

Landesbank Hessen-Thüringen Girozentrale

Update

Key Rating Drivers

Support Drives IDRs: Landesbank Hessen-Thüringen 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

Landesbank Hessen-Thüringen Girozentrale							ESG Relevance:	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Shareholder Support	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA- Sta
a+							a+	a+	a+	A+
a							a	a	a	A
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

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)

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