

# Credit Rating Report

## Sparkassen-Finanzgruppe

**Morningstar DBRS**

7 May 2025

### Contents

3	Franchise Strength
6	Earnings Power
9	Risk Profile
11	Funding and Liquidity
13	Capitalisation
15	Appendix I: Institutional Protection Scheme
17	Appendix II: 346 Rated Members of SFG
24	ESG
26	IA Framework
27	Company Financials
28	Credit Ratings
29	Related Research

Nicola De Caro

Senior Vice President, Sector Lead  
European Financial Institution Ratings  
+49 69 8088 3505  
nicola.decaro@morningstar.com

Borja Barragán

Assistant Vice President  
European Financial Institution Ratings  
+49 69 8088 3686  
borja.barragan@morningstar.com

Elisabeth Rudman

Managing Director  
Global Financial Institution Ratings  
+44 20 7855 6655  
elisabeth.rudman@morningstar.com

### Credit Ratings

Debt	Credit Rating Action	Credit Rating	Trend
Long-Term Issuer Rating	Confirmed March '25	A (high)	Stable
Short-Term Issuer Rating	Confirmed March '25	R-1 (middle)	Stable

### Credit Rating Drivers

#### Factors With Positive Credit Rating Implications

- A credit rating upgrade would require higher and sustained profitability while demonstrating strong risk management across all major constituents of the Group and maintaining strong capital ratios.

#### Factors With Negative Credit Rating Implications

- A significant deterioration in the Group's financial performance and/or material challenges faced by larger members would result in a credit rating downgrade. Any indication of a weakening of the Institutional Protection Scheme would also lead to a downgrade.

### Credit Rating Considerations

#### Franchise Strength (Very Strong/Strong)

- Sparkassen-Finanzgruppe (SFG or the Group) is the largest lender in Germany. The Group's decentralised and vast franchise covers a wide range of financial services and enjoys significant market share.

#### Earnings Power (Moderate)

- SFG has well-diversified earnings streams. Higher interest rates have supported revenues as deposit repricing has lagged. Revenues most likely peaked in 2023 but are expected to remain solid.

#### Risk Profile (Strong/Good)

- The stable risk profile of the Sparkassen is reflective of their well-diversified and highly granular exposures and sound underwriting. The de-risking of the Landesbanken has contributed to asset quality improvement over the years; however, their relatedly high commercial real estate (CRE) exposures remain a risk.

#### Funding and Liquidity (Strong)

- Robust and stable funding and sound liquidity profile primarily driven by the extensive and granular deposit base of the Sparkassen. This is complemented by the wholesale character of the Landesbanken, which benefit from a stable covered bond franchise.

#### Capitalisation (Strong/Good)

- Solid aggregate capital levels above the domestic peer average that enable healthy capital cushions, just partly offset by the fact that SFG cannot raise capital at the Group level.

Financial Data Through 2023	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	VS	S	VS/S
Earnings	M/W	G/M	M
Risk	G	S/G	S/G
Funding & Liquidity	S/G	VS/S	S
Capitalisation	G/M	S	S/G
Overall Assessment	Intrinsic Assessment Range (IAR)		Assigned IA
S/G	['AA (low)', 'A (high)', 'A']		A (high)

## Financial Information

	For the Year Ended December 31 (German GAAP)				
(In EUR million unless otherwise stated)	2023	2022	2021	2020	2019
Total Assets	2,492,810	2,539,171	2,431,946	2,346,135	2,273,491
Gross Loans to Customers	1,478,636	1,466,093	1,395,261	1,315,743	1,307,380
Income Before Provisions and Taxes (IBPT)	21,503	14,923	10,234	9,994	9,733
Net Attributable Income	12,307	5,157	6,520	4,613	6,492
Net Interest Margin (%)	1.60	1.30	1.19	1.27	1.34
Cost-Income ratio (%)	56.55	62.39	71.00	71.56	73.49
LLP / IBPT (%)	17.98	42.09	2.49	26.43	5.95
Cost of Risk (%)	0.26	0.44	0.02	0.20	0.05
Tier1 Ratio (%)	16.00	15.70	15.70	16.30	16.10

Source: Morningstar, Inc., company documents. Morningstar, Inc. data and Morningstar DBRS calculations based on company disclosure.

Note: Figures may not tie with reported data given Morningstar DBRS' standardised approach across global banks.

## Issuer Description

[Sparkassen-Finanzgruppe](#) primarily consists of two types of banks with distinct franchises — the German savings banks (the Sparkassen) and the regional wholesale banks (the Landesbanken). Together, the members of the German Association of Savings Banks (or Sparkassen-Finanzgruppe) form one of the largest financial groups globally.

## Credit Rating Rationale

On March 25, 2025, Morningstar DBRS confirmed the credit ratings for SFG. The rating confirmation took into account the dominant position of the Sparkassen in the German retail banking space resulting from their extensive and resilient footprint, complemented by a number of specialised financial service providers and the wholesale-oriented Landesbanken. The credit ratings continue to be supported by solid asset quality metrics despite some deterioration in 2023 and 2024, at both the Sparkassen and Landesbanken levels, reflecting the country's sluggish economy and heightened geopolitical risks.

Furthermore, SFG maintains solid capital ratios above the German banking average. The Group's liquidity position benefits from the granular and strong deposit franchise of the Sparkassen, supplemented by wholesale funding access at the larger savings banks and the Landesbanken.

The Group's profitability levels have improved on the back of higher interest rates as well as successful de-risking at the Landesbanken. Nonetheless, SFG's profitability metrics remain below the levels of its international peers. This in part reflects the public mandate of its members as well as their complex structures.

The Stable trends reflect Morningstar DBRS' expectations that the Group will keep its solid financial fundamentals, despite some deterioration in Germany's economic environment.

The Group's floor rating of A (high) is positioned at the midpoint of the Intrinsic Assessment Range as Morningstar DBRS views SFG's credit fundamentals and performance as commensurate with those of similarly rated peers.

## Franchise Strength

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Very Strong	Strong	Very Strong/Strong

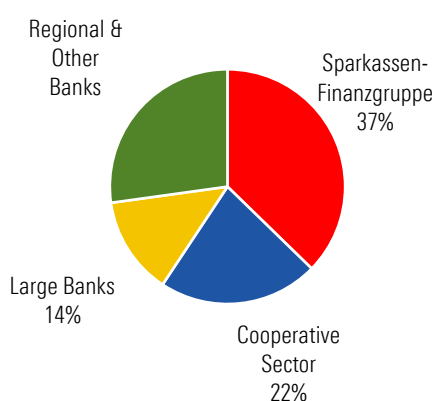
The franchise grid assessment is lower than the scorecard assessment. The scorecard indicators are supported by the Group's large size. In the grid assessment, we reflect the Group's decentralised and complex structure, in particular at the Landesbanken level. These factors have also resulted in the Additional Considerations Grid Grade being adjusted downward.

With an aggregated balance sheet of EUR 2.5 trillion at YE2023, SFG is Germany's largest financial provider and a leading financial group globally, encompassing around 500 independently run entities in a decentralised structure. Its extensive outreach lies mainly in its strong and resilient franchise of Sparkassen (savings banks) that spans across the country, combined with its wholesale banking activities through the Landesbanken, ensuring dominant market shares of 37% of Germany's customer loans and 34% of deposits at YE2023 (Exhibits 1 and 2). The Group's franchise is further diversified by additional financial service businesses, including asset management, building societies, leasing, and regional public insurance entities. Most SFG members operate under public-law structures, maintaining independent governance while collaborating under a shared brand.

We believe that the savings banks' robust and far-reaching network is the foundation of SFG's overall strength.

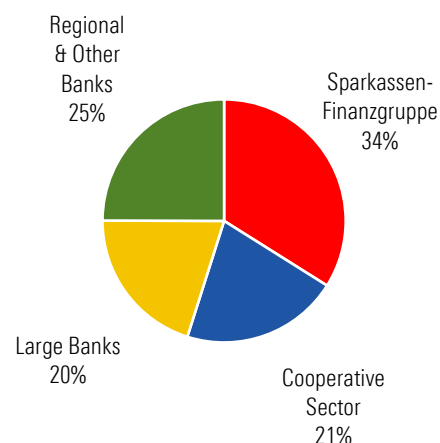
**Exhibit 1** Domestic Market Share

Loans to Domestic Non-Banks in 2023



**Exhibit 2** Domestic Market Share

Customer Deposits in 2023



Source: Morningstar DBRS, company documents based on Deutsche Bundesbank.

The Sparkassen operate as public-law entities under municipal oversight, with governance provided by cities, districts, or regional associations. Despite gradual consolidation (343 institutions as of March 2025, down from 384 Sparkassen as of March 2019), ongoing challenges such as rising regulatory burdens, digital transformation, labour shortages, and demographic shifts drive the need

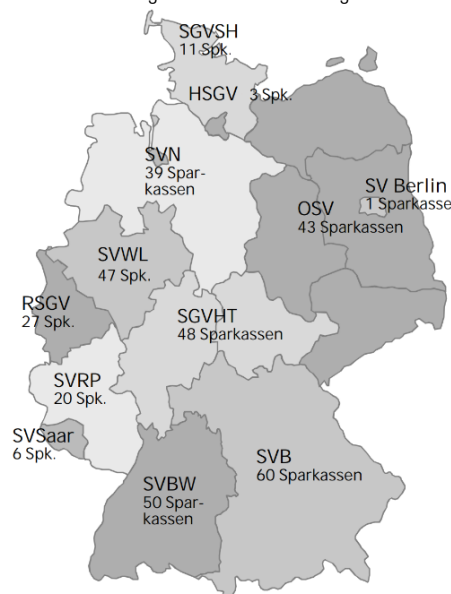
for economies of scale. The Deutscher Sparkassen- und Giroverband (DSGV) serves as the central coordinating body, overseeing strategy, advocacy, and communications while preserving member autonomy.

### Exhibit 3 Corporate Structure\*

<b>Sparkassen-Finanzgruppe</b> <b>500 Companies</b>					Branches: 14,640 Employees: 282,500 Total Assets: 2.49 trillion				
<b>353 Savings Banks</b>					Total assets: EUR 1,513 billion Employees: 191,044 Branches: 10,695				
<b>5 Landesbank Groups</b>		<b>DekaBank</b>		<b>5 Regional Building Societies (LBS)</b>		<b>Deutsche Leasing Group</b>		<b>8 Public Direct Insurer Groups</b>	
Total Assets: EUR 956 billion Employees: 31,582		Total Assets: EUR 381 billion Employees: 5,492		Total Assets: EUR 76 billion Employees: 6,285		Total assets: EUR 24.2 billion Employees: 2,919		Gross Premium Income: EUR 22.3 billion Employees: 30,200	
<b>Other Leasing Companies</b>	<b>S-Kreditpartner</b>	<b>8 S-Internationals</b>	<b>DSV Group</b>	<b>Finanz Informatik</b>	<b>48 Capital Investment Companies</b>	<b>3 Factoring Companies</b>	<b>7 LBS Real Estate Companies</b>	<b>2 IT &amp; Credit analysis companies</b>	

\*As of December 2023. As of March 2025, there were 343 Sparkassen.  
 Source: Company documents.

Efforts have been made to promote consolidation within the Landesbanken sector, including DekaBank, with the aim to improve coordination and efficiency under a single entity owned by the Sparkassen. While such a framework remains under discussion and does not seem to be a strategic priority at this point in time, we note that the Group has made progress over the years in enhancing its structure, by assigning specialised roles to the Landesbanken, which demonstrates the Group's efforts to adapt to evolving market demand. For instance, Landesbank Baden-Württemberg (LBBW) is in charge of interest rate, currency, and commodity management for the Group while Landesbank Hessen-Thüringen (Helaba) leads cross-border payment service.

**Exhibit 4** Savings Banks and Their Regional Associations\***Exhibit 5** Landesbanken

Source: Company documents. \*As of December 2023. As of March 2025, there were 343 Sparkassen.

In addition, the Group continued to focus on digitalisation in 2023, particularly in payment transactions, with the launch of the Wero payment solution. This is the result of a cooperation with other banking groups in Germany, France, Belgium and the Netherlands in the context of the European Payments Initiative, (EPI) and it is a significant milestone towards offering a comprehensive and universal payment solution. In addition, the Group is preparing for the introduction of the European Central Bank's (ECB) digital euro, expected by 2027, which would position Wero as a potential platform for processing digital euro transactions.

The Group's commitment to innovation is also reflected in its recent efforts to integrate artificial intelligence to enhance efficiency and customer service, providing digital assistants to its employees to streamline processes and improve decision-making.

The Group's Institutional Protection Scheme (IPS or the Scheme) remains a cornerstone of the Group's stability. Since its establishment in the 1970s, no member institution has become insolvent. The Scheme, consisting of 13 sub-funds, is officially recognised as a deposit scheme under German law.

## Earnings Power

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Moderate/Weak	Good/Moderate	Moderate

### Sparkassen-Finanzgruppe

The earnings power grid assessment is higher than the scorecard assessment. The scorecard indicators reflect the stable earnings capacity despite historically moderate profitability levels, while the grids reflect the Group's highly diversified revenue streams.

Morningstar DBRS' scorecard analysis includes the Group's results for 2023. As of today, the aggregate results for 2024 are not yet available. There is a time lag between the release of the results of the individual members and the publication of the Group's aggregate numbers, which typically takes place in the second half of the year.

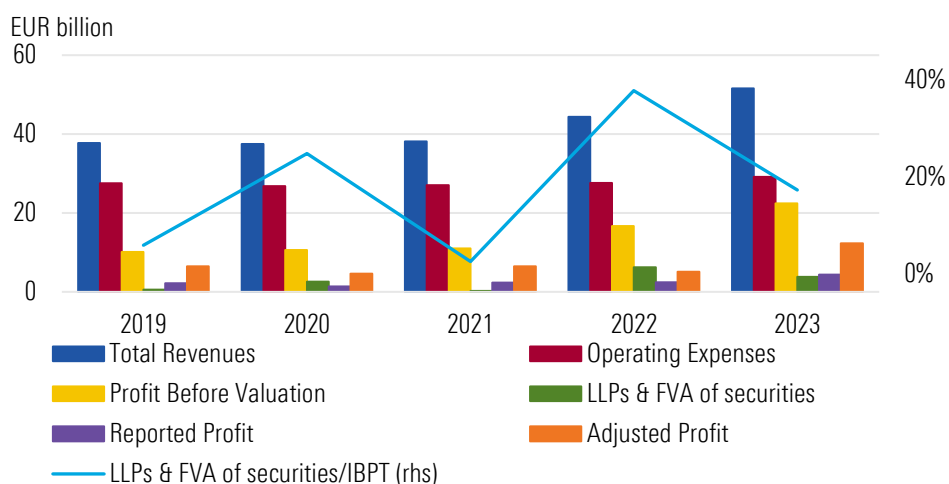
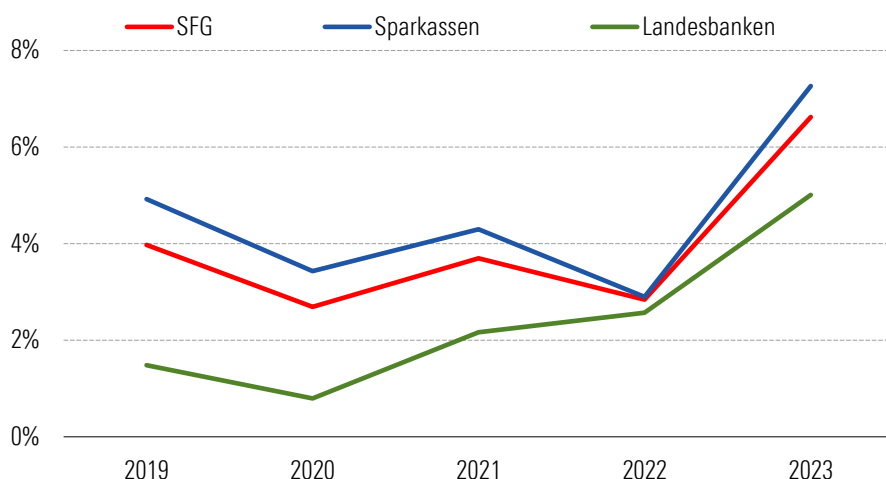
In 2023, SFG demonstrated strong financial performance as the Group's reported net income was up 80% year over year (YOY) to EUR 4.38 billion, reflecting the higher operating result and lower valuation expenses. In addition, we also take into account the net additions to the fund for general banking risks (340(g) reserves) as part of net income for our scorecard.

Net interest income (NII) increased significantly to EUR 37.2 billion, up 24.2% YOY, driven by higher lending margins boosted by the continued interest rate growth that started in mid-2022. Net fee and commission income increased by 2.5% YOY to EUR 11.5 billion, primarily due to increased income from current account and card business, as well as a higher turnover in the customer securities business. This helped to offset the lower income from financial transactions, which declined by 39.1% to EUR 1.06 billion, mainly due to lower trading income at the Landesbanken.

Administrative expenses increased by 5.5% to EUR 29.2 billion in 2023, driven by higher workforce costs and IT digitalisation, as well as legal and regulatory compliance. Despite this, the cost-income ratio (CIR) improved to 56.6% in 2023 from 62.4% in 2022. We expect workforce costs to rise because of the German Bank Employees' Association's negotiations for salary increases for employees covered by collective labour agreements (Tarifverträge).

The operating result after valuation increased markedly by 78.6% to EUR 18.6 billion, driven by lower valuation expenses in 2023 (a German GAAP accounting category that includes mainly provisions for loan losses and fair value adjustments of securities), particularly in the securities business, where falling capital market interest rates led to valuation gains.

The Group also recorded EUR 8.8 billion in 2023 (EUR 4.5 billion in 2022) under the category Extraordinary Result (außerordentliches Ergebnis), of which EUR 7.9 billion (EUR 2.7 billion in 2022) consisted of net additions to the Fund for General Banking Risks ("340(g) reserves"), which counts as regulatory capital. Therefore, we view the contribution to 340(g) reserves as part of profits, as would be the case under IFRS, and adjust results accordingly. That means that, including the 340(g) reserves, SFG's adjusted net profit would be EUR 12.3 billion in 2023, significantly up from EUR 5.2 billion in 2022.

**Exhibit 6** P&L — Sparkassen-Finanzgruppe**Exhibit 7** Return on Average Equity

### Sparkassen

According to preliminary 2024 results based on the savings banks' internal accounting system (Betriebsvergleich), the Sparkassen reported a total income before valuation of EUR 18.2 billion in 2024, flat YOY on the back of a stabilisation in NII and higher fee income, which somewhat offset higher operating expenses.

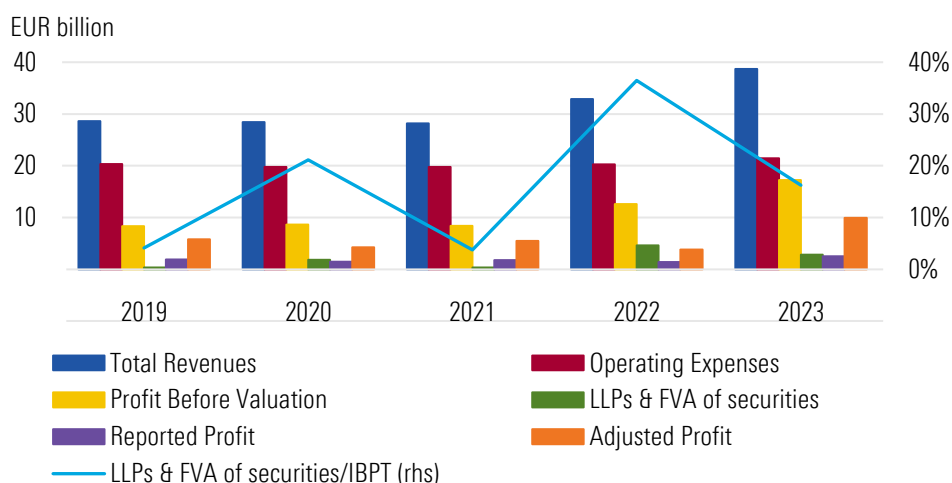
NII was up 1.1% YOY to EUR 28.7 billion on the back of better results from interest rate hedging transactions and despite higher deposit costs, while customer deposit volumes increased by 2.9% YOY. Fees and commissions increased by 6.2% YOY to EUR 10.4 billion driven by current accounts and card payment fees. Operating expenses increased by 4.6% YOY, reflecting significant wage increases and higher IT spending. The CIR deteriorated slightly to 54.0% from 52.9% in 2024.

In 2024, the contribution from fixed income securities was EUR 0.4 billion, down from EUR 2.1 billion the year before mainly driven by reversals from depreciation and amortization from the year 2022. In addition, provisions for loan losses were EUR 2.3 billion in 2024, down from EUR 2.8 billion

in 2023. The savings banks reported a net profit of EUR 2.5 billion, flat YOY. However, including the contributions to the 340(g) reserves, which continued to be significant at EUR 8.3 billion in 2024, the adjusted profit was EUR 10.8 billion in 2024 compared with EUR 12.2 billion in 2023.

Aggregate cost efficiency for the savings banks remains broadly in line with German and European cooperative banks and looks favourable when compared with German commercial banks.

**Exhibit 8** P&L — Sparkassen



Source: Morningstar DBRS, company reports.

### Landesbanken<sup>1</sup>

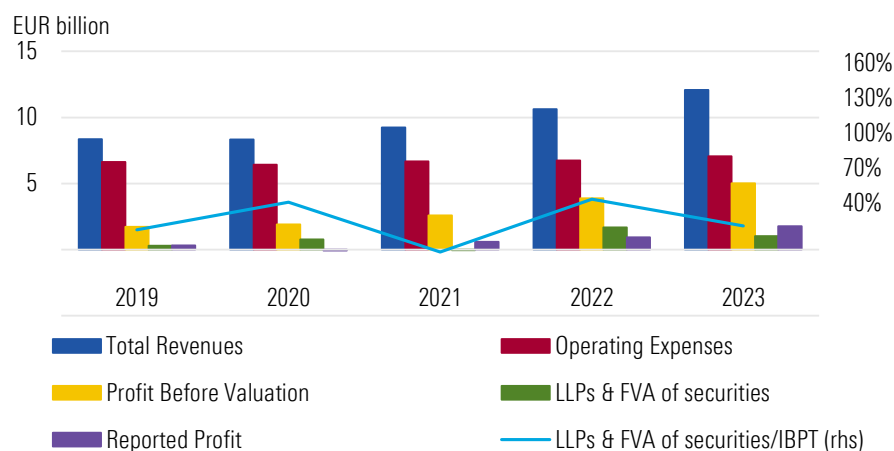
In 2023, the Landesbanken reported net income of EUR 1,760 million (according to German GAAP), up 89.0% from EUR 931 million in F2022, driven by a 18.4% YOY increase in NII on the back of the to the benign interest rate environment as well as the stable development of their customer lending business. The result was also supported a notable 807.4% YOY jump in other operating income to EUR 0.9 billion. In 2023, the Landesbanken did not continue the previous years' trend of expanding their on balance sheet business, mainly due a significant decline in the interbank business.

Revenues could offset higher administrative costs, which increased by EUR 0.3 billion to EUR 7.1 billion, mainly driven by higher personnel and operating expenses, albeit still contained. Despite this, the Landesbanken pre-valuation profit increased to EUR 5.0 billion, up 29.3% YOY. The CIR also improved considerably, down to 58.4% in 2023 from 63.5% in the previous year.

For F2024, based on the results reported by the large Landesbanken, we have seen a decline in NII, only partially offset by higher commissions. Costs remained largely flat while provisions increased, reflecting some asset quality deterioration due to the current challenging environment.

1. Including DekaBank.



**Exhibit 9** Landesbanken

Source: Morningstar DBRS, company reports.

**Risk Profile**

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good	Strong/Good	Strong/Good

The risk profile grid assessment is higher than the scorecard building block assessment. This reflected the high level of diversification and granularity of the credit exposures, particularly in relation to peers. However, while the Group is very diversified in terms of product, sector, and geographical exposure, this is not always the case for individual banks, which typically have higher concentration risk. Against this backdrop, the Additional Considerations Grid Grade was adjusted downward.

We see SFG's risk profile as robust as it benefits from the Sparkassen's highly diversified and granular exposures as well as the successful de-risking and reorganisation of the Landesbanken in recent years. Given the size of the Group's balance sheet and its geographic concentration in Germany, SFG is primarily exposed to the German business cycle and, therefore, the economic slowdown in the country. While the savings banks' business is granular and, on aggregate, well diversified within the country, individual savings banks are closely tied to their local communities and may face concentration risk. Exposures at the Landesbanken tend to be more significant; however, concentration risk and exposure to highly cyclical sectors such as shipping, aviation, and automotive have been significantly reduced since the last financial crisis. Regarding asset quality, there are no consolidated metrics available for the Group; however, data released by the Landesbanken and savings banks indicate a worsening trend.

**Sparkassen**

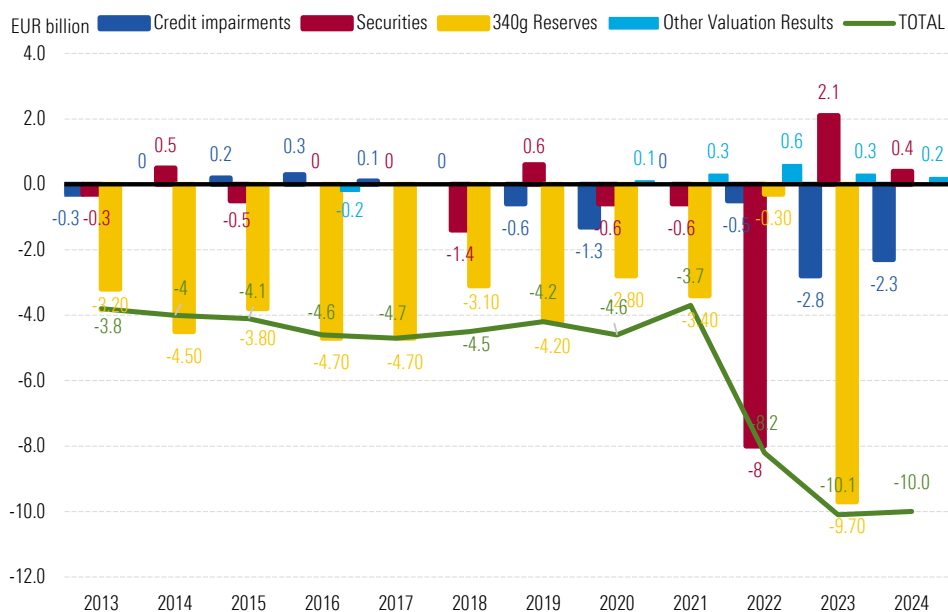
We maintain our view that the risk profile of the savings banks, which account for two-thirds of the Group's assets, remains at sound levels. However, as the Group is a reflection of the broader German economic environment, its asset quality has experienced some signs of deterioration in 2023, although its risk metrics continue to outperform European banking averages.

Preliminary 2024 results reported by the Sparkassen showed loan loss provisions of EUR 2.3 billion or 22 basis points (bps) in terms of cost of risk. This was slightly lower than the 27 bps observed in 2023, which was above historical averages.

In addition to prudent underwriting, the savings banks benefit from risk management tools provided by the Group's federal association, DSGV. These tools include credit-pooling programs to mitigate concentration risks at the individual savings bank level, centralised software, and credit scoring systems that offer shared information and statistics to aid in credit decision-making. The Group's risk profile is further bolstered by the recently enhanced IPS. (See Appendix I for more details.)

Following the interest rate hikes since mid-2022 and significant price increases for residential real estate and CRE over the past decade, real estate lending has become an area of potential stress. The Group, primarily through the savings banks, holds a market share of around 36% in residential real estate lending. After years of rising prices, residential real estate valuations have declined by approximately 10% from their peak. Overall, we consider the risk to be contained. Losses from residential real estate have historically been low, and unemployment remains low. Additionally, interest rates on residential mortgages are typically fixed for long terms, with a large proportion extending over 10 years, making an interest rate shock unlikely.

**Exhibit 10** Sparkassen — Valuation Result



Source: Morningstar DBRS, company reports.

### Landesbanken

The Landesbanken have significantly de-risked their loan portfolios and business activities since the global financial crisis. However, we believe that the wholesale nature of their business model entails greater risks compared with the more stable profile of savings banks. In addition, we believe that state ownership at certain Landesbanken may have led to corporate governance issues in the

past, which in turn contributed to past deficiencies in risk control mechanisms. However, there have been major improvements in risk management, supported by investments in IT.

We note that the Landesbanken and DekaBank have significant exposures to CRE, with shares of 20% to 30% of their gross customer loans. This is amongst the highest in Germany, following the specialised lenders.

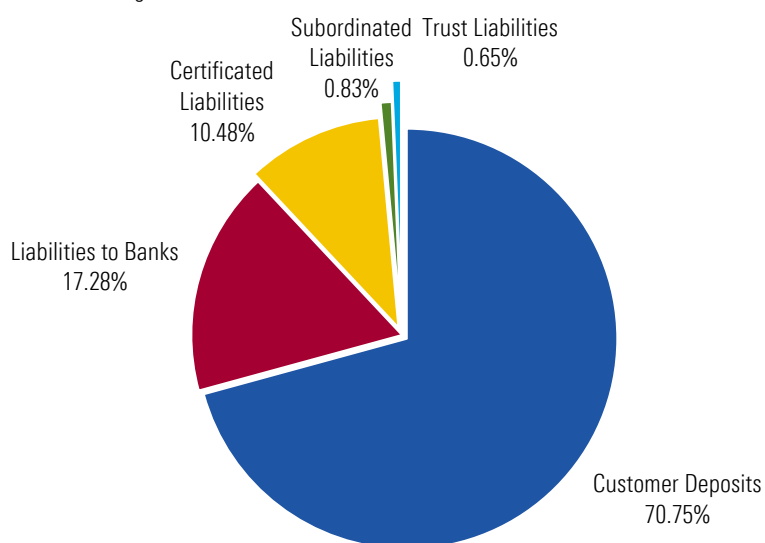
CRE was a major contributor to an increase in gross NPLs across all Landesbanken in 2023 and 2024, also reflected in higher risk provisioning. The rise in NPLs reflects challenges in the German domestic market, including a sharp fall in property prices, subdued transaction volumes, and increasing insolvencies amongst construction companies and developers. It also reflects asset quality deterioration in the U.S., particularly in the office sector, where the Landesbanken have higher exposure compared with their German and European peers. While a normalisation in CRE in the U.S. was observed in the second half of 2024, prospects of rising provisioning requirements by the domestic regulator, BaFin, remain on the table. We see, however, that the Landesbanken are generally protected by conservative loan-to-value ratios and debt service capacity metrics. We note that the increase in NPLs at the Landesbanken is also related to their corporate lending portfolios, which have been affected by the economic slowdown in Germany, as the rise in interest rates and the elimination of subsidies have sparked a number of insolvencies across several corporate sectors. Moreover, key domestic export sectors, including the automotive industry, are still at risk of facing increased U.S. tariffs.

Funding and Liquidity

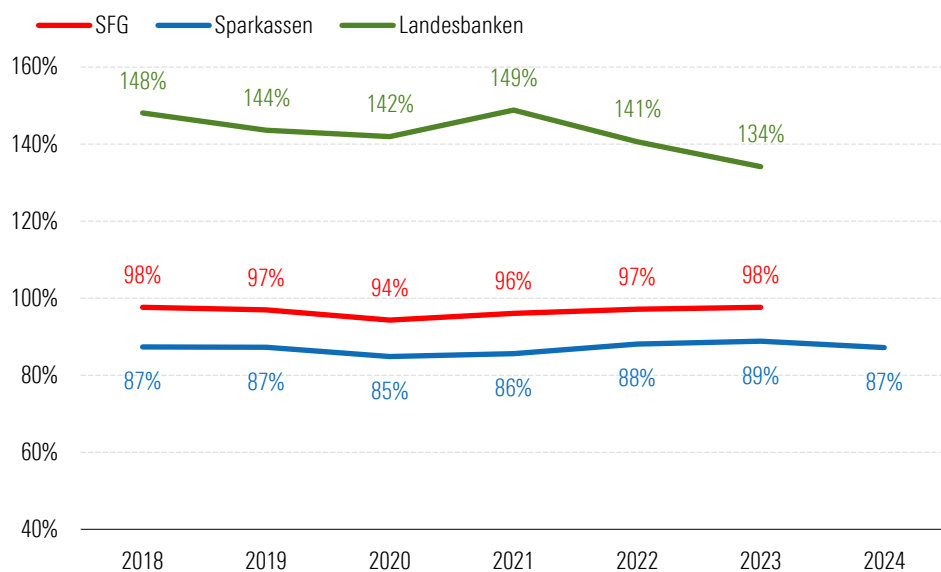
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Strong/Good	Very Strong/Strong	Strong

The funding and liquidity grid assessment is higher than the scorecard assessment. This reflects the strong and granular deposit base of the Sparkassen complemented by the wholesale nature of the Landesbanken, as well as the existence of a robust IPS.

In our view, the robustness of SFG’s funding and liquidity position is one of its key strengths. This is largely driven by the Sparkassen’s extensive and granular deposit base that serves as the major funding source for the Group, further supported by the wholesale-oriented funding profile of the Landesbanken. In 2023, the Group’s customer deposits grew slightly by 0.4% YOY to EUR 1.52 trillion. According to preliminary 2024 figures, the Sparkassen experienced an 2.9% YOY increase in customer deposits in 2024 resulting in a total of EUR 1.18 trillion. The Liquidity Coverage Ratio for the Sparkassen was strong at 196% at YE2024.

**Exhibit 11** SFG — Funding Profile

Source: Morningstar DBRS, company reports.  
 Note: Data as of December 2023.

**Exhibit 12** Loan-to-Deposits Evolution

Source: Morningstar DBRS, company reports.

### Sparkassen

Strong brand recognition and customer relationships support the Sparkassen's extensive deposit base. In 2024, the loan-to-deposit ratio was 87%, down slightly from 89% in 2023, as customer deposit growth outpaced that of the customer loan book over the course of the year.

Landesbanken

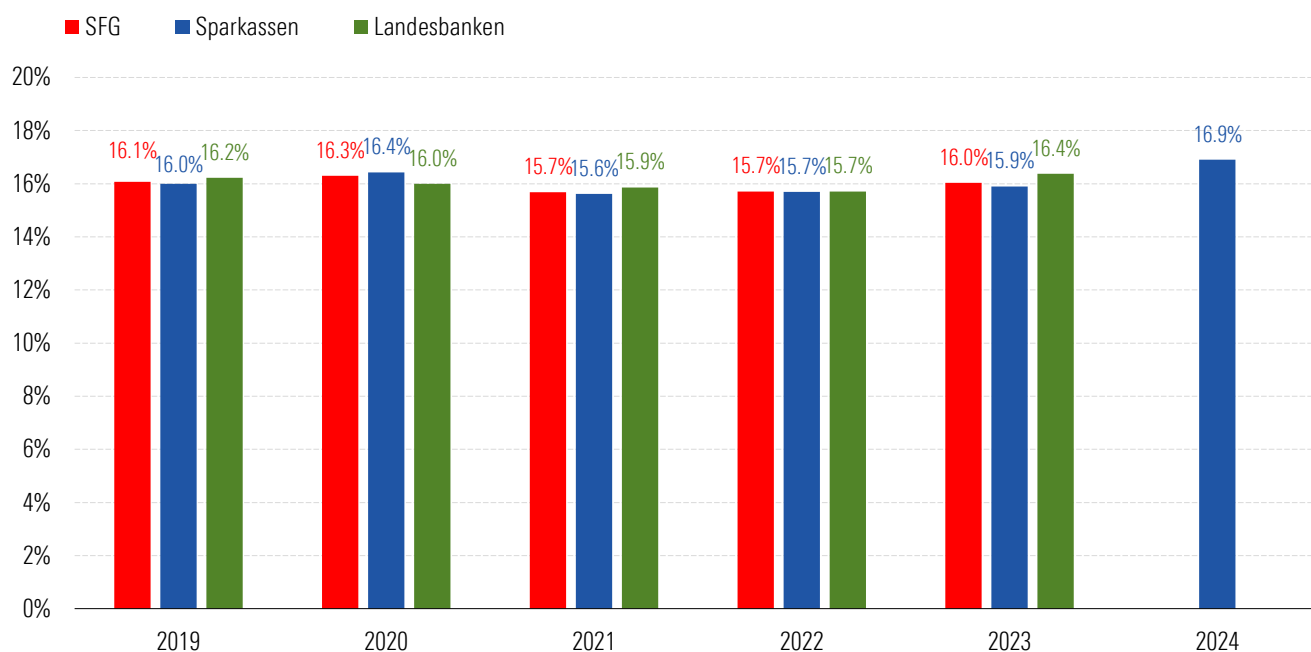
The Landesbanken, in aggregate, depend more heavily on capital markets for their funding, which could expose them to greater vulnerability in the event of market disruptions. In addition, a significant portion of their liabilities consists of corporate deposits, which are more sensitive to shifts in confidence and tend to reprice faster than retail deposits. That said, the Landesbanken benefit from access to the liquidity provided by the savings banks and have well-established covered bond franchises, offering a more stable form of market-based funding. We note that, despite the challenging environment in the German corporate sector due to the economic slowdown, the Landesbanken managed to expand their deposit volumes throughout 2023 and 2024, as well as grow their presence in the debt issuing markets.

Capitalisation

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good/Moderate	Strong	Strong/Good

The capitalisation grid assessment is higher than the scorecard building block assessment to reflect strong capitalisation compared with similarly rated peers, as well as very ample capital cushions. The Additional Considerations Grid Grade is adjusted downward to reflect the fact that Group members have limited ability to raise equity because of SFG’s structure.

SFG maintains solid capital ratios that are higher than the German banking average, with capital cushions well above regulatory minimum requirements supported mostly by earnings retention. We note that the Group’s aggregated Tier 1 ratio (including Landesbausparkassen) was 15.9% at YE2023, up from 15.7% at YE2022, as capital retention could offset a slight increase in risk-weighted assets (RWAs). In our view, it is important for the Group to maintain healthy capital cushions, as options to raise external capital are limited because of their public ownership structure. According to preliminary 2024 results, the savings banks’ Tier 1 capital ratio increased to 16.9% at YE2024 from 15.9% at YE2023, supported by strong earnings. Currently, all banks have to comply with a 0.75% countercyclical buffer (CCyB) on all domestic RWAs and a 2.0% sectoral systemic risk buffer (sSyRB) on RWAs related to loans collateralised by residential real estate.

**Exhibit 13** Tier 1 Capitalisation

Source: Morningstar DBRS, company reports.

**Sparkassen**

Reported capital ratios are well above the regulatory requirements of 8.50% for Tier 1 capital and 10.50% for total capital, even after taking into account the CCyB and the sSyRB. The leverage ratio of 9.9% for the Sparkassen at YE2024 is very strong relative to peers. Given the legal structures of the savings banks, raising capital externally is difficult. Therefore, we view healthy capital cushions as crucial for savings banks.

**Landesbanken**

In 2023, the combined Tier 1 ratio of the Landesbanken, including DekaBank, rose to 16.4% from 15.7% the previous year, driven by internal capital generation and a reduction in RWAs. Over the years, the Landesbanken have systematically reduced RWAs through reorganisations and realignments following various crises.

Overall, the aggregate capital ratios at the Landesbanken are robust and well above regulatory requirements. Although the Landesbanken have more flexibility in accessing capital markets compared with the Sparkassen, their ability to raise equity remains limited because of their ownership structure. Therefore, we believe that it is crucial for the Landesbanken to maintain substantial buffers above regulatory capital requirements, especially given the economic slowdown and their exposure to the corporate, small and medium-size enterprise, and CRE sectors.

## Appendix I: Institutional Protection Scheme

We see the IPS as a key factor underpinning SFG's floor rating, as it allows for the Group's resources to be made available to all members. Since the Scheme's inception in 1973, no member of SFG has defaulted. In recent years, the IPS has undergone a number of changes, from being a pure institutional protection scheme to strengthen and restructure institutions that faced challenges to also including a deposit protection scheme, a higher degree of pre-funding, and changes to decision processes.

The IPS is not equivalent to a cross-guarantee. 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 have become important components of the Scheme's strength, and consequently are factors considered in the floor ratings.

With the exception of the Landesbanken, most of the IPS' support cases have involved small institutions. SFG 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, we recognise that the combined resources of the IPS are not sufficient, nor was the Scheme designed, to address a wider systemic issue. In the past, examples of important support for the Landesbanken have included assistance from their public owners, from the central German government, and from regional support funds that savings banks and Landesbanken have established.

The implementation of the European Bank Recovery and Resolution Directive (BRRD) in Germany in 2015 means that any form of state intervention has to be guided by the rules of the BRRD. This has made it difficult for public owners (German federal states) to provide emergency support to distressed Landesbanken, except under very restrictive conditions, as demonstrated in the case of NORD/LB. SFG has taken steps to strengthen the pre-funding of resources available for the IPS, which we will continue to evaluate.

Despite the lack of a legally binding cross-guarantee, we note that the members of the IPS have strong incentives to support each other, as a default by any member would cause reputational damage for the overall Group. In addition, the IPS is recognised as a protection scheme by the Group's regulators, and all members benefit from 0% risk weight for intragroup exposures. In exchange, the regulators have clear expectations with regard to the IPS' functioning and responsibilities. The regulators closely monitor the system, prompting several changes to date.

Since the 2015 implementation of the Deposit Guarantee Act, which transposed relevant EU directives into German national law, the IPS has also been recognised as a deposit guarantee scheme. This development led to modifications to the Group's IPS. The changes essentially entailed the implementation of (1) early intervention rights for the IPS in order to stabilise ailing members at the early stages of financial distress; (2) a significant increase in rescue funds available to the IPS, which are also available for preventive support measures; and (3) the inclusion of non-cash support elements (e.g., guarantees). Additionally, the IPS has been

enhanced by new governing and reporting structures within the Group, as well as investment in personnel, procedures, and technology targeted to ensure that customers can be refunded the guaranteed amount of up to EUR 100,000 per depositor per institution in a timely manner.

Following regulator requests for more efficient and transparent decision-making processes within the IPS as well as increased funding, more changes were announced in 2021. The IPS' decentralised structure has been maintained. However, in contrast to previous procedures, where a support case had to be identified locally first before action could be taken, now the DSGV can become active and has access to the respective protection fund. While the IPS continues to serve its dual purpose as both a rescue scheme and a deposit guarantee scheme, regulators requested common financial resources to be separated into two funds. The fund dedicated to deposit guarantees is set to reach 0.8% of covered deposits or approximately EUR 6.6 billion by mid-2024. In addition, the ECB and BaFin requested an additional support fund to accumulate the equivalent of 0.5% of RWAs starting in 2025 over a period of eight years. In total, this would amount to about EUR 5.8 billion (as of end 2023), borne equally by the savings banks and the Landesbanken.

The Scheme comprises a system of connected funds, two funds for the 11 regional savings banks, and jointly for the Landesbanken and the Landesbausparkassen. 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, as the next step, the resources of all 11 savings bank support funds can be activated. If this still proves insufficient, then the resources of the whole IPS can be used, requiring a 75% majority vote. Member contributions to the Scheme are risk-based, providing an incentive for members to exercise prudent risk management.

In our view, these changes increase the IPS' resilience, increasing its capacity to act faster and address the possible burden from the larger Landesbanken, should support from its public-sector owners prove unavailable.



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**Appendix II: 346 Rated Members of Sparkassen-Finanzgruppe<sup>2</sup>**


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Bezirkssparkasse Reichenau
Bordesholmer Sparkasse AG
Die Sparkasse Bremen AG
Erzgebirgssparkasse
Forde Sparkasse
Frankfurter Sparkasse
Hamburger Sparkasse AG
Harzsparkasse
Herner Sparkasse
Hohenzollerische Landesbank Kreissparkasse Sigmaringen
Kasseler Sparkasse
Kreis- und Stadtparkasse Erding-Dorfen
Kreis- und Stadtparkasse Wasserburg am Inn
Kreissparkasse Ahrweiler
Kreissparkasse Anhalt-Bitterfeld
Kreissparkasse Bautzen
Kreissparkasse Bersenbruck
Kreissparkasse Biberach
Kreissparkasse Birkenfeld
Kreissparkasse Bitburg-Prum
Kreissparkasse Boblingen
Kreissparkasse Borde
Kreissparkasse Diepholz
Kreissparkasse Dobeln
Kreissparkasse Dusseldorf
Kreissparkasse Eichsfeld
Kreissparkasse Esslingen-Nurtingen
Kreissparkasse Euskirchen
Kreissparkasse Fallingbostal in Walsrode
Kreissparkasse Freudenstadt
Kreissparkasse Gelnhausen
Kreissparkasse Goppingen
Kreissparkasse Gotha
Kreissparkasse Grafschaft Bentheim zu Nordhorn
Kreissparkasse Gross-Gerau
Kreissparkasse Halle-Wiedenbruck
Kreissparkasse Heidenheim
Kreissparkasse Heilbronn
Kreissparkasse Heinsberg
Kreissparkasse Herzogtum Lauenburg
Kreissparkasse Hildburghausen
Kreissparkasse Kelheim
Kreissparkasse Köln
Kreissparkasse Kusel
Kreissparkasse Limburg
Kreissparkasse Ludwigsburg
Kreissparkasse Mayen
Kreissparkasse Melle
Kreissparkasse Miesbach-Tegernsee

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<sup>2</sup> As of Rating Committee Date, March 25, 2025

Kreissparkasse München Starnberg Ebersberg  
Kreissparkasse Nordhausen  
Kreis-Sparkasse Northeim  
Kreissparkasse Ostalb  
Kreissparkasse Ravensburg  
Kreissparkasse Reutlingen  
Kreissparkasse Rhein-Hunsrück  
Kreissparkasse Rottweil  
Kreissparkasse Saale-Orla  
Kreissparkasse Saalfeld-Rudolstadt  
Kreissparkasse Saarlouis  
Kreissparkasse Saarpfalz  
Kreissparkasse Schluchtern  
Kreissparkasse Schwalm-Eder  
Kreissparkasse Soltau  
Kreissparkasse St. Wendel  
Kreissparkasse Stade  
Kreissparkasse Steinfurt  
Kreissparkasse Stendal  
Kreissparkasse Traunstein-Trostberg  
Kreissparkasse Tübingen  
Kreissparkasse Tuttlingen  
Kreissparkasse Verden  
Kreissparkasse Vulkaneifel  
Kreissparkasse Waiblingen  
Kreissparkasse Weilburg  
Kyffhausersparkasse Artern-Sondershausen  
Landesbank Saar  
Landessparkasse zu Oldenburg  
LBS Landesbausparkasse Saar  
Mittelbrandenburgische Sparkasse  
Muritz-Sparkasse  
Nassauische Sparkasse (Naspa)  
Niederrheinische Sparkasse Rhein-Lippe  
Nord-Ostsee Sparkasse  
Ostsächsische Sparkasse Dresden  
Ostseesparkasse Rostock  
Rheinhausen Sparkasse  
Rhön-Rennsteig-Sparkasse  
Saalesparkasse  
Salzlandsparkasse  
S-Kreditpartner GmbH  
Sparkasse Aachen  
Sparkasse Allgäu  
Sparkasse Altbayern  
Sparkasse Altenburger Land  
Sparkasse Altmark West  
Sparkasse Altötting-Mühldorf  
Sparkasse am Niederrhein  
Sparkasse Amberg-Weizbach  
Sparkasse an der Lippe  
Sparkasse an Ennepe und Ruhr

Sparkasse an Volme und Ruhr  
Sparkasse Ansbach  
Sparkasse Arnstadt-Ilmenau  
Sparkasse Aschaffenburg Miltenberg  
Sparkasse Attendorn-Lennestadt-Kirchhundem  
Sparkasse Aurich-Norden  
Sparkasse Bad Hersfeld-Rotenburg  
Sparkasse Bad Kissingen  
Sparkasse Bad Neustadt a. d. Saale  
Sparkasse Bad Oeynhausen-Porta Westfalica  
Sparkasse Bad Tölz-Wolfratshausen  
Sparkasse Baden-Baden Gaggenau  
Sparkasse Bamberg  
Sparkasse Barnim  
Sparkasse Battenberg  
Sparkasse Bayreuth  
Sparkasse Bensheim  
Sparkasse Berchtesgadener Land  
Sparkasse Bergkamen-Bonen  
Sparkasse Bielefeld  
Sparkasse Bochum  
Sparkasse Bodensee  
Sparkasse Bonndorf-Stuhlingen  
Sparkasse Borken-Schwalmstadt  
Sparkasse Bottrop  
Sparkasse Buhl  
Sparkasse Burbach-Neunkirchen  
Sparkasse Burgenlandkreis  
Sparkasse Celle-Gifhorn-Wolfsburg  
Sparkasse Chemnitz  
Sparkasse Coburg-Lichtenfels  
Sparkasse Dachau  
Sparkasse Deggendorf  
Sparkasse Dieburg  
Sparkasse Dillenburg  
Sparkasse Donnersberg  
Sparkasse Dortmund  
Sparkasse Duderstadt  
Sparkasse Duisburg  
Sparkasse Duren  
Sparkasse Einbeck  
Sparkasse Elbe-Elster  
Sparkasse Elmshorn  
Sparkasse Emden  
Sparkasse Emsland  
Sparkasse Engen-Gottmadingen  
Sparkasse Essen  
Sparkasse Forchheim  
Sparkasse Freiburg-Nordlicher Breisgau  
Sparkasse Freising-Moosburg  
Sparkasse Freyung-Grafenau  
Sparkasse Fulda

Sparkasse Fürstenfeldbruck  
Sparkasse Fürth  
Sparkasse Gelsenkirchen  
Sparkasse Gera-Greiz  
Sparkasse Geseke  
Sparkasse Giessen  
Sparkasse Gladbeck  
Sparkasse Göttingen  
Sparkasse Grünberg  
Sparkasse Gummersbach  
Sparkasse Gütersloh-Rietberg-Versmold  
Sparkasse Hameln-Weserbergland  
Sparkasse Hamm  
Sparkasse Hanau  
Sparkasse Hanauerland  
Sparkasse Hannover  
Sparkasse Harburg-Buxtehude  
Sparkasse Hattingen  
Sparkasse Hegau-Bodensee  
Sparkasse Heidelberg  
Sparkasse Hellweg-Lippe  
Sparkasse Herford  
Sparkasse Hilden-Ratingen-Velbert  
Sparkasse Hildesheim Goslar Peine  
Sparkasse Hochfranken  
Sparkasse Hoahrhein  
Sparkasse Hochschwarzwald  
Sparkasse Hohenlohekreis  
Sparkasse Holstein  
Sparkasse im Landkreis Cham  
Sparkasse im Landkreis Neustadt a. d. Aisch - Bad Windsheim  
Sparkasse im Landkreis Schwandorf  
Sparkasse Ingolstadt Eichstatt  
Sparkasse Iserlohn  
Sparkasse Jena-Saale-Holzland  
Sparkasse Kaiserslautern  
Sparkasse Karlsruhe  
Sparkasse Kierspe-Meinerzhagen  
Sparkasse Kinzigtal  
Sparkasse Koblenz  
Sparkasse KölnBonn  
Sparkasse Kraichgau  
Sparkasse Krefeld  
Sparkasse Kulmbach-Kronach  
Sparkasse Landsberg-Diessen  
Sparkasse Landshut  
Sparkasse Langen-Seligenstadt  
Sparkasse Laubach-Hungen  
Sparkasse LeerWittmund  
Sparkasse Lemgo  
Sparkasse Leverkusen  
Sparkasse Lorrach-Rheinfelden

Sparkasse Luneburg  
Sparkasse MagdeBurg  
Sparkasse Mainfranken Würzburg  
Sparkasse Mansfeld-Sudharz  
Sparkasse Marburg-Biedenkopf  
Sparkasse Markgräflerland  
Sparkasse Märkisches Sauerland Hemer-Menden  
Sparkasse Märkisch-Oderland  
Sparkasse Mecklenburg-Nordwest  
Sparkasse Mecklenburg-Schwerin  
Sparkasse Mecklenburg-Strelitz  
Sparkasse Meissen  
Sparkasse Merzig-Wadern  
Sparkasse Minden-Lübbecke  
Sparkasse Mittelfranken-Süd  
Sparkasse Mittelholstein AG  
Sparkasse Mittelmosel - Eifel Mosel Hunsrück  
Sparkasse Mittelsachsen  
Sparkasse Mittelthüringen  
Sparkasse Mitten im Sauerland  
Sparkasse Muldentail  
Sparkasse Mülheim an der Ruhr  
Sparkasse Münsterland Ost  
Sparkasse Neckartal-Odenwald  
Sparkasse Neubrandenburg-Demmin  
Sparkasse Neumarkt-Parsberg  
Sparkasse Neunkirchen  
Sparkasse Neuss  
Sparkasse Neu-Ulm-Illertissen  
Sparkasse Neuwied  
Sparkasse Niederbayern-Mitte  
Sparkasse Niederlausitz  
Sparkasse Nienburg  
Sparkasse Nordschwaben  
Sparkasse Nürnberg  
Sparkasse Oberhessen  
Sparkasse Oberland  
Sparkasse Oberlausitz-Niederschlesien  
Sparkasse Oberpfalz Nord  
Sparkasse Odenwaldkreis in Erbach/Odenwald  
Sparkasse Oder-Spree  
Sparkasse Offenburg/Ortenau  
Sparkasse Olpe-Drolshagen-Wenden  
Sparkasse Osnabrück  
Sparkasse Osterode am Harz  
Sparkasse Ostprignitz-Ruppin  
Sparkasse Paderborn-Detmold-Höxter  
Sparkasse Passau  
Sparkasse Pfaffenhofen  
Sparkasse Pforzheim Calw  
Sparkasse Pfullendorf-Messkirch  
Sparkasse Prignitz

Sparkasse Rastatt-Gernsbach  
Sparkasse Regensburg  
Sparkasse Regen-Viechtach  
Sparkasse Rhein Neckar Nord  
Sparkasse Rhein-Haardt  
Sparkasse Rhein-Maas  
Sparkasse Rhein-Nahe  
Sparkasse Rosenheim-Bad-Aibling  
Sparkasse Rotenburg Osterholz  
Sparkasse Rottal-Inn  
Sparkasse Saarbrücken  
Sparkasse Salem-Heiligenberg  
Sparkasse Schaumburg  
Sparkasse Scheessel  
Sparkasse Schwaben-Bodensee  
Sparkasse Schwäbisch Hall - Crailsheim  
Sparkasse Schwarzwald-Baar  
Sparkasse Schweinfurt-Hassberge  
Sparkasse Schwelm-Sprockhövel  
Sparkasse Siegen  
Sparkasse Sonneberg  
Sparkasse Spree-Neisse  
Sparkasse St. Blasien  
Sparkasse Stade-Altes Land  
Sparkasse Starkenburg  
Sparkasse Staufen-Breisach  
Sparkasse Südhölnstein  
Sparkasse Südpfalz  
Sparkasse Südwestpfalz  
Sparkasse Tauberfranken  
Sparkasse Trier  
Sparkasse Uckermark  
Sparkasse Uecker-Randow  
Sparkasse Uelzen Lüchow-Dannenberg  
Sparkasse Ulm  
Sparkasse UnnaKamen  
Sparkasse Unstrut-Hainich  
Sparkasse Vest Recklinghausen  
Sparkasse Vogtland  
Sparkasse Vorderpfalz  
Sparkasse Vorpommern  
Sparkasse Waldeck-Frankenberg  
Sparkasse Werra-Meissner  
Sparkasse Westerwald-Sieg  
Sparkasse Westhölstein  
Sparkasse Westmünsterland  
Sparkasse Wetzlar  
Sparkasse Wiesental  
Sparkasse Wilhelmshaven  
Sparkasse Witten  
Sparkasse Wittenberg  
Sparkasse Wittgenstein

Sparkasse Wolfach
Sparkasse Zollernalb
Sparkasse zu Lubeck AG
Sparkasse Zwickau
Stadt- und Kreis-Sparkasse Darmstadt
Stadt- und Kreissparkasse Erlangen Hochstadt Herzogenaurach
Stadt- und Kreissparkasse Leipzig
Stadtische Sparkasse Offenbach
Stadtsparkasse Augsburg
Stadtsparkasse Bad Pyrmont
Stadtsparkasse Barsinghausen
Stadtsparkasse Bocholt
Stadtsparkasse Burgdorf
Stadtsparkasse Cuxhaven
Stadtsparkasse Dessau
Stadtsparkasse Dusseldorf
Stadtsparkasse Grebenstein
Stadt-Sparkasse Haan (Rheinl.)
Stadtsparkasse Langenfeld
Stadtsparkasse Lengerich
Stadtsparkasse Mönchengladbach
Stadtsparkasse München
Stadtsparkasse Oberhausen
Stadtsparkasse Rahden
Stadtsparkasse Remscheid
Stadtsparkasse Rheine
Stadtsparkasse Schwedt
Stadt-Sparkasse Solingen
Stadtsparkasse Wedel
Stadtsparkasse Wermelskirchen
Stadtsparkasse Wuppertal
Taunus-Sparkasse
Vereinigte Sparkasse im Märkischen Kreis
Vereinigte Sparkassen Eschenbach i. d. Opf. Neustadt a. d. Waldnaab Vohenstrauß
Vereinigte Sparkassen Gunzenhausen
Wartburg-Sparkasse
Weser-Elbe Sparkasse

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## Sparkassen-Finanzgruppe

### ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*	
<b>Environmental</b>		<b>Overall:</b>	<b>N N</b>
<b>Emissions, Effluents, and Waste</b>	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	<b>N</b>	<b>N</b>
<b>Carbon and GHG Costs</b>	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	<b>N</b>	<b>N</b>
<b>Land Impact and Biodiversity</b>	Is there a financial risk to the issuer due to the loss of biodiversity and/or the mitigation of such loss, including land conversion and rehabilitation?	<b>N</b>	<b>N</b>
<b>Climate and Weather Risks</b>	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	<b>N</b>	<b>N</b>
	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by physical and/or transition risks under key IPCC climate scenarios?	<b>N</b>	<b>N</b>
	<b>Climate and Weather Risks:</b>	<b>N</b>	<b>N</b>
<b>Passed-through Environmental credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>
<b>Social</b>		<b>Overall:</b>	<b>N N</b>
<b>Social Impact of Products and Services</b>	Do we consider that the social impact of the issuer's products and services pose a financial or regulatory risk to the issuer?	<b>N</b>	<b>N</b>
	Do changes in consumer behaviour or secular social trends pose a financial or regulatory risk to the issuer?	<b>N</b>	<b>N</b>
	<b>Social Impact of Products and Services:</b>	<b>N</b>	<b>N</b>
<b>Human Capital and Human Rights</b>	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	<b>N</b>	<b>N</b>
	Do violations of rights create a potential liability that can negatively affect the issuer's financial wellbeing or reputation?	<b>N</b>	<b>N</b>
	<b>Human Capital and Human Rights:</b>	<b>N</b>	<b>N</b>
<b>Product Governance</b>	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	<b>N</b>	<b>N</b>
<b>Data Privacy and Security</b>	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	<b>N</b>	<b>N</b>
<b>Community Relations</b>	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	<b>N</b>	<b>N</b>
<b>Access to Basic Services</b>	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	<b>N</b>	<b>N</b>
<b>Passed-through Social credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>
<b>Governance</b>		<b>Overall:</b>	<b>Y R</b>
<b>Bribery, Corruption, and Political Risks</b>	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	<b>N</b>	<b>N</b>
	Are there any political risks that could affect the issuer's financial position or its reputation?	<b>N</b>	<b>N</b>
	<b>Bribery, Corruption, and Political Risks:</b>	<b>N</b>	<b>N</b>
<b>Business Ethics</b>	Do general professional ethics pose a financial or reputational risk to the issuer?	<b>N</b>	<b>N</b>
<b>Corporate / Transaction Governance</b>	Does the issuer's corporate structure allow for appropriate board and audit independence?	<b>N</b>	<b>N</b>
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	<b>Y</b>	<b>R</b>
	Does the board and/or management lack a formal framework to assess climate related financial risks to the issuer?	<b>N</b>	<b>N</b>
	<b>Corporate / Transaction Governance:</b>	<b>Y</b>	<b>R</b>
<b>Passed-through Governance credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>
<b>Consolidated ESG Criteria Output:</b>		<b>Y</b>	<b>R</b>

\* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.  
A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.



**Environmental**

The environmental factor does not affect the credit ratings or trend assigned to SFG. The Group's loan book is highly diversified, which is reflective of its role as credit provider to approximately 40% of the German economy. However, individual members could be exposed to higher risks. Regulatory requirements are increasing, including ECB requirements for a sound climate risk stress-testing framework and the integration of climate consideration into the Supervisory Review and Evaluation Process in a qualitative manner: (1) business model assessment, and (2) internal governance and risk management. The Group has expanded its focus on sustainability, with many institutions signing the voluntary commitment to climate-friendly and sustainable business. By 2024, 280 Sparkassen, 4 Landesbanken, and 10 affiliated companies had joined this initiative. In addition, the Group is integrating environmental, social, and governance (ESG) risks into its risk management framework in line with new regulatory requirements, developing tools like the S-ESG score to assess business customers' exposure to sustainability factors.

**Social**

The social factor does not affect the credit ratings or trend assigned to SFG. The Group continues to be a major sponsor of art, culture, sport, and financial education in Germany. Similar to most large financial institutions, the Group is exposed to a certain level of product risk as well as data security risk. While no material pending issues are known, regulators have flagged to banks the need to strengthen their operational risk frameworks as a consequence of the war in Ukraine, including their cybersecurity defences as well as measures to comply with the sanctions imposed. Reflecting their public mission, savings banks spend significant amounts on social commitments supporting local communities. In our view, this enhances their franchise.

**Governance**

The Governance factor has changed from the prior credit rating disclosure. Morningstar DBRS no longer views the Passed-Through Governance Credit Considerations subfactor as relevant to the credit ratings or trend assigned to SFG. This reflects the Morningstar DBRS view that the risk profile of the Landesbanken has improved substantially over the past years. Nevertheless, the Corporate Governance subfactor remains relevant to the rating of SFG, and this is reflected in the franchise grid grades for the bank.

In Morningstar DBRS' view, the ownership mix and the parliamentary process involved in decision making at the Landesbanken has made it difficult at times for SFG to swiftly react to challenges. In addition, the level of transparency and financial disclosure of SFG is limited compared with that of international peers.

## Sparkassen-Finanzgruppe

		1	2	3	4	5
Financial Data Through 2023		Scorecard Indicator	Scorecard Indicator Data	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	Adjusted Assets		VS	VS	S	VS/S
	Sovereign Rating Category	20	VS			
Earnings	Return on Equity	4.57%	M/W			
	Return on Assets	0.34%	G/M	M/W	G/M	M
	IBPT/Avg.Assets	0.65%	M			
Risk	Net NPLs/Net Loans		G	G	S/G	S/G
	Provisions/IBPT	21.94%	S/G			
Funding & Liquidity	Sovereign-Adjusted Funding Ratio	96.9%	S/G	S/G	VS/S	S
Capitalisation	Sovereign-Adjusted Capital Ratio		VS/S			
	NPL/[Equity + Loan Loss Reserves]		S/G	G/M	S	S/G
	5-Year Accumulated Net Income/Total Assets	1.45%	G/M			
		6	7			8
		Overall Assessment	Intrinsic Assessment Range (IAR)			Assigned IA
		S/G	AA (low)	A (high)	A	A (high)

Notes: (1) based on financial data as of F2023. (2) For more information, see *Global Methodology for Rating Banks and Banking Organisations* published on 4 June 2024.

The IA Framework incorporates non-public information that has been provided to Morningstar DBRS. This information is not disclosed publicly.

## Annual Financial Information

	For the Year Ended December 31 (IFRS)				
	2023	2022	2021	2020	2019
<b>Balance Sheet (EUR million)</b>					
Cash & Cash Equivalents*	453,570	482,593	492,643	461,335	389,589
Investments in Financial Assets	419,878	430,141	430,822	438,346	451,476
Gross Loans to Customers	1,478,636	1,466,093	1,395,261	1,315,743	1,307,380
Loan Loss Reserves	(866)	(1,177)	(2,686)	(1,583)	(1,855)
Net Lending to Customers	1,478,636	1,466,093	1,395,261	1,315,743	1,307,380
Total Assets	2,492,810	2,539,171	2,431,946	2,346,135	2,273,491
Deposits from Customers	1,515,239	1,508,845	1,452,109	1,395,767	1,341,961
Debt & Capital Lease Obligations	242,374	214,969	206,777	203,962	229,847
Total Liabilities	2,305,238	2,355,435	2,253,675	2,172,402	2,100,450
Total Equity	187,572	183,736	178,271	173,733	173,041
<b>Income Statement (EUR million)</b>					
Net Interest Income	37,187	29,933	26,429	27,140	27,737
Non Interest Income	14,400	14,383	11,663	10,355	10,379
Total Operating Income	51,587	44,316	38,092	37,495	38,116
Total Operating Expenses	29,175	27,648	27,045	26,832	28,011
Income Before Provisions and Taxes (IBPT)	21,503	14,923	10,234	9,994	9,733
Loan Loss Provisions (LLP)	3,867	6,281	255	2,641	579
Irregular Income/Expenses	NA	NA	NA	NA	NA
Net Attributable Income	12,307	5,157	6,520	4,613	6,492
<b>Growth (%) - YOY Change</b>					
Net Interest Income	24.23	13.26	(2.62)	(2.15)	(3.22)
Total Operating Income	16.41	16.34	1.59	(1.63)	(1.89)
Total Operating Expenses	5.52	2.23	0.79	(4.21)	1.81
IBPT	44.09	45.82	2.40	2.68	(8.90)
Net Attributable Income	138.65	(20.90)	41.34	(28.94)	69.59
Gross Loans & Advances	0.86	5.08	6.04	0.64	4.25
Deposits from Customers	0.42	3.91	4.04	4.01	4.82
<b>Earnings (%)</b>					
Net Interest Margin	1.60	1.30	1.19	1.27	1.34
Non-Interest Income / Total Revenue	27.91	32.46	30.62	27.62	27.23
Cost-Income ratio	56.55	62.39	71.00	71.56	73.49
LLP / IBPT	17.98	42.09	2.49	26.43	5.95
Return on Avg Assets (ROAA)	0.49	0.21	0.27	0.20	0.29
Return on Avg Equity (ROAE)	6.63	2.85	3.70	2.66	3.81
IBPT over Avg RWAs	1.85	1.31	0.94	0.95	0.94
Internal Capital Generation	6.63	2.85	3.70	2.66	3.81
<b>Risk Profile (%)</b>					
Cost of Risk	0.26	0.44	0.02	0.20	0.05
<b>Funding &amp; Liquidity (%)</b>					
Net Loan to Deposit Ratio	97.58	97.17	96.09	94.27	97.42
<b>Capitalisation (%)</b>					
Tier1 Ratio	16.00	15.70	15.70	16.30	16.10
Dividend Payout Ratio	0.00	0.00	0.00	0.00	0.00

Source: Morningstar, Inc., company documents. Morningstar, Inc. data and Morningstar DBRS calculations based on company disclosure.

Note: Figures may not tie with reported data given Morningstar DBRS' standardised approach across global banks.

\*Includes Loans to Banks

### Credit Rating Methodology

The applicable methodologies are the *Global Methodology for Rating Banks and Banking Organisations* (4 June 2024) and *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings* (13 August 2024), which can be found on our website under Methodologies & Criteria.

### Credit Ratings

Issuer	Obligation	Credit Rating Action	Credit Rating	Trend
Sparkassen-Finanzgruppe	Long-Term Issuer Rating	Confirmed	A (high)	Stable
Sparkassen-Finanzgruppe	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stable
Sparkassen-Finanzgruppe	Long-Term Senior Debt	Confirmed	A (high)	Stable
Sparkassen-Finanzgruppe	Short-Term Debt	Confirmed	R-1 (middle)	Stable
Sparkassen-Finanzgruppe	Senior Non-Preferred Debt	Confirmed	A	Stable

Issuer	Obligation	Credit Rating Action	Credit Rating	Trend
Members of Sparkassen-Finanzgruppe	Long-Term Issuer Rating	Confirmed	A (high)	Stable
Members of Sparkassen-Finanzgruppe	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stable
Members of Sparkassen-Finanzgruppe	Long-Term Senior Debt	Confirmed	A (high)	Stable
Members of Sparkassen-Finanzgruppe	Short-Term Debt	Confirmed	R-1 (middle)	Stable
Members of Sparkassen-Finanzgruppe	Long-Term Deposits	Confirmed	A (high)	Stable
Members of Sparkassen-Finanzgruppe	Short-Term Deposits	Confirmed	R-1 (middle)	Stable

### Credit Rating History

Issuer	Obligation	Current	2024	2023	2022
Sparkassen-Finanzgruppe	Long-Term Issuer Rating	A (high)	A (high)	A (high)	A (high)
Sparkassen-Finanzgruppe	Short-Term Issuer Rating	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)
Sparkassen-Finanzgruppe	Long-Term Senior Debt	A (high)	A (high)	A (high)	A (high)
Sparkassen-Finanzgruppe	Short-Term Debt	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)
Sparkassen-Finanzgruppe	Senior Non-Preferred Debt	A	A	A	A

**Previous Actions**

- [Morningstar DBRS Confirms Credit Ratings on 345 Members of Sparkassen-Finanzgruppe's IPS at A \(high\), Assigns New Credit Ratings to S-Kreditpartner GmbH, Discontinues Credit Ratings on 10 Members](#), 25 March 2025.
- [Morningstar DBRS Confirms Sparkassen-Finanzgruppe's Long-Term Issuer Rating at A \(high\), Stable Trend](#), 25 March 2025.
- [Morningstar DBRS Confirms Sparkassen-Finanzgruppe LT Issuer Rating at 'A \(high\)', Trend Remains Stable](#), 21 March 2024.
- [Morningstar DBRS Confirms 355 Members of Sparkassen-Finanzgruppe's IPS at A \(high\), Trend Stable, and Discontinues Six Members](#), 21 March 2024.

**Related Research**

- [CRE Lending Continued to Pressure German Banks' Asset Quality in 2024](#), 7 May 2025
- [Higher Tariffs Could Increase European Banks' Low Cost of Risk](#), 15 April 2025
- [Gender Diversity in EU Banks: Some Progress in Meeting Targets](#), 5 March 2025
- [Rethinking Bank Funding to the European Defence Sector](#), 5 March 2025
- [Synthetic SRTs: A Well-Established Capital Management Tool for European Banks](#), 10 February 2025
- [Global 2025 FIG Credit Outlook: Financial Institutions Benefitting from Benign Operating Environment, but Downside Risks Increase](#), 30 January 2025
- [2025 EBA Stress Test: Geopolitical and Trade Risks Pressure Adverse Scenario](#), 29 January 2025
- [European Banks Poised to Maintain Low Cost of Risk in 2025](#), 6 January 2025

**Previous Reports**

- [Sparkassen-Finanzgruppe: Ratingbericht](#), 27 July 2023.
- [Sparkassen-Finanzgruppe: Rating Report](#), 11 May 2023.
- [Sparkassen-Finanzgruppe: Ratingbericht](#), 24 August 2022.
- [Sparkassen-Finanzgruppe: Rating Report](#), 29 June 2022.
- [Sparkassen-Finanzgruppe: Ratingbericht](#), 18 August 2021.
- [Sparkassen-Finanzgruppe: Rating Report](#), 21 May 2021.
- [Sparkassen-Finanzgruppe: Ratingbericht](#), 25 August 2020.
- [Sparkassen-Finanzgruppe: Rating Report](#), 20 May 2020.

**European Bank Ratios & Definitions**

- [Bank Ratio Definitions](#), 14 March 2022.

**About Morningstar DBRS**

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