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 Short-Term Rating	AAA

Outlooks

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

Financial Data

Sparkassen-Finanzgruppe (Sparkassen)

	2015	2014
Total assets at YE (EURm)	1,145,316	1,127,465
Average total assets (EURm)	1,134,445	1,115,181
Total equity (EURm)	93,163	87,635
Operating profit (EURm)	9,001	8,744
Net income (EURm)	1,973	1,969
Operating ROAA (%)	0.8	0.8
Common equity Tier 1 (%)	14.7	14.4
Total regulatory capital ratio (%)	16.7	16.6

Related Research

Sparkassen-Finanzgruppe (Sparkassen) - Ratings Navigator (January 2017)

Fitch Affirms Sparkassen-Finanzgruppe at 'A+'; (January 2017)

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Key Rating Drivers

Group Rating: The Issuer Default Ratings (IDRs) of the 342 savings banks or Sparkassen members of German public financial services sector (SFG) are group ratings based on mutual support. The Viability Rating (VR) applies to Sparkassen-Finanzgruppe (Sparkassen) as a whole, but not to the individual savings banks. The ratings do not apply to other SFG members. The 50 savings banks based in Hesse and Thuringia are rated separately as part of S – Finanzgruppe Hessen-Thueringen.

Strong Market Position: SFG's IDRs are based on its VR, which reflects the group's strong market position, granular and relatively low-risk credit exposure, underpinned by the strength of Germany's operating environment, and ample funding. The group's financial metrics are robust.

Increasingly Cohesive Group: Fitch Ratings believes SFG remains one of the least cohesive groups to which we assign a group rating based on mutual support. However, we believe that efforts by Deutscher Sparkassen- und Giroverband (DSGV), the national savings banks association, to centralise and standardise data management and reporting should improve cohesion. The decentralised structure tends to slow decision-making and implementation throughout the group, but the sector is streamlining its structure.

Institutional Protection and Deposit Guarantee: The key element underpinning the group's cohesion is its mutual support mechanism. The scheme's main objective is to prevent a member bank's failure through early remedial action or a merger with a stronger member. The mutual support mechanism has an unbroken record in protecting all Sparkassen's creditors by maintaining the viability of its member banks.

Leading German Retail and SME Franchise: The group maintains a dense decentralised nationwide franchise with dominant market shares in retail and SME banking. We view SFG's strong competitive position in these segments as a significant driver of its solid performance.

Solid Profitability but Challenges Ahead: The group's performance has proven more robust and stable than that of most domestic peers. Pressure from low interest rates is mounting, but the downward funding repricing, improved fee income and low impairment charges had prevented the group's aggregated results from deterioration at end-2015.

Vulnerability to Interest-Rate Shocks: Maturity transformation is inherent in the savings banks' business model. It has deepened, as the long-term fixed-interest mortgage lending has been growing, while deposit maturities have noticeably decreased. The increased proportion of sight deposits and solid mortgage lending growth have helped stabilise revenues, but they also increased the savings banks' vulnerability to interest-rate shocks.

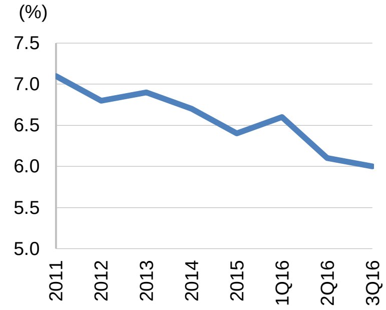
Strong Liquidity and Capitalisation: Good access to a diversified and granular deposit base ensures the savings banks' low funding cost and a limited sensitivity to the market sentiment. The group's strong results and stable profit retention support its capitalisation, while a conservative risk weighted assets (RWA) calculation limits the vulnerability to regulatory RWA inflation.

Rating Sensitivities

Resilience to Interest Rates and Cohesion: Any upside momentum for SFG's ratings would require stronger cohesion and materially improved reporting transparency. SFG's ratings could also benefit from demonstrating resilience to the low-interest-rate environment while significantly weaker results impeding the internal capital generation capacity would put pressure on its ratings.

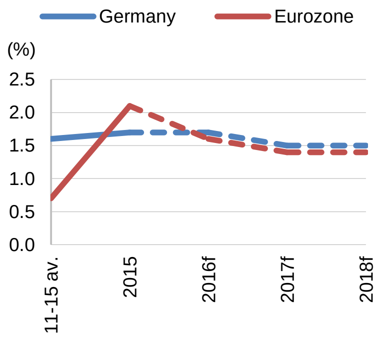
- SFG operates primarily in Germany.
- Domestic economy is resilient, open and diversified, with a competitive manufacturing sector and solid property market.
- Strong labour market underpins household consumption growth.

Unemployment Rate in Germany



Source: Bundesbank

GDP Growth



Source: Fitch - Global Economic Outlook November 2016

Operating Environment

Sound Domestic Fundamentals

The savings banks operate in the German domestic market and the group's credit exposure therefore benefits from the benign operating environment in Germany. Domestic property markets remain generally sound and corporate insolvencies are low. Growing household consumption is underpinned by a strong labour market. Fitch expects sound domestic fundamentals to continue to support growth, while global uncertainties remain a risk for the highly open German economy. Fitch forecasts stable GDP growth of 1.7% in 2016 and 1.5% in 2017 and 2018.

Residential mortgages are a key area of new lending for savings and other German banks. Despite material price increase in several large urban centres, Fitch expects real-estate affordability and the residential mortgages' performance to remain robust, supported by rising disposable income, and low unemployment and interest rates. Underlying unemployment dynamics in Germany are among the most favourable in the eurozone, although the headline unemployment rate may rise as the number of refugees registered as unemployed increases.

Due to sound domestic fundamentals, the impairment charges are at a historical low in most domestic banks' portfolios, with a few exceptions, such as shipping. However, global uncertainties remain a key risk for the relatively open German economy deeply integrated into global supply chain. The weakness of the external environment, in particular the uncertainty related to Brexit negotiations and future US trade policy under President Trump, could persist for coming years.

Developed Banking Sector, Effective Supervision

The German banking sector is well developed and effectively supervised. It is highly competitive and more fragmented than most European markets. Within the EU's Single Supervisory Mechanism (SSM) large banks are directly supervised by the ECB. With the exception of HASPA (Hamburger Sparkasse), the individual savings banks have less than EUR30bn total assets and are classified as less significant institutions (LSIs). As such, they continue to be jointly directly supervised by the national competent authorities (NCAs), the Bundesbank and BaFin. The supervision includes on-site inspections by the Bundesbank, whose main purpose is to assess the banks' risk management and the internal models used to calculate capital requirements. For higher consistency within the SSM, the ECB is indirectly involved in the LSI supervision. It oversees the NCAs' supervisory activities and has an overview of all LSIs.

Competitive Pressure

German banks' performance benefits from the benign domestic economic environment but is challenged by margin compression, driven by competition and low interest rates. This limits their internal capital generation. Long-term mortgages in Germany typically carry fixed interest rates, while retail banks' funding is dominated by short-term deposits. This maturity transformation leads to a rising vulnerability to interest-rate shocks, particularly for the retail banks.

Changed Bank Creditor Hierarchies

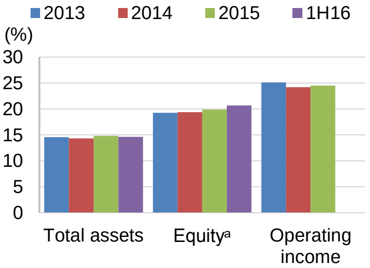
A new creditor hierarchy for German banks in resolution came into effect on 1 January 2017 and includes retroactive statutory subordination of plain vanilla senior unsecured debt to deposits, derivatives and structured liabilities. The new regime should mitigate banks' need to raise new unsecured debt to fulfil minimum requirements for own funds and eligible liabilities and total loss-absorbing capacity. It could result in an increased cost of banks' senior unsecured debt, but there is little evidence of this. The savings banks are unlikely to be affected due to their generally solid capital buffers, a large retail deposit base and thus limited reliance on unsecured bond funding. However, it may affect the structure of their securities portfolios, which is still concentrated in the bank sector.

Related Criteria

Global Bank Rating Criteria (November 2016)

A new proposal for a European directive on the hierarchy of unsecured debt aims at harmonisation of member states' rules on the treatment of bank creditors in resolution. The proposal envisages a creation of a new asset class of "non-preferred" senior debt that should be bailed in under resolution after other capital instruments, but before other senior liabilities.

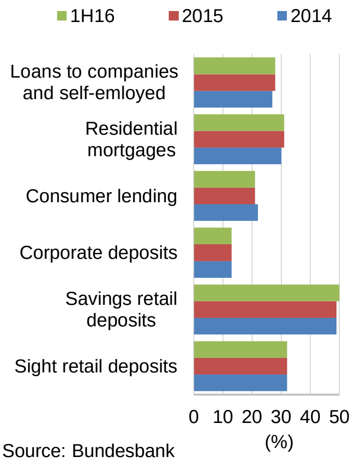
Savings Banks' Contribution to German Banking Sector



[a] According to Bundesbank statistics, equity including reserves, participation rights, funds for general banking risks
Source: Bundesbank

Leading Domestic Franchise

Market share of savings banks



Source: Bundesbank

- The overall SFG refers to the German public sector financial institutions, including
  - 396 savings banks (as of 1.01.2017)
  - Landesbanken, DekaBank,
  - nine building societies (Landesbausparkassen)
  - various other financial sector companies (leasing, insurance).
- The terms Sparkassen or savings banks refer to both the 396 German savings banks and the 342 (of a total 396) rated on the basis of Sparkassen group rating.
- Financial data used in this report relates to aggregated accounts of 413 savings banks at end-2015.
- DSGV is the umbrella body for the regional savings bank associations.

Company Profile

Leading Retail and SME Franchise

The savings banks maintain a strong domestic franchise with dominant market shares in retail and SME banking. Each savings bank operates exclusively in its own region and the group's coverage extends over the whole country, including rural and less-developed areas, where the savings banks tend to face less competition than they do in urban centres.

We view the savings banks' leading domestic retail and SME franchise as one of the group's main strengths and the basis for its strong and resilient performance. Despite competition, the savings banks' retail housing loans continued to grow above the market in the 12 months to 3Q16 and the group was able to maintain its leading market share in this important segment.

Decentralised Group Structure

SFG is a group of legally independent decentrally managed public-sector entities operating under a common brand. SFG is not a legal entity and its members do not form a consolidated group. Savings banks represent about half of the SFG total assets, 60% of customer loans and 75% of the aggregated operating income before impairments and reserves (aggregated financial data at end-2015). The vast majority of savings banks are public law institutions under local municipal trusteeship. Their size ranges from under EUR200m to over EUR40bn in total assets with an average of EUR2.8bn at end-2015. Despite consolidation in the sector, the number of smaller savings banks with assets below EUR2bn is still more than half of the total. We expect further consolidation in the group driven by increased regulatory requirements, which result in material costs for small banks.

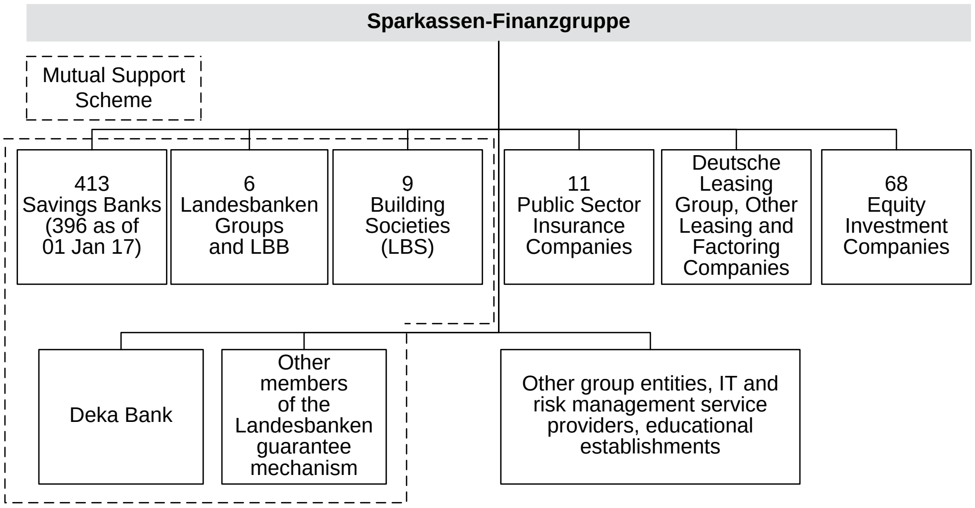
Savings banks operate in their defined home regions under a public-sector mandate, which includes granting access to banking services to all members of the community. The banks focus on standard banking products, including lending, deposit taking, payment services and retail brokerage. Their products are complemented by SFG's specialised institutions, including insurance, leasing and factoring companies, and investment and securities service provider.

The regional savings banks are organised in 12 local savings banks associations, which carry out several support and risk-management functions. The associations also maintain independent audit teams, manage the regional IPS funds and local savings banks' stakes in associates (typically Landesbanken, LBS, insurance companies). At the national level, SFG is represented by the DSGV.

Savings Banks' IDRs Are Group Ratings

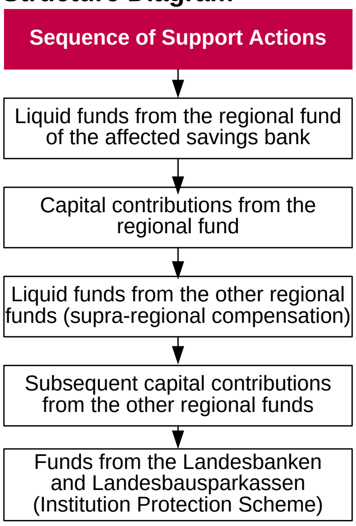
The savings banks are not a consolidated legal entity and they do not prepare consolidated financial accounts. However, because they maintain a mutual support mechanism, pursue a broadly common strategy and operate under a common brand, they fulfil certain key "group" ratings benchmarks. As a result, the IDRs assigned by Fitch to individual savings banks are group ratings. Fitch has not performed standalone assessments of the individual banks.

Simplified Group Structure End-2015



Source: DSGV, Fitch

Structure Diagram



Source: Fitch, Transaction documents

Granular Group

Total number of savings banks	413[a]
Average total assets of a savings bank (EURbn)	2.8
Share in the savings banks aggregated assets (%)	
• Average total assets per bank	0.24
• Largest savings bank	3.8
• 10 largest savings banks	16.6
• 50 largest savings banks	42.3

[a] End-2015 (396 as of 01 Jan 17)
Source: DSGV, Fitch

Mutual Support Underpins the Group's Cohesion

SFG's mutual support scheme has been designed as an IPS. Following its modification in 2015, it was also recognised as a deposit guarantee scheme under Germany's Deposit Guarantee Act. However, the prevention of members' failure remains its central objective. Internal risk monitoring system is a key component of the IPS, as it allows the support scheme to monitor risks and to initiate corrective measures at an early stage, if needed.

The regional guarantee fund, which is jointly maintained by the neighbouring savings banks, intervenes first if support is needed. If its resources, including potential subsequent capital contributions, are insufficient, the group's supra-regional fund is utilised. If necessary, savings banks have access to other funds established within the German public-sector financial sector, which include the guarantee funds of the Landesbanken and LBS (see payment sequence in the left margin).

Fitch believes that the savings banks' regional support funds have adequate resources to support the Sparkassen under plausible, but not extreme, stress scenarios. The support ability is underpinned by the relatively small size of the individual member banks and thus a likely manageable dimension of a potential problem. The group has demonstrated its very high propensity to provide support within the Sparkassen sector to protect their brand and common franchise. We do not except this to change. Under the arrangements in place, the German Landesbanken would have access to the savings banks' support fund after their own guarantee funds and their top-up resources are fully exhausted. This results in a contingent exposure of the savings banks to these large wholesale institutions, in addition to the savings banks' material credit exposure to, and equity investments in, these institutions.

Management and Strategy

Three-Tier Structure

Individual savings banks enjoy a considerable degree of the operational independence. The savings banks' local management is responsible for the bank's day-to-day business and strategy. Management turnover at the local level is usually relatively low. We believe that a long-term commitment and strong local focus result in a high management's visibility in the home region and a consistent corporate culture. The banks operate in line with their public-sector mandate; nevertheless they follow commercial principles and target an adequate and stable internal capital generation. However, they do not define profit maximisation as their first business priority.

- Strong local focus and the internal performance benchmarking of member banks result in a high management's visibility and accountability.
- Structural reform of the decision making and implementation process seeks to address efficiency issues resulting from the decentralised group structure.

The savings banks' performance is subject to tight supervision by their regional associations, which manage the IPS's regional support funds and perform many risk-management functions, including the audit of member banks' financial accounts and the benchmarking the savings banks within their regions. The local savings banks associations have the authority to impose sanctions on individual banks in need of restructuring. The transparent peer comparison in course of the risk monitoring implies considerable reputational implications and therefore increases local managements' accountability.

At the national level, DSGV coordinates the regional associations and represents the group. The DSGV maintains a central transparency and risk-monitoring committee. The association has worked on streamlining its decision-making process and improving the efficiency with which decisions are implemented, which includes taking binding decisions in many areas, including marketing, process standardisation, management of regulation-related issues, with a simple majority vote.

Risk Appetite

Local Focus Enhances Risk Awareness

- Business focus implies sufficient granularity and collateralisation of the loan book.
- Underwriting quality generally benefits from the regional proximity.
- However, regional focus could result in an overexposure to a key local industry or to an oversized or mismanaged public project.

The savings banks' business model sets a general framework for their lending activities by defining their home regions in which they operate as well as retail and SME clients and, to a lesser extent, local public-sector entities, as their main customers. This business model also implies a sufficient granularity and collateralisation of the loan book due to a material proportion of mortgages. We believe that the regional proximity, long-standing business relationship and moderate complexity of the standard lending transactions has a positive effect on the savings banks' underwriting standards.

At the same time, the local focus and the small size of individual savings banks could result in concentration on key regional industries or larger borrowers. SFG offers a credit pooling platform to help manage concentration risks at individual savings banks. Participating banks can partially transfer credit risk to other group members, while maintaining full control over the client relationship.

While loosening credit standards in lending and securities investment as a way to stabilise revenues in the low-interest-rate environment is a possibility, Fitch's analysis does not indicate that the savings banks' underwriting standards have deteriorated.

Uniform Risk Monitoring Is a Key IPS Element

- IPS operates a risk monitoring scheme with comprehensive information and intervention rights.
- The standardised set of rules applied by the DSGV represents minimum requirements while regional savings banks associations may impose tighter standards.

The IPS operates a group-wide centralised risk monitoring and prevention system, which is also a condition for the schemes' regulatory recognition. The monitoring system uses standardised ratios and qualitative risk assessments to screen individual member banks. These standards represent a minimum that all banks have to follow, but each regional association can apply tighter requirements. The system classifies member banks in one of four monitoring categories, and scales the applied information and intervention measures in line with the banks' risk profile.

The data collection and monitoring is carried out by the regional savings banks associations and transmitted to the DSGV, which is responsible for the group-wide monitoring. The regional guarantee schemes have access to a wide range of information at the savings banks and have the right to intervene when necessary. We believe that the monitoring mechanism provides a sufficient overview of the risks at the individual members to allow the regional associations to intervene if necessary.

Centralised Risk Control and Reporting Infrastructure Evolving

- The significance of process standardisation and the joint data management is rising, as regulatory requirements grow more complex and cost controls more important.

We believe the group's ability to monitor risks has improved as several centralised data management and reporting solutions have been launched. The group is centralising its regulatory and reporting solutions in one subsidiary, Sparkassen Rating und Risikosysteme

GmbH (“S-Rating”). These solutions include a common data inventory and a standardised regulatory reporting tool.

We believe that SFG will continue and intensify its efforts to implement uniform risk control and reporting tools, which should allow the member banks to meet increasing regulatory requirements and will further improve the quality of the risk information available to the group.

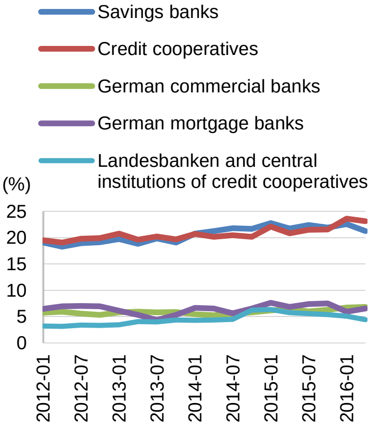
Despite these solutions, Fitch believes there is room for further improvement, particularly with respect of the timing and transparency of financial reporting. The savings banks only produce unaudited aggregated financial accounts which are disclosed only once a year. Furthermore, the group does not provide a consolidated view on asset quality, including single-name concentration risk or the aggregated level of non-performing loans (NPLs).

Vulnerability to Interest-Rate Shocks

As the savings banks do not undertake material trading activities, interest-rate risk in the banking book is the main market risk for the savings banks. Maturity transformation is inherent in the savings banks' business model, as they are largely deposit-funded while a large proportion of their loan book is long-term and extended at a fixed interest rate. Exposure to interest-rate risk in the banking book has increased in recent years as customer deposits have shifted away from term deposits towards sight deposits, and long-term mortgage lending has grown.

Fitch considers the savings banks’ exposure to interest-rate risk in the banking book high. Between 2014 and 1H16, a 200bp parallel upward shift in the yield curve would have resulted in a decrease of over 20% of the value of their aggregated equity, which is considerably higher than for many of their peers and indicates a significant vulnerability to the interest-rate shocks.

200bp IR Shift Risk



Source: Bundesbank

Financial Profile

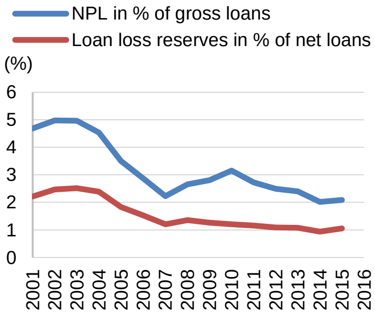
Asset Quality

Asset Quality to Remain Solid in Line with Domestic Average

The savings banks’ lending activities are strongly concentrated on domestic households, self-employed persons, companies and, to a lesser extent, on public-sector borrowers. The aggregated loan book is well balanced by sector and regionally diversified. Although the group's disclosure of aggregated asset-quality indicators remains limited, our analysis indicates that the group’s asset quality is sound and that NPLs declined in 2015. Based on data from a sample of savings banks, we believe that the group’s asset quality is broadly in line with Bundesbank data of average risk indicators for the German banking sector.

At end-2015, Bundesbank reported for the sector an NPL/gross loan ratio of about 2.1%, down from above 3% in 2010. This development trend corresponds with a steady decline of the number of insolvencies since 2009 and a strong domestic labour market. Over 60% of savings banks reported NPL ratios below this level at end-2015 and the unweighted average NPL of the group was close to 1.9%. The sector’s credit risk indicators are at a historical low, with a limited upside potential, in our view. However, we do not expect them to deteriorate materially in 2017.

Asset Quality Indicators German Banking Sector



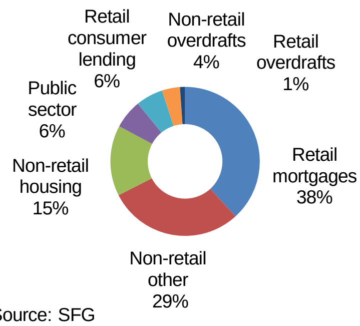
Source: Bundesbank

Granular and Collateralised Loan Book

Almost half of the savings banks’ customer loans are extended to retail borrowers. Consequently, single-name concentrations in this portfolio are low. Unsecured consumer lending and overdrafts represent a moderate 7% of customer loans. The remaining retail loans are residential mortgages. About 6% of the exposure is to public-sector borrowers in Germany, where we credit risks are not material. The rest of customer loans is to non-retail clients, including companies and self-employed persons, of which about a third are housing loans. We believe that the savings banks’ business model leads to a sufficient collateralisation and granularity of the group’s aggregated loan portfolio, even though individual savings banks may carry elevated concentration risks with regard to a key regional industries or counterparties.

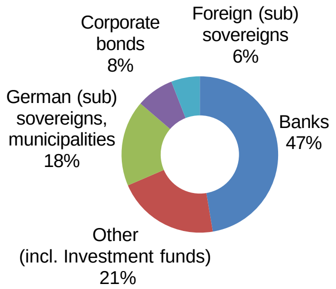
Customer Loans Structure in 2015

Figures rounded



Source: SFG

Securities Portfolio Structure 2015
Approximate figures



Source: SFG

Bank Bonds Main Component of Securities Portfolios

For most savings banks, securities holdings only account for a moderate proportion of total assets as their balance sheets are dominated by customer loans. At end-2015, the savings banks' aggregated securities portfolio amounted to over EUR300bn (including Schuldschein-investments). The portfolio mainly includes fixed-income securities and, to a lesser extent, investment funds, while direct equity holdings are immaterial.

Bank bonds have gradually declined as a proportion of total securities, but still represent about 47% of the total portfolio at end-2015. We understand that this sub-portfolio includes mostly highly rated bonds and a material, although declining, exposure to Landesbanken, which remain attractive investments for the savings banks given their regulatory 0% risk-weighting. We believe that the portfolio has an overall satisfactory credit quality. This assessment is underpinned by the fact that over half of the investments are central bank repo-eligible instruments.

Earnings and Profitability

The group does not prepare consolidated financial statements and does not disclose interim results. Fitch's analysis is based on aggregated unaudited financial statements that are prepared annually under German GAAP and provided in November of the following year.

Performance Indicators

(%)	2015	2014	2013	2012
Operating profit/risk-weighted assets	1.4	1.4	1.4	1.6
Net interest income/average earning assets	2.1	2.1	2.1	2.2
Non-interest expense/gross revenues	66.9	66.3	65.3	65.7
Operating profit/average total assets	0.8	0.8	0.8	0.9

Source: Fitch

Resilient Performance

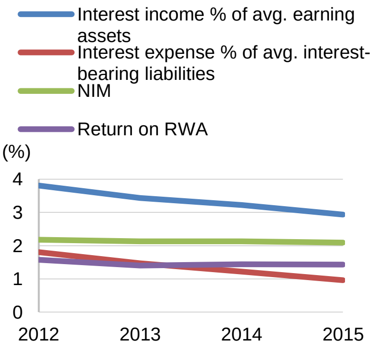
- Strong domestic franchise underpins performance resilience.
- Solid operating return on RWAs despite conservative RWA calculation.

The savings banks' aggregated operating results have been stable and resilient and their performance is among the strongest in the sector. In our view, this reflects the savings banks' solid domestic retail and SME franchise resulting in above-sector-average pricing power and a healthy risk-return profile. The savings banks' operating return on RWA is solid, particularly because RWA calculations are more conservative than at most peers that use the internal-ratings-based approach and report lower RWA.

Still Continuing Funding Repricing Preserves NIM but Pressure Is Mounting

Interest income is the main revenue source for the savings banks. It has been gradually declining since 2009, but the concurrent downward repricing of deposits has resulted in a broadly stable net interest margin (NIM) just above 2%. Net interest income remained virtually unchanged in 2015 at about EUR23bn. As higher-yielding loans and securities gradually mature and downward repricing of funding is likely to be floored at zero we expect the banks' NIM to come under pressure, albeit only gradually, from its fairly strong level.

Stable Performance Indicators



Source: SFG, Fitch

Fee Income Moderate but Rising

The absolute and relative importance of fee income has gradually increased for several years and we expect this trend to continue as the banks attempt to counterbalance pressure on NIM. In 2015, net fee income increased to almost EUR7bn and contributed about 23% to operating revenue. A large proportion of fee revenue relates to current account and payment services, but commission income from retail securities trading and brokerage saw the strongest rise in 2015 as retail clients continued to seek alternative investments to low-yielding savings deposits. Revenues from commission business with the cooperation partners within the SFG, primarily insurers and asset-management services, have also improved.

Cost Controls Increasingly Important

The expected pressure on net interest income is unlikely to be compensated by higher fee revenues, which underpins the growing importance of controlling costs. Operating expenses increased moderately in 2015, driven mostly by a pay rise and the bank levy. The savings banks' cost/income ratio reflects their material fixed costs resulting from the maintenance of a dense branch network but remains in line with domestic peers'. Almost two-thirds of operating expenses are attributable to staff costs. We understand that the group sees potential for cost-cutting in this area and intends to use natural fluctuation to reduce staffing levels. The increasing provision of products and services and projects to standardise processes should also help the smaller savings banks that are more affected by increasing costs related to reporting and other regulatory requirements.

Exceptionally Low LICs Support Performance but Unsustainable in the Long Run

As the rest of the banking sector, the savings banks benefit from very low loan impairment charges (LICs), supported by a benign economic environment. Although Fitch believes that this is unsustainable in the long run, we have no indication that domestic macroeconomic indicators are likely to deteriorate noticeably in the near term and we do not expect a broad increase in the savings banks' LICs over the next 18 months. Our assessment is additionally underpinned by a large proportion of the savings banks' lending exposure having below-average sensitivity to the economic cycle, particularly the historically resilient granular collateralised domestic retail lending.

The savings banks' reported non-recurring expenses of about EUR4bn relate to provisions to the fund for general banking risk pursuant to Art.340g of the German Commercial Code (HGB), which are part of the banks' equity and common equity Tier 1 capital. They reduce net income reported in the aggregated savings banks accounts.

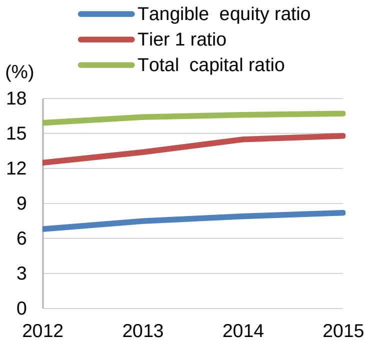
Capitalisation and Leverage

Capital Ratios

(%, rounded)	2015	2014	2013	2012
Fitch Core Capital/RWA	14.8	14.4	13.4	12.4
Tangible common equity/tangible assets	8.2	7.9	7.5	6.8
Tier 1 regulatory capital ratio	14.8	14.5	13.4	12.5
Total regulatory capital ratio	16.7	16.6	16.4	15.9
Internal capital generation[a]	2.1	2.3	2.4	2.7

[a] Based on net result after allocations of provisions for general banking risks (Art340g HGB)
Source: Fitch

Capitalisation and Leverage



Source: SFG

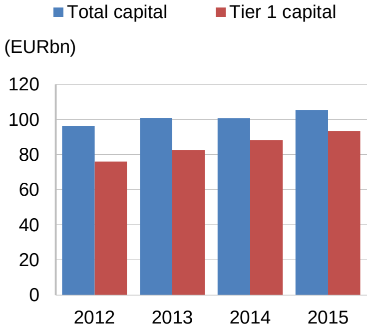
Strong Capitalisation

The savings banks' aggregated capitalisation is solid. It is commensurate with the level of risks that the group assumes and provides sufficient room for lending growth. Capitalisation has gradually improved driven by stable and sound internal capital generation as well as generally very low profit distributions. Including provisions to the fund for general banking risks Art.340g HGB. internal capital generation ratio would reach about 6%. SFG does not disclose the savings banks' aggregated regulatory leverage ratio, but using the tangible equity ratio as a proxy we expect it to be solid.

Conservative RWA Calculation Limits the RWA Inflation Risks

While assessing capitalisation Fitch views positively the fact that the savings banks calculate RWAs according to standardised approach. The conservative RWA calculation is one of the drivers for the savings banks' high average RWA density of about 55% at end-2015. An exception to the conservative risk-weighting is the 0% regulatory risk-weight to SFG intragroup exposures, including exposures to the Landesbanken. We believe that this RWA calculation approach makes the savings banks less vulnerable than most peers to a potential RWA inflation.

Aggregated Own Funds



Source: SFG

Contingent Risks Remain but Are Manageable

The savings banks are exposed to contingent risks related to their exposures to Landesbanken, and to a lesser extend to public-sector insurance companies and building societies. The potential sources of a risk transmission include their equity holdings through the regional associations, credit exposure, the joint mutual support mechanisms or reputational damage that may result from a failure of a group member. We believe that these exposures are manageable for savings banks as their aggregated capital ratios would remain sufficiently robust even after the write-off of the book value of their equity holdings or a recapitalisation of the savings banks' stakes in the Landesbanken and insurers.

Funding and Liquidity

Stable, Diversified and Granular Deposit Base

The savings banks are Germany's largest sight and savings deposits takers with a market share of about 30%. We believe that the savings banks' deeply entrenched retail franchise will enable them to defend their deposit base and withstand competition with limited concessions on pricing, even if interest rates rise and trigger deposit repricing.

Retail deposits have been a stable funding source, not sensitive to market sentiment. However, even if market sentiment materially deteriorates, the public-sector savings banks would most likely be beneficiaries. The savings banks loans/deposits ratio has been consistently below 100%, which indicates potential for further loan growth.

Contractual Deposit Maturity Shortening

Low interest rates have greatly reduced customers' incentives to manage their liquidity by shifting the current account balances to savings and term deposits. The proportion of sight deposits has therefore gradually increased and exceeded half of customer liabilities at end-2015.

Material Potential for Issuance of Covered Bonds

Only about 10% of the savings banks have a licence to issue covered bonds. Outstanding covered bonds are still limited at about EUR23bn, but we believe that due to the savings banks' large mortgage and – to a lesser extent – public-sector exposure there is a material volume of covered bond eligible assets and therefore a strong potential for diversification of funding sources through covered bond issuance. The importance of this funding source may increase if the cost of deposits or a preference for long-term funding increases. Smaller savings banks, for which setting up their own covered bond programs is less attractive or too costly, may use the available Landesbank pooling programs.

Sparkassen-Finanzgruppe (Sparkassen)
Income Statement

	2015	2014	2013	2012
	Year End	Year End	Year End	Year End
	EURm	EURm	EURm	EURm
	Unaudited	Unaudited	Unaudited	Unaudited
1. Interest Income on Loans	32,412	34,925	37,193	40,729
2. Other Interest Income	n.a.	n.a.	n.a.	n.a.
3. Dividend Income	n.a.	n.a.	n.a.	n.a.
4. Gross Interest and Dividend Income	**32,412**	**34,925**	**37,193**	**40,729**
5. Interest Expense on Customer Deposits	9,404	11,795	14,172	17,451
6. Other Interest Expense	n.a.	n.a.	n.a.	n.a.
7. Total Interest Expense	**9,404**	**11,795**	**14,172**	**17,451**
8. Net Interest Income	**23,008**	**23,130**	**23,021**	**23,278**
9. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	n.a.	n.a.
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	n.a.	n.a.
11. Net Gains (Losses) on Assets at FV through P&L	n.a.	n.a.	n.a.	n.a.
12. Net Insurance Income	n.a.	n.a.	n.a.	n.a.
13. Net Fees and Commissions	6,946	6,608	6,421	6,137
14. Other Operating Income	253	249	232	-97
15. Total Non-Interest Operating Income	**7,199**	**6,857**	**6,653**	**6,040**
16. Personnel Expenses	12,845	12,459	12,192	12,067
17. Other Operating Expenses	7,356	7,428	7,171	7,187
18. Total Non-Interest Expenses	**20,201**	**19,887**	**19,363**	**19,254**
19. Equity-accounted Profit/ Loss - Operating	-1,212	-1,332	-1,282	173
20. Pre-Impairment Operating Profit	**8,794**	**8,768**	**9,029**	**10,237**
21. Loan Impairment Charge	-207	24	387	729
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	n.a.	n.a.
23. Operating Profit	**9,001**	**8,744**	**8,642**	**9,508**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.
25. Non-recurring Income	n.a.	n.a.	n.a.	n.a.
26. Non-recurring Expense	4,117	3,987	3,984	4,837
27. Change in Fair Value of Own Debt	n.a.	n.a.	n.a.	n.a.
28. Other Non-operating Income and Expenses	n.a.	n.a.	n.a.	n.a.
29. Pre-tax Profit	**4,884**	**4,757**	**4,658**	**4,671**
30. Tax expense	2,911	2,788	2,678	2,665
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.
32. Net Income	**1,973**	**1,969**	**1,980**	**2,006**
33. Change in Value of AFS Investments	n.a.	n.a.	n.a.	n.a.
34. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.
35. Currency Translation Differences	n.a.	n.a.	n.a.	n.a.
36. Remaining OCI Gains/(losses)	n.a.	n.a.	n.a.	n.a.
37. Fitch Comprehensive Income	**1,973**	**1,969**	**1,980**	**2,006**
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	n.a.	n.a.
39. Memo: Net Income after Allocation to Non-control. Int.	1,973	1,969	1,980	2,006
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	n.a.	n.a.
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	n.a.	n.a.
Exchange rate	USD1 = EUR0.9185	USD1 = EUR0.8237	USD1 = EUR0.7251	USD1 = EUR0.7579

Sparkassen-Finanzgruppe (Sparkassen)
Balance Sheet

	2015		2014		2013		2012	
	EURm	As % of Assets	EURm	As % of Assets	EURm	As % of Assets	EURm	As % of Assets
Assets								
A. Loans								
1. Residential Mortgage Loans	246,730	22	236,882	21	230,843	21	221,715	20
2. Other Mortgage Loans	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	45,740	4	47,094	4	48,937	4	51,963	5
4. Corporate & Commercial Loans	387,417	34	378,004	34	372,524	34	362,784	33
5. Other Loans	40,594	4	41,166	4	41,448	4	41,341	4
6. Less: Reserves for Impaired Loans	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Net Loans	**720,482**	**64**	**703,145**	**63**	**693,752**	**63**	**677,803**	**61**
8. Gross Loans	**720,482**	**64**	**703,145**	**63**	**693,752**	**63**	**677,803**	**61**
9. Memo: Impaired Loans included above	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Memo: Loans at Fair Value included above	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets								
1. Loans and Advances to Banks	54,050	5	55,607	5	54,782	5	68,772	6
2. Reverse Repos and Cash Collateral	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	130,877	12	125,869	11	124,173	11	116,085	11
4. Derivatives	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Available for Sale Securities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Held to Maturity Securities	142,555	13	140,504	13	140,098	13	139,055	13
7. Equity Investments in Associates	13,844	1	14,672	1	15,905	1	16,109	1
8. Other Securities	48,817	4	50,763	5	51,570	5	62,569	6
9. Total Securities	**336,093**	**30**	**331,808**	**30**	**331,746**	**30**	**333,818**	**30**
10. Memo: Government Securities included Above	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	**1,110,625**	**98**	**1,090,559**	**98**	**1,080,280**	**98**	**1,080,394**	**98**
C. Non-Earning Assets								
1. Cash and Due From Banks	6,231	1	5,896	1	5,716	1	5,643	1
2. Memo: Mandatory Reserves included above	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	10,870	1	11,045	1	11,237	1	11,233	1
5. Goodwill	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Current Tax Assets	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Discontinued Operations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	6,720	1	7,681	1	7,188	1	5,510	0
11. Total Assets	**1,134,445**	**100**	**1,115,181**	**100**	**1,104,421**	**100**	**1,102,779**	**100**
Liabilities and Equity								
D. Interest-Bearing Liabilities								
1. Customer Deposits - Current	455,808	40	415,632	37	383,627	35	344,144	31
2. Customer Deposits - Savings	297,755	26	300,814	27	300,562	27	299,759	27
3. Customer Deposits - Term	23,018	2	29,879	3	33,544	3	45,345	4
4. Total Customer Deposits	**776,581**	**68**	**746,324**	**67**	**717,733**	**65**	**689,248**	**63**
5. Deposits from Banks	154,465	14	159,445	14	170,541	15	187,833	17
6. Repos and Cash Collateral	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Commercial Paper and Short-term Borrowings	n.a.	-	n.a.	-	n.a.	-	0	0
8. Total Money Market and Short-term Funding	**931,046**	**82**	**905,769**	**81**	**888,274**	**80**	**877,081**	**80**
9. Senior Unsecured Debt (original maturity > 1 year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Subordinated Borrowing	5,067	0	7,135	1	9,113	1	11,219	1
11. Covered Bonds	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	50,260	4	57,774	5	65,670	6	76,601	7
13. Total LT Funding (original maturity > 1 year)	**55,327**	**5**	**64,909**	**6**	**74,783**	**7**	**87,820**	**8**
14. Derivatives	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Trading Liabilities	51	0	50	0	82	0	1,932	0
16. Total Funding	**986,424**	**87**	**970,728**	**87**	**963,139**	**87**	**966,833**	**88**
E. Non-Interest Bearing Liabilities								
1. Fair Value Portion of Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	18,861	2	18,329	2	18,709	2	19,716	2
4. Current Tax Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Deferred Tax Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	35,997	3	38,489	3	40,313	4	41,088	4
10. Total Liabilities	**1,041,282**	**92**	**1,027,546**	**92**	**1,022,161**	**93**	**1,027,637**	**93**
F. Hybrid Capital								
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity								
1. Common Equity	93,163	8	87,635	8	82,260	7	75,141	7
2. Non-controlling Interest	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Foreign Exchange Revaluation Reserves	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	**93,163**	**8**	**87,635**	**8**	**82,260**	**7**	**75,141**	**7**
7. Total Liabilities and Equity	**1,134,445**	**100**	**1,115,181**	**100**	**1,104,421**	**100**	**1,102,779**	**100**
8. Memo: Fitch Core Capital	93,163	8	87,635	8	82,260	7	75,141	7
Exchange rate	USD1 = EUR0.9185		USD1 = EUR0.8237		USD1 = EUR0.7251		USD1 = EUR0.7579	

Sparkassen-Finanzgruppe (Sparkassen)
Summary Analytics

	2015	2014	2013	2012
	Year End	Year End	Year End	Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	4.6	5.0	5.4	6.0
2. Interest Expense on Customer Deposits/ Average Customer Deposits	1.2	1.6	2.0	2.5
3. Interest Income/ Average Earning Assets	2.9	3.2	3.4	3.8
4. Interest Expense/ Average Interest-bearing Liabilities	1.0	1.2	1.5	1.8
5. Net Interest Income/ Average Earning Assets	2.1	2.1	2.1	2.2
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	2.1	2.1	2.1	2.1
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	2.1	2.1	2.1	2.2
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	23.8	22.9	22.4	20.6
2. Non-Interest Expense/ Gross Revenues	66.9	66.3	65.3	65.7
3. Non-Interest Expense/ Average Assets	1.8	1.8	1.8	1.8
4. Pre-impairment Op. Profit/ Average Equity	9.7	10.3	11.5	14.8
5. Pre-impairment Op. Profit/ Average Total Assets	0.8	0.8	0.8	0.9
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	-2.4	0.3	4.3	7.1
7. Operating Profit/ Average Equity	10.0	10.3	11.0	13.8
8. Operating Profit/ Average Total Assets	0.8	0.8	0.8	0.9
9. Operating Profit / Risk Weighted Assets	1.4	1.4	1.4	1.6
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	2.2	2.3	2.5	2.9
2. Net Income/ Average Total Assets	0.2	0.2	0.2	0.2
3. Fitch Comprehensive Income/ Average Total Equity	2.2	2.3	2.5	2.9
4. Fitch Comprehensive Income/ Average Total Assets	0.2	0.2	0.2	0.2
5. Taxes/ Pre-tax Profit	59.6	58.6	57.5	57.1
6. Net Income/ Risk Weighted Assets	0.3	0.3	0.3	0.3
D. Capitalization				
1. FCC/FCC-Adjusted Risk Weighted Assets	14.8	14.4	13.4	12.4
2. Tangible Common Equity/ Tangible Assets	8.2	7.9	7.5	6.8
3. Tier 1 Regulatory Capital Ratio	14.8	14.5	13.4	12.5
4. Total Regulatory Capital Ratio	16.7	16.6	16.4	15.9
5. Common Equity Tier 1 Capital Ratio	14.7	14.4	n.a.	n.a.
6. Equity/ Total Assets	8.2	7.9	7.5	6.8
7. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
8. Internal Capital Generation	2.1	2.3	2.4	2.7
E. Loan Quality				
1. Growth of Total Assets	1.7	1.0	0.2	0.4
2. Growth of Gross Loans	2.5	1.4	2.4	0.1
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	-0.03	0.00	0.06	0.11
9. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	n.a.	n.a.
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass	n.a.	n.a.	n.a.	n.a.
F. Funding and Liquidity				
1. Loans/ Customer Deposits	92.8	94.2	96.7	98.3
2. Interbank Assets/ Interbank Liabilities	35.0	34.9	32.1	36.6
3. Customer Deposits/ Total Funding (excluding derivatives)	78.7	76.9	74.5	71.3
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

	2015		2014		2013		2012	
	EURm	As % of Assets	EURm	As % of Assets	EURm	As % of Assets	EURm	As % of Assets
A. Off-Balance Sheet Items								
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Acceptances and documentary credits reported off-balance sheet	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Off-Balance Sheet items	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Assets under Management	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet								
Average Loans	711,813	63	698,449	63	685,778	62	677,455	61
Average Earning Assets	1,100,592	97	1,085,420	97	1,080,337	98	1,068,322	97
Average Assets	1,124,813	99	1,109,801	100	1,103,600	100	1,100,368	100
Average Managed Securitized Assets (OBS)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	978,576	86	966,933	87	964,986	87	971,059	88
Average Common equity	90,399	8	84,948	8	78,701	7	69,079	6
Average Equity	90,399	8	84,948	8	78,701	7	69,079	6
Average Customer Deposits	761,453	67	732,029	66	703,491	64	696,271	63
C. Maturities								
Asset Maturities:								
Loans & Advances < 3 months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:								
Retail Deposits < 3 months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	5,067	0	7,135	1	9,113	1	11,219	1
Fair Value Portion of Subordinated Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets								
1. Risk Weighted Assets	630,796	56	607,799	55	615,244	56	605,415	55
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk W	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Core Capital Adjusted Risk Weighted Assets	630,796	56	607,799	55	615,244	56	605,415	55
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fitch Adjusted Risk Weighted Assets	630,796	56	607,799	55	615,244	56	605,415	55
E. Equity Reconciliation								
1. Equity	93,163	8	87,635	8	82,260	7	75,141	7
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	93,163	8	87,635	8	82,260	7	75,141	7
F. Fitch Core Capital Reconciliation								
1. Total Equity as reported (including non-controlling interests)	93,163	8	87,635	8	82,260	7	75,141	7
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Non-loss-absorbing non-controlling interests	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Goodwill	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other intangibles	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Deferred tax assets deduction	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Net asset value of insurance subsidiaries	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. First loss tranches of off-balance sheet securitizations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Fitch Core Capital	**93,163**	**8**	**87,635**	**8**	**82,260**	**7**	**75,141**	**7**
Exchange Rate	USD1 = EUR0.9185		USD1 = EUR0.8237		USD1 = EUR0.7251		USD1 = EUR0.7579	

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