FitchRatings

Banks
Wholesale Commercial Banks
Germany

Landesbank Hessen-Thueringen Girozentrale

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1+
Derivative Counterparty Rating	AA-(dcr)
Viablity Rating	bbb
Shareholder Support Rating	a+

Sovereign Risk	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

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

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Helaba at 'A+'; Assigns 'bbb' Viability Rating (December 2024)

Fitch Affirms Sparkassen-Finanzgruppe at 'A+'; Outlook Stable (April 2024)

Western European Banks Outlook 2025 (December 2024)

Global Economic Outlook (December 2024)

Key Rating Drivers

SFG's Support Drives IDRs: Landesbank Hessen-Thueringen Girozentrale's (Helaba) Issuer Default Ratings (IDRs) are aligned with the IDRs of Sparkassen-Finanzgruppe (Sparkassen) (SFG, A+/Stable/F1+), the German savings bank network. This reflects Fitch Ratings' view that there is a very high probability that SFG, which owns 66% of Helaba, would provide timely support if needed, based on Helaba's membership in SFG's institutional protection scheme (IPS). The Stable Outlook on Helaba's Long-Term IDR mirrors that on SFG.

Helaba's Viability Rating (VR) reflects the bank's mainly wholesale-driven business model, large exposure to cyclical asset classes, which has recently resulted in a deterioration of its asset quality, and weaker profitability compared with international peers. This is mitigated by its adequate capitalisation and access to the savings banks' excess liquidity.

German Corporate Bank: Helaba focuses on corporate and asset-based lending, including commercial real estate (CRE) financing, and institutional clients. This is balanced by the bank's close cooperation with the savings banks. Earnings in Helaba's regional retail franchise, asset management, and rents from a portfolio of residential investment properties provide additional revenue diversification. Similar to German peers, intense competition in most of Helaba's product areas limits pricing power and affects profitability.

Significant Sector Concentrations: Helaba is largely exposed to cyclical asset classes, mainly CRE and export-oriented corporates. Underwriting standards and risk monitoring are broadly in line with market practice, but the bank's exposure to CRE development, office properties and CRE in the US is higher than at its peers. Market risk is adequately hedged.

Deteriorating Asset Quality: Helaba's impaired-loans ratio increased to 3.1% in 1H24 (end-2022: 0.8%), driven by defaults in the CRE portfolio. We project the ratio to continue to increase, though at a slower rate, to around 4% by end-2025, driven by an increase of corporate defaults and further CRE loan impairments. We expect loan-impairment charges (LICs) to remain above their historical average, but to have declined year-on-year in 2024 and to further decline in 2025 as the bank releases management overlays to absorb new LICs.

Improved Profitability: We expect Helaba's operating profit to remain at around 1% of risk-weighted assets (RWAs) in the next two years. Helaba's operating profit/RWAs ratio grew to 1.3% in 1H24, mainly driven by higher deposit margins and the non-recurrence of impairment losses in the bank's residential investment property portfolio, which offset higher LICs. However, average profitability is structurally weaker than at most large international peers, burdened by lower margins and higher costs.

Adequate Capitalisation: Helaba's common equity Tier 1 (CET1) ratio (end-September 2024: 13.7%) is adequate in light of its business model and risk profile. In the next two years, the ratio should benefit from sound earnings retention, RWA optimisation measures and temporary positive effects from the implementation of Basel III final. These should compensate for a higher expected loss in the bank's CRE and corporate portfolios, and offer room for potential growth.

Sound Funding and Liquidity: Helaba is primarily wholesale funded, which is reflected in a moderately higher loans/deposits ratio than commercial bank peers. However, the bank benefits from moderate capital-market funding requirements due to its privileged placement capacity within the savings bank sector. Its liquidity is sound, underpinned by a large portfolio of cash and liquid securities and low encumbrance of collateral pools eligible for covered bonds.

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of SFG's IDRs would lead to a downgrade of Helaba's IDRs and shareholder support rating (SSR).

Helaba's VR would likely be downgraded if the bank's impaired-loans ratio increases above 5% for an extended period, or if heightened LICs weigh on its operating profitability, lowering its operating profit/RWAs ratio below 0.5% in the longer term.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of SFG's Long-Term IDR would lead to an upgrade of Helaba's Long-Term IDR and SSR.

An upgrade of the VR would be contingent on lowering the impaired loans ratio below 3% and maintaining the operating profit/RWAs ratio above 1%. An upgrade would also require the CET1 ratio to increase and remain above 14%.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits and senior preferred debt	AA-/F1+
Senior non-preferred and senior unsecured debt	A+
Subordinated Tier 2	A-
Guaranteed senior and subordinated debt	AAA

Source: Fitch Ratings

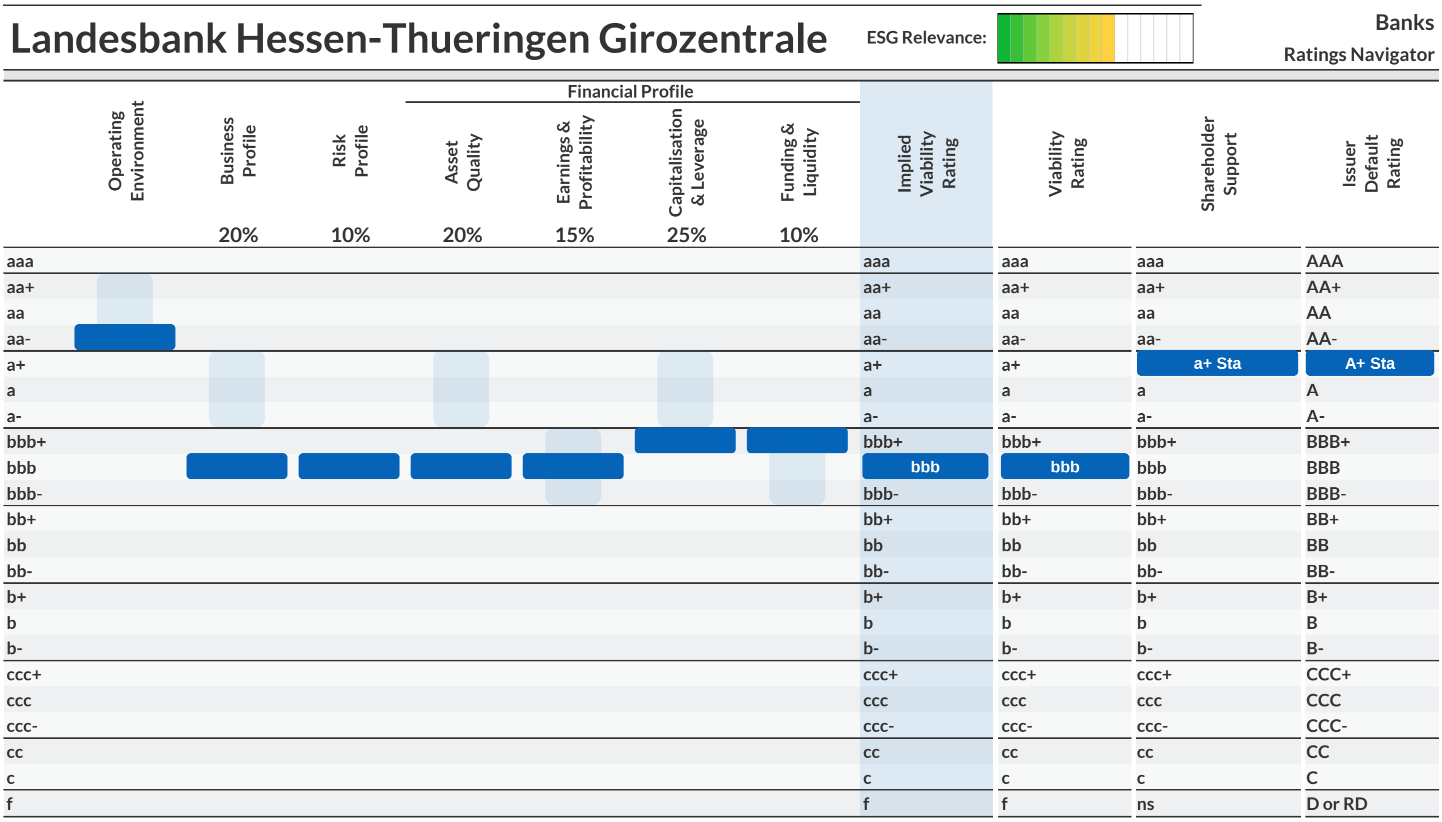
Helaba's Derivative Counterparty Rating (DCR), long-term deposit ratings and senior preferred debt ratings are one notch above the bank's Long-Term IDR. This reflects the protection of preferred creditors arising from the bank's large resolution buffers, including senior non-preferred and more junior debt. For the same reason, the senior non-preferred and legacy senior unsecured debt ratings are in line with the bank's Long-Term IDR.

Helaba's short-term deposit and senior preferred debt ratings are the only short-term ratings mapping to the long-term deposit and senior preferred ratings, respectively.

The 'AAA' ratings of Helaba's grandfathered state-guaranteed senior unsecured and Tier 2 subordinated notes reflect our view of the creditworthiness of the federal states of Hesse and Thuringia, which is closely linked to that of Germany (AAA/Stable), and our expectation that Hesse and Thuringia will honour their guarantees. Fitch believes that the senior and subordinated instruments are equally protected because the guarantee does not differentiate between seniorities.

The rating of Helaba's non-guaranteed Tier 2 subordinated bond is notched down twice from Helaba's Long-Term IDR to reflect poor recoveries in case of non-performance. Fitch uses Helaba's Long-Term IDR rather than its VR as the anchor rating because we expect shareholder support from SFG to be extended to the bank's Tier 2 instruments under the IPS statutes, which we believe has reduced the likelihood of regulatory resolution measures at Helaba.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The business profile score of ‘bbb’ has been assigned below the ‘a’ implied category score due to the following adjustment reason: business model (negative).

The asset quality score of ‘bbb’ has been assigned below the ‘a’ implied category score due to the following adjustment reason: concentrations (negative).

The capitalisation & leverage score of ‘bbb+’ has been assigned below the ‘a’ implied category score due to the following adjustment reasons: business model and risk profile (negative).

Company Summary and Key Qualitative Factors

Business Profile

Helaba is a large German publicly owned commercial bank with a mainly wholesale-driven business model that focuses on corporate and CRE finance, in addition to its statutory roles. These statutory roles include acting as a house bank for its federal state owners and their municipalities, as well as supporting the regional economy, mainly by administering Hesse's public sector development programmes through WIBank (EUR28 billion assets), Helaba's legally dependent development bank. Helaba is also the central bank for the savings banks in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg (about 40% of Germany's savings banks), for which it clears liquidity and provides access to capital markets. Together with the savings banks in Hesse and Thuringia, Helaba forms a common economic unit, the cohesion of which is maintained by a mutual support scheme (additional to SFG's IPS), a regional reserve fund and a common business and risk strategy.

Helaba's corporates and markets and CRE segments encompass the client-driven wholesale business, catering to corporates, large SMEs, financial institutions and the public sector. As with other Landesbanken, Helaba's SME business is relationship-based with a strong regional focus. Its corporate franchise is nationwide, but strong competition limits the bank's pricing power. Helaba's international franchise is modest. The bank supports its corporate customers abroad in selected international financial centres, and cheap funding through German covered bonds allows Helaba to acquire CRE business abroad, mainly in the US and western Europe.

Helaba's subsidiaries are key in providing additional revenue diversification. Retail clients are served through Frankfurter Sparkasse, Germany's fourth-largest savings bank, and LBS Hessen-Thueringen, Helaba's in-house home loans and savings brand. Helaba's retail business faces higher competition than most domestic savings banks due to the presence of many competitors in the Frankfurt am Main region. Combined with margin pressure from negative interest rates in the past decade, this resulted in only a modest contribution to Helaba's earnings before 2022. However, Frankfurter Sparkasse benefited substantially from the increase in interest rates in 2023 and 1H24, more than offsetting muted new business and higher LICs in the corporates and markets and CRE segments.

While operating income remains largely dependent on net interest income, the contribution of non-interest income to revenue (38% on average in the last four years) is above that of other Landesbanken, and benefits significantly from net rents collected from Helaba's investments in residential properties managed by GWH Group. Net commission income is mainly generated from payments, lending, asset management for institutional clients through Helaba Invest (EUR165 billion assets under management, AuM) and wealth management mainly for savings bank clients through Frankfurter Bankgesellschaft (EUR20 billion AuM). However, these two subsidiaries contribute only a minor share of profit given their small scale.

Risk Profile

Helaba's risk profile is dominated by credit risk. Underwriting standards are broadly in line with those of Landesbanken peers for most asset classes.

Similar to peers, Helaba has tightened its underwriting standards for CRE loans since the beginning of 2023, and temporarily reduced its exposure to the sector by 9% to EUR35.7 billion at end-1H24. Compared with its Landesbanken peers and to most large German banks, Helaba is more exposed to CRE developers, office (50% of CRE loans) and retail (13% of CRE loans) properties. Helaba's CRE portfolio is primarily located in Germany (39%) and in other European countries (mainly France and the UK, 34%), but the bank has a higher exposure than its peers to North America (27%, mainly New York and Washington D.C. metropolitan regions). However, over half of Helaba's CRE exposure to North America is residential, and the size of the US office portfolio is around EUR3 billion.

Helaba's exposure to corporates and asset finance amounted to EUR53 billion at end-1H24, and is well diversified by sector, with moderate single-borrower concentrations. The portfolio is mostly exposed to Germany (56%), followed by other European countries (33%) and North America (8%). Helaba focuses on German corporates with more than EUR250 million in revenue, and has a higher appetite for acquisition finance compared with peers (EUR3.7 billion exposure at end-1H24).

Market risk is driven by interest-rate and credit spread risk, both of which are adequately hedged. Helaba's vulnerability to interest-rate shocks is considerably lower than that of most German banks due to the higher proportion of match-funded business. A flattening of the yield curve (the regulatory stress scenario that leads to the worst outcome) would result in an economic loss of EUR194 million in the banking book (about 2% of CET1 capital). Foreign exchange, commodity and equity risks are not material. Trading volumes are commensurate with Helaba's size and business model. Trading assets were less than 6% of total assets at end-1H24, and net trading income is typically less than 5% of revenue.

Financial Profile

Asset Quality

Helaba's impaired-loans ratio increased sharply to 3.1% by end-1H24 (end-2022: 0.8%), above that of its peers, driven by defaults in the bank's CRE portfolio and, more recently, in the bank's corporate loan book. Impaired loans generation was higher in Helaba's CRE portfolio compared with other Landesbanken in the 18 months to end-1H24. We project Helaba's impaired-loans ratio to continue to increase, albeit at a slower rate, to around 4% in 2025, driven by CRE and corporate defaults, also on the back of the weaker German economy. At the same time, we expect the bank to increase impaired workouts and sales.

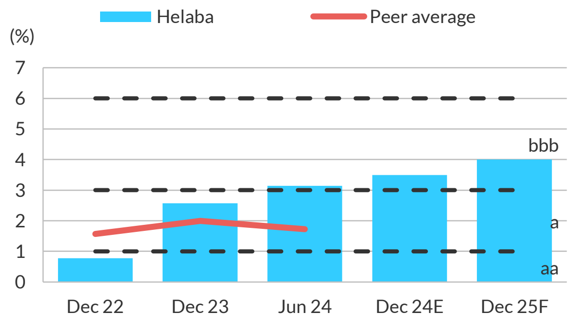
Helaba's Stage 2 loans ratio increased to 27% at end-1H24 (end-2023: 8%), significantly above its peers. However, we believe this does not indicate heightened risk as the stage transfer is largely driven by a shift of the management overlay from a post-model to an in-model adjustment.

Helaba reported EUR173 million in LICs (29bp of gross loans on an annualised basis) in 1H24, up 59% compared with 1H23. We expect LICs to gradually decline, but to remain higher than the historical average, in 2H24 and 2025, driven by new defaults and higher provisions on loans already impaired. The latter could also be exacerbated by a reassessment of collateral values in the bank's CRE portfolio. Helaba has a higher proportion of CRE loans with a loan-to-value ratio above 75% compared with large Landesbanken peers. Similar to some peers, we believe that collateral valuations do not fully reflect the decrease in market values.

Loan-loss allowances covered 37% of impaired loans at end-1H24. The impaired-loans coverage is significantly below that of large peers mainly because 80% of Helaba's impaired loans are backed by CRE collateral. Loan-loss allowances include a management overlay, which was partially released to EUR269 million (23bp of gross loans) at end-1H24 (end-1H23: EUR351 million).

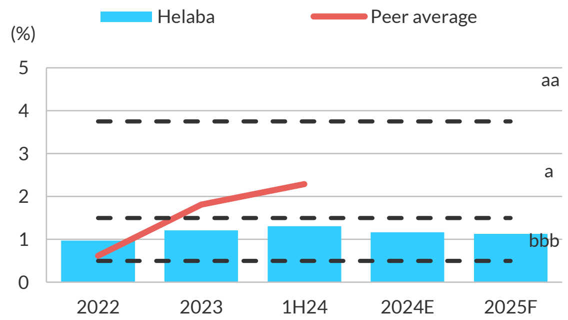
Lower-risk lending to public sector entities and promotional business conducted on behalf of the state account for 39% of total lending volumes. Non-loan assets are generally of good credit quality and neutral to our asset-quality assessment.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Helaba reported EUR413 million profit before tax in 1H24, a 23% year-on-year increase, driven by a significant rise in net interest income, which offset higher LICs. Non-interest income remained roughly stable, making up about 37% of total income. Non-interest expenses remained broadly stable, with higher IT investments and personnel expenses offset by the termination of payments to the European Single Resolution Fund.

Helaba's subsidiaries had a significant role in balancing lower earnings at the parent. High deposit margins drove Frankfurter Sparkasse's strong performance, while earnings net of amortisations from residential investment properties managed by GWH Group contributed to around a quarter of pre-tax profit. However, Helaba's corporates and markets segment saw a significant drop in profit before taxes to EUR41 million in 1H24 (1H23: EUR183 million), mainly due to a sharp increase in LICs. The CRE segment benefited from the release of management overlays and stable net interest income despite lower loan volumes.

Helaba aims for EUR1 billion profit before tax in the medium term, driven by lower LICs and both organic and inorganic growth, especially in non-interest income, to more than offset expected cost inflation. We expect net interest margins to continue to decline in 2025 and 2026 in line with lower interest rates but to remain above the average level of 2019–2022. We expect Helaba's operating profit to remain at around 1% of RWAs in the next two years.

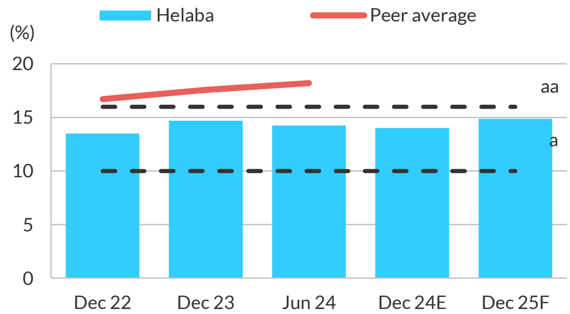
Capitalisation and Leverage

Helaba's capital ratios have sufficient buffers above regulatory requirements to absorb cyclical performance swings. The CET1 ratio declined to 13.7% by end-September 2024 (end-2023: 14.7%) due to internal modelling changes and the replacement by the State of Hesse of its EUR1.9 billion silent participation in Helaba with EUR1.5 billion in common shares, following the European Banking Authority's decision to cease the recognition of silent participation as CET1 capital. Helaba also issued EUR0.5 billion of additional Tier 1 capital to the State of Hesse and strengthened its Tier 1 capital ratio to 15.11%, 370bp above its regulatory Tier 1 requirement, which is Helaba's most binding capital requirement.

In 4Q24 and 2025, capital ratios should continue to benefit from resilient profitability, modest loan growth and RWA optimisation measures, including significant risk transfers and syndications, offsetting negative rating migrations. The bank's transitory regulatory capital ratios will also substantially benefit from the implementation of final Basel III rules in 2025 and 2026. These benefits will be reversed by the phase in of the output floor towards the end of the decade. In the medium term, the bank's capitalisation also offers some room for potential loan growth, bolt-on acquisitions and higher dividend payments. At 26%, the CET1 capital burden from unreserved impaired loans is higher than at its peers. However, this is mitigated by the high proportion of real estate collateral.

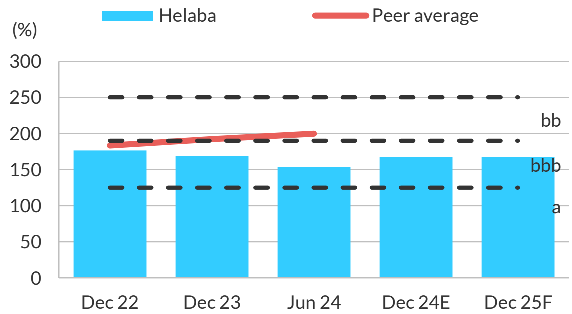
Helaba's Basel leverage ratio (4.9%) and RWA density (31%) at end-September 2024 were broadly in line with those of other Landesbanken and with the median for large European banks.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Helaba's reliance on wholesale deposits and market funding is mitigated by its privileged placement capacity within SFG, which ensures stable access to the savings banks' excess liquidity and valuable insulation from funding market disruptions. This is because deposits and investments in Helaba's unsecured debt by savings banks and other Landesbanken have a 0% regulatory risk weight. Moreover, about 20% of market funding is guaranteed by the State of Hesse to finance WIBank's promotional lending.

At end-1H24, interbank deposits accounted for close to a quarter of total funding, but more than one third were from savings banks and other Landesbanken. Customer deposits accounted for 41% of total funding. Corporate deposits were about half of customer deposits and were primarily price-sensitive treasury deposits with maturities of under three months. Through Frankfurter Sparkasse, Helaba also has access to a granular and sticky retail deposit base, which accounted for 30% of customer deposits. The remaining deposits are mainly from German municipalities and Helaba's federal state owners.

Helaba also has a well-established capital markets franchise across a diversified range of products. The bank significantly exceeds its minimum requirement for own funds and eligible liabilities of 26.18% of RWAs (including the combined buffer requirement), thanks to its large stock of legacy senior non-preferred (SNP) debt. We expect resolution buffers to decline gradually as legacy SNP debt matures, but to remain comfortably above required levels.

Helaba's liquidity is sound. Less than 60% of its mortgage and public covered pools (EUR16 billion and EUR31 billion, respectively; combined 23% of total assets) were encumbered by covered bonds at end-September 2024, ensuring an additional stable liquidity source if market conditions worsen. The bank's high-quality liquid assets were EUR52.1 billion at end-September 2024, including mostly central bank overnight deposits. This offers a sufficient buffer against EUR30 billion credit commitments. Helaba has a target regulatory liquidity coverage ratio of 135%, which it has comfortably exceeded in the past two years.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or M&A activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

Peer average includes Landesbank Baden-Wuerttemberg (VR: bbb+), Bayerische Landesbank (bbb+), Norddeutsche Landesbank Girozentrale (bb+), Landesbank Saar (bbb-), UniCredit Bank GmbH (a-), IKB Deutsche Industriebank AG (bbb-), NIBC Bank N.V. (bbb+), Aareal Bank AG (bbb).

Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	1st half (USDm)	1st half (EURm)	12 months (EURm)	12 months (EURm)	12 months (EURm)
Summary income statement					
Net interest and dividend income	981	913	1,859	1,434	1,335
Net fees and commissions	292	272	535	533	485
Other operating income	294	274	470	475	456
Total operating income	1,568	1,459	2,864	2,442	2,276
Operating costs	937	872	1,681	1,653	1,482
Pre-impairment operating profit	631	587	1,183	789	794
Loan and other impairment charges	186	173	448	162	207
Operating profit	445	414	735	627	587
Other non-operating items (net)	-1	-1	-13	6	-18
Tax	124	115	256	202	68
Net income	320	298	466	431	501
Summary balance sheet					
Assets					
Gross loans	125,192	116,512	118,441	121,155	119,113
– Of which impaired	3,934	3,661	3,041	941	1,119
Loan loss allowances	1,462	1,361	1,222	844	714
Net loans	123,730	115,151	117,219	120,311	118,399
Interbank	14,118	13,139	13,540	13,904	15,686
Derivatives	9,316	8,670	9,929	11,247	16,011
Other securities and earning assets	28,741	26,748	25,376	22,720	25,358
Total earning assets	175,904	163,708	166,064	168,182	175,454
Cash and due from banks	41,988	39,077	32,864	40,266	34,039
Other assets	3,535	3,290	3,144	3,054	2,848
Total assets	221,428	206,075	202,072	211,502	212,341
Liabilities					
Customer deposits	81,511	75,859	70,209	68,551	63,411
Interbank and other short-term funding	54,709	50,916	52,506	70,774	63,518
Other long-term funding	59,878	55,726	55,922	45,773	52,061
Trading liabilities and derivatives	10,757	10,011	10,278	13,438	20,102
Total funding and derivatives	206,854	192,512	188,915	198,536	199,092
Other liabilities	2,840	2,643	2,476	2,387	2,859
Preference shares and hybrid capital	736	685	702	1,056	1,522
Total equity	10,998	10,235	9,979	9,523	8,868
Total liabilities and equity	221,428	206,075	202,072	211,502	212,341
Exchange rate		USD1 = EUR0.930665	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, Landesbank Hessen-Thueringen Girozentrale

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.3	1.2	1.0	0.9
Net interest income/average earning assets	1.1	1.1	0.8	0.7
Non-interest expense/gross revenue	60.1	58.8	67.8	65.8
Net income/average equity	5.9	4.8	4.7	5.8
Asset quality				
Impaired loans ratio	3.1	2.6	0.8	0.9
Growth in gross loans	-1.6	-2.2	1.7	-0.1
Loan loss allowances/impaired loans	37.2	40.2	89.7	63.8
Loan impairment charges/average gross loans	0.3	0.4	0.1	0.2
Capitalisation				
Common equity Tier 1 ratio	14.2	14.7	13.5	14.3
Tangible common equity/tangible assets	4.7	4.8	4.4	4.1
Basel leverage ratio	4.9	4.9	4.4	5.7
Net impaired loans/common equity Tier 1	25.5	20.4	1.1	4.4
Funding and liquidity				
Gross loans/customer deposits	153.6	168.7	176.7	187.8
Gross loans/customer deposits + covered bonds	128.6	139.5	145.9	146.7
Liquidity coverage ratio	173.6	188.7	216.8	188.0
Customer deposits/total non-equity funding	41.4	39.1	36.8	34.2
Net stable funding ratio	123.5	120.4	119.0	117.8

Source: Fitch Ratings, Fitch Solutions, Landesbank Hessen-Thueringen Girozentrale

Support Assessment

Shareholder Support	
Shareholder IDR	A+
Total Adjustments (notches)	0
Shareholder Support Rating	a+
Shareholder ability to support	
Shareholder Rating	A+/ Stable
Shareholder regulation	Equalised
Relative size	1 Notch
Country risks	Equalised
Shareholder propensity to support	
Role in group	1 Notch
Reputational risk	Equalised
Integration	1 Notch
Support record	Equalised
Subsidiary performance and prospects	1 Notch
Legal commitments	Equalised

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Helaba's SSR reflects our view of very high support propensity and ability from its owners. Fitch uses SFG's Long-Term IDR as the anchor rating for determining Helaba's support-driven ratings, the lower of the two owners' ratings. This is because Fitch believes support would need to be forthcoming from both SFG and the State of Hesse to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if Helaba fails. Fitch believes that the State of Hesse would participate in any support measures for the bank, but Helaba's SSR does not factor in such support.

Fitch's assumptions on support from SFG are underpinned by the provisions contained in the statutes of the IPSs of SFG and the Landesbanken. In 2021, SFG initiated a reform of its IPS, which came into force in January 2024. In Fitch's view, the amendments have substantially strengthened its governance, risk-monitoring capabilities and available funds.

Fitch believes that the reformed IPS, underpinned by a dedicated rulebook, more clearly defines the responsibilities and timelines in a potential support scenario. Decision-making within the IPS is streamlined and more efficient, and the role and powers of the IPS's central body have been strengthened. The central body determines recovery and support measures, including the raising of required funds from its members, with a simple majority within two weeks of the receipt of the request for intervention. We therefore believe that the IPS would provide support to a member in need in a timelier manner.

The risk-monitoring system has been strengthened with quantitative triggers, allowing for early identification of a member with a deteriorating financial profile and enabling early intervention measures. This is also supported by a newly created internal audit unit within the IPS. In our view, this should result in timely interventions and avoid a protracted decision-making process.

The creation of an additional support fund as part of the reform, which we estimate will reach EUR5 billion–6 billion by 2033, also improves the IPS's ability to support a larger number of members that may require capital support at the same time. This is in addition to SFG's sound pre-impairment operating profitability and strong capitalisation, which already provide it with sufficient financial flexibility to support the Landesbanken. Fitch's support assumptions are also underpinned by Helaba's focus on its statutory roles.

Environmental, Social and Governance Considerations

FitchRatings **Landesbank Hessen-Thueringen Girozentrale**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

ESG Relevance to Credit Rating

Landesbank Hessen-Thueringen Girozentrale has 5 ESG potential rating drivers

- Landesbank Hessen-Thueringen Girozentrale 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.

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) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
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	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	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; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	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	Business Profile (incl. Management & governance); Financial Profile	1

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

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h 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 Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	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	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

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 is a score of '3', unless otherwise disclosed in this section. A score of '3'means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.