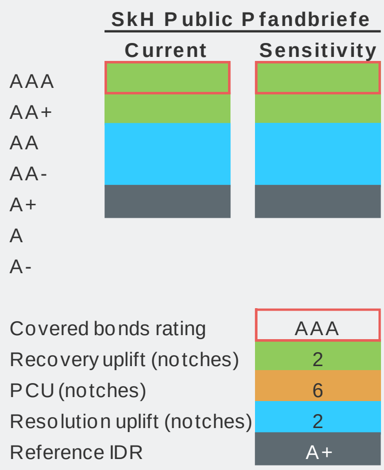
Sparkasse Hannover

Public Sector Covered Bonds

Covered bonds rating/Outlook	AAA/Stable	Asset type	Public sector loans and bonds
Issuer Default Ratings/Outlook	A+/F1+/Stable	Cover assets (EURbn)[a]	1.6
Resolution uplift	2 notches	Covered bonds (EURb)[a]	1.1
PCU	6 notches	Nominal OC (%)[a]	51.7
Recovery uplift	2 notches	OC Fitch considers in its analysis (%)	51.7
Unused notches for rating	0	Basis of OC relied upon	Lowest of the last 12 months
Break-even OC (%)[b]	23.5	Covered bonds maturity type	12-month extendable maturity
Credit loss (%)[b]	23.3	WAL of the assets (years)[a]	13.2
ALM loss (%)[b]	n/a	WAL of the liabilities (years)[a]	5.9

[a] Data at 30 June 2025. OC: overcollateralisation. WAL: weighted-average life. ALM: assets and liability mismatches. PCU: payment continuity uplift.
[b] Reduced by 25% since the Resolution Reference Point is at least 'BBB+' and sufficient eligible unencumbered assets.
Source: Fitch Ratings

Rating Sensitivity to IDR Downgrade



Source: Fitch Ratings

Key Rating Drivers

Linked to Issuer Rating: The 'AAA' covered bonds rating is based on Sparkasse Hannover's (SkH) Long-Term Issuer Default Rating (IDR) of 'A+'/Stable, the various uplifts above the IDR granted to the programme and the overcollateralisation (OC) protection for Pfandbrief holders that Fitch relies on.

The public-sector Pfandbriefe are rated at a maximum of four notches above the bank's IDR: two notches each for resolution and recovery uplifts. Fitch has also assigned a payment continuity uplift of six notches, but this is not used as the timely payment rating level is capped at the resolution reference point of 'AA', equal to the IDR adjusted by the two-notch resolution uplift. Due to the cap, the rating is linked to SkH's IDR, with no buffer to an IDR downgrade. The Stable Outlook on the rating reflects the Stable Outlook on the bank's IDR.

Two-Notch Resolution Uplift: The covered bonds are granted a two-notch resolution uplift, resulting in a 'AA' resolution reference point. Fitch considers that Germany has adopted an advanced bank resolution regime in which fully collateralised covered bonds are exempt from bail-in.

The Pfandbriefe have been issued under the legislative framework of the Pfandbrief law and are secured by standard public sector assets. Pfandbriefe play an important role in German bank funding and there are a large number of Sparkassen with Pfandbrief licences in the Sparkassen Finanzgruppe.

Timely Payment Rating Capped: Fitch has granted six notches to the payment continuity uplift (PCU), reflecting the conditional extension of the bonds' maturity of up to 12 months and the inclusion of liquid assets. However, the timely payment rating is then capped at the resolution reference point of 'AA', due to the high cover pool concentration.

Fitch considers that, in the case of the default of the largest obligors, there will be a good recovery, but we assume the recovery timing at three years. This is longer than the 12 months extendible maturity allowed in the Pfandbrief law. Therefore, we do not test for timely payments on the covered bonds in our analysis and factor in two notches of recovery uplift.

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Lower 'AAA' Break-Even OC: Our 'AAA' break-even OC of 23.5% supports a two-notch recovery uplift above the 'AA' resolution reference point, to 'AAA'. The 'AAA' break-even OC is driven by a 'AAA' credit loss of 23.3%. The cover pool has regional concentration in Lower Saxony and around Hannover, with over half the cover pool in the 10 largest borrower groups. The lower credit loss (previously 26%) is driven by a 25% haircut applicable to programmes with a resolution reference point of at least 'BBB+' and sufficient eligible unencumbered assets that can be added to the programme. The haircut became applicable after publication of our *Covered Bonds Rating Criteria* on 11 September 2025.

Without this haircut, the 'AAA' break-even OC would have increased to 31.1%, driven by an increase in the exposure to non-AAA rated assets, which coincides with a reduction in the exposure to the 'AAA'-rated German sovereign.

Two-Notch Recovery Uplift: Fitch has granted a recovery uplift of two notches to the programme, reflecting that there is no material downside risk to recoveries. The programme's timely payment rating level is in the investment-grade range and there are no specific limitations to recovery expectations, such as foreign exchange risk.

Programme Highlights

High Regional Concentration: German savings banks focus on providing banking products within a clearly defined area. SkH's public sector cover pool is heavily concentrated in the region of Hannover and Lower Saxony, which together account for 78.2% of the cover pool assets. The 10 largest exposures account for 69.7% of the cover pool. The cover pool analysis and stratification are based on loan-by-loan data at 30 June 2025.

Cover Pool Credit Analysis: Fitch analysed the public sector portfolio with its applicable *Covered Bonds and CDOs Public Entities Asset Analysis Rating Criteria* using Fitch's proprietary Portfolio Credit Model (PCM).

Over one-third of cover assets carry a public rating, a Fitch private rating or an internal credit opinion from Fitch's international public finance team, in line with the minimum outlined in the agency's criteria. For the remaining assets, assumptions were applied in line with our criteria.

Cover Pool

Characteristics as of 30 June 2025

General			
Cover assets (EURbn)	1.611	Denominated in euros (%)	100
Pfandbriefe (EURbn)	1.062	**Assets** (%)	
Regional debtor entity (%)		Fixed rate	95.9
German sovereign-backed	7.2	Floating rate	4.1
Lower Saxony	78.2	**Liabilities (%)**	
Other German sub-sovereigns	14.6	Fixed rate	100
		Floating rate	0.0

Source: Fitch Ratings, issuer reporting

Asset-Liability Mismatches: No cash-flow modelling has been performed for Sparkasse Hannover's public sector Pfandbrief programme as Fitch does not rely on 'timely payment' for the programme, and caps the rating accordingly.

The below graph shows the amortisation profile of the assets assuming no prepayment until final legal maturity and the amortisation of the outstanding Pfandbriefe. The cover pool predominantly consists of fixed-rate exposures (95.9%) with a small exposure to Euribor-linked floating-rate loans. The liability structure shown represents the existing outstanding Pfandbriefe.

Applicable Criteria

Covered Bonds Rating Criteria (September 2025)

Bank Rating Criteria (March 2025)

Covered Bonds and CDOs Public Entities' Asset Analysis Rating Criteria (September 2025)

Structured Finance and Covered Bonds Country Risk Rating Criteria (June 2025)

Structured Finance and Covered Bonds Counterparty Rating Criteria (November 2023)

Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (November 2023)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (October 2024)

Related Disclosure

Global Structured Finance and Covered Bonds Country Caps – Data File (May 2025)

Related Research

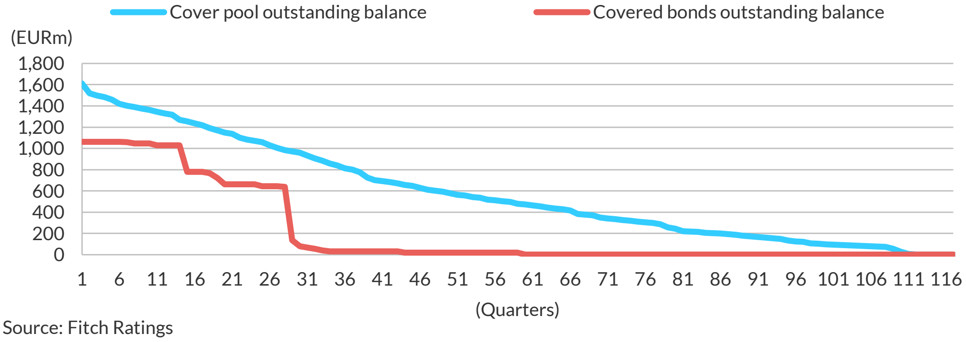
Fitch Affirms Sparkassen-Finanzgruppe at 'A+'; Outlook Stable (March 2025)

Global Covered Bonds Monitor: 2Q25 (July 2025)

Global Covered Bonds Monitor: 2Q25 - Data File (July 2025)

Global Covered Bonds Outlook 2025 (December 2024)

Assets and Liabilities Unstressed Amortisation Profile



Source: Fitch Ratings

Peer Comparison

The table below compares the key rating drivers for SKH's covered bond programme with the public sector Pfandbrief programme of Landesbank Saar (SaarLB).

The 'AAA' break-even OC for SKH's public sector Pfandbriefe is 23.5%. This is lower than the 24.5% 'AAA' break-even OC for SaarLB's public sector Pfandbriefe.

The Pfandbriefe issued by SkH benefit from two notches of resolution uplift and two notches of recovery uplift, allowing them to reach the 'AAA' rating on a recovery basis and without modelling the asset-liability mismatches of the programme. The break-even OC for these Pfandbriefe consists only of the credit loss component.

The Pfandbriefe issued by SaarLB reach the 'AAA' rating by using one notch of PCU, which means that asset-liability mismatches are also modelled, and the ALM loss component becomes part of the 'AAA' break-even OC.

The 'AAA' credit loss components for the two programmes are comparably high, but driven by different risk factors. The high concentration in SkH's cover pool means that SkH's break-even OC remains heightened. SaarLB's cover pool is more diversified, but shows a high percentage of French public sector assets as the main risk driver.

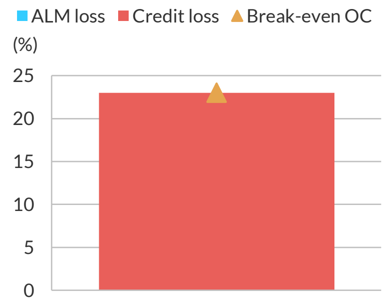
Please see *Fitch's Covered Bonds Monitor – 2Q25* and the related *Data File* at www.fitchratings.com for a detailed comparison of rating drivers across all Fitch-rated covered bond programmes.

Peer Comparison: Key Rating Drivers

	SkH	SaarLB
IDR/Outlook	A+/Stable	A+/Stable
Covered bonds rating	AAA	AAA
Resolution uplift (notches)	2	2
PCU (notches)	6	6
Recovery uplift (notches)	2	2
B portfolio loss rate (%)	0.4	1.0
AAA break-even OC (%)	23.5	24.5
Break-even OC components (%)		
Credit loss (%)	23.3	24.2
ALM loss (%)	-	0.1

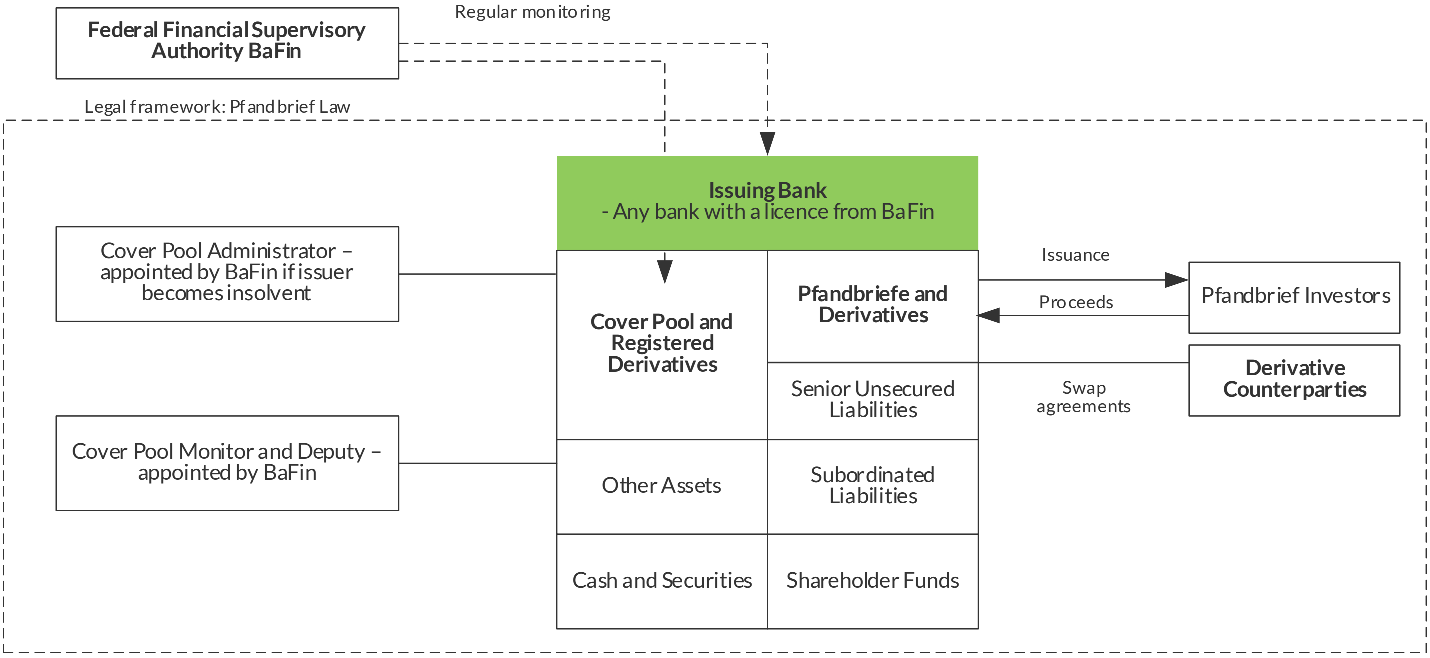
Data at November 2024.
Source: Fitch Ratings

Break-Even OC Breakdown



ALM loss was zero
Source: Fitch Ratings

Diagram of a Pfandbrief Issuance



Source: Fitch Ratings

Programme Review

Cover pool and covered bond information is updated on a quarterly basis and displayed on Fitch's covered bond surveillance pages, available at www.fitchratings.com, and in the quarterly Covered Bonds Snapshot report.

Disclaimer

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ESG Relevance Scores

FitchRatings **Sparkasse Hannover, Public Sector Pfandbriefe**

Covered Bonds ESG Navigator
Residential Mortgage and Public Sector

Credit-Relevant ESG Derivation

Sparkasse Hannover, Public Sector Pfandbriefe has 6 ESG potential rating drivers

- Sparkasse Hannover, Public Sector Pfandbriefe has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure/recovery practices, borrower/consumer data protection (data security) but this has very low impact on the rating.
- Sparkasse Hannover, Public Sector Pfandbriefe has exposure to macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior and underlying mortgages and/or mortgage availability but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	6	issues	3
not a rating driver	3	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	Regulatory risks, fines, or compliance costs related to building emissions and related reporting standards (including energy consumption)	Asset Stresses; Cash Flow Stresses; OC Protection	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Environmental site risk and associated remediation/liability costs; sustainable building practices including Green building certificate credentials	Asset Stresses; Cash Flow Stresses; OC Protection	2
Exposure to Environmental Impacts	2	Asset, operations and/or cash flow exposure to extreme weather events and other catastrophe risk, including but not limited to flooding, hurricanes, tornadoes, and earthquakes	Asset Stresses; Cash Flow Stresses; OC Protection	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Accessibility to affordable housing; GSE/agency issued or provision for social good; services for underbanked and underserved communities	Asset Stresses; Cash Flow Stresses; OC Protection	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure/recovery practices, borrower/consumer data protection (data security)	Asset Stresses; Cash Flow Stresses; OC Protection; Issuer Risk Present	4
Labor Relations & Practices	1	n.a.	n.a.	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior and underlying mortgages and/or mortgage availability	Asset Stresses; Cash Flow Stresses; OC Protection	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Rule of Law, Institutional and Regulatory Quality	3	Jurisdictional legal risks; regulatory effectiveness; supervisory oversight; foreclosure laws; government support and intervention	Issuer Risk Present; Payment Continuity Assessment; OC Protection; Asset Stresses; Cash Flow Stresses	5
Transaction & Collateral Structure	3	Asset isolation; resolution/insolvency remoteness; legal structure; structural risk mitigants; complex structures	Issuer Risk Present; Payment Continuity Assessment; OC Protection; Asset Stresses; Cash Flow Stresses	4
Transaction Parties & Operational Risk	3	Counterparty risk; origination, underwriting and/or aggregator standards; borrower/lessee/sponsor risk; originator/servicer/manager/operational risk	Issuer Risk Present; Payment Continuity Assessment; OC Protection; Asset Stresses; Cash Flow Stresses	3
Data Transparency & Privacy	3	Transaction data and periodic reporting	Issuer Risk Present; Payment Continuity Assessment; OC Protection; Asset Stresses; Cash Flow Stresses	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE - DEFINITIONS

How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant; a key transaction or program rating driver that has a significant impact on an individual basis.
4	Relevant to transaction or program ratings; not a key rating driver but has an impact on the ratings in combination with other factors.
3	Minimally relevant to ratings; either very low impact or actively mitigated in a way that results in no impact on the transaction or program ratings.
2	Irrelevant to the transaction or program ratings; relevant to the sector.
1	Irrelevant to the transaction or program ratings; irrelevant to the sector.

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