Sparkassen-Finanzgruppe Hessen-Thueringen

Full Rating Report

Ratings

Long-Term IDR	A+
Short-Term IDR	F1+
Viability Rating	a+
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Long-Term Local Currency IDR	AAA
Long-Term Foreign Currency IDR	AAA

Outlooks

Long-Term IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local Currency IDR	Stable

Financial Data

Sparkassen-Finanzgruppe Hessen-Thueringen

	31 Dec 17	31 Dec 16
Total assets (USDm)	302,042	270,504
Total assets (EURm)	251,849	256,628
Total equity (EURm)	21,975	21,138
Operating profit (EURm)	1,451	1,598
Published net income EURm)	1,002	1,150
Operating profit/risk-weighted assets (%)	1.4	1.5
Impaired loans/gross loans (%)	1.4	1.8
Fitch Core Capital/risk-weighted assets (%)	21.1	20.1
Loans/customer deposits (%)	120.7	126.2

Source: Fitch Ratings, Fitch Solutions

Related Research

Fitch Affirms S - Finanzgruppe Hessen Thueringen and Helaba at 'A+'/Stable (November 2018)

S - Finanzgruppe Hessen-Thueringen Ratings Navigator (December 2018)

Fitch Affirms Sparkassen-Finanzgruppe at 'A+'; Outlook Stable (November 2018)

Sparksassen-Finanzgruppe (Sparkassen) - Ratings Navigator (December 2018)

Analysts

Roger Schneider
+49 69 768076 242
roger.schneider@fitchratings.com

Maria Shishkina
+44 20 3530 1379
maria.shishkina@fitchratings.com

Key Rating Drivers

Diversified Regional Franchise: Sparkassen-Finanzgruppe Hessen-Thueringen's (SFG-HT) ratings are based on mutual support within the group of 49 savings banks and its central institution, Landesbank Hessen-Thueringen Girozentrale (Helaba). These form a single economic unit. The ratings reflect the group's diversified and strong regional retail franchise, complemented by Helaba's domestic and international wholesale activities and benefiting from the latter's close cooperation with savings banks in North Rhine-Westphalia and Brandenburg.

Profit Retention Drives Capitalisation: SFG-HT's capitalisation is materially stronger than the German banking sector average. The group's fully loaded common equity Tier 1 ratio was 20.6% at end-2017 (end-2016: 19.6%), driven by sound profit retention. The capital surplus over its members' Supervisory Review and Evaluation Process (SREP) requirements enables the group to accommodate its growth objectives and provides a solid loss-absorbing buffer.

Solid Asset Quality: The group's non-performing loan ratio (NPL) dropped below 1.5% at end-2017. This was driven by strong consumer fundamentals and healthy SME and corporate balance sheets, which Fitch Ratings expects to have persisted through 2018. Higher concentration risk compared with retail banks arises from Helaba's wholesale business, particularly its commercial real estate activities, which expose the group to a downturn of the real estate market.

Vulnerable to Rate Shocks: The savings banks' vulnerability to interest-rate shocks is high and it increased further in 2017 as SFG-HT's overnight deposits increased by almost 10%, leading to a widening of the group's asset-liability maturity mismatch. Helaba's long-term debt issuance and the savings banks' use of derivatives have mitigated the group's interest-rate risk.

Weakening Profitability: SFG-HT's net interest income declined by 5.4% in 2017, driven by the low interest-rate environment. The group's fee income benefited from a re-pricing of customer services, primarily at the savings banks level. However, rising costs and fair-value adjustments of derivatives negatively affected SFG-HT's pre-tax profit, which decreased by almost 10% in 2017 to EUR1.4 billion, despite the release of loan-loss provisions. We expect SFG-HT's profits to decline further in the next few years due to the low interest-rate environment.

Strong Funding and Liquidity: The savings banks' large and growing retail deposit base strongly supports the group's funding and liquidity profile. Helaba pursues a strategy of matched funding of new business, and its wholesale funding benefits from an established domestic and international investor base. The group reported an aggregated liquidity coverage ratio of 163% at end-2017 (137% at end-2016).

Rating Sensitivities

Ratings Sensitive to Profitability Decline: SFG-HT's ratings are primarily sensitive to a material deterioration in profitability that could be triggered by rising loan impairment charges, particularly from a weakening of the real estate sector. A sharp rise in interest rates could enhance losses from the group's exposure to interest-rate risk.

Link to Savings Bank Sector: SFG-HT's ratings are sensitive to changes in those of Sparkassen-Finanzgruppe (SFG; A+/Stable/F1+). This is because SFG-HT's savings banks members are also part of the savings banks' nationwide mutual support mechanism, and would be affected by a material weakening of the overall savings bank sector's credit profile.

Operating Environment

Supportive Economic Environment

SFG-HT's business focus is on Germany (AAA/Stable) and its home region – the federal states of Hesse and Thuringia. Helaba's international operations account for around a fifth of the group's gross loans and are mainly concentrated in developed markets of Western Europe and North America.

Germany's 'AAA' ratings reflect the country's diversified, high value-added economy, strong institutions and sound public debt management. GDP growth fell to 1.4% in 2018, from a cyclical peak of 2.5% in 2017, seasonally and calendar-adjusted, the weakest growth rate since 2013. Fitch forecasts 1.0% GDP growth in 2019 and 1.4% in 2020; the latter is broadly in line with the assessment of Germany's potential growth rate.

The German banks' strong asset quality benefits from their dominant domestic focus and is unlikely to worsen in the short term. The sector's NPL ratio is below 2%, among the lowest within the EU, and still slightly declining as impairments remain extremely low, except for at a small number of troubled shipping lenders. Fierce competition in the German banking sector, investments in digitisation and margin pressure weigh on banks' business and profit growth. Fitch believes that these factors will broadly persist in 2019 and 2020.

Operating Environment

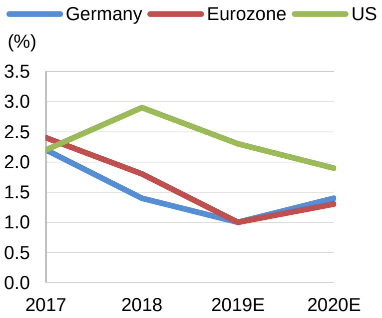
World Bank Ease of Doing Business[a]

Germany		>85	70-85	55-70	40-55
GDP/ capita (USD 000)	>45	aa	aa	a	a
	35-45	aa	a	a	bbb
	15-35	a	bbb	bbb	bb
	6-15	bbb	bb	bb	b

[a] Percentile rank
Source: Fitch Ratings

Real GDP Growth

2017-2020e



Source: Fitch Ratings

New Resolution Regime in Place Since July 2018

The German transitory resolution regime in place since early 2017 immediately provided the country's banking sector with a large stock of senior non-preferred debt. This enabled them to fulfil their minimum requirements for own funds and eligible liabilities (MREL) with minimal issuance needed.

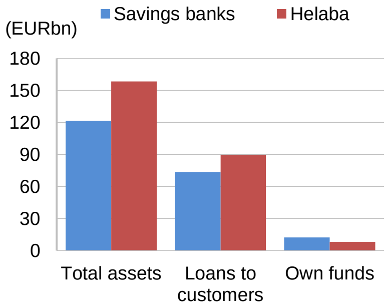
Amendments to the German resolution regime, effective since 21 July 2018, added further flexibility by allowing issuance of senior non-preferred (ranking pari passu with vanilla senior unsecured debt issued before 21 July 2018) and senior preferred debt.

Company Profile

Regional German Banking Group

SFG-HT is a regional group of German savings banks, which comprises 33 local savings banks in Hesse, 16 in Thueringia and Helaba (including Frankfurter Sparkasse and a building society (Landesbausparkasse) and the group's insurance holding). Helaba is SFG-HT's largest member, which accounted for 62% of SFG-HT's consolidated assets at end-2017. It acts as the savings banks' central institution and prime cooperation partner for Sparkassen in the states of Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. Helaba also consolidates WIBank, whose liabilities are guaranteed by the State of Hesse.

SFG-HT Company Profile, End-2017



Source: Fitch Ratings, SFG-HT

SFG-HT's Business Segments' Overview

End-2018	Main activities	Profit before tax (EURm)	Assets (EURbn)
Real estate	Financing of major commercial projects and existing properties (mostly Helaba)	377	32.6
Corporate finance	Corporate Finance Business (mostly Helaba)	95	26.9
Financial markets	Capital markets, ALM, asset management activities (Helaba) and trading activities of individual savings banks	5	28.2
Development and infrastructure business	Regional development business for the State of Hesse	19	16.8
Retail, SME and intragroup	Retail and private banking of the savings banks and Helaba's intragroup business	1,031	138.8
Other	Costs and profits that cannot be allocated to the individual segments above	-86	8.5
Consolidated figures		1,441	251.8

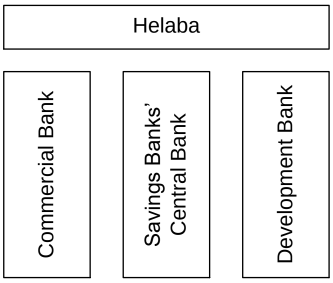
Source: Fitch Ratings, SFG-HT

Related Criteria

Bank Rating Criteria (October 2018)
Short-Term Ratings Criteria (May 2019)

SFG-HT's member savings banks vary in size and balance-sheet structure. The two largest savings banks in the group are Frankfurter Sparkasse (EUR18.7 billion balance sheet at end-2017) and Nassauische Sparkasse Wiesbaden (EUR11.4 billion). These account for about a quarter of the group savings banks' total assets.

Helaba's Business Model



Source: Fitch Ratings

IDRs Are Group Ratings

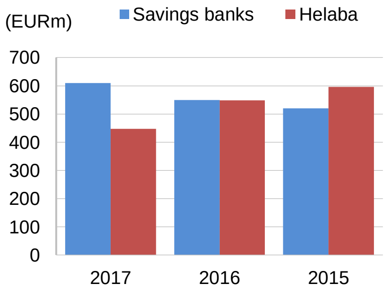
The savings banks are grouped under an umbrella association, Sparkassen-und Giroverband Hessen und Thueringen (SGVHT), which is one of the 11 regional associations of Germany's SFG, the country's nationwide savings banks group. The IDRs assigned to SFG-HT are group ratings based on the mutual support mechanism and apply to each individual group member.

Ratings Underpinned by Mutual Support

SFG-HT's members are part of the mutual support mechanism of SFG, which is designed as an institutional protection scheme. Fitch believes that SFG's regional support funds' resources (which get used first to support a troubled member bank) are adequate to support the savings banks under a plausible stress scenario. The group has demonstrated its high propensity to provide support within the savings bank sector to protect its customers from losses, its brand and common franchise.

SFG-HT also established its own regional reserve fund in 2004 to highlight solidarity within its group. The regional reserve fund's volume was EUR442 million at end-2017 (end-2016: EUR410 million) with a target to reach 0.5% of the members' total risk positions. This would correspond to about EUR518 million based on end-2017 data. The difference to the target volume, until reached, is guaranteed by SGVHT. The savings banks and Helaba have recourse to this fund and their individual contributions are based on each member's risk profile. Investors have a direct legal claim against the fund.

Pre-Tax Profits



Consolidated IFRS figures for Helaba; aggregated for the savings banks
Source: Fitch Ratings, Helaba, SFG-HT

Strong Regional Franchise

SFG-HT's member savings banks have a strong franchise in their home region with leading market shares in retail and SME banking in Hesse and Thuringia, also benefiting from being part of SFG and operating under a common brand. SFG-HT employed about 24,700 people at end-2017 and had a large network of about 2,000 branches.

Business Model Aimed at Cooperation

SFG-HT's business model combines the primarily retail-driven activities of the savings banks with Helaba's wholesale-oriented business. SFG-HT's level of cohesion, including between the savings banks and Helaba, is higher than at SFG. This is demonstrated by SFG-HT's common business and risk strategy, common risk monitoring, own regional reserve fund and the preparation of consolidated IFRS accounts.

Management and Strategy

Decentralised Management but Uniform Strategy

SFG-HT's management has a high degree of depth, stability and specific regional knowledge and experience that drive the group's franchise. The group has its own governing body and a risk committee to ensure cohesive business and risk objectives for the savings banks and Helaba.

Market Position, Intra-Group Cooperation and Digitalisation

SFG-HT targets organic growth to expand its market share and a further strengthening of the intra-group cooperation between Helaba and the savings banks. The group plans to increase its loan syndication activities in corporate finance and commercial real estate, as well as managed property funds. SFG-HT also plans to increase its foreign business services. Helaba's aim is to strengthen its Germany-wide franchise for the savings banks' corporate customers that have international operations.

The group's digitisation strategy broadly mirrors activities at the nationwide savings banks level with a focus on a mobile payment infrastructure. SFG-HT's branch network is being optimised as part of the group's objective to become a multi-channel service provider.

Risk Appetite

Moderate Growth and Solid Asset Quality Indicate Conservative Risk Appetite

Fitch believes that the group has kept its risk appetite at a moderate and stable level despite low margins and rising competition. The group's loans and advances to customers were stagnant and risk-weighted assets (RWAs) and exposure to foreign customers declined in 2017, including the volume of real estate activities. Helaba's new business volumes in real estate picked up in 2018, but the overall volume remained broadly unchanged. Riskier exposure, including Helaba's shipping portfolio, declined to below EUR500 million (less than 1% of its loans and advances to customers) and, in our view, no longer poses a significant risk.

The savings banks' appetite for non-standard or volatile asset classes, such as leveraged or structured finance, is low and their trading activities are modest. However, ongoing pressure on lending margins could provide an incentive for the group to loosen underwriting standards.

As a large commercial bank, Helaba has a higher risk profile than the savings banks because it is exposed to concentration risk and foreign-currency risk. However, it is integrated into the group's common risk strategy.

Tighter Standards in Risk Control Process

SFG-HT operates a group-wide risk monitoring system, which includes increasing the intervention rights of the group's risk committee in case of non-compliance with defined risk levels and thresholds and affects all members of SFG-HT.

The implementation of the individual capital requirements for savings banks as part of the SREP has led to an upward revision of the risk management thresholds for savings banks' capital ratios, starting from December 2018.

Increasing Structural Interest-Rate Risk

Savings and cooperative banks are the two groups in the German banking sector with the highest exposure to interest-rate risk in their banking books. This is because of maturity transformation that is inherent in their business models. Savings banks are primarily deposit-funded with a high proportion of sight deposits (70% at end-2017). A large proportion of their loan book is long term (89%) and extended at fixed interest rates. This maturity transformation is also an important driver of the savings banks' profits.

The continued strong inflow of sight deposits has increased the banks' high vulnerability to interest-rate shocks as the group's asset-liability mismatch widened. The regulatory interest rate coefficient for almost one-third of the savings banks exceeded 20%. This is calculated as the present value change of the banks' equity resulting from a 200bp parallel upward shift of the yield curve, to total regulatory capital. Helaba pursues a strategy of matched funding of new business, which lowers the group's vulnerability to interest-rate risk. Most savings banks also use simple derivative instruments to partly hedge the risk. While significant, we believe that interest-rate risk is mitigated by the group's strong capitalisation.

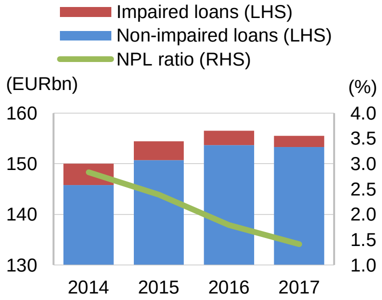
Financial Profile

Asset Quality

Low Impaired Loans

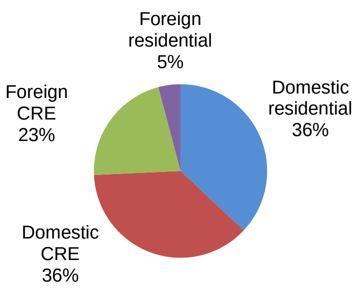
SFG-HT's asset quality is strong as reflected by a further declining stock of impaired loans and positive rating migration. This reflects Germany's benign economic environment, high level of employment and households' financial flexibility. It also reflects the low level of private and corporate insolvencies and strong cash flow generation by corporates. New loan-loss

NPL Development[a]
2014-2017



[a] NPL includes 90 days overdue
Source: Fitch Ratings, SFG-HT

Real-Estate Exposure
(EUR67.4bn at end-2017)



Source: Fitch Ratings, SFG-HT

provisions in 2017 largely related to Helaba's shipping exposure. The group's coverage of impaired loans is in line with the market.

Internal ratings have improved across all rating modules of the group that cover private clients, real estate and corporate activities, and the vast majority of savings banks reported declining impaired loans. Fitch calculated an NPL ratio of 1.4% at end-2017 for the group as a whole (1.8% at end-2016), and Helaba's NPL ratio was lower at 0.67% at end-2018, according to the bank. We believe NPLs have reached their cyclical low and could moderately rise in 2019.

Vulnerability to Correction in Real Estate Markets

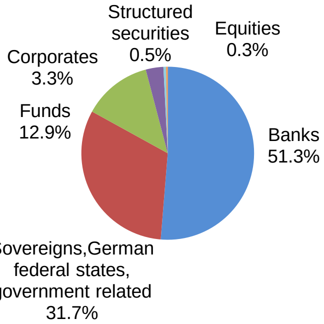
The savings banks' loan exposures are typically granular and credit pooling facilities are available to manage individual savings banks' concentration risks. Concentration risks for the group primarily relate to Helaba's corporate banking activities, which have an acceptable degree of sector diversification, and to its commercial real estate portfolio.

Conservative and Stable Securities Portfolio

The group's consolidated securities portfolio (EUR55.5 billion end-2017) is held for liquidity purposes and its composition has remained stable. Exposures to structured securities and equities have traditionally been minimal. However, exposure to funds has increased slightly. The credit quality of the bonds in the portfolio is high. About 61% of bank bonds and 89% of sovereign and quasi-sovereign exposures are rated 'AAA' to 'AA-'. SFG-HT's exposure to southern and peripheral Europe declined further to EUR4.7 billion at end-2017 from EUR5.2 billion a year earlier and is reasonable against the group's total equity of EUR22 billion.

Group Securities' Portfolio

End-2017



Source: Fitch Ratings, SFG-HT

Earnings and Profitability

Profitable Banking Group

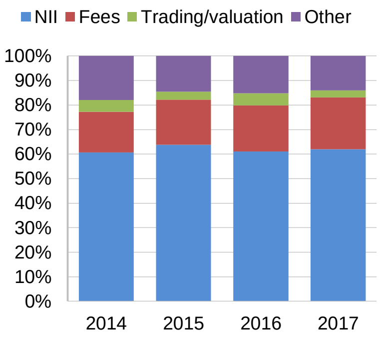
SFG-HT's earnings capacity combines the savings banks' retail pricing power and cheap deposit funding, as well as Helaba's lower-margin wholesale business, where competition and margin pressure are more intense. This is reflected in higher pressure on Helaba's net interest income. Consequently, Helaba's profit contribution to the group's earnings has moderately declined.

SFG-HT's earnings have been stable through the cycle, supported by the consistent loan growth of the savings banks.

Momentum Is Fading

SFG-HT's profit momentum is fading because low interest rates affect the group's main revenue driver, net interest income, which declined by 5.4% in 2017. However, the group's operating profit/RWA ratio remains at healthy levels (1.4% at end-2017) when considering a relatively high-risk density compared with commercial banks. Savings banks use the standardised approach to calculate risk weights (except Frankfurter Sparkasse), while Helaba makes greater use of internal models.

Revenue Drivers



Source: Fitch Ratings, SFG-HT

The group's total fee income benefited moderately from the re-pricing of services, primarily at the savings banks, and from lower expenses for asset management and investment-based fund solutions. Fee income has been consistently rising for a number of years. However, this is unlikely to fully compensate for the reduction in net interest income, and consequently Fitch expects the group's profit to remain under pressure.

Loan-Loss Provisions to Remain Low

Fitch expects loan-loss provisions to remain low in the foreseeable future and below the long-term sector average. However, they are likely to increase moderately given that SGH-HT released EUR100 million from loan-loss provisions in 2017.

No Relief on Costs; Efficiency Weakening

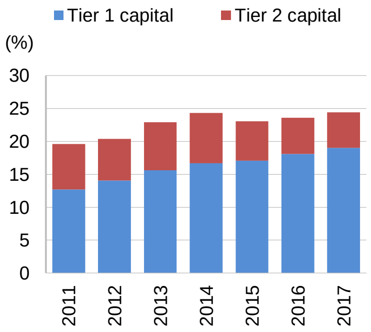
Planned technological investments and regulatory cost inflation are likely to lead to a higher cost base for the group, putting cost efficiency under pressure. The group's Fitch-calculated cost/income ratio rose to 74% in 2017 from 68% a year earlier.

Capitalisation and Leverage

Profit Retention Drives Capitalisation

SFG-HT's capitalisation is a rating strength and materially stronger than the German banking sector average. The group does not disclose a consolidated regulatory leverage ratio as it is not regulated on a consolidated basis. However, the group's tangible common equity/tangible assets ratio of 8.7% indicates modest leverage.

Capitalisation (IFRS)



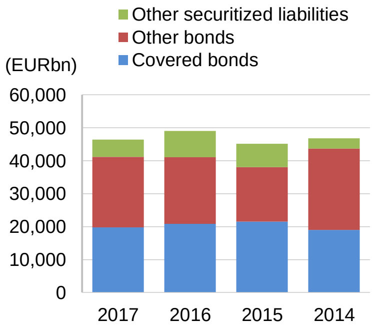
Source: Fitch Ratings, SFG-HT

Capitalisation benefits from the group's policy of material profit retention (around 90% of comprehensive income). SFG-HT's Fitch Core Capital/RWA ratio improved further to 21.1% at end-2017 (end-2016: 20.1%). Its Tier 1 capital predominantly consists of retained earnings, which increased to EUR19.7 billion at end-2017, equivalent to a Tier 1 capital ratio of 19%. The group's Tier 2 capital includes hidden reserves under Article 340f of the German Commercial Code, which can be converted into Tier 1 capital, if needed.

All of the group's savings banks have received their individual SREP requirements, which for some member banks include an add-on for heightened interest-rate risk exposure.

The group expects the first-time application of IFRS 9 from 2018 to have a limited impact on its capitalisation. Helaba's equity decreased by EUR34 million (around 0.4% of end-2017 equity), mainly due to additional provisioning needs. Some RWA inflation is expected from regulatory changes under the revised Basel framework. This is mainly due to Helaba's use of internal models and from real estate exposure under the standardised approach. However, these are unlikely to affect the group before January 2022.

Structure of Securitised Liabilities



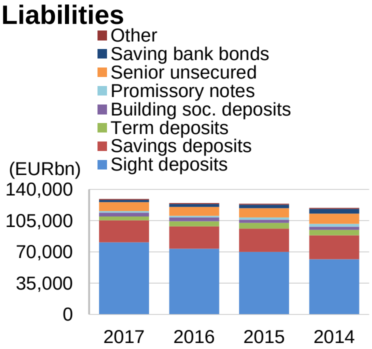
Source: Fitch Ratings, SFG-HT

Funding and Liquidity

Solid Funding and Liquidity Profile, Rating Strength

SFG-HT's funding mix is driven by the saving banks' customer deposits, historically a very stable funding source that is not reliant on market sentiment. This is supplemented by Helaba's wholesale funding, increasing the diversity of funding sources in terms of geography and investor base. The group's sight deposits accounted for almost 63% of customer deposits at end-2017 and have risen steadily since 2012. These deposits remained a solid base from which to fund the savings banks' credit expansion at very low costs. SFG-HT's loans/deposits ratio of 121% at end-2017 is higher than that of SFG because of Helaba's wholesale funding profile. Helaba places a part of its own bonds with members of the group, which benefit from a 0% regulatory risk-weighting for investments in bonds issued by any German savings or their regional central institution (Landesbank).

Structure of Customer Liabilities



Source: Fitch Ratings, SFG-HT

Individual savings banks are not subject to MREL as they will go into liquidation rather than resolution. Helaba's final MREL is still pending. An indicative target was communicated to Helaba in 2016 and is comfortably fulfilled.

DCR and Deposit Ratings Are Above IDR

The Deposit Ratings assigned to SFG-HT's member banks and Helaba's Derivative Counterparty Rating are one notch above SFG-HT's Long-Term IDR. This reflects our view that, in the event of a resolution of SFG-HT, its consolidated layer of subordinated and vanilla senior debt would likely be sufficient to recapitalise member banks. It should also be sufficient to restore viability and prevent default on other "preferred" senior liabilities, including deposits, upon resolution. However, we believe this would only occur if the sector's institutional protection scheme failed.

Sparkassen-Finanzgruppe Hessen-Thueringen
Income Statement

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	Year End	Year End	Year End	Year End
	EURm	EURm	EURm	EURm
	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
1. Interest Income on Loans	4,199.0	4,509.0	4,886.0	5,275.0
2. Other Interest Income	1,673.0	1,822.0	2,046.0	2,234.0
3. Dividend Income	213.0	208.0	218.0	207.0
4. Gross Interest and Dividend Income	**6,085.0**	**6,539.0**	**7,150.0**	**7,716.0**
5. Interest Expense on Customer Deposits	n.a.	n.a.	n.a.	n.a.
6. Other Interest Expense	3,084.0	3,367.0	3,881.0	4,497.0
7. Total Interest Expense	**3,084.0**	**3,367.0**	**3,881.0**	**4,497.0**
8. Net Interest Income	**3,001.0**	**3,172.0**	**3,269.0**	**3,219.0**
9. Net Fees and Commissions	1,025.0	968.0	943.0	885.0
10. Net Gains (Losses) on Trading and Derivatives	54.0	111.0	88.0	448.0
11. Net Gains (Losses) on Assets and Liabilities at FV	88.0	86.0	124.0	(270.0)
12. Net Gains (Losses) on Other Securities	(8.0)	66.0	(46.0)	73.0
13. Net Insurance Income	n.a.	n.a.	n.a.	n.a.
14. Other Operating Income	681.0	785.0	744.0	955.0
15. Total Non-Interest Operating Income	**1,840.0**	**2,016.0**	**1,853.0**	**2,091.0**
16. Total Operating Income	**4,841.0**	**5,188.0**	**5,122.0**	**5,310.0**
17. Personnel Expenses	1,787.0	1,786.0	1,811.0	1,797.0
18. Other Operating Expenses	1,814.0	1,758.0	1,671.0	1,812.0
19. Total Non-Interest Expenses	**3,601.0**	**3,544.0**	**3,482.0**	**3,609.0**
20. Equity-accounted Profit/ Loss - Operating	111.0	51.0	56.0	59.0
21. Pre-Impairment Operating Profit	**1,351.0**	**1,695.0**	**1,696.0**	**1,760.0**
22. Loan Impairment Charge	(100.0)	97.0	211.0	71.0
23. Securities and Other Credit Impairment Charges	n.a.	n.a.	n.a.	n.a.
24. Operating Profit	**1,451.0**	**1,598.0**	**1,485.0**	**1,689.0**
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.
26. Goodwill Impairment	n.a.	n.a.	n.a.	n.a.
27. Non-recurring Income	n.a.	n.a.	n.a.	n.a.
28. Non-recurring Expense	10.0	2.0	5.0	40.0
29. Change in Fair Value of Own Debt	n.a.	n.a.	n.a.	n.a.
30. Other Non-operating Income and Expenses	n.a.	n.a.	n.a.	n.a.
31. Pre-tax Profit	**1,441.0**	**1,596.0**	**1,480.0**	**1,649.0**
32. Tax expense	439.0	446.0	417.0	487.0
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.
34. Net Income	**1,002.0**	**1,150.0**	**1,063.0**	**1,162.0**
35. Change in Value of AFS Investments	(195.0)	125.0	(318.0)	695.0
36. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.
37. Currency Translation Differences	(20.0)	7.0	10.0	12.0
38. Remaining OCI Gains/(losses)	143.0	(137.0)	143.0	(491.0)
39. Fitch Comprehensive Income	**930.0**	**1,145.0**	**898.0**	**1,378.0**
40. Memo: Profit Allocation to Non-controlling Interests	76.0	104.0	122.0	120.0
41. Memo: Net Income after Allocation to Non-controlling Interests	926.0	1,046.0	941.0	1,042.0
42. Memo: Common Dividends Relating to the Period	n.a.	n.a.	95.0	103.0
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	n.a.	n.a.	n.a.	n.a.
Exchange rate	USD1 = EUR0.83382	USD1 = EUR0.9487	USD1 = EUR0.9185	USD1 = EUR0.8237

Sparkassen-Finanzgruppe Hessen-Thueringen
Balance Sheet

	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm
Assets				
A. Loans				
1. Residential Mortgage Loans	26,705.0	22,599.0	25,084.0	22,649.0
2. Other Mortgage Loans	41,336.0	40,525.0	40,271.0	38,971.0
3. Other Consumer/ Retail Loans	n.a.	n.a.	n.a.	n.a.
4. Corporate & Commercial Loans	87,433.0	93,348.0	88,792.0	88,418.0
5. Other Loans	n.a.	n.a.	n.a.	n.a.
6. Less: Loan Loss Allowances	922.0	1,365.0	1,706.0	1,829.0
7. Net Loans	**154,552.0**	**155,107.0**	**152,441.0**	**148,209.0**
8. Gross Loans	**155,474.0**	**156,472.0**	**154,147.0**	**150,038.0**
9. Memo: Impaired Loans included above	2,200.0	2,800.0	3,680.0	4,250.0
10. Memo: Specific Loan Loss Allowances	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets				
1. Loans and Advances to Banks	9,603.0	13,876.0	15,022.0	17,786.0
2. Reverse Repos and Securities Borrowing	n.a.	n.a.	n.a.	n.a.
3. Derivatives	12,341.0	16,440.0	16,331.0	18,678.0
4. Trading Securities and at FV through Income	8,828.0	10,087.0	17,226.0	21,601.0
5. Securities at FV through OCI / Available for Sale	46,790.0	49,347.0	48,952.0	48,708.0
6. Securities at Amortised Cost / Held to Maturity	n.a.	n.a.	n.a.	n.a.
7. Other Securities	n.a.	n.a.	n.a.	n.a.
8. Total Securities	**55,618.0**	**59,434.0**	**66,178.0**	**70,309.0**
9. Memo: Government Securities included Above	14,230.0	16,325.0	20,596.0	21,014.0
10. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.
11. Equity Investments in Associates	729.0	644.0	657.0	680.0
12. Investments in Property	2,390.0	2,337.0	2,234.0	2,242.0
13. Insurance Assets	n.a.	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	n.a.	n.a.	n.a.
15. Total Earning Assets	**235,233.0**	**247,838.0**	**252,863.0**	**257,904.0**
C. Non-Earning Assets				
1. Cash and Due From Banks	13,293.0	5,412.0	3,860.0	2,504.0
2. Memo: Mandatory Reserves included above	n.a.	n.a.	n.a.	n.a.
3. Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	1,229.0	1,252.0	1,540.0	1,668.0
5. Goodwill	0.0	68.0	103.0	104.0
6. Other Intangibles	70.0	50.0	48.0	49.0
7. Current Tax Assets	108.0	182.0	83.0	93.0
8. Deferred Tax Assets	750.0	734.0	788.0	607.0
9. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
10. Other Assets	1,166.0	1,092.0	1,028.0	1,427.0
11. Total Assets	**251,849.0**	**256,628.0**	**260,313.0**	**264,356.0**
Liabilities and Equity				
D. Interest-Bearing Liabilities				
1. Total Customer Deposits	128,825.0	123,954.0	123,005.0	117,888.0
2. Deposits from Banks	32,470.0	32,185.0	37,399.0	36,790.0
3. Repos and Securities Lending	n.a.	n.a.	n.a.	n.a.
4. Commercial Paper and Short-term Borrowings	n.a.	n.a.	n.a.	n.a.
5. Customer Deposits and Short-term Funding	**161,295.0**	**156,139.0**	**160,404.0**	**154,678.0**
6. Senior Unsecured Debt	n.a.	n.a.	n.a.	n.a.
7. Subordinated Borrowing	2,435.0	2,504.0	2,548.0	3,984.0
8. Covered Bonds	19,788.0	20,814.0	21,507.0	19,003.0
9. Other Long-term Funding	26,660.0	28,231.0	23,672.0	27,619.0
10. Total LT Funding	**48,883.0**	**51,549.0**	**47,727.0**	**50,606.0**
11. Memo: o/w matures in less than 1 year	n.a.	n.a.	n.a.	n.a.
12. Trading Liabilities	4,259.0	7,641.0	11,546.0	15,195.0
13. Total Funding	**214,437.0**	**215,329.0**	**219,677.0**	**220,479.0**
14. Derivatives	10,229.0	14,766.0	14,850.0	18,234.0
15. Total Funding and Derivatives	**224,666.0**	**230,095.0**	**234,527.0**	**238,713.0**
E. Non-Interest Bearing Liabilities				
1. Fair Value Portion of Debt	n.a.	n.a.	n.a.	n.a.
2. Credit impairment reserves	n.a.	n.a.	n.a.	n.a.
3. Reserves for Pensions and Other	3,008.0	3,175.0	2,953.0	3,583.0
4. Current Tax Liabilities	400.0	268.0	248.0	172.0
5. Deferred Tax Liabilities	250.0	275.0	264.0	327.0
6. Other Deferred Liabilities	n.a.	n.a.	n.a.	n.a.
7. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
8. Insurance Liabilities	n.a.	n.a.	n.a.	n.a.
9. Other Liabilities	634.0	700.0	799.0	816.0
10. Total Liabilities	**228,958.0**	**234,513.0**	**238,791.0**	**243,611.0**
F. Hybrid Capital				
1. Pref. Shares and Hybrid Capital accounted for as Debt	916.0	977.0	1,437.0	1,455.0
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	n.a.	n.a.
G. Equity				
1. Common Equity	19,457.0	18,535.0	17,594.0	16,694.0
2. Non-controlling Interest	1,852.0	1,798.0	1,766.0	1,663.0
3. Securities Revaluation Reserves	659.0	785.0	717.0	933.0
4. Foreign Exchange Revaluation Reserves	7.0	20.0	15.0	8.0
5. Fixed Asset Revaluations and Other Accumulated OCI	0.0	0.0	(7.0)	(8.0)
6. Total Equity	**21,975.0**	**21,138.0**	**20,085.0**	**19,290.0**
7. Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as Equ	21,975.0	21,138.0	20,085.0	19,290.0
8. Total Liabilities and Equity	**251,849.0**	**256,628.0**	**260,313.0**	**264,356.0**
9. Memo: Fitch Core Capital	21,905.0	21,020.0	19,934.0	19,137.0
Exchange rate	USD1 = EUR0.8	USD1 = EUR0.9	USD1 = EUR0.9	USD1 = EUR0.8

Sparkassen-Finanzgruppe Hessen-Thueringen
Summary Analytics

	31 Dec 2017 Year End	31 Dec 2016 Year End	31 Dec 2015 Year End	31 Dec 2014 Year End
A. Interest Ratios				
1. Interest Income/ Average Earning Assets	2.52	2.61	2.80	3.02
2. Interest Income on Loans/ Average Gross Loans	2.69	2.90	3.21	3.53
3. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.
4. Interest Expense/ Average Interest-bearing Liabilities	1.36	1.45	1.64	1.89
5. Net Interest Income/ Average Earning Assets	1.24	1.27	1.28	1.26
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.28	1.23	1.20	1.23
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.24	1.27	1.28	1.26
B. Other Operating Profitability Ratios				
1. Operating Profit/ Risk Weighted Assets	1.40	1.53	1.42	1.66
2. Non-Interest Expense/ Gross Revenues	74.39	68.31	67.98	67.97
3. Loans and securities impairment charges/ Pre-impairment Op. Profit	(7.40)	5.72	12.44	4.03
4. Operating Profit/ Average Total Assets	0.57	0.62	0.57	0.64
5. Non-Interest Income/ Gross Revenues	38.01	38.86	36.18	39.38
6. Non-Interest Expense/ Average Total Assets	1.42	1.37	1.33	1.37
7. Pre-impairment Op. Profit/ Average Equity	6.27	8.22	8.61	9.37
8. Pre-impairment Op. Profit/ Average Total Assets	0.53	0.66	0.65	0.67
9. Operating Profit/ Average Equity	6.73	7.75	7.54	8.99
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	4.65	5.58	5.40	6.18
2. Net Income/ Average Total Assets	0.39	0.44	0.41	0.44
3. Fitch Comprehensive Income/ Average Total Equity	4.31	5.56	4.56	7.33
4. Fitch Comprehensive Income/ Average Total Assets	0.37	0.44	0.34	0.52
5. Taxes/ Pre-tax Profit	30.46	27.94	28.18	29.53
6. Net Income/ Risk Weighted Assets	0.97	1.10	1.02	1.14
D. Capitalization				
1. FCC/ FCC-Adjusted Risk Weighted Assets	21.13	20.14	19.12	18.83
2. Tangible Common Equity/ Tangible Assets	8.70	8.19	7.66	7.24
3. Equity/ Total Assets	8.73	8.24	7.72	7.30
4. Basel Leverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Fully Loaded Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Tier 1 Capital Ratio	19.01	18.11	17.08	16.69
8. Total Capital Ratio	24.42	23.57	23.08	24.33
9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital	5.83	6.83	9.90	12.65
10. Impaired Loans less Loan Loss Allowances/ Equity	5.82	6.79	9.83	12.55
11. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	8.94	8.86
12. Risk Weighted Assets/ Total Assets	41.16	40.66	40.05	38.44
13. Risk Weighted Assets - Standardised/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
14. Risk Weighted Assets - Advanced Method/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
E. Loan Quality				
1. Impaired Loans/ Gross Loans	1.42	1.79	2.39	2.83
2. Growth of Gross Loans	(0.64)	1.51	2.74	0.73
3. Loan Loss Allowances/ Impaired Loans	41.91	48.75	46.36	43.04
4. Loan Impairment Charges/ Average Gross Loans	(0.06)	0.06	0.14	0.05
5. Growth of Total Assets	(1.86)	(1.42)	(1.53)	1.08
6. Loan Loss Allowances/ Gross Loans	0.59	0.87	1.11	1.22
7. Net Charge-offs/ Average Gross Loans	0.20	0.25	0.21	0.19
8. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	1.42	1.79	2.39	2.83
F. Funding and Liquidity				
1. Loans/ Customer Deposits	120.69	126.23	125.32	127.27
2. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding (including Pref. Shares & Hybrids)	59.82	57.30	55.63	53.12
4. Interbank Assets/ Interbank Liabilities	29.57	43.11	40.17	48.34
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	3.93	0.77	4.34	2.31

Sparkassen-Finanzgruppe Hessen-Thueringen
Reference Data

	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm
A. Off-Balance Sheet Items				
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	n.a.	n.a.
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	n.a.	n.a.
3. Guarantees	8,061.0	8,167.0	7,169.0	7,013.0
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	n.a.	n.a.
5. Committed Credit Lines	25,515.0	24,273.0	23,652.0	21,357.0
6. Other Contingent Liabilities	n.a.	n.a.	n.a.	n.a.
7. Other Off-Balance Sheet items	4,854.0	4,794.0	4,628.0	3,662.0
8. Total Assets under Management	n.a.	n.a.	n.a.	n.a.
B. Average Balance Sheet				
1. Average Loans	155,973.0	155,309.5	152,092.5	149,498.0
2. Average Earning Assets	241,535.5	250,350.5	255,383.5	255,899.5
3. Average Total Assets	254,238.5	258,470.5	262,334.5	262,945.5
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.
5. Average Interest-Bearing Liabilities	227,380.5	232,311.0	236,620.0	238,009.0
6. Average Common equity	18,996.0	18,064.5	17,144.0	16,465.0
7. Average Equity	21,556.5	20,611.5	19,687.5	18,791.0
8. Average Customer Deposits	126,389.5	123,479.5	120,446.5	116,555.5
C. Maturities				
Asset Maturities:				
Loans & Advances < 3 months	n.a.	n.a.	n.a.	n.a.
Loans & Advances 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Loans and Advances 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Loans & Advances > 5 years	n.a.	n.a.	n.a.	n.a.
Debt Securities < 3 Months	n.a.	n.a.	n.a.	n.a.
Debt Securities 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Debt Securities 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Debt Securities > 5 Years	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks < 3 Months	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks > 5 Years	n.a.	n.a.	n.a.	n.a.
Liability Maturities:				
Retail Deposits < 3 months	n.a.	n.a.	n.a.	n.a.
Retail Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Retail Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Retail Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.
Other Deposits < 3 Months	n.a.	n.a.	n.a.	n.a.
Other Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Other Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Other Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.
Deposits from Banks < 3 Months	n.a.	n.a.	n.a.	n.a.
Deposits from Banks 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Deposits from Banks 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Deposits from Banks > 5 Years	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing > 5 Years	n.a.	n.a.	n.a.	n.a.
Total Senior Debt on Balance Sheet	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Fair Value Portion of Senior Debt	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	n.a.	n.a.
Total Subordinated Debt on Balance Sheet	**2,435.0**	**2,504.0**	**2,548.0**	**3,984.0**
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.
D. Risk Weighted Assets				
1. Risk Weighted Assets	103,671.0	104,351.0	104,243.0	101,628.0
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital Adjusted Risk Weighted Assets	**103,671.0**	**104,351.0**	**104,243.0**	**101,628.0**
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	**103,671.0**	**104,351.0**	**104,243.0**	**101,628.0**
E. Fitch Core Capital Reconciliation				
1. Total Equity as reported (including non-controlling interests)	21,975.0	21,138.0	20,085.0	19,290.0
2. Fair-value adjustments relating to own credit risk on debt issued	0.0	0.0	0.0	0.0
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.0	0.0
4. Goodwill	0.0	68.0	103.0	104.0
5. Other intangibles	70.0	50.0	48.0	49.0
6. Deferred tax assets deduction	0.0	0.0	0.0	0.0
7. Net asset value of insurance subsidiaries	0.0	0.0	0.0	0.0
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.0	0.0
9. Fund for general banking risks if not already included and readily convertible into equity	0.0	0.0	0.0	0.0
10. Fitch Core Capital	**21,905.0**	**21,020.0**	**19,934.0**	**19,137.0**
Exchange Rate	USD1 = EUR0.83:	USD1 = EUR0.94	USD1 = EUR0.91	USD1 = EUR0.82

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.