FitchRatings

Banks

Germany

S - 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

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

Outlooks

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

Financial Data

S - Finanzgruppe Hessen-Thueringen

	31 Dec 14	31 Dec 13
Total assets (USDm)	321,301	360,688
Total assets (EURm)	264,656	261,535
Operating profit (EURm)	1.689	1,355
Pre-tax profit (EURm)	1,649	1,337
Published net income (EURm)	1,183	1,032
Operating ROAA (%)	0.64	0.50
Operating ROAE (%)	8.92	7.55
Internal capital generation (%)	5.54	5.19
Tier 1 regulatory capital ratio (%)	16.98	15.62
Total regulatory capital ratio (%)	24.62	22.89
Loans/customer deposits (%)	127.3	129.3

Related Research

S-Finanzgruppe Hessen-Thueringen - Ratings Navigator (February 2016)

2016 Outlook: German Banks (December 2015)

Germany (January 2016)

Fitch Revises German Cooperative and Savings Banks' SRFs to 'No Floor'; IDRs Unchanged (May 2015)

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Key Rating Drivers

Strong Regional Franchise: S - Finanzgruppe Hessen-Thueringen's (SFG-HT) Issuer Default Ratings (IDRs) and Viability Rating (VR) are based on mutual support within the group of 50 savings banks and its central institution, Landesbank Hessen-Thueringen Girozentrale (Helaba). The ratings reflect its strong regional franchise, sound asset quality and solid capitalisation, but also our expectation that its sound profitability, is likely to come under pressure from persistently low interest rates.

Integrated Organisational Structure: Despite the savings banks' decentralised structure, SFG-HT operates under an integrated business and risk strategy. Within this framework, Helaba acts as the group's central institution and key service provider, which adds to a stable risk profile and consistent performance.

Entrenched Franchise: The group's solid market position is based on its leading regional franchise with a focus on retail and SME lending at the local savings bank level. This is complemented by Helaba's domestic and international wholesale banking expertise.

Pressure on Interest Income Ahead: The group's profitability is sound, and Fitch Ratings expects 2015 performance to be only moderately lower than its strong 2014 results because of moderately higher risk provisions. However, we believe that pressure on net interest income is intensifying and the group's earnings to weaken over the coming years.

Strong Asset Quality: Asset quality is strong, but we believe that the volume of non-performing loans (NPLs) has reached a cyclical bottom and is likely to increase moderately. The group has a relatively large exposure to the commercial real-estate sector, which could give rise to credit risk. Market-risk exposure is mainly to interest-rate risk in the banking book at the local savings banks. Loan exposure at the individual savings banks is granular, but there is some concentration risk at Helaba.

Solid Capitalisation: SFG-HT's capitalisation and leverage are strong, largely driven by profit retention. The group's phased-in common equity Tier 1 (CET 1) ratio stood at 17%, and Helaba reported a 12.0% "fully loaded" CET1 capital ratio at end-3Q15. We expect the capitalisation of the group to improve further beyond 2015, mainly through retained earnings.

Sound Funding and Liquidity: The group has a stable funding base and good liquidity given the savings banks' large retail deposits base with a rising share of sight deposits. The savings banks' structural excess liquidity underpins its 'F1+' Short-Term IDR. Helaba's funding and liquidity benefit from a diversified funding sources and access to a wide range of investors.

Rating Sensitivities

Vulnerable to Cyclical Deterioration: SFG-HT's ratings are primarily sensitive to a material deterioration of its asset quality or a structural weakening of profitability. The VR could also come under pressure in the unlikely event of a sharp rise in interest rates if this results in losses from the group's exposure to interest-rate risk in the banking book.

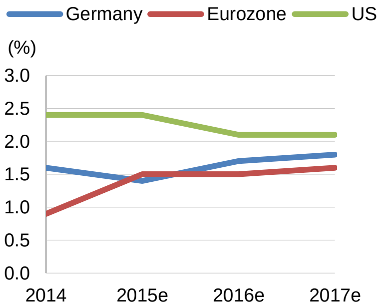
Savings Banks Sector Developments: The group's VR and IDRs are closely aligned with those of the nationwide Sparkassen-Finanzgruppe (SFG; A+/Stable/a+) as SFG-HT is part of the savings banks' nationwide mutual support mechanism and would therefore be affected by a material weakening of the overall savings bank sector's credit profile.

- Resilient German economy
- Solid domestic property market
- Strong competition in deposit markets

Figure 1

Real GDP Growth

2014-2017



Source: Fitch

Operating Environment

Benign Operating Environment Except Ultra-Low Interest Rates

SFG-HT is primarily a domestic banking group with a regional focus on Hessen and Thueringen. The group operates in a generally benign operating environment as its risk profile is predominantly affected by economic conditions in Germany (AAA/Stable), which compare favourably with those in other European Union countries.

Fitch expects the economic environment to remain favourable for German banks. German GDP growth is once more forecast to be above the expected eurozone average and to accelerate to 1.7% in 2016 and 1.8% in 2017.

Risk to the economic environment mainly stems from such global factors as a recession in Brazil and Russia, or a structural slowdown in China and emerging markets, as well from volatile equity markets. We believe that the main risk to banks in this generally benign environment arises from the persistently low interest rates, which continue to put material pressure on banks' earnings.

Figure 2

Fitch Forecasts for Germany

	2016	2017
Real GDP growth	1.7	1.8
General government balance (% of GDP)	0.0	0.4
General government debt (% of GDP)	69.1	66.1
Consumer prices (annual average % growth)	0.4	1.7

Source: Fitch, 1Q16

Strong Financial Market Development and Regulatory Framework

German banks benefit from well-developed and strong financial markets, and the banking system as a whole is relatively well capitalised with a 15.6% aggregate Tier 1 capital ratio at end-1H15. The banking system indicator ('a') and macro-prudential indicator ('1') indicate a low risk of system-wide problems in the German banking sector. Fitch views the legal and regulatory framework in Germany as strong. Banks are subject to regulatory oversight by the German regulator (Federal Financial Supervisory Authority; BaFin) and Germany's largest banks, including Helaba, are under the direct supervision of the European Central Bank (ECB) as part of the Single Supervisory Mechanism.

Bank Creditor Hierarchy Changing

Under German legislation that implements the EU's Single Resolution Mechanism (SRM), senior unsecured bondholder would be bailed in ahead of other senior unsecured creditors in resolution. We believe that SFG-HT would be only moderately affected by this change given the group's large retail deposit base and its lower reliance on the issuance of senior unsecured debt. The change in creditor hierarchy could influence the group's investment policy as it invests a high proportion in debt issued by German banks.

Company Profile

- Full range of financial services from a group comprising 50 regional Sparkassen and Helaba as its central institution.
- Leading regional market position and breadth through a network of about 2.000 branches.
- Strong mutual support mechanism.

Large German Banking Group

SFG-HT is a regional group of German savings banks that forms part of the country's nationwide savings bank organisation Sparkassen Finanzgruppe (SFG). SFG-HT comprises 35 local savings banks in Hessen, 14 in Thueringen, Helaba (including Frankfurter Sparkasse and a building society (Landesbausparkasse (LBS)) and the group's insurance holding. Helaba, which is SFG-HT's largest member, acts as the savings banks' central bank and also provides services to savings banks in North Rhine-Westphalia and Brandenburg. As a result, it acts as a central bank for about 40% of all German savings banks.

Related Criteria

Global Bank Rating Criteria (March 2015)

The savings banks are grouped under an umbrella association (Sparkassen- and Giroverband Hessen and Thueringen), which is one of the 11 regional associations of Germany's SFG.

The IDRs assigned by Fitch to SFG-HT are group ratings based on its mutual support mechanism and apply to each individual member of the group. Fitch has not performed standalone assessments of the individual banks' creditworthiness given the group's strong cohesion as it operates as a single economic unit.

Entrenched Regional Franchise

The group has a diversified regional franchise with a focus on retail and SME lending. It provides a full range of financial services to customers supported by Helaba's domestic and international wholesale expertise and product offerings for the savings banks. The group has a leading regional market share in deposits, residential mortgages and investments funds. The franchise includes asset-management, insurance and corporate finance products. SFG-HT has a loyal and traditional customer base, which provides it with some pricing power in a highly competitive banking market in Germany, and particularly in Hesse.

The majority of the regional savings banks in the group each account for less than 1% of SFG-HT's total assets with an average balance sheet size of about EUR2.25bn. While a few members are sizeable (the largest has about EUR18bn total assets), none is dominant and all have lending franchises limited to their respective local area.

- Integrated 'Verbund' concept
- Group operating as full-service bank
- Strong mutual support mechanism

Combined Business Model Targeting Efficient Cooperation

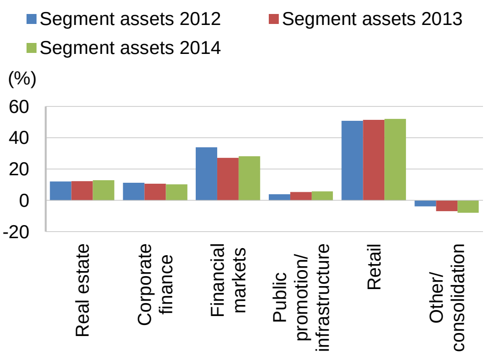
SFG-HT's business model combines the retail-driven business model of the savings banks with Helaba's wholesale oriented Landesbanken business model. As a result, SFG-HT as a group is more cohesive than the savings bank sector in other German regions, and the relationship between the savings banks and Helaba is based on common business goals.

Retail banking is the group's dominant business, comprising more than 50% of the group's segment assets and generating about 70% of pre-tax profit. The segment includes the retail business of the savings banks, private banking activities and other businesses, including LBS. The financial market division mainly comprises the capital markets and domestic and international public-sector business. It includes the group's asset management services and also the savings banks' trading activities.

Real estate is the third component of SFG-HT's business model and an important driver of the group's pre-tax profit. It comprises both residential mortgages (mainly from the savings banks) as well as Helaba's domestic and international commercial real-estate business. Corporate finance business is a provider of financing solutions to corporates.

Figure 3

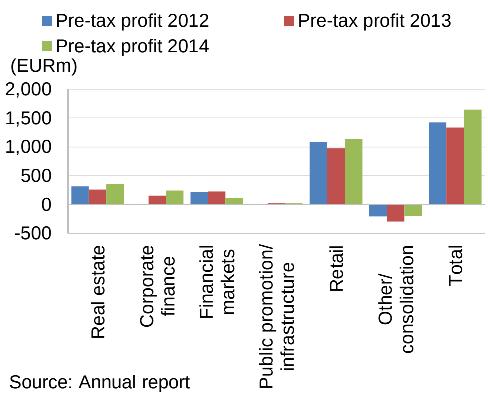
SFG-HT Segment Assets



Source: Annual report

Figure 4

SFG-HT Pre-Tax Profit by Segment



Source: Annual report

Organisational Structure

The individual savings banks are independent legal entities with a considerable degree of strategic independence and decision-making in their day-to-day operations. The savings banks in Hesse and Thuringia formed an alliance with Helaba that results in their businesses being conducted following common business and risk guidelines.

The group has its own statutes, which govern common decision-making and operational processes supported by a centralised and independent risk-management unit and supervision from a specific governing body.

Cooperation Further Enhanced

The cooperation within SFG-HT is strengthening and cooperation between the savings banks and Helaba is encouraged. Helaba has a dedicated function in place to support the local savings banks, including in the management of their securities portfolios. In its role as a central institution Helaba provides a set of dedicated product offerings to the savings banks, which channel on average about 75% of this business back to Helaba, although differently by product type.

Support Mechanism Adapted to Meet EU Requirements

The mutual support scheme of the Sparkassen Finanzgruppe (comprising sub-schemes for the Landesbanken, building societies and the individual savings banks) has been officially recognised as a deposit insurance scheme. Fitch believes that SFG's regional support funds are adequately funded to support the savings banks under plausible stress scenarios. The savings banks demonstrated very high propensity to provide support within the sector to protect their strong brand and common franchise. Historically, financial problems at saving banks have been resolved by the regional funds without any losses for investors or restructuring of debt.

Group Has Its Own Regional Reserve Fund

SFG-HT has established its own regional reserve fund since 2004 on top of being a member of the Sparkassen's nationwide mutual support scheme. The volume of this regional fund amounted to EUR345m at end-2014 with a target to reach 0.5% of the members total risk positions. This would correspond to about EUR508m at end-2014 (EUR514m end-2013). The difference to the target volume, until reached, is guaranteed by Sparkassen and Giroverband Hessen-Thueringen, the group's regional umbrella association.

The additional fund is combined with an organizational framework which facilitates a common strategy and risk management of the member banks, including Helaba. We believe that the tighter interconnectedness between the savings banks and Helaba, and its majority ownership by the savings banks is partially responsible for the fact that Helaba has avoided the large losses incurred by its peers in the Landesbanken sector.

Management and Strategy

Decentralised Structure Effectively Bundled in Verbund

- Common business and risk strategy
- Agreed strategic objectives
- Consistent business execution

The individual savings banks and Helaba are managed by their respective local boards but are all integrated into the group. Helaba furthermore is the group's central institution. The group has a consistent corporate culture with unified branding and marketing presence. Stability and experience in the management of the group is underpinned by the group's governing body (Verbundausschuss), which formulates the business and risk strategy for the group.

The group's strategic objectives are clearly articulated and have remained very consistent over time. They primarily target stronger cooperation and market share expansion. They also aim at increasing economies of scales for the group primarily in administration, product pooling and IT infrastructure. The objectives reflect a proven long-term sustainable level of business and financial performance of the group.

Execution in our view is strong as demonstrated by the long-term performance of the group. Targeted business and financial objectives are well monitored and met with very limited variability over economic and interest rate cycles – despite a cyclical sensitivity of the group's business model.

Risk Appetite

Conservative Risk Appetite, but Mortgage Loans Rising

We consider SFG-HT's overall risk appetite conservative, reflecting the group's consistent long-term growth strategy, expertise in the local economies and their customers, and strong granularity of loan exposures. Based on these factors, the group has performed well both during and since the financial crisis.

Underwriting standards in the retail business are stable and fairly strict with strong collateral backing. The savings banks' appetite for non-standard or volatile asset classes, such as leverage finance, is low and they do not operate market making trading desks. Security investments consist of high-quality assets, and only a minimal share of equities but some potentially more risky fund investments. Helaba's investments are broader in range as it invests in foreign markets and also has exposure to shipping (EUR1.53bn at end-3Q15) and aviation (EUR3.5bn). There is some concentration risk inherent to its role as a Landesbank, but this is manageable for the group.

SFG-HT's overall risk exposure is granular, but some individual savings banks are growing aggressively in residential mortgage lending and increased their mortgage books significantly faster than average, which could indicate potentially higher willingness to take risks. Individual savings banks could also suffer from overexposure to a key regional industry or larger company as well as from oversized or mismanaged public projects that could become impaired, but this will be contained to individual banks.

Solid Risk Control Backbone

Risk controls in the group are organised on two levels with oversight at the local level including internal audits supplemented by an independent central risk-management unit that has access to individual group members' risk positions.

SFG-HT's risk-management practices include the traffic-light warning system used for all members of the group. It combines a static indicator approach and a dynamic assessment that includes regular stress tests. The risk unit has enforcement power with an escalation process that depends on the identified limit deviations and effort to resolve it. Interventions are far-ranging including dismissal of senior management.

Structural Interest-Rate Risk

The savings banks are exposed to significant interest-rate risk in their banking book given their short-term deposit funding franchise and large long-term loan book. We believe that this risk has risen due to the disproportionately fast growth of sight deposits and mortgage loans over the past four years. Applying the BaFin standard interest-rate stress (+/- 200bp interest rate shift) several of the group's local savings banks exceed the 20% threshold of interest rate risk to prevailing own funds that classifies them as banks with an elevated level of market risk. However, on a consolidated basis the group's relation of interest-rate risk to own funds is more in line with other banks due to Helaba's lower interest-rate risk reflecting its own funding profile and match-funded new business.

Sluggish Loan Growth to Accelerate

SFG-HT's loan growth is broadly correlated with growth in the German economy as the group's client base with a high share of SMEs and contribution from Helaba matches the country's economic profile. However, over the past three years loan growth has been sluggish and internal capital generation has outpaced it considerably as a result. This was driven by the impact of low interest rates where a high level of early loan redemptions resulted in weaker net lending growth despite good growth in gross loans. Corporate lending growth has also remained subdued because of the high cash reserves on companies' balance sheets.

Until end-2014, Helaba also showed very moderate growth as it managed risk-weighted assets (RWA) conservatively to strengthen its capitalisation. This process looks to be completed and a gross loan growth of 3.2% in 1H15 (RWA grew 2.7% in 1H15) suggests that also for the group a moderately higher loan growth rate is likely. The savings banks also reported a rise in loan growth of 1.7% in 1H15, up from 0.3% over 1H14. New sales volume is considerably stronger. Total new loans increased 13.6% (EUR5.4bn) in 1H15 compared to the same period in 2014. Loan commitments rose even further by 21.7% (EUR6.2bn). The main driver of this growth was corporate loans, but primarily housing loans, where new lending grew 31% in 1H15.

Financial Profile

- Solid asset quality
- Vulnerable to developments on real-estate markets
- Good quality of securities' portfolio
- Low exposure to vulnerable asset classes

Asset Quality Underpinned by Benign Economic Environment

The group's asset quality is broadly linked to the economic cycle and, with respect to small businesses in particular, the level of insolvencies. As a result of the positive growth in Germany and consistent decline in insolvencies the level of gross NPLs has gradually improved since 2009 to historically low levels of 2.2%.

This calculation includes exposure overdue by over 90 days and exposure in restructuring (rating class 17) but excludes exposures in resolution (rating class 18). If these exposures are included at end-3Q15, the gross impaired loan ratio would have been a still sound 3.4% including off-balance-sheet items.

Asset Quality to Remain Solid Despite Moderately Rising LICs

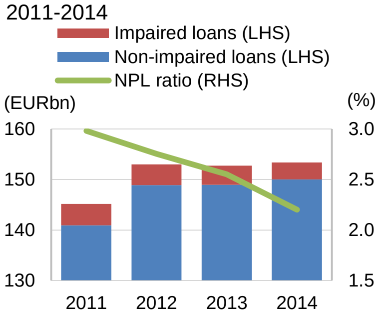
The group's asset quality benefits from the savings banks' granular loan books, conservative lending policies and the good quality of the securities portfolio. Exposure to riskier asset classes at the savings banks level is negligible. Helaba's standalone asset quality is also strong as demonstrated by a declining NPL ratio.

Given the expected stable macroeconomic performance in Germany, Fitch expects SFG-HT's NPL ratio to remain at a low level. Nevertheless, we expect loan-impairment charges (LICs) to increase slightly in 2016 as they normalise from their historically very low levels.

But Vulnerable to Real-Estate Correction

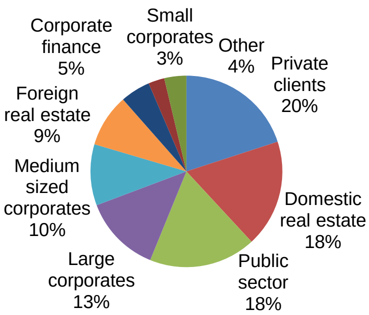
SFG-HT has a comparably large exposure to the real-estate sector, including residential and domestic and foreign CRE lending. Residential real estate exposure (EUR27.7bn at end-3Q15) is largely taken by the local savings banks and typically well-covered by collateral, whereas CRE exposure (EUR40.8bn) is concentrated at Helaba.

Figure 5
NPL Development[a]
2011-2014



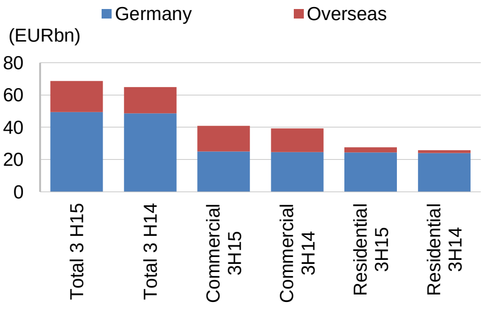
[a] NPL includes 90 days overdue but not rating class 18
Source: SFG-HT

Figure 6
SFG-HT Loan Exposure[a]
Exposure by client type (end-2014)



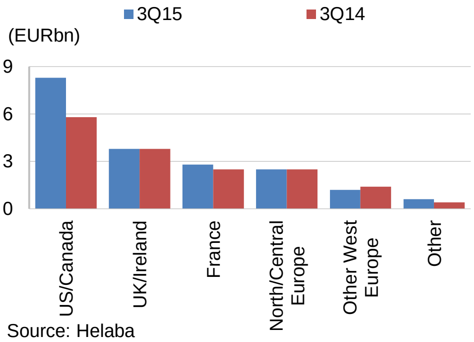
[a] Including off-balance-sheet commitments
Source: SFG-HT

Figure 7
SFG-HT
Real-estate exposure



Source: SFG-HT

Figure 8
Helaba
International real-estate exposure



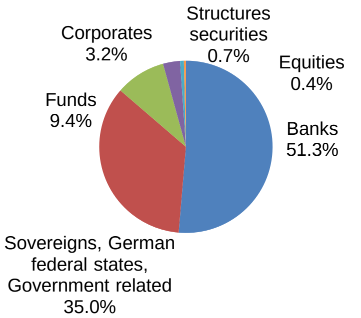
Source: Helaba

Figure 9
Portfolio Quality

Securities Ratings	AAA to AA-	A+ to BBB-	>BBB-	Un rated
Sovereign/ government exposure	90.5	4.2	0.0	5.4
Banking exposure	56.6	41.1	0.2	2.1
Corporate exposure	37.3	53.7	1.0	7.9

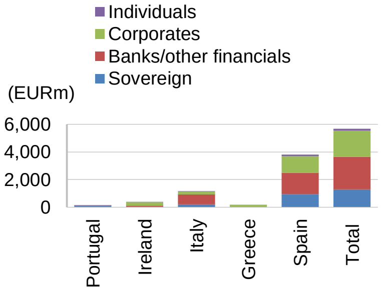
Source: Fitch

Figure 10
SFG-HT
Group securities' portfolio (end-3Q15)



Source: SFG-HT

Figure 11
SFG-HT
European periphery exposure end-2014



Source: SFG-HT

- Good operating performance
- Consistent contribution from Helaba
- Sticky cost base

Stable Corporate Business; High-Quality Retail Book

The rated corporate loan book amounted to EUR80bn at end-3Q15 (the unrated amount is a small 0.5% of the total), of which 51.5% came from the savings banks. The performance of the book remains good, with NPLs increasing only marginally, to 3.9%, at end-3Q15 (rating classes 16-18). At the same date, the total exposure in the default rating classes was EUR 3.1bn.

The rated private client business for the group amounted to EUR37bn, and defaulted exposures remained minimal at EUR515m reflecting Germany's solid consumer fundamentals.

Good-Quality Securities Portfolio

At end-3Q15, SFG-HT's fixed-income investments were EUR68.3bn, equal to a high 26% of total assets. The securities are held for both liquidity and earnings purposes.

By counterparty type, bank bonds account for the largest proportion of the securities portfolio. This sub-portfolio amounted to EUR35bn end 3Q15, of which about 80% were domestic bank bonds. Exposure to sovereigns, the German Laender and quasi governments amounted to EUR23.9bn at the same date. Exposure to structured securities and equities is minimal. However, exposure to funds increased to EUR6.4bn where the associated risk level could be higher depending on the undisclosed fund type. Exposure to corporates is small at EUR2.2bn.

Exposure to Peripheral Europe Further Reduced

SFG-HT lowered its GIIPS exposure further to EUR5.6bn driven by lower exposures to Ireland, Italy and Spain, mainly by a reduction in banks (Ireland and Italy) or the sovereign (Spain). Spain (BBB+/F2/Stable) is the largest exposure, comprising 67% of the total, led by bank and corporates. Since 2010 the total volume shrank 61.6% from EUR14.8bn to EUR5.67bn at end-2014. Its small exposure to Greece is fully collateralised.

Earnings and Profitability

Stable Operating Performance, Headwinds Expected

Figure 12
Profitability Ratios

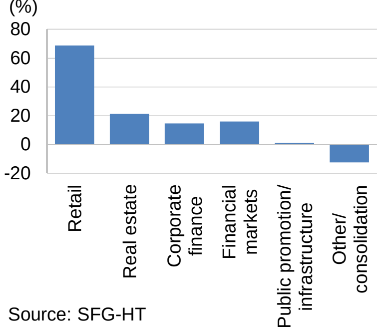
(%)	2014	2013	2012	2011
Net interest income/average earning assets	1.26	1.23	1.23	1.29
Non-interest expense/gross revenues	68.0	69.7	67.2	67.7
Loans and securities impairment charges/ pre-impairment operating profit	4.0	14.5	15.9	18.9
Operating profit/average total assets	0.64	0.50	0.54	0.52
Operating profit/risk-weighted assets	1.66	1.32	1.31	1.24
Net income/average equity	6.25	5.75	6.22	7.07

Source: Fitch, annual reports

SFG-HT's financial performance has been remarkably stable since 2011 with limited variable over the economic cycle. It reflects the strength and pricing power of the group's retail-focused and deposit-funded business model and consistent volume growth, and commensurate with low risk and little reliance on trading activities, results from equity investments or derivatives.

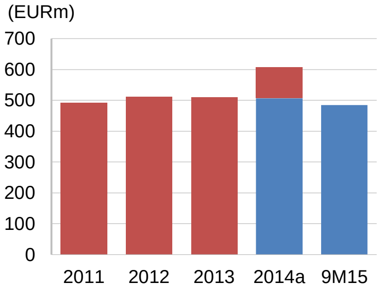
Pre-tax profit end-2014 rose by 23% to a record EUR1.6bn driven by a strong valuation result and a strong decline in LICs. However, the level of profit is slightly affected by positive one-offs in relation to the first-time implementation of IFRS 10.

Figure 13
SFG-HT
Profit contribution by segment (end-2014)



Source: SFG-HT

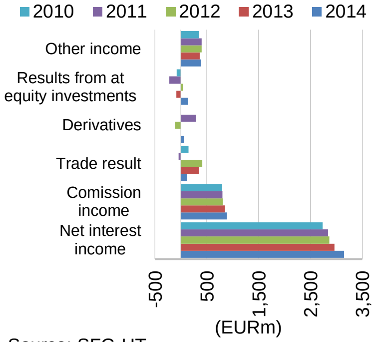
Figure 14
Helaba
Development of pre-tax profits



[a] EUR507m to 9M14
Source: Helaba

- Solid capitalisation and leverage ratios
- FCC strong against peers
- Bail-in Protection buffer

Figure 15
SFG-HT
Income sources



Source: SFG-HT

Retail Business Drives Profits

SFG-HT's main driver of earnings is its retail business, which comprised almost 70% of pre-tax profit. The real-estate segment is another important source and contributed 21% to pre-tax profit. The retail business did not require any risk provisions in 2014 and the amounts both in the retail business as well as in corporate finance were extremely low in 2014.

Helaba Is a Reliable Profit Contributor

Helaba – unlike some of its Landesbanken peers – has been a consistent and reliable profit generator. Helaba's exposure to riskier asset classes, primarily to shipping has been modest. We expect Helaba to maintain good profitability, but as real estate is its key earnings driver, profitability is vulnerable to a deterioration of CRE market fundamentals. Mitigating the exposure to this more cyclical sector are Helaba's relatively large earnings from the savings banks, which generated EUR85m pre-tax profit in 1H15, up 30% yoy.

Net Interest Income Most Important Revenue Source

Net interest income (NII) is by far the group's most important source of earnings followed by commission income, which combined made up 77.3% of the total pre-impairment operating income in 2014. NII increased by 0.7% in 2014 despite pressure from the low interest rates, helped by lower interest expenses due to a rise in sight deposits. Accounting for extremely low risk provisions, NII after LICs increased by more than 6% in 2014.

Despite the relatively good resilience, we expect further pressure on the group's earnings and profitability because we believe that an erosion of interest income is unavoidable as interest rates show no sign of reversion and loan impairment charges are expected to rise moderately. We believe that the savings banks are unlikely to charge their customers for retail deposits, but this could change if interest rates decline further into negative territory. However, even in such a scenario, we believe that the savings banks would wait until other German banks start charging their retail customers for deposit accounts. The expected decline in NII drives our negative outlook on the earnings and profitability score Fitch's Ratings Navigator.

Fees and commission income has remained flat because the savings banks are already using it as a pricing tool. Despite various initiatives we believe that the potential to grow it significantly further is limited in a competitive market. The group's third main income source is primarily driven by results from GWH group (property held as financial investment). GWH group is a large property group, established in 1924, involved in building flats. GWH group, which has about 48,000 residential flats under administration, is consolidated in Helaba's accounts.

Costs Contained but Improvements Unlikely

Overall operating expenses decreased by 1% in 2014 to EUR3.1bn, but staff costs rose slightly. The group reported a cost/income ratio of 64.3%, which is slightly below the level for the nationwide savings banks group as a whole (66.9%). SFG-HT's ratio is adequate considering the group's large branch network. We expect further consolidation among the local savings banks, in line with the trend seen in German savings banks. However, based on the stickiness of the cost base we do not expect to see a significant improvement in cost efficiency.

Capitalisation and Leverage

Solid Capitalisation and Leverage

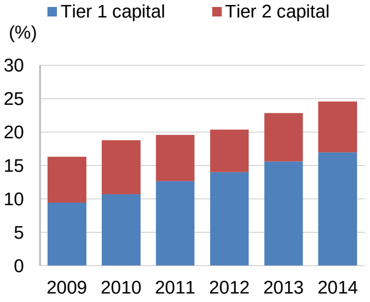
Figure 16
Capitalisation and Leverage

(%)	2014	2013	2012	2011
Fitch Core Capital/weighted risk	19.1	17.6	15.9	14.6
Tier 1 regulatory capital ratio	17.0	15.6	14.0	12.7
Total regulatory capital ratio	24.6	22.9	20.4	19.6
Tangible common equity/tangible assets	7.1	6.7	6.00	6.0
Internal capital generation	5.5	5.2	5.5	6.0

Source: Fitch, annual reports

Figure 17

SFG-HT Capitalisation (IFRS)



Source: SFG-HT

Our assessment of SFG-HT's capitalisation and leverage reflects the steady improvement and the solid levels reached that ranks the group favourably among German bank peers. Capitalisation and leverage ratios are maintained with solid buffers over regulatory minima. The group maintains sufficient headroom to expand its business while maintaining an adequate loss-absorption capacity to withstand most economic and financial shocks.

SFG-HT's capitalisation has been consistently rising and is largely driven by profit retention.

SFG-HT's Fitch Core Capital, which deducts goodwill and other intangibles, improved further to 19.1% at end-2014. Its regulatory Tier 1 capital increased to EUR17.2bn at end-2014, equivalent to a Tier 1 capital ratio of 17.0% and predominantly consists of retained earnings. Tier 2 capital plays a less important role, it includes among other items voluntary reserves (reserves under §340f German GAAP) worth EUR2.3bn, which can be converted into regulatory Tier 1 capital if needed.

The group's core capital in relation to its balance sheet amounted to 6.5%. Helaba in its own right reported a "fully loaded" CET 1 capital ratio of 11.8% at end-2014 and 12% in 3Q15 and a leverage ratio of 4.0% and 3.9%, respectively.

Funding and Liquidity

Stable Retail Funding Base

- Stable group funding profile
- Sector has structural excess liquidity
- Large pool of unpledged assets

Figure 18

Funding and Liquidity Indicators

(%)	2014	2013	2012	2011
Loans/customer deposits	127.3	129.3	127.3	127.7
Interbank assets/interbank liabilities	48.3	50.9	47.8	46.0
Customer deposits/total funding (excluding derivatives)	53.5	51.40	48.9	52.3

Source: Fitch, annual reports

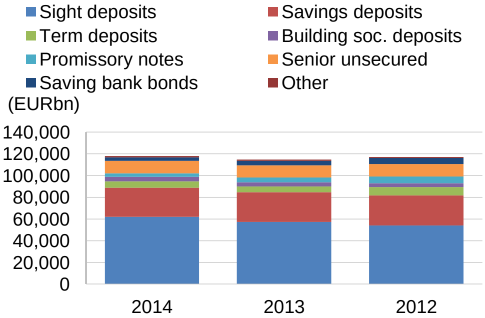
Funding and liquidity is a rating strength for SFG-HT. The group has a stable funding base driven by the Sparkassen's structural liquidity overhang due to their strong market share in retail deposits. Although Helaba is primarily wholesale funded (except for Frankfurter Sparkasse as a member of Helaba group), this does not constrain our view on SFG-HT's overall funding and liquidity as Helaba acts as an important link to the savings banks. Helaba has a stable and diversified funding base in its own right.

SFG-HT's customer liabilities are driven by sight and savings deposits, which together amounted to EUR118bn at end-2014. Sight deposits account for over half of customer deposits and have risen steadily since 2012. The high share of sight deposits reflects a desire for flexibility among customers given the low-interest-rate environment.

The group's other long-term funding amounts to EUR46.6bn at end-2014 and have been declining since 2012. This primarily consists of covered and senior unsecured bonds mainly attributable to Helaba.

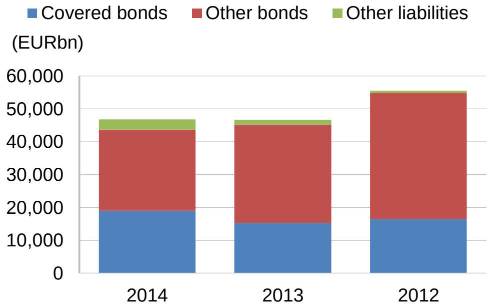
SFG-HT's loan/deposit ratio has remained stable at slightly below 130%. The higher share compared to the nationwide Sparkassen group is explained by Helaba's larger proportion of wholesale funding. Helaba places its own bonds with members of the group, who profit from a 0% risk-weighting.

Figure 19
SFG-HT
Structure of Customer Liabilities



Source: SFG-HT

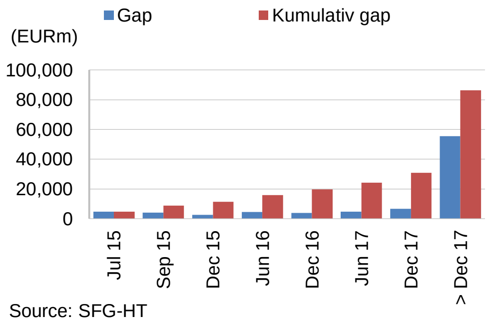
Figure 20
SFG-HT
Structure of Securitised Liabilities



Source: SFG-HT

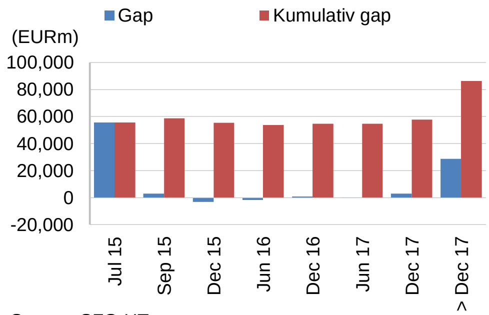
Large Pool of High-Quality Unpledged Assets

Figure 21
SFG-HT
Liquidity status as of 30 June 2015 (excluding ECB eligible securities)



Source: SFG-HT

Figure 22
SFG-HT
Liquidity status as of 30 June 2015 (including ECB eligible securities)



Source: SFG-HT

SFG-HT maintains a large portfolio of liquid unpledged assets. It has not disclosed its liquidity coverage ratio, but the savings banks exceeded domestic liquidity ratios by an ample margin.

Support

Sovereign Support Cannot Be Relied Upon

SFG-HT's Support Rating reflects our view that legislative, regulatory and policy initiatives have substantially reduced the likelihood of sovereign support for banks in the EU. The BRRD-Umsetzungsgesetz, which requires a "bail-in" of creditors in banks under resolution before an insolvent bank can be recapitalised with state funds, came into force on 1 January 2015 and the SRM providing resolution tools and mechanisms started on 1 January 2016. As a result, we believe that extraordinary external support, while possible, can no longer be relied upon for SFG-HT.

While SFG-HT as a decentralised group is not directly subject to ECB supervision, it is subject to BRRD provisions. The savings banks' public bodies, largely municipalities, could provide a degree of institutional support but given the savings banks' decentralised and fairly heterogeneous structure, consistent institutional support from the banks' owners across the group is too uncertain to merit a Support Rating other than '5'.

SFG-HT could benefit from institutional support from SFG in cooperation with Helaba's state owners. Combined with Fitch's view that Helaba is one of the strongest Landesbanken, the overlap of the savings banks in SFG-HT with SFG makes it unclear under what circumstances would institutional support become necessary. As a result, institutional support beyond the mutual support mechanism, while possible, cannot be relied upon.

S - Finanzgruppe Hessen-Thueringen
Income Statement

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm Unqualified	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets
1. Interest Income on Loans	6,404.0	5,275.0	2.05	5,592.0	2.20	6,212.0	2.32	6,355.0	2.65
2. Other Interest Income	2,712.2	2,234.0	0.87	2,220.0	0.87	2,570.0	0.96	2,261.0	0.94
3. Dividend Income	251.3	207.0	0.08	233.0	0.09	205.0	0.08	217.0	0.09
4. Gross Interest and Dividend Income	**9,367.5**	**7,716.0**	**2.99**	**8,045.0**	**3.17**	**8,987.0**	**3.36**	**8,833.0**	**3.68**
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Interest Expense	5,459.5	4,497.0	1.74	4,849.0	1.91	5,853.0	2.19	5,693.0	2.37
7. Total Interest Expense	**5,459.5**	**4,497.0**	**1.74**	**4,849.0**	**1.91**	**5,853.0**	**2.19**	**5,693.0**	**2.37**
8. Net Interest Income	**3,908.0**	**3,219.0**	**1.25**	**3,196.0**	**1.26**	**3,134.0**	**1.17**	**3,140.0**	**1.31**
9. Net Gains (Losses) on Trading and Derivatives	543.9	448.0	0.17	101.0	0.04	558.0	0.21	389.0	0.16
10. Net Gains (Losses) on Other Securities	88.6	73.0	0.03	(98.0)	(0.04)	10.0	0.00	(257.0)	(0.11)
11. Net Gains (Losses) on Assets at FV through Income Statement	(327.8)	(270.0)	(0.10)	253.0	0.10	(259.0)	(0.10)	(142.0)	(0.06)
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	1,074.4	885.0	0.34	852.0	0.34	809.0	0.30	800.0	0.33
14. Other Operating Income	1,159.4	955.0	0.37	886.0	0.35	845.0	0.32	858.0	0.36
15. Total Non-Interest Operating Income	**2,538.5**	**2,091.0**	**0.81**	**1,994.0**	**0.79**	**1,963.0**	**0.73**	**1,648.0**	**0.69**
16. Personnel Expenses	2,181.6	1,797.0	0.70	1,732.0	0.68	1,689.0	0.63	1,616.0	0.67
17. Other Operating Expenses	2,199.8	1,812.0	0.70	1,885.0	0.74	1,736.0	0.65	1,625.0	0.68
18. Total Non-Interest Expenses	**4,381.4**	**3,609.0**	**1.40**	**3,617.0**	**1.42**	**3,425.0**	**1.28**	**3,241.0**	**1.35**
19. Equity-accounted Profit/ Loss - Operating	71.6	59.0	0.02	12.0	0.00	29.0	0.01	36.0	0.01
20. Pre-Impairment Operating Profit	**2,136.7**	**1,760.0**	**0.68**	**1,585.0**	**0.62**	**1,701.0**	**0.64**	**1,583.0**	**0.66**
21. Loan Impairment Charge	86.2	71.0	0.03	230.0	0.09	271.0	0.10	299.0	0.12
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	**2,050.5**	**1,689.0**	**0.65**	**1,355.0**	**0.53**	**1,430.0**	**0.53**	**1,284.0**	**0.53**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	48.6	40.0	0.02	18.0	0.01	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	**2,001.9**	**1,649.0**	**0.64**	**1,337.0**	**0.53**	**1,430.0**	**0.53**	**1,284.0**	**0.53**
30. Tax expense	565.7	466.0	0.18	305.0	0.12	404.0	0.15	295.0	0.12
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	**1,436.2**	**1,183.0**	**0.46**	**1,032.0**	**0.41**	**1,026.0**	**0.38**	**989.0**	**0.41**
33. Change in Value of AFS Investments	843.8	695.0	0.27	(285.0)	(0.11)	489.0	0.18	4.0	0.00
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	14.6	12.0	0.00	(8.0)	(0.00)	(2.0)	(0.00)	2.0	0.00
36. Remaining OCI Gains/(losses)	(596.1)	(491.0)	(0.19)	116.0	0.05	(282.0)	(0.11)	(24.0)	(0.01)
37. Fitch Comprehensive Income	**1,698.4**	**1,399.0**	**0.54**	**855.0**	**0.34**	**1,231.0**	**0.46**	**971.0**	**0.40**
38. Memo: Profit Allocation to Non-controlling Interests	145.7	120.0	0.05	98.0	0.04	100.0	0.04	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	1,290.5	1,063.0	0.41	934.0	0.37	926.0	0.35	989.0	0.41
40. Memo: Common Dividends Relating to the Period	117.8	97.0	0.04	82.0	0.03	66.0	0.02	66.0	0.03
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = EUR0.82370		USD1 = EUR0.72510		USD1 = EUR0.75790		USD1 = EUR0.77290	

S - Finanzgruppe Hessen-Thueringen
Balance Sheet

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	27,496.7	22,649.0	8.56	22,617.0	8.65	21,638.0	7.66	20,810.0	8.44
2. Other Mortgage Loans	47,312.1	38,971.0	14.73	38,200.0	14.61	37,031.0	13.11	38,293.0	15.53
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	107,342.5	88,418.0	33.41	88,141.0	33.70	90,213.0	31.94	81,825.0	33.19
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Less: Reserves for Impaired Loans	2,220.5	1,829.0	0.69	2,050.0	0.78	2,274.0	0.81	2,444.0	0.99
7. Net Loans	**179,930.8**	**148,209.0**	**56.00**	**146,908.0**	**56.17**	**146,608.0**	**51.91**	**138,484.0**	**56.17**
8. Gross Loans	**182,151.3**	**150,038.0**	**56.69**	**148,958.0**	**56.96**	**148,882.0**	**52.72**	**140,928.0**	**57.16**
9. Memo: Impaired Loans included above	4,006.3	3,300.0	1.25	3,800.0	1.45	4,100.0	1.45	4,200.0	1.70
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	21,592.8	17,786.0	6.72	18,008.0	6.89	20,695.0	7.33	16,769.0	6.80
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	26,224.4	21,601.0	8.16	26,968.0	10.31	26,838.0	9.50	29,694.0	12.04
4. Derivatives	22,675.7	18,678.0	7.06	13,064.0	5.00	19,696.0	6.97	13,302.0	5.40
5. Available for Sale Securities	59,133.2	48,708.0	18.40	45,579.0	17.43	50,368.0	17.84	38,550.0	15.64
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Equity Investments in Associates	825.5	680.0	0.26	586.0	0.22	588.0	0.21	547.0	0.22
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	**108,858.8**	**89,667.0**	**33.88**	**86,197.0**	**32.96**	**97,490.0**	**34.52**	**82,093.0**	**33.30**
10. Memo: Government Securities included Above	25,511.7	21,014.0	7.94	21,233.0	8.12	23,428.0	8.30	11,780.0	4.78
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	2,721.9	2,242.0	0.85	2,782.0	1.06	2,751.0	0.97	2,850.0	1.16
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	**313,104.3**	**257,904.0**	**97.45**	**253,895.0**	**97.08**	**267,544.0**	**94.74**	**240,196.0**	**97.43**
C. Non-Earning Assets									
1. Cash and Due From Banks	3,039.9	2,504.0	0.95	3,178.0	1.22	10,387.0	3.68	2,219.0	0.90
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	2,025.0	1,668.0	0.63	1,617.0	0.62	1,660.0	0.59	1,640.0	0.67
5. Goodwill	126.3	104.0	0.04	140.0	0.05	156.0	0.06	141.0	0.06
6. Other Intangibles	59.5	49.0	0.02	53.0	0.02	51.0	0.02	49.0	0.02
7. Current Tax Assets	112.9	93.0	0.04	120.0	0.05	90.0	0.03	131.0	0.05
8. Deferred Tax Assets	1,101.1	907.0	0.34	875.0	0.33	1,190.0	0.42	978.0	0.40
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	22.0	0.01	8.0	0.00
10. Other Assets	1,732.4	1,427.0	0.54	1,657.0	0.63	1,308.0	0.46	1,174.0	0.48
11. Total Assets	**321,301.4**	**264,656.0**	**100.00**	**261,535.0**	**100.00**	**282,408.0**	**100.00**	**246,536.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	75,302.9	62,027.0	23.44	57,258.0	21.89	53,906.0	19.09	45,076.0	18.28
2. Customer Deposits - Savings	37,507.6	30,895.0	11.67	31,659.0	12.11	31,500.0	11.15	31,853.0	12.92
3. Customer Deposits - Term	30,309.6	24,966.0	9.43	26,306.0	10.06	31,578.0	11.18	33,417.0	13.55
4. Total Customer Deposits	**143,120.1**	**117,888.0**	**44.54**	**115,223.0**	**44.06**	**116,984.0**	**41.42**	**110,346.0**	**44.76**
5. Deposits from Banks	44,664.3	36,790.0	13.90	35,416.0	13.54	43,279.0	15.32	36,425.0	14.77
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Commercial Paper and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Money Market and Short-term Funding	**187,784.4**	**154,678.0**	**58.44**	**150,639.0**	**57.60**	**160,263.0**	**56.75**	**146,771.0**	**59.53**
9. Senior Unsecured Debt (original maturity > 1 year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Subordinated Borrowing	4,836.7	3,984.0	1.51	3,622.0	1.38	2,998.0	1.06	3,225.0	1.31
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	56,600.7	46,622.0	17.62	46,736.0	17.87	55,590.0	19.68	36,543.0	14.82
13. Total LT Funding (original maturity > 1 year)	**61,437.4**	**50,606.0**	**19.12**	**50,358.0**	**19.25**	**58,588.0**	**20.75**	**39,768.0**	**16.13**
14. Derivatives	22,136.7	18,234.0	6.89	13,166.0	5.03	19,159.0	6.78	14,438.0	5.86
15. Trading Liabilities	18,447.3	15,195.0	5.74	23,142.0	8.85	20,354.0	7.21	24,464.0	9.92
16. Total Funding	**289,805.8**	**238,713.0**	**90.20**	**237,305.0**	**90.74**	**258,364.0**	**91.49**	**225,441.0**	**91.44**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	4,349.9	3,583.0	1.35	3,000.0	1.15	2,975.0	1.05	2,573.0	1.04
4. Current Tax Liabilities	208.8	172.0	0.06	119.0	0.05	237.0	0.08	221.0	0.09
5. Deferred Tax Liabilities	397.0	327.0	0.12	229.0	0.09	720.0	0.25	439.0	0.18
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	990.7	816.0	0.31	974.0	0.37	858.0	0.30	738.0	0.30
10. Total Liabilities	**295,752.1**	**243,611.0**	**92.05**	**241,627.0**	**92.39**	**263,154.0**	**93.18**	**229,412.0**	**93.05**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	1,766.4	1,455.0	0.55	1,616.0	0.62	1,671.0	0.59	1,718.0	0.70
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
G. Equity									
1. Common Equity	20,631.3	16,994.0	6.42	16,236.0	6.21	15,421.0	5.46	14,566.0	5.91
2. Non-controlling Interest	2,018.9	1,663.0	0.63	1,615.0	0.62	1,506.0	0.53	521.0	0.21
3. Securities Revaluation Reserves	1,132.7	933.0	0.35	466.0	0.18	669.0	0.24	328.0	0.13
4. Foreign Exchange Revaluation Reserves	9.7	8.0	0.00	0.0	0.00	6.0	0.00	8.0	0.00
5. Fixed Asset Revaluations and Other Accumulated OCI	(9.7)	(8.0)	(0.00)	(25.0)	(0.01)	(19.0)	(0.01)	(17.0)	(0.01)
6. Total Equity	**23,782.9**	**19,590.0**	**7.40**	**18,292.0**	**6.99**	**17,583.0**	**6.23**	**15,406.0**	**6.25**
7. Total Liabilities and Equity	**321,301.4**	**264,656.0**	**100.00**	**261,535.0**	**100.00**	**282,408.0**	**100.00**	**246,536.0**	**100.00**
8. Memo: Fitch Core Capital	23,597.2	19,437.0	7.34	18,099.0	6.92	17,376.0	6.15	15,192.0	6.16
9. Memo: Fitch Eligible Capital	23,597.2	19,437.0	7.34	18,099.0	6.92	17,376.0	6.15	15,192.0	6.16
Exchange rate		USD1 = EUR0.82370		USD1 = EUR0.72510		USD1 = EUR0.75790		USD1 = EUR0.77290	

S - Finanzgruppe Hessen-Thueringen
Summary Analytics

	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End	31 Dec 2011 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	3.53	3.76	4.29	4.47
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.
3. Interest Income/ Average Earning Assets	3.02	3.09	3.54	3.64
4. Interest Expense/ Average Interest-bearing Liabilities	1.89	1.96	2.42	2.49
5. Net Interest Income/ Average Earning Assets	1.26	1.23	1.23	1.29
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.23	1.14	1.13	1.17
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	1.26	1.23	1.23	1.29
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	39.38	38.42	38.51	34.42
2. Non-Interest Expense/ Gross Revenues	67.97	69.69	67.20	67.69
3. Non-Interest Expense/ Average Assets	1.37	1.33	1.30	1.30
4. Pre-impairment Op. Profit/ Average Equity	9.29	8.84	10.31	11.32
5. Pre-impairment Op. Profit/ Average Total Assets	0.67	0.58	0.64	0.64
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	4.03	14.51	15.93	18.89
7. Operating Profit/ Average Equity	8.92	7.55	8.67	9.18
8. Operating Profit/ Average Total Assets	0.64	0.50	0.54	0.52
9. Operating Profit / Risk Weighted Assets	1.66	1.32	1.31	1.24
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	6.25	5.75	6.22	7.07
2. Net Income/ Average Total Assets	0.45	0.38	0.39	0.40
3. Fitch Comprehensive Income/ Average Total Equity	7.39	4.77	7.46	6.94
4. Fitch Comprehensive Income/ Average Total Assets	0.53	0.31	0.47	0.39
5. Taxes/ Pre-tax Profit	28.26	22.81	28.25	22.98
6. Net Income/ Risk Weighted Assets	1.16	1.00	0.94	0.95
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	19.13	17.61	15.91	14.61
2. Fitch Eligible Capital/ Risk Weighted Assets	19.13	17.61	15.91	14.61
3. Tangible Common Equity/ Tangible Assets	7.14	6.69	6.00	5.97
4. Tier 1 Regulatory Capital Ratio	16.98	15.62	14.04	12.70
5. Total Regulatory Capital Ratio	24.62	22.89	20.38	19.60
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	7.40	6.99	6.23	6.25
8. Cash Dividends Paid & Declared/ Net Income	8.20	7.95	6.43	6.67
9. Internal Capital Generation	5.54	5.19	5.46	5.99
E. Loan Quality				
1. Growth of Total Assets	1.19	(7.39)	14.55	(2.00)
2. Growth of Gross Loans	0.73	0.05	5.64	(1.61)
3. Impaired Loans/ Gross Loans	2.20	2.55	2.75	2.98
4. Reserves for Impaired Loans/ Gross Loans	1.22	1.38	1.53	1.73
5. Reserves for Impaired Loans/ Impaired Loans	55.42	53.95	55.46	58.19
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	7.57	9.67	10.51	11.56
7. Impaired Loans less Reserves for Impaired Loans/ Equity	7.51	9.57	10.39	11.40
8. Loan Impairment Charges/ Average Gross Loans	0.05	0.15	0.19	0.21
9. Net Charge-offs/ Average Gross Loans	0.19	0.23	0.29	0.29
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass	2.20	2.55	2.75	2.98
F. Funding and Liquidity				
1. Loans/ Customer Deposits	127.27	129.28	127.27	127.71
2. Interbank Assets/ Interbank Liabilities	48.34	50.85	47.82	46.04
3. Customer Deposits/ Total Funding (excluding derivatives)	53.47	51.41	48.91	52.30
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

S - Finanzgruppe Hessen-Thueringen
Reference Data

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	8,514.0	7,013.0	2.65	6,485.0	2.48	6,977.0	2.47	5,341.0	2.17
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	25,928.1	21,357.0	8.07	18,187.0	6.95	19,462.0	6.89	19,297.0	7.83
6. Other Contingent Liabilities	4,445.8	3,662.0	1.38	2,235.0	0.85	2,390.0	0.85	2,432.0	0.99
7. Total Assets under Management	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet									
Average Loans	181,495.7	149,498.0	56.49	148,920.0	56.94	144,905.0	51.31	142,081.5	57.63
Average Earning Assets	310,670.8	255,899.5	96.69	260,719.5	99.69	253,870.0	89.89	242,674.0	98.43
Average Assets	319,406.9	263,095.5	99.41	271,971.5	103.99	264,472.0	93.65	249,050.5	101.02
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	288,951.1	238,009.0	89.93	247,834.5	94.76	241,902.5	85.66	228,535.0	92.70
Average Common equity	20,171.2	16,615.0	6.28	15,828.5	6.05	14,993.5	5.31	13,172.5	5.34
Average Equity	22,995.0	18,941.0	7.16	17,937.5	6.86	16,494.5	5.84	13,985.5	5.67
Average Customer Deposits	141,502.4	116,555.5	44.04	116,103.5	44.39	113,665.0	40.25	109,013.5	44.22
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	4,836.7	3,984.0	1.51	3,622.0	1.38	2,998.0	1.06	3,225.0	1.31
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	123,379.9	101,628.0	38.40	102,804.0	39.31	109,187.0	38.66	103,957.0	42.17
2. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Adjusted Risk Weighted Assets	123,379.9	101,628.0	38.40	102,804.0	39.31	109,187.0	38.66	103,957.0	42.17
E. Equity Reconciliation									
1. Equity	23,782.9	19,590.0	7.40	18,292.0	6.99	17,583.0	6.23	15,406.0	6.25
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	23,782.9	19,590.0	7.40	18,292.0	6.99	17,583.0	6.23	15,406.0	6.25
F. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	23,782.9	19,590.0	7.40	18,292.0	6.99	17,583.0	6.23	15,406.0	6.25
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	(24.0)	(0.01)
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	126.3	104.0	0.04	140.0	0.05	156.0	0.06	141.0	0.06
5. Other intangibles	59.5	49.0	0.02	53.0	0.02	51.0	0.02	49.0	0.02
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**23,597.2**	**19,437.0**	**7.34**	**18,099.0**	**6.92**	**17,376.0**	**6.15**	**15,192.0**	**6.16**
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	**23,597.2**	**19,437.0**	**7.34**	**18,099.0**	**6.92**	**17,376.0**	**6.15**	**15,192.0**	**6.16**
Exchange Rate	USD1 = EUR0.82370			USD1 = EUR0.72510		USD1 = EUR0.75790		USD1 = EUR0.77290	

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.