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CREDIT OPINION
25 April 2024

Update

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RATINGS

Landesbank Hessen-Thueringen Girozentrale

Domicile	Frankfurt am Main, Germany
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa2
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Aa2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. *The ratings and outlook shown reflect information as of the publication date.*

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Landesbank Hessen-Thueringen Girozentrale

Update following upgrade of ratings

Summary

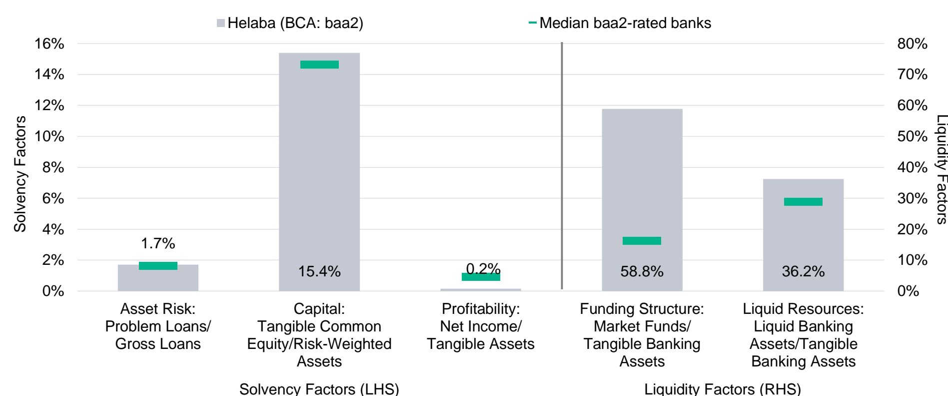
On 15 March 2024, we upgraded Landesbank Hessen-Thueringen GZ's (Helaba) long-term deposit, long-term issuer, and senior unsecured ratings to Aa2 from Aa3 with a stable outlook. Concurrently, we affirmed Helaba's Baseline Credit Assessment (BCA) at baa2 and upgraded its Adjusted BCA to a3 from baa1.

Helaba's Aa2 deposit and senior unsecured debt ratings reflect its baa2 BCA, a two-notch rating uplift from its membership in the institutional protection scheme of Sparkassen-Finanzgruppe (S-Finanzgruppe; Aa2 stable, a2[1]), the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities, which results in three notches of rating uplift, and a one-notch rating uplift resulting from government support, given its membership in the systemically relevant S-Finanzgruppe.

The baa2 BCA considers the materially weakened asset quality in the bank's commercial real estate portfolio as well as it's exposure to the strained German economy. At the same time, the BCA incorporates the bank's improved capitalisation, which provides Helaba with headroom to withstand adverse developments. Helaba's improved net interest income in the higher interest rate environment enables the bank to absorb increased loan loss provisions. The BCA takes into account Helaba's elevated market funding dependence, despite access to funding from savings and development banks. The bank's ample liquid resources continue to provide a strong mitigant against any potential funding challenges, however.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Ratings and company filings

Credit strengths

» Sound capitalisation, which continues to provide Helaba with sufficient headroom to withstand adverse economic developments.

» Improved net interest income in the higher rates environment.

» Good access to sector funds and sound liquid resources that could be bolstered further by retained covered bond issuance in case of need.

Credit challenges

» High exposures to the cyclical and currently struggling commercial real estate (CRE) sector, as well as to the recessionary German economy.

» Continued subdued profitability in an international context.

» Dependence on confidence-sensitive market funding, which remains significant despite its access to sector and development bank funds.

Outlook

The stable outlook on Helaba's long-term deposit, long-term issuer, and senior unsecured ratings reflects the stable outlook of S-Finanzgruppe. The stable outlook further incorporates our expectation of a broadly unchanged liability structure of Helaba.

Factors that could lead to an upgrade

» An upgrade of Helaba's long-term ratings could be triggered by an improvement in the financial strength of S-Finanzgruppe.

» Helaba's junior senior unsecured and subordinate ratings could potentially also be upgraded if the bank were to issue substantial additional volumes of capital instruments, such that it reduces the loss severity for these instrument classes.

» An upgrade of the BCA could result from a sustainably strengthened financial profile, in particular an improved business diversification, reduced concentration risks in the loan book, and a significant reduction in market funding. However, an upgrade of Helaba's BCA would not result in an upgrade of its Adjusted BCA or its ratings.

Factors that could lead to a downgrade

» Helaba's ratings would be downgraded following a downgrade of the Adjusted BCA, either as a result of a deterioration in the financial strength of S-Finanzgruppe or caused by a significantly weaker BCA of Helaba.

» Furthermore, a shift in the liability structure towards non-bail-in-able instruments, such that it increases the loss severity for a respective debt class and results in reduced rating uplift from our Advanced LGF analysis, could result in a downgrade.

» The BCA could be downgraded in case of a further material weakening of Helaba's asset quality, a concurrent decline in capitalisation and profitability, and a deterioration of the bank's combined liquidity profile.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Landesbank Hessen-Thueringen Girozentrale (Consolidated Financials) [1]

	06-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	200.8	198.7	194.3	194.0	185.2	2.3[4]
Total Assets (USD Billion)	219.1	212.1	220.1	237.3	207.9	1.5[4]
Tangible Common Equity (EUR Billion)	9.7	9.5	8.7	8.2	8.1	5.3[4]
Tangible Common Equity (USD Billion)	10.6	10.1	9.9	10.0	9.1	4.4[4]
Problem Loans / Gross Loans (%)	1.7	0.8	1.0	0.7	0.5	0.9[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.4	14.6	13.6	13.5	13.6	14.1[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	18.2	9.2	12.0	8.4	5.8	10.7[5]
Net Interest Margin (%)	0.8	0.7	0.6	0.6	0.7	0.7[5]
PPI / Average RWA (%)	1.5	1.2	1.0	0.8	1.0	1.1[6]
Net Income / Tangible Assets (%)	0.2	0.1	0.2	0.1	0.2	0.2[5]
Cost / Income Ratio (%)	63.9	68.4	70.3	75.7	73.1	70.3[5]
Market Funds / Tangible Banking Assets (%)	57.3	58.8	55.4	54.5	53.2	55.9[5]
Liquid Banking Assets / Tangible Banking Assets (%)	36.6	36.2	36.5	36.5	33.5	35.9[5]
Gross Loans / Due to Customers (%)	180.6	194.1	178.9	179.3	189.1	184.4[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

Profile

Helaba is a German universal bank, with a regional focus on the German federal states of Hesse, Thuringia, North Rhine-Westphalia, and Brandenburg. The bank operates as a central institution for the savings banks in the aforementioned four federal states and, thus, covers around 40% of all savings banks in Germany. As of 31 December 2023, the bank reported total consolidated assets of €202.1 billion and employed around 6,500 staff. As of the same date, the bank's share capital was 8.1% owned by the State of Hesse and 4.05% by the Free State of Thuringia, with the remainder being owned by several savings banks' entities.

In addition to its role for the regional savings banks, Helaba provides a range of wholesale and retail banking services to corporate and private clients, institutional customers, and central, regional, and local public authorities, as well as municipal corporations. Moreover, Helaba consolidates Wirtschafts- und Infrastrukturbank Hessen (WIBank), a regional development bank, which benefits from a direct statutory refinancing guarantee from the State of Hesse.

For further details, please refer to Helaba's latest Issuer Profile and our German Banking System Outlook.

Weighted Macro Profile of Strong (+)

As of year-end, 70% of Helaba's exposures derived from Germany, which has a Strong (+) Macro Profile assigned, while other European countries (Macro Profile of Strong) accounted for 21% and North America (Strong (+)) accounted for 8%. The weighted average of these exposures resulted in a Strong (+) Weighted Macro Profile for Helaba.

Detailed credit considerations

High exposure to cyclical CRE risks and to the weakened German economy

We assign a baa2 Asset Risk score, four notches below the a1 initial score, taking into account the bank's total exposure to the cyclical and currently struggling CRE sector, as well as to the recessionary German economy at large. Furthermore, we consider the bank's exposure to market risk as a driver for the adjustment.

Helaba's problem loans rose sharply during 2023, from €947 million at the start of the year to €1,935 million as of 30 June 2023 and to €3,058 million as of 31 December 2023. The main driver of the rapid increase was the bank's CRE portfolio in Germany. Helaba's total CRE exposures (including real estate funds) amounted to €36.7 billion in terms of business volume as of 31 December 2023 (€39.2 billion as of year-end 2022), and thus represents a considerable concentration risk, especially compared with the group's Common Equity Tier 1 (CET1) capital of €8.9 billion as of year-end 2023. As of the same date, office space exposure dominated the

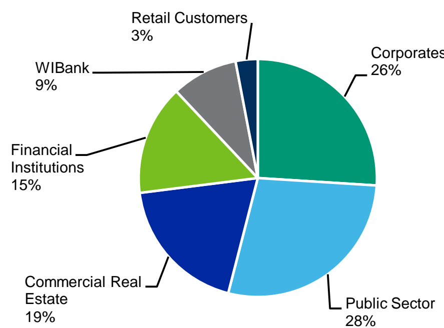
portfolio with a share of 49% of business volume, followed by residential buildings (22%), retail and shopping centres (14%), logistics properties (7%), and other categories (8%). In terms of geography, 40% of exposures derived from Germany, followed by North America (26%), the UK and France (16% in total), and other European countries (18%). Until recently, Helaba's CRE portfolio had a sound history of low credit losses compared with those of its peers. However, given the rapid increase in problem loans and the bank's sizeable exposure to the office sector, we expect that asset quality will deteriorate further at Helaba in 2024 and potentially in 2025.

The bank's other main credit risk stems from its well diversified corporate and asset finance book, which amounted to €54.6 billion in terms of business volume as of 31 December 2023, of which corporate loans and lease finance represented 38%, asset backed finance 19%, project finance 18%, structured trade and export finance 11%, acquisition finance 6%, aviation 3%, and land transport 5%. In terms of geography, 57% of business volume was sourced from Germany, 32% from other European countries (including 7% from the UK), 8% from North America, and 3% from other countries. Given the recessionary environment in Germany, Helaba's corporate and asset finance book could be a source of additional problem loans this year and next, though the year-end 2023 problem loans remained low.[2]

Exhibit 3

Helaba's exposures exhibit some significant sector concentrations

Business volume by customer group as of 31 December 2023

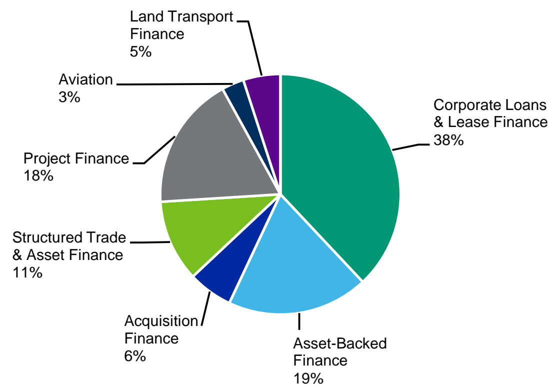


Source: Moody's Ratings and company filings

Exhibit 4

Corporate banking book is diversified but contains exposures to higher-risk sectors

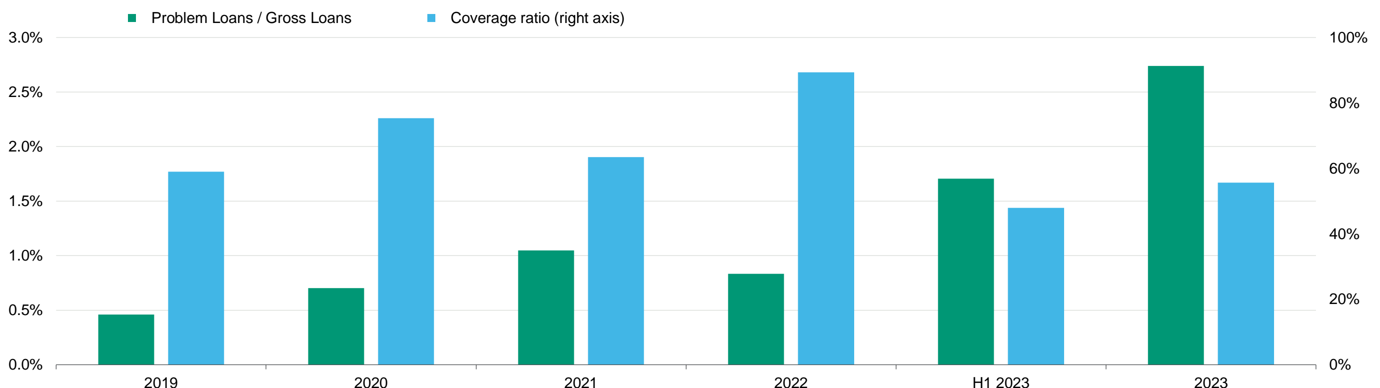
Corporate banking and asset finance business volume by product area as of 31 December 2023



Source: Moody's Ratings and company filings

Exhibit 5

Helaba's problem loan ratio increased sharply in 2023



Problem loan ratio in accordance with Moody's definition, 2023 figures are Moody's estimates
Source: Moody's Ratings and company filings

Capitalisation continues to provide a solid loss-absorption buffer

Helaba's assigned Capital score is a2, two notches below the aa3 initial score, reflecting potentially more outsized negative rating migrations due to the deteriorated credit environment, a potential impact from the supervisory review of the quality of the bank's own funds instruments, as well as our longer-term expectation regarding the potential negative impact of the upcoming regulatory changes related to the implementation of Basel IV.

As of year-end 2023, the bank's common equity tier 1 (CET1) ratio had improved to 14.7% due to an increase in capital and lower RWA, reflecting reduced customer loan balances, in particular lower CRE lending. Our measure of risk-based capital based on tangible common equity (TCE) to RWA also improved and is expected to have increased to 16.0% as of year-end 2023.[3]

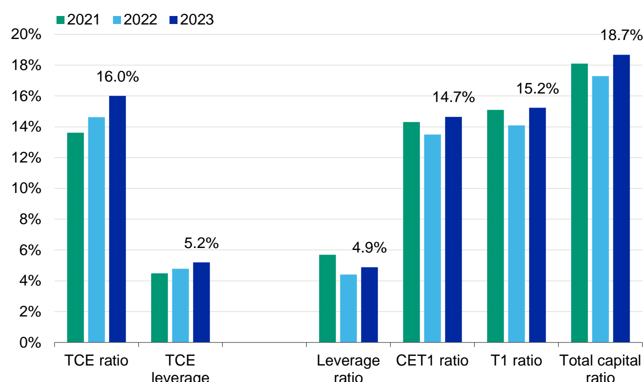
In 2024, we expect that the TCE ratio will soften again since the deteriorated credit environment will likely result in further negative rating migrations and, hence, higher RWA, increasing the bank's risk-density as measured by RWA to tangible assets. Furthermore, in the scope of a Europe-wide review into banks' capital components, the European Banking Authority raised questions regarding the capital contributions from the State of Hesse. A concept to resolve the situation has been prepared by bank and owners and was approved by the bank's executive bodies in December 2023.

Finally, in the longer term, the potential negative effects stemming from the implementation of Basel IV could - among other effects - result in a material increase in credit risk RWAs given Helaba's sizeable CRE exposures. Nonetheless, Helaba will remain adequately capitalised in comparison to its regulatory minimum capital requirements, which stand at present at 9.4%, 11.3%, and 13.9% on a CET1, Tier 1, and Total Capital basis, respectively.[4]

In terms of leverage, Helaba's regulatory leverage ratio improved to 4.9% in 2023 from 4.4% in 2022, while our leverage measure, which is based on TCE to tangible assets, is expected to have moved to above 5% as of year-end 2023 from 4.8% as of year-end 2022. In the future, we expect a further improvement in the bank's regulatory leverage ratio and at least a flat development of our TCE-based leverage ratio since Helaba will repay its remaining €6.6 billion of TLTRO III drawings in 2024, which is expected to reduce central bank cash holdings in a similar amount. The TCE leverage ratio is expected to remain above our 5% baseline expectation, and we therefore do not negatively adjust for leverage in the positioning of our assigned Capital score.

Exhibit 6

Helaba's solid capitalisation as of 31 December 2023

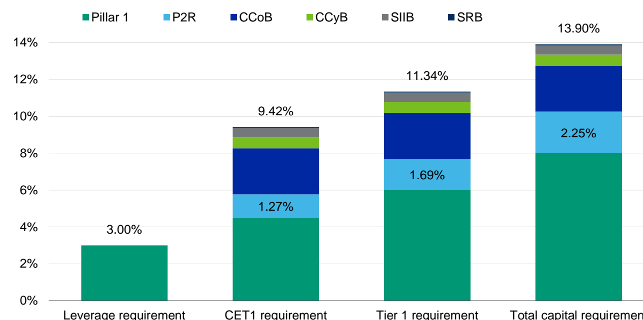


TCE = Tangible common equity (Moody's calculation); TCE leverage compares TCE with tangible banking assets; CET1 = Common Equity Tier 1; T1 = Tier 1 capital; the 2023 TCE ratio and TCE leverage are Moody's estimates

Sources: Moody's Ratings and company filings

Exhibit 7

Helaba's capital requirements as of 1 January 2024



CCoB = Capital Conservation Buffer, CCyb = Countercyclical Capital Buffer, SIIB = Systemically Important Institutions Buffer, SRB = Systemic Risk Buffer

Source: Moody's Ratings and company filings

Profitability has improved but will potentially decline again

We assign a b1 Profitability score, in line with the initial score, reflecting Helaba's likely earnings run rate in the next 2-3 years, which is expected to result in a return on tangible assets that continues to fall within the 0.125% to 0.250% bracket commensurate with a b1 score.

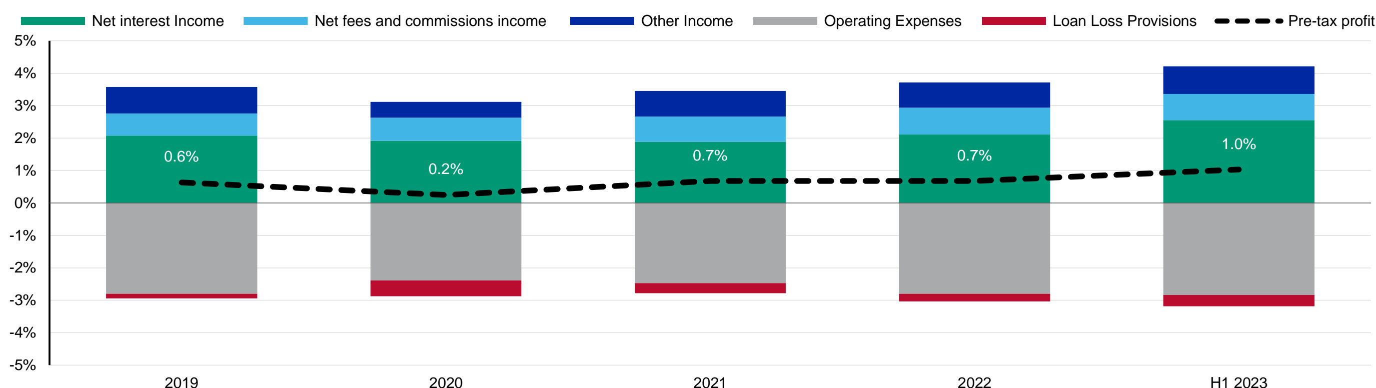
In 2023, Helaba's reported net income reached €466 million compared to €431 million in 2022. The improved result incorporated a €423 million or 29.8% improvement in net interest income to €1,840 million due to the higher interest rate environment, flattish net fee and commission income of €536 million and flattish other revenue items of €504 million. At the same time, operating costs rose by €59 million or 3.6% to €1,711 million, which resulted in a 47.0% increase in reported pre-provision profit that reached €1,169 million in 2023 compared to €795 million in 2022. Most of these gains were offset, however, by loan loss provisions of €448 million in 2023 compared to €162 million in 2022, reflecting the deteriorated asset quality in Helaba's CRE portfolio.

For 2024 and 2025, we forecast that Helaba's net interest income will shrink again, reflecting gradually declining interest rates, declining overall loan balances (driven by less CRE lending), as well as a declining liability margin. In addition, we expect that non-interest income will remain flattish due to lower loan origination fees and lower trading revenues offsetting gains in other areas. With operating costs slightly creeping up and continued elevated loan loss provisions due to a further weakening of the CRE market and the recessionary operating environment in Germany, Helaba's reported net income could potentially decline again in 2024 and 2025 according to our expectations. Helaba itself guides for stable profitability in 2024, with the bank's post-model management adjustments of €353 million as of 31 December 2023 providing an additional buffer.

Exhibit 8

Helaba's earnings recovered from the 2020 dip

Profitability breakdown as a percentage of average RWA



H1 2023 are annualised

Source: Moody's Ratings and company filings

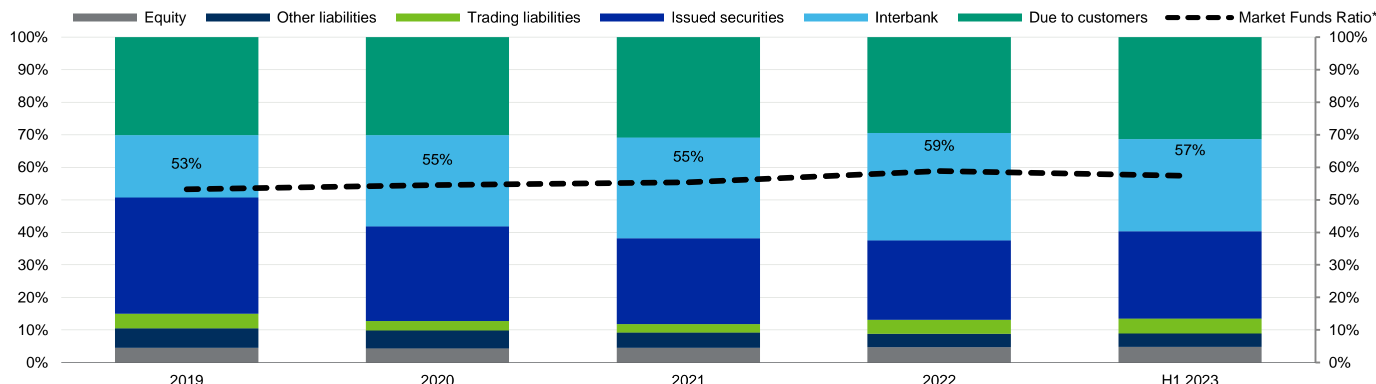
Funding from savings banks mitigates wholesale funding dependence

Our ba1 assigned Funding Structure score stands five notches above the b3 initial score. The positive adjustment reflects that our initial calculation of market funds includes sector and development bank funding, as well as the bank's TLTRO III drawings, which are not confidence-sensitive funding sources. Conversely, we consider promissory notes, registered bonds, and structured products sold to customers as market funding.

Helaba benefits from good access to stable funding resources provided by regional savings banks (and their retail clients) as well as its own retail client base, its strong covered bond franchise, access to development bank loans[5], and central bank funding. However, the bank also uses confidence-sensitive funding instruments, such as interbank, money market, bond, and promissory note funding, as well as institutional client deposits, which exposes the bank to refinancing risks in a more adverse market environment. In addition, Helaba's derivatives book, and the related risk of volatile collateralisation requirements, creates funding risk for the bank. These factors, as well as Helaba's Net Stable Funding Ratio (NSFR) of 120.4% as of 31 December 2023 and the bank's aim to broadly match-fund its lending business, are represented in our ba1 assigned Funding Structure score, five notches above the b3 initial score.

In the past, Helaba typically issued €13 billion to €18 billion in medium- and long-term debt instruments to a broad and diversified investor base per year, of which covered bonds usually accounted for about a third. In 2020 and 2021, however, only €5.1 billion and €11.0 billion of medium- and long-term funding was sourced in the financial markets, respectively, given the bank's €24.2 billion of TLTRO III drawings in 2020 and 2021. With €17.7 billion of medium- and long-term funding in 2022 and €16.2 billion in 2023, the bank returned to its usual issuance levels.

Exhibit 9
Helaba's liability structure and market funds ratio



*Market funds ratio = market funds/tangible banking assets.
Source: Moody's Ratings and company filings

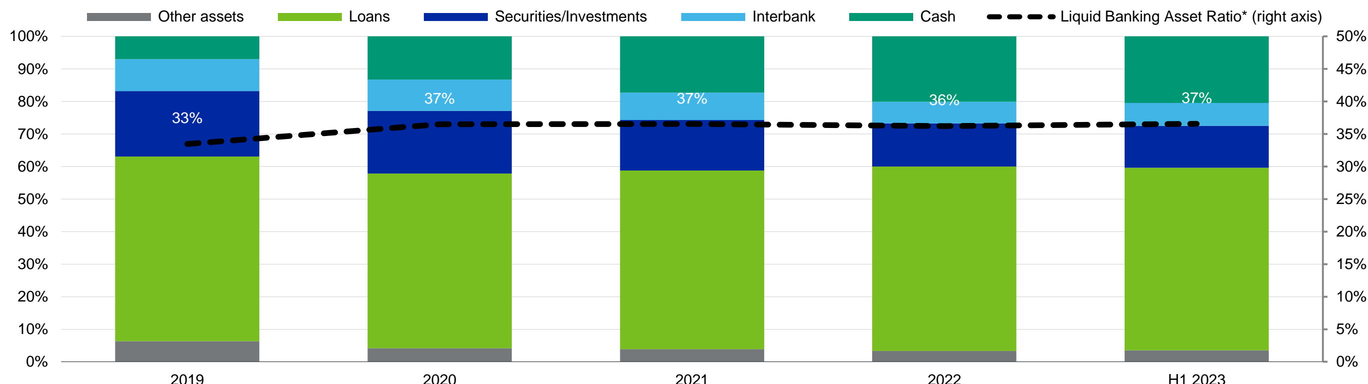
Sound liquidity could be further bolstered by covered bond issuance

The assigned a3 Liquid Resources score is positioned two notches below the a1 initial score, which reflects our consideration of asset encumbrance, level 3 fair-value and trading assets, intragroup restrictions, and the repayment of remaining TLTRO III funds. This is partly offset by Helaba's over-collateralised cover pools, which the bank could use to source additional liquidity at short notice if required. Together with Helaba's diversified funding mix, the bank's ample liquidity reserves provide it with significant flexibility in a more adverse market environment, mitigating potential funding challenges.

From our initial calculation of liquid banking assets, we deduct asset encumbrance, which mostly stems from Helaba's development bank pass-through loans, which represent collateral for its development bank funding that is passed on to the savings banks and to other banks, but also from collateral provided for repo transactions and for the bank's TLTRO III drawings. We also do not consider level 3 fair-value and trading assets as liquid because they are fair-valued on a mark-to-model basis and cannot easily be sold in times of market stress.

Conversely, additional liquidity could be generated at short notice through the issuance of retained covered bonds that can serve as collateral for additional central bank funding. As of 31 December 2023, Helaba reported an outstanding nominal volume of €9.2 billion and €20.7 billion for its mortgage and public sector covered bond programmes, respectively, against cover pool volumes of €16.5 billion and €32.2 billion. The resulting over-collateralisation of 80.0% and 55.5% provides Helaba with substantial leeway to generate additional liquidity through covered bond issuance if required.

Exhibit 10
Helaba's asset structure and liquid banking assets ratio

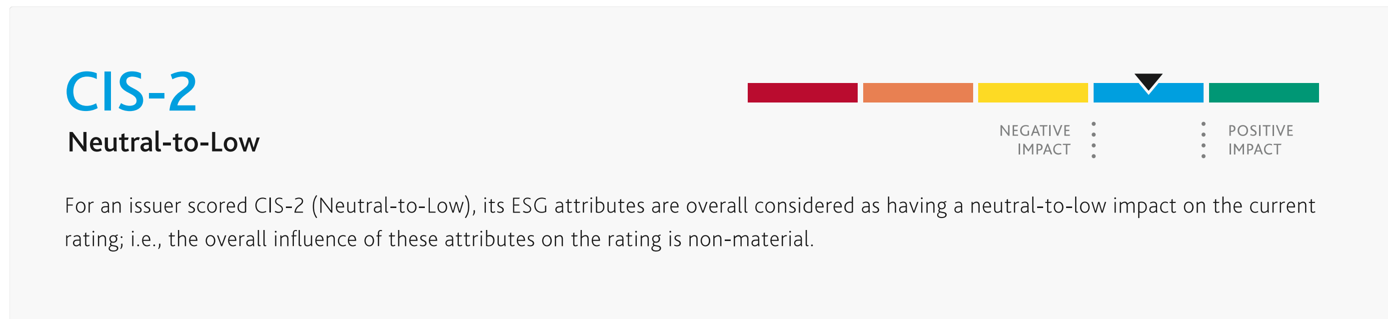


*Liquid banking assets ratio = liquid banking assets/tangible banking assets.
Source: Moody's Ratings and company filings

ESG considerations

Landesbank Hessen-Thueringen Girozentrale's ESG credit impact score is CIS-2

Exhibit 11
ESG Credit Impact Score



Source: Moody's Ratings

Helaba's ESG Credit Impact Score is neutral-to-low (**CIS-2**), reflecting the mitigating rating impact of affiliate support from Sparkassen-Finanzgruppe (S-Finanzgruppe) over Helaba's ESG risk profile. Environmental and social risk factors have a limited impact on the bank's credit profile to date. The bank's corporate governance risks mainly stem from the bank's weak financial strategy, resulting in subdued operational efficiency.

Exhibit 12
ESG issuer profile scores

Source: Moody's Ratings

Environmental

Helaba faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risk as a large, mostly regional banking group. In line with its peers, Helaba is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Helaba is actively engaging in optimising its loan portfolio towards less carbon-intensive assets.

Social

S-Finanzgruppe member banks such as Helaba face moderate social risks related to customer relations as well as to demographic and societal trends. Risks related to the distribution of financial products such as regulatory and reputational risks, as well as exposure to litigation are mitigated by developed policies and procedures, many of which are standardized across the sector. High cyber and personal data risks are managed by continued investment in technology by member banks, complemented by the access to and collaboration with dedicated centralized IT functions of the group. Operating mostly in Germany, S-Finanzgruppe's member banks face challenges from aging population affecting long-term economic growth prospects and impacting demand for certain banking products. The group's scale should support its ability to adapt to consumer preferences, regulatory changes, and societal trends such as digitization.

Governance

Helaba's governance risks are moderate, reflecting higher risk appetite and concentration risks inherent in its business model as a universal bank. Its strategy, risk management function and organisational structure are in line with industry practices. Management's

ability to address the bank's subdued profitability remains a concern because it provides only a limited buffer against adverse developments and limits the bank's capital generation capacity and, hence, growth prospects. Finally, as a public-sector bank, Helaba is partly owned by the federal states of Hesse and Thuringia, which is reflected in the composition of its board of directors, which also includes representatives from S-Finanzgruppe. Germany's developed institutional framework mitigates associated governance risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

Helaba benefits from cross-sector support from S-Finanzgruppe. Cross-sector support reduces the probability of default because the support would be available to stabilise a distressed member bank and not just to compensate for losses in resolution. The very high support assumption assigned to Helaba and to the other Landesbanks reflects their cross-liability scheme membership, but only partial ownership by S-Finanzgruppe members. Cross-sector support for Helaba provides a two-notch rating uplift from the baa2 BCA, leading to an a3 Adjusted BCA.

We believe that the probability of Helaba receiving cross-sector support has risen following the strengthening of the institutional protection scheme (IPS) of S-Finanzgruppe, whose statutes were updated earlier in 2024. The revised statutes result in a more rule-based IPS that implements an early intervention system with clearly identified triggers and timely escalation of decision-making steps as well as increased ex-ante funds over time, which, in our view, increase the likelihood and timeliness of support for Helaba. In our assessment, we considered the likelihood of support based on the new and improved governance structure of the IPS, the economic rationale to improve sector cohesion through swift and positive support decisions, and the capacity of the sector in different scenarios, including a situation in which a number of larger members require capital support concurrently.

Loss Given Failure (LGF) analysis

Helaba is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider to be an Operational Resolution Regime. We therefore apply our Advanced LGF analysis, where we consider the risks faced by the different debt and deposit classes across the liability structure should the bank enter resolution.

In our Advanced LGF analysis, we consider the results of both the formal legal position (pari passu, or 'de jure' scenario), to which we assign a 75% probability, and an alternative liability ranking, reflecting resolution authority discretion to prefer deposits over senior unsecured debt (full depositor preference, or 'de facto' scenario), to which we assign a 25% probability.

We further assume residual TCE of 3% and losses post-failure of 8% of tangible banking assets. In addition, we assume a 26% share of deposits being "junior" wholesale deposits, for which we factor in a 25% run-off before failure, while we assume a 5% run-off in preferred deposits. These ratios are in line with our standard assumptions.

The results of our Advanced LGF analysis are:

» For deposits and senior unsecured debt, as well as CRR liabilities, our LGF analysis indicates an extremely low loss given failure, leading us to position their Provisional Rating Assessments at aa3, three notches above the a3 Adjusted BCA.

» For junior senior unsecured debt, our LGF analysis indicates a very low loss given failure, leading us to position its Provisional Rating Assessment at a1, two notches above the a3 Adjusted BCA.

» For subordinated debt, our LGF analysis indicates a high loss given failure, leading us to position its Provisional Rating Assessment at baa1, one notch below the a3 Adjusted BCA.

Government support considerations

Following the introduction of the BRRD, we have lowered our expectations about the degree of support the government might provide to a bank in Germany in the event of need. Because of its size on a consolidated basis, we consider S-Finanzgruppe to be systemically important. We, therefore, attribute a moderate probability of German government support for all members of the sector, in line with support assumptions for other systemically relevant banking groups in Europe. Hence, we still include one notch of government

support uplift in our CRRs, senior unsecured debt and deposit ratings for S-Finanzgruppe member banks that are incorporated in Germany, including Helaba. For junior senior debt and subordinated debt instruments, we continue to believe that the likelihood of government support is low and these ratings do not include any related uplift.

Counterparty Risk Ratings (CRRs)

Helaba's CRRs are Aa2/P-1

The CRRs, before government support, are three notches above the bank's a3 Adjusted BCA, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities. Helaba's CRRs also benefit from one notch of rating uplift from government support, in line with our moderate support assumptions for deposits and senior unsecured debt.

Counterparty Risk (CR) Assessment

Helaba's CR Assessment is Aa2(cr)/P-1(cr)

Helaba's CR Assessment, before government support, is three notches above the a3 Adjusted BCA, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments, including junior deposits and (junior) senior unsecured debt. Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

The CR Assessment also benefits from one notch of rating uplift from government support, in line with our moderate support assumptions on deposits and senior unsecured debt.

Methodology and scorecard

Methodology

The principal methodology used in rating Helaba was Banks Methodology published in March 2024.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 13

Landesbank Hessen-Thueringen Girozentrale

Macro Factors							
Weighted Macro Profile	**Strong +**	**100%**					
Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	1.7%	a1	↓↓	baa2	Sector concentration	Market risk	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	15.4%	aa3	↔	a2	Stress capital resilience	Risk-weighted capitalisation	
Profitability							
Net Income / Tangible Assets	0.2%	b1	↔	b1	Expected trend	Return on assets	
Combined Solvency Score		a3		baa2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	58.8%	b3	↔	ba1	Extent of market funding reliance	Expected trend	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	36.2%	a1	↓	a3	Additional liquidity resources	Asset encumbrance	
Combined Liquidity Score		ba1		baa2			
Financial Profile				baa2			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				Aaa			
BCA Scorecard-indicated Outcome - Range				baa1 - baa3			
Assigned BCA				baa2			
Affiliate Support notching				2			
Adjusted BCA				a3			

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	-	-	-	3	0	aa3
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	aa3 (cr)
Deposits	-	-	-	-	-	-	-	3	0	aa3
Senior unsecured bank debt	-	-	-	-	-	-	-	3	0	aa3
Junior senior unsecured bank debt	-	-	-	-	-	-	-	2	0	a1
Dated subordinated bank debt	-	-	-	-	-	-	-	-1	0	baa1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa3	1	Aa2	Aa2
Counterparty Risk Assessment	3	0	aa3 (cr)	1	Aa2(cr)	
Deposits	3	0	aa3	1	Aa2	Aa2
Senior unsecured bank debt	3	0	aa3	1	Aa2	
Junior senior unsecured bank debt	2	0	a1	0	A1	
Dated subordinated bank debt	-1	0	baa1	0	Baa1	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 14

Category	Moody's Rating
LANDESBANK HESSEN-THUERINGEN GIROZENTRALE	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating -Dom Curr	Aa2
Senior Unsecured -Dom Curr	Aa2
Junior Senior Unsecured -Dom Curr	A1
Junior Senior Unsecured MTN -Dom Curr	(P)A1
Subordinate -Dom Curr	Baa1
Commercial Paper -Dom Curr	P-1

Source: Moody's Ratings

Endnotes

1 The ratings shown are S-Finanzgruppe's corporate family rating and outlook, as well as its BCA.

2 For more information on Helaba's exposures, in particular to energy-intensive industries, please refer to our peer report on the three largest German Landesbanks: BayernLB, Helaba and LBBW - German Landesbanks can avoid pitfalls as recession looms.

3 The difference between our TCE ratio and the bank's CET1 ratio stems from the deduction of own debt gains, synthetic positions in CET1 capital, and miscellaneous other items from regulatory capital.

4 Helaba's capital requirements include the systemic risk buffer and countercyclical capital buffer implemented by the German regulator BaFin in February 2023 as well as a 2.25% Pillar 2 Requirement (P2R) on a Total Capital basis, which was increased from 2.0% following the European Central Bank's 2023 Supervisory Review and Evaluation Process (SREP). The 2.25% is in line with the median P2R for all banks under ECB supervision.

5 Helaba's development bank funding is sourced via its own development bank WIBank as well as from other German development banks.

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