

DBRS Morningstar Confirms 365 Members of Sparkassen-Finanzgruppe's Institutional Protection Scheme at A (high), Trend Stable

Following the confirmation of the floor ratings for the Sparkassen-Finanzgruppe on 31 March 2022, DBRS Ratings GmbH (DBRS Morningstar) confirmed the Long-Term Issuer Ratings of 365 members of the Institutional Protection Scheme (IPS) of the Sparkassen-Finanzgruppe at A (high). The Short-Term Issuer Ratings were also confirmed at R-1 (middle). The trend on all ratings remains Stable. A full list of the rating actions can be found at the end of this release. The list includes 363 Sparkassen as well as Landesbank Saar and Landesbausparkasse Saar (building association).

KEY RATING CONSIDERATIONS

The confirmation of the ratings reflects the very strong franchise of the Sparkassen which form the backbone of the Group. The Group has an aggregate balance sheet of EUR 2.4 trillion and holds significant market shares in all business segments, underscoring the Group's importance to the German banking sector and the German economy overall. The ratings are also underpinned by good asset quality metrics benefitting from the granular loan portfolios of the Sparkassen and the de-risking within the Landesbanken sector in recent years. Capital levels are solid and liquidity is supported by the strong deposit franchise of the Sparkassen, supplemented by the covered bond franchises of the larger institutions. Offsetting these rating strengths are the relatively modest profitability when compared to international peers as well as the historically higher risk associated with the Landesbanken.

The Stable trend reflects the limited ratings upside due to near-to mid-term revenue pressures for German banks in current low interest rate environment, potentially delayed effects of the COVID-19 pandemic as well as the fallout from the war in Ukraine. It also reflects DBRS Morningstar's current view that any deterioration in SFG's credit metrics as a result of these developments would remain with the A (high) rating range.

The floor ratings indicate that each IPS member's Issuer Ratings is generally rated at the floor level; however, this does not prevent members from either potentially achieving higher individual ratings based on their individual credit assessment or receiving a lower rating if there is an increased likelihood of departure from the Sparkassen-Finanzgruppe.

The floor ratings are based on the depth and resources of the IPS. In DBRS Morningstar's view, the IPS of Sparkassen-Finanzgruppe reduces the default risk for each individual member by making financial resources available to each Group member in times of stress. However, DBRS Morningstar recognises that the IPS has limitations, as it does not amount to a legal cross-guarantee. These limitations are factored into the floor ratings.

Since March 2021 DBRS Morningstar notes that the following mergers have taken place:

- Stadtparkasse Sprockhövel merged with Stadtparkasse Schwelm with the resulting entity being named Sparkasse Schwelm-Sprockhövel.
- Sparkasse Mainz merged with Sparkasse Worms-Alzey-Ried with the resulting entity being named Rheinhessen Sparkasse.
- Kreissparkasse Augsburg merged with Sparkasse Memmingen-Lindau-Mindelheim with the resulting entity being named Sparkasse Schwaben-Bodensee.
- Sparkasse Ennepetal-Breckerfeld merged with Sparkasse Gevelsberg-Wetter with the resulting entity being named Sparkasse an Ennepe und Ruhr.

As a result of the mergers the ratings of four savings banks were discontinued-withdrawn. These were Stadtparkasse Sprockhövel, Sparkasse Mainz, Kreissparkasse Augsburg, Sparkasse Ennepetal-Breckerfeld. In addition, the following four savings banks have changed their names to reflect the mergers: Stadtparkasse Schwelm to Sparkasse Schwelm-Sprockhövel, Sparkasse Worms-Alzey-Ried to Rheinhessen Sparkasse, Sparkasse Memmingen-Lindau-Mindelheim to Sparkasse Schwaben-Bodensee and Sparkasse Gevelsberg-Wetter to Sparkasse an Ennepe und Ruhr.

RATING DRIVERS

Given the floor rating approach, the ratings will generally move in line with those of the Sparkassen-Finanzgruppe.

ESG CONSIDERATIONS

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at <https://www.dbrsmorningstar.com/research/373262>.

Notes:

All figures are in EUR unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations (19 July 2021) <https://www.dbrsmorningstar.com/research/381742/global-methodology-for-rating-banks-and-banking-organisations> Other applicable methodologies include the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (3 February 2021) <https://www.dbrsmorningstar.com/research/373262/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>

The sources of information used for this rating include Morningstar Inc. and Company Documents, Sparkassen-Finanzgruppe 2016-2020 Annual Reports, Bilanzpressekonferenz der Sparkassen 2022 DBRS Morningstar considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive trend are resolved within a 12-month period. DBRS Morningstar's outlooks and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. DBRS Morningstar

understands further information on DBRS Morningstar historical default rates may be published by the Financial Conduct Authority (FCA) on its webpage: <https://www.fca.org.uk/firms/credit-rating-agencies>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/394676>.

This rating is endorsed by DBRS Ratings Limited for use in the United Kingdom.

Lead Analyst: Sonja Förster, Vice President - Global FIG

Rating Committee Chair: Elisabeth Rudman, Managing Director, Head of European FIG - Global FIG

Initial Rating Date: January 18, 2007

Last Rating Date: March 18, 2021

DBRS Ratings GmbH

Neue Mainzer Straße 75

Tel. +49 (69) 8088 3500

60311 Frankfurt am Main Deutschland

Geschäftsführer: Detlef Scholz

Amtsgericht Frankfurt am Main, HRB 110259

For more information on this credit or on this industry, visit www.dbrsmorningstar.com.

The DBRS Morningstar group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(EU CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate). For more information on regulatory registrations, recognitions and approvals of the DBRS Morningstar group of companies, please see: <https://www.dbrsmorningstar.com/research/highlights.pdf>.

The DBRS Morningstar group of companies are wholly-owned subsidiaries of Morningstar, Inc. © 2022 DBRS Morningstar. All Rights Reserved.

The information upon which DBRS Morningstar credit ratings and other types of credit opinions and reports are based is obtained by DBRS Morningstar from sources DBRS Morningstar believes to be reliable. DBRS Morningstar does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS Morningstar credit ratings, other types of credit opinions, reports and any other information provided by DBRS Morningstar are provided "as is" and without representation or warranty of any kind and DBRS Morningstar assumes no obligation to update any such ratings, opinions, reports or other information. DBRS Morningstar hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS Morningstar or its directors, officers, employees, independent contractors, agents, affiliates and representatives (collectively, DBRS Morningstar Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of credit ratings, other types of credit opinions and reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS Morningstar or any DBRS Morningstar Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. IN ANY EVENT, TO THE EXTENT PERMITTED BY LAW, THE AGGREGATE LIABILITY OF DBRS MORNINGSTAR AND THE DBRS MORNINGSTAR REPRESENTATIVES FOR ANY REASON WHATSOEVER SHALL NOT EXCEED THE GREATER OF (A) THE TOTAL AMOUNT PAID BY THE USER FOR SERVICES PROVIDED BY DBRS MORNINGSTAR DURING THE TWELVE (12) MONTHS IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO LIABILITY, AND (B) U.S. \$100. DBRS Morningstar does not act as a fiduciary or an investment advisor. DBRS Morningstar does not provide investment, financial or other advice.

Credit ratings, other types of credit opinions and other analysis and research issued by DBRS Morningstar (a) are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness, investment, financial or other advice or recommendations to purchase, sell or hold any securities; (b) do not take into account your personal objectives, financial situations or needs; (c) should be weighed, if at all, solely as one factor in any investment or credit decision; (d) are not intended for use by retail investors; and (e) address only credit risk and do not address other investment risks, such as liquidity risk or market volatility risk. Accordingly, credit ratings, other types of credit opinions and other analysis and research issued by DBRS Morningstar are not a substitute for due care and the study and evaluation of each investment decision, security or credit that one may consider making, purchasing, holding, selling, or providing, as applicable.

A report with respect to a DBRS Morningstar credit rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities.

DBRS Morningstar may receive compensation for its credit ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities.

This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS Morningstar. ALL DBRS MORNINGSTAR CREDIT RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DEFINITIONS, LIMITATIONS, POLICIES AND METHODOLOGIES THAT ARE AVAILABLE ON <https://www.dbrsmorningstar.com>. Users may, through hypertext or other computer links, gain access to or from websites operated by persons other than DBRS Morningstar. Such hyperlinks or other computer links are provided for convenience only. DBRS Morningstar does not endorse the content, the operator or operations of third party websites. DBRS Morningstar is not responsible for the content or operation of such third party websites and DBRS Morningstar shall have no liability to you or any other person or entity for the use of third party websites.