



Rating Action: Moody's Ratings affirms Bausparkasse Schwaebisch Hall AG's ratings, outlook on Aa2 long-term issuer ratings changed to negative

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Frankfurt am Main, October 02, 2026 -- Moody's Ratings (Moody's) has today affirmed Bausparkasse Schwaebisch Hall AG's (BSH) long- and short-term bank deposit and issuer ratings at Aa2/P-1. The outlook on BSH's long-term bank deposit ratings remains stable and we changed the outlook on the long-term issuer ratings to negative from stable.

At the same time, we affirmed BSH's Aa2/P-1 long- and short-term Counterparty Risk Ratings (CRR), the bank's Baseline Credit Assessment (BCA) at baa1, its Adjusted BCA at a3, and the long- and short-term Counterparty Risk Assessments (CR Assessment) at Aa2(cr)/P-1(cr).

RATINGS RATIONALE

-- AFFIRMATION OF THE BCA

The affirmation of BSH's baa1 BCA reflects BSH's resilient credit profile as Germany's largest building society (Bausparkasse) with strong capital buffers, solid asset quality, strong and stable funding reflecting its sizeable and highly granular deposits, and moderate liquidity.

The affirmation of BSH's BCA furthermore reflects the recent affirmation of the BCA of its parent DZ BANK AG (DZ BANK, deposits Aa2 stable / senior unsecured debt Aa2 negative, BCA baa1, for further detail, please refer to the following press release "Moody's Ratings affirms DZ BANK AG's ratings, outlook on Aa2 senior unsecured debt ratings changed to negative"), which caps the BCA of BSH because of BSH's tight strategic and financial integration with its parent.

Similar to most German building societies, BSH has been barely profitable as net interest margins have only recently started to recover following the normalization of interest rates. The bank has also reduced its vulnerability to interest rate swings, leading to gradually improving profitability since the low point in 2023.

Despite higher interest rates and stagnating house prices, problem loan formation has remained very moderate, underscoring the solidity of BSH's domestic residential mortgage loan book. Higher interest-rate levels since 2023 have resulted in a tentative rebalancing within BSH's core Bauspar contract business, which previously had been characterized by a large Bauspar deposit overhang over Bauspar loans. BSH has increasingly complemented its deposit base with covered bond issuances, but liquid resources have also declined moderately.

-- AFFIRMATION OF THE ADJUSTED BCA

The affirmation of BSH's Adjusted BCA at a3 reflects the affirmation of the bank's baa1 BCA and the unchanged assessment that the entity is affiliate-backed by DZ BANK, effectively aligning its Adjusted BCA with that of its parent bank. This assessment also includes the implicit assumption of support from Germany's Genossenschaftliche FinanzGruppe (G-Finanzgruppe), which is embedded in the Adjusted BCA of DZ BANK.

-- AFFIRMATION OF RATINGS

The affirmation of BSH's ratings follows the affirmation of its Adjusted BCA and incorporates unchanged results from our Advanced Loss Given Failure (LGF) analysis that we perform at the level of DZ BANK's joint resolution perimeter and unchanged assumptions for government support.

We continue to expect BSH to form a resolution group with DZ BANK. Accordingly, we apply DZ BANK's resolution perimeter to BSH, resulting in three notches of rating uplift for BSH's CRR, CR Assessment, junior deposits, and senior unsecured debt, as represented by BSH's issuer rating.

The unchanged moderate government support assumption and the resulting one notch of rating uplift reflects the bank's membership in the systemically important G-Finanzgruppe.

OUTLOOK

The stable outlook on BSH's long-term bank deposit ratings reflects our expectation that G-Finanzgruppe's financial profile remains highly resilient despite recent isolated cases of support fund usage by several smaller primary banks and structural changes in key manufacturing industries weighing on Germany's economy and that the intrinsic financial strength of DZ BANK and BSH remain broadly unchanged.

The negative outlook on BSH's long-term issuer ratings reflects the risk that DZ BANK may lower the share of junior senior unsecured and lower-ranking instruments in relation to the bank's tangible banking assets in response to the recently lowered regulatory subordination requirement under the bank's regulatory minimum requirement for own funds and eligible liabilities (MREL)[1].

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

An upgrade of BSH's long-term 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.

An upgrade of BSH's BCA would require an upgrade of DZ BANK's BCA, which caps BSH's BCA at baa1, and, at the same time, BSH to also improve its own financial profile. An upgrade of BSH's unconstrained BCA could be prompted by a sustained improvement of its profitability.

BSH's ratings could be downgraded following a downgrade of its Adjusted BCA, which could result from a downgrade of its parent's Adjusted BCA, caused either by a material deterioration in the cooperative sector's financial strength, a parallel weakening of the financial strength of G-Finanzgruppe and a downgrade of DZ BANK's BCA, or by 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 and results in reduced rating uplift from our Advanced LGF analysis, could result in a downgrade.

BSH's BCA could be downgraded in case of a downgrade of the BCA of DZ BANK or in case BSH's liquidity and funding profile weakened in combination with the bank's profitability, capital or asset risk development staying below our expectations, for example if an unexpected increase in problem loans resulted in higher risk provisioning needs.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in September 2026 and available at <https://ratings.moodys.com/rmc-documents/474049>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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REFERENCES/CITATIONS

[1] Half-year financial report of DZ BANK Group 2026

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