIB = Systemically important institutions buffer.
Source: Company reports

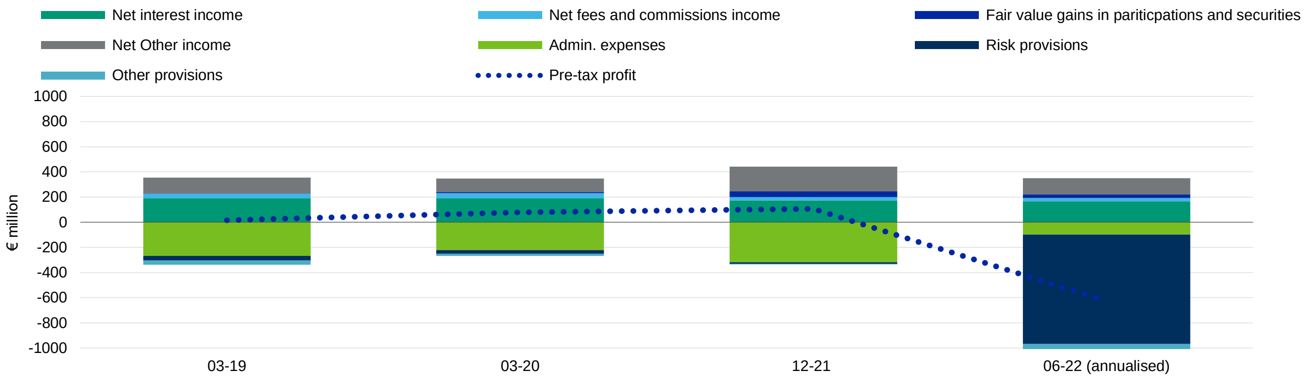
The implementation of the internal ratings-based models has led to a reduction in the current high density of RWA. As of 30 June 2022, the bank's RWA compared with total assets was 51%, still high compared with those of its peers, but down from an extraordinary 69% as of March 2020. The implementation of the internal ratings-based models should also provide some buffer against the potential strain from downward rating shifts in its lending book as a result of the economic downswing. Upcoming regulatory changes to capital regulation, such as the implementation of the output floor, are not likely to strain IKB's capital ratios.

Tight cost controls helped improve profitability

We assign a ba2 Profitability score to IKB, seven notches above the initial score. The bank's net income as a percentage of its tangible banking assets fell to -4.1% as of June 2022 because the bank was confronted with a €436 million loss in its fixed income book, and closed interest positions in interest rate swaps, partially compensating for the losses. We regard the loss as non-recurring and expect the bank's profitability to recover in 2023, with the renewed profit volatility reflecting efforts to reduce certain risk positions.

The underlying, improved cost structure, with annual personnel expenses down by almost 50% since 2017 and a less-expensive capital structure as of March 2020, provides the bank with the potential to recover its earnings power if risks from the volatile market environment and rising rates are managed adequately. However, an expected increase in risk costs because of the economic downswing and our expectation that the bank's cost base will somewhat deteriorate because of higher administration costs will prevent a return to previous profitability levels.

Exhibit 7
IKB's profitability structure at a glance (in € million)
Rising rates caused signficant re-evaluation losses in 2022



IKB switched its reporting period to the calendar year in 2020, with the 2020 result based on April-December financials.
Sources: Company reports and Moody's Investors Service

For the six months that ended June 2022, the bank reported a consolidated net profit of €30 million, slightly down from €47 million over the same period in 2021. Net interest income decreased by 8% to €83 million from €90 million as of the end of June 2022, while fee and commission income of €13 million remained broadly stable. We, however, adjust the bank's profitability downwards for its drawing of €345 million of reserves to cover losses in the fixed income portfolio of €436 million, leading to an overall significant loss of €314 million in the first half of 2022.

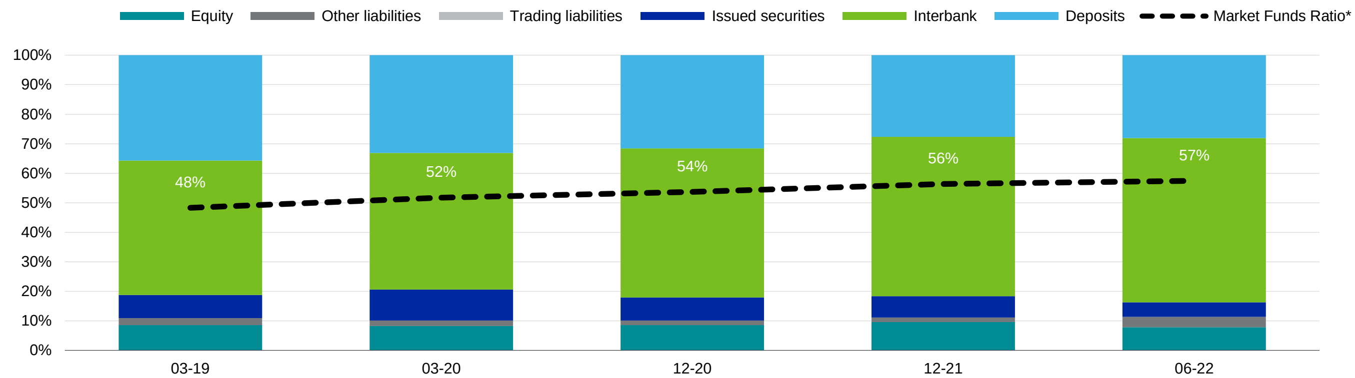
Personnel expenditure was €46 million, slightly up from that during the same period in the previous year (€41 million). Total administrative expenses were €80 million, up 9.6% from €73 million over the same period in 2021, reflecting IKB's efforts to deal with the capital add-on imposed by Bafin.

Limited dependence on market funding and strong recourse to secured funding

We assign IKB an a3 score for Funding Structure, nine notches above the b3 initial score, reflecting the bank's strong access to and use of development bank funding, a source that we do not deem confidence sensitive, and our expectation of a decrease in reliance on market funding in the future.

IKB's liability structure consisted of €8.6 billion due to financial institutions as of half-year 2022, including €5.1 billion in funding provided by development banks. Deposits contributed another €4.3 billion, with a significant share of corporate deposits (including promissory notes), which we deem more confidence sensitive than retail deposits. However, the term structure of deposits and the KfW funding remains a balancing factor. Deposits and development bank funding are accomplished by €0.3 billion in senior unsecured liabilities and €0.8 billion in subordinated liabilities.

Exhibit 8
IKB's funding structure relies heavily on development bank funds



*Market funds ratio = Market funds/total banking assets.
Sources: Company reports and Moody's Investors Service

The bank also has recourse to €3.4 billion in secured European Central Bank (ECB) funding as another important funding source. Although we do not deem this confidence sensitive, the bank's asset encumbrance is relatively high as a consequence.

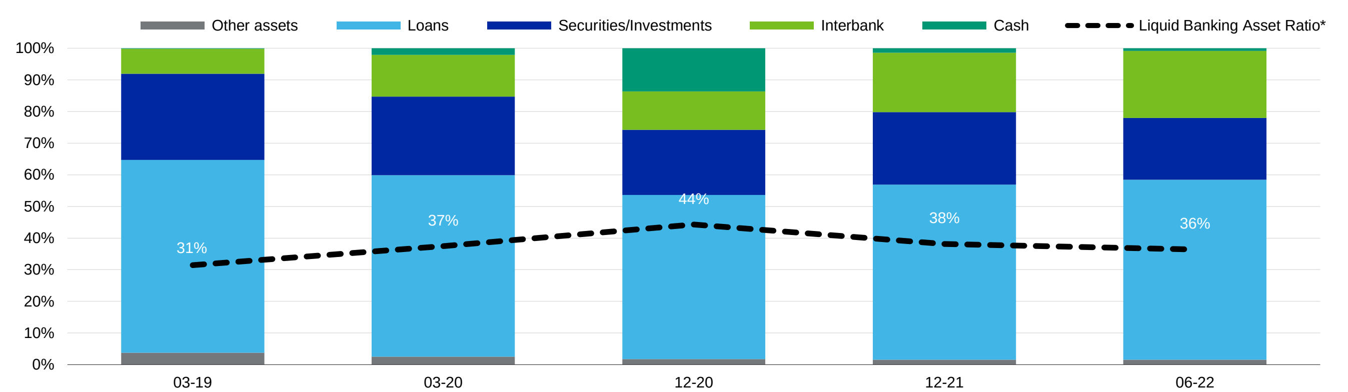
Liquidity is adequate with significant liquid resources encumbered, mirroring IKB's funding structure

We assign IKB a ba1 score for Liquidity, six notches below the a1 initial score, reflecting the bank's sizeable asset encumbrance with adequate freely available liquidity.

Although the bank's liquidity resources are high, as reflected in a liquidity ratio of 36.4% of tangible assets as of June 2022, freely available liquidity is substantially lower, given the high asset encumbrance because of its significant portion of secured funding via the ECB, with a significant portion of repo-eligible liquid assets pledged to the ECB.

Dues from financial institutions were €3.3 billion as of June 2022, while the largely central bank-eligible securities portfolio contributed €3.3 billion. Given the bank's limited market funding reliance, its liquidity is adequate, reflected in IKB's liquidity coverage ratio of 244% as of the end of June 2022. The bank's Moody's-adjusted loan-to-deposit ratio of 202% overstates the potential refinancing risks because a significant portion of IKB's loan portfolio is funded via matched development bank loans, reflected in the reported loan-to-deposit ratio of 90% as of 30 June 2022.

Exhibit 9
IKB's liquid resources are strained by asset encumbrance



*Liquid banking asset ratio = Liquid banking assets/total banking assets.
Sources: Company reports and Moody's Investors Service

Monoline adjustment

The bank's strong focus on (larger) Mittelstand customers results in limited business diversification and a quasi-monoline business model because of its strong reliance on corporate lending for its revenue and profit. Although IKB's niche bank position provides differentiation from competition, for example, it has a strong market presence in dedicated development banks' loan programmes, it exposes the bank more strongly to the economic cycle than banks with a better balanced customer profile.

We consider Mittelstand lending particularly exposed to the effects of the coronavirus pandemic-related downturn. IKB's high reliance on corporate-related earnings streams exposes it to shocks that are likely to hurt its income statement, and potentially its capital base, in an adverse scenario.

Business diversification is an important gauge of a bank'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 a bank's earnings stream and its potential to absorb shocks affecting a business line.

To reflect the risks stemming from IKB's Mittelstand-focused business model, we apply a one-notch negative qualitative adjustment for lack of business diversification, which leads to a baa3 BCA from the bank's baa2 Financial Profile score.

ESG considerations

In line with our general view of the banking sector, IKB has low exposure to environmental risks[3] (see our environmental risks heat map for further information).

For social risks[4], we also place IKB in line with our general view of the banking sector, which indicates moderate exposure (see our social risks heat map).

Corporate governance[5] is highly relevant for IKB, as it is to all banks. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven. Corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Affiliate support is low

There is a low probability that IKB's owner, Lone Star Funds, will support the bank in case of need, which does not result in any uplift for IKB's ratings. Support from its owner is reflected in its degree of involvement in IKB's strategy, management and operations, but we do not expect further capital injections, in case of need.

Government support considerations

Since the introduction of the Bank Recovery and Resolution Directive (BRRD), we have selectively assigned moderate expectations of government support in the event of need. Because of its small size relative to the German banking system and its limited degree of interconnectedness, we continue to assume a low probability of government support to IKB, which does not result in any rating uplift.

Loss Given Failure (LGF) analysis

IKB is subject to the BRRD, which we consider an operational resolution regime. Therefore, 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 resolution. In line with our standard assumptions, we assume a residual tangible common equity of 3%, as well as asset losses of 8% of tangible banking assets in a failure scenario. We also assume a 25% runoff of junior wholesale deposits and a 5% runoff of preferred deposits. Moreover, we assign a 25% probability to junior deposits being preferred to senior unsecured debt. We apply a standard assumption for European banks that 26% of deposits are junior.

For IKB's deposits and issuer ratings, our LGF analysis indicates a very low loss given failure, leading to two notches of rating uplift from its baa3 Adjusted BCA.

Counterparty Risk Ratings (CRRs)

IKB's CRRs are A3/P-2

The CRRs are three notches above IKB's baa3 Adjusted BCA, based on the extremely low loss given failure from the moderate volume of instruments that are subordinated to CRR liabilities. IKB's CRRs do not benefit from government support, in line with our support assumptions on deposits.

Counterparty Risk (CR) Assessment

IKB's CR Assessment is A3(cr)/P-2(cr)

IKB's CR Assessment is three notches above the baa3 Adjusted BCA, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments, primarily senior unsecured debt and junior deposits. 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.

Methodology and scorecard

Methodology

The principal methodology used in rating IKB was the Banks Methodology, published in July 2021.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may significantly 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 10

IKB Deutsche Industriebank AG

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	1.5%	a1	↔	baa2	Sector concentration	Market risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	15.0%	aa3	↔	a3	Risk-weighted capitalisation	Expected trend
Profitability						
Net Income / Tangible Assets	-4.1%	caa3	↑↑	ba2	Return on assets	Expected trend
Combined Solvency Score		baa1		baa2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	56.4%	b3	↑↑	a3	Extent of market funding reliance	Expected trend
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	38.1%	a1	↓↓	ba1	Asset encumbrance	Stock of liquid assets
Combined Liquidity Score		ba1		baa2		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				baa2 - ba1		
Assigned BCA				baa3		
Affiliate Support notching				0		
Adjusted BCA				baa3		

Balance Sheet	**in-scope (EUR Million)**	**% in-scope**	**at-failure (EUR Million)**	**% at-failure**
Other liabilities	9,598	62.2%	10,041	65.1%
Deposits	4,339	28.1%	3,896	25.3%
Preferred deposits	3,211	20.8%	3,050	19.8%
Junior deposits	1,128	7.3%	846	5.5%
Junior senior unsecured bank debt	273	1.8%	273	1.8%
Dated subordinated bank debt	674	4.4%	674	4.4%
Preference shares (bank)	75	0.5%	75	0.5%
Equity	463	3.0%	463	3.0%
Total Tangible Banking Assets	15,422	100.0%	15,422	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	15.1%	15.1%	15.1%	15.1%	3	3	3	3	0	a3
Counterparty Risk Assessment	15.1%	15.1%	15.1%	15.1%	3	3	3	3	0	a3 (cr)
Deposits	15.1%	9.6%	15.1%	9.6%	2	2	2	2	0	baa1
Senior unsecured bank debt	15.1%	9.6%	9.6%	9.6%	2	1	2	2	0	baa1

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	a3	0	A3	A3
Counterparty Risk Assessment	3	0	a3 (cr)	0	A3(cr)	
Deposits	2	0	baa1	0	Baa1	Baa1
Senior unsecured bank debt	2	0	baa1	0	Baa1	Baa1

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

Ratings

Exhibit 11

Category	Moody's Rating
IKB DEUTSCHE INDUSTRIEBANK AG	
Outlook	Stable
Counterparty Risk Rating	A3/P-2
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Issuer Rating	Baa1
ST Issuer Rating	P-2

Source: Moody's Investors Service

Endnotes

1 or larger Mittelstand

2 The rating shown here is KfW's deposit rating/debt rating and outlook.

3 Environmental risks can be defined as environmental hazards encompassing the impacts of air pollution, soil/water pollution, water shortages, and natural and human-made hazards (physical risks). Additionally, regulatory or policy risks, like the impact of carbon regulation or other regulatory restrictions, including the related transition risks like policy, legal, technology and market shifts, which could impair the evaluation of assets, are an important factor. Certain banks could face a higher risk from concentrated lending to individual sectors or operations exposed to the aforementioned risks.

4 Social risk considerations represent a broad spectrum, including customer relations, human capital, demographic and societal trends, health and safety, and responsible production. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are partially offset by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct is a further social risk. Societal trends are also relevant in a number of areas, such as shifting customer preferences toward digital banking services increasing information technology costs, ageing population concerns in several countries affecting demand for financial services or socially driven policy agendas that may translate into regulations that affect banks' revenue bases.

5 Corporate governance is a well-established key driver for banks and related risks are typically included in our evaluation of the banks' financial profile. Further, factors such as specific corporate behaviour, key person risk, insider and related-party risk, strategy and management risk factors, and dividend policy may be captured in individual adjustments to the BCA.

REPORT NUMBER 1343098

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