

NON-RATING ACTION COMMENTARY

Helaba's Ownership Structure Change Is Rating Neutral

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Fitch Ratings-Frankfurt am Main-30 April 2024: The change in Landesbank Hessen-Thüringen Girozentrale's (Helaba) capital composition is neutral to its ratings, says Fitch Ratings. Fitch believes the strong strategic and operational cohesion between Helaba and the savings banks in Hesse and Thuringia, which underpins Helaba's ratings, will not be dented by the savings banks' diluted share in Helaba.

The federal state of Hesse, which has a minority stake in Helaba, communicated yesterday that it will replace its EUR1.9 billion silent participation in Helaba with EUR1.5 billion common shares and EUR0.5 billion additional Tier 1 capital because the European Banking Authority will cease to recognise silent participation as common equity Tier 1 (CET1) capital. Helaba and the state of Hesse intend to finalise all measures in 3Q24.

The change in capital composition will increase Hesse's stake in Helaba to 30% from 8%. The savings banks, which are members of Sparkassen-Finanzgruppe Hessen-Thüringen (SFG-HT), will see their share decrease to 50% from the current 69%. The shares of other shareholders will also decrease – to 16% (from 19%) for those from the broader savings bank sector, and to 3.5% (4%) for the federal state of Thuringia.

Helaba's ratings are aligned with the ratings of SFG-HT, a mutual support group including the savings banks in Hesse and Thuringia and Helaba as the group's central institution. The cohesion of the group is supported by a mutual support scheme, a regional reserve fund, a group-wide risk-monitoring system, a common business strategy and the publication of consolidated accounts.

SFG-HT's Issuer Default Ratings apply to each individual member bank, including Helaba, and are aligned with the group's Viability Rating. Fitch believes that the dilution in the savings banks' ownership does not negatively affect the group's cohesion, as incentives remain high for both the savings banks and Helaba to maintain the strategic and operational integration. The ownership share of the savings banks (66%) in Helaba

will also remain higher than that in most other Landesbanken, in which the federal states have a majority stake.

The change in Helaba's capital composition does also not change our assessment of the strong capitalisation of SFG-HT, as we expect the group's CET1 ratio to have increased to above 18% in 2023. The EUR1.9 billion silent participation is not fully replaced by CET1 capital, which leads to a small negative CET1 effect at SFG-HT consolidated level. However, the consolidated Tier 1 and total capital ratios will improve slightly.

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