# Landesbank Hessen-Thueringen Girozentrale

## Update

### Key Rating Drivers

**Support Drives IDRs:** Landesbank Hessen-Thueringen Girozentrale's (Helaba) Long-Term Issuer Default Rating (IDR) is one notch above its Shareholder Support Rating (SSR), to reflect the bank's very large resolution debt buffer.

The SSR is aligned with the Long-Term IDR of the German savings bank group Sparkassen-Finanzgruppe (Sparkassen) (SFG; A+/Stable/F1+). This reflects Fitch Ratings' view of a very high probability of timely support from SFG, based on Helaba's membership of the Institutional Protection Scheme (IPS). The Stable Outlook on Helaba's Long-Term IDR mirrors that on SFG's.

We believe support would also be available from the bank's other owners, the states of Hesse and Thuringia. Fitch uses SFG's Long-Term IDR as the anchor rating because support would need to be forthcoming from SFG and the regional owners to avoid triggering state aid considerations and resolution under the German Recovery and Resolution Act if Helaba fails.

**German Corporate Bank:** 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 than international peers. This is mitigated by adequate capitalisation and access to the savings banks' excess liquidity.

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. Intense competition in most of Helaba's product areas limits pricing power and affects profitability, as for German peers.

**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 exposure to CRE development, office properties and CRE in the US is higher than at its peers. Market risk is adequately hedged.

**Above-Average Impaired Loans:** The impaired loans ratio of 3.1% at end-2025 is above German peers', driven by CRE portfolio defaults. We project the ratio to remain broadly stable in the next two years, as new CRE and corporate defaults should be mostly offset by workouts. However, we expect loan impairment charges (LICs) to remain above their historical average.

**Stable Profitability, Behind Peers:** Lower net interest income was largely offset by lower LICs and higher income from customer-related trading. However, average profitability is weaker than most peers', with lower margins and higher costs. We expect operating profit to be about 1% of risk-weighted assets (RWAs) in the next two years.

**Sound Funding and Liquidity:** Helaba is mainly wholesale-funded, as 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.

### 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 SSR.

Helaba's VR would be likely to be downgraded if the impaired loans ratio increased above 5% for an extended period, or if heightened LICs weighed on 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 Helaba's VR would be contingent on a durable lowering of the impaired loans ratio below 3% and maintaining the operating profit/RWAs ratio above 1%. An upgrade would also require the common equity Tier 1 ratio to remain above 14%.

## Other Debt and Issuer Ratings

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

Source: Fitch Ratings

Helaba's Derivative Counterparty Rating, long-term deposit rating and long-term senior preferred debt (senior unsecured debt under Fitch's *Bank Rating Criteria*) rating are one notch above the bank's SSR. This reflects the protection of preferred creditors arising from the bank's very large resolution buffers, including senior non-preferred and more junior debt. This buffer was 32.3% of RWAs at end-2025. The senior non-preferred and legacy senior unsecured debt ratings are in line with the bank's SSR.

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 debt 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 the bank's Long-Term SSR to reflect poor recoveries in case of non-performance. Fitch uses Helaba's SSR 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.

## Significant Changes from Last Review

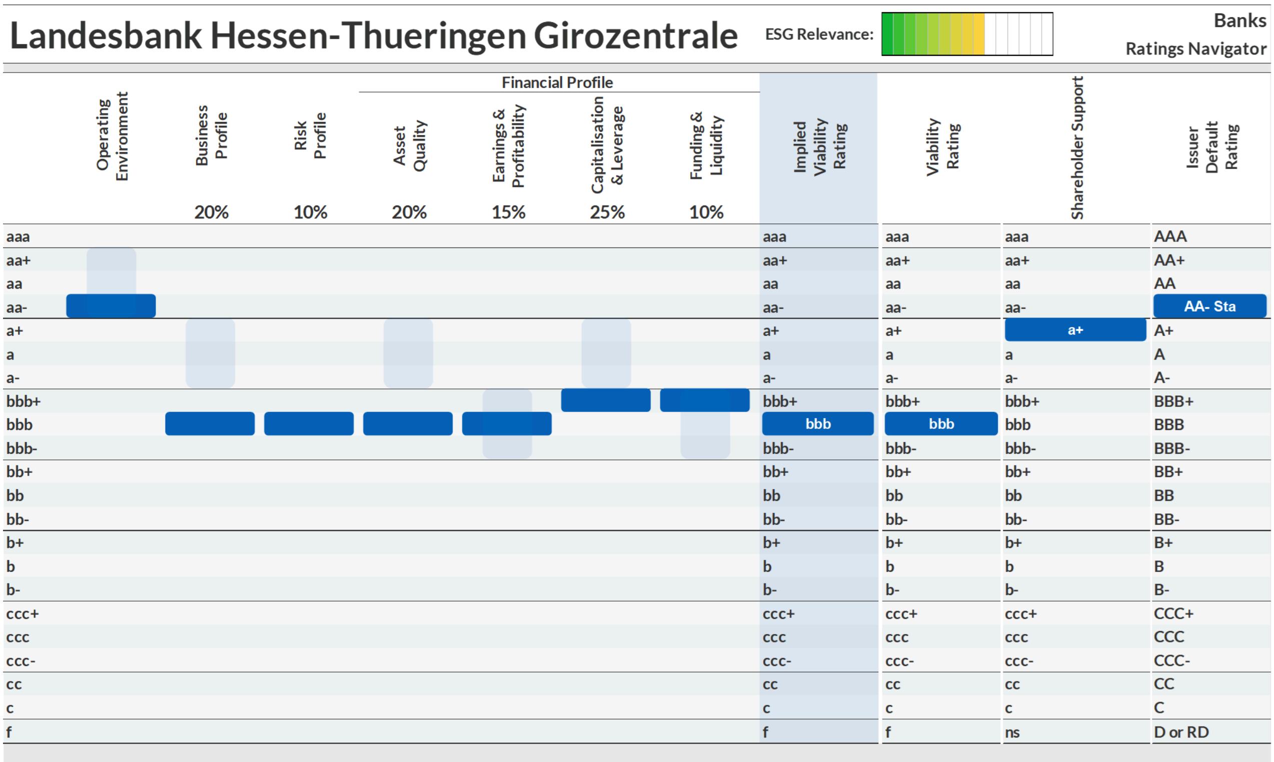
Helaba's 2025 earnings remained resilient and broadly in line with previous years, with operating profit of EUR734 million (2024: EUR771 million). Total operating income was stable as a fall in net interest income was offset by higher fee and trading income. Operating costs increased by 6.9% to EUR1.9 billion, driven by higher staff expenses and IT infrastructure investments. We expect operating profit to decline in 2026 due to lower fair value gains, heightened LICs, and rising personnel and IT costs.

The impaired loans ratio improved to 3.1% at end-2025 (end-2024: 3.4%) as the bank actively reduced its stock of impaired CRE loans. LICs declined to 23bp of gross loans in 2025 (2024: 31bp), driven by lower additions in both the real estate and corporate loan portfolios.

We expect LICs and the impaired loans ratio to be broadly stable in 2026 as economic conditions remain challenging in Germany. Helaba has no direct exposure to the Middle East; therefore, we do not expect a significant direct effect on the bank's asset quality from the Iran conflict. Nevertheless, second-round effects relating to higher energy prices and inflation could affect the bank's customers.

Helaba's capitalisation strengthened in 2025, with the common equity Tier 1 ratio rising to 16.7% at end-2025 (end-2024: 14.2%). Temporary regulatory relief linked to the implementation of Basel III endgame rules and a low payout ratio supported this rise. We expect capitalisation to remain sound in 2026.

## 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 and 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).

## Financials

### Financial Statements

| | 31 Dec 22 12 months (EURm) | 31 Dec 23 12 months (EURm) | 31 Dec 24 12 months (EURm) | 31 Dec 25 12 months (EURm) | 31 Dec 26F 12 months (EURm) | 31 Dec 27F 12 months (EURm) |
|---|---|---|---|---|---|---|
| **Summary income statement** | | | | | | |
| Net interest and dividend income | 1,434 | 1,859 | 1,811 | 1,639 | - | - |
| Net fees and commissions | 533 | 535 | 578 | 594 | - | - |
| Other operating income | 475 | 470 | 523 | 673 | - | - |
| Total operating income | 2,442 | 2,864 | 2,912 | 2,906 | 2,844 | 2,954 |
| Operating costs | 1,653 | 1,681 | 1,784 | 1,907 | 1,943 | 2,005 |
| Pre-impairment operating profit | 789 | 1,183 | 1,128 | 999 | 901 | 948 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Loan and other impairment charges | 162 | 448 | 357 | 265 | 278 | 293 |
| Operating profit | 627 | 735 | 771 | 734 | 623 | 655 |
| Other non-operating items (net) | 6 | -13 | -4 | -3 | - | - |
| Tax | 202 | 256 | 241 | 217 | - | - |
| Net income | 431 | 466 | 526 | 514 | 467 | 492 |
| | | | | | | |
| **Summary balance sheet** | | | | | | |
| **Assets** | | | | | | |
| Gross loans | 121,155 | 118,442 | 116,211 | 113,322 | 114,455 | 116,172 |
| – of which impaired | 941 | 3,056 | 3,919 | 3,495 | - | - |
| Loan loss allowances | 844 | 1,223 | 1,456 | 1,259 | - | - |
| Net loans | 120,311 | 117,219 | 114,755 | 112,063 | - | - |
| Interbank | 13,904 | 13,540 | 12,941 | 13,038 | - | - |
| Derivatives | 11,247 | 9,929 | 8,866 | 8,177 | - | - |
| Other securities and earning assets | 22,720 | 25,376 | 27,349 | 30,691 | - | - |
| Total earning assets | 168,182 | 166,064 | 163,911 | 163,969 | - | - |
| Cash and due from banks | 40,266 | 32,864 | 33,438 | 34,416 | - | - |
| Other assets | 3,054 | 3,144 | 3,290 | 3,447 | - | - |
| Total assets | 211,502 | 202,072 | 200,639 | 201,832 | 204,676 | 209,054 |
| | | | | | | |
| **Liabilities** | | | | | | |
| Customer deposits | 68,551 | 70,209 | 75,922 | 70,263 | 72,371 | 74,542 |
| Interbank and other short-term funding | 70,774 | 52,506 | 49,224 | 57,091 | - | - |
| Other long-term funding | 45,773 | 55,922 | 53,246 | 52,829 | - | - |
| Trading liabilities and derivatives | 13,438 | 10,278 | 8,772 | 8,209 | - | - |
| Total funding and derivatives | 198,536 | 188,915 | 187,164 | 188,392 | - | - |
| Other liabilities | 2,387 | 2,476 | 2,455 | 2,168 | - | - |
| Preference shares and hybrid capital | 1,056 | 702 | 987 | 857 | - | - |
| Total equity | 9,523 | 9,979 | 10,033 | 10,415 | - | - |
| Total liabilities and equity | 211,502 | 202,072 | 200,639 | 201,832 | - | - |

Source: Fitch Ratings, Fitch Solutions, Helaba

## Key Ratios

| (%) | 31 Dec 22 | 31 Dec 23 | 31 Dec 24 | 31 Dec 25 | 31 Dec 26F | 31 Dec 27F |
|---|---|---|---|---|---|---|
| **Profitability** | | | | | | |
| Operating profit/risk-weighted assets | 1.0 | 1.2 | 1.2 | 1.3 | 1.1 | 1.1 |
| Net interest income/average earning assets | 0.8 | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 |
| Non-interest expense/gross revenue | 67.8 | 58.8 | 61.5 | 65.8 | 68.4 | 67.9 |
| Net income/average equity | 4.7 | 4.8 | 5.2 | 5.0 | - | - |
| | | | | | | |
| **Asset quality** | | | | | | |
| Impaired loans ratio | 0.8 | 2.6 | 3.4 | 3.1 | 3.3 | 3.5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Growth in gross loans | 1.7 | -2.2 | -1.9 | -2.5 | 1.0 | 1.5 |
| Loan loss allowances/impaired loans | 89.7 | 40.0 | 37.2 | 36.0 | 35.6 | 35.1 |
| Loan impairment charges/average gross loans | 0.1 | 0.4 | 0.3 | 0.2 | 0.2 | 0.3 |
| | | | | | | |
| **Capitalisation** | | | | | | |
| Common equity Tier 1 ratio | 13.5 | 14.7 | 14.2 | 16.7 | 16.9 | 17.1 |
| Tangible common equity/tangible assets | 4.4 | 4.8 | 4.9 | 4.9 | - | - |
| Basel leverage ratio | 4.4 | 4.9 | 5.2 | 5.4 | - | - |
| Net impaired loans/common equity Tier 1 | 1.1 | 20.5 | 27.9 | 24.0 | - | - |
| | | | | | | |
| **Funding and liquidity** | | | | | | |
| Gross loans/customer deposits | 176.7 | 168.7 | 153.1 | 161.3 | - | - |
| Gross loans/customer deposits + covered bonds | 145.9 | 139.5 | 128.9 | 133.0 | 130.7 | 128.8 |
| Liquidity coverage ratio | 216.8 | 188.7 | 166.1 | 164.0 | - | - |
| Customer deposits/total non-equity funding | 36.8 | 39.1 | 42.3 | 38.7 | - | - |
| Net stable funding ratio | 119.0 | 120.4 | 120.2 | 123.2 | - | - |

Source: Fitch Ratings, Fitch Solutions, Helaba

## 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
Source: Fitch Ratings, Fitch Solutions

Helaba's SSR reflects our view of very high support propensity and ability from its owners.

Fitch uses SFG's Long-Term IDR, the lower of the owners' ratings, as the anchor rating for determining Helaba's support-driven 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. SFG initiated a reform of its IPS in 2021, which came into force in January 2024. In Fitch's view, the amendments substantially strengthened its governance, risk-monitoring capabilities and available funds.

Fitch believes that the reformed IPS, underpinned by a dedicated rulebook, 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 timely 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 to EUR6 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.

## Ratings

| | |
|---|---|
| **Foreign Currency** | |
| Long-Term IDR | AA- |
| Short-Term IDR | F1+ |
| Derivative Counterparty Rating | AA-(dcr) |
| | |
| Viability Rating | bbb |
| | |
| Shareholder Support Rating | a+ |
| | |
| **Sovereign Risk (Germany)** | |
| 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 (May 2026)

## Related Research

German Landesbanken – Peer Credit Analysis (September 2025)
Fitch Takes Rating Actions on 8 German Banking Groups Following Criteria Update (May 2026)
Fitch Affirms Sparkassen-Finanzgruppe at 'A+'; Outlook Stable (January 2026)
Global Economic Outlook (June 2026)

## Analysts

Marco Diamantini
+49 69 768076 114
marco.diamantini@fitchratings.com

Justus Roppertz
+49 69 768076 232
justus.roppertz@fitchratings.com

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