

Sparkasse Hannover

Issuer View • 8 November 2022

Authors: Melanie Kiene // Dr Frederik Kunze

Sparkasse Hannover (SPK) is a public law institution and the sixth largest savings bank in Germany as measured by assets (data as at October 2021). It is the regional market leader in the core business areas of retail and corporate banking. As at the end of 2021, SPK had 80 locations with banking businesses. As a member of the support fund for savings banks of the Sparkassenverband Niedersachsen (association of savings banks in Lower Saxony), it benefits from a joint protection scheme for German savings banks. SPK has shares in 45 companies worth EUR 189m overall, including FacilityServices Hannover GmbH. Ten of these firms, which strengthen the core activities of SPK, form the SPK Group along with SPK itself. In 2021, according to its own information, the focus was on offering a transparent, simple and fair range of products and services for retail and business customers. A total of 668,000 customers were served with 676,000 current and instant access savings accounts. Over half of the population of the Hanover region are customers of SPK. As at the end of 2021, Sparkasse Hannover had 1,708 employees. The savings bank manages customer deposits worth EUR 14.96bn in total; these have risen by around EUR 1.1bn year on year. The loans business was fully funded via customer deposits. SPK has been issuing mortgage Pfandbriefe since 2010 and public sector Pfandbriefe since 2018. In July 2021, the institute placed its first green Pfandbrief. According to the bank's calculations, its cost-income ratio as at FY 2021 was 66.9% (previous year: 63.6%). SPK recorded a liquidity ratio of 176%, which exceeds its own internal strategic floor value (107.5%).

Ratings

	Rating	Outlook
Fitch	A+	Stable
Moody's	-	-
S&P	-	-

Homepage

www.sparkasse-hannover.de

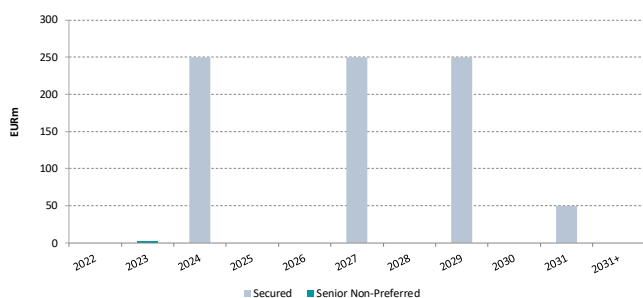
Bn ?Balance Sheet

(EURm)	2019Y	2020Y	2021Y
Net Loans to Customers	12,292	13,218	13,921
Total Securities	2,316	2,209	2,299
Total Deposits	12,888	13,865	14,924
Tier 1 Common Capital	1,181	1,282	1,401
Total Assets	16,503	18,520	20,404
Total Risk-weighted Assets	9,525	10,425	11,295

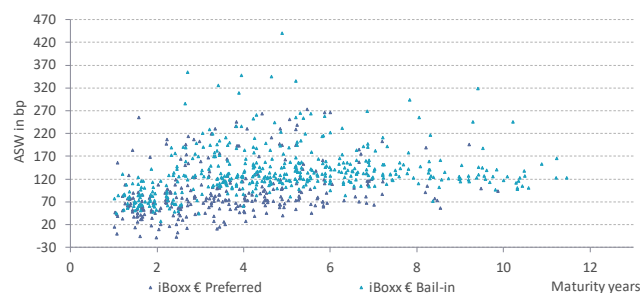
Income Statement

(EURm)	2019Y	2020Y	2021Y
Net Interest Income	241	237	192
Net Fee & Commission Inc.	110	114	111
Net Trading Income	-	-	-
Operating Expense	261	249	248
Credit Commit. Impairment	21	34	3
Pre-tax Profit	54	54	56

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2019Y	2020Y	2021Y		2019Y	2020Y	2021Y
Net Interest Margin	1.55	1.38	1.01	Liquidity Coverage Ratio	140.00	165.00	176.00
ROAE	1.48	1.45	1.42	IFRS Tier 1 Leverage Ratio	-	-	-
Cost-to-Income	72.36	69.14	76.19	NPL/ Loans at Amortised Cost	0.81	0.70	-
Core Tier 1 Ratio	12.40	12.30	12.40	Reserves/Loans at Amort. Cost	0.61	0.76	-

As of: 08.11.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Regional market leader in the retail & SME segments
- Deposit basis
- Liability member of the Sparkassen financial group

Risks / Weaknesses

- Regional concentration
- Profitability
- Fierce competition

Covered Bonds

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Two programmes for the issuance of Pfandbriefe

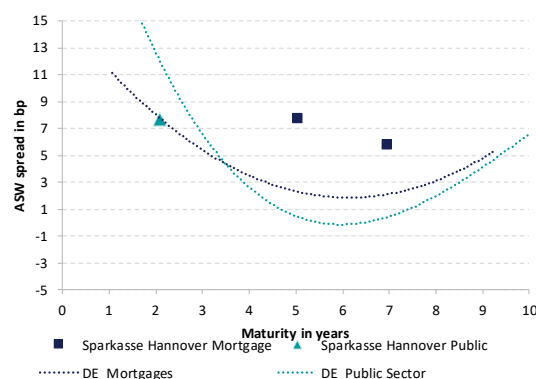
Two programmes for issuing Pfandbriefe Sparkasse Hannover has both a mortgage and public Pfandbrief issuance programme. As at 30 September 2022, public Pfandbriefe with a volume of EUR 621.1 million and mortgage Pfandbriefe with a volume of EUR 1,647.6 million were outstanding. These were offset by cover assets totalling EUR 1,085.1 million (Öpfe) and EUR 2,471.4 million (Hypfe).

Programme data

30 September 2022	Mortgage	Public Sector
Covered bonds outstanding	EUR 1,648m	EUR 621m
Cover pool volume	EUR 2,471m	EUR 1,085m
Current OC (nominal / regulatory)	50.0% / 2.0%	74.7% / 2.0%
Type	80.7% Mortgage	64.8% Sub-Sovereign
Country	100% Germany	100% Germany
NPL	0.0%	0.0%
Fixed interest (Cover Pool / CBs)	88.8% / 100.0%	94.0% / 100%
WAL (Cover Pool / CBs)	4.6y / 7.6y	NA / NA
CB Rating (Fitch / Moody's / S&P)	AAA / - / -	- / - / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (SBMK) – Germany



High proportion of single-family and two-family houses in the mortgage cover pool

The majority of the mortgage cover pool (80.7%) consists of residential cover assets, and here again a large proportion of single-family and two-family houses (46.5% of residential cover), followed by multi-family houses with 21.1%. Commercial real estate assets account for another 19.3%. Substitute cover assets account for 3.6% of the cover pool. With a share of 61.4%, the category "under EUR 300,000" is the proportionally largest asset class, indicating the granularity of the mortgage cover pool. At 50.0%, the overcollateralisation ratio is clearly above the statutory minimum overcollateralisation of 2%. The cover pool for Public Pfandbriefe is composed of 100% primary cover assets. Claims against local authorities (64.8%) dominate the cover pool, followed by claims against regional authorities (6.0%). At 74.7%, the overcollateralisation is also well above the legally required ratio. Further information on Sparkasse Hannover's cover pools can be found in our "§28 PfandBG" study for [Pfandbrief banks](#) (reference date: 30 July 2022).

Rating and regulation

While the mortgage Pfandbrief programme of Sparkasse Hannover is rated AAA by Fitch, the programme for issuing public Pfandbriefe is not rated. As a result, sub-benchmark issues (SBMK) from the rated programme are subject to a risk weight of 10% in accordance with CRR, while a risk weight of 20% is to be applied to those SBMK from the unrated programme in our opinion. In the context of LCR management, issues with a volume of at least EUR 250 million are also LCR-eligible, whereby the issuer's mortgage Pfandbriefe are, in our view, applicable as Level 2A assets. Despite the increased requirements for Level 2B LCR assets, the issuer states that for Public Sector Pfandbriefe the requirements are met and they can therefore be used as Level 2B assets in the LCR context. The German Pfandbrief Act (PfandBG) also provides for the possibility of a maturity extension (soft bullet). Pfandbriefe of the Issuer placed from 08 July 2022 onwards may bear the label "European Covered Bond (Premium)".

Annex

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