

Rating Report

Sparkassen-Finanzgruppe

DBRS Morningstar

29 June 2022

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Ratings

Debt	Rating Action	Rating	Trend
Long-Term Issuer Rating	Confirmed April '22	A (high)	Stable
Short-Term Issuer Rating	Confirmed April '22	R-1 (middle)	Stable
Long-Term Senior Debt	Confirmed April '22	A (high)	Stable
Short-Term Debt	Confirmed April '22	R-1 (middle)	Stable
Senior Non-Preferred Debt	Confirmed April '22	A	Stable

Rating Drivers

Factors with Positive Rating Implications

- Given the continuing pressure from the low rate environment, the still ongoing impact from the COVID-19 pandemic, and new challenges arising from the Ukraine invasion by Russia, a near-term rating upgrade is unlikely.
- A rating upgrade would require the Group to significantly improve profitability while maintaining prudent risk management.

Factors with Negative Rating Implications

- A significant deterioration in the Group's financial profile and/or strategic challenges faced by larger members, would result in a rating downgrade.
- Any indication of a weakening of the IPS scheme would also lead to negative rating actions.

Rating Considerations

Franchise Strength (Very Strong / Strong)

- The Sparkassen-Finanzgruppe's (SFG) aggregated balance sheet of close to EUR 2.4 trillion makes the Group the largest lender in Germany. It provides a full set of financial services with considerable market shares in various markets.

Earnings Power (Moderate)

- The SFG as a group has well diversified earnings streams, and the negative earnings impact from the Landesbanken sector has subsided. However, low rates, a competitive market and a high cost structure still weigh on profitability, while uncertainty has arisen from the war in Ukraine.

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 overall Group's risk profile has improved with the continued deleveraging and de-risking of the Landesbanken. However, secondary effects from the geopolitical situation in Ukraine could increase risk.

Funding and Liquidity (Strong)

- The Sparkassen have a strong deposit base and sound liquidity. The Landesbanken have a more wholesale-oriented funding profile, partly mitigated by their stable covered bond franchise.

Capitalisation (Good)

- Capitalisation is solid on an aggregate basis, incorporating healthy capital ratios and stable internal capital generation at the savings banks, as well as the much-improved capital position in the Landesbanken sector. This is partly offset by the fact that SFG cannot raise capital at the Group level.

2020	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	S	S
Capitalisation	G/M	S/G	G
Overall Assessment	Intrinsic Assessment Range (IAR)		Assigned IA
S/G	[A-AAL]		A (high)

Financial Information

(In EUR Millions unless otherwise stated)	For the Year Ended December 31 (German GAAP)				
	2020	2019	2018	2017	2016
Total Assets	2,383,326	2,273,491	2,178,182	2,129,466	2,118,773
Net Lending to Customers	1,338,114	1,307,380	1,254,119	1,212,232	1,204,590
Income Before Provisions and Taxes (IBPT)	10,246	9,733	10,684	13,150	13,008
Net Attributable Income*	4,643	6,492	3,828	7,724	6,785
Net Interest Margin	1.3%	1.3%	1.4%	1.5%	1.6%
Cost / Income ratio	71.3%	73.5%	70.8%	68.7%	66.8%
LLP / IBPT	27.8%	5.9%	34.0%	15.7%	20.9%
Cost of Risk	0.22%	0.05%	0.29%	0.17%	0.23%
Tier 1 Capital Ratio	16.50%	16.10%	15.90%	16.30%	15.60%

Source: Morningstar Inc., Company Documents

**Includes additions to HGB 340g reserves

Issuer Description

Sparkassen-Finanzgruppe (SFG, or the Group) primarily comprises two entities with distinct franchises – the German savings banks (the Sparkassen) and the regional wholesale banks (the Landesbanken). Together, the members of German Association of Savings Banks or Sparkassen-Finanzgruppe) form one of the largest financial Groups globally.

Rating Rationale

The Group's ratings reflect 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 Group's relatively modest profitability when compared to international peers as well as the historically higher risk profile associated with the Landesbanken.

The Stable trend reflects the limited ratings upside due to near-to mid-term revenue pressures for German banks in the current interest rate environment, the potentially delayed effects of the

COVID-19 pandemic as well as the fallout from the war in Ukraine. The Stable trend also reflects DBRS Morningstar's current view that these developments are unlikely to affect SFG's credit metrics such that the Group's rating would no longer be consistent with its current A (high) rating range.

Franchise Strength

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

With an aggregated balance sheet of EUR 2.4 trillion, Sparkassen-Finanzgruppe (SFG) is the largest financial service provider in Germany and one of the largest financial groups globally. SFG primarily comprises the German savings banks (the Sparkassen) and the regional wholesale banks (the Landesbanken), and the franchise is further supported by additional financial service businesses including DekaBank, the Group's asset manager, the Landesbausparkassen (German building societies), the Deutsche Leasing Group, and 11 regional public insurance entities. The Deutsche Sparkassen- und Giroverband (DSGV) functions as an umbrella organisation, coordinating reporting, strategy, marketing & communication and lobbying efforts, while also respecting the autonomy of its members. With a few exceptions, members are institutions under public law and operate independently under the SFG franchise.

In DBRS Morningstar's view, the strong, resilient franchise of the savings banks forms the core of Sparkassen-Finanzgruppe's franchise strength. The Sparkassen are market leaders across a wide range of financial services for retail customers and small- and medium-sized enterprises (SMEs) in Germany. With a market share for customer loans of 38% and of 35% for customer deposits at end-2020 the SFG remains the biggest lender and deposit taker in Germany. As institutions under public law, Sparkassen operate under municipal trusteeship. Their responsible public bodies (Träger) are municipalities (towns, cities), districts or special-purpose associations¹. As per the latest available data, the organisation included 363 German savings banks². The number of savings banks has been steadily decreasing in recent years, reflecting the need to create economies of scale to counter increasing regulatory costs and the need for digitalisation.

¹ Currently there are five savings banks which are organized under private law (Hamburger Sparkasse AG, Sparkasse Bremen AG, Sparkasse zu Lübeck AG, Bordesholmer Sparkasse AG, Sparkasse Mittelholstein AG, Sparkasse Westholstein).

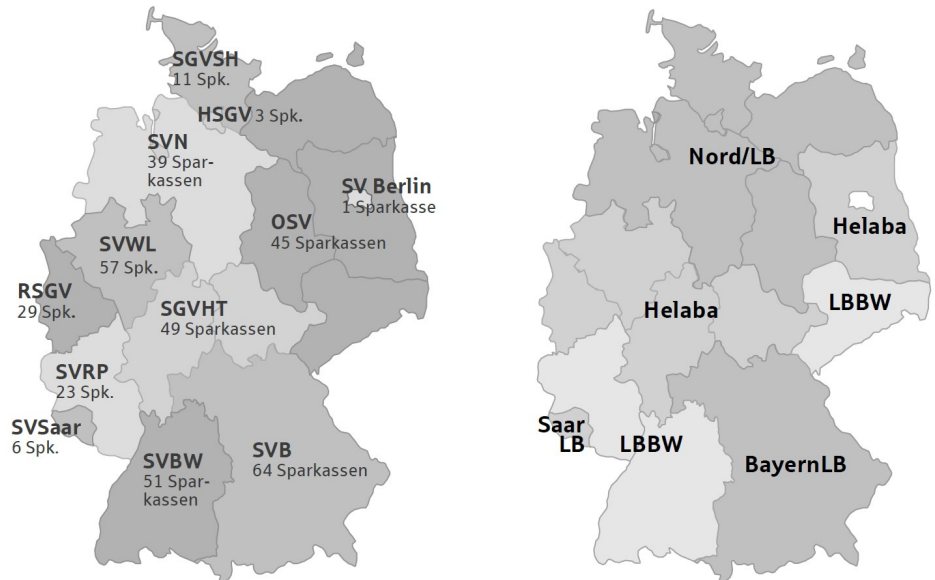
² Number of total savings banks within the SFG as of March 2022.

Exhibit 1 Corporate Structure¹

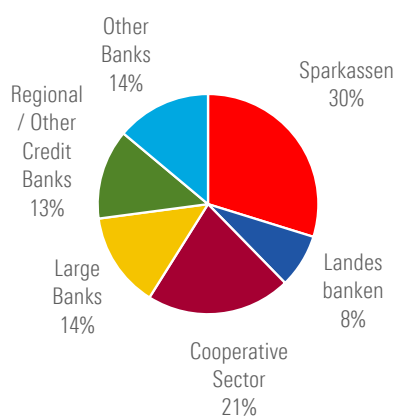
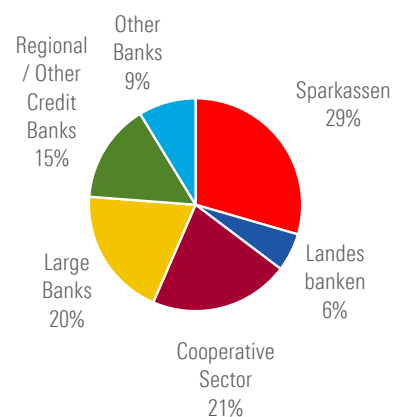
Sparkassen-Finanzgruppe					Branches: 16,360 Employees: 290,400 Total Assets: 2.38 trillion		
520 Companies							
376 Savings Banks					Total assets: EUR 1,414 billion Employees: 200,670 Branches: 12,191		
5 Landesbanken	DekaBank	8 Regional Building Societies		Deutsche Leasing Group	9 Regional Public Insurance Groups		
Total Assets: EUR 949 billion Employees: 33,502	Total Assets: EUR 86 billion Employees: 4,711	Total Assets: EUR 74 billion Employees: 6,791		Total assets: EUR 22.1 billion Employees: 2,716	Gross Premium Income: EUR 23 billion Employees: 28,680		
Additional Leasing Companies	S-Kreditpartner	DSV Group	Finanz-Informatik	51 Capital Investment Companies	3 Factoring Companies	7 Regional Property Companies	2 IT & Credit analysis companies

¹As of December 2020. As of March 2022 there were 363 Sparkassen.
Source: Company Documents.

Exhibit 2 Savings Banks and their regional associations **Exhibit 3** Landesbanken



Source: Company Documents.

Exhibit 4 Loans to Domestic Non-Banks in 2020**Exhibit 5** Domestic Customer Deposits in 2020

Source: DBRS Morningstar, Company Documents based on Deutsche Bundesbank.

The Landesbanken are mostly active in wholesale banking and act as the central clearing banks for their respective regional savings bank associations. With assets of EUR 894.6 billion and loans to customers of EUR 397.9 billion, the Landesbanken are important lenders to medium- to large-sized corporations and public-sector entities mostly in their respective domestic regions. Landesbanken have also been significant participants in loan syndications, money markets, securitisation and asset-based financing. Most Landesbanken are jointly owned by the German federal states in which they are headquartered (reflecting their origin as state banks) and their respective regional savings banks associations. The level of ownership and involvement of the savings banks with the Landesbanken can vary significantly. Indeed, some Landesbanken are vertically integrated via direct ownership by savings banks. Overall, DBRS Morningstar continues to view the Landesbanken as more vulnerable to market dislocations than the savings banks and also a potentially greater burden for the Institutional Protection Scheme as demonstrated by the recent challenges at NORD/LB.

NORD/LB recapitalization and restructuring

On December 23, 2019, Norddeutsche Landesbank GZ (NORD/LB or the Bank) received a capital injection from its public State owners and the DSGV³ to help the Bank clean its balance sheet of non-performing shipping loans, which lifted the Bank's Common Equity Tier 1 (CET1) ratio from 6.6% at end-June 2019 to 15.5% at end-2021. The capital injection was contingent on a large-scale restructuring programme, including an exit from the shipping business which previously had been

³ NORD/LB received a total cash capital injection of EUR 2.835 billion. The State of Lower Saxony contributed around EUR 1.5 billion, the State of Saxony-Anhalt around EUR 200 million and the DSGV EUR 1.135 billion. Lower Saxony also contributed EUR 800 million in other capital-relief measures.

one of the Bank's major business lines. DBRS Morningstar notes that the restructuring, which significantly reduced NORD/LB's credit risk, is on track, but still carries meaningful execution risk.

Centralised institution for the SFG

There have been efforts to promote consolidation within the Landesbanken sector including including DekaBank with the goal to create a "Sparkassen-Zentralbank" (Sparkassen Central Bank), to be owned by the Sparkassen, which would mainly focus on the needs of the savings banks such as payment services, foreign transactions, larger syndicated loans or wealth management products and services. DBRS Morningstar would view such a development positively, as it would not only increase cost efficiencies, but also further lower the risk within the Landesbanken sector. While no consensus has been reached with regards to a central institution, consolidation continues within the Landesbanken sector, with Landesbank Berlin shedding assets as it is turning into a savings bank and other Landesbanken swapping businesses. In a recent example, LBBW has taken over the interest rates, currency and commodities management (RCCM) for customers of the savings banks from other members of the Group, strengthening LBBW's position as the main provider of RCCM services in the public banking sector, whereas Helaba will manage the foreign payment transactions for the Sparkassen.

Earnings Power

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

Sparkassen-Finanzgruppe

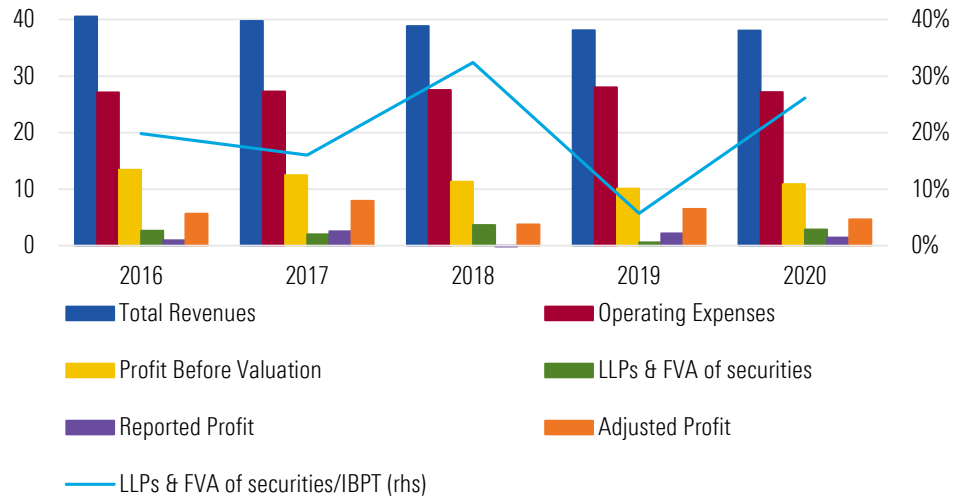
In DBRS Morningstar's opinion, SFG's earnings power compares well to German peers, but less favourably to international peers. However, the somewhat modest profitability of the savings banks is mitigated by the relative stability of earnings. The Landesbanken on average have been less profitable and earnings have been more volatile, mainly due to elevated impairments. However, the de-risking in the sector should lead to a higher degree of earnings stability going forward. In recent years, the Group's revenues have been affected by the low interest rate environment. This has been partly mitigated by higher fee revenues, higher lending volumes and cost initiatives. We expect the recent rise in interest rates to be supportive for net interest income over the medium-term. However, in the near-term the P&L effect from the upward move in bond yields is likely to be negative, as fixed income securities portfolio valuations have to be revised downwards. In addition, higher rates and the weakening economy could lead to lower lending volumes and higher credit costs.

In 2020 the Group reported a profit of EUR 4.6 billion (including 340(g) reserves), down from EUR 6.5 billion a year earlier. The Group posted 2020 income before valuation (Betriebsergebnis vor Bewertung) of EUR 10.9 billion (up 8.1% YoY), driven by higher net commissions income (up 1.8% YoY to EUR 9.8 billion) and lower costs (down 3.1% YoY). Net interest income was down slightly (0.4% YoY to EUR 27.6 billion). Operating expenses decreased by 3.1% YoY to EUR 27.2 billion, supported by a 2.0% decline in staff expenses and a 4.6% decrease in administrative expenses. As a result, the cost-income ratio (CIR) of the Group as a whole decreased to 71.3% (2019: 73.5%) in 2020. Net valuation expenses (a German GAAP accounting category which includes mainly provisions for loan losses and fair value adjustments of securities) increased to EUR 2.9 billion in 2020 from EUR 579 million in the previous year, driven by higher loan loss provisions due to the COVID-19 pandemic.

The Group further recorded EUR 3.9 billion (down from EUR 4.7 billion in 2019) under the category Extraordinary Result (außerordentliches Ergebnis), of which EUR 3.2 billion consisted of net additions to the Fund for General Banking Risks ("340(g) reserves"), which counts as regulatory capital. Therefore, DBRS Morningstar views the contribution to 340(g) reserves as part of profits, as would be the case under IFRS, and adjusts results accordingly.

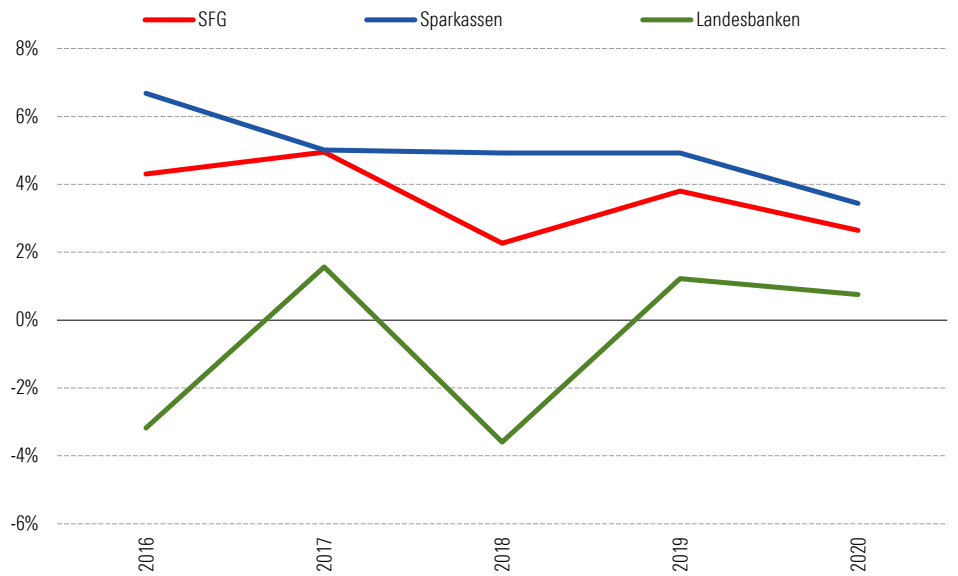
Exhibit 6 P&L - Sparkassen-Finanzgruppe

EUR billion



Source: DBRS Morningstar, Company Reports.

Exhibit 7 ROAE



Source: DBRS Morningstar, Company Reports.

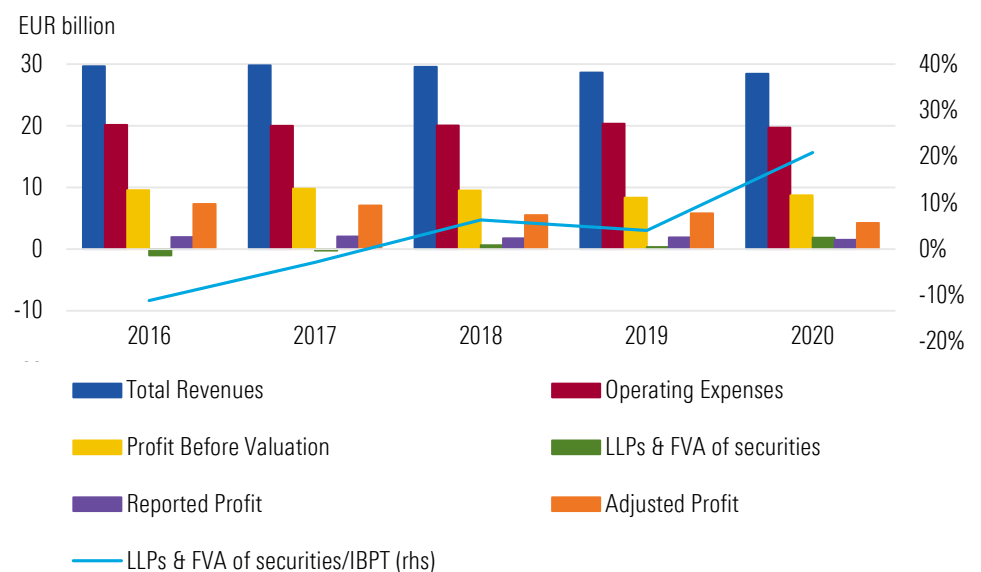
Note: Landesbanken incl. DekaBank.

Sparkassen

Based on preliminary unaudited 2021 results using internal accounting methods (Betriebsvergleich) the savings banks reported a 2.8% YoY increase in income before valuation to EUR 9.7 billion, driven by strong fee and commission income, up 6.6% YoY to EUR 9.1 billion and slightly lower costs, partly offset by a 1.6% decline in NII to EUR 19.2 billion. Despite the low rate environment, the decline in NII was less pronounced as deposit growth slowed from 7.9% in 2020 to 4.5% in 2021, while customer loan growth accelerated somewhat to 5.5% from 5.2% a year earlier. Operating expenses remained stable. Credit impairments reversed from EUR 1.3 billion in 2020 to EUR 0.1 billion in 2021, as expected credit losses related to the COVID-19 pandemic did not materialise, while additions to general reserves (mostly 340(g)) increased only slightly to EUR 3.0 billion from EUR 2.8 billion a year earlier. As a result, reported pre-tax profit increased by 15.7% YoY to EUR 4.6 billion and reported net profit increased by 24.7% to EUR 1.8 billion. Adding back the reserves according to our methodology, net profit would have been EUR 4.8 billion. We positively note the strong growth in fee income, helping reduce the high dependency on net interest income. The high inflation in the Euro zone has increased the likelihood of rising rates. However, as outlined above, uncertainty about the economic outlook has increased.

Aggregate cost efficiency for the savings banks is broadly in line with German and European cooperative banks and looks favourable when compared to German commercial banks. The CIR has remained stable in recent years and reflects the extended branch network, providing coverage in many rural areas in Germany, in accordance with their public-sector mission. DBRS Morningstar recognises that efforts by the savings banks to centralise back-office functions in recent years have shown some results in terms of branch reductions and number of employees. However, this has been mitigated by pay increases and the continuous need to invest in processes and technology.

Exhibit 8 P&L - Sparkassen

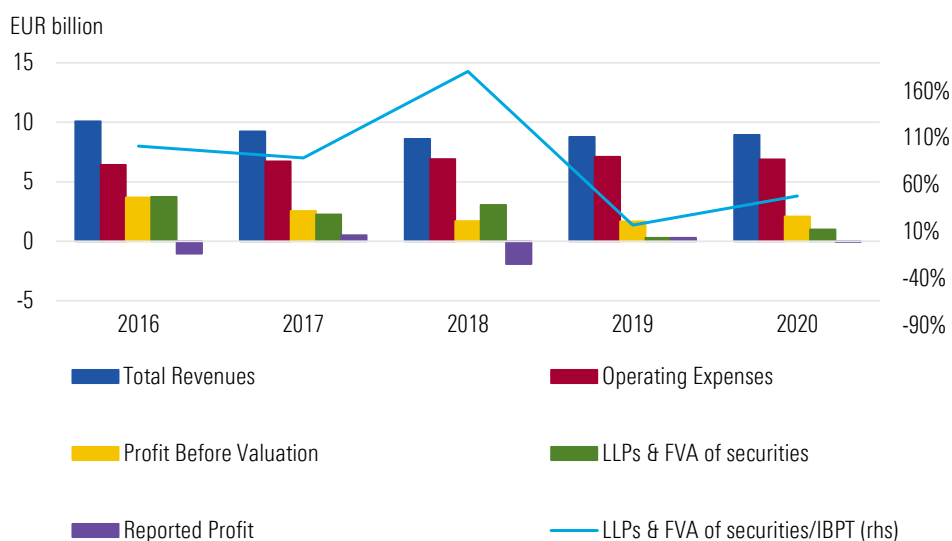


Source: DBRS Morningstar, Company Reports.

Landesbanken⁴

In 2020 the Landesbanken reported a small loss of EUR 57 million (according to German GAAP), following a profit of EUR 279 million in FY2019, reflecting the impairments taken in relation to the COVID-19 pandemic. NII for the sector increased by 7.7% YoY to EUR 6.9 billion, and despite fee income decreasing by 7% to EUR 1.4 billion YoY, costs also decreased by 3.1%, all combined leading to a jump in IBPT of 24.6% to EUR 2.1 billion.

Exhibit 9 P&L - Landesbanken incl. DekaBank



Source: DBRS Morningstar, Company Reports.

Risk Profile

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

The overall Group risk profile comprises the stable risk profile of the Sparkassen, which is reflective of their well-diversified and highly granular exposures combined with a relative conservative approach to risk taking, and the historically higher risk appetite of the Landesbanken. We note, however, that the continued deleveraging and de-risking of the Landesbanken has improved the overall Group risk profile in recent years. For the Group, net valuation expenses (a German GAAP accounting category which includes provisions for loan losses and fair value changes for securities) were EUR 2.9 billion in 2020 up from EUR 0.6 billion in the previous year, in response to the uncertainties created by the COVID-19 pandemic. Preliminary 2021 results reported by the Sparkassen show loan loss provisions of EUR 0.1 billion, down from EUR 1.3 billion in 2020. However, in DBRS Morningstar's view this trend could reverse, as the war in Ukraine exacerbates existing challenges for the German and global economy, ranging from high energy and commodity prices, to higher labour costs, potential interest rate hikes, supply chain disruptions and a decrease

⁴ Including DekaBank.

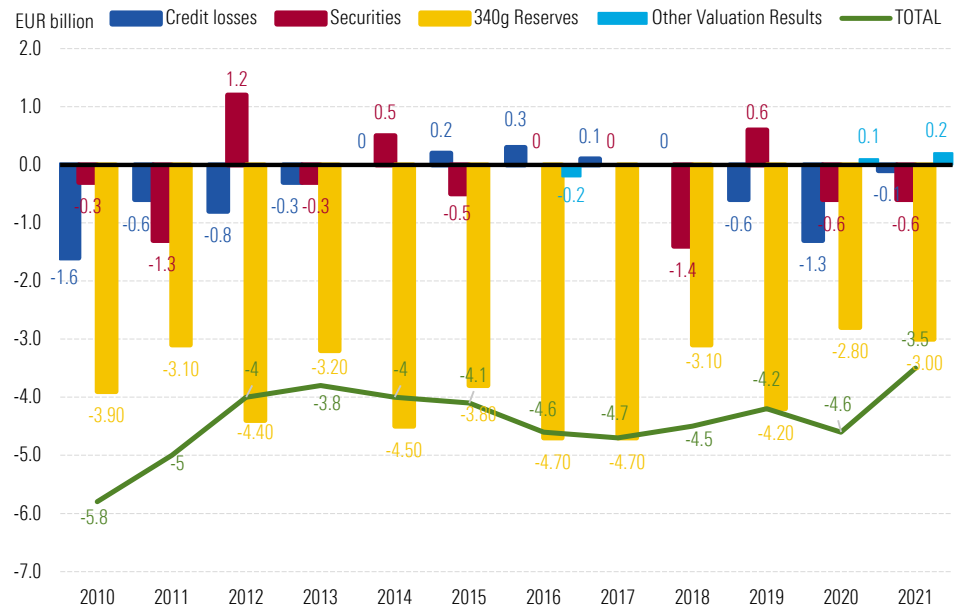
in demand, all of which could affect the financial health of SFG's clients. In addition, we expect negative valuation adjustments of the member banks' fixed income securities portfolios as a result of the rapid rise in rates.

Given the size of the Group's balance sheet and the geographic concentration in Germany, Sparkassen-Finanzgruppe is exposed to the German business cycle. In commercial lending the Group (Sparkassen and Landesbanken) had a market share of 40% in 2020. While the savings banks' 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. Exposure at Landesbanken tends to be more lumpy, however, concentration risk and exposure to highly cyclical sectors have been significantly reduced since the last financial crisis.

The Group is also characterised by its large exposure to residential real estate, with around 37% market share. The Group's real estate lending to private customers has performed well through past economic cycles, a reflection of the strong real estate market environment in Germany, adding a level of stability to overall credit quality. Furthermore, the Sparkassen-Finanzgruppe engages in lending to public authorities, which in DBRS Morningstar's view moderates the Group's risk profile given the public law guarantees which support local authorities. Recently, regulators have implemented additional capital requirements to safeguard against risks from elevated residential real estate prices. (also see Capitalisation section)

Sparkassen

DBRS Morningstar continues to view the risk profile of the savings banks as stable and reflective of the broader German economic environment. The Sparkassen, which make up for two thirds of the Group's assets, reported preliminary 2021 loan loss provisions of EUR 0.1 billion, down from EUR 1.3 billion in 2020. At the peak in 2020 the cost of risk was 15 basis points, which is very low when compared to peers. The low interest rate environment, solid credit underwriting often in the form of secured lending, and the long-standing customer relationships support credit quality. DBRS Morningstar 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, centralised software and credit scoring systems which provide shared information and statistics useful in controlling credit decisions. The Group's risk profile is further supported by the existence of an early warning system in relation to the Institutional Protection Scheme (IPS). The IPS has 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. (See Appendix for more details)

Exhibit 10 Sparkassen - Valuation result

Source: DBRS Morningstar, Company Reports.

Landesbanken

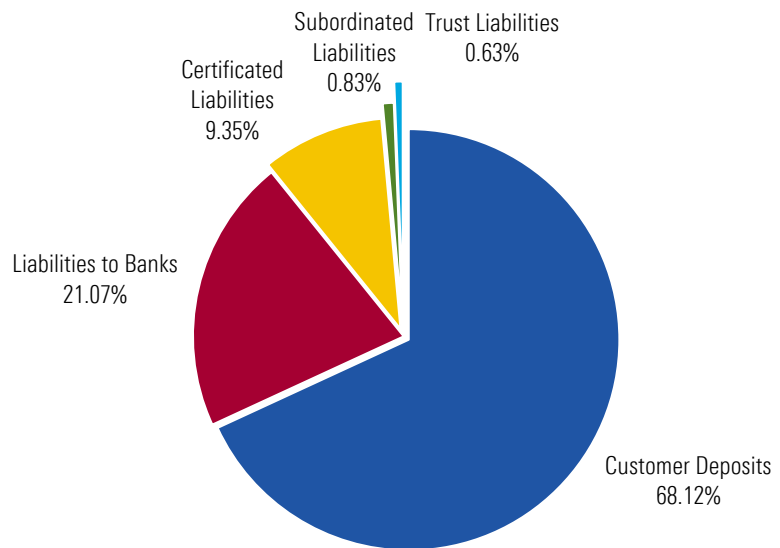
Since the global financial crisis, a significant de-risking of loan portfolios and business activities has taken place at the Landesbanken level. Nonetheless, we believe that the wholesale nature of the Landesbanken business model carries more risks relative to the more stable profile of the savings banks. Also, in DBRS Morningstar's view, State ownership at some of the Landesbanken may have caused corporate governance problems, which have contributed to deficiencies in risk control mechanisms in the past, although risk management has improved. In aggregate, Landesbanken (and Deka) reported valuation expenses of EUR 997 million for 2020, up from EUR 284 million a year ago. The Landesbanken do not report any material exposure to Russia or Ukraine, but could be affected by second and third order effects from the war.

Funding and Liquidity

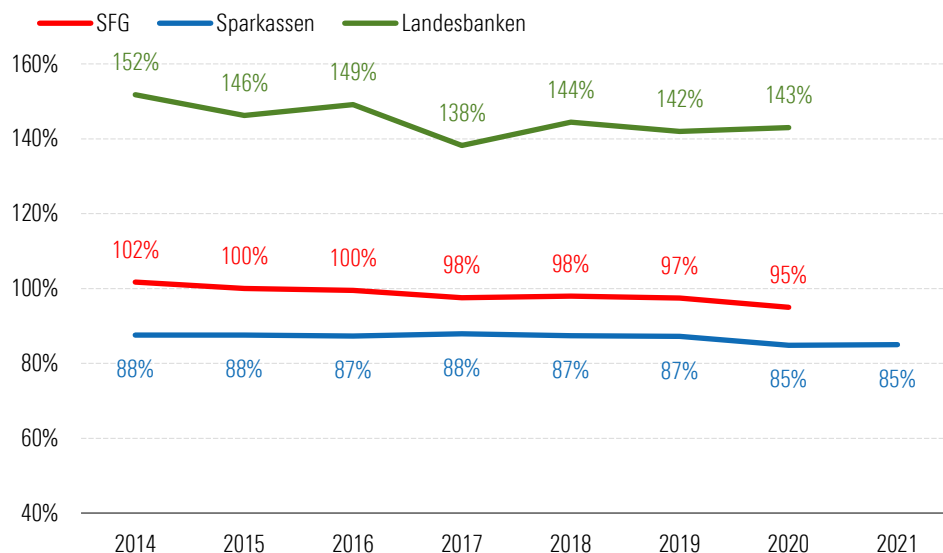
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Strong / Good	Strong	Strong

DBRS Morningstar continues to view the liquidity and funding position of Sparkassen-Finanzgruppe as benefitting from its extensive deposit base and sound liquidity of the savings banks, which is partly offset by the more wholesale-oriented funding profile of the Landesbanken. Nevertheless, in the current negative rate environment, deposit growth has weighed on the Sparkassen’s profitability, whereas most Landesbanken have benefited from TLTRO III. In 2020, the Group’s liabilities to customers grew by 5.0% YoY to EUR 1.41 trillion and savings banks’ deposits from customers grew 7.9% YoY to EUR 1.07 trillion, driven by factors such as the lack of spending opportunities during the lock-down and precautionary liquidity balances held by corporates. According to preliminary 2021 numbers the savings banks saw YoY deposit growth slow to 4.5% in 2021 to a total of EUR 1.12 trillion. The LCR ratio for the Sparkassen was 174.1% at end-2021.

Exhibit 11 SFG - Funding Profile



Source: DBRS Morningstar, Company Reports.
 Note: Data as from December 2020.

Exhibit 12 Loans to Deposits Evolution

Source: DBRS Morningstar, Company Reports.

Sparkassen

Strong brand recognition and customer relationships have supported the Sparkassen's extensive deposit base. In 2021 the loan to deposit ratio of 85%, almost flat YoY, and the liquidity coverage ratio (LCR) for the Sparkassen was 174.1% at end-2021. However, given the low rate environment and the reduced needs at the Landesbanken due to TLTRO III, the deposit inflow has also been a financial burden. In 2021, deposit growth slowed to 4.5% from 7.9% a year earlier. With the opening of the economy following the end of the pandemic and the increase in cost of living we expect deposit growth to slow further.

Landesbanken

The Landesbanken in aggregate rely much more on market funding, which makes them more vulnerable to market disruption. DBRS Morningstar notes, however, the rebalancing of the liability structure of Landesbanken after the global financial crisis in favour of deposits from their customer base (intra-group and corporate deposits). Additionally, DBRS Morningstar notes the strong covered bond franchise of the Landesbanken, which DBRS Morningstar views as a more stable form of market funding. Cover pools in the Landesbanken sector continue to benefit from wide-ranging CRE finance activities and the traditional close ties to public sector financing in Germany.

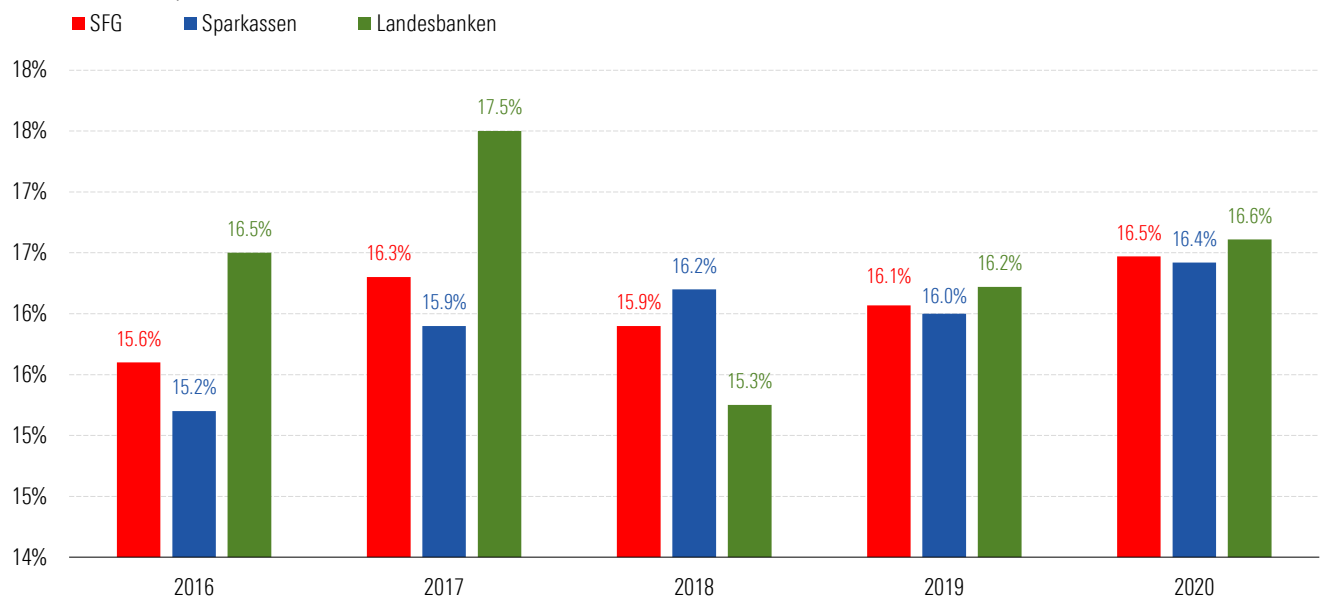
Capitalisation

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

SFG's capitalisation is, in DBRS Morningstar's view, solid, reflecting the overall sound capital cushion over regulatory minimum requirements and consistent earnings retention of the savings banks. This is partly mitigated by the fact that Sparkassen and SFG as a Group cannot raise capital in the capital markets. The Group's aggregated Tier 1 ratio (including Landesbausparkassen) increased to 16.5% at end-2020 from 16.1% a year earlier. All Landesbanken now carry capital cushions well above their regulatory requirements. According to preliminary 2021 results, the savings banks' Tier 1 capital ratio dropped to 15.6% at end-2021 from 16.4% at end-2020.

On January 31, 2022 the German banking regulator, BaFin, announced a 0.75% countercyclical buffer (CCyB) on all domestic risk-weighted assets (RWA) starting on February 1, 2022 to be fully implemented by February 1, 2023. On January 12, 2022 the BaFin also announced its intention to introduce a 2.0% sectoral systemic risk buffer (sSyRB) on RWAs related to loans collateralised by residential real estate to be phased in starting on April 1, 2022. For the savings banks, the CCyB will require EUR 6.0 billion of additional CET1 capital. For the sSyRB another EUR 2.0 billion of CET1 capital will have to be set aside. Assuming an average risk weight of 50%, this equates to a loan volume of EUR 200 billion. Given the high cushions over regulatory requirements in the savings banks' capital ratios, we expect that this will result in lower cushions and only to smaller extent in lower loan growth. We also note that the BaFin suspended the CCyB once before due to the COVID-19 pandemic, thus there could be some flexibility depending on how the German economy fares going forward.

Exhibit 13 Tier 1 Capitalisation



Sparkassen

The Sparkassen reported an aggregated Tier 1 capital ratio of 16.4% at year-end 2020 and a total capital ratio of 17.6%, both increased compared to the prior year due to good internal capital generation despite RWAs growing to EUR 756 billion from EUR 741 billion. These levels are well above regulatory requirements of 7.0% for Tier 1 capital and 10.5% for total capital as of 2020. According to preliminary 2021 results, the Tier 1 capital and the total capital ratio dropped YoY to 15.6% and 16.7% respectively due to asset growth and the introduction of CRR II rules. The leverage ratio at 8.5% for the Sparkassen is strong relative to peers. Given the legal 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. Therefore, we view healthy capital cushions as crucial for savings banks.

Landesbanken

At the Landesbanken level, the aggregate Tier 1 ratio improved to 16.6% at end-2020 from 16.2% a year earlier. Overall, aggregate capital ratios at the Landesbanken have improved in recent years and are well above regulatory requirements. While Landesbanken are somewhat more flexible in accessing capital markets than Sparkassen, capital raises are still very restricted due to their ownership structure. As a result, DBRS Morningstar considers that it is necessary to maintain buffers well above regulatory capital requirements, especially considering the ongoing economic uncertainty and the Landesbanken's exposures to corporates and SMEs.

Appendix: Institutional Protection Scheme

DBRS Morningstar sees the Institutional Protection Scheme (IPS) as a key factor underpinning the SFG floor rating, as it allows for the 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. 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 include 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 become important components of the strength of the Scheme, and consequently factors considered in the floor ratings.

The Scheme comprises a system of connected support funds, including 11 regional savings bank 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 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.

With the exception of the Landesbanken, most support cases of the IPS 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 Morningstar recognises that the combined resources of the IPS are not sufficient, nor was the Scheme designed, to address a wider systemic crisis or the possible burden from larger and less risk averse Landesbanken, should support from its public-sector owners prove unavailable. 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 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.

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. The SFG has taken steps to strengthen the pre-funding of resources available for the IPS, which DBRS Morningstar will continue to evaluate.

Despite the lack of a legally binding cross-guarantee, DBRS Morningstar notes 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 zero percent risk-weight for into-group exposures. In exchange, the regulators have clear expectations with regards 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 i) early intervention rights for the IPS in order to stabilise ailing members at the early stages of financial distress, ii) a significant increase of rescue funds available to the IPS, which are also available for preventive support measures, iii) 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 timely refunded the guaranteed amount of EUR 100,000 per depositor per institution.

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 decentralised structure of the IPS 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. In addition, the ECB and BaFin requested an increase in funds to 0.5% of risk-weighted assets (RWA) starting in 2025 over a time period of eight years. In total, this will amount to about EUR 5.2 billion, borne equally by the savings banks and the Landesbanken. This reflects the different risk distribution as the Landesbanken only accounted for EUR 287 billion of RWAs while the savings banks account for EUR 757 billion at end-2020.

The IPS continues to serve its dual purpose as both a rescue scheme and a deposit guarantee scheme. However, regulators requested common financial resources to be separated into two funds. The funds dedicated to deposit guarantees are set to reach 0.8% of covered deposits or approx. EUR 6.4 billion by 2024.

Appendix: 365 Rated Members of Sparkassen-Finanzgruppe⁵

Bezirkssparkasse Reichenau
Bordesholmer Sparkasse AG
Die Sparkasse Bremen AG
Erzgebirgssparkasse
Förde Sparkasse
Frankfurter Sparkasse
Hamburger Sparkasse AG
Harzsparkasse
Herner Sparkasse
Hohenzollerische Landesbank Kreissparkasse Sigmaringen
Kasseler Sparkasse
Kreis- und Stadtparkasse Erding-Dorfen
Kreis- und Stadtparkasse Kaufbeuren
Kreis- und Stadtparkasse Wasserburg
Kreissparkasse Ahrweiler
Kreissparkasse Anhalt-Bitterfeld
Kreissparkasse Bautzen
Kreissparkasse Bersenbrück
Kreissparkasse Biberach
Kreissparkasse Birkenfeld
Kreissparkasse Bitburg-Prüm
Kreissparkasse Böblingen
Kreissparkasse Börde
Kreissparkasse Döbeln
Kreissparkasse Düsseldorf
Kreissparkasse Eichsfeld
Kreissparkasse Esslingen-Nürtingen
Kreissparkasse Euskirchen
Kreissparkasse Freudenstadt
Kreissparkasse Garmisch-Partenkirchen
Kreissparkasse Gelnhausen
Kreissparkasse Göppingen
Kreissparkasse Gotha
Kreissparkasse Grafschaft Bentheim zu Nordhorn
Kreissparkasse Grafschaft Diepholz
Kreissparkasse Groß-Gerau
Kreissparkasse Halle
Kreissparkasse Heidenheim
Kreissparkasse Heilbronn
Kreissparkasse Heinsberg
Kreissparkasse Herzogtum Lauenburg
Kreissparkasse Hildburghausen
Kreissparkasse Kelheim

⁵ As of Rating Committee date, 28 March 2022.

Kreissparkasse Köln
Kreissparkasse Kusel
Kreissparkasse Limburg
Kreissparkasse Ludwigsburg
Kreissparkasse Mayen
Kreissparkasse Melle
Kreissparkasse Miesbach-Tegernsee
Kreissparkasse München Starnberg Ebersberg
Kreissparkasse Nordhausen
Kreissparkasse Northeim
Kreissparkasse Ostalb
Kreissparkasse Ravensburg
Kreissparkasse Reutlingen
Kreissparkasse Rhein-Hunsrück
Kreissparkasse Rottweil
Kreissparkasse Saale-Orla
Kreissparkasse Saalfeld-Rudolstadt
Kreissparkasse Saarlouis
Kreissparkasse Saarpfalz
Kreissparkasse Schlüchtern
Kreissparkasse Schwalm-Eder
Kreissparkasse Soltau
Kreissparkasse St. Wendel
Kreissparkasse Stade
Kreissparkasse Steinfurt
Kreissparkasse Stendal
Kreissparkasse Syke
Kreissparkasse Traunstein-Trostberg
Kreissparkasse Tübingen
Kreissparkasse Tuttlingen
Kreissparkasse Verden
Kreissparkasse Vulkaneifel
Kreissparkasse Waiblingen
Kreissparkasse Walsrode
Kreissparkasse Weilburg
Kreissparkasse Wiedenbrück
Kyffhäusersparkasse Artern-Sondershausen
Landesbank Saar
Landessparkasse zu Oldenburg
LBS Landesbausparkasse Saar
Mittelbrandenburgische Sparkasse
Müritz-Sparkasse
Nassauische Sparkasse (Naspa)
Niederrheinische Sparkasse Rhein-Lippe
Nord-Ostsee Sparkasse

Ostsächsische Sparkasse Dresden
OstseeSparkasse Rostock
Rheinessen Sparkasse
Rhön-Rennsteig-Sparkasse
Saalesparkasse
Salzlandsparkasse
Sparkasse Aachen
Sparkasse Aichach-Schrobenhausen
Sparkasse Allgäu
Sparkasse Altenburger Land
Sparkasse Altmark West
Sparkasse Altötting-Mühldorf
Sparkasse am Niederrhein
Sparkasse Amberg-Sulzbach
Sparkasse an der Lippe
Sparkasse an Ennepe und Ruhr
Sparkasse Arnsberg-Sundern
Sparkasse Arnstadt-Ilmenau
Sparkasse Aschaffenburg-Alzenau
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 Beckum-Wadersloh
Sparkasse Bensheim
Sparkasse Berchtesgadener Land
Sparkasse Bergkamen-Bönen
Sparkasse Bielefeld
Sparkasse Bochum
Sparkasse Bodensee
Sparkasse Bonndorf-Stühlingen
Sparkasse Bottrop
Sparkasse Bühl
Sparkasse Burbach-Neunkirchen
Sparkasse Burgenlandkreis
Sparkasse Celle-Gifhorn-Wolfsburg
Sparkasse Chemnitz

Sparkasse Coburg-Lichtenfels
Sparkasse Dachau
Sparkasse Darmstadt
Sparkasse Deggendorf
Sparkasse Dieburg
Sparkasse Dillenburg
Sparkasse Dillingen-Nördlingen
Sparkasse Donauwörth
Sparkasse Donnersberg
Sparkasse Dortmund
Sparkasse Duderstadt
Sparkasse Duisburg
Sparkasse Düren
Sparkasse Einbeck
Sparkasse Elbe-Elster
Sparkasse Elmshorn
Sparkasse Emden
Sparkasse Emsland
Sparkasse Engen-Gottmadingen
Sparkasse Essen
Sparkasse Forchheim
Sparkasse Freiburg-Nördlicher Breisgau
Sparkasse Freising
Sparkasse Freyung-Grafenau
Sparkasse Fulda
Sparkasse Fürstenfeldbruck
Sparkasse Fürth
Sparkasse Gelsenkirchen
Sparkasse Gera-Greiz
Sparkasse Geseke
Sparkasse Gießen
Sparkasse Göttingen
Sparkasse Grünberg
Sparkasse Gummersbach
Sparkasse Günzburg-Krumbach
Sparkasse Gütersloh-Rietberg
Sparkasse HagenHerdecke
Sparkasse Hameln-Weserbergland
Sparkasse Hamm
Sparkasse Hanau
Sparkasse Hanauerland
Sparkasse Hannover
Sparkasse Harburg-Buxtehude
Sparkasse Hattingen
Sparkasse Hegau-Bodensee

Sparkasse Heidelberg
Sparkasse Herford
Sparkasse Hilden-Ratingen-Velbert
Sparkasse Hildesheim Goslar Peine
Sparkasse Hochfranken
Sparkasse Hochrhein
Sparkasse Hochsauerland
Sparkasse Hochschwarzwald
Sparkasse Hohenlohekreis
Sparkasse Holstein
Sparkasse Höxter
Sparkasse im Landkreis Cham
Sparkasse im Landkreis Neustadt a. d. Aisch - Bad Windsheim
Sparkasse im Landkreis Schwandorf
Sparkasse Ingolstadt Eichstätt
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 Lippstadt
Sparkasse Lörrach-Rheinfelden
Sparkasse Lüdenscheid
Sparkasse Lüneburg
Sparkasse MagdeBurg
Sparkasse Mansfeld-Südharz
Sparkasse Marburg-Biedenkopf
Sparkasse Markgräflerland
Sparkasse Märkisches Sauerland
Sparkasse Märkisch-Oderland
Sparkasse Mecklenburg-Nordwest
Sparkasse Mecklenburg-Schwerin

Sparkasse Mecklenburg-Strelitz
Sparkasse Meißen
Sparkasse Merzig-Wadern
Sparkasse Miltenberg-Obernburg
Sparkasse Minden-Lübbecke
Sparkasse Mittelfranken-Süd
Sparkasse Mittelholstein AG
Sparkasse Mittelmosel
Sparkasse Mittelsachsen
Sparkasse Mittelthüringen
Sparkasse Mitten im Sauerland
Sparkasse Muldental
Sparkasse Mülheim an der Ruhr
Sparkasse Münsterland Ost
Sparkasse Neckartal-Odenwald
Sparkasse Neubrandenburg-Demmin
Sparkasse Neuburg-Rain
Sparkasse Neumarkt-Parseberg
Sparkasse Neunkirchen
Sparkasse Neuss
Sparkasse Neu-Ulm-Illertissen
Sparkasse Neuwied
Sparkasse Niederbayern-Mitte
Sparkasse Niederlausitz
Sparkasse Nienburg
Sparkasse Oberhessen
Sparkasse Oberland
Sparkasse Oberlausitz-Niederschlesien
Sparkasse Oberpfalz Nord
Sparkasse Odenwaldkreis
Sparkasse Oder-Spree
Sparkasse Offenburg/Ortenau
Sparkasse Olpe-Drolshagen-Wenden
Sparkasse Osnabrück
Sparkasse Osterode am Harz
Sparkasse Ostprignitz-Ruppin
Sparkasse Paderborn-Detmold
Sparkasse Passau
Sparkasse Pfaffenhofen
Sparkasse Pforzheim Calw
Sparkasse Pfullendorf-Meißkirch
Sparkasse Prignitz
Sparkasse Radevormwald-Hückeswagen
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 SoestWerl
Sparkasse Sonneberg
Sparkasse Spree-Neiße
Sparkasse St. Blasien
Sparkasse Stade-Altes Land
Sparkasse Starkenburg
Sparkasse Staufeu-Breisach
Sparkasse Südhohstein
Sparkasse Südpfalz
Sparkasse Südwestpalz
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 Vorderpalz
Sparkasse Vorpommern
Sparkasse Waldeck-Frankenberg
Sparkasse Werra-Meißner
Sparkasse Westerwald-Sieg
Sparkasse Westholstein
Sparkasse Westmünsterland

Sparkasse Wetzlar
Sparkasse Wiesental
Sparkasse Wilhelmshaven
Sparkasse Witten
Sparkasse Wittenberg
Sparkasse Wittgenstein
Sparkasse Wolfach
Sparkasse Zollernalb
Sparkasse zu Lübeck AG
Sparkasse Zwickau
Stadt- und Kreissparkasse Erlangen Höchststadt Herzogenaurach
Stadt- und Kreissparkasse Leipzig
Stadt- und Kreissparkasse Moosburg
Städtische Sparkasse Offenbach
Stadtsparkasse Augsburg
Stadtsparkasse Bad Pyrmont
Stadtsparkasse Barsinghausen
Stadtsparkasse Bocholt
Stadtsparkasse Borken (Hessen)
Stadtsparkasse Burgdorf
Stadtsparkasse Cuxhaven
Stadtsparkasse Delbrück
Stadtsparkasse Dessau
Stadtsparkasse Düsseldorf
Stadtsparkasse Grebenstein
Stadt-Sparkasse Haan (Rheinl.)
Stadtsparkasse Haltern am See
Stadtsparkasse Langenfeld
Stadtsparkasse Mönchengladbach
Stadtsparkasse München
Stadtsparkasse Oberhausen
Stadtsparkasse Rahden
Stadtsparkasse Remscheid
Stadtsparkasse Rheine
Stadtsparkasse Schwalmstadt
Stadtsparkasse Schwedt
Stadtsparkasse Schwerte
Stadt-Sparkasse Solingen
Stadtsparkasse Versmold
Stadtsparkasse Wedel
Stadtsparkasse Wermelskirchen
Stadtsparkasse Wunstorf
Stadtsparkasse Wuppertal
Taunus-Sparkasse
Verbandssparkasse Goch-Kevelaer-Weeze

VerbundSparkasse Emsdetten-Ochtrup

Vereinigte Sparkasse im Märkischen Kreis

Vereinigte Sparkassen Eschenbach i. d. Opf. Neustadt a. d.

Waldnaab Vohenstrauß

Vereinigte Sparkassen Gunzenhausen

Vereinigte Sparkassen Stadt und Landkreis Ansbach

Wartburg-Sparkasse

Weser-Elbe Sparkasse

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)*
Environmental		Overall: N	N
Emissions, Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	N	N
Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
Social		Overall: N	N
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
Human Capital and Human Rights	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	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
Human Capital and Human Rights:		N	N
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
Access to Basic Services	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?	N	N
Governance		Overall: Y	R
Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
Bribery, Corruption, and Political Risks:		N	N
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	Y	R
Corporate / Transaction Governance:		Y	R
Consolidated ESG Criteria Output:		Y	R

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

A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Environmental

SFG overall is not exposed to significant environmental risk. The Group provides credit to approximately one third of the German economy, which results in a highly diversified loan book. However, individual members could be exposed to higher risks. The larger members of the Group are subject to the ECB's 2022 supervisory stress test exercise, with a focus on climate change risks. Results are expected to be published in Q3 2022 and the output will be integrated into the Supervisory Review and Evaluation Process (SREP) using a qualitative approach as opposed to a quantitative approach. However, there won't be any direct capital impact via the Pillar 2 guidance as a result of this climate-related stress test.

Social

We do not view SFG as carrying social risk that would negatively affect the Group's credit quality. 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 its public mission the Group spent EUR 364 million on social commitments in 2020.

Governance

DBRS Morningstar views certain weaknesses in the group structure as relevant from a corporate government perspective. Notably, the Landesbanken are majority or part-owned by German Federal States. State governments, in our view, have limited capabilities to effectively supervise the banks' activities. In the past, Landesbanken have taken outsized risks, resulting in high costs to tax payers and the Sparkassen. Sparkassen associations, while part-owners of some Landesbanken have had only limited influence over the risk taking by the Landesbanken. The ownership mix and the parliamentary process involved in decision making, has also made it difficult at times to swiftly react to challenges. In 2020, the ECB has requested better pre-emptive risk controls within the IPS and more transparent processes in case of a recapitalization, which has been addressed in 2021. In addition, aggregate information for the Group, in particular related to risk such as nonperforming loans, loan loss reserves or sector exposure is somewhat limited reducing transparency, which is also reflected in the risk and franchise score. Also given the sanctions imposed on Russia, EU banks need to ensure that they are blocking and identifying any potential illicit payments from sanctioned individuals and/or businesses, and any non-compliance with the sanctions imposed could lead to fines and reputational consequences.

Sparkassen-Finanzgruppe

		1		2	3	4	5
2020	Scorecard Indicator	Scorecard Indicator Data	Scorecard Indicator Assessment	Scorecard Building Block (BB) Assessment	Grids BB Assessment		Combined BB Assessment
Franchise	Adjusted Assets		VS		VS	S	VS/S
	Sovereign Rating	20	VS				
Earnings	Return on Equity	3.13%	M/W				M
	Return on Assets	0.24%	M/W	M/W	G/M		
	IBPT/Avg.Assets	0.47%	M/W				
Risk	Net NPLs/Net Loans		G		G	S/G	S/G
	Provisions/IBPT	21.55%	S/G				
Funding & Liquidity	Sovereign-Adjusted Funding Ratio	96.5%	S/G		S/G	S	S
Capitalisation	Sovereign-Adjusted Capital Ratio		VS/S				G
	NPL/Equity + Loan Loss Reserves		S/G		G/M	S/G	
	5-Year Accumulated Net Income/Total Assets	1.33%	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 FY 2020. (2) For more information see Global Methodology for Rating Banks and Banking Organisations published on 19 July 2021.

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

Annual Financial Information

	For the Year Ended December 31 (German GAAP)				
	2020	2019	2018	2017	2016
Balance Sheet (EUR Millions)					
Cash & Cash Equivalents*	466,202	389,589	373,115	357,502	316,091
Investments in Financial Assets	444,026	451,476	452,540	453,765	472,278
Loan Loss Reserves	(1,836)	(1,855)	(1,696)	(2,250)	(3,153)
Net Lending to Customers	1,338,114	1,307,380	1,254,119	1,212,232	1,204,590
Total Assets	2,383,326	2,273,491	2,178,182	2,129,466	2,118,773
Deposits from Customers	1,062,058	984,965	919,297	881,821	847,938
Total Liabilities	2,205,389	2,100,450	2,010,336	1,967,975	1,960,830
Total Equity	177,937	173,041	167,846	161,491	157,943
Income Statement (EUR Millions)					
Net Interest Income	27,625	27,737	28,661	29,793	31,165
Non Interest Income	10,450	10,379	10,189	10,025	9,397
Total Operating Income	38,075	38,116	38,850	39,818	40,562
Total Operating Expenses	27,153	28,011	27,512	27,364	27,090
Income Before Provisions and Taxes (IBPT)	10,246	9,733	10,684	13,150	13,008
Loan Loss Provisions	2,852	579	3,631	2,063	2,724
Net Attributable Income**	4,643	6,492	3,828	7,724	6,785
Growth (%) - YoY Change					
Net Interest Income	-0.40%	-3.22%	-3.80%	-4.40%	-4.48%
Total Operating Income	-0.11%	-1.89%	-2.43%	-1.83%	-0.41%
Total Operating Expenses	-3.06%	1.81%	0.54%	1.01%	-4.07%
IBPT	5.27%	-8.90%	-18.75%	1.09%	6.92%
Net Attributable Income	-28.48%	69.59%	-50.44%	13.84%	-8.21%
Loans & Advances	2.35%	4.25%	3.46%	0.63%	0.98%
Deposits from Customers	7.83%	7.14%	4.25%	4.00%	2.32%
Earnings (%)					
Net Interest Margin	1.28%	1.34%	1.42%	1.51%	1.58%
Non-Interest Income / Total Revenue	27.45%	27.23%	26.23%	25.18%	23.17%
Cost / Income ratio	71.31%	73.49%	70.82%	68.72%	66.79%
LLP / IBPT	27.84%	5.95%	33.99%	15.69%	20.94%
Return on Avg Assets (ROAA)	0.20%	0.29%	0.18%	0.36%	0.32%
Return on Avg Equity (ROAE)	2.65%	3.81%	2.32%	4.84%	4.37%
IBPT over Avg RWAs	0.97%	0.94%	1.08%	1.36%	1.34%
Internal Capital Generation	2.65%	3.81%	2.32%	4.84%	4.37%
Risk Profile (%)					
Cost of Risk	0.22%	0.05%	0.29%	0.17%	0.23%
Gross NPLs over Gross Loans	NA	NA	NA	NA	NA
NPL Coverage Ratio	NA	NA	NA	NA	NA
Net NPLs over Net Loans	NA	NA	NA	NA	NA
NPLs to Equity and Loan Loss Reserves Ratio	NA	NA	NA	NA	NA
Funding & Liquidity (%)					
Net Loan to Deposit Ratio	94.94%	97.42%	97.96%	97.51%	99.46%
Liquidity Coverage Ratio	NA	NA	NA	NA	NA
Net Stable Funding Ratio	NA	NA	NA	NA	NA
Capitalization (%)					
Tier1 Ratio	16.50%	16.10%	15.90%	16.30%	15.60%
Total Capital Ratio	NA	NA	NA	NA	NA
Leverage Ratio	NA	NA	NA	NA	NA
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Morningstar Inc., Company Documents

*Includes Loans to Banks

**Includes additions to HGB 340g reserves

Rating Methodology

The applicable methodologies are the *Global Methodology for Rating Banks and Banking Organisations* (19 July 2021), *DBRS Morningstar Criteria: Guarantees and Other Forms of Support* (31 May 2021), and *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (3 February 2021) which can be found on our website under Methodologies.

Ratings

Issuer	Debt	Rating Action	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	Debt	Rating Action	Rating	Trend
365 Members of SFG	Long-Term Issuer Rating	Confirmed	A (high)	Stable
365 Members of SFG	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stable
365 Members of SFG	Long-Term Senior Debt	Confirmed	A (high)	Stable
365 Members of SFG	Short-Term Debt	Confirmed	R-1 (middle)	Stable
365 Members of SFG	Long-Term Deposits	Confirmed	A (high)	Stable
365 Members of SFG	Short-Term Deposits	Confirmed	R-1 (middle)	Stable

Ratings History

Issuer	Debt	Current	2021	2020	2019
Sparkassen-Finanzgruppe	Long-Term Issuer Rating	A (high)	A (high)	A	A
Sparkassen-Finanzgruppe	Short-Term Issuer Rating	R-1 (middle)	R-1 (middle)	R-1 (low)	R-1 (low)
Sparkassen-Finanzgruppe	Long-Term Senior Debt	A (high)	A (high)	A	A
Sparkassen-Finanzgruppe	Short-Term Debt	R-1 (middle)	R-1 (middle)	R-1 (low)	R-1 (low)
Sparkassen-Finanzgruppe	Senior Non-Preferred Debt	A	A	A (low)	A (low)

Previous Actions

- [DBRS Morningstar Confirms Sparkassen-Finanzgruppe LT Issuer Rating at 'A \(high\)', Trend Remains Stable](#), 1 April 2022
- [DBRS Morningstar Confirms 365 Members of Sparkassen-Finanzgruppe's Institutional Protection Scheme at A \(high\), Trend Stable](#), 1 April 2022

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Related Research

- [ESG Factors for Banks, Part Three: Social Factors](#), 11 April 2022.
- [European Banks: Lower Cost of Risk in FY21; However, Likely to Worsen After Ukraine War](#), 22 March 2022.
- [European Banks' Direct Exposure to Russia and Ukraine Is Manageable, But Risks Have Increased](#), 16 March 2022.
- [BaFin Introduces Countercyclical and Sectoral Systemic Risk Buffer](#), 1 February 2022.
- [European Banks: Rating Outlook Stable for 2022](#), 27 January 2022.
- [European Banks' Cost of Risk Supported by Loan Loss Releases in Q3](#), 29 November 2021.
- [ESG Factors for Banks, Part Two: Governance Factors](#), 19 October 2021.
- [DBRS Morningstar Publishes Banks' Intrinsic Assessment Frameworks](#), 5 October 2021.
- [ESG Factors for Financial Institutions, Part One: Environmental Factors](#), 27 April 2021.
- [DBRS Morningstar: Gender Diversity at European Banking Boards: Still a Long Way to Go](#), 22 February 2021.

Previous Reports

- [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.
- [Sparkassen-Finanzgruppe: Ratingbericht](#), 6 August 2019.
- [Sparkassen-Finanzgruppe: Rating Report](#), 8 May 2019.

European Bank Ratios & Definitions

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

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