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Savings Banks Westphalia-Lippe

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Savings Banks Westphalia-Lippe

*(**Editor's Note:** The scores shown below relate to the group credit profile of Savings Banks Westphalia-Lippe, leading to issuer credit ratings of A+/Stable/A-1 on core group members. A complete ratings list is in the "Ratings Detail" section at the end of this report.)*

SACP	a+	
Anchor	a-	
Business Position	Adequate	0
Capital and Earnings	Very Strong	+2
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Strong	

\+

Support	0
ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

\+

Additional Factors	0

Issuer Credit Rating
A+/Stable/A-1

Major Rating Factors

Strengths:

- Cohesiveness and a mutual protection scheme that ties the regional savings banks together.
- Regional market leader in retail and small and midsize corporate banking.
- Very strong capitalization and adequate earnings retention.
- Generally limited credit and market risk.

Weaknesses:

- Revenues exposed to margin erosion from low interest rates.
- A relatively high and inflexible cost base.
- Fragmented structure of the German savings banks sector, which limits the ability to respond quickly to strategic challenges, if needed.

Outlook: Stable

S&P Global Ratings' outlook on the 63 institutions comprising the Savings Banks Westphalia-Lippe (SWL) is stable. The outlook reflects our view of a low likelihood of a material change in Germany's economic and banking industry risks over the next 18-24 months, and that SWL will continue to adapt to ensure that its franchise remains strong and profitable. We also assume the level of cohesion and cooperation within the German savings banks sector will remain high and the sector's aggregate creditworthiness stable.

We could lower the ratings if profitability were to erode faster and for longer than we currently assume, preventing SWL from covering its normalized credit losses, or if payouts to the savings banks' public-sector backers were to increase substantially. These developments could lead us to revise our view of SWL's capitalization, in particular if our projected risk-adjusted capital (RAC) ratio were to fall below 15%. We could also lower the ratings if similar trends were to erode the earnings or capital of the nationwide network of savings banks.

An upgrade is remote, since it would require improvements at SWL and the nationwide network, whereas we expect continued pressure on earnings. The savings banks are targeting stronger contributions from fee-based businesses, such as securities sales or foreign trade. This could enhance profitability and franchise expansion over time, but we believe swift progress is unlikely. Also, the prospects for closer coordination or consolidation of central banks and product providers of the German savings banks sector are limited.

Rationale

We equalize our ratings on each savings bank with our view of SWL's group credit profile (GCP) at 'a+', which is neither enhanced nor constrained by our assessment of the nationwide network's GCP at 'a+'; we regard SWL as a highly strategic and very strong subgroup of the nationwide savings banks network.

The key strength to the ratings remains the banks' very strong aggregate capitalization, underpinned by a RAC ratio we project will be at 20.0%-20.5% over the next 18-24 months. We also believe it unlikely that the savings banks would require additional reserves beyond their existing buffer to cover their contingent exposure to Erste Abwicklungsanstalt (EAA).

The ratings also remain supported by the banks' domicile and exclusive focus on Germany, their highly predictable business volumes, high regional market shares in retail banking, and strong access to insured retail deposits and a sizable stock of unencumbered high-quality securities. These factors are partly offset by the sensitivity of the banks' revenues to a sustained low-interest-rate environment, and our view that their strategic effectiveness is weaker than that of retail banking peers in Germany.

Anchor: 'a-' for banks operating in Germany only

Under our bank criteria, we use our Banking Industry Country Risk Assessment's economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our anchor for a commercial bank operating mainly in Germany is 'a-', based on an economic risk score of '1' and an industry risk score of '3'. We view the economic risk trend in the German banking industry as negative and the industry risk trend as stable.

The 'a-' anchor applies to SWL because its member banks' loan exposure is almost exclusively in Germany. We expect that nondomestic lending will remain marginal. The Savings Banks Act North Rhine-Westphalia ("Sparkassengesetz Nordrhein-Westfalen") governs the savings banks' business scope. It stipulates that loans to residents outside each savings bank's home territory should remain exceptions.

Our economic risk assessment reflects Germany's highly diversified and competitive economy, which we believe remains robust in the face of projected fragile and sluggish improvements in economies and financial markets across Europe until 2018, as well as the potential for limited negative effects from the U.K. referendum decision to leave the EU (Brexit). Despite accelerated house-price increases, we currently do not see major economic imbalances given that these price rises are not accompanied by credit expansion in the German economy. We anticipate that the German housing market will remain undervalued by the end of 2018 in affordability terms. However, as an export-led nation, Germany remains vulnerable to swings in global economies, trade flows, and capital market trends. Our negative economic risk trend mainly captures a one-in-three possibility that we could revise our current assessment of a very low risk of economic imbalances within the next 24 months if we see higher house-price increases than the average 5.2% between 2015 and 2018 that we currently forecast, or if we observed strong lending expansion or materially softer underwriting standards in the German banking industry.

Industry risk benefits from Germany's extensive funding market and banks' domestic funding surpluses, as well as from material improvements that have been made to strengthen banking regulation and supervision given ongoing EU-wide regulatory harmonization and convergence as banks implement Basel III. However, we believe that strong competition in German markets, coupled with an ultra-low interest rate environment, remain drags on profitability, although this is currently mitigated by historically low credit losses in Germany.

Table 1

Savings Banks Westphalia-Lippe Key Figures					
	--Year ended Dec. 31--				
(Mil. €)	**2016**	**2015**	**2014**	**2013**	**2012**
Adjusted assets	127,760	124,539	122,709	120,524	119,322
Customer loans (gross)	89,822.6	87,565.8	85,233.3	84,113.2	81,997.3
Adjusted common equity	13,065.2	14,457.1	13,897.3	13,303.3	12,728.9
Operating revenues	3,423.7	3,489.9	3,487.8	3,397.2	3,347.1
Noninterest expenses	2,325.5	2,372.4	2,326.5	2,257.3	2,207.7
Core earnings	755.0	726.0	745.0	720.0	717.0

Business position: Highly predictable business volumes, with earnings sensitive to the sustained low-interest-rate environment

We consider that the SWL member banks continue to benefit from highly predictable business volumes throughout economic cycles, compared with many domestic peers. We base our assessment primarily on the savings banks' high market shares in their home territory in core retail banking and small to midsize corporate banking products, with a demonstrably loyal customer base. The banks have low exposure to cyclical businesses or market-sensitive income, which results in predictable and stable revenues, mainly from net interest income. Market shares are typically between 45% and 60%, based on a dense network of about 1,400 staffed branches and self-service centers, and very positive recognition of the nationwide savings banks brand. The savings banks' public-law status and regional roots, coupled with very strong capitalization, also reinforce clients' confidence and loyalty. Accordingly, the banks have benefited from a "flight to quality" since the 2008-2009 financial market crisis.

These benefits are partly offset by revenue concentration in interest income from commoditized banking products, alongside a relatively high and inflexible cost base. This leads to above-average sensitivity of profitability to the sustained ultra-low interest-rate environment. We consider that low interest rates will increasingly eat into interest margins over the next few years.

The savings banks' home region of Westphalia-Lippe is relatively large and diversified. We estimate that the regional economy represents approximately 10% of Germany's GDP. Unemployment in several urban areas of the Ruhr region is well above the German average. However, the savings banks have achieved sound earnings for many years, despite these challenges.

In light of low interest rates, regulatory costs, and demographic changes, mergers within the group have increased over the past 12 months, with five banks being absorbed by other SWL members. We anticipate that such mergers would generate cost synergies and enhance the presence of weaker institutions, and will likely continue, albeit slower than before.

In our view, SWL is less able than other banking groups to react swiftly to strategic challenges. The savings banks are separate legal entities with independent management, which tends to slow down the decision-making process, in our opinion. Moreover, we consider that the central banks and special product providers of the nationwide network are more fragmented and subject to government interference than those of their main peer, Germany's cooperative banking sector. This makes coordination more difficult and limits the savings banks' ability to exploit their full market potential. Good cooperation within SWL and with SWL's designated central bank, Landesbank Hessen-Thueringen Girozentrale (Helaba), partly mitigates this weakness.

Table 2

Savings Banks Westphalia-Lippe Business Position					
	--Year ended Dec. 31--				
	2016	**2015**	**2014**	**2013**	**2012**
Total revenues from business line (mil. €)	3,424	3,490	3,488	3,397	3,347
Commercial & retail banking/total revenues from business line (%)	100.0	100.0	100.0	100.0	100.0
Return on equity (%)	5.1	5.1	5.4	5.5	5.7

Capital and earnings: Projected RAC ratio well above 15%

We project that SWL can maintain an aggregate RAC ratio well above the 15% threshold that is commensurate with very strong capital. We also expect the savings banks will be able to comply with current and future regulatory capital requirements under Basel III. The banks' capital levels have increased substantially over the past 10 years as earnings retention outpaced low growth of risk assets. Despite our projection that profitability will decline, due to the low interest rates, we anticipate that aggregate capital levels will strengthen slightly over the next two years.

SWL's aggregate regulatory total capital ratio under Basel III's phase-in rules stood at a high 17.1% at year-end 2016, up from 13.2% in 2006 under Basel II. We consider that the savings banks' total capital ratios are a better indicator of their ability to comply with regulatory requirements than core equity ratios. Taxed hidden reserves under German accounting standards are only eligible as Tier 2 regulatory capital. However, they are economically akin to retained earnings and therefore could easily be converted into core equity Tier 1 capital if needed, and SWL has such reserves, which are not accounted for in total regulatory capital. The savings banks have issued very limited amounts of other Tier-2-eligible instruments.

Our RAC ratio for SWL (before adjustments) was 19.9% at year-end 2016, and we project it will stay at 20.0%-20.5% over the next 18-24 months. Our RAC ratio benefits from very low economic risk in Germany, which leads to lower risk weights for domestic exposure than under the banks' regulatory standardized approach. Moreover, we fully consider taxed hidden reserves in our total adjusted capital (TAC) measure, to the extent that they are not allocated to specific risks. Quality of capital is high, given that SWL's core capital does not include any hybrid capital instruments. However, earnings quality could weaken, owing to the likely continued deterioration of cost-to-income ratios from erosion of interest income.

The improvement in the RAC ratio at year-end 2016, compared with previous periods (see table 3), reflects the application of our updated criteria "Risk-Adjusted Capital Framework Methodology," published July 20, 2017. In particular, we deduct from capital the savings banks' participations in other financial institutions and insurance companies associated with the savings banks sector. We applied the risk weights applicable to the previous methodology, leading to a much lower RAC ratio.

Key assumptions in our projection are:

- Ongoing low interest rates that reduce net interest margins by roughly 10 basis points each year from 1.87% in 2016;
- A limited increase of cost bases, broadly in line with inflation, in light of regulatory costs and wage pressure in Germany;
- A modest rise in fee income, due to investments in securities advisory activities and trade finance products; and
- Still low credit loss provisions that increase slowly toward historical averages, after very favorable conditions recently.

Importantly, we also assume that profit payouts to SWL's public-sector backers will remain marginal at about €80 million per year (€82 million in 2016), in line with historical numbers. We also assume loan growth will remain modestly above GDP growth.

Nevertheless, capital management within SWL is complicated because capital is not fully fungible. This reflects the legally independent nature of the savings banks, meaning that each bank needs to fulfill regulatory requirements individually. Furthermore, savings banks rely exclusively on earnings retention to generate capital. We do not assume that their public-sector backers would provide material capital injections if needed. Therefore, we believe that the most likely option in case of capital constraints at an individual savings bank will be a merger with a financially stronger member bank. Alternatively, the regional protection scheme might provide financial support, or there might be a combination of both approaches.

Table 3

Savings Banks Westphalia-Lippe Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2016**	**2015**	**2014**	**2013**	**2012**
S&P RAC ratio before diversification	19.9	16.8	16.6	N.M.	N.M.
S&P RAC ratio after diversification	19.3	17.1	17.1	N.M.	N.M.
ACE / TAC (%)	100	100	100	100	100
Net interest income/operating revenues (%)	66.0	66.7	67.4	69.9	69.6
Fee income/operating revenues (%)	23.6	22.6	21.3	21.1	20.6
Market-sensitive income/operating revenues (%)	5.3	6.7	7.1	5.0	5.5
Noninterest expenses/operating revenues (%)	67.9	68.0	66.7	66.4	66.0
Preprovision operating income/average assets (%)	0.9	0.9	1.0	1.0	1.0
Core earnings/average managed assets (%)	0.6	0.6	0.6	0.6	0.6

N.M.--Not meaningful.

Table 4

Savings Banks Westphalia-Lippe RACF [Risk-Adjusted Capital Framework] Data

(Mil. €)	**Exposure***	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government and central banks	16,258	194	1	469	3
Institutions and CCPs	17,508	657	4	3,973	23
Corporate	30,143	29,271	97	18,265	61
Retail	54,780	26,185	48	20,145	37
Of which mortgage	32,168	10,922	34	6,532	20
Securitization§	17	18	102	17	100
Other assets†	2,082	2,672	128	1,880	90
Total credit risk	120,788	58,997	49	44,749	37
Credit valuation adjustment					
Total credit valuation adjustment	--	20	--	0	--
Market risk					
Equity in the banking book	11,899	9,591	81	15,530	131
Trading book market risk	--	0	--	0	--
Total market risk	--	9,591	--	15,530	--
Operational risk					
Total operational risk	--	6,566	--	5,235	--
(Mil. €)		**Basel III RWA**		**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification		75,501		65,514	100
Total Diversification/Concentration Adjustments		--		2,253	3
RWA after diversification		75,501		67,767	103

Table 4

Savings Banks Westphalia-Lippe RACF [Risk-Adjusted Capital Framework] Data (cont.)				
(Mil. €)	**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio				
Capital ratio before adjustments	N/A	N/A	13,065	19.9
Capital ratio after adjustments‡	N/A	N/A	13,065	19.3

*Exposure at default. §Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. N/A--Not applicable. Sources: Company data as of Dec. 31, 2016, S&P Global Ratings.

Risk position: Low complexity of exposures, but asset-liability mismatch risk, and contingent liability from EAA is no longer a major concern

SWL's risk position is neutral to our ratings. The banks' loan books consist mainly of granular, seasoned retail mortgage loans and small- and midsize corporate loans with a sound credit loss track record. Other risks are limited: Risks from EAA, the workout unit of former central bank WestLB AG, have materially reduced and we think are adequately covered; the banks' equity stake in Helaba, their new central bank, is small (4.75%) and Helaba's risk profile is sound. However, interest rate repricing mismatches between assets and liabilities expose SWL to sharply rising interest rates, even though profitability should ultimately benefit from higher interest rates.

The risk profiles of SWL's members may vary, however, given that each bank defines its own risk strategy and guidelines. Yet, the banks rely on methodologies and tools developed centrally by the savings banks sector in Germany through their national association Deutscher Sparkassen- und Giroverband. Risk exposures are scrutinized by the auditing department of the regional savings banks association, Sparkassenverband Westfalen-Lippe. Contributions to the savings banks' protection scheme are also based on the risk profile, which creates an incentive to contain risk appetites.

SWL's main risk exposure is to credit risk from regional domestic retail customers (mainly mortgage loans) and small and midsize enterprises (SMEs). Securities investments are mainly in domestic and highly rated European government bonds or covered bonds, and therefore do not increase risk materially. We expect SWL's exposure profile will remain stable and continue benefiting from a favorable loss record. Customer loan growth has been low, at 1% to 3% over the past five years, and broadly in line with the domestic market. There are no sector concentrations, given the size and diversity of the Westphalia-Lippe region. There are also no material single-obligor concentrations, since each bank on a stand-alone basis has to comply with large loan limits under banking regulation. There is low complexity in risk management, given the banks' focus on traditional banking products and each bank's detailed knowledge of its local customer base. Trading risk is immaterial.

SWL's key market risk is mismatches in the repricing of member banks' assets and liabilities. For instance, the exposure of SWL's economic value to a sudden 200-basis-point parallel interest rate hike is material, although not exceptionally high, in our view. Management of these mismatches depends on the accuracy of behavioral assumptions, given a high proportion of deposits with interest rates that can change at the banks' discretion, and depositors may reduce or withdraw their balances at short notice or without notice. However, economic value exposures reflect, to some degree, the banks' strategy to stabilize earnings by investing capital in long-term assets. Moreover, assuming ongoing new business, earnings should actually benefit if interest rates rise, owing to the current margin between loans and deposits.

We believe SWL's RAC ratio is unlikely to fall below 15% because of the contingent liability related to EAA, a nonbank workout unit for the former WestLB's assets, which is partly owned by SWL. SWL's share of the contingent liabilities amounts to €2.25 billion (equivalent to 17% of TAC) if EAA's losses exceed its equity. The savings banks have already built up a material buffer of taxed hidden reserves for this risk, which we do not include in TAC. Based on EAA's current wind-down plan, recourse to the savings banks beyond these reserves appears unlikely.

Table 5

Savings Banks Westphalia-Lippe Risk Position

	--Year ended Dec. 31--				
	2016	**2015**	**2014**	**2013**	**2012**
Growth in customer loans (%)	2.6	2.7	1.3	2.6	2.8
Total diversification adjustment / S&P RWA before diversification	3.4	(1.9)	(3.22)	N.M.	N.M.
Total managed assets/adjusted common equity (x)	9.8	8.6	8.8	9.1	9.4
New loan loss provisions/average customer loans (%)	(0.04)	0.02	0.04	0.06	0.12

RWA--Risk-weighted assets. N.M.--Not meaningful.

Funding and liquidity: Funding is mainly via insured deposits, and liquidity ratios are strong

We consider SWL's funding to be average and its liquidity position strong. We base this assessment on SWL's ample retail and SME customer deposits, and sizable surplus liquidity.

The savings banks' funding stems chiefly from insured customer deposits, which we consider a positive factor. The sizable equity capital also provides a source of stable funding. Equally, we consider that in light of low interest rates, customers have materially shifted deposits into short-dated and on-demand deposits, while demand for longer-term loans has increased. At year-end 2016, about 90% of all customer deposits were savings accounts with notice periods of three months or daily term deposits.

Moreover, the savings banks' direct access to wholesale funding channels, if needed, is limited. Instead, the banks typically rely on interbank funds provided by central banks associated with the nationwide network, called "Landesbanks," which we do not consider part of SWL. SWL's quantitative metrics, such as the stable funding ratio of 108%, customer loan-to-deposits ratio of 95%, and the absolute size of customer deposits are sound, but overall they are not clearly above the German average. In particular, they are weaker quantitatively and qualitatively than those of the consolidated German cooperative banking sector, which we see as SWL's closest peer.

Our positive view of liquidity reflects the savings banks' prudent liquidity management. Broad liquid assets covered short-term wholesale funding by about 5.1x at year-end 2016. This ratio is stronger than that of the overwhelming majority of domestic and international peers, and indicates SWL's strong ability to survive without access to wholesale funding for 12 months or more. In addition, the net surplus of broad liquid assets covers outflows of about 13% of short-term customer deposits, having declined from about 17% in 2011 as customers shifted funds to short-term investment. We believe the banks have high flexibility from holding deposits and large portfolios of unencumbered high-quality securities eligible for refinancing with the European Central Bank.

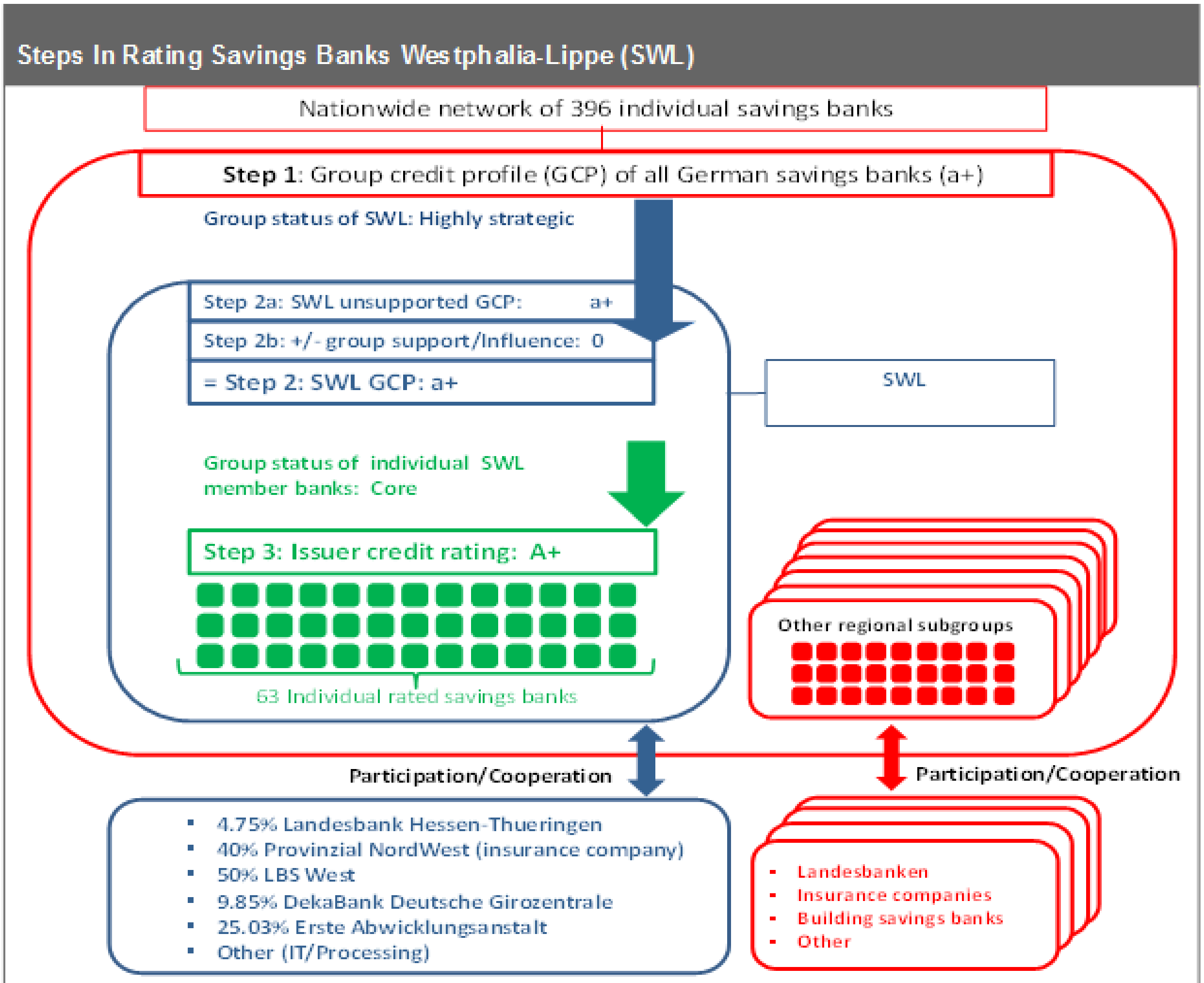
Table 6

Savings Banks Westphalia-Lippe Funding And Liquidity					
	--Year ended Dec. 31--				
	2016	**2015**	**2014**	**2013**	**2012**
Core deposits/funding base (%)	84.9	84.8	82.8	82.9	80.9
Customer loans (net)/customer deposits (%)	95.2	94.9	95.5	95.5	95.8
Long term funding ratio (%)	97.7	97.3	96.5	97.5	96.9
Stable funding ratio (%)	108.0	107.8	107.8	109.2	109.6
Short-term wholesale funding/funding base (%)	2.6	3.1	4.0	2.8	3.5
Broad liquid assets/short-term wholesale funding (x)	5.1	4.4	3.6	5.2	4.5
Net broad liquid assets/short-term customer deposits (%)	13.1	12.9	13.1	15.0	15.9
Short-term wholesale funding/total wholesale funding (%)	17.4	20.1	23.1	16.5	18.1
Narrow liquid assets/3-month wholesale funding (x)	8.1	9.8	5.8	8.2	7.5

External support: Member banks are likely to support each other under any foreseeable circumstance

Our ratings are based on SWL's member banks' aggregate strength, since we consider them to be a group of integrated, albeit legally independent institutions (see "Credit FAQ: How We Rate German Savings Banks," published Aug. 19, 2016, on RatingsDirect). Our assessment of SWL's GCP at 'a+' reflects this aggregate strength. We equalize our ratings on each savings bank with the GCP because we regard all of them as core members of SWL (see chart).

We consider SWL to be a highly strategic subgroup of Germany's nationwide savings banks network. However, since we assess the nationwide network's GCP at 'a+', the same as SWL's, we don't factor any support into our long-term rating on SWL's members.



We classify the likelihood of the German government providing extraordinary support to systemic domestic banks as uncertain, as is the case for most other European banks. This is because, following the full implementation of the EU's enhanced bank resolution framework in 2015, governments such as Germany that wish to provide support to distressed banks are restricted from bailing them out directly.

At the same time, we view the German resolution regime as effective because, among other factors, we believe it contains a well-defined process that permits nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities. However, our assessment of SWL's GCP does not include support from additional loss-absorbing capacity. We believe the German regulator would apply a resolution framework to individual SWL banks and not to the group as a whole. Yet it is unlikely that individual savings banks would be subject to a well-defined bail-in process, given their small size, limited complexity, and low systemic importance as stand-alone entities.

Additional rating factors: None

No additional factors affect the rating.

Related Criteria

- Risk-Adjusted Capital Framework Methodology, July 20, 2017
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 27, 2015
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Banking Industry Country Risk Assessment: Germany, Sept. 7, 2016
- How We Rate German Savings Banks, Aug. 19, 2016

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	**a-**	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of September 27, 2017)

Sparkasse Arnsberg-Sundern	
Counterparty Credit Rating	A+/Stable/A-1
Counterparty Credit Ratings History	
19-Oct-2015	A+/Stable/A-1
Sovereign Rating	
Germany (Federal Republic of)	AAA/Stable/A-1+

Ratings Detail (As Of September 27, 2017) (cont.)	
Related Entities	
Herner Sparkasse	
Issuer Credit Rating	A+/Stable/A-1
Kreissparkasse Halle (Westf.)	
Issuer Credit Rating	A+/Stable/A-1
Kreissparkasse Steinfurt	
Issuer Credit Rating	A+/Stable/A-1
Kreissparkasse Wiedenbrueck	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse an der Lippe	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Attendorn-Lennestadt-Kirchhundem	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Beckum-Wadersloh	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Bergkamen-Boenen	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Bielefeld	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Bochum	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Burbach-Neunkirchen	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse der Stadt Iserlohn	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Ennepetal-Breckerfeld	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Finnentrop	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Gelsenkirchen	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Geseke	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Guetersloh-Rietberg	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse HagenHerdecke	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Hamm	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Hattingen	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Hochsauerland	
Issuer Credit Rating	A+/Stable/A-1

Ratings Detail (As Of September 27, 2017) (cont.)	
Sparkasse Hoexter	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse im Kreis Herford	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Kierspe-Meinerzhagen	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Lemgo	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Lippstadt	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Luedenscheid	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Maerkisches Sauerland Hemer-Menden	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Meschede	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Minden-Luebbecke	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Muensterland Ost	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Olpe-Drolshagen-Wenden	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Paderborn-Detmold	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Siegen	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Soest	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse UnnaKamen	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Vest Recklinghausen	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Werl	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Westmuensterland	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Witten	
Issuer Credit Rating	A+/Stable/A-1
Sparkasse Wittgenstein	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Bad Oeynhausen	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Blomberg/Lippe	
Issuer Credit Rating	A+/Stable/A-1

Ratings Detail (As Of September 27, 2017) (cont.)	
Stadtsparkasse Bocholt	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Bottrop	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Delbrueck	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Dortmund	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Gevelsberg	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Gladbeck	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Haltern am See	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Hilchenbach	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Lengerich (Westfalen)	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Porta Westfalica	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Rahden	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Rheine	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Schmallenberg	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Schwerte	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Sprockhoevel	
Issuer Credit Rating	A+/Stable/A-1
Stadtsparkasse Versmold	
Issuer Credit Rating	A+/Stable/A-1
Staedtische Sparkasse zu Schwelm	
Issuer Credit Rating	A+/Stable/A-1
VerbundSparkasse Emsdetten Ochtrup	
Issuer Credit Rating	A+/Stable/A-1
Vereinigte Sparkasse im Maerkischen Kreis	
Issuer Credit Rating	A+/Stable/A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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