S - Finanzgruppe Hessen-Thueringen

Full Rating Report

Ratings

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

Sovereign Risk

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

Outlooks

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

Financial Data

S - Finanzgruppe Hessen-Thueringen

	31 Dec 16	31 Dec 15
Total assets (USDm)	270,504	283,411
Total assets (EURm)	256,628	260,313
Total equity (EURm)	21,138	20,085
Operating profit (EURm)	1,589	1,485
Published net income (EURm)	1,150	1,063
Comprehensive income (EURm)	1,145	898
Operating ROAA (%)	0.6	0.6
Operating ROAE (%)	7.8	7.5
Internal capital generation (%)	5.4	4.8
Fitch Core Capital/risk-weighted assets (%)	20.1	19.1
Tier 1 regulatory capital ratio (%)	18.1	17.1
Loans/customer deposits (%)	126.2	125.3

Related Research

S-Finanzgruppe Hessen-Thueringen - Ratings Navigator (January 2018)

Fitch 2018 Outlook: Western European Banks (December 2017)

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Key Rating Drivers

Diversified Regional Franchise: S - Finanzgruppe Hessen-Thueringen's (SFG-HT) ratings are based on mutual support within the group of 49 savings banks and its central institution, Landesbank Hessen-Thueringen Girozentrale (Helaba). The ratings reflect the group's diversified and leading regional franchise supplemented by Helaba's domestic and international wholesale business. They include Helaba's close cooperation with the savings banks in its home region and in North Rhine-Westphalia and Brandenburg acting as one economic unit.

Moderate Risk Appetite: Conservative underwriting standards have driven the group's strong asset quality. Interest-rate risk moderately declined in 2016 but remains a key risk for the group's savings banks because maturity transformation of sight deposits into longer-dated loans is an integral part of their business model. For the group as a whole, Helaba's match-funded profile helps to lower overall vulnerability to interest-rate shocks.

Improved Asset Quality: The group's volume of non-performing loans (NPL) has dropped further with an NPL ratio below 2% at end-2016. It reflects strong consumer fundamentals and healthy SME and corporate balance sheets. Based on Fitch Ratings' growth projection for Germany 2018 loan losses should remain low. However, concentration risks in the group are relatively high because of Helaba's more concentrated loan portfolio, primarily with respect to commercial real estate (CRE), including foreign exposure and a small shipping portfolio.

Lower Profitability Expected: SFG-HT's profitability held up well in 2016 despite low interest rates as the group benefited from low loan impairment charges and slightly better fee income. The cost base has been kept well under control and pre-tax profit amounted to EUR1.6 billion in 2016, up 8% from the previous year. We believe that low interest rates will affect SFG-HT's profitability in 2017, but continued business growth and a benign credit environment are likely to keep any decline in profits moderate.

Strong Capitalisation and Leverage: SFG-HT's capitalisation is a key rating strength. The group reported a fully loaded common equity Tier 1 (CET1) ratio of 19.6% at end-2016 (end-2015: 18.6%), driven by stable and sound internal capital generation. We expect capitalisation to continue to benefit from the group's ability to generate capital internally through retained profit.

Sound Funding and Liquidity: The savings banks' large and stable retail deposits base and continuing inflows of sight deposits drives the group's funding. Helaba's funding and liquidity benefit from access to a wide range of domestic and international wholesale funding sources.

Rating Sensitivities

Weaker Asset Quality: SFG-HT's ratings are primarily sensitive to a material deterioration of asset quality, most importantly in the real estate sector. Ratings could also come under pressure if profitability deteriorates materially and weakens internal capital generation, or if a sharp rise in interest rates crystallises losses from exposure to interest rate risk.

Link to Savings Bank Sector: SFG-HT's Viability Rating and Issuer Default Ratings (IDRs) are also sensitive to changes in Sparkassen-Finanzgruppe (SFG: A+/Stable) ratings as SFG-HT is part of the savings banks' nationwide mutual support mechanism and would therefore be affected by a material weakening of the overall savings bank sector's credit profile.

Operating Environment

Strong Domestic Environment

SFG HT's business focus is on Germany (AAA/Stable; Macro-Prudential Indicator of 1 – low potential for banking system stress over medium term). The group has small operations internationally through Helaba's business. The German economy is performing well and Fitch forecasts that GDP will grow by 2.4% in 2018. Unemployment is at historical lows and job vacancies at new highs. Strong household fundamentals and healthy SME balance sheets have resulted in historically low credit losses for domestic banks in recent years. Although unsustainable in the long run, we expect credit losses to remain low in the coming quarters.

Fitch views the German banking sector to be well developed and effectively supervised. Within the Single Supervisory Mechanism, large banks, including Helaba, are directly supervised by the ECB. Individual savings banks with less than EUR30 billion in total assets are classified as less significant institutions and are jointly directly supervised by the national competent authorities, the Bundesbank and BaFin.

The German regulatory environment has an effective bail-in mechanism and since January 2017 a new bank creditor hierarchy within the senior class: vanilla senior debt ranks subordinate to certain non-preferred senior unsecured liabilities. The savings banks have not been greatly affected by this change because their large retail deposit base means that they do not rely on unsecured bond issuance.

Company Profile

Regional German Banking Group

SFG-HT is a regional group of German savings banks, which comprises 33 local savings banks in Hessen, 16 in Thueringen and Helaba (including Frankfurter Sparkasse and a building society (Landesbausparkasse) and the group's insurance holding). Helaba is SFG-HT's largest member and acts as the savings banks' central institution and prime cooperation partner for Sparkassen in the states of Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. SFG-HT is part of SFG, the country's nationwide savings bank organisation.

SFG-HT's member savings banks vary in size and balance-sheet structure. The two largest savings banks in the group are Frankfurter Sparkasse (EUR18.9 billion total assets at end-2016) and Nassauische Sparkasse Wiesbaden (EUR11.2 billion), which together account for about a quarter of the group savings banks' total assets. No savings bank merger took place in 2016 in its home region, but there was one merger of a small savings bank into a larger member in April 2017.

IDRs Are Group Ratings

The savings banks are grouped under an umbrella association (Sparkassen-und Giroverband Hessen und Thueringen SGVHT), which is one of the 12 regional associations of Germany's SFG. The IDRs assigned to SFG-HT are group ratings based on the mutual support mechanism and apply to each individual member of the group.

Ratings Are Underpinned by Mutual Support

SFG-HT's members are part of the mutual support scheme of SFG, which is designed as an institutional protection fund and officially recognised as a deposit insurance scheme. Fitch believes that SFG's regional support funds are adequately funded to support the savings banks under plausible stress scenarios. The group has demonstrated its very high propensity to provide support within the savings bank sector to protect their customers from losses, their brand and common franchise.

In addition, SFG-HT has established its own regional reserve fund in 2004 to highlight solidarity within its group. The regional reserve fund was EUR410 million at end-2016 (end-2015: EUR381 million) with a target to reach 0.5% of the members' total risk positions, which would

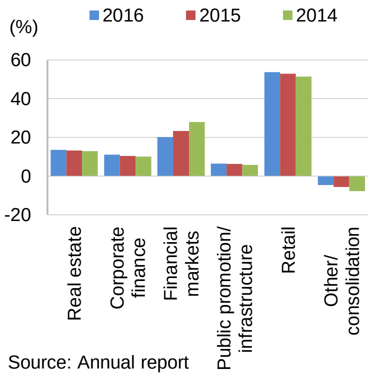
Related Criteria

Global Banks Rating Criteria (November 2016) be about EUR520 million based on end-2016 data. The difference to the target volume, until reached, is guaranteed by the regional savings bank association SGV HT. The savings banks and Helaba both have recourse to this fund and their individual contributions are based on each member's risk profile. Investors have a direct legal claim against the fund.

Strong Regional Franchise

SFG-HT's savings banks' members have a strong franchise in their home region with leading market shares in retail and SME banking in Hessen and Thueringen. Their franchise is also strengthened from being part of SFG and operating under a common brand. Helaba is also a cooperation partner for 156 savings banks in North Rhine-Westphalia and Brandenburg, which are integrated into the group's business. The savings banks benefit from their regional profile, loyal customer base despite strong competition and strong client relationships given their good knowledge of local industries. The group employed about 25,700 people at end-2016 and operates through a large branch network.

Segment Assets

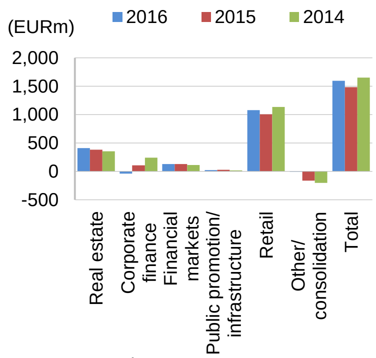


Source: Annual report

Business Model Aimed at Cooperation

SFG-HT's business model combines the primarily retail-driven part of the savings banks with Helaba's wholesale-oriented Landesbanken business model. The relationship between the savings banks and Helaba is based on a common business and risk strategy. As a result, Fitch considers SFG-HT to be more cohesive than the savings bank sector in other German regions. The private client, SME and business between Helaba and the savings banks forms the bulk of the group's activities contributing more than two-thirds to the overall profits before taxes in 2016.

Pre-Tax Profit by Segment



Source: Annual report

Management and Strategy

Decentralised Management Structure, Consistent Strategy

SFG-HT's management has a high degree of depth, stability and experience, and turnover at the savings bank level is typically low. The savings banks' strong local focus results in a high visibility and accountability of each savings bank's management.

The group has its own governing body (Verbundausschuss) of 20 members, three of whom serve on Helaba's board. This ensures the link and common business goals between savings banks and Helaba. This body formulates the group members' business and risk strategy, and monitors the performance of the group's banks and adherence to the core principles including internal controls for the related group accounting.

The group's saving banks' strategic objectives are broadly common with those of SFG. SFG targets a transformation from its predominantly branch-related business activities towards a multi-channel bank provider through a rising degree of digitalisation of processes and services. Helaba concentrates on its role as the central institute and intends to remain a key component of the group's business model. This means the group targets a further strengthening of intra-group cooperation with a view to maintain and expand market share and raise cost synergies. Helaba also focuses on its core business and disposed some non-strategic activities.

We believe the group has executed its strategy consistently, as demonstrated by its long-term performance. Planned business and financial objectives are conservatively chosen, well-monitored and with limited variability over the economic and interest-rate cycle.

Risk Appetite

Moderate Risk Appetite

Underwriting standards at SFG-HT's savings banks are largely uniform and have been fairly stable over time despite continued pressure on margins.

- Business focus implies sufficient granularity and collateralisation of the loan book at savings bank level
- Underwriting quality generally benefits from the regional proximity
- Uniform risk monitoring
- High but declining level of structural interest-rate risk from savings banks maturity transformation; Helaba is broadly match-funded

The savings banks' loan exposures are typically granular with sufficient collateralisation, particularly for the material proportion of residential mortgage loans. The banks' appetite for non-standard or volatile asset classes, such as leveraged or structured finance, is low and their trading activities – if conducted – are modest. Credit pooling facilities to manage individual savings banks' concentration risks are available.

Securities investments are focused on fixed income instruments with a material proportion of covered bonds, highly rated banks and bonds of German federal states. The direct share of equities is minimal and corporate bonds exposure is low. About 12% of investments are in funds where we believe give rise to only moderate exposure to riskier assets', as confirmed by a decline in the group's fund risk as of March 2017.

As a large commercial bank, Helaba has a higher risk profile than the savings banks because it is exposed to concentration risk and foreign-currency risk, but is integrated into the group's common risk strategy. Real estate is a key part of SFG-HT's business model and a driver of the group's profit. It comprises both residential mortgages (mainly at the savings banks) as well as Helaba's domestic and international CRE business, which with exposure of almost EUR41 billion is the group's main risk exposure.

Robust Risk Monitoring

Risk controls in the group are organised at the local savings bank level, including risk management and internal audit functions, and are supplemented by a group-wide central risk-monitoring unit that has access to individual group members' risk positions. SFG-HT's risk-management practices include a traffic-light warning system for all members of the group. It combines a static indicator approach and a dynamic assessment that includes regular stress tests. The risk unit has assessed individual member banks' vulnerability to low interest rates and effectiveness of management's measures to mitigate this risk. The risk unit has enforcement powers, which include the dismissal of management, but this option was not used in 2015 or 2016.

Maturity Transformation Drives Structural Interest-Rate Risk

Savings banks and cooperative banks are the two groups in the German banking sector with the highest exposure to interest-rate risk in their banking books. This is because of maturity transformation inherent in their business model. Savings banks are largely deposit-funded while a large proportion of their loan book is long-term and extended at fixed interest rates. This transformation is also an important driver of the savings banks' profits.

Exposure to interest-rate risk decreased in 2016 and 1Q17, following advice from SFG-HT's risk unit. For the group as a whole, Helaba's largely match-funded long-term financing lowers the overall vulnerability to interest rate shocks. The impact of a 200bp parallel upward shift of the yield curve on the value of equity (Basel interest-rate shock) would be equivalent to 10.8% of own funds which is well below the regulatory threshold of 20%. While still significant, we believe the interest-rate risk is mitigated by the group's robust earnings and strong capitalisation.

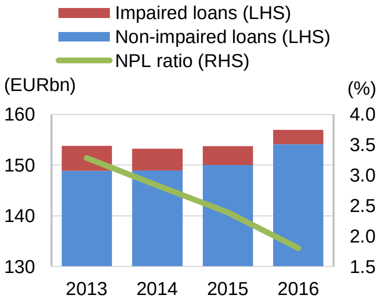
Financial Profile

Low Level of Impaired Loans; Concentration Risks in Real Estate

SFG-HT's asset quality has further improved through rating improvements for most assets, except a small shipping exposure at Helaba, which was further reduced in 2017.

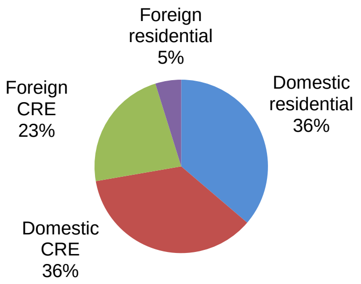
Germany's benign economic environment has strongly supported the financial health of the corporate sector and low insolvencies while high employment increased financial flexibility and loan affordability at the consumer level. Low interest rates and rising property prices also gave a further boost to the group's real-estate lending, which forms a significant part of the loan portfolio. SFG-HT's NPL ratio has gradually declined in recent years and reached a low 1.8% at end-2016. We believe impaired loans will remain at low levels unless there are any economic shocks.

NPL Development[a]
2013-2016



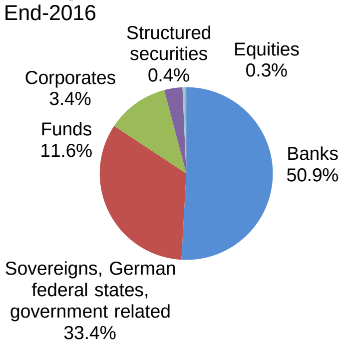
[a] NPL includes 90 days overdue
Source: SFG-HT

Real-Estate Exposure
(EUR69bn at end-2016)



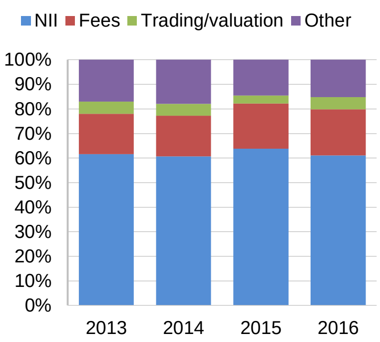
Source: SFG-HT

Group Securities' Portfolio
End-2016



Source: SFG-HT

Revenue Drivers



Source: SFG-HT, Fitch

Nevertheless, SFG-HT is vulnerable to a correction in the real-estate sector, including residential and CRE lending, both domestic and foreign. Residential real-estate exposure (EUR28 billion at end-2016) is largely taken by the local savings banks and is typically well-covered by collateral, whereas CRE exposure (EUR41 billion) is concentrated at Helaba. The foreign CRE (EUR18.5 billion at end-2016) exposure grew moderately in 2016 is mainly made up of lending in the US and Canada, followed by the UK, which may face higher volatility following its decision to leave the EU.

Good-Quality Securities Portfolio

The group's securities portfolio (EUR59.7 billion end-2016) is held for liquidity purposes and to support earnings. The securities have high average ratings (90% are rated 'AAA' to 'AA-') with only a small exposure in sub-investment-grade rating classes. Bank bonds (51%), sovereign and quasi-sovereigns (33%) account for the largest proportion of the securities portfolio. Exposures to structured securities and equities have traditionally been minimal. However, exposure to funds increased further to about EUR7 billion at end-1H16, from EUR6.5 billion at end-3Q15. Exposure to corporates remained little changed and is small at about EUR2 billion. SFG-HT's exposure to southern Europe has been broadly stable and was about EUR5.2 billion at end-2016, reflecting an economic recovery in the region. It represents about 3% of the group's customer and bank loan book.

Earnings and Profitability

Profitable Banking Group

SFG-HT's earnings capacity combines the savings banks' retail business local pricing power and cheap deposit funding and Helaba's lower-margin wholesale business. Historically, earnings have been supported by higher volume growth than the banking sector's and GDP. On a consolidated basis, the group shows notably higher and less volatile earnings and consistent profit generation than the banking sector. Earnings are commensurate with the group's share of low-risk assets and relative stability given no reliance on trading or equity investments. This is because savings banks use the standard approach to calculate risk weights while Helaba makes greater use of internal models.

Pressure Building on Net Interest Margin

Net interest income (NII) is the group's main revenue source. NII declined by a moderate 3% in 2016 on a consolidated basis, still supported by lower interest-rate expenses, which decreased by 13% due to a continuing rise in sight deposits. However, pressure is intensifying as higher-yielding loans and securities gradually mature and we expect a further decline in the net interest margin in 2017.

Fee income has increased as the group repriced its services, and the particularly low credit losses have also helped to limit the impact of lower interest income on net profits. As a result, SFG-HT's operating profit increased by 8% to EUR1.6 billion in 2016. While fee income has room to moderately grow further we believe that the extremely low level of loan impairment charges in 2016 is likely to be unsustainable despite limited indications that the domestic macroeconomic environment is likely to deteriorate noticeably in the near term. However, large single loss events cannot be ruled out.

Stable Cost Basis

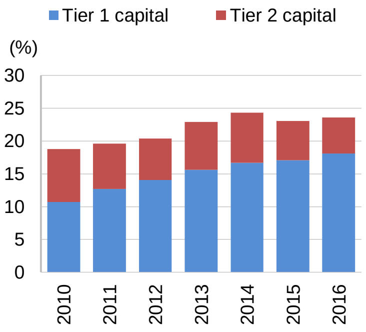
The group has a good record of controlling costs and operating expenses were stable in 2016 at about EUR3.5 billion. The savings banks in Hessen Thueringen reduced their branch network to 1,252 at end-2016 from 1,380 at end-2015. SFG-HT has extended projects to improve cost-efficiency, primarily in administration, product pooling and IT infrastructure. Cost-efficiency targets include additional optimisation of the branch density and digitalisation.

Capitalisation and Leverage

Strong Capitalisation and Leverage

SFG-HT's consolidated capitalisation is stronger than the German banking sector average driven by consistent internal capital generation. SFG-HT's Fitch Core Capital/risk-weighted assets (RWA) ratio improved further to 20.1% at end-2016 (end-2015: 19.1%). Its Tier 1 capital increased to EUR18.9 billion at end-2016, equivalent to a Tier 1 capital ratio of 18.1% and Tier 1 capital predominantly consists of retained earnings. Tier 2 capital includes about EUR2.2 billion of hidden reserves under Article 340f of the German commercial code, which can be converted into Tier 1 capital if needed.

Capitalisation (IFRS)



Source: SFG-HT

This level leaves sufficient room for lending growth and the implementation of the group's business strategy. It also provides an adequate loss-absorption capacity to withstand most economic and financial shocks in our view. As the group is not regulated on a consolidated basis, it does not disclose a consolidated regulatory leverage ratio, but its tangible equity/tangible asset ratio of 8.2% at end-2016 indicates that leverage is modest.

The group's Tier 1 capital ratio has been consistently rising over the last years and we expect this trend to continue driven by profit retention. However due to Helaba's use of internal models there is likely to be some RWA inflation that results from regulatory changes under the Basel framework. However, we expect a further rise over the coming years given that the measures will not be implemented until at least January 2022.

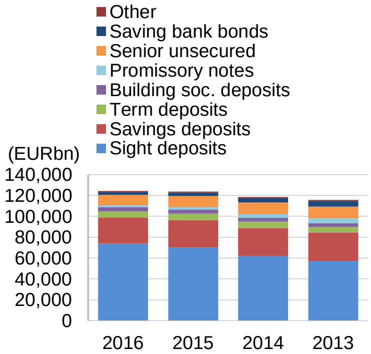
All of the group's savings banks completed their SREP in 2017 and received individual SREP requirements, which include an add-on for heightened interest rate risk exposure.

Funding and Liquidity

Blended Retail and Wholesale Funding Mix

SFG-HT has a blended funding mix driven by the saving banks' sight and savings deposits, historically a very stable funding source, which is not reliant on market sentiment. The group's funding is supplemented with Helaba's wholesale funding, which adds to diversity of funding sources in terms of geography and investor base.

Structure of Customer Liabilities

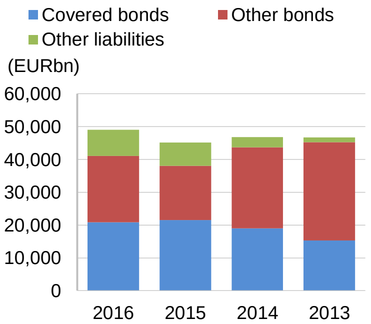


Source: SFG-HT

Sight deposits comprised almost 60% of customer deposits at end-2016 (end-2015: 57%) and have risen steadily since 2012. The increase reflects customers' preference for financial flexibility and low returns on term deposits and has remained a solid base to fund the savings banks' group members' credit expansion at very low costs.

SFG-HT's loans/deposits ratio of about 125% is higher than SFG's because of Helaba's wholesale funding. Helaba places a part of its own bonds with members of the group, which benefit from a 0% regulatory risk-weighting for investments in bonds issued by any German savings or Landesbank.

Structure of Securitised Liabilities



Source: SFG-HT

Group Has Ample Liquidity

Liquidity is managed at legal entity level, separately for each local bank and Helaba. The liquidity ratio according to BaFin's definition for the savings banks members was 2.58x at end-2016 (end-2015: 2.64x), well above the regulatory minimum of 1x. The LCR minimum requirement of 70% to end-2016 and 80% to end-2017 was met by all members of the group.

DCR and Deposit Ratings Are Above IDR

The Deposit Ratings assigned to SFG-HT's member banks and Helaba's Derivative Counterparty Rating (DCR) are one notch above SFG-HT's Long-Term IDR. This reflects our view that, in the event of a resolution of SFG-HT, SFG-HT's consolidated layer of subordinated and vanilla senior debt is likely to be sufficient to recapitalise member banks, restore viability and prevent default on other "preferred" senior liabilities, including deposits, upon resolution. However, we believe this would only occur if the sector's institutional protection scheme failed.

Income Statement

SFG-HT

	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm
1. Interest Income on Loans	4,509	4,886	5,275	5,592
2. Other Interest Income	1,822	2,046	2,234	2,220
3. Dividend Income	208	218	207	233
4. Gross Interest and Dividend Income	**6,539**	**7,150**	**7,716**	**8,045**
5. Interest Expense on Customer Deposits	n.a.	n.a.	n.a.	n.a.
6. Other Interest Expense	3,367	3,881	4,497	4,849
7. Total Interest Expense	**3,367**	**3,881**	**4,497**	**4,849**
8. Net Interest Income	**3,172**	**3,269**	**3,219**	**3,196**
9. Net Gains (Losses) on Trading and Derivatives	111	88	448	101
10. Net Gains (Losses) on Other Securities	66	(46)	73	(98)
11. Net Gains (Losses) on Assets at FV through P&L	86	124	(270)	253
12. Net Insurance Income	n.a.	n.a.	n.a.	n.a.
13. Net Fees and Commissions	968	943	885	852
14. Other Operating Income	785	744	955	886
15. Total Non-Interest Operating Income	**2,016**	**1,853**	**2,091**	**1,994**
16. Personnel Expenses	1,786	1,811	1,797	1,732
17. Other Operating Expenses	1,758	1,671	1,812	1,885
18. Total Non-Interest Expenses	**3,544**	**3,482**	**3,609**	**3,617**
19. Equity-accounted Profit/ Loss - Operating	51	56	59	12
20. Pre-Impairment Operating Profit	**1,695**	**1,696**	**1,760**	**1,585**
21. Loan Impairment Charge	97	211	71	230
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	n.a.	n.a.
23. Operating Profit	**1,598**	**1,485**	**1,689**	**1,355**
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	2	5	40	18
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	**1,596**	**1,480**	**1,649**	**1,337**
30. Tax expense	446	417	487	305
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.
32. Net Income	**1,150**	**1,063**	**1,162**	**1,032**
33. Change in Value of AFS Investments	125	(318)	695	(285)
34. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.
35. Currency Translation Differences	7	10	12	(8)
36. Remaining OCI Gains/(losses)	(137)	143	(491)	116
37. Fitch Comprehensive Income	**1,145**	**898**	**1,378**	**855**
38. Memo: Profit Allocation to Non-controlling Interests	104	122	120	98
39. Net Income after Allocation to Non-control. Interest	1,046	941	1,042	934
40. Memo: Common Dividends Relating to the Period	n.a.	95	103	97
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	n.a.	n.a.

Balance Sheet

SFG-HT

	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm
Assets				
A. Loans				
1. Residential Mortgage Loans	22,599	25,084	22,649	22,617
2. Other Mortgage Loans	40,525	40,271	38,971	38,200
3. Other Consumer/ Retail Loans	n.a.	n.a.	n.a.	n.a.
4. Corporate & Commercial Loans	93,348	88,792	88,418	88,141
5. Other Loans	n.a.	n.a.	n.a.	n.a.
6. Less: Reserves for Impaired Loans	1,365	1,706	1,829	2,050
7. Net Loans	**155,107**	**152,441**	**148,209**	**146,908**
8. Gross Loans	**156,472**	**154,147**	**150,038**	**148,958**
9. Memo: Impaired Loans included above	2,800	3,680	4,250	4,890
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	13,876	15,022	17,786	18,008
2. Reverse Repos and Cash Collateral	n.a.	n.a.	n.a.	n.a.
3. Trading Securities and at FV through Income	10,087	17,226	21,601	26,968
4. Derivatives	16,440	16,331	18,678	13,064
5. Available for Sale Securities	49,347	48,952	48,708	45,579
6. Held to Maturity Securities	n.a.	n.a.	n.a.	n.a.
7. Equity Investments in Associates	644	657	680	586
8. Other Securities	n.a.	n.a.	n.a.	n.a.
9. Total Securities	**76,518**	**83,166**	**89,667**	**86,197**
10. Memo: Government Securities included Above	16,325	20,596	21,014	21,233
11. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.
12. Investments in Property	2,337	2,234	2,242	2,782
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	**247,838**	**252,863**	**257,904**	**253,895**
C. Non-Earning Assets				
1. Cash and Due From Banks	5,412	3,860	2,504	3,178
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	1,252	1,540	1,668	1,617
5. Goodwill	68	103	104	140
6. Other Intangibles	50	48	49	53
7. Current Tax Assets	182	83	93	120
8. Deferred Tax Assets	734	788	607	875
9. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
10. Other Assets	1,092	1,028	1,427	1,657
11. Total Assets	**256,628**	**260,313**	**264,356**	**261,535**
Liabilities and Equity				
D. Interest-Bearing Liabilities				
1. Customer Deposits - Current	73,733	70,232	62,027	57,258
2. Customer Deposits - Savings	29,519	30,131	30,895	31,659
3. Customer Deposits - Term	20,702	22,642	24,966	26,306
4. Total Customer Deposits	**123,954**	**123,005**	**117,888**	**115,223**
5. Deposits from Banks	32,185	37,399	36,790	35,416
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.	n.a.
8. Total Money Market and Short-term Funding	**156,139**	**160,404**	**154,678**	**150,639**
9. Senior Unsecured Debt (original maturity > 1 year)	n.a.	n.a.	n.a.	n.a.
10. Subordinated Borrowing	2,504	2,548	3,984	3,622
11. Covered Bonds	20,814	21,507	19,003	15,359
12. Other Long-term Funding	28,231	23,672	27,619	31,377
13. Total LT Funding (original maturity > 1 year)	**51,549**	**47,727**	**50,606**	**50,358**
14. Derivatives	14,766	14,850	18,234	13,166
15. Trading Liabilities	7,641	11,546	15,195	23,142
16. Total Funding	**230,095**	**234,527**	**238,713**	**237,305**
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	3,175	2,953	3,583	3,000
4. Current Tax Liabilities	268	248	172	119
5. Deferred Tax Liabilities	275	264	327	229
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	700	799	816	974
10. Total Liabilities	**234,513**	**238,791**	**243,611**	**241,627**
F. Hybrid Capital				
1. Pref. Shares and Hybrids accounted for as Debt	977	1,437	1,455	1,616
2. Pref. Shares and Hybrids accounted for as Equity	n.a.	n.a.	n.a.	n.a.
G. Equity				
1. Common Equity	18,535	17,594	16,694	16,236
2. Non-controlling Interest	1,798	1,766	1,663	1,615
3. Securities Revaluation Reserves	785	717	933	466
4. Foreign Exchange Revaluation Reserves	20	15	8	0
5. Fixed Asset Revaluation and Other Accumulated OC	0	(7)	(8)	(25)
6. Total Equity	**21,138**	**20,085**	**19,290**	**18,292**
7. Total Liabilities and Equity	**256,628**	**260,313**	**264,356**	**261,535**
8. Memo: Fitch Core Capital	21,020	19,934	19,137	18,099

Summary Analytics

SFG-HT

	31 Dec 2016 Year End	31 Dec 2015 Year End	31 Dec 2014 Year End	31 Dec 2013 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	2.9	3.2	3.5	3.8
2. Interest Expense on ClientDeposits/ Av. Deposits	n.a.	n.a.	n.a.	n.a.
3. Interest Income/ Average Earning Assets	2.6	2.8	3.0	3.1
4. Interest Expense/ Average Interest-bearing Liabilities	1.5	1.6	1.9	2.0
5. Net Interest Income/ Average Earning Assets	1.3	1.3	1.3	1.2
6. Net Int. Inc Less LICs/ Av. Earning Assets	1.2	1.2	1.2	1.1
7. NII Less Pref. Stock Dividend/ Av. Earning Assets	1.3	1.3	1.3	1.2
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	38.9	36.2	39.4	38.4
2. Non-Interest Expense/ Gross Revenues	68.3	68.0	68.0	69.7
3. Non-Interest Expense/ Average Assets	1.4	1.3	1.4	1.3
4. Pre-impairment Op. Profit/ Average Equity	8.2	8.6	9.4	8.8
5. Pre-impairment Op. Profit/ Average Total Assets	0.7	0.7	0.7	0.6
6. Loans and sec. impair. charges/ Pre-impair. Op. Pro	5.7	12.4	4.0	14.5
7. Operating Profit/ Average Equity	7.8	7.5	9.0	7.6
8. Operating Profit/ Average Total Assets	0.6	0.6	0.6	0.5
9. Operating Profit / Risk Weighted Assets	1.5	1.4	1.7	1.3
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	5.6	5.4	6.2	5.8
2. Net Income/ Average Total Assets	0.4	0.4	0.4	0.4
3. Fitch Comprehensive Income/ Average Total Equity	5.6	4.6	7.3	4.8
4. Fitch Comprehensive Income/ Average Total Assets	0.4	0.3	0.5	0.3
5. Taxes/ Pre-tax Profit	27.9	28.2	29.5	22.8
6. Net Income/ Risk Weighted Assets	1.1	1.0	1.1	1.0
D. Capitalization				
1. FCC/FCC-Adjusted Risk Weighted Assets	20.1	19.1	18.8	17.6
2. Tangible Common Equity/ Tangible Assets	8.2	7.7	7.2	6.9
3. Tier 1 Regulatory Capital Ratio	18.1	17.1	16.7	15.6
4. Total Regulatory Capital Ratio	23.6	23.1	24.3	22.9
5. Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Equity/ Total Assets	8.2	7.7	7.3	7.0
7. Cash Dividends Paid & Declared/ Net Income	n.a.	8.9	8.9	9.4
8. Internal Capital Generation	5.4	4.8	5.5	5.1
E. Loan Quality				
1. Growth of Total Assets	(1.4)	(1.5)	1.1	(7.4)
2. Growth of Gross Loans	1.5	2.7	0.7	0.1
3. Impaired Loans/ Gross Loans	1.8	2.4	2.8	3.3
4. Reserves for Impaired Loans/ Gross Loans	0.9	1.1	1.2	1.4
5. Reserves for Impaired Loans/ Impaired Loans	48.8	46.4	43.0	41.9
6. Impair. loans less Reserves for Impair. Loans/FCC	6.8	9.9	12.7	15.7
7. Impair. Loans less Reserves for Impair. Loans/ Equit	6.8	9.8	12.6	15.5
8. Loan Impairment Charges/ Average Gross Loans	0.1	0.1	0.1	0.2
9. Net Charge-offs/ Average Gross Loans	0.3	0.2	0.2	0.2
10. Impair.Loans+Forecl.Assets/GrossLoans+Forecl.A:	1.8	2.4	2.8	3.3
F. Funding and Liquidity				
1. Loans/ Customer Deposits	126.2	125.3	127.3	129.3
2. Interbank Assets/ Interbank Liabilities	43.1	40.2	48.3	50.9
3. Client Deposits/ Total Funding (excl. derivatives)	57.3	55.6	53.1	51.0
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.

Reference Data

SFG-HT

	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm
A. Off-Balance Sheet Items				
1. Managed Securitized Assets Off-B/S	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	8,167	7,169	7,013	6,485
4. Acceptances and documentary credits off-B/S	n.a.	n.a.	n.a.	n.a.
5. Committed Credit Lines	24,273	23,652	21,357	18,187
7. Other Off-Balance Sheet items	4,794	4,628	3,662	2,235
8. Total Assets under Management	n.a.	n.a.	n.a.	n.a.
B. Average Balance Sheet				
Average Loans	155,310	152,093	149,498	148,920
Average Earning Assets	250,351	255,384	255,900	260,720
Average Assets	258,471	262,335	262,946	271,972
Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.
Average Interest-Bearing Liabilities	232,311	236,620	238,009	247,835
Average Common equity	18,065	17,144	16,465	15,829
Average Equity	20,612	19,688	18,791	17,938
Average Customer Deposits	123,480	120,447	116,556	116,104
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	2,504	2,548	3,984	3,622
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.
D. Risk Weighted Assets				
1. Risk Weighted Assets	104,351	104,243	101,628	102,804
2. FCC Adjust. for Insurance and Securitisation RWAs	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital Adjusted Risk Weighted Assets	104,351	104,243	101,628	102,804
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	104,351	104,243	101,628	102,804
E. Equity Reconciliation				
1. Equity	21,138	20,085	19,290	18,292
2. Add: Pref. Shares/Hybrids 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	21,138	20,085	19,290	18,292
F. Fitch Core Capital Reconciliation				
1. Total Equity as reported (incl. non-control. interests)	21,138	20,085	19,290	18,292
2. FV effect incl in own debt at fv on the B/S- CC only	0	0	0	0
3. Non-loss-absorbing non-controlling interests	0	0	0	0
4. Goodwill	68	103	104	140
5. Other intangibles	50	48	49	53
6. Deferred tax assets deduction	0	0	0	0
7. Net asset value of insurance subsidiaries	0	0	0	0
8. First loss tranches of off-B/S securitizations	0	0	0	0
9. Fitch Core Capital	**21,020**	**19,934**	**19,137**	**18,099**

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.