Rating Report

Sparkassen-Finanzgruppe

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DBRS

Insight beyond the rating.

Ratings

Issuer	Debt	Rating	Rating Action	Trend
Sparkassen-Finanzgruppe	Issuer & Senior Long-Term Debt	A	Confirmed	Stable
Sparkassen-Finanzgruppe	Short-Term Instruments	R-1 (low)	Confirmed	Stable

Rating Considerations

Franchise Strength: The Sparkassen-Finanzgruppe's regional savings banks (the Sparkassen) form the backbone of the organisation and enjoy a solid and stable franchise, maintaining strong market positions in German retail and SME banking. Sparkassen-Finanzgruppe's franchise is further complemented by the seven wholesale and clearing institutions (Landesbanken), several building societies, an important leasing franchise and 11 regional public insurance entities. Additionally the Group benefits from synergies from a centralized asset manager, DekaBank (the third largest mutual funds manager in Germany), providing key asset management products for savings banks retail customers. The above entities of Sparkassen-Finanzgruppe (except for the regional insurers) are bound together by a Institution Protection Scheme, which makes Group resources available to all members of the Group.

Sparkassen-Finanzgruppe's aggregated balance sheet of EUR 2.25 trillion makes the Group of vital importance for the German economy. Approximately three quarters of all German businesses have a banking relationship with the Group. With 47.5 million current accounts, approximately 60% of Germany's population is banking with the Group.

Earnings Power:	Risk Profile:	Funding and Liquidity:	Capitalisation:
Stable performance of the savings banks, albeit low levels of profitability with continuing pressure on interest margins	Remaining elevated risks at the Landesbanken balanced by the lower risk profile of the savings banks	Strong deposit base and sound liquidity of the savings banks, partially offset by the more wholesale- oriented funding profile of the Landesbanken	Sufficient combined level of capitalisation with stable capital generation at the savings banks, as well as the more challenging situation at some of the Landesbanken

Rating Drivers

Factors with Positive Rating Implications

- Given the level of the ratings and DBRS's floor concept, upward rating momentum would be unlikely short of a meaningful external event. Nonetheless, DBRS views positively the stable earnings and balance sheet management at the Group level, the continued de-risking at Landesbanken level and efforts to strengthen the resources available to the Institution Protection Scheme.

Factors with Negative Rating Implications

- Negative rating pressure could result from any indication of weakening of the Institution Protection Scheme and/or access to support for the Landesbanken from their public owners could negatively impact the floor rating. Likewise, downward rating pressure could be triggered by any weakening of the savings banks' franchise and their underlying financial performance and position.

Financial Information

Sparkassen-Finanzgruppe	31/12/2014	31/12/2013	31/12/2012	31/12/2011	31/12/2010
EUR Millions, unless otherwise noted	NGAAP	NGAAP	NGAAP	NGAAP	NGAAP
Total Assets (millions)	2,251,882	2,264,317	2,426,757	2,568,275	2,601,695
Equity (millions)	149,344	146,399	140,371	127,827	122,231
Net Income (millions)	288	1,615	2,093	1,624	3,058
Risk-Weighted Earning Capacity (%)	n/a	n/a	n/a	n/a	n/a
Post-provision Risk-Weighted Earning Capacity (%)	n/a	n/a	n/a	n/a	n/a
Yield on average earning assets	3.26	3.43	3.92	4.24	3.97
Cost of interest bearing liabilities	1.80	2.04	2.60	2.89	2.67
Efficiency Ratio (%)	67.54	66.05	63.22	61.35	60.54
Impaired Loans % Gross Loans	n/a	n/a	n/a	n/a	n/a
Tier 1 Capital Ratio (%)	14.60	14.60	13.10	11.50	10.90

Source: Company reports, DBRS

Issuer Description

Sparkassen-Finanzgruppe primarily comprises two main constituents with distinct franchises – the German savings banks (the Sparkassen) and the regional wholesale banks (Landesbanken). Together, the members of German Association of Savings Banks or Sparkassen-Finanzgruppe's Institution Protection Scheme form one of the largest financial Groups globally, with total aggregated assets of EUR 2.25 trillion as of year-end 2014 (the most recent date for which aggregated data is available).

The 409 German savings banks[1] enjoy a solid and stable franchise. The savings banks maintain a strong market position in Germany and are market leaders in retail banking including small- and medium-sized enterprises (SMEs) in Germany. The public owners (Träger) of most savings banks are the municipalities and the regions in which they operate.

Landesbanken are mostly active in wholesale banking, as well as serving as the central clearing banks for their respective regional savings bank associations. Most Landesbanken are jointly owned by the states in which they are headquartered and their respective regional savings banks associations.

Rating Rationale

The Group's Issuer & Senior Long-Term Debt is "A" and its Short-Term Instruments rating is R-1(low). These ratings apply to each member of Sparkassen-Finanzgruppe's Institution Protection Scheme, which as of February 2016 includes 409 German savings banks, the seven Landesbanken, nine public-sector building societies (LBS), the Group's central asset manager DekaBank and other specialised service providers. The floor ratings indicate that each member of the Institution Protection Scheme is rated at least at Senior Long-Term Debt "A" and Short-Term R-1 (low); however, this does not prevent members from potentially achieving higher individual ratings based on their individual credit assessment. The Stable trend on the floor ratings reflects DBRS's expectation that the strengths of the Sparkassen Finanzgruppe's franchise and financial dynamic will be maintained.

Upward rating momentum is unlikely in the medium-term, although DBRS views positively the continued de-risking at the Landesbanken and ongoing efforts to strengthen the resources available to the Institution Protection Scheme. Negative rating pressure could result from any indication of weakening of the Scheme and/or any deterioration in the core franchise of the savings banks.

The floor ratings are based on the depth and resources of the Institution Protection Scheme and the additional support for the Group's members from their public owners (Träger). After removal of systemic support considerations from the rating in September 2015, the rating no longer incorporates broader systemic support. The removal of the one notch of systemic support followed the transposition of the European Bank Recovery and Resolution Directive (BRRD) into national, German legislation reflecting DBRS's view that there is less certainty about the likelihood of timely systemic support. This is reflected in an SA3 support assessment for the members of the Institution Protection Scheme. In DBRS's view, the Institution Protection Scheme of Sparkassen-Finanzgruppe reduces the default risk

[1] Number of savings banks as of 18.04.2016

for each individual member, because the Scheme makes financial resources available to each institution within the Group. However, DBRS recognises that the Institution Protection Scheme has limitations, as it does not amount to a legal cross-guarantee.

The ratings consider the underlying earnings potential and the solid franchise of the savings banks and the overall importance of the Group to the German banking sector. Offsetting these rating strengths are the riskier funding profile and weak overall earnings of several Landesbanken that are a meaningful part of the Group, as well as the high level of competition in the savings banks' core business of German retail banking.

At its core, the floor ratings reflect the overall franchise strength of the Sparkassen-Finanzgruppe. Sparkassen-Finanzgruppe's aggregated balance sheet of EUR 2.25 trillion makes the Group of vital importance for the German economy. Approximately three quarters of all German businesses have a banking relationship with the Group. With 47.5 million current accounts, approximately 60% of Germany's population is banking with the Group. DBRS sees the Group's overall franchise strength as benefitting from the solid positioning and cooperative strategy of the savings banks.

The Sparkassen-Finanzgruppe does not produce audited consolidated financial statements under IFRS but provides aggregated numbers on the basis of local GAAP (HGB accounting rules). In 2014, the most recent year for which aggregate data is available, Sparkassen-Finanzgruppe recorded net income of EUR 288 million compared to EUR 1.6 billion in 2013. The weaker results in 2014 were driven by extraordinary items at certain Landesbanken, which impacted the aggregate results of the Group.

The savings banks (Sparkassen) within the Sparkassen-Finanzgruppe continued to perform well and recorded once again a stable operating performance in both 2014 and in 2015. Despite pressures from the low interest rate environment and rising staff costs, the Sparkassen continued to generate strong underlying earnings in 2015. The Sparkassen used the benign domestic economic environment to further build their reserves.

While aggregated year-end 2015 data for the Landesbanken is not yet available, given the individual results reported to date, DBRS expects a continued improvement in operating results for the majority of the Landesbanken. In 2015, the Landesbanken are expected to have returned to profitability as significant legacy problems, are by now either fully provisioned or resolved. While DBRS expects that earnings volatility should decline going forward, for most Landesbanken, significant legacy issues remain with HSH Nordbank (HSH). We note however, that HSH has reached an agreement on March 21st, 2016 with the EU Commission on the renewal of its EUR 10 billion risk shield.

In DBRS's view, the overall risk profile of Sparkassen-Finanzgruppe has improved with the deleveraging of the Landesbanken and is now less impacted by the higher volatility of their earnings, despite the ongoing burden of legacy issues at some Landesbanken. Given the geographic concentration in Germany, Sparkassen-Finanzgruppe is naturally exposed to the German economic and credit cycle.

The strength of the Sparkassen-Finanzgruppe's overall liquidity and capitalisation are also considered in the ratings. The strong deposit base and sound liquidity of the savings banks is in part offset by the more wholesale-oriented funding profile of the Landesbanken. Nonetheless, the Landesbanken benefit from sizeable deposits from savings banks. In DBRS's view, this reduces potential demands on the Institution Protection Scheme and adds to the satisfactory evaluation for liquidity across the Group. Likewise, capitalisation remains adequate in DBRS' view. The savings banks reported a Tier 1 capital ratio of 14.8 % and a total capital ratio of 16.7% at year-end 2015.

For DBRS, the Sparkassen-Finanzgruppe continues to face several challenges. These include defending the still dominant position of savings banks in German retail banking while also maintaining margins and solid profitability. Both are challenged by strong competition and remain under pressure due to the low interest rate environment. Managing interest rate risk prudently during the prolonged low-yield environment emerges as an additional challenge, predominately for smaller and mid-sized savings banks. In addition, the Group needs to adapt to the ever-changing regulatory environment. While DBRS sees the Group as a whole as generally well-positioned to adapt to future challenges, increasing competition and higher regulatory requirements could present problems at the level of individual institutions. Moreover, the lower likelihood of external support after the implementation of the BRRD could potentially pose challenges for Sparkassen-Finanzgruppe's larger and less risk averse members such as the Landesbanken.

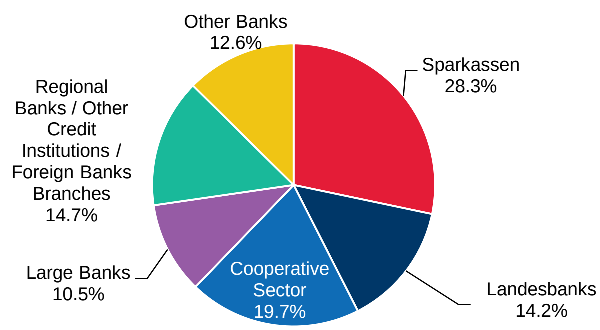
Franchise Strength

Together, the members of German Association of Savings Banks or Sparkassen-Finanzgruppe's Institution Protection Scheme form one of the largest financial Groups globally, with total aggregated assets of EUR 2.25 trillion as of year-end 2014. Sparkassen-Finanzgruppe primarily comprises two main constituents with distinct franchises – the German savings banks (the Sparkassen) and the regional wholesale banks (Landesbanken). The Sparkassen-Finanzgruppe's franchise is further completed by additional financial businesses: DekaBank, the Group's asset manager; the Landesbausparkassen (German building societies); Deutsche Leasing Group; as well as 11 regional public insurance entities. The Association coordinates reporting, debt ratings, strategy and lobbying efforts, while also respecting the bottom up autonomy of members. In DBRS's view, the strong, resilient franchise of the savings banks forms the core of Sparkassen-Finanzgruppe's franchise strength, while the weaker, more wholesale-oriented franchise of most Landesbanken negatively affects the overall Group. The decrease in total assets for the Group over the last three years does not reflect a weaker performance in customer business but rather the ongoing effort towards a scale back of the Landesbanken's non-core activities. The Association launched a strategy aimed at maximising consumer satisfaction while optimising resources called "Modell Verbund". The strategy aims to coordinate activities across the Sparkassen, DekaBank, the building societies, and other members to more effectively and efficiently serve the Group's clients.

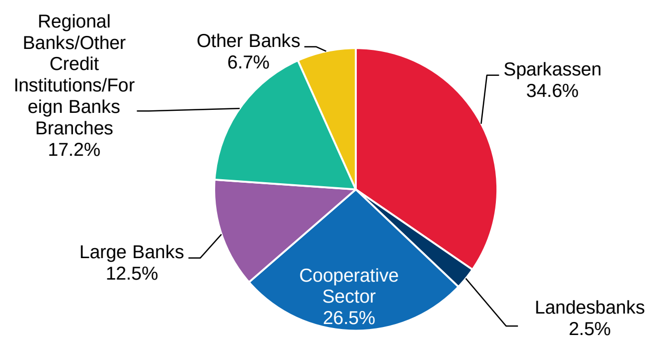
The total number of savings banks remains every year in flux as mergers lead to a steady concentration of active savings banks. As per latest available data the organization counted 409 German savings banks. Their exact number is subject to fluctuation reflecting mainly mergers between savings banks. The savings banks with their solid and stable franchise form the backbone of the Sparkassen Finanzgruppe, constituting a core rating consideration. The savings banks, which already have reported separately year-end 2015 numbers, maintained a strong market position in 2015 and reported EUR 1,145 billion in total assets (EUR 1,127 billion in 2014), and EUR 861.5 billion customer deposits (EUR 836.7 billion in 2014, including certificated liabilities). The Sparkassen are market leaders across a wide range of financial services provided to retail customers and small- and medium-sized enterprises (SMEs) in Germany. The public owners (Träger) of most savings banks are the municipalities and the regions in which they operate.

Despite ongoing competition, the member institutions of Sparkassen-Finanzgruppe enjoy a very strong position in German banking as demonstrated by their leading market shares in core products. In 2014 the Sparkassen-Finanzgruppe reported a 40.0% market share in retail customer deposits and also 42.6% in business lending. At the savings banks level, deposits from households totaled EUR 661 billion at 31 December 2014, representing a market share of 37.7%, which is down from 38.2% in 2013. The Landesbanken had EUR 40.3 billion (vs EUR 42.3 billion in 2013) in customer deposits or a 2.3% market share (vs. 2.5% in 2013). As of year-end 2014, the savings banks reported EUR 260.5 billion in domestic residential real estate loans, comprising a sizeable 34.6% market share, whilst the Landesbanken have an additional market share of 2.5%.

Market Share to the Real Economy, YE2014*



Market Share in Real Estate Loans to Domestic Households, YE2014



Source: Company reports. * Excluding loans to financial institutions

The seven Landesbanken are mostly active in wholesale banking, as well as serving as the central clearing banks for their respective regional savings bank associations. They are important lenders to medium- to large-sized corporations and public-sector entities in their respective domestic regions. Landesbanken have also been significant participants in international loan syndication, money markets, securitisation and asset-based financing. Nonetheless, much of this activity has been scaled back with most of the Landesbanken having reduced international activities and/or undergone significant de-risking and/or restructuring. As at year-end 2014, total assets at the Landesbanken had been reduced by 2.9% to EUR 1,060.6 billion from EUR 1,092.7 billion in 2013 and total risk exposure was more than halved from pre-2008 levels.

Most Landesbanken are jointly owned by the states in which they are headquartered (reflecting their origin as state banks) and their respective regional savings banks associations. Nonetheless, the level of ownership and involvement of the savings banks with the Landesbanken can vary significantly. Indeed, some Landesbanken are in part vertically integrated via direct ownership of savings banks.

Some Landesbanken have developed more diverse franchises geographically and by business line and others less so. Overall, despite this variation and an improving risk profile, DBRS continues to view the Landesbanken as more vulnerable to market dislocations than the savings banks and also a potentially more challenging burden for the Institution Protection Scheme.

*As of February 15, 2016 there were 409 Savings banks

The ten regionally-focused public-sector building societies (Landesbausparkassen, or LBS) which are members of the Sparkassen-Finanzgruppe enjoy a combined market-leading position in home savings and loans products which are mainly distributed by the savings banks. The LBS are mostly owned by regional savings banks associations and Landesbanken. Other members of the Institution Protection Scheme of Sparkassen-Finanzgruppe include DekaBank, the central asset manager of Sparkassen-Finanzgruppe, and other smaller providers of specialised financial products. The savings banks have collectively owned 100% of DekaBank since year-end 2011, following the EUR 2.3 billion purchase of the 50% of DekaBank which had been owned by the Landesbanken. DekaBank is the third largest mutual funds manager in Germany, providing key asset management products that the savings banks offer to their retail customers. DekaBank is also assuming a larger role within the Group with the transfer of capital markets activity to DekaBank from Landesbank Berlin (LBB).The latter is also 100% owned by the central Group and is currently completing its transformation from a wholesale lender (formerly the sixth largest Landesbank in Germany) into a regionally focused savings bank, the Berliner Sparkasse. The real estate activities of LBB were first split and formally separated. At the same time, LBB INVEST was transferred to DekaBank and the remaining downsized capital market business has been transferred to the new Treasury at Berliner Sparkasse. The broader Sparkassen-Finanzgruppe also includes 11 primary public-sector insurers that together occupy strong positions in individual products such as property insurance, life, retirement products and health insurance. However, the public-sector insurers are not part of the Institution Protection Scheme and therefore do not benefit from DBRS's floor ratings.

Institution Protection Scheme

DBRS sees the Institution Protection Scheme as a key factor underpinning the floor rating, as it allows for resources of the Group to be made available to all members. Since the Scheme's inception in 1973, no member of Sparkassen-Finanzgruppe has defaulted. However, the Institution Protection Scheme is not equivalent to a cross- guarantee, which limits its benefit to ratings. Creditors and members do not have a legal claim on support from the scheme. Instead, the Scheme is based on mutual support between its members. Therefore, the structure of the system and the ability and willingness of its members to support each other become important components of the strength of the Scheme, and therefore factors considered in the floor ratings.

The Scheme comprises a system of connected support funds, including 11 regional savings banks support funds, plus one support fund each for the Landesbanken and the LBS. If a decision has been made to support a member, such support is initially provided by the regional support fund to which the institution belongs. If a savings bank requires support that exceeds the resources of its regional support fund, then in the next step the resources of all 11 savings banks support funds can be activated. If this still proves insufficient, then the resources of the whole Institution Protection Scheme can be utilised. However, the decentralised structure of the system could pose a challenge in DBRS's view, as it increases the number of steps that are needed to leverage the full resources of the system and could lead to a delay in the provision of timely support.

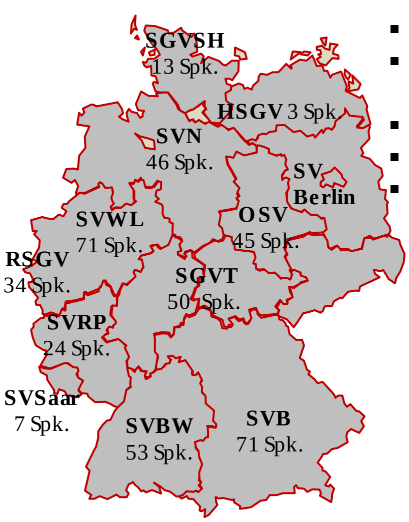
The mechanisms of the Institution Protection Scheme are available to strengthen and restructure savings banks that face challenges. In DBRS's opinion, these cases, while generally involving smaller support amounts, help ensure the ability of the system to function smoothly. With the exception of the Landesbanken, most support cases of the Institution Protection Scheme have involved small institutions. Sparkassen-Finanzgruppe reports that 90% of all support cases at the Sparkasse level can be handled by the challenged member's regional support fund alone, without additional resources from the system of support funds. Yet, DBRS recognises that the combined resources of the Institution Protection Scheme are not sufficient, nor was the Scheme designed, to address a wider systemic crisis or the possible burden of larger and less risk averse Landesbanken should complementary systemic support prove unavailable. This is viewed as a weakness that negatively affects the floor ratings. In the past, examples of important support for the Landesbanks has included assistance from their public owners, from the federal German government, and from regional support funds that savings banks and Landesbanken have established. The administrators of the support funds can use their discretion to require additional support from the public owners of a challenged member and to effect management and business strategy changes to ensure a successful restructuring and protect the Scheme's funds. Member contributions to the Scheme are risk- based, providing an incentive for members for prudent risk management.

The Deposit Guarantee Act in Germany was introduced in July 2015 and transposed relevant EU directives into German national law. This development mandated modifications to the Group's Institution Protection Scheme (formerly known as Joint Liability Scheme) necessary. The changes essentially entailed the implementation of new governing and reporting structures within the Group, as well as investment in personnel, procedures and technology targeted to ensure that customers can be timely refunded the guaranteed amount of € 100,000 per depositor per institution. The Sparkassen-Finanzgruppe's Institution Protection Scheme has been officially recognised by the German regulator as a deposit guarantee scheme under the Deposit Guarantee Act. The Institution Protection Scheme serves therefore a mixed purpose as both a rescue scheme and a deposit guarantee scheme with common financial resources which are not mutually ring-fenced.

At present, the Sparkassen-Finanzgruppe is taking steps to strengthen the pre-funding of resources available for the Institution Protection Scheme, something DBRS will continue to evaluate. The recent changes in the regulatory environment with the implementation of the European Bank Recovery and Resolution Directive (BRRD) in Germany in 2015 means that the likelihood of state support has decreased and any form of state intervention, support which has been previously made available to the Landesbanken during the global financial crisis in 2008, has to be guided by the rules and sprit of the BRRD directive (which has meanwhile found its entry into several national laws).

DBRS notes that the members of the Institution Protection Scheme have strong incentives to support each other, which is critical to ensure the functioning of the system, due to the lack of a legally binding cross-guarantee. A default by any member would cause reputational damage for the overall Group. Customers and counterparties may not differentiate between Group members and may view a default by any one member as a sign of weakness for the overall Group. This reputational link is furthered by the common "Sparkassen" brand and the red "S" logo shared by all savings banks. Similarly, most Landesbanken carry the "Landesbank", or short "LB", brand in their name, and all public-sector building societies share the "LBS" brand. The cost of such reputational damage likely outweighs the costs of providing the support mechanism in most stress cases.

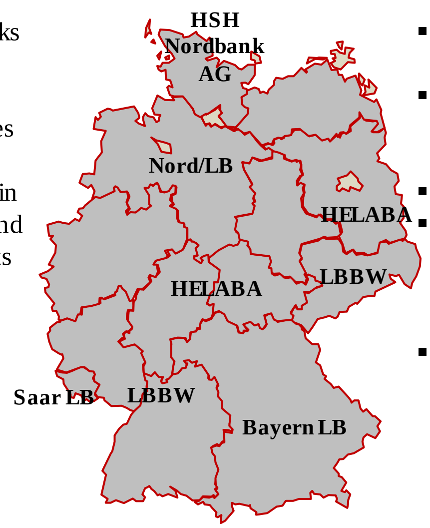
Savings Banks and their Regional Associations



- 416* Savings Banks
- EUR 1,127 bn in Total Assets
- 240,146 employees
- 14,874 branches
- EUR 95.4 billion in savings, current and securities accounts

* As of April 18, 2016 there were 409 Saving Banks

Landesbanken



- 6 Landesbank Groups
- Berliner Sparkasse AG and Berlin Hyp
- DekaBank
- EUR 978 billion in total assets / excl. DekaBank & Berl. Spk.
- 35,934 employees / incl. DekaBank & excl. Berl. Spk.

Earnings Power

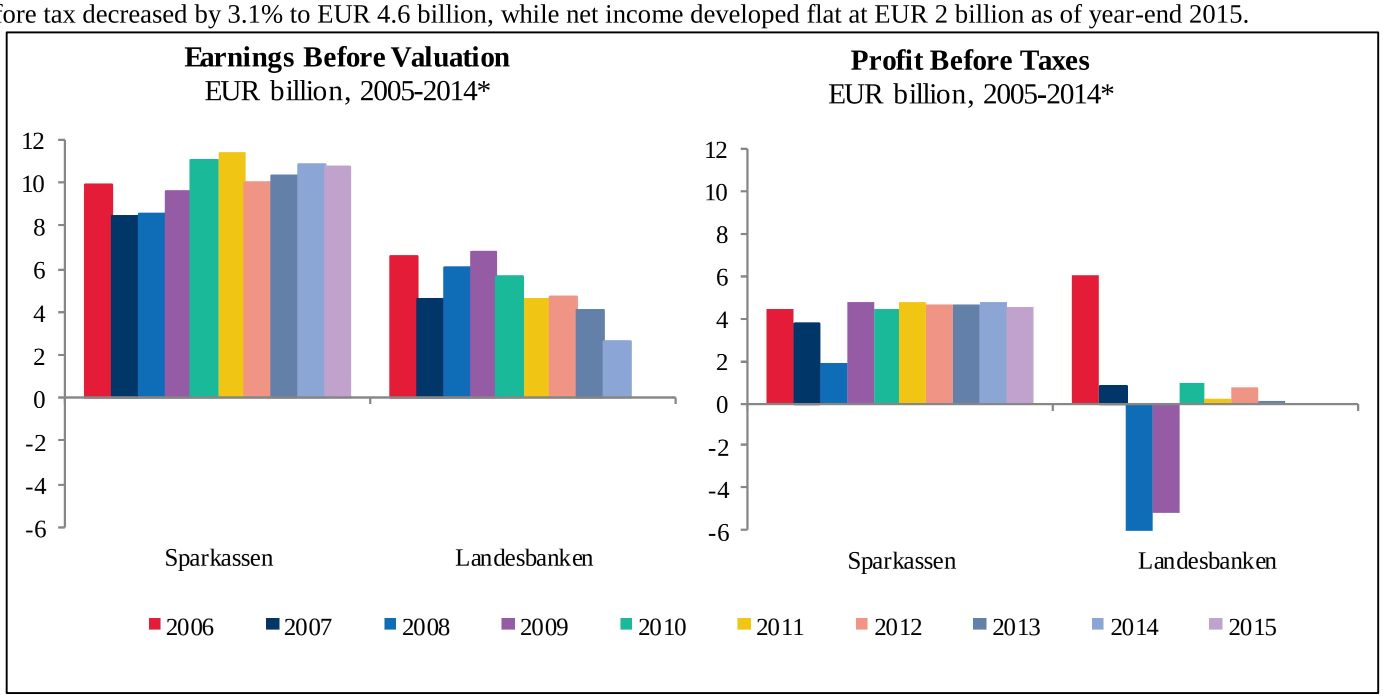
Sparkassen-Finanzgruppe

Although Sparkassen-Finanzgruppe has sizeable earnings potential, the Group's net performance continues to be impacted by earnings volatility resulting from the Landesbanken. Landesbanken in aggregate, appear to have finished working through most of their legacy issues during 2015 - the sovereign debt crisis, exposure to Greek securities and Hypo Alpe Adria/HETA – and are expected to have a positive contribution to Group earnings for 2015 (final data are not yet available). In 2014, the most recent year for which aggregate data on the Sparkassen-Finanzgruppe is available, the overall Group reported an aggregated net income of EUR 288 million compared with EUR 1.6 billion in the previous year. The drastic reduction was mostly due to a EUR 1.7 billion combined after tax loss from the Landesbanken due to sizable losses from non-core assets and restructuring costs. From an operating level perspective, the Group's earnings weakened with operating profit before revaluation at EUR 12.9 billion, down 6.5% from the prior year, while administrative cost increased only slightly (+1.4%) driven by higher cost of staff. Reflecting the improving but still elevated risk profile of the Landesbanken, valuation adjustments for 2014 de-escalated to EUR 1.5 billion down from EUR 3.2 billion in the previous year and reflected the combined impact from the items noted above.

Sparkassen

The Sparkassen for which data is already available as of year-end 2015 continued to perform well. Despite pressures from the low interest rate environment and rising staff costs, the savings banks continue to generate strong underlying earnings, which form the core of the Group's earnings profile. In 2015 net interest income (NII) stood at EUR 23 billion, down marginally by 0.7% year-on-year**,** impacted by low interest rates. In addition, operating costs increased by 1.6% during 2015. Offsetting this, net commission income for the year grew by close to EUR 336 million or 5.1%, and reflected strength in credit card volumes and increased demand for retail asset management products. Income Before Provisions and Taxes (IBPT) for the Sparkassen was relatively stable at EUR 10.8 billion in 2015 vs. EUR 10.9 billion in 2014 and was driven mainly by higher costs including bank levy contributions as well as increased reserve building against future uncertainties.

Overall the Sparkassen used the benign domestic economic environment, which allowed for a net release of loan loss provisions of EUR 200 million, to further continue the increase of their reserves with a net addition of EUR 4.2 billion as of year-end 2015 (vs. EUR 4.5 billion in the previous year). The Sparkassen view those accumulated buffers as a necessary precaution against the prolonged low-interest rate environment in Europe which exerts steady pressure on their net interest income, which is their biggest revenue contributor. Profit before tax decreased by 3.1% to EUR 4.6 billion, while net income developed flat at EUR 2 billion as of year-end 2015.

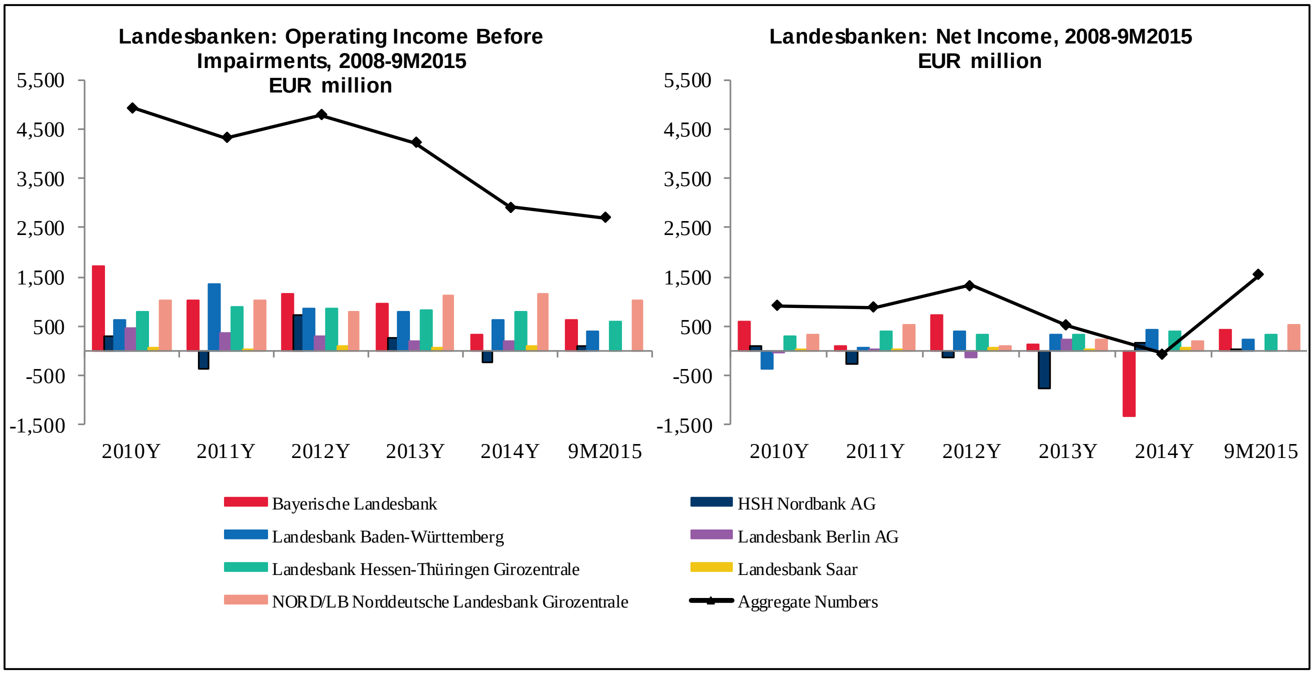


Source: Company reports, DBRS *The 2015 aggregated figure is only available for the Savings Banks

Landesbanken

While aggregated year-end 2015 data for the Landesbanken is not yet available given the individual results reported to date, DBRS expects a continued improvement in operating results for the bulk of the Landesbanken. Significant legacy problems, including the exposure to HETA at Bayerische Landesbank, which have in the past materially impacted bottom line results negatively, are by now either fully provisioned or resolved. While in 2014, the Landesbanken reported an aggregated EUR 1.7 billion net loss, they have returned to profitability in 2015 (pending the final year-end result of HSH Nordbank which have not yet been announced). For most Landesbanken, DBRS expects that earnings volatility should reduce going forward as legacy issues are resolved and the impact of overall de-risking is reflected.

Significant legacy issues remain however with one Landesbank, HSH Nordbank. HSH has reached on March 21st, 2016 an agreement with the EU Commission on the renewal of its risk shield of EUR 10 billion, which is extended by its public owners. The new risk shield agreement provides immediate breathing space for the troubled institution. It allows for a sale of non-performing assets of EUR 3.2 billion in the market with the resulting losses to be compensated by payments form the guarantee (risk shield). The agreement also foresees a balance sheet clean up with the transfer of EUR 6.2 billion of problematic non-core assets into a separate bad bank, which will burden solely the public sector owners of HSH. Finally it allows for a significant reduction of the high guarantee fees, which HSH has to pay to the risk shield providers (its public sector owners), something that has burdened HSH's financial performance significantly in the past years. The new agreement comes however with the strict conditionality that HSH has to be privatized until 2018 or otherwise be wound down. Overall, the new agreement will, in DBRS's view, bring material short-term relief for the financial position of HSH. The possibility of a wind down of HSH however remains. Implications from such a wind down will mostly burden the main public sector owners (the city of Hamburg and the federal state of Schleswig-Holstein with an ownership share of roughly 40% each). The direct impact on the Sparkassen-Finanzgruppe that is related to HSH through the local savings bank association of Schleswig-Holstein (with an ownership share of roughly 6%) is expected to be limited.



Source: Company reports, SNL Financial, DBRS. Note: 9M2015 figure not available for Landesbank Berlin AG and Landesbank Saar

Cost efficiency for the savings banks is relatively weak in an international context and has also been impacted by the low interest rate environment. The cost-income ratio of 64.3% in 2015 vs. 63.6% for 2014 reflects the Group's decentralised structure with multiple legally independent entities. DBRS recognises that efforts by the savings banks to centralise back-office functions in recent years have shown some results, with all savings banks reaching a cost income ratio of 65.6% in 2015. Yet, efficiency at the aggregated Sparkassen-Finanzgruppe level continued to erode in 2015 with a cost-income ratio of 68.0% compared to 67.6% for 2013, and 65.5% in 2012. The "Modell Verbund" strategy introduced by the Association is aimed to contribute towards improved efficiency, however DBRS continues to view the Group's overall cost structure as high.

Risk Profile

DBRS notes that the financial information provided by the Sparkassen Finanzgruppe is on an aggregated (non- consolidated) basis and is only in part available for 2015. Overall, the risk profile of Sparkassen- Finanzgruppe has improved given the restructuring and various risk reduction measures undertaken at the weaker Landesbanken since 2008. Although elevated risks remain at some Landesbanken, the steep reduction in total assets and the parallel reduction in securitised liabilities have helped towards de-risking the Landesbanken burden for the Group. DBRS views the overall risk reduction in the Landesbank sector as a key driver of the improved results exhibited since 2010. DBRS continues to view the risk profile of savings banks as stable and reflective of the broader German economic environment to which its retail and SME lending is integrally linked. Given the geographic concentration in Germany, Sparkassen-Finanzgruppe is exposed to the German economic and credit cycle. While the savings bank's business is concentrated in Germany, it is well diversified within the country. Moreover, the exposures in the aggregate loan portfolio of the savings banks are highly granular and extend across the breadth of German industry and commerce. As of end-2014 the Group had a market share of around 40% of German loans to domestic non-banks.

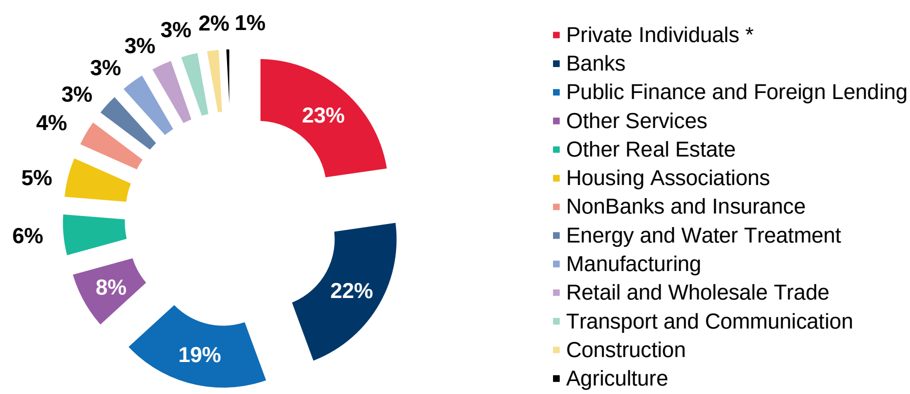
The Group's sizeable exposures to business lending was stable in 2014, with around 40% market share including combined lending of Sparkassen and Landesbanken, helped by the favourable economic development of the German SME sector (or Mittelstand). DBRS views this portfolio as increasing the overall risk profile of the Group due to the sensitivity of SMEs to the economic cycle. However, DBRS also notes that the aggregated lending to businesses is well diversified which somewhat mitigates the corporate exposure. The Group is also characterised by its large exposure to residential real estate, with around 37% market share driven mainly by the 35% share in housing loans of the Sparkassen. The Group's large real estate lending to private customers and loans to public authorities have performed well through past economic cycles, adding a level of stability to overall credit quality. Furthermore, Sparkassen-Finanzgruppe's lending to public authorities and private individuals (excluding real estate) moderates the risk profile, given the public law guarantees which support local authorities, the high barriers to personal bankruptcy filings in Germany, as well as the long track record of the savings banks (which provide most of the private loans) in lending to their local customers.

The robust economic growth in Germany led to very low loan impairment for the Group charges (the savings banks recorded a net release of EUR 200 million in 2015) something which is also positively correlated to the low interest rate environment in Europe with low corporate delinquencies and a historical low unemployment rate in Germany. Losses from interest rate risk exposure in the banking book (the savings banks recoded losses of EUR 500 million on financial assets held in the banking book in 2015) pose a future challenge for the Group. The gradual shift of customer deposits from longer term savings accounts towards sight deposits during the ultra-low yield environment poses a challenges for the maturity re-structuring of the banking book for many savings banks.

Historically, DBRS has viewed the highest credit risk for Sparkassen-Finanzgruppe in the corporate loan portfolios of several Landesbanken. The financial crisis in 2008 primarily affected Landesbanken securities portfolios, yet the subsequent poor market conditions and capital pressure helped to the de-risking of loan portfolios and in some cases forced restructuring at the Landesbanken level. In DBRS's view, the worst period for risk from the Landesbanken has passed, particularly as many have reined in riskier foreign bank and international corporate activities. Nonetheless, the wholesale nature of the Landesbanken business models may continue to pose future risks relative to the more stable profile of the savings banks. Indeed, the case of HSH and the ongoing risks linked to troubled sectors such as shipping help to highlight this.

As noted above, the savings banks are linked to the domestic economic cycle through their broad lending relationships to SMEs. Performance continues to be within DBRS's expectations. Nonetheless, there remain many factors including Eurozone concerns which could dampen the economic situation. DBRS sees the savings banks as benefitting from risk management tools offered by the Group's federal association, Deutscher Sparkassen- und Giroverband (DSGV). These include credit pooling programmes to limit concentration risks at the individual savings bank level and centralised software and credit scoring systems which provide shared information and statistics useful in controlling credit decisions.

Lending by Sector, Sparkassen-Finanzgruppe and Landesbanken, YE2014, EUR 1,479 billion



Source: Company reports

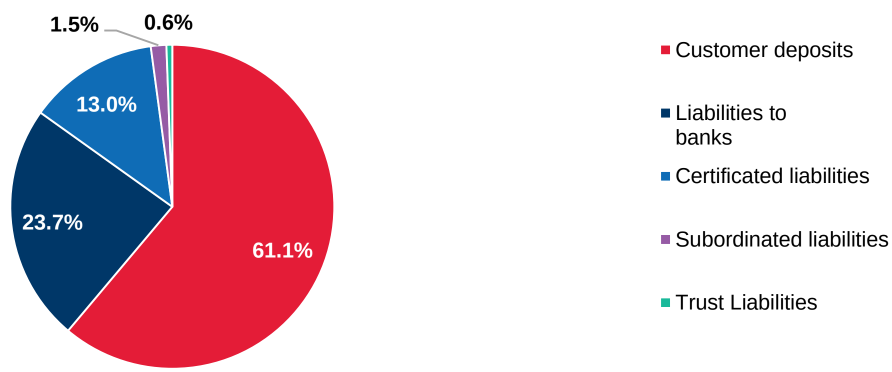
DBRS notes that the savings banks have significantly reduced their loan loss provision over the last few years with EUR 0.2 billion net release reported for 2015, compared to historically much higher levels of EUR 1.6 billion back in 2010 and EUR 2.9 billion in 2009. While DBRS recognises the strength of this improvement, a large portion of this is attributed to the more buoyant domestic economic environment in Germany. Nonetheless, given the loss mitigation efforts taken by the savings banks and the reduced risk profile of most of the Landesbanken, DBRS sees the Group's credit risk as significantly lower than in the past. In DBRS's view, this should be a positive factor for future credit quality, regardless of overall economic trends.

The Group's risk Profile is further supported by the existence of an early warning system in relation to the Institution Protection Scheme and the use of guarantee schemes. Individual guarantee support funds monitor potential risk of their member institutions through risk monitoring committees, and report to the central transparency committee of the German Savings Banks Association. Guarantee schemes have right of information and response completed with the power to conduct audits at all covered institutions at any time. If the risk situation deteriorates at any institution, the guarantee scheme can decide countermeasures to be implemented.

Funding and Liquidity

DBRS views the liquidity and funding position of Sparkassen-Finanzgruppe as satisfactory, as the Group benefits from the strong deposit franchise of the savings banks. Despite the savings banks' solid deposit- gathering ability, the Landesbanken remain dependent on wholesale-funding, which in turn weakens the overall Group's funding profile. Reflecting the combination of the strong deposit base of the savings banks and the wholesale-oriented funding profile of the Landesbanken, the Sparkassen-Finanzgruppe as a combined Group had a noteworthy, albeit improving, wholesale funding reliance of about 39% of total funding at year-end 2014 compared to 41% for 2013. Customer deposits of EUR 1.16 trillion at end 2014 accounted for the remaining 61.1% of Group funding. DBRS views the deposit base of the savings banks as a core element in maintaining satisfactory liquidity.

Funding Profile, Sparkassen-Finanzgruppe, YE2014
EUR 1,907 billion



Source: Company reports

The savings banks' stable liabilities to customers of EUR 861.5 billion at year-end 2015, up 3.0% from the previous year, provide the foundation for the funding profile. Importantly, the savings banks' customer deposits demonstrated a stable increasing trend through the financial crisis, growing by close to 13% since year-end 2008. Liquidity at the savings banks is further illustrated by customer deposits to exceeding customer loans by EUR 116.4 billion at year-end 2015– leading to a strong loan to deposit ratio at 86.5%. The liquidity ratio for the savings banks (defined as the ratio between the liquidid assets available up to one month and the liability callable during this period) has typically been roughly 2.5% in recent years (2.6% as of Dec 2015). Despite the increased competition versus private sector and foreign banks, the Sparkassen continue to attract deposits via strong brand recognition and customer relationships, without the need for aggressive pricing.

Given their largely wholesale business models, the Landesbanken in aggregate rely much more on market funding. The funding pressures for some of the individual Landesbanken helps to highlight vulnerability to market disruption. Importantly, to relieve the funding stress and safeguard each Landesbank's funding ability through the crisis beginning in 2008, the state owners and the federal government promptly announced debt guarantees for the Landesbanken. As market conditions have normalised, the Landesbanken which were impacted have focused on restructuring and some, such as Bayern LB have made substantial payments ahead of schedule to their guarantors in line with EU requirements (e.g. BayernLB had repaid in 2015 a total of EUR 4.0 billion out of EUR 5 billion, with EUR 1 billion to be repaid by 2019).

DBRS recognises that several Landesbanken have relatively stable funding relationships with savings banks that keep a portion of their excess deposits with them. These funding relationships can help Landesbanken manage through periods of market disruption and can add a level of stability to their funding profile. One factor that contributes to the funding challenges for some Landesbanken is the large amount of maturing debt that was issued under explicit state guarantees before July 2005. Prior to the EU mandated "phase out" of public law guarantees for Landesbanken (e.g., Anstaltslast and Gewaehtraegerhaftung), Landesbanken benefited from the ability to issue at higher rating levels which benefitted from explicit government support). A large proportion of the grandfathered guaranteed debt has matured in 2015 and is being replaced by non-guaranteed funding as and when needed. Fortunately, on-going asset reduction efforts at most Landesbanken will have an offsetting effect in the near to medium term.

Capitalisation

DBRS views the Sparkassen-Finanzgruppe's combined level of capitalisation as broadly sufficient. This considers the overall sound capital and solid underlying earnings of the savings banks, as well as the more challenging situation at some of the Landesbanken. The savings banks reported an aggregated Tier 1 ratio of 14.8% at year-end 2015 and a total capital ratio at year-end of 16.7%, both improving somewhat compared to the prior year. At the Landesbanken level (including DekaBank), Core Equity Tier 1 ratios increased slightly to 13.6% at end 2015 from 13.2% one year earlier. The development continued to reflect the reduction of risk at the Landesbanken, which has now fallen, while combined risk weighted assets have decreased by EUR 6.5 billion to EUR 347.3 billion.

The savings banks have increased their regulatory capitalisation in recent years largely through earnings retention and additions to prudential reserves. Internal capital generation and slow growth in risk-weighted assets (RWAs) led to consistent increases in the savings banks' Tier 1 ratio. The capital of the savings banks is of solid quality. However, given the low interest environment, which is adding pressure to earnings, in DBRS's view, some individual saving banks might be challenged to internally generate significant levels of capital. Likewise, given the legal and ownership structures of the savings banks, raising capital externally is difficult and in the past capital improvement has often been achieved through mergers with stronger institutions.

DBRS notes the improved aggregated regulatory capital position of the Landesbanken highlighted above. This follows an important period of capital support beginning in 2008 during which the state owners and German Financial Markets Stabilisation Fund (SoFFin) had committed EUR 36.3 billion in risk guarantees and EUR 21 billion in capital to the Landesbanken. In parallel with some Landesbanken repaying portions of federal support (e.g., the BayernLB example mentioned above), the overall quality of the combined capital base of Landesbanken has also improved, as many state owners have completed the conversion of former silent participations into Basel III qualifying equity. Although challenges do remain, DBRS views the overall development as positive.

Sparkassen-Finanzgruppe In EUR Millions	31/12/2014 NGAAP		31/12/2013 NGAAP		31/12/2012 NGAAP		31/12/2011 NGAAP		31/12/2010 NGAAP
Balance Sheet									
Cash and deposits with central banks	26,041	1.16%	23,120	1.02%	39,910	1.64%	30,968	1.21%	27,369
Lending to/deposits with credit institutions	338,108	15.01%	371,863	16.42%	408,768	16.84%	500,605	19.49%	544,914
Financial securities	502,051	22.29%	510,326	22.54%	508,610	20.96%	533,169	20.76%	566,413
- Trading portfolio	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
- At fair value	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
- Available for sale	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
- Held-to-maturity	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
- Other	502,051	22.29%	510,326	22.54%	508,610	20.96%	533,169	20.76%	566,413
Financial derivatives instruments	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
- For hedging purposes	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
- Other	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
Gross lending to customers	1,186,005	52.67%	1,179,018	52.07%	1,215,967	50.11%	1,227,933	47.81%	1,214,284
- Loan loss provisions	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
Insurance assets	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
Investments in associates/subsidiaries	27,620	1.23%	30,285	1.34%	33,523	1.38%	34,970	1.36%	37,519
Fixed assets	12,206	0.54%	12,361	0.55%	12,530	0.52%	12,342	0.48%	12,610
Goodwill and other intangible assets	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Other assets	159,852	7.10%	137,344	6.07%	207,449	8.55%	228,288	8.89%	198,586
Total assets	**2,251,882**	**100.00%**	**2,264,317**	**100.00%**	**2,426,757**	**100.00%**	**2,568,275**	**100.00%**	**2,601,695**
Total assets (USD)	2,727,082		3,119,355		3,200,260		3,335,422		3,447,636
Loans and deposits from credit institutions	452,891	20.11%	475,006	20.98%	491,964	20.27%	550,774	21.45%	598,468
Deposits from customers	1,166,101	51.78%	1,151,077	50.84%	1,177,587	48.53%	1,176,565	45.81%	1,164,702
- Demand	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
- Time and savings	1,166,101	51.78%	1,151,077	50.84%	1,177,587	48.53%	1,176,565	45.81%	1,164,702
Issued debt securities	247,959	11.01%	275,714	12.18%	322,494	13.29%	368,272	14.34%	403,057
Financial derivatives instruments	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
- For hedging purposes	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
- Other	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
Insurance liabilities	0	0.00%	0	0.00%	0	0.00%	0	0.00%	n/a
Other liabilities	203,720	9.05%	183,586	8.11%	260,631	10.74%	303,969	11.84%	269,502
-Financial liabilities at fair value through P/L	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Subordinated debt	29,518	1.31%	29,884	1.32%	30,604	1.26%	36,731	1.43%	38,151
Hybrid Capital	2,350	0.10%	2,651	0.12%	3,106	0.13%	4,137	0.16%	5,584
Equity	149,344	6.63%	146,399	6.47%	140,371	5.78%	127,827	4.98%	122,231
Total liabilities and equity funds	**2,251,882**	**100.00%**	**2,264,317**	**100.00%**	**2,426,757**	**100.00%**	**2,568,275**	**100.00%**	**2,601,695**
Income Statement									
Interest income	66,629		72,058		86,219		97,191		94,179
Interest expenses	-34,104		-39,394		-52,766		-61,657		-58,920
Net interest income and credit commissions	32,525	81.43%	32,664	80.01%	33,453	81.56%	35,534	83.77%	35,259
Net fees and commissions	7,290	18.25%	6,802	16.66%	6,837	16.67%	7,293	17.19%	7,191
Trading / FX Income	127	0.32%	1,359	3.33%	726	1.77%	-539	-1.27%	500
Net realised results on inv securities (AFS)	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Net results from other fin instr at fair value	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Net income from insurance operations	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Results from ass/subs accounted at equity	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Other operating income (incl. dividends)	0	0.00%	0	0.00%	0	0.00%	133	0.31%	239
Total operating income	39,942	100.00%	40,825	100.00%	41,016	100.00%	42,421	100.00%	43,189
Staff costs	-16,090	59.64%	-15,628	57.95%	-15,617	60.23%	-15,000	57.64%	-15,190
Other operating costs	-10,888	40.36%	-11,338	42.05%	-10,312	39.77%	-11,024	42.36%	-10,956
Depreciation/amortisation	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Total operating expenses	-26,978	100.00%	-26,966	100.00%	-25,929	100.00%	-26,024	100.00%	-26,146
Pre-provision operating income	12,964		13,859		15,087		16,397		17,043
Loan loss provisions	-1,625		-3,237		-58		6,266		-5,739
Post-provision operating income	11,339		10,622		15,029		22,663		11,304
Impairment on (in)tangible assets	0		0		0		0		0
Net gains/losses on (in)tangible assets	0		0		0		0		0
Other non-operating items	-7,669		-5,780		-9,527		-17,551		-5,602
Pre-tax income	3,670		4,842		5,502		5,112		5,702
Taxes	-3,382		-3,227		-3,409		-3,488		-2,644
Minority interest	0		0		0		0		0
Net income	**288**		**1,615**		**2,093**		**1,624**		**3,058**
Net income (USD)	349		2,225		2,760		2,109		4,052

Sparkassen-Finanzgruppe In EUR Millions	31/12/2014 NGAAP	31/12/2013 NGAAP	31/12/2012 NGAAP	31/12/2011 NGAAP	31/12/2010 NGAAP
Off-balance sheet and other items					
Asset under management	n/a	n/a	n/a	n/a	n/a
Derivatives (notional amount)	n/a	n/a	n/a	n/a	n/a
BIS Risk-w eighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
No. of employees (end-period)	n/a	n/a	341,200	345,600	348,500
Earnings and Expenses					
Earnings					
Net interest margin [1]	1.59%	1.56%	1.52%	1.55%	1.49%
Pre-provision earning capacity (total assets basis) [2]	0.57%	0.59%	0.60%	0.63%	0.66%
Pre-provision earning capacity (risk-w eighted basis) [3]	n/a	n/a	n/a	n/a	n/a
Pre-provision earning capacity by employee	n/a	n/a	44,217	47,445	48,904
Post-provision earning capacity (total assets basis)	0.50%	0.45%	0.60%	0.88%	0.44%
Post-provision earning capacity (risk-w eighted basis)	n/a	n/a	n/a	n/a	n/a
Expenses					
Efficiency ratio (operating expenses / operating income)	67.54%	66.05%	63.22%	61.35%	60.54%
All inclusive costs to revenues [4]	86.74%	80.21%	86.44%	102.72%	73.51%
Operating expenses by employee	n/a	n/a	75,994	75,301	75,024
Loan loss provision / pre-provision operating income	12.53%	23.36%	0.38%	-38.21%	33.67%
Provision coverage by net interest income	2001.54%	1009.08%	n/m	-567.09%	614.38%
Profitability Returns					
Pre-tax return on Tier 1 (excl. hybrids)	n/a	n/a	n/a	n/a	n/a
Return on equity	0.19%	1.10%	1.49%	1.27%	2.50%
Return on average total assets	0.01%	0.07%	0.08%	0.06%	0.12%
Return on average risk-w eighted assets	n/a	n/a	n/a	n/a	n/a
Dividend payout ratio [5]	n/a	n/a	n/a	n/a	n/a
Internal capital generation [6]	n/a	n/a	n/a	n/a	n/a
Grow th					
Loans	0.59%	-3.04%	-0.97%	1.12%	1.15%
Deposits	1.31%	-2.25%	0.09%	1.02%	0.39%
Net interest income	-0.43%	-2.36%	-5.86%	0.78%	0.61%
Fees and commissions	7.17%	-0.51%	-6.25%	1.42%	3.50%
Expenses	0.04%	4.00%	-0.37%	-0.47%	-2.93%
Pre-provision earning capacity	-6.46%	-8.14%	-7.99%	-3.79%	1.65%
Loan-loss provisions	n/a	n/a	-100.93%	n/a	n/a
Net income	-82.17%	-22.84%	28.88%	-46.89%	-206.92%
Risks					
RWA% total assets	n/a	n/a	n/a	n/a	n/a
Impaired loans (net of LLPs) % pre-provision operating income [7]	n/a	n/a	n/a	n/a	n/a
Impaired loans (net of LLPs) % equity	n/a	n/a	n/a	n/a	n/a
Liquidity and Funding					
Customer deposits % total funding	61.49%	59.59%	58.22%	55.18%	52.84%
Total w holesale funding % total funding [8]	38.51%	40.41%	41.78%	44.82%	47.16%
- Interbank % total funding	23.88%	24.59%	24.32%	25.83%	27.15%
- Debt securities % total funding	13.07%	14.27%	15.94%	17.27%	18.28%
- Subordinated debt % total funding	1.56%	1.55%	1.51%	1.72%	1.73%
Short-term w holesale funding % total w holesale funding	62.01%	60.85%	58.22%	57.63%	58.89%
Liquid assets % total assets	38.47%	39.98%	39.45%	41.46%	43.77%
Net short-term w holesale funding reliance [9]	-29.83%	-31.66%	-31.67%	-34.18%	-35.99%
Adjusted net short-term w holesale funding reliance [10]	-29.83%	-31.66%	-31.67%	-34.18%	-35.99%
Customer deposits % gross loans	98.32%	97.63%	96.84%	95.82%	95.92%
Capital [11]					
Tier 1 (As-reported)	14.60%	14.60%	13.10%	10.50%	10.95%
Total Capital	n/a	n/a	n/a	n/a	n/a 15.80%

[1] (Net interest income + dividends)% average interest earning assets.
[2] Pre-provision operating income % average total assets.
[3] Pre-provision operating income % average total risk-w eighted assets.
[4] (Operating & non-op. costs) % (op. & non-op. revenues)
[5] Paid dividend % net income.
[6] (Net income - dividends) % shareholders' equity at t-1.
[7] We take into account the stock of LLPs in this ratio.
[8] Whole funding excludes corporate deposits.
[9] (Short-term w holesale funding - liquid assets) % illiquid assets
[10] (Short-term w holesale funding - liquid assets- loans maturing w ithin 1 year) % illiquid assets
[11] Capital ratios of Interim results exclude profits for the year

Methodologies

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (December 2015). Other applicable methodologies include the DBRS Criteria – Support Assessments for Banks and Banking Organisations (March 2016) and DBRS Criteria: Rating Bank Capital Securities – Subordinated, hybrid, Preferred & Contingent Capital Securities (February 2016).

Ratings

Issuer	Debt	Rating	Rating Action	Trend
Sprarkassen-Finanzgruppe	Issuer & Senior Long-Term Debt	A	Confirmed	Stable
Sprarkassen-Finanzgruppe	Short-Term Instruments	R-1 (low)	Confirmed	Stable

Rating History

Issuer	Current	2015	2014	2013	2012
Issuer & Senior Long-Term Debt	A	A	A (high)	A (high)	A (high)
Short-Term Instruments	R-1 (low)	R-1 (low)	R-1 (middle)	R-1 (middle)	R-1 (middle)

Previous Action(s)

- DBRS Confirms " A" Floor Ratings on Sparkassen-Finanzgruppe with Stable Trend, April 12, 2016.
- DBRS Downgrades 31 European Banking Groups due to Removal of Systemic Support Uplift, September 29, 2015.
- DBRS Places 38 European Banking Groups Under Review Negative due to Systemic Support, May 20, 2015.
- DBRS Rates 413 Members of Sparkassen-Finanzgruppe's Joint Liability Scheme at A (high), Stable Trend, May 13, 2015.
- DBRS Confirms A (high) Floor Ratings on Sparkassen-Finanzgruppe with Stable Trend, April 21, 2015

Previous Report

- Sparkassen-Finanzgruppe, Rating Report, July 20, 2015

Notes:
All figures are in EUR unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.