Sparkassen-Finanzgruppe (Sparkassen)

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1+
Viability Rating	a+
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term IDR	AAA

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Sparkasse-Finanzgruppe (Sparkassen)

	31 Dec 14	31 Dec 13
Total assets (USDm)	1,353,868	1,520,560
Total assets (EURm)	1,127,465	1,111,570
Total equity (EURm)	87,635.2	82,260.0
Operating profit (EURm)	8,744.0	8,642.0
Published net income (EURm)	1,969.0	1,980.0
Fitch comprehensive income (EURm)	1,969.0	1,980.0
Operating ROAE (%)	2.32	2.52
Operating ROAA (%)	0.18	0.18
Fitch Core Capital ratio (adjusted) (%)	12.4	11.8
Tier 1 regulatory capital ratio (%)	14.5	13.4.
Total regulatory capital ratio (%)	16.6	16.4.
Loans/customer deposits (%)	94.2	96.7

Related Research

Low Rates to Hurt German Savings Banks' 2015 Profits (August 2015)

Fitch Revises German Cooperative and Savings Banks' SRFs to 'No Floor'; IDRs Unchanged (May 2015)

Sparkassen-Finanzgruppe (Sparkassen) - Ratings Navigator (February 2015)

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Key Rating Drivers

Savings Bank Group Ratings: The IDRs assigned by Fitch Ratings to 358 savings banks (out of a total of 413 at end-3Q15) within the German public financial services sector (SFG) are “group ratings” in line with our Global Bank Rating Criteria. Sparkassen-Finanzgruppe’s (Sparkassen) Viability Rating (VR) only applies to the group as a whole, not to the individual savings banks. The ratings do not apply to other SFG members.

Leading German Retail Banking Franchise: The Sparkassen are an integral part of the German banking sector and the Sparkassen-Finanzgruppe (SFG), an unconsolidated group of 580 institutions with more than EUR2.7trn of assets (excluding leasing and insurance subsidiaries). They have leading nationwide franchises in retail and small business banking.

Revised Mutual Support Scheme: Sparkassen’s strong mutual support scheme which has an unbroken track record of support on a stand-alone basis or with the relevant municipalities has been adapted to comply with the European Commission’s revised Deposit Guarantee Scheme. Its structure and effectiveness however remain broadly unchanged.

Cohesiveness Moderately Strengthened: The decentralised structure of Sparkassen constrains our assessment of the group’s governance structure. However, SFG’s initiative to implement group-wide standards for regulatory reporting under the leadership of a central advisory council, should improve efficiency and strengthen the group’s cohesiveness.

Stable Profitability, Strong Capitalisation: Sparkassen reported a pre-tax profit of EUR4.76bn end-2014, up 3.1% yoy helped by volume growth, low impairment charges and still stable net interest income. Profit retention has raised its Tier 1 capital ratio to 14.5%, which compares well with peers, reflecting conservative risk weighting and no hybrid instruments.

Challenges Ahead: Persistent low interest rates increase pressure on net interest rate income and efficiency. Expenses continue to rise and remain inflexible. Branch closures and streamlining of back-office functions and IT applications is a long-term process.

Solid Funding And Liquidity: Sparkassen are deposit funded and have structural excess liquidity. However, in our view the rising share of sight deposits compounds the group’s interest risks due to structural unhedged maturity transformation.

Contingent Risk from Landesbanken: Sparkassen’s exposure (participations and funding) to Landesbanken is considerable. Northern Landesbanken remain highly vulnerable to deterioration of their large shipping exposures. HSH Nordbank AG is subject to privatisation or wind-down in 2018 following requirements of the EC’s state-aid decision in October 2015.

Rating Sensitivities

Cohesion and Financial Resilience: VRs could be upgraded if cohesion among the group improves, consolidated risk monitoring is expanded and resilience to the low rate environment is maintained, especially if greater cost saving potential is used**.**

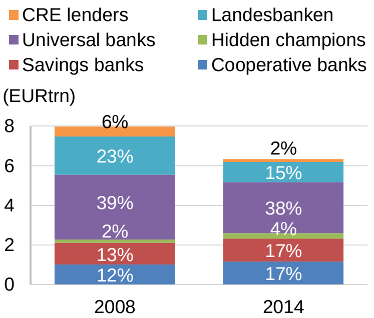
Recession and Interest Rates: A severe and prolonged domestic recession and a continuation of low interest rates or even further declines is the key risk to Sparkassen's VR. The VR also remains sensitive to the unlikely event of sharply rising interest rates due to the negative effect on their profitability.

Terminology

- *Sparkassen-Finanzgruppe* or *SFG*: refers to the German public financial services sector including (as of end 3Q15) 413 savings banks, seven Landesbanken, DekaBank, , nine building and loan associations (Landes-bausparkassen) and various other financial sector companies (leasing, insurance)
- *Sparkassen (*or *group)*: refers to both the 413 savings banks within SFG and the 358 rated savings banks within SFG; financial data used in this reports relates to all 416 savings banks combined at end 2014.
- *Savings bank(s)*: refers to individual savings bank(s) within Sparkassen
- *Deutscher Sparkassen- und Giroverband (DSGV)*: the umbrella body for the regional savings bank associations

Figure 1

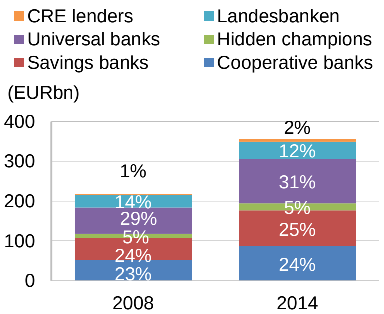
Total Assets



Percentages: Share of total assets (FYE08: EUR8.4trn; FYE14: EUR6.8trn)
Source: Fitch

Figure 3

Common Equity



Percentages: Share of total equity (FYE08: EUR227bn; FYE14: EUR360bn)
Source: Fitch

Related Criteria

Global Bank Rating Criteria (March 2015)

Operating Environment

Benign Operating Environment Except Ultra Low Interest Rates

SFG is primarily a domestic banking group and its risk profile is correlated with economic conditions in Germany ('AAA'/Stable). The fiscal and macroeconomic situation in Germany compare favourably with its European and other 'AAA' peers, providing SFG with a generally benign operating environment throughout 2014 and to date.

Fitch expects the economic environment to remain favourable for German banks in 2015 and 2016. German GDP growth is once more forecast to be above the expected average in the eurozone and to accelerate in 2015 and 2016. Domestic demand is expected to pick up and private consumption is supported by a solid labour market, with employment at historical highs, and wages growing at a decent pace, which continues to support consumer confidence. Expenditure pressures from strong net migration should lead to a small fiscal stimulus in the short term. If sustained, it may also improve the demographic profile and longer term trend growth. Risk to the economic environment mainly stems from global factors such as a recession in Brazil and Russia and a structural slowdown in China and many emerging markets. In Germany, consequences of the VW emission scandal remain unclear at this stage, both on the group and in the wider automotive industry, as customers and regulators reaction is still unpredictable.

We believe that asset values, in particular real estate, will remain resilient due to strong demand and the low interest rate environment. This lends support to the market despite risks of overheating in Germany's large cities, but not nationwide.

The eurozone recovery continues due to the boost to purchasing power from low energy prices, which eases fiscal drag, some modest improvement in labour market conditions and progress with balance-sheet repair. The gentle cyclical recovery is supported by a weaker effective exchange rate, low oil prices and easing financing conditions driven by the ECB's quantitative easing (QE) programme.

In line with the German Bundesbank we believe that the ultra-low interest rates pose risks to financial stability of banks as they squeeze their earnings.

Figure 2

Fitch Forecasts

	2015	2016
Real GDP growth	1.7	1.9
General government balance (% of GDP)	0.6	0.5
General government debt (% of GDP)	72.0	68.9
Consumer prices (annual avg. % growth)	0.3	1.5

Source: Fitch

Financial Market Development and Regulatory Framework

German banks benefit from well-developed and strong financial markets and the banking system as a whole is relatively well capitalised. German banks have continued to improve their resilience. At the end of 2Q15, the German banking system's aggregate Tier 1 capital ratio stood at 15.6%, 6.5pp more than at the start of 2008. Its leverage ratio, expressed as Tier 1 capital to total assets, likewise points to enhanced resilience[1].

Both Fitch's banking system indicator ('a') and macro-prudential indicator ('1') indicate a low risk of system-wide problems in the German banking sector. Fitch views the legal and regulatory framework in Germany as strong. Banks are subject to regulatory oversight by the German regulator (Federal Financial Supervisory Authority; BaFin) and since November 2014 Germany's largest banks have been under the direct supervision of the ECB as part of the Single Supervisory Mechanism (SSM).

[1] See Deutsche Bundesbank, Financial Stability Review 2015

Bank Creditor Hierarchies Changing

Legislation passed by the upper house of the German parliament in October 2015 to implement the Single Resolution Mechanism (SRM) will result in all other obligations of a bank, including large wholesale deposits and counterparty exposures, ranking ahead of non-structured securities, including senior unsecured bonds and Schuldscheine, in the event of insolvency. This means that a senior unsecured bondholder would be bailed in ahead of other senior unsecured creditors in resolution. We expect the minimum requirement for eligible liabilities to be met by German banks from core and subordinated regulatory capital plus senior debt.

Fitch's IDRs on Sparkassen reflect the default likelihood of any of a bank's senior liabilities (with certain, limited exceptions). The legislation should therefore have no direct effect on German bank IDRs. The legislation could weaken recovery prospects for senior unsecured creditors, but we do not expect any immediate implications for German bank senior unsecured debt ratings, which are rated in line with German banks' IDRs, reflecting "average" corporate recovery prospects (typically 31%-50%). We usually require a high burden of proof to notch senior debt downwards based on recovery prospects due to the high uncertainty about what a bank's balance sheet will look like on default. This is most likely at low rating levels ('B' category or lower).

We expect that the legislation could raise funding costs or even reduce market access for banks dependent on senior debt issuance. This, however, is of limited relevance for Sparkassen given their large retail funding deposit base. Their solid funding profile is therefore not affected. However, it could influence their investment policy with regard to financial assets which are currently heavily concentrated in the banking sector, although with bias towards guaranteed, secured or grandfathered debt.

Resolution Scenario Very Remote Risk for Sparkassen

Fitch believes resolution and potential bail-in of senior unsecured debt securities of Sparkassen to be very remote in light of the group's tested support mechanism and its capacity to identify problems at a reasonably early stage, which provides room for counter measures. Historically, financial problems at saving banks have been resolved by the regional funds without any losses for investors or restructuring of debt. Due to the potential size of the problem a possible bail in risk for Landesbanken is unlikely but cannot be ruled out. Sparkassen's risk profile is linked to the regional Landesbanken which we reflect in our analysis as a contingent risk on Sparkassen capital (see section Financial Profile).

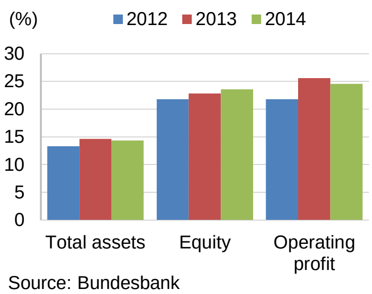
We currently assign an 'A-' IDR to all Landesbanken, which is two notches lower than the 'A+' anchor rating of SFG to reflect the Landesbankens' role as strategic subsidiaries to their owners and uncertainties about the resolution process under the EU's Bank Recovery and Resolution Directive (BRRD). The exception is HSH Nordbank AG (HSH; 'BBB-'/Negative), where the rating reflects the bank's intrinsic weaknesses, which make support potentially less likely.

If HSH's owners are unable to privatise the bank through a sale or an initial public offering to sometime in 2018, the bank will have to cease new business activities and manage the assets with a view to winding them down according to the EC's ruling. We expect that in such a scenario there are financial and reputational incentives for HSH's current owners to ensure that a wind-down is managed to avoid imposing losses on senior unsecured creditors, which supports the bank's 'BBB-' IDR. The Negative Outlook reflects the risk that potential new owners of HSH are unlikely to have the ability and propensity to provide any necessary support at a 'BBB-' level.

Fitch separately rates S-Finanzgruppe Hessen-Thueringen (S – Verbund HT, A+/Stable/a+), a regional sub-group within SFG consisting of 50 savings banks in the regions of Hessen and Thuringia, and their central bank, Landesbank Hessen-Thueringen Girozentrale (Helaba; A+/Stable).

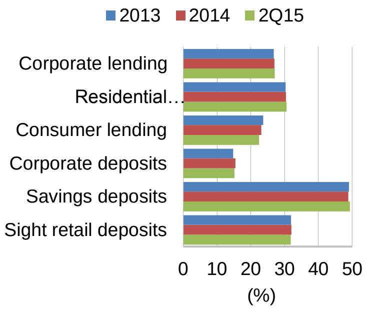
- Germany's savings banks group with a leading nationwide franchise in retail and SME banking
- Most stable and profitable part of SFG, Germany's public financial services sector
- Cohesion based on mutual support scheme, shared strategy and brand
- Landesbanken still key contingent risk for Sparkassen

Figure 4
Sparkassen in the German Banking Sector
(% contribution of savings banks to total sector)



Source: Bundesbank

Figure 5
Leading Market Shares
(Market shares of savings banks in %)



Source: Deutsche Bundesbank

Figure 6
Granular Group[a]

Total number of Sparkassen	416
Average total assets (EURbn)	2.7
Share of total group assets in (%)	
- Average per bank	0.24
- Largest bank	3.7
- 10 largest banks	16.7
- 50 largest banks	42.6

[a] End-2014 (413 as of September 2015)
Source: DSGV, Fitch

Company Profile

Savings Banks: A Cornerstone of SFG (See Appendix 1)

SFG includes 413 savings banks at end 3Q15, 358 of which have been assigned a group rating. The savings banks form a homogenous and relatively cohesive group under a single brand within SFG and are organised into 12 regional savings banks associations. At the national level, Deutscher Sparkassen- und Giroverband (DSGV), the association of regional savings bank associations, represents the savings banks and the broader SFG including the Landesbanken.

Each individual savings bank focuses on providing standard banking products within a clearly defined local area. In cooperation with specialist members of the broader SFG, they fulfil a utility-like role centred on the nationwide provision of a full range of commoditised banking, investment, insurance and corporate finance products. This, together with their strong common brand and their stable responsible public bodies, allows continuity in their business strategies.

With the exception of five so-called "freie" (free) Sparkassen, the banks' responsible public bodies ("Träger") are (associations of) municipalities or districts. This legal status results in greater operating independence of the local management boards than at European peers.

At end-2014, the Sparkassen continued to increase their relative share of income within the group and accounted for around 130% of SFG's EUR3.7bn pre-tax income. This is due to the Landesbanken aggregate losses of EUR1.2bn in 2014 driven by BayernLB's negative results due to the significant impairment of HETA Asset Resolution AG. However, we expect a positive contribution from the Landesbanken sector for 2015.

The Sparkassen accounts for 50% of SFG's EUR2.3trn balance sheet, 61% of its EUR1.2trn customer loans, 71% of its EUR1.2trn customer deposits and about 70% of its 341.700 staff.

The Sparkassen had leading domestic market shares in corporate lending (27%), residential mortgage lending (35%), consumer lending (23%) and retail deposits (38%) at end-2014. While the vast majority of the savings banks account for less than 1% of SFG's total assets there is some concentration as the top 20 savings banks comprise 25.4% of Sparkassen's aggregate balance sheets. However, Fitch considers that none of the sizeable Sparkassen is dominant as all have franchises limited to their respective local area.

The IDRs assigned by Fitch to the individual savings banks are group ratings. Fitch has not performed standalone assessments of the individual banks' creditworthiness. The group ratings reflect the cohesion of the savings banks, and the resulting contingent liability arising from weaker group entities prevents the stronger banks from achieving higher IDRs.

Support Mechanism Adapted to Meet Requirements from European Deposit Guarantee Scheme

The mutual support scheme of the Sparkassen has been officially recognised as a deposit insurance system and fulfils the statutory requirement of ensuring that depositors affected by a bank's insolvency are compensated (see Appendix 2). Fitch believes that the regional support funds are adequately funded to support the Sparkassen under plausible (i.e. not extreme) stress scenarios. We believe that the savings banks demonstrated very high propensity to provide support within the Sparkassen sector of SFG to protect their strong brand and common franchise has not changed in any way. Examples include the bailouts of several savings banks by their peers and the acquisition of Landesbank Berlin AG (LBB) in 2007.

Management and Strategy

Decentralised Three-Tier Management Group Structure

While the Sparkassen are not a consolidated legal entity, they fulfil the requirements of Fitch's relevant considerations on ratings for mutual banking groups.

Individual savings banks enjoy a considerable degree of strategic independence and therefore local management at savings bank level is responsible for the bank's longer-term strategy and day-to-day operations. However there is tight oversight by the regional associations that provide many risk management functions including legal auditing of Sparkassen accounts through the associations' respective bodies (Prüfungsstellen) and benchmark the savings banks within their regions. Regional associations also administer the regional support funds of the mutual support scheme and have the power to impose sanctions at individual banks in need of restructuring. In a third tier, DSGV coordinates the regional associations and support funds nationally.

Project S-Control Supports Implementation of New Regulatory Requirements

A key project (S-Control) has been launched to relieve the group's individual members of their obligations to deal with and manage their businesses against the new regulatory requirements. It targets an enforcement of synergies and scale within the group by using a set of standardised, common tools and streamlined processes to allow central coordination with the regulatory supervising authorities. The related tasks including provision of specialist knowledge and IT support are bundled internally in Sparkassen Rating and Risikosystem GmbH where the DSGV acts as chair of the supervisory board. The 'Prüfungsstellen' are fully integrated into this new framework. Implementation of the project started on 1 March 2015 and is expected to be rolled out on 1 January 2017 with full completion in 2020.

The governance structure is supported by implementation of a new central Advisory Council (Fachrat), which has decision-making authority. It comprises representatives from the Sparkassen (12), the regional associations (7) and the auditing bodies (2) and one member of DSGV.

We believe that the higher level of standardisation, but particularly the greater level of data exchange and management and the streamlining of processes help strengthen the cohesiveness within the group. However, various constraints remain in place such as the transparency of reporting, as savings banks only produce aggregate (i.e., not consolidated) accounts. Furthermore, they do not provide a consolidated view of their capitalisation, nor do they report regularly on single-name concentration risk or the level of NPLs. However the German supervisory authorities view the support scheme shared by the savings banks, the Landesbanken and the Landesbausparkassen (of which compliance with risk limits is an integral part) as strong enough to apply a 0% regulatory risk weighting to all SFG intragroup exposures.

Risk Appetite

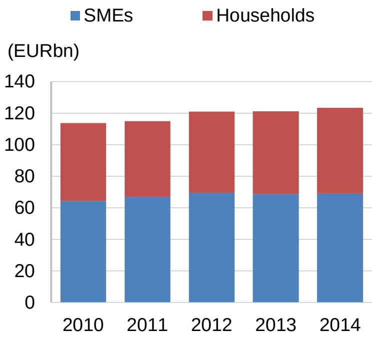
Risk Appetite Defined at Local Bank Level

Sparkassen's risk appetite is moderate reflecting their consistent long-term oriented growth strategies, deep expertise in the local economies and their customers and strong granularity in their loan exposures. Based on these factors, Sparkassen have also performed well during and since the financial crisis.

Nevertheless, individual Sparkassen could suffer from overexposure to a key regional industry or larger company as well as from oversized or mismanaged public projects that could become impaired.

Some Sparkassen also grew particularly aggressively in residential mortgage lending and increased their mortgage books significantly faster than average, which could indicate a catchup after years of underinvestment in some local areas, but also higher risk taking. However, Sparkassen's nationwide presence still mitigates potential local excesses adequately.

Figure 7
Strong New Loan Growth



Source: DSGV

Risk Monitoring Practices Adapt to Regulatory Requirements

The regional associations are responsible for Sparkassen risk monitoring based on the group's common principles. Metrics for its quantitative monitoring have been reviewed and adapted to new regulatory standards, which are then condensed into a traffic light surveillance system. The system cascades intervention measures, starting with extensive information and auditing rights for a 'yellow' warning. More sanctions including changes in the bank's management board or business conduct can be triggered along the risk profile.

The existing traffic light system now includes a 'dark red' warning signal that immediately triggers a restructuring plan for the bank. Sanctions could go as far as exclusion of a bank from the group's mutual support scheme if the bank fails to follow the plan. These standards are understood to be the minimum while each regional association is entitled to develop or tighten rules further.

We believe that the refinement of risk monitoring and stronger data standardisation should improve group efficiency and place greater responsibility on the monitoring bodies with SFG to respond to deteriorating risk profiles of member banks, especially at Landesbanken.

Credit Risk Benefiting From Low Number of Insolvencies in Germany and Granularity

Reflecting their business model, credit risk relating to lending and treasury activities is by far Sparkassen's most important source of risk, followed by risks relating to their equity participations in Landesbanken and structural interest rate risk.

Credit risk overwhelmingly relates to lending exposure (around two-thirds of Sparkassen's balance sheet), followed by fixed-income investments (around 24%) and interbank exposure (around 8%). Fitch views Sparkassen's credit risk exposure as moderate as it almost exclusively relates to sound asset classes in the strong German market and benefits from considerable granularity.

Within Sparkassen's EUR723bn loan book at end-1H15 (according to Bundesbank data), exposures to the German residential mortgage market (EUR265bn) and German corporates and SMEs (EUR355bn; EUR104bn of which secured by real estate) were significant and the savings banks' primary risk concentrations.

Market Risk: Structural Interest Rate Risk Rising

Sparkassen carry a significant structural interest rate risk given their short-term (deposit) funding franchise and large long-term loan book. We believe that this risk has risen due to the disproportionately fast growth of sight deposits and mortgage loans over the last four years. According to DSGV, maturity transformation has historically been 10%-15% of net interest income (NII; negative and positive), adding material but manageable volatility to their pre-impairment profit. This level of profit contribution resulting from maturity mismatches is likely to decline in the next two to three years as interest rates are expected to remain low, high-yield long-term financial assets to mature and the yield curve to be relatively flat.

The savings banks measure interest rate risk in their trading and loan books using historical value at risk (VaR) and benchmark it against the return on risk-adjusted capital achieved on this portfolio. The vast majority of the banks are clustered, as expected, along a positive line in terms of their risk/return profile. However, a significant number of savings banks (37% in a sample of 271 analysed institutions reflecting 65% of all Sparkassen and 80% of their aggregate balance sheets at end-2014) have been classified as "banks with elevated exposure to interest rate risk" by BaFin; i.e., a 200bp interest rate shock would have an impact of more than 20% on the respective bank's regulatory capital. For comparison, large private banks in

Germany have normally ratios in the low single digits. However, similar ratios are witnessed at German cooperative banks. Still, Fitch believes Sparkassen's significant diversification ensures that structural interest rate risk at the group level remains manageable.

The savings banks are exposed to few market risks other than interest rate risk. The combination of buy-and-hold securities investments, large excess funding and German GAAP accounting (which limits valuation-driven volatility) limits credit spread risk considerably. However, on 8 June 2015 the Basel Committee released its consultative document "Interest rate risk in the banking book" which proposes a mandatory standardised calculation method for interest rate in the banking book. We believe that the proposed maximum maturity of six years for modelling "core" deposits would require savings banks to reduce their structural maturity mismatching to avoid an even greater share of member banks with a regulatory coefficient above 20% (derived from present value change as a result of a 200bp interest rate shock and equity capital amount).

Financial Profile

Asset Quality to Remain Solid in 2015, Increase of LICs in 2016 Difficult to Avoid

Asset quality information at the Sparkassen level is limited. However we believe that there is a strong correlation of Sparkassen's well-balanced loan book with that of the German economy as a whole. Fitch therefore uses sector-wide and peer data as a proxy to assess Sparkassen's asset quality. According to data provided by the World Bank impaired loans to growth loans for German banks have been reducing for four years to 2.7% at end-2013.

Given the strong macroeconomic performance in 2014/15 including Germany's low unemployment rate (around 6%), a positive trend in corporate and small business insolvencies and improving SME and corporate balance sheets, Fitch expects Sparkassen's NPL ratio to be well below their long-term average and judging by loan loss provisions probably having continued to reduce further in 014.

We expect net loan impairment charges (LICs) to increase in 2016, albeit from the historically very low levels in 2015.

Figure 8
Asset Quality

		LICs/total loans	
(%)	VR	2014	Av.
Sparkassen	a+	0.00	0.07
GFG	aa-	0.05	0.12
Rabobank	a+	0.60	0.51
CA	a	0.38	0.51
CM11-CIC	a+	0.32	0.37
BPCE	a	0.28	0.28
Median	a+	0.30	0.33

Av.: Average 2011-2014
Sources: Annual reports, Fitch

Sizeable but Good-Quality Non-Lending Credit Exposure

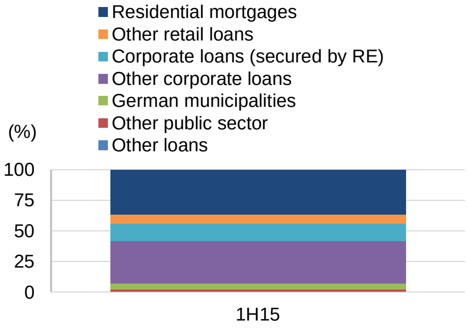
At end-2014, Sparkassen's fixed-income investments were EUR250bn or a high 22% of total assets and held for both liquidity and earnings (maturity transformation) purposes. They were split: EUR141bn fixed-rate bonds (largely senior unsecured); EUR59bn variable-rate bonds; and EUR51bn promissory notes (Schuldscheine). By counterparty type, the Sparkassen's largest sub-portfolio domestic bank bonds decreased (to EUR109bn at end-2014 from EUR131bn at end-2012 as per Bundesbank data) while public-sector bonds and foreign bank bonds increased (to EUR42bn and EUR21bn, respectively, at end-2014 from EUR32bn and EUR17bn at end-2012). Fitch understands that Sparkassen's bond exposure to corporate bonds and to Greece, Italy, Ireland, Portugal and Spain is modest. In 2014 the structure of the securities portfolios was optimised, for example by applying barbell credit strategies in the corporate portfolio.

Bank placements at end-2014 were EUR85bn as per Bundesbank data, EUR83bn of which was with domestic banks. Sparkassen's remaining credit exposure largely relates to investment funds (EUR58bn at end-2012 with ultimate investments largely in fixed-income instruments) and negligible balances of other securities (EUR6bn) and equities (less than EUR1bn).

Figure 9

Domestic Loan Book Breakdown

(EUR722bn at 1H15)

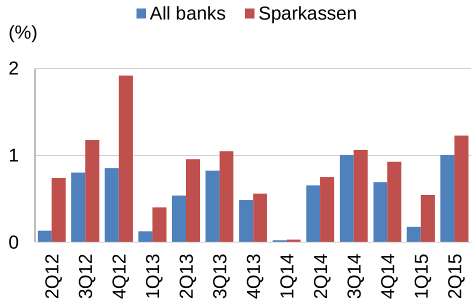


Source: Deutsche Bundesbank

Figure 10

Residential Mortgage Loan Growth

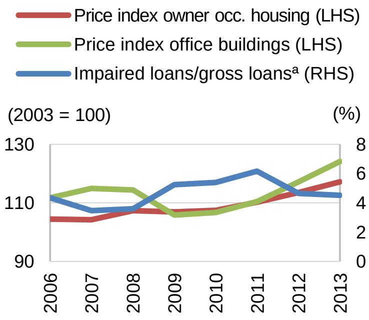
(q-o-q change)



Source: Deutsche Bundesbank

Figure 11

Stable Sector Asset Quality

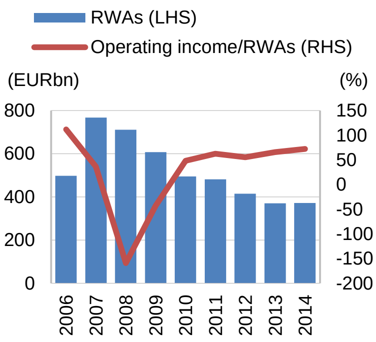


[a] Based on data from 10 largest German banks by total assets
Source: Fitch, VdP

Figure 12

Recovering Landesbanken Sector

(Data for seven Landesbanken and DekaBank)



Source: banks' financial statements; Fitch

- Sound profitability benefits from diversified earnings and lending volume growth
- Loan impairment charges below historical average
- Pressure on net interest income from low interest rates is key risk to profitability
- Adequate cost efficiency
- Cost saving potential dented by need for investments

Contagion Risk from Landesbanken Material but Manageable

Sparkassen's off-balance-sheet exposure is generally limited, with the exception of the contingent risks related to Landesbanken and other members of SFG. Apart from their direct equity participations in Landesbanken (see *Capitalisation and Leverage*) funding exposure of savings banks to Landesbanken is also significant (because of the 0% risk weighting applied) and is, in Fitch's view, unlikely to change in the medium term.

We still believe that the contingency risk to Sparkassen is material despite the fact that Landesbanken further deleveraged their balance sheets and strengthened their risk profiles and capitalisation, which improved the health of the sector. However, the northern Landesbanken in particular (Norddeutsche Landesbank Girozentrale¸ Bremer Landesbank Kreditanstalt Oldenburg and HSH Nordbank AG) continue to suffer from their large shipping exposure and the effect of a weaker euro on the foreign exchange markets as reflected by their weaker VRs.

The group's ownership in real estate banks (Landesbausparkassen) exposes them to higher contingency risk than in the past, as the business models of these institutions suffer particularly from the low-interest-rate environment. This is because customers tend to increase their contractually high fixed-rate deposits in the savings phase of the scheme but are not subsequently taking out the loans as current market mortgage rates are cheaper than those contractually agreed.

However, the Sparkassen's strong performance and capitalisation should remain sufficient to collectively – if not always individually – absorb potential contagion. Fitch believes that the most vulnerable Landesbanken are also likely to receive support from their state owners. This includes HSH Nordbank, which is the weakest Landesbank; however, the Schleswig Holstein's Sparkassen's direct ownership is relatively small at 5.3%.

Earnings and Profitability

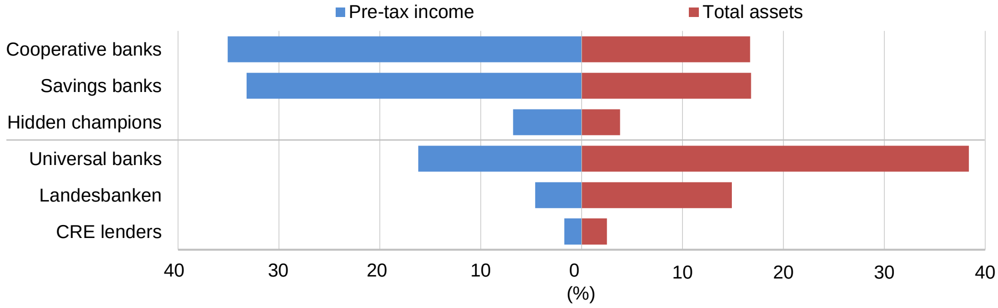
Strong Contributor to Banking Sector Earnings

The savings banks have traditionally been a strong contributor to the banking system's pre-tax income. In the next few years, we expect some profit generation to shift gradually from the savings and cooperative banks to the large universal banks: while the latter become less focused on restructuring, the downward repricing of their asset base and normalisation of their LICs should moderately increase pressure on the former.

Figure 13

Performance vs. Size: Two Distinct Hierarchies

Contributions to the banking system's 2014 pre-tax income (EUR30.2bn) and total assets (EUR6.7trn)



The six sub-sectors represent 96% and 93% of the banking sector's total pre-tax profit and total assets respectively
Source: Fitch

Solid and Resilient Performance in 2014

Sparkassen do not produce consolidated accounts and Fitch's analysis is therefore based on aggregate figures for the group. Sparkassen's financial performance is the key driver of SFG's profitability. Operating profit contributions from Landesbanken have historically being modest or negative (e.g., in 2013 and 2014 pursuant to German GAAP) as they continued to restructure their balance sheets. The process of Landesbanken deleveraging however has now largely run its course and we expect all Landesbanken to be profitable in 2015 helped by the good national economic environment.

Excluding the Landesbanken and any write-downs of stakes in Landesbanken, the savings banks' profitability has been remarkably stable and predictable, reflecting the strength and pricing power of their retail-focused and deposit-funded business model and consistent volume growth. Its customer loan business grew 1.7% in 2014with a record amount of new business. However, early redemptions of cash-rich customers counterbalanced an otherwise higher growth rate. Sparkassen improved operating profit by 1.2% in 2014 to EUR8.7bn; pre-tax profits were EUR4.8bn in 2014, 3.1% higher than in 2013: As in previous years, Sparkassen transferred sizeable operating profit (EUR4.5bn) to its voluntary equity reserves.

Despite the relatively low balance-sheet leverage (tangible common equity ratio of above 7%) operating performance measured as operating return on average equity (ROAE) in excess of 10% is good in our view and in light of the moderate risk profile of the Sparkassen. It also compares well with that of domestic and international peers.

Historically Low Loan Impairment Charges Support Net Profits

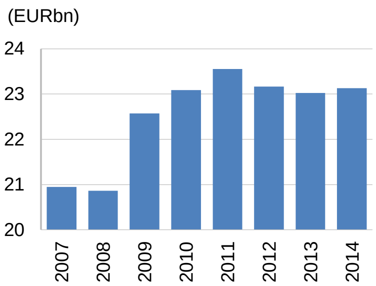
In 2012 and 2013, Sparkassen's LICs - as for most of the German banking sector - remained extraordinarily low (at around 0.1% of gross loans) and in 2014 merely EUR24m of LICs for all Sparkassen were reported. This reflects the strength of their asset quality with limited exposure to vulnerable asset classes. It is also supported by the benign operating environment in Germany and the solid financial health of the Sparkassen's key customers such as small enterprises.

Based on our growth forecast for Germany over the next two years, economic strength is likely to persist. Nevertheless, we believe this level of impairment charges to be unsustainable over the next few years. Any deterioration is likely to remain moderate, however, and any increase will be easily absorbable by Sparkassen's sound pre-impairment profitability.

Figure 14

Moderate Pressure on Net Interest Income To Continue

Sparkassen's net interest income



Source: DSGV; Fitch

Lower Interest Income Still Balanced by Decreasing Interest Expenses

Sparkassen's operating performance is highly dependent on interest income as its main revenue source. Over the last five years, interest income has declined consistently to EUR34.9bn at end-2014 (down 6.4% on end-2013) and this is likely to continue in the next few years. However, interest rate expenses declined by 16.7% in 2014 driven by a strong rise in low yielding sight deposits, a segment where Sparkassen could increase market share further. This is despite ongoing, but not stronger, competition in the deposit markets. These developments led to an almost unchanged NII of EUR23.1bn in 2014. Sparkassen's sizeable income from maturity transformation is likely to decline further as the yield curve has continued to flatten and the decline in interest rates on deposits is capped as negative retail customer rates are unlikely, although not ruled out.

Fee Income Moderate but Rising

Net fee income, Sparkassen's second major revenue source increased by 5.9% to EUR6.6bn in 2014 after hovering around at EUR6.2bn in previous years. The rise is mainly due to higher agent fees in the insurance business, but also stronger demand for asset management services and higher income from clearing. We also expect the security business to drive fee income in 2015 as customers continue to seek alternatives to low yielding assets.

Cost Income Ratio Adequate but Cost Base Sticky

Operating expenses rose 2.4% in 2014 driven by higher staff costs (EUR12.5bn in 2014 compared with EUR12.1bn in 2013), which account for 62.6% of costs despite reduced head count. Sparkassen's cost/income ratio of 66.9% end-2014 is adequate considering the group's large branch network, but the cost base has remained very sticky and Sparkassen need to enforce investments into the common risk and business platform before efficiency gains become visible.

More Headwind for Earnings Expected in Next Few Years

We believe that Sparkassen's profitability is relatively protected by the strength of its franchise and depth of customer relationships and structural earnings. However, the pressure on NII is likely to persist in 2015 and in the next few years, but will not fundamentally impair the group's generally sound profitability. We therefore expect Sparkassen's financial performance to continue to be good in 2015, but moderately lower results in 2016. Despite strong industry debate on the ideal number of branches in an era of digitalisation of banking services, Sparkassen has been reluctant to consolidate its network as the number of branches has reduced by a moderate 6.5% since end-2012 according to Bundesbank data. Consolidation among Sparkassen is also low. We believe both developments – if enforced – could provide more financial flexibility to counter potentially negative earnings surprises.

Progress in Landesbank Restructuring Should Limit Further Write-Downs

As the Landesbanken are outside the scope of consolidation of Sparkassen (as defined for the purpose of this rating), developments at Landesbanken only indirectly affect Sparkassen through write-downs in equity stakes Sparkassen hold in Landesbanken and through capital injections in Landesbanken. In recent years, write-downs largely related to LBB were absorbed by Sparkassen's profitability. On the other hand, profit distribution to Sparkassen will remain constrained by ongoing EC requirements or a need to further boost capitalisation of the Landesbanken.

HSH Nordbank's Future Rests On Restoration of Viability

HSH Nordbank's future rests on restoration of its viability under an informal agreement with the European Commission reached in October 2015. In a worst-case scenario this would require a wind-down of the bank. We believe that in this case HSH would be likely to remain a member of the protection scheme for the Landesbanken (Sicherungseinrichtung), and that it could continue to receive support from its owners in combination with the SFG to protect senior unsecured bondholders.

SFG's aggregate annual report (incl. Landesbanken) states a CET1 ratio for the group which has been reviewed by auditors to ensure that there is no double leverage and no equity stakes of Sparkassen in Landesbanken are used to cover other business.

However, there is no consolidated view on regulatory adjustments like shortfalls, deferred tax assets, goodwill or other intangibles.

Capitalisation and Leverage

Strong Capital Ratios

Fitch considers Sparkassen's capitalisation to be solid. Regulatory Tier 1 capital increased to EUR88.3bn at end-2014, equivalent to a ratio of 14.5% and predominantly consists of paid-in capital, capital reserves and the fund for general banking risks (§340g German GAAP reserves). The vast majority (EUR87.4bn) is CET1 capital, at 14.4%. Tier 2 capital plays only a minor role and decreased to EUR12.5bn; it includes among other items voluntary reserves (§340f German GAAP reserves).

Figure 15

Conservative Risk Weights Understate Sparkassen's Capitalisation

(%)	VR	RWA/ total assets[b] 2014	Basel II credit risk Approach	Fitch core capital ratio 2014	Fitch core capital ratio Av.	Tier 1 capital ratio 2014	Tier 1 capital ratio Av.	Tangible equity/ tangible assets 2014	Tangible equity/ tangible assets Av.
Sparkassen	a+	54.5	100% standard	12.4	12.1	14.5	12.7	7.9	7.0
GFG[a]	aa-	47.6	>70% standard	14.8	13.5	11.5	10.5	7.6	6.8
Rabobank	a+	31.1	100% adv. IRB	12.7	12.5	16.0	16.7	4.1	4.2
CA	a	28.1	70% IRB	11.6	10.0	13.9	12.6	3.9	3.4
CM11-CIC	a+	33.4	73% adv. IRB	12.6	11.1	14.4	13.5	5.6	5.1
BPCE	a	32.1	60% IRB	12.3	10.2	12.7	12.1	4.3	3.8
Median	a+	32.7	30% standard	12.5	11.6	14.2	12.7	4.9	4.6

Av.: Average 2011-2014
[a] 59% RWA/total assets at the local cooperative banks (excluding GFG's central institutions), which are comparable to the Sparkassen in terms of business profile; the local banks use the standard approach for 100% of their exposures
[b] Percentages reflect asset split
Source: Annual reports, Fitch

Figure 16

Capital Adjustments

(EURbn)	End-2014	End-2013
Tier 1 capital[a]	88.3	82.6
Undisclosed adjustments based on confidential information	12.5	18.2
Stakes in Landesbanken/ insurance subsidiaries[b]	-25.4	-28.2
Fitch Core Capital (adjusted)	**75.4**	**72.6**

[a] As reported by DSGV
[b] Fitch's estimates, include EUR5.3bn of EAA loss participation
Source: DSGV, Fitch estimates

The savings banks have improved the quality of their capital base in recent years by transferring §340f Tier 2 capital to §340g Tier 1 capital. As a result, Sparkassen's regulatory Tier 1 ratio has consistently increased and moved more in line with Fitch Core Capital (FCC; 14.4% at end-2014) which includes §340f reserves as Fitch considers them to be fully loss-absorbing on a going-concern basis.

To reflect the contingent risks of their Landesbanken exposure and to a lesser extent SFG's exposure to insurance companies, Fitch deducts the savings banks' (estimated) stake in both from FCC. As a result, FCC on an unadjusted basis broadly reflects their Tier 1 ratio (14.4%) while its adjusted FCC (12.4%) is lower than reported regulatory capital ratios. The current regulatory treatment of intragroup participations and intragroup funding (i.e, no deduction and 0% risk-weighting respectively) are unchanged under Basel III as confirmed by BaFin in a letter to Sparkassen in early 2014).

Unlike most of its domestic and foreign peers, Sparkassen exclusively uses the Basel II standardised approach to calculate credit risk weights (see Figure 14), which reflects conservative risk assessment. Consequently, balance-sheet leverage at Sparkassen is lower than at peers, and if required the savings banks could improve risk-weighted capitalisation by introducing the internal ratings-based (IRB) approach for credit risk calculations. However, as most savings banks are unlikely to adopt the IRB approach any time soon, their risk-weighted assets (RWA) will remain higher than historical loss rates imply.

Funding and Liquidity

Sparkassen's sound funding and liquidity profile is a key rating strength. Within a competitive market for retail deposits, the savings banks command considerable pricing power and leading deposit market shares (see Figure 6) of between 30% (total retail deposits) and close to 50% (savings deposits). Moreover, Germany remains one of Europe's most attractive funding markets with an above-average household savings rate (9.4% in 2014) and consequently increasing deposit balances.

- Leading nationwide deposit franchise ensures good balance-sheet liquidity
- High structural excess liquidity, strong deposit market share
- High covered bond issuance potential
- Competitive advantage under Basel III

Figure 17
Funding Breakdown

End-2014	(EURbn)	(%)
Savings deposits	300.8	27.0
Term deposits	29.9	2.7
Sight deposits	415.6	37.3
Retail bonds	29.4	2.6
Institutional bonds	35.6	3.2
Banks	86.7	7.8
IFIs (eg KfW)	72.7	6.5
Other liabilities	56.9	5.1
Equity	87.6	7.9

Source: Annual reports, DSGV, Fitch

Figure 20
Retail Funding Profile

	Deposits/ total funding		Loans/ deposits	
(%)	2014	Av.	2014	Av.
Sparkassen	76.9	73.7	94.2	96.4
GFG	78.5	76.8	94.0	94.1
Rabobank	57.3	55.9	139.8	141.3
CA	57.2	56.9	119.0	120.9
CM11-CIC	58.7	58.7	127.5	128.7
BPCE	46.6	46.2	132.9	136.6
Median	**57.3**	**56.4**	**130.2**	**132.7**

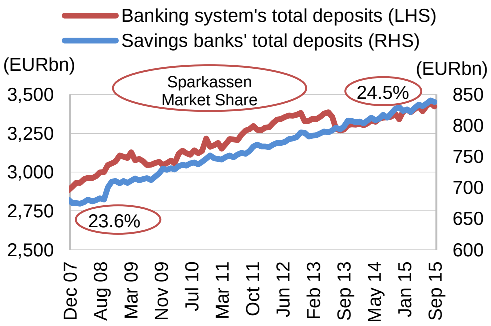
Av.: Average 2011-2014
Source: Annual reports, DSGV, Fitch

Increase in Sight Deposits Reflecting Customer Desire for Flexibility

The savings banks are Germany's largest taker of sight deposits and may have extended their market share by 0.6% to 27.6% at end-2014 as these are a stable funding source, and reflecting a desire by customers to remain flexible should interest rates increase in the short term. A recent survey[2] conducted by the Bundesbank on savings behaviour in a low-interest-rate environment suggests that no imminent change is expected as more than three- quarters of those surveyed responded that they had not adjusted their behaviour.

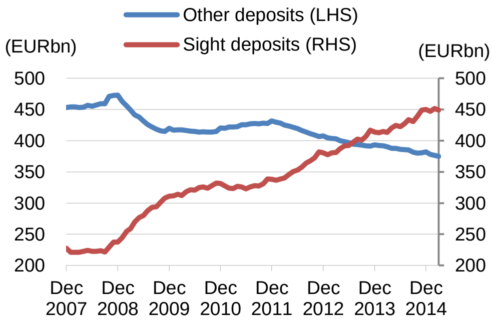
Including bonds issued to retail investors (Sparbriefe; see Figure 20), retail funding sources accounted for almost three-quarters of Sparkassen's non-equity liabilities at end-2014, highlighting Sparkassen's limited reliance on wholesale funding sources. The quality of the savings banks' deposit base is high, as client relationships are typically originated at branch level and their clients remain more loyal and less price-sensitive.

Figure 18
Resilient Deposit Franchise
(Per 3Q15)



Source: Deutsche Bundesbank; Fitch

Figure 19
Continued Increase in Sight Deposits
(per 1Q15)



Source: Deutsche Bundesbank; Fitch

While bond issuance is essentially limited to Sparbriefe, Sparkassen would, in Fitch's view, be well placed to tap wholesale funding markets if necessary, in particular through the issuance of mortgage or public-sector covered bonds. The issuance of longer-dated bonds could also address current shortfalls in the Basel III liquidity coverage ratio (LCR; see *Liquidity* below). The potential collateral available for covered bonds is about EUR210bn in eligible mortgages. Only a small but increasing minority of Sparkassen have to date issued Pfandbriefe. These are generally larger Sparkassen with fairly diversified cover pools. However, the group offers asset-pooling solutions for smaller members that would find it challenging to issue on a standalone basis.

Fitch expects the savings banks to continue to be disciplined regarding deposit pricing, which could lead to a further fall in their deposit market shares in a fiercely price-driven market. This could put some pressure on the loans/deposits ratio of individual savings banks, notably those with large excess deposits in weaker regions such as eastern Germany. However, Fitch does not expect the group's ratio to significantly exceed 100% in the medium term, a level that we view as a major strength relative to peers.

Fitch considers Sparkassen's structural liquidity to be sound, with deposits (excluding Sparbriefe) typically exceeding loans by EUR100bn-EUR110bn. Stock liquidity is also strong, with the savings banks securities portfolio (excluding equities and investment funds) at around EUR250bn or about one-third of total deposits at end-2014.

Basel III liquidity ratios will pose a challenge for a small minority of savings banks, but this is mitigated by the availability of collective intragroup solutions. According to management, Sparkassen's pro-forma average aggregate LCR meets the minimum requirement and net stable funding ratio (NSFR) – not yet fully defined – exceeded the provisional 100% threshold at end-2014.

[2] See Bundesbank Report October 2015

Support

Support Rating Floors Revised to 'No Floor'; IDRs Unchanged

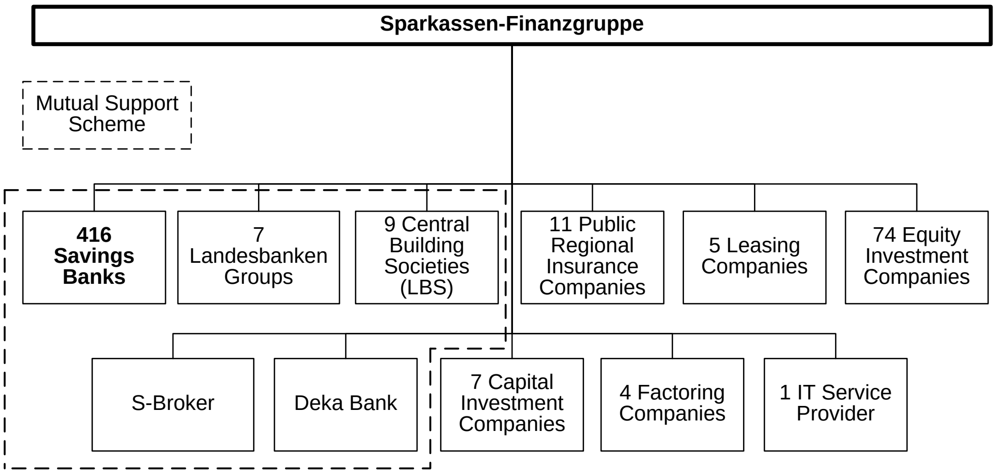
On 19 May 2015, Fitch downgraded SFG's Support Ratings to '5' from '1' and revised the Support Rating Floors to 'No Floor' from 'A+'. The rating actions were in conjunction with Fitch's review of sovereign support for banks globally, which the agency announced in March 2014. In Fitch's view, the Bank Recovery and Resolution Directive (BRRD) and the SRM for eurozone banks are now sufficiently progressed to provide a resolution framework that is likely to require senior creditors to participate in losses, if necessary, instead of or ahead of a bank receiving sovereign support. The BRRD has been effective in EU member states since 1 January 2015, including minimum loss-absorption requirements before resolution financing or alternative financing (e.g. government stabilisation funds) can be used. The bail-in tool was adopted early in Germany, on 1 January 2015.

Appendix 1: Profile

The savings banks provide basic financial services locally for retail and SME clients and local (groups of) municipalities. They are public-sector entities, and their responsible public body is usually (groups of) municipalities. Their decentralised organisational structure ensures that clients identify with their local savings bank, but strategic decision-making among banking group members is sometimes slow, which reduces the group's overall flexibility.

Figure 21

Group Structure End-2014



Source: DSGV, Fitch

German savings banks indirectly, partly or wholly own Landesbanken, central building societies, DekaBank, Deutsche Leasing and regional insurance companies. If measured on combined insurance premiums, these insurance companies would represent the second-largest insurance group in Germany. In the case of the central building and loans associations (Landesbausparkassen), they represent the largest building society in Germany and are an important customer retention instrument for the savings banks. DekaBank is one of the largest mutual fund managers in Germany.

Appendix 2: Mutual Support Scheme

Support Funds

SFG's members benefit from an existing mutual support scheme, which comprises 11 guarantee funds of the regional savings banks, the guarantee fund of the Landesbanken, and the guarantee fund of the Landesbausparkassen. The DSGV has amended the Haftungsverbund in order to become a legally accepted deposit protection scheme in the form of an institutional protection scheme according to EinSiG. The 'A+'/'F1+' IDRs assigned by Fitch to SFG and 358 of its savings banks (out of a total of 416 at end-2014) are "group ratings".

The decision of the cooperative and savings banks to join the institution protection funds is voluntary, and we expect that all existing members will remain members of their respective institutional protection scheme. This is because in practice the banks' choice is limited as they have to be members of a statutory deposit protection fund. If a cooperative or savings bank were to leave its respective institutional protection scheme that also acts as a deposit protection fund, it would have to join another statutory deposit protection fund. Although not impossible, we view this as a highly unlikely scenario given the strong cohesion within the two sectors.

The guarantee funds safeguard their members' liquidity and solvency (Institutsschutz: protection of the bank, not just its regulated deposits). However, the mutual support scheme and guarantee funds do not constitute a legally binding guarantee, and members have no legal claim to specific support from the group.

Fitch considers DSGV's institutional protection scheme to be weaker than those of other banking groups backed by mutual support schemes in France or the Netherlands, as it only considers the formal commitment of the members' banks. Unlike at statutory consolidated groups, DSGV's access to group resources if required is not unlimited and unconditional. The cohesiveness within SFG is further weakened by the sector's multi-layered decision-making processes. Another limitation is that the Sparkassen only produce aggregate (i.e., unconsolidated) accounts.

Nonetheless, historical evidence of support is very strong, regulatory oversight has been strengthened, including through stress-testing, and the institutional protection scheme has assumed the role of a back-stop before a member bank is put into resolution (the Sanierungs und Abwicklungsgsesetz-BRRD implementation)[3].

The savings banks' mutual support scheme replicates the group's federal structure, which means that the first line of defence for a savings bank in trouble is the regional support fund. If the resources available at the regional fund are insufficient, the resources of other regional funds are called upon. If these resources also prove insufficient, the funds of the Landesbanken and Landesbausparkassen are drawn upon. The resources of the regional support funds available to savings banks are capped, so that in a major rescue scenario within one region, the financial resources of the regional group are not stretched to the limit. Instead, other regional funds are required to contribute to the rescue to mitigate the effect for the region in which the problem has occurred.

Regional associations manage the support funds, auditing and benchmarking the savings banks within their regions with a ratio-driven monitoring system. The savings banks use the same rating tools and the same regional IT systems. The associations are entitled to call a supervisory board meeting to discuss a savings bank's risk profile. To prevent further deterioration, they can ask for changes in the bank's management board or business conduct. DSGV coordinates the regional associations and support funds nationally.

[3] Article 62 of SAG requires three conditions to be met before putting a bank into resolution, one of which is that there should be no reasonable prospect that any alternative private-sector measures, including measures from institution protection schemes, would prevent the failure of the institution within a reasonable timeframe

Recent Rescues

The savings banks' support scheme rescued Sparkasse Suedholstein (which failed due to its exposure to Lehman Brothers, Icelandic banks and HSH Nordbank AG) in 2009 and Nord-Ostsee Sparkasse (which fell victim to its large regional loan concentration) in 2010. Since 1971, the mutual support scheme has been able to support savings banks through regional funds. Supra-regional compensation from other regions' funds has rarely been necessary. Nord-Ostsee Sparkasse was the first case of this kind in 10 years.

The bailouts of Landesbank Baden-Wuerttemberg (LBBW), Sachsen LB (now merged into LBBW), HSH, Bayerische Landesbank (BayernLB) and WestLB during the current crisis have shown that Landesbanken are most likely to be supported by their owners – in the cases above, primarily by their respective regional states – as their large scale and the depth of their problems would have overstretched their respective regional funds.

Available Funds

DSGV does not publicly disclose the committed volume of funds in the mutual support scheme. Fitch views the amount available to savings banks as sufficient to deal even with large savings banks at short notice on a case-by-case basis. Previously, only 33% of committed funds had to be held in cash, and the balance could be made up of pledges of funds that could be drawn upon request. With the implementation of EinSiG, 70% of available funds have to be in cash, deposits or liquid securities.

However, the target amount of funds available to DSGV can be roughly estimated by taking the statutory required 0.8% and multiplying it by the amount of deposits at Landesbanken and savings banks from domestic, private individuals. Based on end-2014 data from the Bundesbank, we estimate the target amount of the DSGV institutional protection schemes at around EUR5.4bn. We would not expect DSGV to have difficulty reaching this target by 2024.

Regulatory Treatment

The cooperative and savings banks' membership of the mutual support scheme allows a 0% weighting of SFG's intra-group receivables (standardised approach) according to Art.113 (7) CRR. This regulatory forbearance is an important element of the groups' cohesiveness as it improves funding fungibility and facilitates intragroup risk transfers. In addition, participations in group members do not have to be deducted from members' equity according to Art. 49 (3) CRR, and intra-group receivables are 0% regulatory risk weighted.

While "banking union" developments could potentially weaken DSGV's institutional protection schemes (through EU-wide risk collectivisation), the fact that any collectivisation will be phased in over 10 years means that Fitch's base case for DSGV does not yet include this risk.

Appendix 3: Landesbanken Overview

Figure 22
SFG's Stakes in Landesbanken Diluted Since 2008

(%)	End-2007	End-2014	
BayernLB	50.0	75.0	Free State of Bavaria (indirectly via BayernLB Holding AG)
	50.0	**25.0**	**Association of the Bavarian Savings Banks**
Bremer Landesbank Kreditanstalt Oldenburg (BremerLB)	92.5	54.8	Norddeutsche Landesbank Girozentrale
	7.5	41.2	Free Hanseatic City of Bremen
	0	**4.0**	**Savings Banks Association of Lower Saxony**
HSH	-	65.0	HSH Finanzfonds (joint SPV of Hamburg & Schleswig-Holstein)
	35.4	10.8	Free and Hanseatic City of Hamburg
	20.0	9.6	State of Schleswig-Holstein
	26.2	9.3	9 trusts advised by J.C. Flowers & Co. LLC (2007: 7 trusts)
	18.1	**5.3**	**Savings Banks Association of Schleswig-Holstein**
LBBW	**35.6**	**40.5**	**Savings bank Association of Baden-Wuerttemberg**
	35.6	25.0	State of Baden-Wuerttemberg
	18.9	18.9	City of Stuttgart
	4.9	**-**	**Savings Banks Association of Rheinland-Pfalz**
	-	13.5	Landesbeteiligungen Baden-Wuerttemberg GmbH
	4.9	2.0	Landeskreditbank Baden-Wuerttemberg (L-Bank)
LBB	**98.7**	**100.0**	**German Savings Banks via various holding entities**
	1.3	0	Free float
Helaba	**85.0**	**68.8**	**Savings and Giro Association Hesse-Thuringia**
	0	**4.8**	**Savings Banks and Giro Associations of the Rhineland**
	0	**4.8**	**Savings Banks Associations of Westphalia-Lippe**
	10.0	8.1	State of Hesse
	5.0	4.1	State of Thuringia
	0	**9.5**	**FIDES Beta GmbH and FIDES Alpha GmbH**
Landesbank Saar (SaarLB)	10.0	74.9	State of Saarland
	14.9	**25.1**	**Saar Savings Bank Association**
Norddeutsche Landesbank Girozentrale (NORD/LB)	41.8	59.1	State of Lower Saxony
	37.3	**26.4**	**Savings Banks Association of Lower Saxony**
	8.3	5.6	State of Saxony-Anhalt
	7.5	**5.3**	**Savings Banks Holding Association in Saxony-Anhalt**
	5.2	**3.7**	**Special Purpose Holding Association of the Savings Banks in Mecklenburg-Western Pomerania**

Source: Banks' annual reports and websites

Figure 23
Sparkassen and Landesbanken Ratings

	Issuer default rating				
	Long-term	**Short-term**	**Viability rating**	**Support rating**	**Grandfathered debt**[a]
358 Sparkassen	A+/Stable	F1+	a+	5	n.a.
BayernLB	A−/Stable	F1	bb+	1	AAA
BremerLB	A−/Stable	F1	bb	1	AAA
HSH	BBB−/Negative-	F3	b/RWP	2	AAA
LBBW	A−/Stable	F1	bbb	1	AAA
Helaba	A+/Stable[b] S	F1+	n.a.	n.a.	AAA
SaarLB	A−/Stable	F1	bb+	1	AAA
NORD/LB	A−/Stable	F1	bbb	1	AAA

[a] Based on grandfathering provided by owners in the form of Gewährträgerhaftung (guarantor liability)
[b] The IDRs assigned to Landesbank Hessen-Thueringen Girozentrale (Helaba) reflect its integration within S-Finanzgruppe Hessen-Thueringen. All group members – 50 savings banks and Helaba – have the same ratings, which are driven by support from the owners in the event of need
Source: Fitch

Spreadsheets

Sparkassen-Finanzgruppe (Sparkassen)
Income Statement

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm Unknown	Year End EURm Unknown	As % of Earning Assets	Year End EURm Unaudited	As % of Earning Assets	Year End EURm Unknown	As % of Earning Assets	Year End EURm Unaudited	As % of Earning Assets
1. Interest Income on Loans	42,400.1	34,925.0	3.20	37,193.0	3.44	40,729.0	3.77	42,597.0	4.03
2. Other Interest Income	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Dividend Income	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
4. Gross Interest and Dividend Income	**42,400.1**	**34,925.0**	**3.20**	**37,193.0**	**3.44**	**40,729.0**	**3.77**	**42,597.0**	**4.03**
5. Interest Expense on Customer Deposits	14,319.5	11,795.0	1.08	14,172.0	1.31	17,451.0	1.62	19,043.0	1.80
6. Other Interest Expense	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
7. Total Interest Expense	**14,319.5**	**11,795.0**	**1.08**	**14,172.0**	**1.31**	**17,451.0**	**1.62**	**19,043.0**	**1.80**
8. Net Interest Income	**28,080.6**	**23,130.0**	**2.12**	**23,021.0**	**2.13**	**23,278.0**	**2.15**	**23,554.0**	**2.23**
9. Net Gains (Losses) on Trading and Derivatives	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
10. Net Gains (Losses) on Other Securities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	(16.0)	(0.00)
11. Net Gains (Losses) on Assets at FV through Income Statement	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
12. Net Insurance Income	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
13. Net Fees and Commissions	8,022.3	6,608.0	0.61	6,421.0	0.59	6,137.0	0.57	6,356.0	0.60
14. Other Operating Income	302.3	249.0	0.02	232.0	0.02	(97.0)	(0.01)	93.0	0.01
15. Total Non-Interest Operating Income	**8,324.6**	**6,857.0**	**0.63**	**6,653.0**	**0.62**	**6,040.0**	**0.56**	**6,433.0**	**0.61**
16. Personnel Expenses	15,125.7	12,459.0	1.14	12,192.0	1.13	12,067.0	1.12	11,448.0	1.08
17. Other Operating Expenses	9,017.8	7,428.0	0.68	7,171.0	0.66	7,187.0	0.67	7,154.0	0.68
18. Total Non-Interest Expenses	**24,143.5**	**19,887.0**	**1.82**	**19,363.0**	**1.79**	**19,254.0**	**1.78**	**18,602.0**	**1.76**
19. Equity-accounted Profit/ Loss - Operating	(1,617.1)	(1,332.0)	(0.12)	(1,282.0)	(0.12)	173.0	0.02	(1,589.0)	(0.15)
20. Pre-Impairment Operating Profit	**10,644.7**	**8,768.0**	**0.80**	**9,029.0**	**0.84**	**10,237.0**	**0.95**	**9,796.0**	**0.93**
21. Loan Impairment Charge	29.1	24.0	0.00	387.0	0.04	729.0	0.07	623.0	0.06
22. Securities and Other Credit Impairment Charges	0.0	0.0	0.00	0.0	0.00	0.0	0.00	1,329.0	0.13
23. Operating Profit	**10,615.5**	**8,744.0**	**0.80**	**8,642.0**	**0.80**	**9,508.0**	**0.88**	**7,844.0**	**0.74**
24. Equity-accounted Profit/ Loss - Non-operating	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
25. Non-recurring Income	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
26. Non-recurring Expense	4,840.4	3,987.0	0.37	3,984.0	0.37	4,837.0	0.45	3,108.0	0.29
27. Change in Fair Value of Own Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
28. Other Non-operating Income and Expenses	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
29. Pre-tax Profit	**5,775.2**	**4,757.0**	**0.44**	**4,658.0**	**0.43**	**4,671.0**	**0.43**	**4,736.0**	**0.45**
30. Tax expense	3,384.7	2,788.0	0.26	2,678.0	0.25	2,665.0	0.25	2,736.0	0.26
31. Profit/Loss from Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
32. Net Income	**2,390.4**	**1,969.0**	**0.18**	**1,980.0**	**0.18**	**2,006.0**	**0.19**	**2,000.0**	**0.19**
33. Change in Value of AFS Investments	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
34. Revaluation of Fixed Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
35. Currency Translation Differences	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
36. Remaining OCI Gains/(losses)	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
37. Fitch Comprehensive Income	**2,390.4**	**1,969.0**	**0.18**	**1,980.0**	**0.18**	**2,006.0**	**0.19**	**2,000.0**	**0.19**
38. Memo: Profit Allocation to Non-controlling Interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	2,390.4	1,969.0	0.18	1,980.0	0.18	2,006.0	0.19	2,000.0	0.19
40. Memo: Common Dividends Relating to the Period	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
41. Memo: Preferred Dividends Related to the Period	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Exchange rate		USD1 = EUR0.82370		USD1 = EUR0.72510		USD1 = EUR0.75790		USD1 = EUR0.77290	

Sparkassen-Finanzgruppe (Sparkassen)
Balance Sheet

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	287,583.0	236,882.1	21.24	230,843.0	20.90	221,715.4	20.11	236,877.0	21.57
2. Other Mortgage Loans	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Other Consumer/ Retail Loans	57,173.2	47,093.6	4.22	48,937.0	4.43	51,962.9	4.71	57,155.0	5.21
4. Corporate & Commercial Loans	458,909.4	378,003.7	33.90	372,524.0	33.73	362,783.6	32.90	326,487.0	29.74
5. Other Loans	49,976.4	41,165.6	3.69	41,448.0	3.75	41,341.4	3.75	56,588.0	5.15
6. Less: Reserves for Impaired Loans	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
7. Net Loans	**853,642.1**	**703,145.0**	**63.05**	**693,752.0**	**62.82**	**677,803.3**	**61.46**	**677,107.0**	**61.67**
8. Gross Loans	**853,642.1**	**703,145.0**	**63.05**	**693,752.0**	**62.82**	**677,803.3**	**61.46**	**677,107.0**	**61.67**
9. Memo: Impaired Loans included above	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
10. Memo: Loans at Fair Value included above	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	67,508.4	55,606.7	4.99	54,782.0	4.96	68,772.2	6.24	103,509.0	9.43
2. Reverse Repos and Cash Collateral	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Trading Securities and at FV through Income	152,808.7	125,868.5	11.29	124,173.0	11.24	116,085.2	10.53	n.a.	-
4. Derivatives	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
5. Available for Sale Securities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
6. Held to Maturity Securities	170,576.7	140,504.0	12.60	140,098.0	12.69	139,054.7	12.61	193,374.0	17.61
7. Equity Investments in Associates	17,812.1	14,671.8	1.32	15,905.0	1.44	16,109.3	1.46	17,316.0	1.58
8. Other Securities	61,628.3	50,763.2	4.55	51,570.0	4.67	62,569.0	5.67	64,944.0	5.91
9. Total Securities	**402,825.7**	**331,807.5**	**29.75**	**331,746.0**	**30.04**	**333,818.2**	**30.27**	**275,634.0**	**25.10**
10. Memo: Government Securities included Above	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
11. Memo: Total Securities Pledged	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
12. Investments in Property	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
13. Insurance Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
14. Other Earning Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
15. Total Earning Assets	**1,323,976.2**	**1,090,559.2**	**97.79**	**1,080,280.0**	**97.81**	**1,080,393.7**	**97.97**	**1,056,250.0**	**96.20**
C. Non-Earning Assets									
1. Cash and Due From Banks	7,157.8	5,895.9	0.53	5,716.0	0.52	5,642.8	0.51	22,002.0	2.00
2. Memo: Mandatory Reserves included above	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Foreclosed Real Estate	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
4. Fixed Assets	13,408.4	11,044.5	0.99	11,237.0	1.02	11,232.5	1.02	10,921.0	0.99
5. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
6. Other Intangibles	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
7. Current Tax Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
8. Deferred Tax Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
9. Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
10. Other Assets	9,325.2	7,681.2	0.69	7,188.0	0.65	5,509.7	0.50	8,784.0	0.80
11. Total Assets	**1,353,867.7**	**1,115,180.8**	**100.00**	**1,104,421.0**	**100.00**	**1,102,778.7**	**100.00**	**1,097,957.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	504,590.9	415,631.5	37.27	383,627.0	34.74	344,143.9	31.21	338,060.0	30.79
2. Customer Deposits - Savings	365,197.9	300,813.5	26.97	300,562.0	27.21	299,758.6	27.18	300,147.0	27.34
3. Customer Deposits - Term	36,274.1	29,879.0	2.68	33,544.0	3.04	45,345.4	4.11	65,087.0	5.93
4. Total Customer Deposits	**906,062.9**	**746,324.0**	**66.92**	**717,733.0**	**64.99**	**689,247.9**	**62.50**	**703,294.0**	**64.05**
5. Deposits from Banks	193,571.9	159,445.2	14.30	170,541.0	15.44	187,832.8	17.03	181,809.0	16.56
6. Repos and Cash Collateral	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
7. Commercial Paper and Short-term Borrowings	0.0	0.0	0.00	0.0	0.00	0.0	0.00	232.0	0.02
8. Total Money Market and Short-term Funding	**1,099,634.8**	**905,769.2**	**81.22**	**888,274.0**	**80.43**	**877,080.7**	**79.53**	**885,335.0**	**80.63**
9. Senior Unsecured Debt (original maturity > 1 year)	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
10. Subordinated Borrowing	8,662.1	7,135.0	0.64	9,113.0	0.83	11,219.0	1.02	13,189.0	1.20
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	70,139.1	57,773.6	5.18	65,670.0	5.95	76,601.2	6.95	76,761.0	6.99
13. Total LT Funding (original maturity > 1 year)	**78,801.3**	**64,908.6**	**5.82**	**74,783.0**	**6.77**	**87,820.2**	**7.96**	**89,950.0**	**8.19**
14. Derivatives	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
15. Trading Liabilities	60.6	49.9	0.00	82.0	0.01	1,932.2	0.18	n.a.	-
16. Total Funding	**1,178,496.7**	**970,727.7**	**87.05**	**963,139.0**	**87.21**	**966,833.1**	**87.67**	**975,285.0**	**88.83**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
2. Credit impairment reserves	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Reserves for Pensions and Other	22,251.5	18,328.6	1.64	18,709.0	1.69	19,716.0	1.79	12,054.0	1.10
4. Current Tax Liabilities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
5. Deferred Tax Liabilities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
6. Other Deferred Liabilities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
7. Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
8. Insurance Liabilities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
9. Other Liabilities	46,727.3	38,489.3	3.45	40,313.0	3.65	41,088.2	3.73	47,602.0	4.34
10. Total Liabilities	**1,247,475.5**	**1,027,545.6**	**92.14**	**1,022,161.0**	**92.55**	**1,027,637.3**	**93.19**	**1,034,941.0**	**94.26**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
G. Equity									
1. Common Equity	106,392.1	87,635.2	7.86	82,260.0	7.45	75,141.4	6.81	63,016.0	5.74
2. Non-controlling Interest	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Securities Revaluation Reserves	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
4. Foreign Exchange Revaluation Reserves	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
6. Total Equity	**106,392.1**	**87,635.2**	**7.86**	**82,260.0**	**7.45**	**75,141.4**	**6.81**	**63,016.0**	**5.74**
7. Total Liabilities and Equity	**1,353,867.7**	**1,115,180.8**	**100.00**	**1,104,421.0**	**100.00**	**1,102,778.7**	**100.00**	**1,097,957.0**	**100.00**
8. Memo: Fitch Core Capital	106,392.1	87,635.2	7.86	82,260.0	7.45	75,141.4	6.81	n.a.	-
9. Memo: Fitch Eligible Capital	106,392.1	87,635.2	7.86	82,260.0	7.45	75,141.4	6.81	n.a.	-
Exchange rate		USD1 = EUR0.82370		USD1 = EUR0.72510		USD1 = EUR0.75790		USD1 = EUR0.77290	

Sparkassen-Finanzgruppe (Sparkassen)
Summary Analytics

	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End	31 Dec 2011 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	5.00	5.42	6.01	6.37
2. Interest Expense on Customer Deposits/ Average Customer Deposits	1.61	2.01	2.51	2.74
3. Interest Income/ Average Earning Assets	3.22	3.44	3.81	4.06
4. Interest Expense/ Average Interest-bearing Liabilities	1.22	1.47	1.80	1.96
5. Net Interest Income/ Average Earning Assets	2.13	2.13	2.18	2.24
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	2.13	2.10	2.11	2.19
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	2.13	2.13	2.18	2.24
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	22.87	22.42	20.60	21.45
2. Non-Interest Expense/ Gross Revenues	66.32	65.25	65.67	62.03
3. Non-Interest Expense/ Average Assets	1.79	1.75	1.75	1.70
4. Pre-impairment Op. Profit/ Average Equity	10.32	11.47	14.82	16.24
5. Pre-impairment Op. Profit/ Average Total Assets	0.79	0.82	0.93	0.90
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	0.27	4.29	7.12	19.93
7. Operating Profit/ Average Equity	10.29	10.98	13.76	13.01
8. Operating Profit/ Average Total Assets	0.79	0.78	0.86	0.72
9. Operating Profit / Risk Weighted Assets	1.44	1.40	1.57	1.34
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	2.32	2.52	2.90	3.32
2. Net Income/ Average Total Assets	0.18	0.18	0.18	0.18
3. Fitch Comprehensive Income/ Average Total Equity	2.32	2.52	2.90	3.32
4. Fitch Comprehensive Income/ Average Total Assets	0.18	0.18	0.18	0.18
5. Taxes/ Pre-tax Profit	58.61	57.49	57.05	57.77
6. Net Income/ Risk Weighted Assets	0.32	0.32	0.33	0.34
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	14.42	13.37	12.41	n.a.
2. Fitch Eligible Capital/ Risk Weighted Assets	14.42	13.37	12.41	n.a.
3. Tangible Common Equity/ Tangible Assets	7.86	7.45	6.81	5.74
4. Tier 1 Regulatory Capital Ratio	14.53	13.41	12.50	10.50
5. Total Regulatory Capital Ratio	17.00	16.36	15.90	15.80
6. Core Tier 1 Regulatory Capital Ratio	14.38	n.a.	n.a.	n.a.
7. Equity/ Total Assets	7.86	7.45	6.81	5.74
8. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
9. Internal Capital Generation	2.25	2.41	2.67	3.17
E. Loan Quality				
1. Growth of Total Assets	0.97	0.15	0.44	1.26
2. Growth of Gross Loans	1.35	2.35	0.10	2.54
3. Impaired Loans/ Gross Loans	n.a.	n.a.	n.a.	n.a.
4. Reserves for Impaired Loans/ Gross Loans	n.a.	n.a.	n.a.	n.a.
5. Reserves for Impaired Loans/ Impaired Loans	n.a.	n.a.	n.a.	n.a.
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	n.a.	n.a.	n.a.	n.a.
7. Impaired Loans less Reserves for Impaired Loans/ Equity	n.a.	n.a.	n.a.	n.a.
8. Loan Impairment Charges/ Average Gross Loans	0.00	0.06	0.11	0.09
9. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	n.a.	n.a.
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
F. Funding and Liquidity				
1. Loans/ Customer Deposits	94.21	96.66	98.34	96.28
2. Interbank Assets/ Interbank Liabilities	34.88	32.12	36.61	56.93
3. Customer Deposits/ Total Funding (excluding derivatives)	76.88	74.52	71.29	72.11
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

Sparkassen-Finanzgruppe (Sparkassen)
Reference Data

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
2. Other off-balance sheet exposure to securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Guarantees	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
4. Acceptances and documentary credits reported off-balance sheet	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
5. Committed Credit Lines	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
6. Other Contingent Liabilities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
7. Total Assets under Management	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
B. Average Balance Sheet									
Average Loans	847,940.4	698,448.5	62.63	685,777.7	62.09	677,455.2	61.43	668,732.5	60.91
Average Earning Assets	1,317,736.7	1,085,419.7	97.33	1,080,336.9	97.82	1,068,321.9	96.88	1,049,354.0	95.57
Average Assets	1,347,336.3	1,109,800.9	99.52	1,103,599.9	99.93	1,100,367.9	99.78	1,091,145.5	99.38
Average Managed Securitized Assets (OBS)	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Average Interest-Bearing Liabilities	1,173,890.3	966,933.4	86.71	964,986.1	87.37	971,059.1	88.06	971,517.0	88.48
Average Common equity	103,129.3	84,947.6	7.62	78,700.7	7.13	69,078.7	6.26	60,308.0	5.49
Average Equity	103,129.3	84,947.6	7.62	78,700.7	7.13	69,078.7	6.26	60,308.0	5.49
Average Customer Deposits	888,707.7	732,028.5	65.64	703,490.5	63.70	696,271.0	63.14	696,197.0	63.41
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Loans & Advances 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Loans and Advances 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Loans & Advances > 5 years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Debt Securities < 3 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Debt Securities 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Debt Securities 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Debt Securities > 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Loans & Advances to Banks < 3 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Loans & Advances to Banks 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Loans & Advances to Banks 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Loans & Advances to Banks > 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Retail Deposits 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Retail Deposits 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Retail Deposits > 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Other Deposits < 3 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Other Deposits 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Other Deposits 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Other Deposits > 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Deposits from Banks < 3 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Deposits from Banks 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Deposits from Banks 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Deposits from Banks > 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Senior Debt Maturing < 3 months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Senior Debt Maturing 3-12 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Senior Debt Maturing 1- 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Senior Debt Maturing > 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Subordinated Debt Maturing < 3 months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Subordinated Debt Maturing 3-12 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Subordinated Debt Maturing 1- 5 Year	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Subordinated Debt Maturing > 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
Total Subordinated Debt on Balance Sheet	8,662.1	7,135.0	0.64	9,113.0	0.83	11,219.0	1.02	13,189.0	1.20
Fair Value Portion of Subordinated Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	737,888.8	607,799.0	54.50	615,243.9	55.71	605,415.0	54.90	586,000.0	53.37
2. Fitch Adjustments to Risk Weighted Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Fitch Adjusted Risk Weighted Assets	737,888.8	607,799.0	54.50	615,243.9	55.71	605,415.0	54.90	586,000.0	53.37
E. Equity Reconciliation									
1. Equity	106,392.1	87,635.2	7.86	82,260.0	7.45	75,141.4	6.81	63,016.0	5.74
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
4. Published Equity	106,392.1	87,635.2	7.86	82,260.0	7.45	75,141.4	6.81	63,016.0	5.74
F. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	106,392.1	87,635.2	7.86	82,260.0	7.45	75,141.4	6.81	63,016.0	5.74
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**106,392.1**	**87,635.2**	**7.86**	**82,260.0**	**7.45**	**75,141.4**	**6.81**	**n.a.**	**-**
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	**106,392.1**	**87,635.2**	**7.86**	**82,260.0**	**7.45**	**75,141.4**	**6.81**	**n.a.**	**-**
Exchange Rate	USD1 = EUR0.82370			USD1 = EUR0.72510		USD1 = EUR0.75790		USD1 = EUR0.77290	

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.