Fitch Ratings

Banks
Universal Commercial Banks
Germany

Sparkassen-Finanzgruppe Hessen-Thueringen

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1+
Viability Rating	a+
Support Rating	5
Support Rating Floor	NF
Derivative Counterparty Rating	AA-(dcr)
Sovereign Risk	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Affirms Sparkassen-Finanzgruppe Hessen Thueringen and Helaba at 'A+'/Negative (August 2020)

Key Rating Drivers

Mutual Support Drives Group Ratings: Sparkassen-Finanzgruppe Hessen-Thueringen's (SFG-HT) ratings are based on a mutual support scheme shared by SFG-HT's 49 savings banks and their central institution Landesbank Hessen-Thueringen Girozentrale (Helaba). These members form an economic unit whose cohesion is ensured by a common business and risk strategy.

SFG-HT's Issuer Default Ratings (IDRs) apply to each member bank, but the Viability Rating (VR) applies only to SFG-HT, not to the individual savings banks, based on Annex 4 of Fitch's Bank Rating Criteria, which applies to banking structures backed by mutual support schemes.

Rating Headroom Amid Crisis: SFG-HT entered the economic downturn in 1Q20 from a position of relative strength owing to its strong and diversified regional retail franchise complemented by Helaba's domestic and international wholesale activities, sound asset quality, and strong capitalisation, funding and liquidity. Profitability will continue to moderate beyond the pandemic crisis due to SFG-HT's vulnerability to the ultra-low interest rate environment.

Pandemic Drives Negative Outlook: The Negative Outlook on SFG-HT's Long-Term IDR reflects the uncertain ultimate impact of the pandemic on SFG-HT's financial profile. The economic disruption will depend on the effectiveness of the government support programmes for the economy, the duration of the crisis and the speed and strength of the recovery.

Well Capitalised: SFG-HT's capitalisation is much stronger than the German sector average. Its Common Equity Tier 1 (CET1) ratio fell to 18.6% at end-2019, as risk-weighted assets (RWAs) inflation, from strong loan growth and an acquisition at Helaba, outpaced profit retention.

Asset Quality Likely to Weaken: The group's non-performing loan (NPL) ratio fell below 1.0% at end-2019, helped by Helaba's very low ratio of 0.4%. However, Fitch expects SFG-HT's asset quality to deteriorate over the next two years, primarily driven by its exposure to cyclical unsecured consumer finance and corporate/SME lending.

Weaker Profitability Ahead: The negative outlook on SFG-HT's earnings & profitability score reflects our expectation that loan impairment charges (LICs) will rise significantly in the near-term. Pre-impairment profitability is in a longer-term structural decline despite cost discipline, because the potential to increase fee income is unlikely to be sufficient to balance the pressure on net interest income.

Strong Funding and Liquidity: The savings banks' large, stable and growing retail deposit base underpins SFG-HT's funding and liquidity profile. Helaba has a strategy of matched-funding new business, and its wholesale funding benefits from its established international investor base.

Rating Sensitivities

Weak Financial Performance: We could downgrade SFG-HT's ratings if intensifying economic disruptions reduce the chances of a swift recovery in 2021 and 2022. In this scenario, SFG-HT's profitability would come under pressure from elevated credit losses and weaker revenues.

Outlook Revision Hinges on Recovery: The negative impact on SFG-HT's assets quality and profitability could be contained if the coronavirus-driven disruptions are short-lived and the recovery unfolds alongside Fitch's expectations. We could then revise the Outlook to Stable, although this would also require tangible evidence that SFG-HT can mitigate the profit erosion from the secular decline of its net interest income in the longer term. Profitability pressure (both pandemic driven and beyond) makes a rating upgrade highly unlikely in the foreseeable future.

Analysts

Markus Glabach
+49 69 768076 195
markus.glabach@fitchratings.com

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

Debt Rating Classes

Debt Level	Helaba	Individual Savings Banks
Deposit ratings	AA-/F1+	A+/F1+
Senior preferred (SP) debt	AA-	
Senior non-preferred (SNP) debt	A+	
Guaranteed senior and subordinated debt	AAA	
Tier 2 subordinated debt	A-	

Source: Fitch Ratings

Helaba's Derivative Counterparty Rating and its long-term SP debt and deposit ratings are one notch above its Long-Term IDR to reflect the protection of preferred creditors by the bank's large resolution buffers. Helaba's SNP debt rating is aligned with its Long-Term IDR.

The 'AAA' of Helaba's guaranteed senior unsecured and subordinated Tier 2 debt reflect the ability and propensity of the states of Hesse and Thueringia's to honour their grandfathered statutory guarantees. We believe the guarantees protect both senior and subordinated debt because the statutory guarantor's liability (Gewaehrtraeger-haftung) does not differentiate between the seniority of debt classes. In our view, regulatory and EU state aid frameworks do not constrain the level of support for grandfathered debt.

Helaba's non-guaranteed subordinated Tier 2 notes are notched down twice from SFG-HT's VR to reflect Fitch's baseline notching for loss-severity, and the assumption that extraordinary support from SFG-HT would be forthcoming to support these junior instruments, if needed.

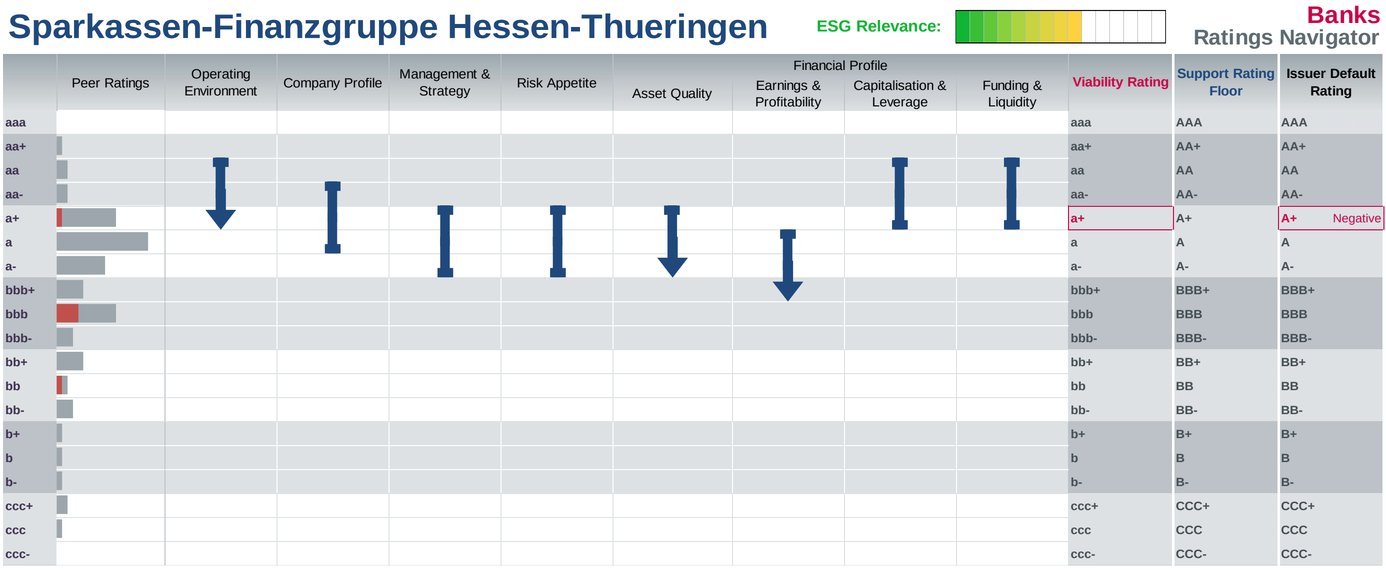
The savings banks' long-term deposit ratings are one notch below those of Helaba to reflect their lower protection in a resolution scenario. We believe savings banks' depositors are less likely than Helaba's depositors to benefit from the protection of Helaba's large layer of SNP and subordinated debt if SFG-HT fails. The authorities appear to favour a single-point-of-entry resolution strategy with a bail-in for Helaba, which excludes the savings banks. As long as SFG-HT is not recognised as a regulatory resolution group including the savings banks, the likeliest resolution approach for savings banks will remain standard insolvency procedures. As a result, savings banks' depositors would not benefit from a bail-in of Helaba's junior and SNP buffers.

SFG-HT and the savings banks' Short-Term IDR of 'F1+' is the higher of two options mapping to their Long-Term IDRs of 'A+'. This reflects the savings banks' large retail deposit base and leading collective market share in the regional retail deposit market, which underpins SFG-HT's strong funding and liquidity profile and drives the group's 'aa-' score for funding and liquidity.

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

Ratings Navigator



Significant Changes

Pandemic Could Weaken Group's Credit Profile

We lowered the operating environment score for German banks to 'aa-'/Negative from 'aa'/ Stable in April 2020 as the coronavirus pandemic exacerbates banks' vulnerability to a rapid and severe deterioration in earnings and asset quality. The negative trend signals that we could lower the operating environment score further if there are signs that the German economy will suffer in the longer term from the crisis, or if the domestic banking sector is unable to restore acceptable profits above pre-crisis levels. Sustainably better profitability is likely to require greater pricing discipline and consolidation to remove excess capacity from the sector.

Germany has launched comprehensive fiscal measures in the form of large aid programmes to support companies and households affected by the crisis. Together with regulatory forbearance for the classification of crisis-driven NPLs, these programmes have strongly mitigated negative rating migration, RWA inflation and provisioning needs this year. We do not expect asset quality to deteriorate significantly before 2021.

However, German borrowers' credit quality is likely to deteriorate in 2021 despite this comprehensive support because some vulnerable borrowers will not fully recover, and many corporates and SMEs are likely to emerge markedly weaker from the crisis.

Following a milder course than in other European economies since the start of the pandemic and a stronger-than-expected economic recovery in 3Q20, Fitch's November economic forecast assumes a slightly less severe contraction of German GDP by 5.7% in 2020, but also a slightly less sharp recovery of 4.8% in 2021 than in the September forecast.

Balance Sheet Swells by EUR50 billion or 19% in 2019

Beyond buoyant client business, half of SFG-HT's strong balance sheet growth in 2019, which is not intended to be sustained, came from Helaba's opportunistic acquisition of KOFIBA-Kommunalfinanzierungsbank, (formerly Dexia Kommunalbank Deutschland), a covered bond issuer in wind-down. The acquisition is aimed to extract cost synergies. Helaba also completed the takeover from DVB Bank SE of a land transport loan book of more than EUR1 billion.

Merger Talks with DekaBank Postponed

Helaba initiated in 2019 talks with DekaBank Deutsche Girozentrale, the central securities and investment funds provider of Sparkassen-Finanzgruppe (SFG), the nationwide savings banks group, to explore a potential tie-up. We believe the creation of a large single central institution for SFG and SFG-HT would raise efficiency and could foster further consolidation within SFG. However, the talks are now on hold due to the COVID-19 crisis, and we do not expect any progress anytime soon.

Summary Financials and Key Ratios

	31 Dec 19 (EURm)	31 Dec 18 (EURm)	31 Dec 17 (EURm)	31 Dec 16 (EURm)
Summary income statement				
Net interest and dividend income	2,935	2,954	3,001	3,172
Net fees and commissions	1,114	1,029	1,025	968
Other operating income	782	229	926	1,099
Total operating income	4,831	4,212	4,952	5,239
Operating costs	3,302	3,258	3,601	3,544
Pre-impairment operating profit	1,529	954	1,351	1,695
Loan and other impairment charges	188	-4	-100	97
Operating profit	1,341	958	1,451	1,598
Other non-operating items (net)	130	0	-10	-2
Tax	323	306	439	446
Net income	1,148	652	1,002	1,150
Summary balance sheet				
Gross loans	183,616	162,203	155,474	156,472
- Of which impaired	1,653	1,900	2,200	2,800
Loan loss allowances	824	803	922	1,365
Net loans	182,792	161,400	154,552	155,107
Interbank	15,558	9,929	9,603	13,876
Derivatives	19,417	11,738	12,341	16,440
Other securities and earning assets	66,637	60,670	58,737	62,415
Total earning assets	284,404	243,737	235,233	247,838
Cash and due from banks	20,051	11,683	13,293	5,412
Other assets	4,520	3,356	3,323	3,378
Total assets	**308,975**	**258,776**	**251,849**	**256,628**
Customer deposits	152,816	134,405	128,825	123,954
Interbank and other short-term funding	51,052	36,609	32,470	32,185
Other long-term funding	49,914	46,066	48,883	51,549
Trading liabilities and derivatives	26,959	14,956	14,488	22,407
Total funding	280,741	232,036	224,666	230,095
Other liabilities	4,657	4,210	4,292	4,418
Preference shares and hybrid capital	591	543	916	977
Total equity	22,986	21,987	21,975	21,138
Total liabilities and equity	**308,975**	**258,776**	**251,849**	**256,628**
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.1	0.9	1.4	1.5
Net interest income/average earning assets	1.1	1.2	1.2	1.3
Non-interest expense/gross revenue	68.9	77.9	74.4	68.3
Net income/average equity	5.1	3.0	4.7	5.6

Summary Financials and Key Ratios (Cont.)

	31 Dec 19 (EURm)	31 Dec 18 (EURm)	31 Dec 17 (EURm)	31 Dec 16 (EURm)
Asset quality				
Impaired loans ratio	0.9	1.2	1.4	1.8
Growth in gross loans	13.2	4.3	-0.6	1.5
Loan loss allowances/impaired loans	49.9	42.3	41.9	48.8
Loan impairment charges/average gross loans	0.1	0.0	-0.1	0.1
Capitalisation				
Common equity Tier 1 ratio	18.6	19.3	20.6	19.6
Total capital ratio	21.6	22.6	24.1	23.6
Tangible common equity/tangible assets	7.2	8.5	8.7	8.2
Net impaired loans/ equity	3.6	5.0	5.8	6.8
Funding and liquidity				
Loans/customer deposits	120.2	120.7	120.7	126.2
Liquidity coverage ratio	204	139	n.a.	n.a.
Customer deposits/funding	58.3	60.4	59.8	57.3

Source: Fitch Ratings, Fitch Solutions,SFG-HT

Brief Company Summary

Regional German Banking Group

SFG-HT is not a legal entity but a group of regional German savings banks with a large branch network interlinked with Helaba as their central institution. It comprises 33 savings banks in Hesse (with EUR105 billion of total assets at end-2019), 16 in Thuringia (with EUR27 billion) and Helaba (with EUR207 billion, including a building society) and an insurer. We rate a further 323 savings banks outside Hesse/Thuringia separately as part of SFG.

The savings banks are owned and controlled by their respective municipalities and operate within a local area delimited by law. This ensures performance-enhancing knowledge of their local environment and high client loyalty within their local communities, where the banks are socially engaged. Helaba, by a wide margin SFG-HT's largest member, is the central institution and prime cooperation partner for the savings banks in Hesse and Thuringia, as well as those in North Rhine-Westphalia and Brandenburg, although these are not members of SFG-HT.

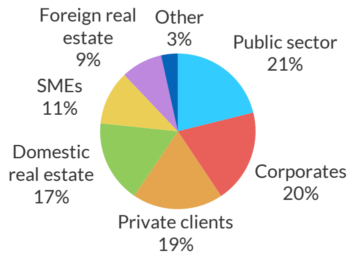
Stronger Cohesion Positively Differentiates SFG-HT from SFG

SFG-HT's members are part of SFG's nationwide network of interlinked regional mutual support schemes, which is designed as an institutional protection scheme and recognised as such by the regulators. In addition, SFG-HT has its own regional reserve fund to emphasize its members' solidarity. The fund's volume was EUR509 million at end-2019 (EUR475 million at end-2018) with a target to reach 0.5% of the members' RWAs.

SFG-HT's cohesion, including between the savings banks and Helaba, is stronger than SFG's. This is evidenced by SFG-HT's common business and risk strategy, common risk monitoring, governance structure, the reserve fund and consolidated IFRS accounts.

Loan Exposure Split

Total EUR219bn at end-2019[a]



[a] Including off-balance sheet committments
Source: Fitch Ratings, SFG-HT

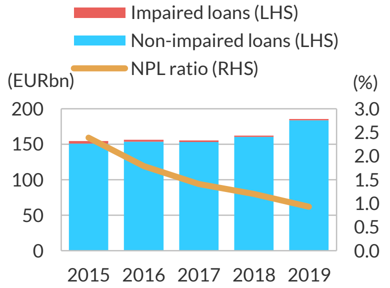
Key Financial Metrics – Latest Developments

Material Asset Quality Impact from Pandemic

SFG-HT's strong asset quality until the pandemic benefited from its solid client base including small businesses, and Helaba's low NPL ratio of 0.4%. The latter evidences Helaba's conservative risk appetite and focus on the public and collateralised real estate lending, which still perform well. Helaba's smaller corporate loan book is less exposed than other Landesbanken to cyclical sectors. However, our assessment of SFG-HT's asset quality considers Helaba's concentration risk, especially its large commercial real estate book that is sensitive to a property crisis. This is balanced by the savings banks' granular and well collateralised domestic retail lending.

Our base case assumes that SFG-HT's NPL ratio will remain below 3% by end-2021. The number of insolvencies of German businesses that became overindebted due to the pandemic is likely to rise strongly from 2021, because a law suspending the obligation to file for bankruptcy will lapse at end-4Q20, unless the recent resurgence in infections prompts the government to extend the measure into 2021. The vast state support measures, including KfW's emergency loans channelled through the savings banks, will not fully neutralise crisis-driven credit losses but will strongly reduce them by containing the deterioration in corporate cash flows.

NPL Development[a]



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

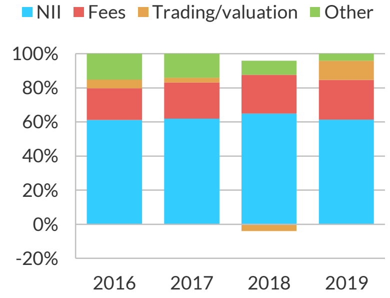
Profitability Pressured by LICs and Margins

Given SFG-HT's RWA density of about 40%, which is inflated by the savings banks' use of the standardised approach to assess their credit risk, its profitability still compares well with other large European mutual banking groups. The latter tend to derive their lower risk weights from a widespread use of the internal rating-based approach.

SFG-HT's operating profit/RWA rebounded to 1.1% in 2019 (from 0.9% in 2018), mainly driven by a positive swing in the fair value result, which rose by EUR586 million, but is unsustainable as it was largely driven by a reversal of market-driven fair value losses incurred in 2018.

The group's profitability is in a longer-term structural decline, similar to SFG and the German cooperative banks. This reflects the pressure on net interest income, which is driven by the low interest rate environment and is unlikely to be fully compensated for by future increases of fee income. SFG-HT showed good cost discipline in 2019 and Helaba launched a restructuring

Revenue Drivers



Source: Fitch Ratings, SFG-HT

programme including headcount reduction. Nevertheless, we expect this year's financial result to be significantly lower, driven by materially higher loan impairment charges due to the pandemic.

SFG-HT's reported cost-income ratio of 67% in 2019 is reasonable in light of its branch-heavy model and significantly better than the German banking sector average. Regulatory cost inflation and SFG-HT's commitment to its dense branch network will constrain the group's cost-cutting potential despite its good cost discipline.

So far, most savings bank have refrained from charging negative interest rates on mass retail deposits. But if this becomes inevitable, for example if the ECB's rates decline further, the strength of the savings banks' franchises should allow them to manage the resulting client attrition (and protect their future revenue generation) better than most large domestic competitors.

Outlook on SFG-HT's Capitalisation Revised to Stable

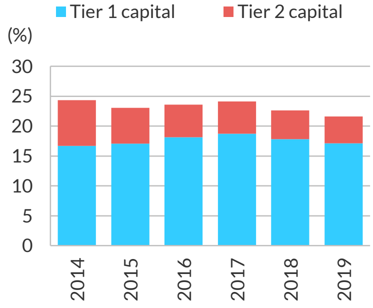
SFG-HT's capitalisation is a rating strength and offers significant headroom at the current rating level. We revised the trend on the capitalisation and leverage score to stable from negative in August 2020, in line with SFG. Our base case suggests manageable pressure from the pandemic on SFG-HT's capitalisation given a strong starting point and our expectation of resilient revenue generation through the crisis. SFG-HT's lower-risk, stable business model and moderate risk appetite considerably limit the likelihood of large unexpected losses that could erode its capital.

The group's capital ratios have gradually eroded over the last three years because RWA growth, particularly in 2019 due to one-off effects, outpaced profit retention. Nevertheless, we believe that the group's capitalisation will remain one of the highest in the German banking sector and continue to provide sufficient headroom for loss absorption.

SFG-HT is not subject to the Supervisory Review and Evaluation Process (usually known as SREP) and MREL requirements or resolution planning at group level, neither does it not manage its capital centrally at group level. Each savings bank has its own SREP requirements, which ignore the benefit from mutual support schemes. Because most of them are regulated as less significant institutions, the preferred resolution strategy for these banks is insolvency rather than resolution. Most of the group's savings banks are not subject to MREL requirements, while Helaba (which is regulated separately as a domestic systemically important institution) must comply with both sets of requirements.

SFG-HT's capital is of high quality and consists predominantly of retained earnings. This reflects the group's solid record of profitability and low payout ratios for over a decade. Most of SFG-HT's savings banks use the standard approach to determine their credit-risk RWAs. This understates SFG-HT's risk-weighted capital ratios relative to European mutual peers and limits its vulnerability to RWA inflation from rating migration or regulatory changes. Part of the group's total regulatory capital is in form of undisclosed reserves under article 340f of German GAAP, which can be converted into CET1 capital at the savings banks' discretion.

Capitalisation (IFRS)



Source: Fitch Ratings, SFG-HT

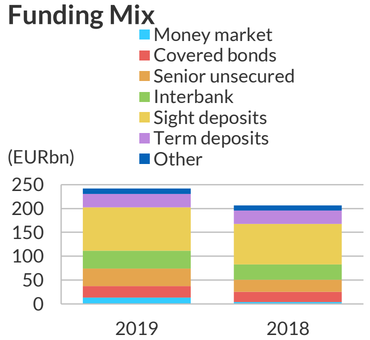
Diversified Funding Franchise and Ample Liquidity

SFG-HT's funding mix is driven by the saving banks' client deposits, historically a very stable funding source that has grown steadily over the last decade despite the low interest rates. These deposits are less sensitive to market sentiment than those of smaller competitors owing to SFG-HT's strong brand recognition and client relationships. This has also been the case since the start of the pandemic, and we expect their stability to remain intact through the crisis.

Helaba's sizeable unsecured debt and covered bond funding franchise inflates SFG-HT's loan-to-deposit ratio (120 % at end-2019) compared with purely deposit-funded banking groups, but it also enhances SFG-HT's funding and liquidity profile (especially compared with SFG) by adding major diversification and established wholesale market access. In addition, privileged access to SFG's savings banks network is an important pillar of Helaba's funding strategy. Almost half of Helaba's debt issuance (about EUR18 billion in 2019) is either underwritten by savings banks for their own security portfolios or is distributed to savings banks' retail clients.

SFG-HT's strong liquidity is reflected in its weighted liquidity coverage ratio of 204% at end-2019 -196% at the savings banks and 225% at Helaba. The latter holds a large portfolio of EUR31 billion eligible for ECB and central bank funding, underpinning its strong liquidity. Helaba could issue further significant volumes of covered bonds to generate liquidity if needed.

Funding Mix



Source: Fitch Ratings, SFG-HT

Sovereign/Institutional Support Assessment

SFG-HT's Support Rating and Support Rating Floor reflect our view that, due to the EU's resolution framework, senior creditors cannot rely on full extraordinary state support.

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		✓	

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Sparkassen-Finanzgruppe Hessen-Thueringen has 5 ESG potential rating drivers

- Sparkassen-Finanzgruppe Hessen-Thueringen has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance for SFG-HT is a score of '3' in line with most German banks. SFG-HT's governance structure is not a rating driver and is not constrained by SFG's score of '4' for group structure, even though SFG-HT's savings banks are also part of the nationwide savings banks' organisation. This is because SFG-HT statutorily operates as one economic unit, which is a key pillar of its corporate culture. This commitment makes its decision-making processes more effective and fosters a materially stronger cohesion than within SFG. The score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on SFG-HT, either due to their nature or to the way in which they are being managed. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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.