

Banks Ratings Navigator		
Navigator date:	22 Jan 2018	
Last rating action:	13 Dec 2017	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	DM Europe	
Country:	Germany	
Country IDR:	AAA Stable	
Last action:	01 Sep 17 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
13 Dec 17	a+	Affirmed
05 Jan 17	a+	Affirmed
25 Jan 16	a+	Affirmed
Issuer Default Rating (IDR)		
13 Dec 17	A+ Stable	Affirmed
05 Jan 17	A+ Stable	Affirmed
25 Jan 16	A+ Stable	Affirmed
Support Rating Floor (SRF)		
13 Dec 17	NF	Affirmed
05 Jan 17	NF	Affirmed
25 Jan 16	NF	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
69	DM Europe Universal Commercial	
6	Germany Universal Commercial	
Relevant Criteria & References		
Global Bank Rating Criteria (Nov 2016)		
Macro-Prudential Risk Monitor (Aug 2017)		
Analysts		
Roger Schneider (+49 69 768076 242)		
Maria Shishkina (+44 203 530 1379)		

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+ Stable
a										a	A	A
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc										ccc	CCC	CCC
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Support Rating Floor	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	A+ to A-		
Actual country D-SIB SRF	NF		
Support Rating Floor:	NF		
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem	✓		
Structure of banking system		✓	
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)	✓		
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support			✓
Sovereign propensity to support bank			
Systemic importance		✓	
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

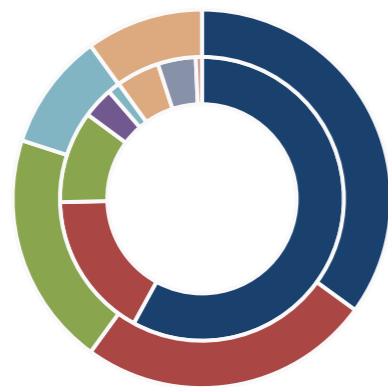
Drivers & Sensitivities	
Support Drives Ratings	S-Finanzgruppe Hessen-Thuringen's (SFG-HT) ratings are based on mutual support within the group of 49 savings banks and its central institution, Landesbank Hessen-Thuringen Girozentrale (Helaba), acting as one economic unit.
Diversified, Leading Regional Franchise	The ratings reflect the group's diversified and leading regional franchise with a focus on retail and SME lending, supplemented by Helaba's wholesale business, in the home region of Hesse and Thuringia as well as North Rhine-Westphalia and Brandenburg.
Moderate Risk Appetite	Conservative underwriting standards have driven the group's strong asset quality. Interest-rate risk moderately declined in 2016 but remains a key risk for the group's savings banks due to maturity transformation inherent in its business model. Helaba's profile is match-funded.
Improved Asset Quality	The group's volume of non-performing loans has dropped further. It reflects strong consumer fundamentals and healthy SME and corporate balance sheets. Risks cost could remain low. However, we also take into account concentrations risks at Helaba and in real estate.
Lower Profitability Expected	The group's pre-tax profit was EUR1.6 billion in 2016, up 8% on the previous year. We believe low interest rates will have negatively affected profit in 2017, but continued business growth and low loan-loss provisions should have mitigated margin pressure.
Strong Capitalisation and Leverage	SFG-HT's capitalisation and leverage are key rating strengths. The group reported a fully loaded CET1 ratio of 19.6% at end-2016, driven by sound and stable internal capital generation. We believe the group's profitability will allow further strengthening of capital.
Sound Funding and Liquidity	The group's funding is driven by the savings banks' large and stable retail deposit base with continuing inflows of sight deposits. Helaba's funding and liquidity benefit from a diversified pool of funding sources and access to a wide range of domestic and foreign investors.
Stable Outlook	SFG-HT's ratings are primarily sensitive to a material deterioration of its asset quality or a sharp rise in interest rates in the banking book. They are also sensitive to changes in SFG's IDRs and VR as SFG-HT is part of the savings banks' nationwide mutual support mechanism.

Key Financial Ratios (17 Jan 2018)	SFG-HT				Direct Peers Median				Region Sector Median							
	Number of Banks:				8	8	8	8								
	Statement:				FYE16	FYE15	FYE14	FYE13	FYE16	FYE15	FYE14	FYE13	FYE16	FYE15	FYE14	FYE13
Size (EURbn)																
Total assets	257	260	264	262	909	902	898	875	244	234	249	254				
Risk weighted assets (RWA)	104	104	102	103	301	302	302	290	77	68	81	79				
Total equity	21	20	19	18	53	50	46	42	14	14	13	13				
Fitch core capital (FCC)	21	20	19	18	41	39	37	32	13	12	11	10				
Asset Quality																
Impaired loans/gross loans	1.8%	2.4%	2.8%	3.3%	3.6%	3.7%	3.8%	3.7%	3.7%	4.1%	5.0%	5.6%				
Growth of gross loans	1.5%	2.7%	0.7%	0.1%	4.6%	2.8%	2.3%	1.9%	1.1%	1.2%	0.5%	-2.5%				
Reserves for impaired loans/impaired loans	48.8%	46.4%	43.0%	41.9%	50.6%	53.7%	49.7%	52.9%	56.9%	55.8%	55.0%	55.1%				
Loan impairment charges/avg gross loans	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%	0.2%	0.2%	0.3%	0.3%	0.5%	0.6%				
Earnings and Profitability																
Operating profit/risk weighted assets	1.5%	1.4%	1.7%	1.3%	1.6%	1.6%	1.6%	1.5%	1.7%	1.7%	1.5%	1.4%				
Net interest income/average earning assets	1.3%	1.3%	1.3%	1.2%	1.3%	1.3%	1.3%	1.4%	1.5%	1.5%	1.6%	1.5%				
Non-interest expense/gross revenues	68.3%	68.0%	68.0%	69.7%	67.8%	65.3%	63.3%	63.6%	64.7%	64.3%	63.3%	63.6%				
Loans & secs imp charges/pre-imp op. profit	5.7%	12.4%	4.0%	14.5%	6.8%	14.3%	11.7%	19.5%	15.7%	23.5%	24.8%	34.8%				
Operating profit/average total assets	0.6%	0.6%	0.6%	0.5%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.5%	0.4%				
Net income/average total equity	5.6%	5.4%	6.2%	5.8%	6.2%	7.0%	6.3%	6.7%	6.8%	7.0%	6.1%	6.3%				
Capital and Leverage																
FCC/FCC-adjusted risk weighted assets	20.1%	19.1%	18.8%	17.6%	14.9%	14.7%	14.2%	13.8%	14.7%	13.7%	12.7%	12.1%				
Basel leverage ratio	n.a.	n.a.	n.a.	n.a.	5.6%	5.4%	4.9%	5.0%	5.4%	5.3%	4.8%	4.5%				
Tangible common equity/tangible assets	8.2%	7.7%	7.2%	6.9%	5.6%	5.5%	5.2%	5.3%	5.6%	5.8%	4.7%	5.0%				
CET1 capital ratio	n.a.	n.a.	n.a.	n.a.	14.4%	13.5%	13.6%	13.1%	14.0%	14.1%	13.5%	12.2%				
Internal capital generation	5.4%	4.8%	5.5%	5.1%	4.6%	4.8%	4.8%	4.8%	3.9%	3.1%	2.7%	3.2%				
Imp loans less reserves for imp Loans/FCC	6.8%	9.9%	12.7%	15.7%	13.6%	14.5%	16.9%	19.2%	13.6%	14.9%	22.5%	28.0%				
Funding and Liquidity																
Loans/customer deposits	126.2%	125.3%	127.3%	129.3%	124.7%	124.7%	127.4%	126.7%	105.2%	109.8%	109.9%	115.1%				
Liquidity coverage ratio	n.a.	n.a.	n.a.	n.a.	140.3%	140.0%	122.0%	134.0%	140.0%	128.0%	122.5%	127.0%				
Customer deposits/total funding excl derivs	57.3%	55.6%	53.1%	51.0%	60.8%	59.4%	56.7%	57.0%	64.2%	63.3%	60.9%	59.5%				

Business Mix

(by profit or revenue)

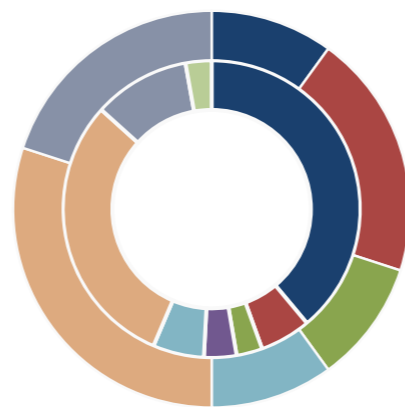
- Retail banking (35%)
- SME banking (25%)
- Corporate banking (20%)
- Investment banking (0%)
- Transaction banking (10%)
- Asset management (10%)
- Insurance (0%)
- Other (0%)



Outer: SFG-HT
Inner: Direct Peers Average

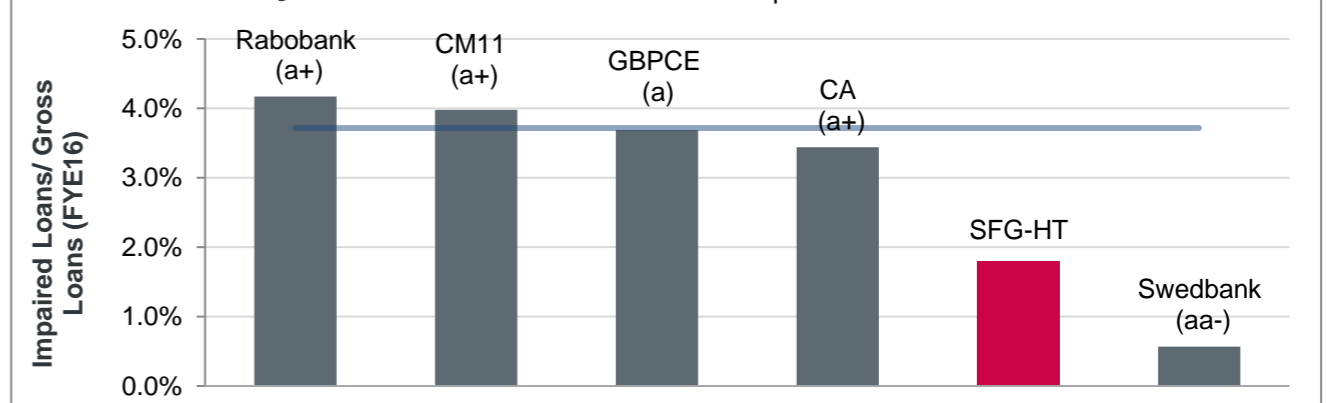
Lending Type

- Resi mortgages (10%)
- Comm mortgages (20%)
- Asset finance (10%)
- Other secured (0%)
- Personal unsecured (10%)
- Comm unsecured (30%)
- FIs & Sovs (20%)
- High yield (0%)
- Other unsecured (0%)

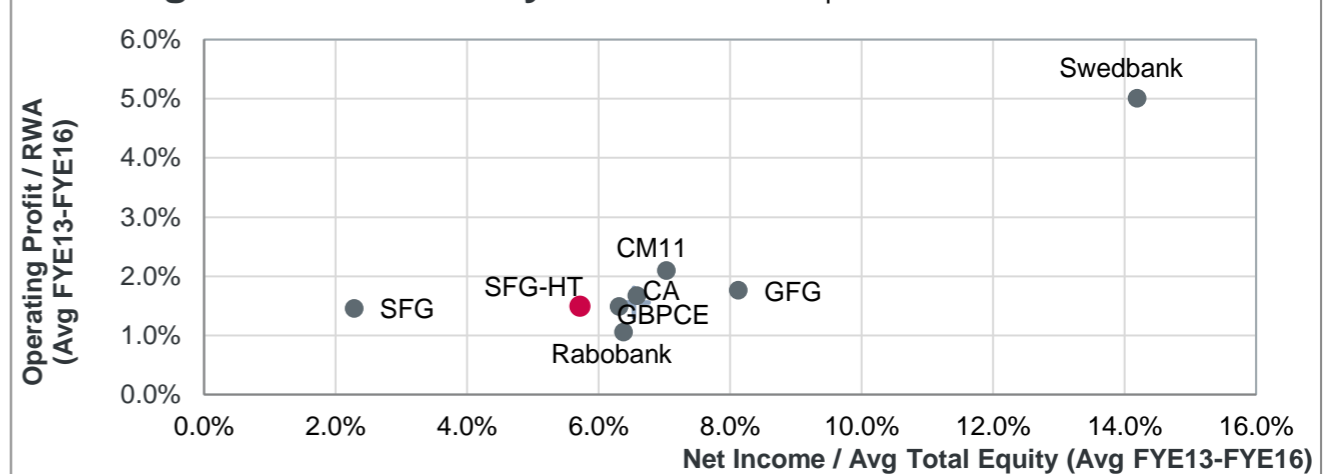


Outer: SFG-HT
Inner: Direct Peers Average

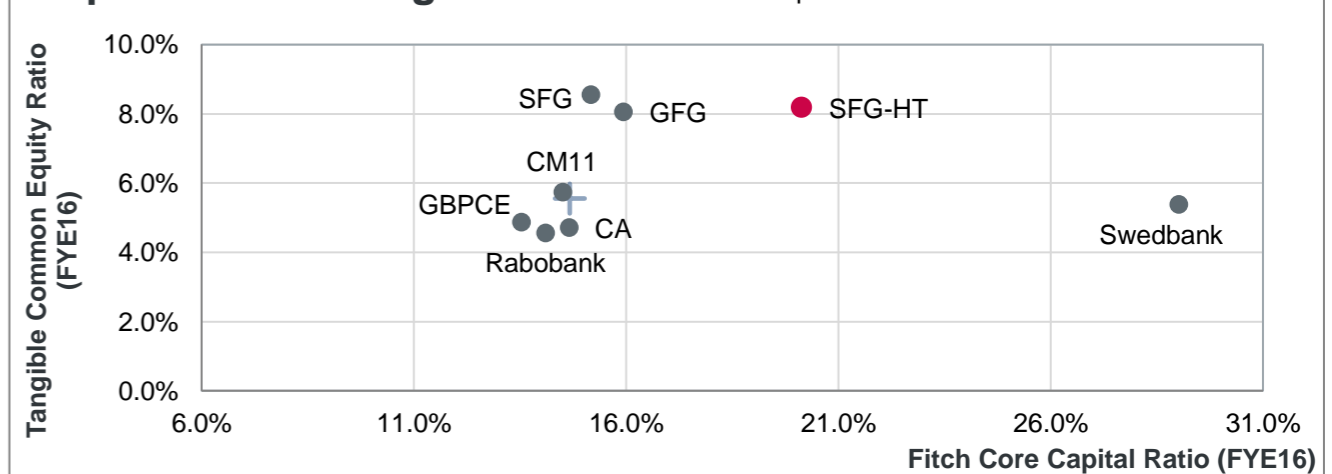
Asset Quality



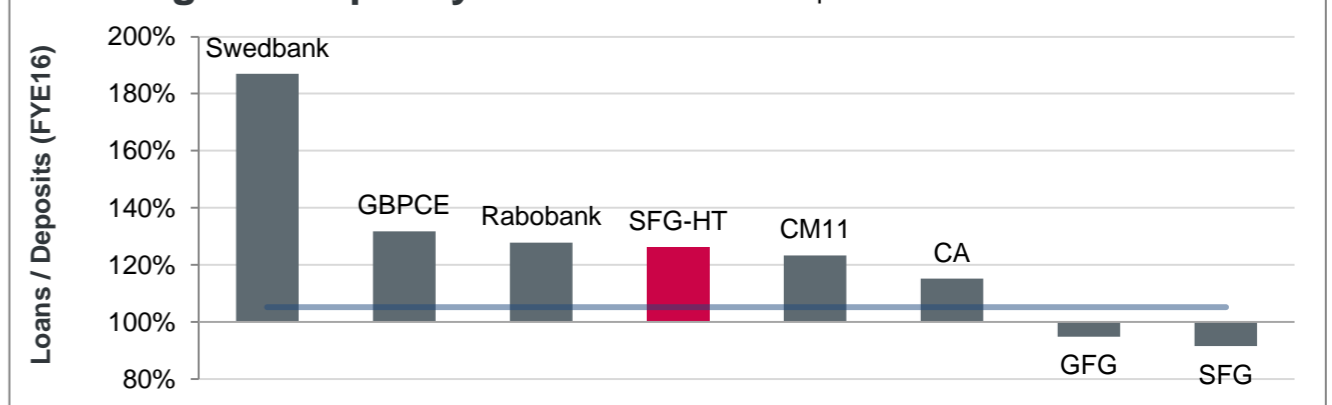
Earnings and Profitability



Capital and Leverage



Funding and Liquidity



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