Genossenschaftliche FinanzGruppe

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AA-
Short-Term IDR	F1+
Viability Rating	aa-
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

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

Outlooks

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

Financial Data

Genossenschaftliche FinanzGruppe

	2017	2016
Total assets (USDm)	1,243,316	1,215,780
Total assets (EURm)	1,243,316	1,215,780
Total equity (EURm)	104,358	98,484
Operating profit (EURm)	8,916	8,308
Net income (EURm)	6,073	5,898
Operating ROAA (%)	0.73	0.70
Operating ROAE (%)	8.8	8.7
Fitch Core Capital ratio (%)	15.8	15.9
CET1 ratio (%)	13.3	13.0
Total capital ratio (%)	16.0	16.1
Tangible common equity/ tangible assets (%)	8.4	8.1
Loans/customer deposits (%)	95.1	94.7

Source: Fitch Ratings, Fitch Solutions

Related Research

Genossenschaftliche FinanzGruppe - Ratings Navigator (February 2019)

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Key Rating Drivers

Strong Retail-Focused Cooperative Group: Genossenschaftliche FinanzGruppe (GFG) is the German cooperative banking group. Its ratings primarily reflect its strong capitalisation. They also reflect the group's strong funding and franchise, predominantly in low-risk domestic retail businesses, its sound asset quality and solid, resilient profits. They also factor in GFG's structural interest-rate risk, which is likely to increase earnings pressure in the next few years.

Mutual Support Underpins Ratings: GFG is a cooperative bank network, not a legal entity. Its mutual support scheme, managed by the National Association of German Cooperative Banks (BVR), has a strong record of protecting its member banks' viability and their cohesion. GFG's Issuer Default Ratings (IDRs), but not its Viability Rating (VR), apply to all member banks, and are based on Fitch Ratings' criteria for banking structures backed by mutual support schemes.

High Influence of Strong Capitalisation: Solid and stable capital generation by GFG's about 900 local cooperative banks drives the group's steady capital build-up. Profit distribution is low, and material flexibility arises from the local banks' ability to raise capital from their granular pool of 18.5 million owners, if needed. However, strong loan growth and rising pressure on net interest margins make further significant increases of GFG's capital ratios increasingly unlikely.

Leading German Retail Franchise: The local banks' strong local franchises and close cooperation with their central institution DZ BANK AG Deutsche Zentral-Genossenschaftsbank and its product suppliers, underpin GFG's leading nationwide market positions. This also result in above-average pricing power in GFG's core retail and small business banking businesses.

Challenging Profit Stabilisation: Rising fee income in the transaction services and securities business, above-average new lending volumes and unsustainably low loan impairment charges (LICs) have so far countered the erosion of GFG's net interest margin. However, the inevitable decline of asset margins (notably due to large volumes of long-term, fixed-rate mortgages originated in recent years) is making such compensation increasingly challenging.

Sound Risk Appetite, Asset Quality: Granular housing and SME loans drive GFG's low credit risk and impaired loan ratio amid the strong domestic environment. DZ BANK's sizeable loan exposure to more vulnerable assets (e.g., shipping, commercial property) is manageable.

Strong Liquidity and Funding: GFG's vast and granular deposit base and its leading covered bond franchise ensure large liquidity buffers and low reliance on unsecured wholesale funds. The majority of depositors are also the local banks' owners, which enhances deposit stability.

Rating Sensitivities

Low Interest Rates: Earnings erosion driven by lasting low interest rates could pressure the ratings if, combined with sustained strong loan growth, it durably weakens GFG's capital ratios.

Interest Rate Rise: A rapid interest-rate rise could squeeze the local banks' earnings as their large stock of sight deposits could reprice much faster than their long-term, unhedged fixed-rate assets. However, GFG's strong loss-absorption capacity could prevent a downgrade, also because the initial earnings pressure would eventually give way to rising asset margins.

Simplified Structure: We expect the ongoing simplification of GFG's organisational structure to result in further efficiency gains while preserving the franchise value of its decentralised setup. However, this gradual process is unlikely to trigger a rating upgrade on its own.

Operating Environment

World Bank ease of doing business score – Germany [a]

		>85	70-85	55-70	40-55
GDP/	>45	aa	aa	a	a
Capita	35-45	aa	a	a	bbb
(USD	15-35	a	bbb	bbb	bb
000)	6-15	bbb	bb	bb	b

[a] Percentile rank
Source: Fitch Ratings

Operating Environment

GFG's Operations Focus on the Strong Domestic Economic Environment

Germany's 'AAA'/Stable sovereign IDR reflects the country's diversified, high value-added economy, strong institutions and sound public debt management. GDP growth decelerated sharply in 3Q18 and, according to official estimates, fell to 1.5% in 2018. Fitch forecasts 1.6% in 2019. Domestic fundamentals remain sound, underpinned by record low unemployment and a gradual pick-up in nominal wage growth. Positive labour market dynamics and healthy SME balance sheets result in historically low risk costs, which should remain low in the next quarters but are unsustainable in the long run. Investment growth is supported by favourable credit conditions, high capacity utilisation, solid profit growth and a buoyant construction sector.

Stable German Banking Sector Outlook

Fitch's banking system indicator of 'a' and macro-prudential indicator of '1' for Germany's banking sector indicate low systemic risk. Most banks' asset quality is strong, owing to their dominant domestic focus, and is unlikely to worsen in the short term. The non-performing loan (NPL) ratio is below 2%, among the lowest within the EU, and still declining slightly. LICs remain extremely low, except for a small number of troubled shipping lenders.

The sector's funding, liquidity and capitalisation are sound and leverage ratios are adequate. Large German banks comfortably fulfil their individual Minimum Requirements for Own Funds and Eligible Liabilities (MREL) without additional issuance needs. This is due to favourable national legislation that makes most of the stock of senior unsecured debt retroactively rank as senior non-preferred (SNP) in resolution. Pressure on profitability will continue to be the main challenge. This is because of low interest rates, partial progress in reviving revenue generation and addressing high cost bases, and intense competition compounded by the large number of foreign banks supported by low barriers to entry as a result of the sector's low consolidation.

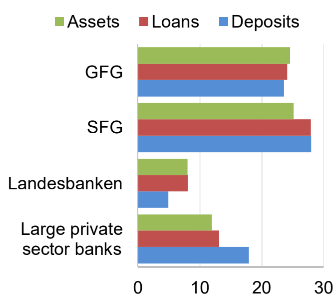
Growth of domestic household and corporate loans remains strong (3% and 6% in the 12 months to end-3Q18, respectively). This is because the low interest rates drive strong demand from home buyers despite eight years of very high property price inflation in large urban areas. The strong demand for credit (also from SMEs) mitigates the pressure on net interest income to which German banks are particularly exposed given their moderate diversification beyond interest revenue. GFG's strong regional diversification throughout Germany offers sufficient protection against the potential macro-prudential instability that could arise from the increased valuation gap between rural areas (where GFG's presence is particularly strong) and large cities.

Company Profile

Sole German Cooperative Banking Group

GFG comprises about 900 local cooperative banks, which focus on retail and small SME banking, and their central institution DZ BANK, which also consolidates GFG's banking product suppliers. DZ BANK is large (35% of GFG's assets at end-2017) and more exposed to riskier wholesale asset classes such as shipping and commercial real estate (CRE). However, stable and low-risk retail businesses dominate its revenue mix, similar to the local banks.

Domestic Market Shares
End-2018



Source: Fitch Ratings, Bundesbank, DZ bank

GFG's domestic market shares are close to 20% in most deposit and loan segments, second only to the savings banks (Sparkassen-Finanzgruppe, SFG). Like SFG, GFG is particularly strong in retail and small business banking. More than 60% of the group's 30 million clients are also the local banks' owners. This significantly enhances the stability of GFG's client base, as does the local banks' strong commitment to their home regions.

GFG has steadily increased its market shares in most core products over the last decade, gradually reducing the gap to SFG, and still has some potential to improve its penetration of the vast German mid-sized SME market. The local banks and DZ BANK's product suppliers have also intensified their cooperation and cross-selling, thereby strengthening GFG's cohesion.

Related Criteria

Bank Rating Criteria (October 2018)

Decentralised Structure Strengthens Franchise but Complicates Regulation

GFG's local banks collectively own DZ BANK, control its supervisory board and define its strategic orientations in cooperation with DZ BANK's management. The local banks' management teams operate much more autonomously than in most European cooperative banking groups. This is because each local bank is legally independent.

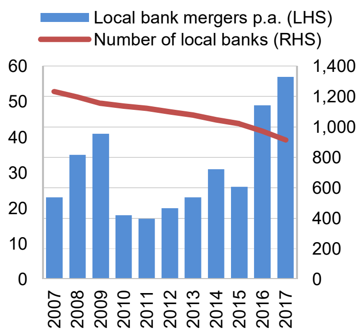
We believe that this autonomy and the fact that DZ BANK has no authority over the local banks explain the absence of regulatory requirements at GFG's level. The ECB monitors some data at GFG level, drawing upon information collected by the German regulators. However, the ECB's formal direct supervision applies only to the domestically systemically important DZ BANK, while the Bundesbank and BaFin supervise each local bank individually. In our view, this regulatory fragmentation prevents considerable efficiency gains, as each of the about 900 banks must maintain extensive regulatory reporting and back office functions.

We consider that the absence of comprehensive group supervision also fails to fully accommodate GFG's operational cohesion. Each local bank must fulfil regulatory requirements such as SREP and liquidity coverage ratios individually, although the mutual support scheme and DZ BANK's central liquidity pooling ensure intragroup fungibility of capital and funding.

Similarly, the fragmented regulation has so far prevented the implementation of a group-wide regulatory recovery and resolution planning. GFG's institutional protection scheme drafts and reports to BaFin a single recovery plan encompassing all local banks. However, the ECB categorises each individual local bank as less significant institution, notably due to their small sizes and simple business models. On this basis, BaFin has announced standard insolvency proceedings as the preferred resolution approach for each local bank.

However, we believe resolution could only occur if a particularly severe and protracted systemic crisis exhausts GFG's ability to protect its members' viability via its mutual support scheme. GFG's VR reflects the low probability of occurrence of this scenario.

Consolidation Accelerates



Source: Fitch Ratings, BVR

Despite these regulatory peculiarities, we expect GFG to remain strongly committed to its decentralised structure, wide-ranging autonomy of local management and large (but rapidly decreasing) branch network, as long as the benefits from the strong local franchises outweigh the onerous regulatory costs of the strict decentralised setup. However, cost-driven mergers of local banks have recently accelerated, as the low interest rates add to the pressure. DZ BANK's merger with GFG's smaller central institution WGZ BANK in 2016 was a major step toward increased cohesion and efficiency. The local banks and DZ BANK also continue to align their strategic goals to maximise revenue generation by increasing product penetration.

GFG's decentralised setup also has positive risk implications as it limits risk correlations, drives granularity and promotes a cautious risk culture locally. BVR, GFG's umbrella organisation, ensures the compatibility of GFG's decentralised setup with its common identity and strategic coherence. The continuous development of BVR's monitoring tools enables increasingly effective checks and balances. BVR's responsibilities notably include GFG's risk monitoring, coordination of product development by the group's specialised product providers and management of the dual mutual support scheme (Appendix 2).

The publication of consolidated accounts at GFG's level attests its commitment to be perceived as a cohesive group by key stakeholders. In our view, the group's market share gains relative to SFG in recent years partly reflect its higher cohesion, whereas SFG is (despite some progress) still far from having a single central institution and unified product suppliers.

Management and Strategy

Common Strategic Goals Despite Local Banks' Independent Management

The highly decentralised structure results in fairly loose corporate governance at GFG's level, in our view. BVR has limited powers to influence the governance of DZ BANK and the local banks, each of which has its own management and supervisory boards.

BVR's former president became DZ BANK's co-chief executive in 1Q19. This unprecedented move evidences the deepening cooperation and strategic alignment of DZ BANK, BVR and the local banks. A current illustration of this alignment is the ongoing wind-down of DZ BANK's ship financing business after heavy losses in 2016 and 2017 at its transportation finance unit DVB BANK. The volatile, wholesale, bulky, global and largely dollar-denominated ship lending was the last remaining sizeable business that did not serve the local banks' domestic retail focus.

Increasingly Acting in Concert on Digitalisation and IT Harmonisation

Rising regulatory standards on robustness of data management and frequency of group-wide internal reporting should gradually enhance GFG's capacity to react swiftly to external shocks. The merger (finalised in 2017) of the group's IT service providers, GAD and Fiducia, should enable further harmonisation of the various IT infrastructures.

Similarly to its large domestic peers, GFG is allocating considerable resources to develop digital solutions to offer full multi-channel banking to its retail and business clients. GFG launched its mobile payment application in 2018 amid rapidly increasing competition, shortly after the launch of Google Pay and just ahead of Apple Pay in Germany. GFG also aims to expand its peer-to-peer payment platform Kwitt and the online payment system Paydirekt that it shares with numerous German competitors. In our view, GFG is well equipped to manage the transition of its clients' banking behaviour while maintaining the local proximity that underpins its franchise. In doing so, it is helped by the high inertia that characterises German retail clients. Successfully combining its traditional and innovative banking channels is crucial as we believe GFG's setup will prevent the creation of a common pure online bank in the foreseeable future.

Risk Appetite

- BVR monitors and ensures cohesion of decentralised risk management
- Sound underwriting standards mitigate above-average loan growth
- Growing maturity mismatch in the loan portfolio increasingly exposes the local banks to interest rate risks

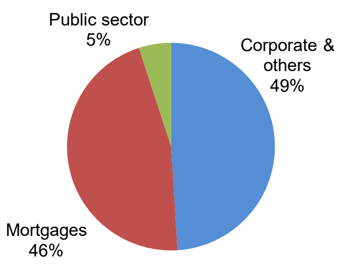
Decentralised Risk Management but Adequate Risk Controls

Each local bank defines its risk appetite, and underwriting decisions are not subject to GFG-wide centralised approvals or limits. However, BVR's monitoring system indirectly influences the banks' risk-taking as their individual contributions to GFG's mutual support fund BVR-Sicherungseinrichtung (BVR-SE) depend on BVR's assessment of each bank's risk profile. The local banks also use a shared internal credit rating system for retail and SME loans (VR Rating System) and a synthetic risk diversification tool, both managed by BVR and DZ BANK.

Strong Loan Growth, but Domestic Retail Focus Contains Credit Risk

The local banks and DZ BANK are primarily exposed to credit risk from their client loans, which accounted for over 60% of GFG's total assets at end-2017. GFG's loan book has grown faster than the overall German banking sector and GDP in recent years, and this is likely to continue in 2019. Growth is mostly driven by the local banks' residential mortgage lending.

GFG's Loan Breakdown
End-2017; total EUR762bn



Source: Fitch Ratings, BVR

Prolonged credit expansion above GDP growth could exacerbate the impact of the next cyclical downturn on loan quality. However, the still rapidly rising property prices and the less favourable market outlook should moderate demand for credit in the medium term. The local banks' low risk appetite and their diversified and granular exposures adequately mitigate their credit risk and the long-term risk arising from their above-average loan growth. The banks' strong focus on owner-occupied housing loans, which account for over one third of GFG's total loans, and close proximity to their clients, are also important risk mitigating factors.

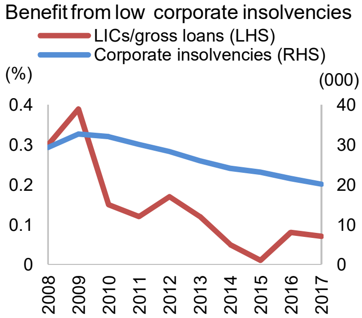
High Structural Interest-Rate Risk in the Banking Books

Each local bank manages its market risk individually, based on its own risk-bearing capacity, and subject to BVR's monitoring. The banks' traditional business model that is based on extensive maturity transformation exposes them to the risk of a rapid interest-rate rise. This is because the ultra-low interest rates have increased their reliance on sight deposits and incentivised housing loan underwriting with increasingly long initial fixed-rate terms. Conversely, a protracted low-rate scenario would gradually erode the local banks' profits, which strongly rely on interest income.

High interest-rate risk also arises from GFG's large securities portfolio, but the group's strong risk-bearing capacity could absorb material rate rises. GFG has reduced its exposure to southern European debt securities since the peak of the eurozone crisis in 2011, but spread increases could still trigger material fair value losses. Currency risk is concentrated at DZ BANK but is modest in view of GFG's strong loss-absorption capacity.

Minor Costs of Risk

Benefit from low corporate insolvencies



Source: Fitch Ratings, BVR, Federal Statistical Office

Asset Quality

Strong Economy Supports Loan Quality; DZ BANK Addresses Shipping Crisis

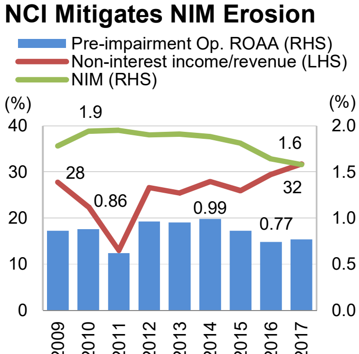
Local banks rarely sell NPLs. Therefore, their asset quality generally evolves very gradually and correlates strongly with the German economic cycle. Consequently, their stock of impaired loans is now at a record low after almost a decade of steady decrease. In particular, their corporate loan portfolio, which is dominated by small SMEs and independent professionals, benefits from the decreasing number of corporate insolvencies in Germany.

DZ BANK concentrates some of GFG's higher-risk, cyclical and less granular asset classes, including shipping and CRE. GFG incurred EUR576 million of LICs in 2017 as impairments on DVB BANK's troubled shipping and offshore portfolios peaked at EUR728 million, more than offsetting net releases at the local banks and DZ BANK's retail and CRE units. After DVB BANK's NPL ratio peaked at close to 12% in 2017, DZ BANK has accelerated the unit's break-up since 2018. DVB BANK's LICs decreased to EUR80 million in 2018.

DZ BANK's resilient NPL ratio close to 3% in recent years evidences the benefits of its diversified and mostly retail-oriented business mix and its ability to absorb deterioration in individual portfolios such as DVB BANK's. The impact of such asset quality shocks on profitability and internal capital generation is further diluted at GFG's level. Excluding DVB BANK, GFG's average LICs amounted to less than 1bp of total loans in the four years to end-2017. Including DVB BANK, the group's LICs/total loans ratio was a still very low 5bp.

Adequate Coverage in Context of High Share of Collateralised Housing Lending

NCI Mitigates NIM Erosion



Source: Fitch Ratings, BVR

The local banks' impaired loan reserve coverage is moderate in an international context but should be assessed in the context of their large proportion of mortgage loans. Including collateral, the total coverage is reasonably close to 100%. The stock of unreserved impaired loans is significant in relation to the group's equity but has remained stable in recent years.

Moderate Credit Risk in the Security Portfolio

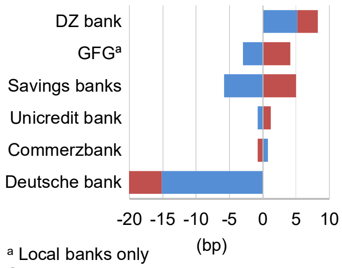
GFG's securities investments of more than EUR240 billion (19% of total assets) at end-2017 mainly serve as liquidity reserve. They mostly include fixed-income products and, to a lesser extent, investment funds, with small equity holdings. More than half of the total exposure is domestic, and the remainder focuses on Western and Northern European issuers. Corporate bonds are adequately diversified by sector and geography. As with the loan books, concentration risk is not managed ex-ante at GFG's level as each local bank manages its investments independently, but the large number of banks ensures adequate diversification.

Earnings and Profitability

Strong NCI and Lending Growth, Low LICs Offset NII Erosion

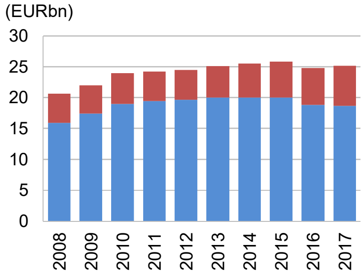
GFG is the most profitable and resilient large German banking group by a wide margin and has been so for the past decade, on par with the savings banks. The group achieved a pre-tax profit of EUR8.9 billion and an operating return on average assets of 0.73% in 2017.

Above-Average Resilience to NII Erosion



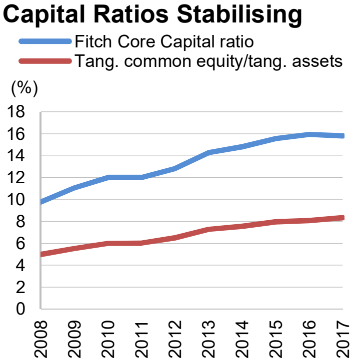
[a] Local banks only
Source: Fitch Ratings, Banks

Fee Income and Loan Growth Stabilise Revenues



Source: Fitch Ratings, BVR

Capital Ratios Stabilising



Source: Fitch Ratings, BVR

The local banks' retail focus strongly exposes GFG's earnings to the low interest rates. The moderate 1% decline in GFG's net interest income (NII) in 2017 (local banks: -0.8%) compares favourably with the large German banks' average (-13%). However, this apparent stability merely reflects the local banks' high loan origination volumes. Further growth in their stock of housing loans with very long initial fixed-rate terms is likely to have continued to mitigate the decline in GFG's net interest margin in 2018, which remains well above – but has been eroding more rapidly than – those of large domestic competitors in recent years.

GFG's strong franchise also enables the local banks to better offset the pressure on NII than most competitors by raising the fees they charge for account management and payments (together 37% of GFG's net commission income (NCI) in 2017). Overall, the local banks' NCI rose by EUR0.4 billion to EUR5.1 billion in 2017 (24% of operating revenue). The securities and fund business performed strongly (48% of NCI), as clients turned to more remunerative investments amid the low interest-rate environment. The increase in NCI was broadly evenly distributed through the group, with only 13% of local banks experiencing a decline.

GFG's profitability is likely to have been resilient in 2018 but faces significant downside in the medium term as a material interest-rate rise is unlikely any time soon. There is increasing evidence that the economic cycle is turning. This should limit the scope to further increase fee income and loan origination volumes and could result in a gradual weakening of asset quality.

DZ BANK's Profits Burdened by High Shipping LICs

DZ BANK's pre-tax profit declined to EUR1.4 billion in 2018, slightly missing management's target range of EUR1.5-EUR2 billion, due to a series of negative one-off effects. The solid EUR1.8 billion and EUR2.2 billion achieved in 2017 and in 2016, respectively, benefitted from strong performance in the insurance and asset management businesses and one-off gains in the bank's securities portfolio, which offset impairment charges on DVB BANK's shipping loans.

Capitalisation and Leverage

Resilient Capital Generation Drives Strong Capitalisation and Leverage

GFG's strong capitalisation and leverage have a high positive influence on its VR. We include the undisclosed German GAAP reserves (section 340f, which count as regulatory Tier 2 capital) in GFG's Fitch Core Capital (FCC). This is because these reserves are fully loss-absorbing on a going-concern basis and the member banks can convert them into their funds for general banking risk (German GAAP section 340g, which count as regulatory common equity Tier 1 (CET1) capital) at management's discretion. Therefore, the FCC ratio of 15.8% at end-2017 is well above the CET1 ratio of 13.4% and close to the regulatory total capital.

The vast majority of GFG's equity is at the local banks. Paid-in capital accounts for only 11% of the group's IFRS equity, which predominantly consists of retained earnings derived from the group's long and steady record of strong organic capital generation. GFG has built up over EUR30 billion of IFRS equity organically during the five years to end-2017. This resulted in a strong regulatory total capital base of EUR98 billion at end-2017, one of the largest in Europe.

The low share of paid-in capital enables the local banks to maintain stable dividends and attractive dividend yields of 4% despite the low interest-rate environment, while keeping a payout ratio below 10% of GFG's net income in recent years. This enables GFG to tap a reliable and granular source of external capital without being exposed to capital market volatility, as does the local banks' generally long-term business relationships with their owners.

We expect GFG's organic capital generation to remain solid. However, the rising earnings pressure and sustained growth of risk-weighted assets (RWAs), driven by robust demand for credit, are increasingly likely to result in broadly stagnating capital ratios in the next few years.

Conservative RWA Calculation

The local banks account for the vast majority of GFG's RWAs and use the standardised approach (SA) to calculate their RWAs, while DZ BANK and Muenchener Hyp mostly use the internal ratings-based approach. We estimate the SA is applied to at least 60% of GFG's total assets. This results in a RWA density close to 50%, which is well above those of comparable retail-focused European peers, including large cooperative banking groups (Annex 1). This is despite broadly comparable operating environments, business models and risk profiles. Hence, we believe that GFG's regulatory leverage ratio of 7.7% (including 340f reserves) and tangible equity/tangible assets ratio of 8.4% at end-2017 evidence the strength of its capitalisation relative to its peers more meaningfully than its CET1 ratio.

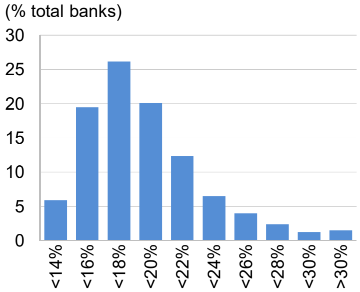
Funding and Liquidity

Stable and Diversified Retail-Focused Funding

GFG's local banks are almost purely deposit-funded. Their client deposits typically exceed their client loans by around EUR100 billion, which drives GFG's stable loan/deposit ratio of 95%.

German depositors' above-average protection by various mutual and deposit support schemes, and a stable household savings rate close to 10% underpin the depth and steady growth of the German deposit market to EUR3.7 trillion at end-1H18 (of which EUR2.2 trillion from domestic households). This size fuels competition from foreign banks. However, GFG has demonstrated the above-average stickiness of its deposit base through various interest-rate cycles by marginally increasing its deposit market shares (the second-largest in Germany behind SFG).

Distribution of Capital Ratios
Local banks' FYE17 total capital ratios

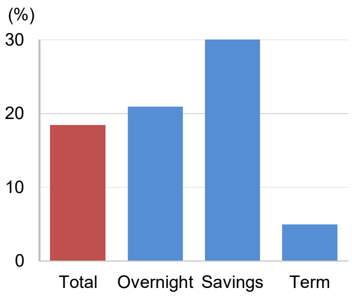


Source: Fitch Ratings,BVR

GFG has proven its ability to fend off aggressive competitors during phases of higher interest rates and steeper yield curves, when competition for cheap retail deposits is particularly strong. The local banks' deposits grew, in line with their loans, by 5% yoy to EUR663 billion at end-1H18. This was again driven by sight deposits (+8% yoy to EUR436 billion), while term and saving deposits stagnate at best, as the low interest rates make them unattractive.

GFG meets the majority of its external wholesale funding needs with covered bonds. Its members (mainly its mortgage lenders DZ HYP and Muenchener Hypothekenbank) are collectively, and by a wide margin, the largest issuers of German covered bonds, with EUR86 billion outstanding at end-2017. However, a material share of this aggregated volume is placed within GFG. The group's rising mortgage covered bond issuance has more than compensated for the decrease of its outstanding public-sector covered bonds over the past decade.

GFG Deposit Market Shares
End-2018; local banks only



Source: Fitch Ratings, Bundesbank

DZ BANK pools the local banks' excess deposits in its capacity as GFG's central institution, and some of its subsidiaries (especially its housing lender Bausparkasse Schwaebisch Hall) are large deposit takers. Therefore, its wholesale funding needs are limited relative to its size, even though it is a frequent issuer of unsecured debt. DZ BANK places a significant share of its senior unsecured debt at GFG's local banks. Most of its external unsecured issuance is in the form of small private placements, often as reverse enquiries, to a diversified pool of international investors. This limits the bank's exposure to funding market volatility.

Structural subordination of senior unsecured creditors is high at GFG's large covered bond issuing entities but moderate at the group's level, with less than 10% of GFG's total assets encumbered by covered bonds. We do not view structural subordination at individual members as meaningful given the mutual support scheme, which protects their viability.

Debt, Deposit and Derivative Counterparty Ratings

We align DZ BANK's Derivative Counterparty Rating and the Deposit Ratings assigned to each of GFG's about 900 rated members with GFG's IDRs. This is because, in our view, GFG's consolidated layer of qualifying junior and SNP debt is unlikely to grow enough in the foreseeable future to sufficiently protect the group's preferred creditors, depositors and counterparties in a resolution scenario or provide sufficient comfort that recoveries on preferred obligations would be above average in a default scenario. Therefore, we believe preferred obligations do not merit a rating uplift.

GFG's consolidated junior debt and SNP buffer is relatively limited because DZ BANK, which is GFG's predominant debt issuer, places a large share of its issuance within GFG. The moderate size of DZ BANK's wholesale business also results in limited issuance needs in comparison to GFG's predominantly retail deposit-funded balance sheet. DZ BANK must maintain sufficient junior and SNP debt buffers to fulfil its SREP and MREL, given it is a domestically systemically important bank. However, these buffers are moderate as DZ BANK's RWAs account for less than 20% of GFG's RWAs.

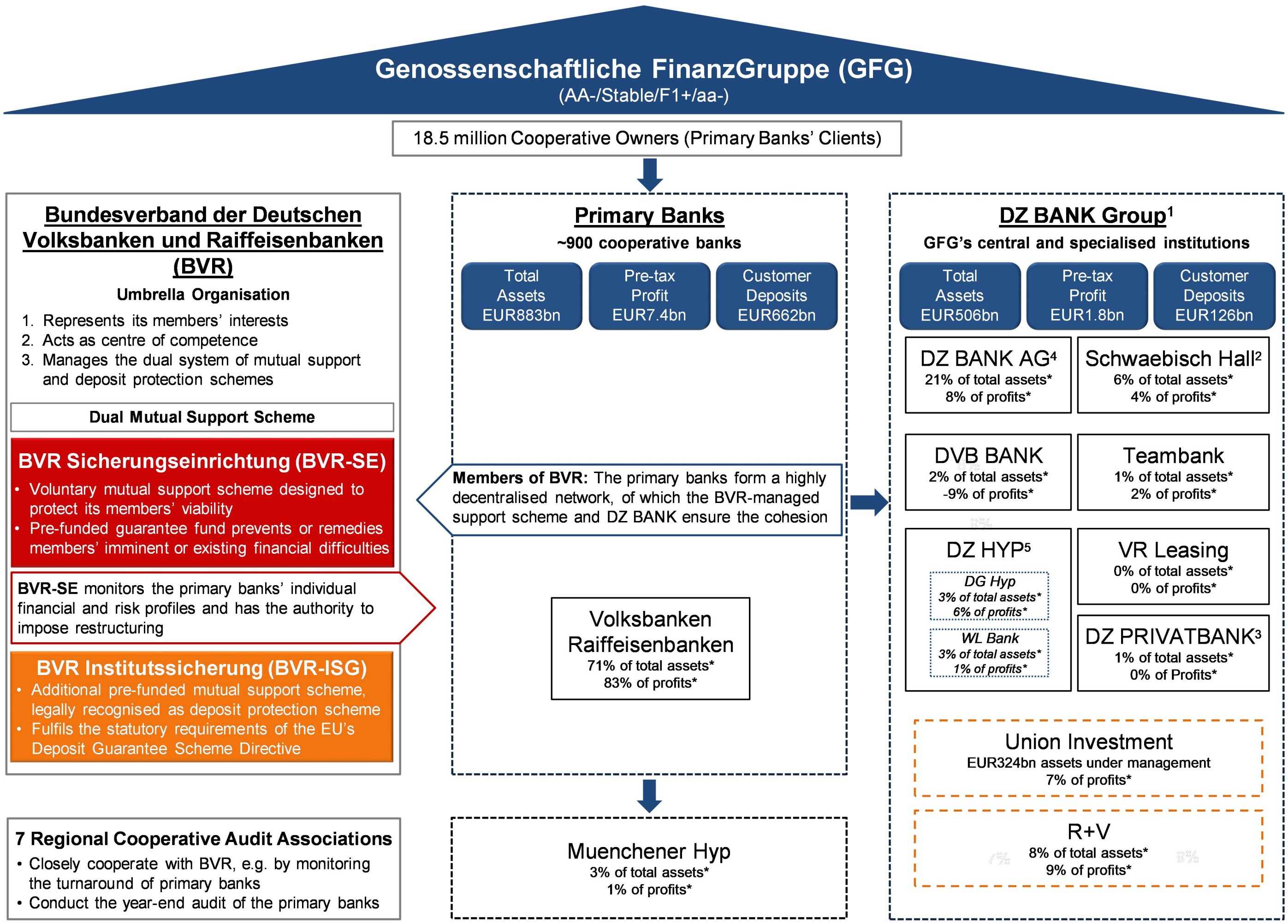
Annex 1

Peer Comparison

LT IDR/Outlook/VR	GFG AA−/Stable/aa−		SFG A+/Stable/a+		Credit Agricole A+/Stable/a+		Cooperatieve Rabobank AA−/Stable/a+		Credit Mutuel Alliance Federale A+/Stable/a+		Groupe BPCE A+/Stable/a+	
Statement dates (FYE)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Profitability (%)												
Operating RoRWA	**1.5**	**1.5**	**1.5**	**1.5**	**2.0**	**1.6**	**2.0**	**1.7**	**2.2**	**2.0**	**1.4**	**1.6**
Net interest margin	1.6	1.6	1.9	2.0	1.3	1.3	1.6	1.5	1.1	1.0	1.0	1.1
Non-interest income/revenue	32	29	26	24	34	32	25	29	58	58	56	54
Cost income ratio	66	67	67	70	65	66	70	69	60	62	72	69
Pre-impairment ROAA	0.77	0.74	0.85	0.85	0.70	0.63	0.60	0.58	0.84	0.83	0.55	0.64
Operating RoAE	8.8	8.7	9.7	10.5	10.6	9.0	11.9	11.3	10.8	10.7	8.1	9.9
Operating RoAA	0.73	0.70	0.85	0.88	0.60	0.49	0.63	0.54	0.70	0.69	0.44	0.52
LICs/Pre-imp operating profit	6	6	-1	-3	14	22	-4	8	17	17	20	18
Asset quality (%)												
NPL ratio	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**3.1**	**3.4**	**4.3**	**4.3**	**3.4**	**4.1**	**3.5**	**3.7**
Loan growth	4	5	3	3	5	5	-4	-1	4	9	3	5
LICs/average gross loans	0.07	0.08	-0.01	-0.04	0.16	0.27	-0.04.	0.07	0.25	0.25	0.21	0.22
Unreserved NPLs/Fitch Core Capital	n.a.	n.a.	n.a.	n.a.	8	8	40	37	17	19	20	21
RWA/total assets	49	47	57	56	30	30	33	32	32	34	31	32
Funding & liquidity (%)												
Loans/deposits	**95**	**95**	**92**	**91**	**114**	**115**	**125**	**128**	**120**	**121**	**129**	**132**
Client deposits/total funding	80	80	82	81	64	64	64	61	62	61	52	50
Capitalisation & leverage (%)												
Fitch Core Capital ratio	**15.8**	**15.9**	**15.7**	**15.2**	**15.1**	**14.7**	**16.3**	**14.4**	**16.1**	**14.8**	**14.7**	**13.5**
CET1 ratio	13.3	13.0	15.8	15.1	14.8	14.4	15.8	14.0	16.4	15.1	15.3	14.1
Total capital ratio	16.0	16.1	17.4	16.9	18.6	19.3	26.2	25.0	20.3	18.5	19.2	18.5
Tangible common equity ratio	8.4	8.1	9.0	8.6	4.7	4.7	5.3	4.6	5.9	5.7	5.1	4.9
Balance sheet & income statement (EURbn)												
Operating profit	8.9	8.3	9.9	10.1	10.5	8.4	3.9	3.6	4.3	4.1	5.5	6.3
Total assets	1,243	1,216	1,178	1,156	1,763	1,723	603	663	619	610	1,260	1,235
Total gross loans	762	733	768	743	832	792	425	444	345	332	654	634
Total customer deposits	801	774.	839	813	731	689	341	348	287	275	509	482
Total equity	104	99	106	99	101	96	33	32	41	40	70	67
Fitch Core Capital	97	91	106	99	71	70	32	30	28	27	57	53

Source: Fitch Ratings

Appendix 2: Simplified Organisational Structure



All data at end-2017
* In % of GFG's consolidated pre-tax profit and total assets

100% Ownership/Control
Non-Members of BVR - SE / ISG
GFG's scope of consolidation

[1] IFRS consolidated
[2] Bausparkasse Schwaebisch Hall (BSH)
[3] Part of BVR-SE, not of BVR-ISG
[4] Parent of DZ BANK Group
[5] DG HYP/WL BANK merged to form DZ HYP in July 2018

Source: Fitch Ratings

Appendix 3: BVR-Run Dual System of Mutual Support and Deposit Guarantee Scheme

The banks' membership in the mutual support scheme allows a 0% regulatory risk-weighting of GFG's intragroup receivables (standardised approach) under Art. 113 (7) CRR. This is an important element of the group's cohesiveness as it ensures funding fungibility and facilitates intragroup risk transfers. In addition, group members do not have to deduct their equity stakes in other members from their regulatory capital under Art. 49 (3) 3 CRR, and only 50% of their intragroup receivables counts toward their regulatory large exposure limits.

BVR-SE

BVR-SE is a legally segregated trust governed by BVR's by-laws. GFG's group ratings do not apply to BVR, which manages the mutual support scheme but is not a member itself. In theory, GFG's members are allowed to exit the scheme, and BVR can exclude any bank that fails to monitor its risks adequately. However, exits and exclusions are very rare occurrences.

The fund is at the core of the institutional protection scheme that protects the viability of all bank members, and thus covers all of their obligations, not only their deposits. Since BVR-SE's creation in 1934, no member has ever defaulted on any of its obligations.

Each deposit-taking member of GFG is affiliated to the fund and makes mandatory annual cash contributions ("Garantiefonds") based on its RWAs and adjusted for BVR's assessment of its individual risk profile. The fund retains the net interest income accrued on the accumulated cash contributions. If the Garantiefonds' endowment is insufficient to provide support when the need arises, BVR is entitled to call guarantees ("Garantieverbund"), based on irrevocable letters of credit from the members and proportional to their individual risk profiles.

In theory, timeliness of payment could become an issue if the combined Garantiefonds and Garantieverbund are insufficient to cover the failure of sizeable members (of which DZ BANK is by far the largest), and therefore needed replenishment. However, should this unlikely scenario occur, we would expect the fund to borrow against future cash flows to ensure timely payment or arrange timely support from another source (e.g. members might provide the troubled entity with subordinated debt directly or set up an asset guarantee structure, similar to the one put in place to cover some of DZ BANK's non-core securitisation assets at end-2008).

BVR-ISG

GFG established in 2015 a second support scheme, BVR Institutssicherungs GmbH (BVR-ISG), in addition to its long-standing mutual support scheme BVR-SE. BVR-ISG is the group's legally recognised deposit protection fund, pursuant to the EU's Deposit Guarantee Scheme Directive (DGSD). The two schemes constitute the BVR's dual system and are linked by an indemnity declaration of BVR-SE in favour of BVR-ISG.

Centralised Monitoring Tools

BVR calculates a set of capital, profitability and asset-quality ratios for each local bank based on annual reports, which are typically audited by GFG's regional audit associations. These metrics feed into an internal classification system to determine preventive or curative measures and, if needed, turnaround management of distressed banks.

This classification is validated by regular back-testing. Lowly-rated banks are subject to extended reporting requirements. Banks in these categories may also be subject to special audits or recommendations from BVR on actions needed. They may also have to present a turnaround plan, which, if accepted, will be closely monitored by GFG's auditors and BVR and may include a management reshuffle. The number of local banks subject to preventive measures or restructuring procedures has fallen materially since the mid-2000s, reflecting the efficiency of BVR's monitoring processes and Germany's benign operating environment.

Genossenschaftliche FinanzGruppe
Income Statement

	31 Dec 2017 Year End EURm Audited -	31 Dec 2016 Year End EURm Audited -	31 Dec 2015 Year End EURm Audited -	31 Dec 2014 Year End EURm Audited -
1. Interest Income on Loans	22,204	23,253	24,307	25,709
2. Other Interest Income	3,023	3,673	4,485	4,948
3. Dividend Income	n.a.	n.a.	n.a.	n.a.
4. Gross Interest and Dividend Income	**25,227**	**26,926**	**28,792**	**30,657**
5. Interest Expense on Customer Deposits	n.a.	n.a.	n.a.	n.a.
6. Other Interest Expense	6,589	8,100	8,771	10,610
7. Total Interest Expense	**6,589**	**8,100**	**8,771**	**10,610**
8. Net Interest Income	**18,638**	**18,826**	**20,021**	**20,047**
9. Net Fees and Commissions	6,491	5,963	5,798	5,467
10. Net Gains (Losses) on Trading and Derivatives	667	1,075	552	727
11. Net Gains (Losses) on Assets and Liabilities at FV	331	(166)	418	460
12. Net Gains (Losses) on Other Securities	(239)	(61)	(636)	83
13. Net Insurance Income	1,283	1,119	993	1,281
14. Other Operating Income	110	(76)	(126)	(281)
15. Total Non-Interest Operating Income	**8,643**	**7,854**	**6,999**	**7,737**
16. Total Operating Income	**27,281**	**26,680**	**27,020**	**27,784**
17. Personnel Expenses	10,137	10,318	10,160	10,059
18. Other Operating Expenses	7,747	7,626	7,074	6,836
19. Total Non-Interest Expenses	**17,884**	**17,944**	**17,234**	**16,895**
20. Equity-accounted Profit/ Loss - Operating	95	94	75	65
21. Pre-Impairment Operating Profit	**9,492**	**8,830**	**9,861**	**10,954**
22. Loan Impairment Charge	531	576	62	332
23. Securities and Other Credit Impairment Charges	45	(54)	12	(33)
24. Operating Profit	**8,916**	**8,308**	**9,787**	**10,655**
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.
26. Goodwill Impairment	n.a.	n.a.	n.a.	n.a.
27. Non-recurring Income	n.a.	n.a.	n.a.	n.a.
28. Non-recurring Expense	n.a.	n.a.	n.a.	n.a.
29. Change in Fair Value of Own Debt	n.a.	n.a.	n.a.	n.a.
30. Other Non-operating Income and Expenses	n.a.	n.a.	n.a.	n.a.
31. Pre-tax Profit	**8,916**	**8,308**	**9,787**	**10,655**
32. Tax expense	2,843	2,410	2,820	2,848
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.
34. Net Income	**6,073**	**5,898**	**6,967**	**7,807**
35. Change in Value of AFS Investments	(26)	336	103	1,397
36. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.
37. Currency Translation Differences	(43)	17	44	12
38. Remaining OCI Gains/(losses)	(139)	(57)	707	(1,922)
39. Fitch Comprehensive Income	**5,865**	**6,194**	**7,821**	**7,294**
40. Memo: Profit Allocation to Non-controlling Interests	115	150	206	252
41. Memo: Net Income after Allocation to Non-controlling Interests	5,958	5,748	6,761	7,555
42. Memo: Common Dividends Relating to the Period	467	577	630	645
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	n.a.	n.a.	n.a.	n.a.

Genossenschaftliche FinanzGruppe
Balance Sheet

	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm
Assets				
A. Loans				
1. Residential Mortgage Loans	349,334	321,890	305,858	286,663
2. Other Mortgage Loans	n.a.	n.a.	n.a.	n.a.
3. Other Consumer/ Retail Loans	n.a.	n.a.	n.a.	n.a.
4. Corporate & Commercial Loans	n.a.	n.a.	n.a.	n.a.
5. Other Loans	412,546	411,265	394,750	384,020
6. Less: Loan Loss Allowances	7,363	7,520	7,631	8,519
7. Net Loans	**754,517**	**725,635**	**692,977**	**662,164**
8. Gross Loans	**761,880**	**733,155**	**700,608**	**670,683**
9. Memo: Impaired Loans included above	n.a.	n.a.	n.a.	n.a.
10. Memo: Specific Loan Loss Allowances	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets				
1. Loans and Advances to Banks	51,042	41,433	32,988	38,293
2. Reverse Repos and Securities Borrowing	n.a.	n.a.	n.a.	n.a.
3. Derivatives	22,325	34,234	32,227	39,991
4. Trading Securities and at FV through Income	21,006	24,683	28,905	29,297
5. Securities at FV through OCI / Available for Sale	n.a.	n.a.	n.a.	n.a.
6. Securities at Amortised Cost / Held to Maturity	n.a.	n.a.	n.a.	n.a.
7. Other Securities	241,418	249,802	247,684	247,125
8. Total Securities	**262,424**	**274,485**	**276,589**	**276,422**
9. Memo: Government Securities included Above	n.a.	n.a.	n.a.	n.a.
10. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.
11. Equity Investments in Associates	2,314	2,163	2,276	2,094
12. Investments in Property	254	253	264	93
13. Insurance Assets	98,521	93,154	85,948	81,335
14. Other Earning Assets	84	182	198	0
15. Total Earning Assets	**1,191,481**	**1,171,539**	**1,123,467**	**1,100,392**
C. Non-Earning Assets				
1. Cash and Due From Banks	32,594	25,421	20,536	15,656
2. Memo: Mandatory Reserves included above	n.a.	n.a.	n.a.	n.a.
3. Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	11,477	11,132	10,904	11,336
5. Goodwill	58	58	59	121
6. Other Intangibles	463	423	350	272
7. Current Tax Assets	896	1,306	1,620	1,973
8. Deferred Tax Assets	2,084	2,174	2,152	2,511
9. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
10. Other Assets	4,263	3,727	3,431	3,499
11. Total Assets	**1,243,316**	**1,215,780**	**1,162,519**	**1,135,760**
Liabilities and Equity				
D. Interest-Bearing Liabilities				
1. Total Customer Deposits	801,031	774,302	739,218	713,485
2. Deposits from Banks	113,065	103,282	99,505	103,526
3. Repos and Securities Lending	n.a.	n.a.	n.a.	n.a.
4. Commercial Paper and Short-term Borrowings	n.a.	n.a.	n.a.	n.a.
5. Customer Deposits and Short-term Funding	**914,096**	**877,584**	**838,723**	**817,011**
6. Senior Unsecured Debt	30,869	38,765	35,480	33,910
7. Subordinated Borrowing	3,774	4,800	4,851	4,518
8. Covered Bonds	33,938	32,357	34,768	33,071
9. Other Long-term Funding	0	0	0	0
10. Total LT Funding	**68,581**	**75,922**	**75,099**	**71,499**
11. Memo: o/w matures in less than 1 year	n.a.	n.a.	n.a.	n.a.
12. Trading Liabilities	19,947	19,016	17,575	20,570
13. Total Funding	**1,002,624**	**972,522**	**931,397**	**909,080**
14. Derivatives	24,234	38,510	37,754	43,180
15. Total Funding and Derivatives	**1,026,858**	**1,011,032**	**969,151**	**952,260**
E. Non-Interest Bearing Liabilities				
1. Fair Value Portion of Debt	n.a.	n.a.	n.a.	n.a.
2. Credit impairment reserves	419	456	418	432
3. Reserves for Pensions and Other	7,630	8,225	7,768	9,088
4. Current Tax Liabilities	813	731	899	816
5. Deferred Tax Liabilities	370	325	364	382
6. Other Deferred Liabilities	4,513	4,428	4,377	4,141
7. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
8. Insurance Liabilities	94,788	89,073	83,184	78,873
9. Other Liabilities	3,075	2,761	2,835	3,049
10. Total Liabilities	**1,138,466**	**1,117,031**	**1,068,996**	**1,049,041**
F. Hybrid Capital				
1. Pref. Shares and Hybrid Capital accounted for as Debt	412	180	516	218
2. Pref. Shares and Hybrid Capital accounted for as Equity	80	85	105	315
G. Equity				
1. Common Equity	99,976	94,017	88,484	81,563
2. Non-controlling Interest	2,655	2,683	2,919	3,348
3. Securities Revaluation Reserves	1,676	1,720	1,444	1,258
4. Foreign Exchange Revaluation Reserves	46	74	62	32
5. Fixed Asset Revaluations and Other Accumulated OCI	5	(10)	(7)	(15)
6. Total Equity	**104,358**	**98,484**	**92,902**	**86,186**
7. Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as E	104,438	98,569	93,007	86,501
8. Total Liabilities and Equity	**1,243,316**	**1,215,780**	**1,162,519**	**1,135,760**
9. Memo: Fitch Core Capital	96,642	91,269	86,384	80,006

Genossenschaftliche FinanzGruppe
Summary Analytics

	31 Dec 2017 Year End	31 Dec 2016 Year End	31 Dec 2015 Year End	31 Dec 2014 Year End
A. Interest Ratios				
1. Interest Income/ Average Earning Assets	2.1	2.4	2.6	2.9
2. Interest Income on Loans/ Average Gross Loans	3.0	3.2	3.6	3.9
3. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.
4. Interest Expense/ Average Interest-bearing Liabilities	0.7	0.8	0.9	1.1
5. Net Interest Income/ Average Earning Assets	1.6	1.6	1.8	1.9
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.5	1.6	1.8	1.8
7. Net Interest Inc Less Preferred Stock Dividend/Average Earning Assets	1.6	1.6	1.8	1.9
B. Other Operating Profitability Ratios				
1. Operating Profit/ Risk Weighted Assets	1.5	1.5	1.8	2.0
2. Non-Interest Expense/ Gross Revenues	65.6	67.3	63.8	60.8
3. Loans and securities impairment charges/ Pre-impairment Op. Profit	6.1	5.9	0.8	2.7
4. Operating Profit/ Average Total Assets	0.7	0.7	0.9	1.0
5. Non-Interest Income/ Gross Revenues	31.7	29.4	25.9	27.9
6. Non-Interest Expense/ Average Total Assets	1.5	1.5	1.5	1.5
7. Pre-impairment Op. Profit/ Average Equity	9.4	9.2	11.0	13.3
8. Pre-impairment Op. Profit/ Average Total Assets	0.8	0.7	0.9	1.0
9. Operating Profit/ Average Equity	8.8	8.7	10.9	12.9
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	6.0	6.2	7.8	9.5
2. Net Income/ Average Total Assets	0.5	0.5	0.6	0.7
3. Fitch Comprehensive Income/ Average Total Equity	5.8	6.5	8.7	8.8
4. Fitch Comprehensive Income/ Average Total Assets	0.5	0.5	0.7	0.7
5. Taxes/ Pre-tax Profit	31.9	29.0	28.8	26.7
6. Net Income/ Risk Weighted Assets	1.0	1.0	1.3	1.5
D. Capitalization				
1. FCC/ FCC-Adjusted Risk Weighted Assets	15.8	15.9	15.5	14.8
2. Tangible Common Equity/ Tangible Assets	8.4	8.1	8.0	7.6
3. Equity/ Total Assets	8.4	8.1	8.0	7.6
4. Basel Leverage Ratio	6.8	6.3	6.0	n.a.
5. Common Equity Tier 1 Capital Ratio	13.3	13.0	12.3	11.2
6. Fully Loaded Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Tier 1 Capital Ratio	13.4	13.1	12.4	11.5
8. Total Capital Ratio	16.0	16.1	15.8	15.1
9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital	n.a.	n.a.	n.a.	n.a.
10. Impaired Loans less Loan Loss Allowances/ Equity	n.a.	n.a.	n.a.	n.a.
11. Cash Dividends Paid & Declared/ Net Income	7.7	9.8	9.0	8.3
12. Risk Weighted Assets/ Total Assets	49.2	47.1	47.8	47.6
13. Risk Weighted Assets - Standardised/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
14. Risk Weighted Assets - Advanced Method/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
E. Loan Quality				
1. Impaired Loans/ Gross Loans	n.a.	n.a.	n.a.	n.a.
2. Growth of Gross Loans	3.9	4.7	4.5	3.4
3. Loan Loss Allowances/ Impaired Loans	n.a.	n.a.	n.a.	n.a.
4. Loan Impairment Charges/ Average Gross Loans	0.1	0.1	0.0	0.1
5. Growth of Total Assets	2.3	4.6	2.4	5.1
6. Loan Loss Allowances/ Gross Loans	1.0	1.0	1.1	1.3
7. Net Charge-offs/ Average Gross Loans	0.1	0.1	0.1	0.2
8. Impaired Loans+Foreclosed Assets/Gross Loans+Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
F. Funding and Liquidity				
1. Loans/ Customer Deposits	95.1	94.7	94.8	94.0
2. Liquidity Coverage Ratio	161.0	156.0	n.a.	n.a.
3. Customer Deposits/ Total Funding (including Pref. Shares & Hybrids)	79.9	79.6	79.3	78.4
4. Interbank Assets/ Interbank Liabilities	45.1	40.1	33.2	37.0
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	3.5	4.8	3.6	2.9

Genossenschaftliche FinanzGruppe
Reference Data

	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm
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	18,436	18,259	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	75,634	71,528	n.a.	n.a.
6. Other Contingent Liabilities	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	323,919	292,272	n.a.	n.a.
B. Average Balance Sheet				
1. Average Loans	747,518	716,882	685,646	659,577
2. Average Earning Assets	1,181,510	1,147,503	1,108,444	1,068,773
3. Average Total Assets	1,229,548	1,189,150	1,149,140	1,108,163
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.
5. Average Interest-Bearing Liabilities	1,018,945	990,092	960,706	933,003
6. Average Common equity	96,997	91,251	85,024	78,449
7. Average Equity	101,421	95,693	89,544	82,546
8. Average Customer Deposits	787,667	756,760	726,352	703,338
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	**3,774**	**4,800**	**4,851**	**4,518**
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.
D. Risk Weighted Assets				
1. Risk Weighted Assets	611,490	572,500	556,000	540,166
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	**611,490**	**572,500**	**556,000**	**540,166**
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	**611,490**	**572,500**	**556,000**	**540,166**
E. Fitch Core Capital Reconciliation				
1. Total Equity as reported (including non-controlling interests)	104,358	98,484	92,902	86,186
2. Fair-value adjustments relating to own credit risk on debt issued	0	0	0	0
3. Non-loss-absorbing non-controlling interests	0	0	0	0
4. Goodwill	58	58	59	121
5. Other intangibles	463	423	350	272
6. Deferred tax assets deduction	103	59	35	89
7. Net asset value of insurance subsidiaries	7,092	6,675	6,074	5,698
8. First loss tranches of off-balance sheet securitizations	0	0	0	0
9. Fund for general banking risks if not already included and readily conve	0	0	0	0
10. Fitch Core Capital	**96,642**	**91,269**	**86,384**	**80,006**

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.