Creditreform Bank Rating

Landesbank Hessen-Thueringen (Group)

Rating Object		Rating Information	
Landesbank Hessen-Thueringen (Group)		Long Term Issuer Rating / Outlook: **A / stable**	Short Term: **L2**
Creditreform ID:	6070018446	Stand Alone Rating: A	
		Type: Update / Unsolicited	
Rating Date:	**17 October 2023**	Rating of Bank Capital and Unsecured Debt Instruments:	
Monitoring until:	withdrawal of the rating	Preferred Senior Unsecured (PSU):	A
Rating Methodology:	CRA "Bank Ratings v.3.2" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.1" CRA "Government-Related Banks v.2.1" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3" CRA "Institutional Protection Scheme Banks v1.0"	Non-Preferred Senior Unsecured (NPS):	A-
		Tier 2 (T2):	BBB-
		Additional Tier 1 (AT1):	BB+
Rating History:	www.creditreform-rating.de		

Rating Action

Creditreform Rating upgrades Landesbank Hessen-Thueringen's (Group) Long-Term Issuer Rating to A (Outlook: stable)

Creditreform Rating (CRA) upgrades Landesbank Hessen-Thueringen's (Group) Long-Term Issuer Rating to A. The rating outlook is stable.

CRA upgrades Landesbank Hessen-Thueringen's Preferred Senior Unsecured Debt to A, Non-Preferred Senior Unsecured Debt to A-, Tier 2 Capital to BBB- and AT1 Capital to BB+.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update.

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Key Rating Drivers

- Continuous improvement in operating profitability
- Continued good asset quality, with ongoing reduction of asset write-offs
- Further decrease in capitalization
- Stability due to institution-specific protection system (IPS)

Executive Summary

Quantitative:	Satisfactory
Earnings	Sufficient
Assets	Good
Capital	Sufficient
Liquidity	Very Good
Qualitative:	Good

Creditreform Rating (CRA) upgrades Landesbank Hessen-Thueringen's (Group) Long-Term Issuer Rating to A. The rating outlook is stable. The rating was upgrade due to the positive financial year of the Sparkassen-Finanzgruppe in 2022. Furthermore, the higher asset quality and a sustained high operating income in 2023 are responsible for the rating upgrade. We are also positive about the fact that all four operating segments achieved a positive result. As with the other Landesbanken, Helaba also benefits from the institution-specific protection system of the Sparkassen Finanzgruppe.

In the Institutional Support Assessment, Creditreform Rating examines the extent to which an existing cross-guarantee system or IPS can have an influence on Helaba's rating. As a result, Creditreform Rating comes to the conclusion that in the case of Helaba's Long-Term Issuer Rating, there is a strong connection between Sparkassen Finanzgruppe and Helaba due to Sparkassenunterstützungsfonds of the regional Sparkassen and Giro associations, the Guarantee Fund of the Landesbausparkassen and the Guarantee Reserve of the Landesbanken and Girozentralen. This enables additional notching. In the opinion of Creditreform Rating, a standalone rating of Helaba is thus not appropriate due to its affiliation with Sparkassen Finanzgruppe. The rating is prepared on the basis of consolidated statements, where possible.

Company Overview

Hessische Landesbank Girozentrale (hereinafter referred to as Helaba), established on 01 June 1953, is a Zentralsparkasse and service provider for approximately 40% of all German Sparkassen (largest Landesbank in Germany in terms of responsibility for the Sparkassen sector). In 2005, Helaba acquired the financially distressed Frankfurter Sparkasse and on 01 July 2012, it took over the Verbundbank, which was spun off from WestLB. At the same time, Helaba had to take over the risk-weighted assets of WestLB in the amount of EUR 8.3bn.

According to its strategic business model, Helaba operates as a commercial bank, a central savings bank and a development bank. It distinguishes between four business areas: *Real Estate*, *Corporates & Markets*, *Retail & Asset Management* and *Development Business*. Major subsidiaries include Frankfurter Sparkasse and its direct bank 1822, as well as the development bank WIBank.

Helaba is a member of the Sparkassen-Finanzgruppe. The Sparkassen-Finanzgruppe (hereinafter: SFG) has an institution-specific protection system (IPS). This has been recognized as a deposit guarantee system under the German Deposit Guarantee Act (Einlagensicherungsgesetz - EinSiG) since July 3, 2015. Under the statutory deposit protection scheme, customers are entitled to have their deposits of up to EUR 100,000 reimbursed by the protection scheme.

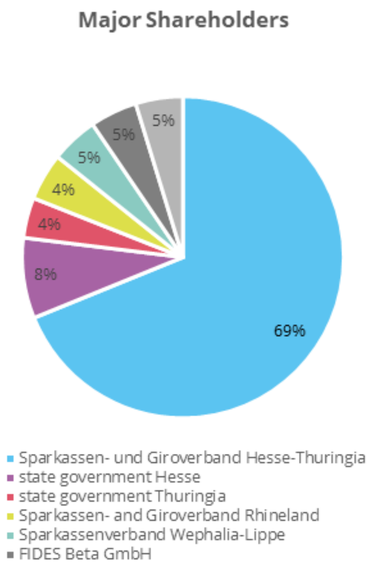
The Joint Liability Scheme of the SFG consists of three elements: the Savings Bank Guarantee Fund of the regional Sparkassen and Giroverbände, the Guarantee Fund of the Landesbausparkassen and the Guarantee Reserve of the Landesbanken and Girozentralen. Together, these three guarantee schemes secure the assets of each individual Sparkasse and Landesbank.

The primary objective of the IPS is to avoid a support case and to protect the institutions themselves, i.e. to ensure liquidity and solvency. The protection of the institutions can be ensured, for example, by the following measures: Injection of equity capital, assumption of guarantees and sureties, and compliance with third-party claims. Mergers with other institutions may also occur. The regional savings bank associations have a total of 11 Sparkassen guarantee funds. The individual guarantee funds are interlinked. There is a supra-regional equalization between them, which takes place if the funds available in a region are not sufficient for a so-called support case of an institution. In this case, the resources of all funds are available if required. If necessary, all the guarantee funds stand together as part of the system-wide equalization: all the Sparkassen guarantee funds, the guarantee reserve of the Landesbanken and the guarantee fund of the Landesbausparkassen. This applies in the event that the resources of one of the three protection schemes concerned are insufficient. This equalization means that all the resources of all the protection schemes are available for action in the event of a crisis.

The members of the protection scheme pay annual contributions to the deposit protection scheme of the Sparkassen. These are pooled in a special fund that is used to rescue the affected member institution in the event of a crisis.

In the Institutional Support Assessment, Creditreform Rating examines the extent to which an existing cross-guarantee system or IPS can influence Helaba's rating. As a result, Creditreform Rating concludes that in the case of Helaba's Long-Term Issuer (LT Issuer) rating, there is a strong linkage due to its membership in SFG's cross-guarantee system/IPS, which in turn allows for additional notching. SFG's IPS has far-reaching competencies in monitoring and crisis situations and has an extensive catalog of measures at its disposal. Support cases are linked to restructuring agreements and conditions. In the opinion of Creditreform Rating, a stand-alone rating of Helaba is not appropriate due to its membership in SFG and its IPS. Helaba does not receive any additional notching as a result of its membership in SFG/IPS.

Chart 1: Major shareholders of Helaba. | Source: annual report Helaba 2022



Business Development

Profitability

Creditreform Rating AG follows a structural approach in the presentation of the income statement and balance sheet as well as in the calculation of key ratios. The presentation may therefore differ from that of the bank. Creditreform Rating pursues the goal of making financial statements of different banks as well as within the scope of consolidation as comparable as possible. Certain key ratios are also taken or calculated from the bank's pillar III report for reasons of comparability. Balance sheet and income statement figures are taken from the consolidated financial statements of the respective years. One-off or exceptional items are, where possible, relegated to the line items non-recurring revenue and expense.

Fiscal year 2022 was a good one for Landesbank Hesse Thuringia (Helaba), although not as good as the fiscal year 2021. At EUR 431mn, net profit was just below the 2021 result (EUR 501mn). The main reason for this was a higher tax burden, which was significantly lower in the previous year due to tax loss carryforwards. Both operating income and operating expenses increased slightly compared with 2021. Cost of risk was lower.

In detail most of the revenues resulted from net interest income, which amounted to EUR 2.7bn. Among other things, it was influenced by TLTRO III deposits. Net fee & commission income increased by 9.9% amounting EUR 533mn while net trading & fair value income decreased by 28% to about EUR 131mn.

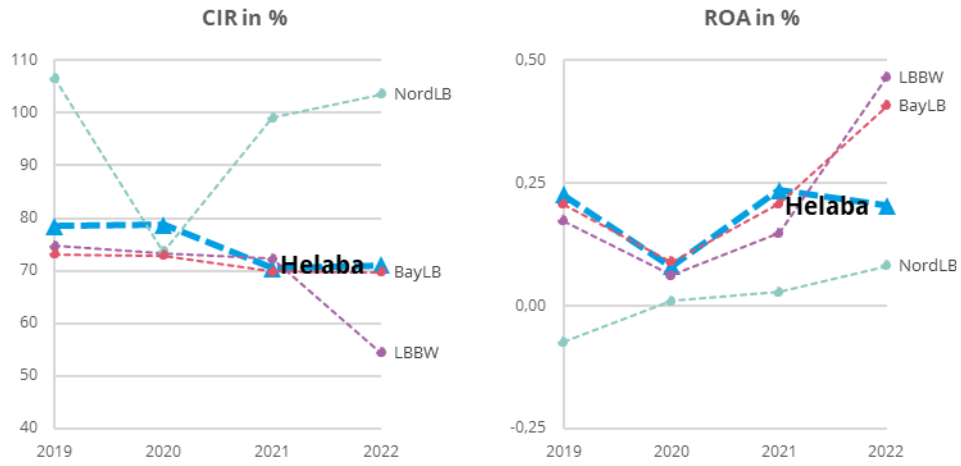
As in previous years, Helaba's largest segment was *Retail & Asset Management*, which was responsible for approximately EUR 749mn of income. This was followed by the *Corporates & Markets* segment with EUR 570mn of revenue, as well as the *Real Estate* segment, which generated revenues of EUR 411mn in fiscal year 2022.

On the cost side, Helaba recorded a slight increase. Personnel expenses increased by 3.4% to EUR 733mn, while depreciation and amortization expenses rose by 20.8% to EUR 180mn. Tech & communications expenses increased by 3.3% to EUR 278mn. These developments resulted in an increase in operating expenses by 6.7% to EUR 1.9bn. The cost income ratio (CIR) amounted 71,09%.

After several years with a low tax burden, which was a result of loss carryforwards, these ceased to apply in 2022, so that income tax rose to EUR 202mn. As a result, net profit was lower than in the previous year.

The slightly lower net profit for the year is evident from most of the key figures. RoA and RoE after tax decreased compared to the previous year. Helaba's operational improvement is evident from the key figures before taxes, which improved compared to the previous year. The CIR ex. trading also improved, while the CIR incl. trading marginally deteriorated due to the good trading result last year. However, the comparison with the peer group shows that Helaba has not been able to reduce its operating costs in recent years to the same extent as BayernLB or LBBW. The ROA is also considerably lower at Helaba than at the other two Landesbanks. However, the charts also show that BayernLB and LBBW only performed significantly better than the other Landesbanks in 2022 (chart 3). Helaba continues to achieve its target values for the CIR of below 70% and the RoE of between 6-8% (accounting Helaba) without any problems, but a comparison with the other Landesbanken also shows that they have more ambitious target values or that their achieved values are already far above Helaba's target values.

Chart 2: CIR and ROA of Helaba in comparison to the peer Group | Source: eValueRate / CRA

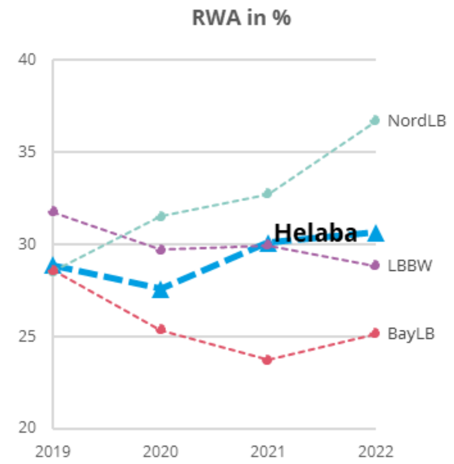


For the first half of the year, Helaba reported an increase in net interest income and in net trading & securities income. Personnel expenses for 2023 are estimated to be slightly lower than for 2022. Cost of risk is expected to be significantly higher in 2023. Due to the slightly improved half-year net profit, the key earnings figures improve slightly compared to the previous year. Nevertheless, Helaba expects a higher net profit than in 2022. The targeted net income of close to EUR 700mn would significantly improve the evaluation of profitability.

Asset Situation and Asset Quality

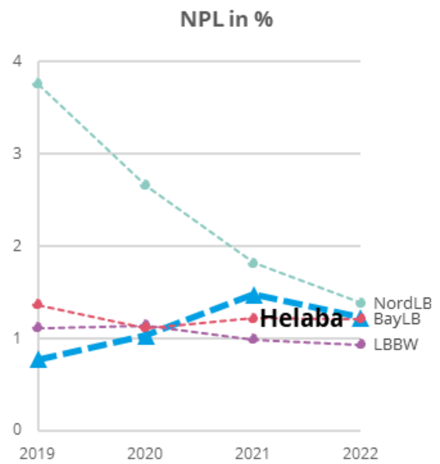
Total assets remained virtually unchanged in the 2022 financial year. There were no significant shifts on the assets side of the balance sheet either; only cash and balances with central banks increased by almost EUR 6bn and positive fair values from derivatives not held for trading decreased by EUR 3bn. Net loans to customers remained almost unchanged and increased by only 1.1%, while net loans to banks decreased by 15.2%. Net loans to customers thus remained at a stable level for the fourth year in succession, and the fluctuation margin of the bank's balance sheet also remained very low. The cash ratio increased, as in the previous year. It increased from 16.4% in 2021 to 19.85% in 2022. The RWA ratio increased slightly to 30.7% in 2022 due to a slight increase in RWAs and a decrease in total assets. The peer group comparison below shows that Helaba ranks second to last in terms of RWAs compared with the Landesbanken. Only NordLB has higher RWAs.

Chart 3: RWA of Helaba| Source: eValueRate / CRA / Pillar 3



Helaba's asset quality remains at a very good level. NPLs (Stage 3) also remained at a very low level and, following a slight increase in 2021, fell again by 0.25%. The public sector continues to account for the largest share of the loan portfolio with 30%, ahead of corporates and commercial real estate with 25% and 19% respectively. The development bank WIBank contributes 8% to the exposure. The German market continues to account for more than 2/3 of the portfolio. The peer group comparison below shows that Helaba's NPLs are in line with the average for the Landesbanken.

Chart 4: NPL ratio of Helaba in comparison to the peer Group | Source: eValueRate / CRA



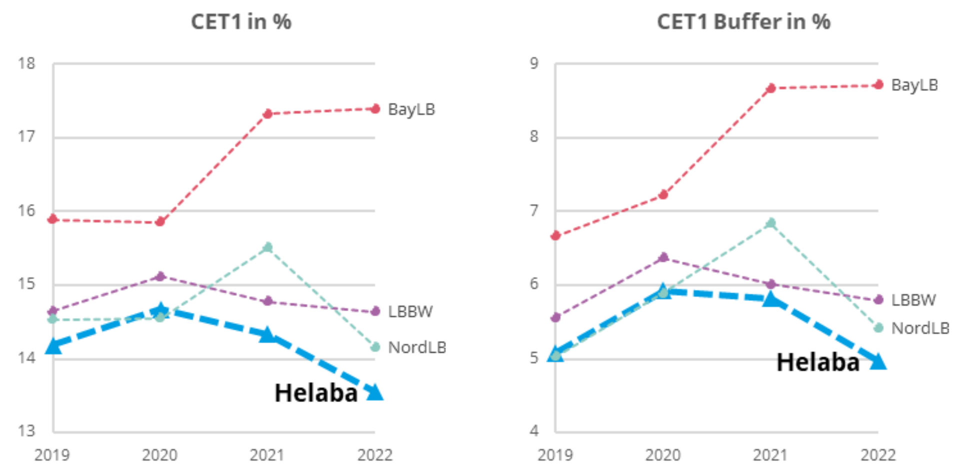
In the first half of 2022, Helaba's total assets remained virtually unchanged and increased only slightly by 0.42%. The cash position also increased slightly to EUR 41.6bn, which corresponds to an increase of 2.08% compared with the 2022 financial statements. Net loans to customers, on the other hand, decreased by quite a bit. They decreased by 3.87% to EUR 115.7bn. The NPL ratio increased by quite a bit, which the company says is due to the exposure in the real estate area.

Refinancing, Capital Quality and Liquidity

As already mentioned above in the asset situation and asset quality section, the balance sheet total remained almost unchanged. The situation was different for Total Deposits from Customer, which fell by 5.1% year-on-year to EUR 68.5bn. The balance sheet equity ratio improved by 7.1% due to the increase in equity. This increase can be explained by the overall result. Regulatory capital ratios decreased slightly again in 2022, due to a renewed increase in RWAs. The leverage ratio, which had risen sharply last year due to regulatory changes, fell by 1.3% to 4.4%. This is the lowest level it has reached in the last 4 years. The Net Stable Funding Ratio (NSFR) increased to 118.56%, while the Liquidity Coverage Ratio (LCR) fell to 176.9%. The CET1 ratio also fell by 0.79% to 13.55%. However, it still comfortably exceeds the regulatory requirements for Helaba.

In the peer group comparison with the other Landesbanken below, Helaba has the lowest CET1 ratio. It can also be seen that the CET1 ratio has continued to decline in recent years. The peer group is led by BayLB.

Chart 5: CET1 ratio and Buffer of Helaba in comparison to the peer Group | Source: eValueRate / CRA



As of the first half of 2023, Helaba reported a slight increase in the CET1 ratio. Deposits from banks were significantly reduced by 17.56%, while deposits from customers remained almost unchanged. Equity increased slightly. In contrast, the LCR decreased significantly to 197.2%, whereas the NSFR remained almost unchanged.

Due to Landesbank Hesse Thuringia's bank capital and debt structure, the Group's Preferred Senior Unsecured Debt instruments are (not) notched down in comparison to the Long-Term Issuer Rating. Due to the seniority structure, Helaba's Non-Preferred Senior Unsecured debt is rated A-. Helaba's Tier 2 Capital is rated BBB- based on the Helaba's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 Capital is rated BB+, reflecting the capital structure, seniority and a high bail-in risk in the event of resolution.

Environmental, Social and Governance (ESG) Score Card

Helaba has one significant and two moderate ESG rating drivers

Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due Helaba's strong and sustainable earning figures, the widespread ESG policies and its ambitious ESG targets.

Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated neutral due to relatively low amount of green bonds, Coporate Behaviour is rated positive

ESG Bank Score

3,6 / 5

Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2022	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
	1.2 Exposure to Environmental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Outlook

The outlook of the Long-Term Issuer Rating of Landesbank Hessen-Thueringen is stable. In the medium term, CRA expects further growth for Helaba in the corporates & markets segments, such as retail & asset Management. As a result, we continue to expect a profitable business model, even with lower interest margins. Due to the low RWA ratio and the low NPL ratio, we do not expect a weakening economy to jeopardise the good asset quality.

Scenario Analysis

Best-case scenario: A+

Worst-case scenario: A-

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach a Long-Term Issuer Rating of A+ in the "Best-Case-Scenario" and a Long-Term Issuer Rating of A- in the "Worst-Case-Scenario". The ratings of Bank Capital and Senior Unsecured Debt would respond similarly based on our rating methodology. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general. Likewise, material change with regard to the IPS and/or Sparkassenfinanzgruppe may precipi-tate up or down notching.

We might upgrade Landesbank Hesse-Thuringia's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt due to continued high income in the Sparkassen sector and at Helaba itself, while NPLs should not increase significantly. Furthermore, the capital ratios should be higher and future profits of the Landesbank should be largely retained.

By contrast, a downgrade of Landesbank Hesse-Thuringia's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt due to a further weakening of the economy in Germany and the resulting higher write-offs on the loan portfolio. A softening of the IPS among the Landesbanken could also have a negative impact on the rating.

Appendix

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

Long-Term Issuer / Outlook / Short-Term **A / L2 / stable**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured (PSU):	**A**
Non-Preferred Senior Unsecured (NPS):	**A-**
Tier 2 (T2):	**BBB-**
Additional Tier 1 (AT1):	**BB+**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
Initialrating	23.02.2017	A / stable / L2
Update	20.04.2018	A- / stable / L2
Update	17.09.2019	A- / stable / L2
Monitoring	24.03.2020	A- / NEW / L2
Update	15.09.2020	A- / stable / L2
Update	24.09.2021	A- / stable / L2
Update	10.10.2022	A- / stable / L2
Update	17.10.2023	A / stable / L2
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	20.04.2018	A- / BB+ / BB
PSU / NPS / T2 / AT1	17.09.2019	A- / BBB+ / BB+ / BB
Monitoring	24.03.2020	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	15.09.2020	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	24.09.2021	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	10.10.2022	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	17.10.2023	A / A- / BBB- / BB+

Tables Group

Figure 2: Income statement[1] | Source: eValueRate / CRA

Income Statement (EUR m)	2022	%	2021	2020	2019
Income					
Net Interest Income	1.418	+6,9	1.326	1.172	1.191
Net Fee & Commission Income	533	+9,9	485	436	395
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	131	-28,0	182	14	136
Equity Accounted Results	-4	< -100	22	4	24
Dividends from Equity Instruments	17	> +100	8	16	18
Other Income	565	+14,6	493	273	293
Operating Income	**2.660**	**+5,7**	**2.516**	**1.915**	**2.057**
Expense					
Depreciation and Amortisation	180	+20,8	149	153	150
Personnel Expense	733	+3,4	709	686	683
Tech & Communications Expense	278	+3,3	269	267	270
Marketing and Promotion Expense	25	+25,0	20	20	36
Other Provisions	-32	> +100	-11	-13	71
Other Expense	707	+11,0	637	396	405
Operating Expense	**1.891**	**+6,7**	**1.773**	**1.509**	**1.615**
Operating Profit & Impairment					
Operating Profit	**769**	**+3,5**	**743**	**406**	**442**
Cost of Risk / Impairment	162	-21,7	207	305	-77
Net Income					
Non-Recurring Income	26	-18,8	32	122	28
Non-Recurring Expense	-	-	-	-	29
Pre-tax Profit	**633**	**+11,4**	**568**	**223**	**518**
Income Tax Expense	202	> +100	67	46	48
Discontinued Operations	-	-	-	-	-
Net Profit	**431**	**-14,0**	**501**	**177**	**470**
Attributable to minority interest (non-controlling interest)	-	-	2	1	2
Attributable to owners of the parent	431	-13,8	500	176	468

Figure 3: Key earnings figures| Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	71,09	+0,62	70,47	78,80	78,51
Cost Income Ratio ex. Trading (CIRex)	74,77	-1,19	75,96	79,38	84,07
Return on Assets (ROA)	0,20	-0,03	0,24	0,08	0,23
Return on Equity (ROE)	4,36	-1,07	5,43	2,00	5,40
Return on Assets before Taxes (ROAbT)	0,30	+0,03	0,27	0,10	0,25
Return on Equity before Taxes (ROEbT)	6,41	+0,25	6,16	2,52	5,95
Return on Risk-Weighted Assets (RORWA)	0,66	-0,12	0,78	0,29	0,79
Return on Risk-Weighted Assets before Taxes (RORWAbT)	0,98	+0,09	0,89	0,37	0,87
Net Financial Margin (NFM)	0,75	+0,02	0,73	0,55	0,66
Pre-Impairment Operating Profit / Assets	0,36	+0,01	0,35	0,19	0,21
Cost of Funds (COF)	1,22	+0,22	1,01	1,05	1,41
Customer Interest Spread (CIS)	-0,36	-0,37	0,01	-0,19	-0,57
Basic EPS	-	-	-	-	-
Dividend Payout Ratio	24,13	+3,37	20,76	7,91	-
Dividends declared per ordinary Share	-	-	-	-	-

Change in %- Points

[1] Data by our data provider eValueRate, which is standardized for analytical reasons. Thus, the used data and the resulting figures do not have necessary to match the presentation of the bank, which refers to this and all subsequent tables and figures.

Figure 4: Development of assets| Source: eValueRate / CRA

Assets (EUR m)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	40.751	+17,0	34.820	26.864	15.044
Net Loans to Banks	13.375	-15,2	15.779	17.861	16.624
Net Loans to Customers	120.357	+1,1	119.035	119.275	118.987
Total Securities	19.531	-5,1	20.586	26.336	31.434
Total Derivative Assets	11.246	-29,8	16.011	23.418	19.326
Other Financial Assets	46	-80,0	230	133	71
Financial Assets	**205.306**	**-0,6**	**206.461**	**213.887**	**201.486**
Equity Accounted Investments	34	-15,0	40	49	48
Other Investments	3.109	+3,8	2.994	2.702	2.509
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	759	+10,3	688	588	81
Tangible and Intangible Assets	910	+9,6	830	816	754
Tax Assets	640	-18,9	789	704	724
Total Other Assets	744	+38,0	539	578	1.416
Total Assets	**211.502**	**-0,4**	**212.341**	**219.324**	**207.018**

Figure 5: Development of asset quality| Source: eValueRate / CRA and Pillar III

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	56,91	+0,85	56,06	54,38	57,48
Risk-weighted Assets[1] / Assets	30,66	+0,57	30,08	27,60	0,00
NPL[2]/ Loans to Customers[3]	1,23	-0,25	1,48	1,04	0,78
NPL[2]/ Risk-weighted Assets[1]	1,73	-0,28	2,01	1,46	1,09
Potential Problem Loans[4]/ Loans to Customers[3]	8,17	-0,11	8,28	7,04	5,10
Reserves[5]/ NPL[2]	75,29	-4,63	79,92	78,09	67,48
Cost of Risk / Loans to Customers[3]	0,18	-0,06	0,24	0,36	-0,09
Cost of Risk / Risk-weighted Assets[1]	0,25	-0,07	0,32	0,50	-0,13
Cost of Risk / Total Assets	0,08	-0,02	0,10	0,14	-0,04

Change in %- Points

1 RWA: Pillar 3, EU CR1

2 NPL: Gross; Non- Performing Loans of the categories Households, Non- Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

3 Loans to Customers: Gross; Households, Non- Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

4 Potential Problem Loans: Stage 2; Households, Non- Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non- Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

Figure 6: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	69.141	+12,7	61.325	56.460	38.156
Total Deposits from Customers	68.548	-5,1	72.200	72.468	70.875
Total Debt	48.110	-5,9	51.135	56.476	66.876
Derivative Liabilities	13.394	-12,9	15.373	21.495	18.846
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	487	-17,7	592	494	549
Total Financial Liabilities	**199.680**	**-0,5**	**200.625**	**207.393**	**195.302**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	215	> +100	106	144	153
Provisions	1.170	-37,6	1.876	2.551	2.465
Total Other Liabilities	560	+9,4	512	395	398
Total Liabilities	**201.625**	**-0,7**	**203.119**	**210.483**	**198.318**
Total Equity	**9.877**	**+7,1**	**9.222**	**8.841**	**8.700**
Total Liabilities and Equity	**211.502**	**-0,4**	**212.341**	**219.324**	**207.018**

Figure 7: Development of capital and liquidity ratios | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	4,67	+0,33	4,34	4,03	4,20
Leverage Ratio[1]	4,40	-1,30	5,70	4,82	4,50
Common Equity Tier 1 Ratio (CET1)[2]	13,55	-0,79	14,33	14,67	14,19
Tier 1 Ratio (CET1 + AT1)[2]	14,10	-0,96	15,05	15,60	15,31
Total Capital Ratio (CET1 + AT1 + T2)[2]	17,26	-0,85	18,12	19,05	19,04
CET1 Minimum Capital Requirements[1]	8,58	+0,07	8,51	8,74	9,10
Net Stable Funding Ratio (NSFR)[1]	118,56	+0,75	117,80	n/a	n/a
Liquidity Coverage Ratio (LCR)[1]	176,90	-11,13	188,02	187,58	179,41

Change in %- Points
1 Pillar 3 EU KM1
2 Regulatory Capital Ratios: Pillar 3 EU KM1

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following table clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the following methodologies and Rating Criteria and Definitions (v1.3):

- Bank ratings (v3.2)
- Rating of bank capital and unsecured debt instruments (v2.1)
- Government-Related Banks (v2.1)
- Institutional Protection Scheme Banks (v1.0)
- Environmental, Social and Governance Score for Banks (v1.0)

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 17 October 2023, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Landesbank Hessen-Thueringen, and the preliminary rating report was made available to the bank. There was no change in the rating.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

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To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

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In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

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