FitchRatings

Banks
Retail & Consumer Banks
Germany

Genossenschaftliche FinanzGruppe

Ratings

Genossenschaftliche FinanzGruppe	
Long-Term IDR	AA-
Short-Term IDR	F1+
Viability Rating	aa-
Government Support Rating	ns

Sovereign Risk (Germany)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

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

Applicable Criteria

Bank Rating Criteria (November 2021)

Related Research

Fitch Affirms German Cooperative Banks and DZ BANK at 'AA-'; Outlook Stable (June 2022)

Global Economic Outlook (June 2022)

Key Rating Drivers

The Long-Term Issuer Default Rating (IDR) of Genossenschaftliche FinanzGruppe (GFG) is driven by its Viability Rating (VR). The VR is one notch above the implied VR, reflecting the high importance for GFG's ratings of the group's leading and highly diversified business profile, which is underpinned by its strong domestic retail and small SME-banking franchise. The ratings also reflect GFG's low leverage and outstanding funding profile by international standards, sound asset quality and profitability that is considerably above German peers'.

Mutual Support Mechanism: GFG is not a legal entity, but a cooperative banking network whose cohesion is ensured by a mutual support scheme managed by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V. (BVR). GFG's IDRs are group ratings that apply to each member bank, including its central institution DZ BANK AG Deutsche Zentral-Genossenschaftsbank.

Diversified Business Model: GFG's domestically focused, stable universal banking business model has delivered stable earnings over several economic cycles. It is based on the local banks' strong retail franchise, supported by DZ BANK's product suppliers. These include domestic market leaders in the insurance, asset management and real estate businesses. A stronger strategic alignment of DZ BANK and the local banks as well as intensified cooperation and cross-selling across GFG has strengthened the group's business model over the past decade.

High Interest-Rate Risk Exposure: Structural interest-rate risk is high in the local banks' banking books due to their asset/liability duration mismatches, a high share of fixed-rate lending and absence of widespread use of interest-rate hedging. However, Fitch Ratings views the banks' superior deposit franchise and strong earnings as sufficient mitigating factors.

Sound Asset Quality: GFG's asset quality was solid in 2021, helped by a low number of corporate insolvencies in Germany due to large-scale state support during the pandemic. We expect asset quality to modestly deteriorate up to 2024, due to rising insolvencies in the group's SME and corporate portfolios, which are exposed to higher interest rates and inflation pressure.

Resilient Profitability: GFG's profitability has been more stable than the overall German banking sector's. GFG's operating profit recovered in 2021, driven by business growth, low loan impairment charges (LICs) and strong profit contribution from the insurance and asset-management businesses on the back of favourable capital markets.

We expect profitability to decline in 2022 and 2023 as financial assets' valuations decline, loan growth subsides and LICs normalise upward. Higher interest rates will gradually increase the group's interest income in the medium term.

Strong Capitalisation: GFG's leverage ratio is high by international standards. We have adjusted up our assessment of GFG's risk-weighted capital ratios for the use of the standardised approach by GFG's local banks to measure credit risk for all asset classes, resulting in a higher risk-weight density than international peers'.

Very Stable Funding: The local banks are predominantly funded by granular domestic retail deposits, and their structurally large excess liquidity covers most of DZ BANK's short-term funding needs. As a frequent issuer of unsecured debt and the largest German covered bond issuer to an established and geographically diversified investor base, DZ BANK provides GFG with reliable access to wholesale markets. The group's Short-Term IDR of 'F1+' maps to the Long-Term IDR of 'AA-'.

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Ratings Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

GFG's and its members' high ratings reflect the group's considerably above-average resilience to crises. However, negative rating pressure could arise from spill-over effects of the Ukrainian conflict and of the resulting sanctions on Russia, if they severely and durably derail Germany's post-pandemic economic recovery. In this event, rating pressure would reflect an increased likelihood of significantly lower revenue and larger credit losses than we expect over (and potentially beyond) our two-year forecast horizon.

We could downgrade GFG's and its members' ratings if GFG's impaired loan ratio durably rises above 3%, its operating profit/risk-weighted assets (RWAs) ratio declines below 1% and its regulatory CET1 ratio falls durably below 13%. A downgrade of our operating environment score for GFG (aa-/stable) would also put pressure on its ratings.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of GFG's and of its members' ratings is unlikely given the already high ratings and in light of the increased uncertainties surrounding the operating environment. In addition to a domestic environment that would allow higher lending margins, an upgrade would also require greater cost efficiency, which is likely to necessitate a protracted streamlining of the group's structure, especially at the local banks.

Other Debt and Issuer Ratings

	Rating
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	
Long-term deposit rating[a]	AA
Short-term deposit rating[a]	F1+
Long-term senior preferred debt[a, b]	AA
Short-term senior preferred debt[a, b]	F1+
Long-term senior non-preferred debt[a]	AA-
Tier 2 subordinated debt	A
.	
Deutsche Apotheker- und Aerztebank eG	
Long-term deposit rating	AA-
Short-term deposit rating	F1+
.	
Muenchener Hypothekenbank eG	
Long-term deposit rating	AA
Short-term deposit rating	F1+
.	
Local cooperative banks	
Long-term deposit ratings	AA-
Short-term deposit ratings	F1+

[a] Also applies to DZ BANK's subsidiary DZ HYP AG
[b] Also applies to DZ BANK's subsidiary DZ PRIVATBANK S.A.
Source: Fitch Ratings

The long-term deposit ratings and long-term senior preferred debt ratings of DZ BANK and its banking subsidiaries, the long-term deposit rating of Muenchener Hypothekenbank, and DZ BANK's Derivative Counterparty Rating (DCR) are one notch above their respective Long-Term IDRs because of the protection provided by resolution buffers to preferred creditors. In our view, resolution would only occur in the extremely unlikely event that GFG's mutual support scheme fails to protect the group members' viability.

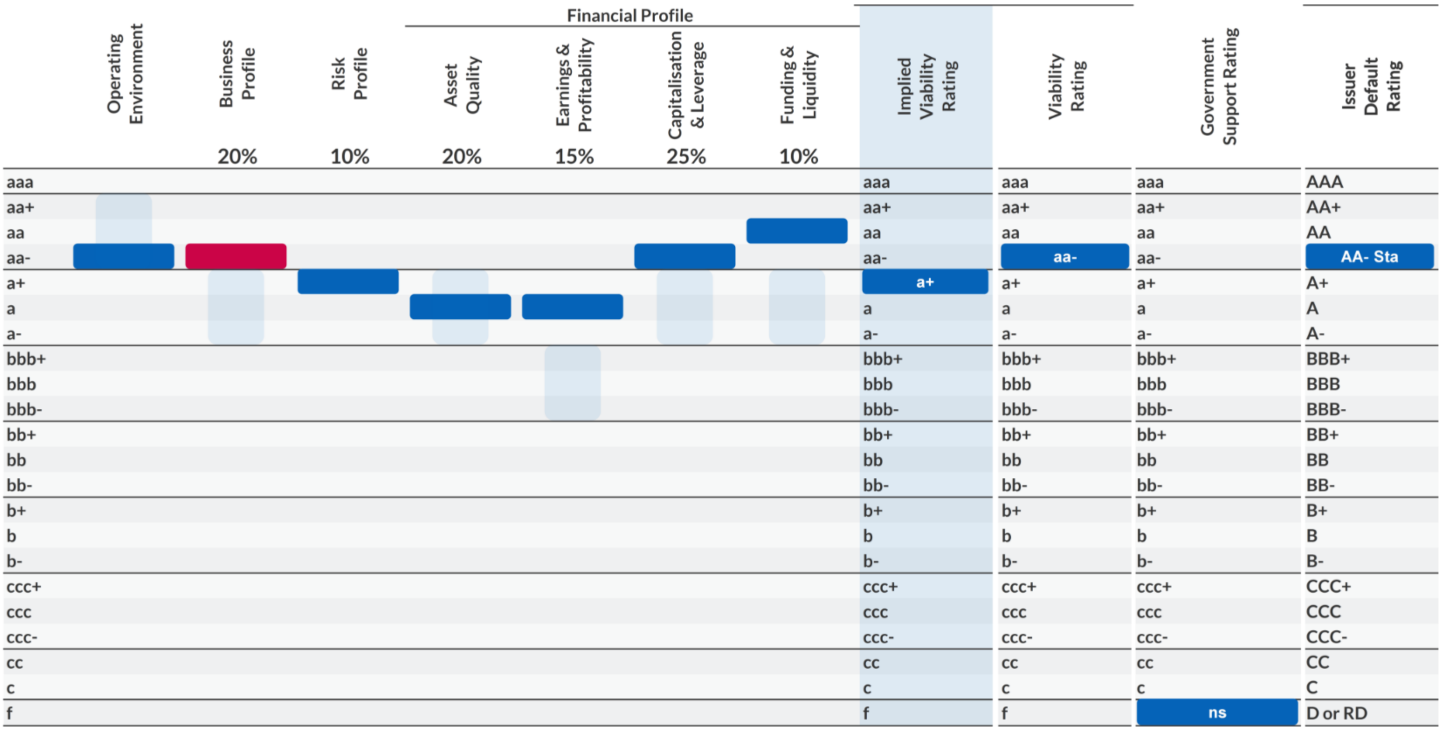
The deposit ratings of Deutsche Apotheker- und Aerztebank and of the local cooperative banks are aligned with GFG's IDRs due to the absence of sustainable significant resolution debt buffers at these entities. Each local bank is regulated individually as a less significant institution. Consequently, the German regulator's preferred resolution strategy for these banks consists of standard insolvency procedures, as opposed to the preferred bail-in resolution strategy for the DZ BANK group and Muenchener Hypothekenbank, each of which is directly supervised by the European Single Resolution Board (SRB) and follows a single-point-of-entry approach. Therefore, the predominantly deposit-funded local banks have no incentive to build up resolution buffers. This is also the case for Deutsche Apotheker- und Aerztebank, which is directly supervised by the SRB, but is not required to maintain resolution buffers in excess of its capital requirements.

The ratings of the subordinated Tier 2 notes issued by DZ BANK and its subsidiaries are two notches below GFG's VR, which is the standard notching for this type of debt under Fitch's criteria. We use the VR as anchor rating as we believe that GFG, by protecting the viability of DZ BANK and its subsidiaries, increases the likelihood that all due payments on these notes will continue to be met.

GFG's members' long-term debt and deposit ratings are sensitive to a change of GFG's Long-Term IDR. We could also downgrade DZ BANK's DCR and DZ BANK and its subsidiaries' long-term senior preferred debt and deposit ratings as well as Muenchener Hypothekenbank's long-term deposit rating if we no longer expect them to maintain senior non-preferred and junior debt buffers sustainably above 10% of the banks' respective RWAs.

The ratings of the subordinated Tier 2 notes issued by DZ BANK and its subsidiaries are sensitive to a change in GFG's VR.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The business profile score of ‘aa-’ is above the ‘a’ category implied score due to the following adjustment reason: business model (positive).

The earnings and profitability score of ‘a’ is above the ‘bbb’ category implied score due to the following adjustment reason: earnings stability (positive).

The capitalisation and leverage score of ‘aa-’ is above the ‘a’ category implied score due to the following adjustment reason: leverage and risk-weight calculation (positive).

The funding and liquidity score of ‘aa’ is above the ‘a’ category implied score due to the following adjustment reason: deposit structure (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Fitch expects the German GDP to grow by 1.6% in 2022 and not reach its pre-pandemic level before 1Q23. The downward revision reflects the recent lockdowns in China and the war in Ukraine, which are denting Germany's recovery in 2022 through weaker trading conditions, more intense supply-chain disruption, and higher inflation. Weaker manufacturing PMI and production expectations data since March suggest output will remain subdued, particularly as export orders are hit by weaker growth in China and persistent component shortages, including German auto manufacturers struggling to source parts previously imported from Ukraine. German industrial production increased in April, but only marginally, and interruptions to demand have dampened orders.

With Russian gas accounting for 19% of Germany's primary energy consumption, Fitch's GDP forecast is strongly exposed to continued uncertainty in gas supply and prices as the conflict continues. A sudden stop in Russian gas supply to Germany would be virtually impossible to replace in the near term, pointing to a rationing of gas supplies and a recession in Germany, according to Fitch estimates. Fitch has already revised its average headline inflation expectation for 2022 up to 7%, driven by higher energy and food prices.

Business Profile

GFG is the German Cooperative Banking Group

GFG comprises more than 750 local cooperative banks (as of end-1Q22), 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 (about 35% of GFG's aggregated assets at end-2021) and more exposed than the local banks to wholesale asset classes such as commercial real estate (CRE), which can be riskier. However, stable and low-risk retail businesses dominate DZ BANK's revenue mix, similar to the local banks.

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. It has steadily increased its market shares in most core products over the past decade, gradually reducing the gap with SFG, and still has some potential to improve its penetration of the vast German mid-sized SME market. Moreover, 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.

The local banks and DZ BANK's product suppliers have also intensified their cooperation and cross-selling over the past decade, strengthening GFG's cohesion. This is evidenced by consistently growing fees paid by the product suppliers owned by DZ BANK to the local banks and the increasing intra-group cooperation on digitalisation and IT harmonisation.

In our view, GFG is well equipped to manage the transition of its clients' banking behaviour towards rising acceptance and the more extensive use of digital services while maintaining the local proximity that underpins its franchise. In doing so, the group is helped by the marked inertia that characterises German retail clients, including a fairly slow adoption of digitisation trends and a high degree of loyalty to long-standing main banking relationships, which has persisted through the pandemic.

Successfully combining GFG's traditional and innovative banking channels is crucial as we believe the group's set-up will prevent the creation of a common pure online bank in the foreseeable future. In the long term, we view as plausible GFG's aim to diversify its revenues by leveraging the primary banks' strong ties to their local communities to create local digital platforms offering services beyond traditional banking.

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 operate much more autonomously than in most European cooperative banking groups. This is because each local bank is legally independent, with its own management team and supervisory board, and the BVR has limited powers to influence their governance. In our view, this highly decentralised structure results in relatively looser corporate governance at group level compared to most European cooperative banking groups.

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, with the exception of consolidated COREP and FINREP reporting. The ECB's formal direct supervision applies only to the domestically systemically important DZ BANK, apoBank and Muenchener Hyp, while the Bundesbank and BaFin supervise each local bank individually. In our view, this regulatory fragmentation prevents considerable efficiency gains, as each local bank must maintain extensive regulatory reporting and back office functions.

We consider that the absence of comprehensive direct 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, this fragmented supervision has so far prevented the implementation of a group-wide regulatory recovery and resolution planning, even though GFG's mutual support scheme drafts standard requirements for the recovery plans, which are being adopted by nearly all local banks. However, we believe a recovery or 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 very low probability of the occurrence of this scenario.

The ECB has increasingly turned its supervisory attention to less significant European institutions (of which GFG and SFG's local banks account for the vast majority) over the past couple of years. In the long term, we believe this could eventually result in GFG being increasingly subject to comprehensive supervisory provisions at a consolidated level.

Despite these regulatory specifics, we expect GFG to remain strongly committed to its decentralised structure, the wide-ranging autonomy of local management, and its 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 set-up. However, mergers among local banks driven by cost-cutting are likely to continue at a sustained pace. 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, the coordination of product development by the group's specialised product providers, and the management of the dual mutual support scheme. 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.

Risk Profile

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, because their individual contributions to GFG's mutual support fund BVR-Sicherungseinrichtung (BVR-SE) depend on BVR-SE's assessment of each bank's risk profile. The local banks also use a shared internal credit rating system for retail and SME loans (the VR Rating System) and a synthetic risk diversification tool, both managed by BVR and DZ BANK. The local banks' low risk appetite and their diversified and granular exposures adequately mitigate GFG's credit risk. The banks' strong focus on owner-occupied housing loans, which account for over one third of GFG's total loans, as well as their good knowledge of their local areas of operation and close client proximity, are also important risk-mitigating factors.

High Structural Interest Rate Risk in the Banking Books

The banking books of GFG's local banks are exposed to high structural interest-rate risk, which is predominantly unhedged, and we expect local banks to quickly react to the rising interest rates by stopping charging management fees on larger client deposits. We also expect higher interest rates and credit spreads to result in sizeable temporary valuation losses in GFG's liquidity portfolio in 2022.

However, the local banks' large portion of price-inelastic retail deposits should mitigate the negative impact of rising interest rates. We believe that, due to the local banks' superior retail deposit franchise and excess liquidity, GFG will pass on interest rates to deposit clients at a slower pace than its domestic peers once the ECB's deposit interest rate turns positive. In addition, liquidity transfers within GFG should contain funding costs at local banks operating in more competitive regions. We also expect the local banks' assets to reprice at a slower pace than more corporate-focused peers due to the large proportion of long-term fixed-rate mortgages on the former's balance sheets.

GFG's robust earnings and capitalisation would provide good protection if interest rates rise faster than we currently expect.

DZ BANK's capital-market activities are modest and its traded market risk is low.

Financial Profile

Asset Quality

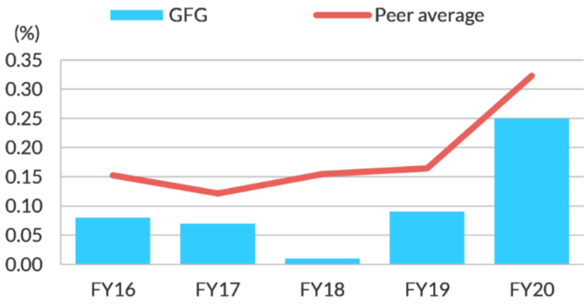
GFG's international diversification is limited. However, its focus on domestic lending is rating positive given the size and strength of the German economy. Its loan quality also benefits from the wind-down of DZ BANK's impaired shipping loans, a dominant focus on granular retail housing, small SMEs and professionals, high collateralisation levels in secured lending, and low single-name and sector concentrations.

The strong economic conditions in Germany before the pandemic have driven a steady improvement in GFG's impaired loans ratio over the past decade. Large government programmes to support companies and households affected by the pandemic have contained the number of corporate insolvencies at a low level until end-1Q22 and GFG's impaired loan volumes below their end-2019 level. GFG's asset quality is less sensitive to the high energy prices and supply chain disruptions than domestic peers with larger exposures to the manufacturing sector. However, we expect impaired loans to rise moderately in 2022 and 2023, and a more severe economic fallout from the war in Ukraine represents a downside risk to the group's impaired loans ratio.

The local banks' coverage of impaired loans is lower than international peers' but has remained stable in recent years and should be assessed in the context of the local banks' large proportion of mortgage loans. Including collateral, the total coverage is reasonably close to 100%. Long fixed-rate maturities in their mortgage loan books will also protect the local banks' asset quality from rising interest rates in the next few years.

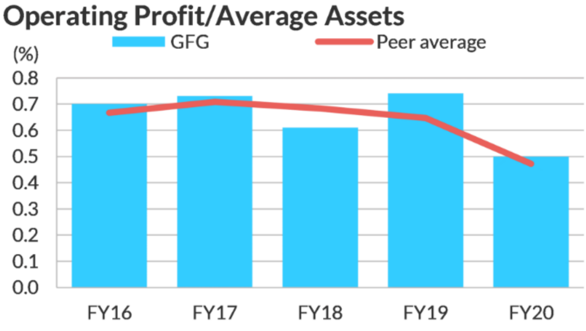
DZ BANK's asset quality benefits from years of run-down of the bank's most vulnerable asset classes, including southern European public-sector bonds and shipping. DZ BANK and Muenchner Hyp are two of the largest German CRE lenders, with a combined loan volume of close to EUR90 billion. CRE is a cyclical asset class, but GFG's focus on residential properties with adequate collateralisation in the still-resilient domestic market should mitigate its vulnerability to a moderate decline in property values and structural changes. DZ BANK's direct exposure to Russia and Ukraine is also immaterial for the group's asset quality assessment.

Loan Impairment Charges/Average Gross Loans



Source: Fitch Ratings, banks

Operating Profit/Average Assets



Source: Fitch Ratings, banks

Earnings and Profitability

GFG, together with the savings banks, has been the most profitable and resilient large German banking group by a wide margin over the past decade. The very high diversification of its business model results in stable earnings through the cycle. In recent years, the group was able to offset the pressure on its net interest margins by growing its real estate loan book at a higher rate than peers and by also growing its asset-management business. This has increased the proportion of net commission income in GFG's revenue mix.

We estimate that GFG's operating profit/RWAs rebounded to 1.4% in 2021 (2020: 1.0%), driven by business growth, low LICs and strong profit contribution from the insurance and asset-management businesses on the back of favourable capital markets. We expect sizeable temporary valuation losses in the local banks' and DZ BANK's security portfolios to weigh on GFG's performance in 2022, reducing its operating profit/RWAs below 1%. The net interest margin on new business will benefit from the steepening of the yield curve in 2022, but this will be more than offset by the run-off of central bank tenders (TLTRO) and lower asset-management fees, driven by the weak capital market development. At the same time, GFG's pandemic-related loan loss provisions, most of which it has not reversed yet, provide an adequate buffer against potentially rising LICs in 2H21. Higher LICs, slower loan growth and cost inflation are likely to weigh on profitability in 2023.

In the medium term we expect higher interest rates to sustain net interest income, but the repricing of the loan book will be only gradual. Moreover, the growth in net commission income could slow down as savings accounts are likely to experience a comeback as investment vehicle of choice, thus reducing income from asset-management products.

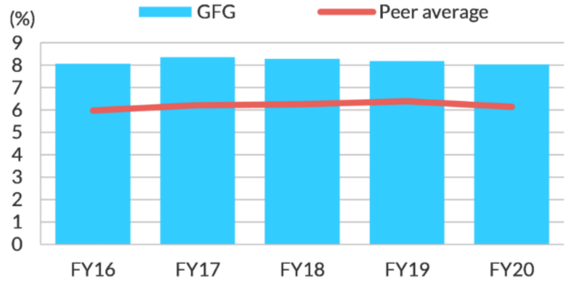
Capital and Leverage

GFG's capitalisation and leverage are strong by international standards. In our assessment of GFG's capitalisation, we include the undisclosed German GAAP reserves (section 340f, part of which count as regulatory Tier 2 capital) in GFG's CET1 capital. 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 CET1 capital) at the management's discretion. This resulted in a pro-forma CET1 capital ratio of 16.1% at end-2020, well above the regulatory CET1 capital ratio of 14.4% and close to the disclosed regulatory total capital ratio.

Our assessment of the group's capitalisation also considers the standardised approach used by GFG's local banks to measure credit risk for all asset classes. We believe the use of the standardised approach considerably overstates the riskiness of GFG's balance sheet compared with similar European peers, which mostly use the internal-rating-based approach.

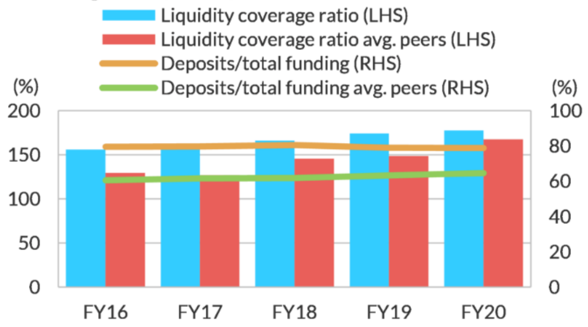
Paid-in capital accounts for only 11% of the group's IFRS equity, which predominantly consists of retained earnings accumulated during the group's long and steady record of strong organic capital generation, with a payout ratio of below 10% of GFG's net income. As strong loan growth largely offset retained earnings in 2021, we estimate GFG's regulatory CET1 capital ratio at end-2021 to be broadly in line with that at end-2020.

Tangible Equity/Tangible Assets



Source: Fitch Ratings, banks

Funding & Liquidity vs. Peers



Source: Fitch Ratings, banks

Funding and Liquidity

The local banks are predominantly funded by granular domestic retail deposits. 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), fending off aggressive competitors during phases of higher interest rates and steeper yield curves, when competition for cheap retail deposits is particularly strong.

GFG meets the majority of its external wholesale funding needs with covered bonds. Its members (mainly its mortgage lenders DZ HYP and Muenchener Hyp) are collectively, and by a wide margin, the largest issuers of German covered bonds, with EUR78 billion outstanding at end-1Q22. However, a material share of this aggregated volume is placed within GFG. Structural subordination of senior unsecured creditors is high at GFG's large covered-bond-issuing entities but moderate at the group's level, with only 6% 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.

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.

About Fitch Charts

The peer averages include Sparkassen-Finanzgruppe (Sparkassen) (VR: a+), Credit Agricole (a+), Groupe BPCE (a+), Credit Mutuel Alliance Federale (a+), Cooperatieve Rabobank U.A. (a+), Desjardins Group (aa-), Svenska Handelsbanken AB (aa).

Financials

Financial Statements

	31 Dec 20		31 Dec 19	31 Dec 18	31 Dec 17
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
Summary income statement					
Net interest and dividend income	22,364	18,382	18,185	18,368	18,638
Net fees and commissions	9,050	7,439	7,092	6,816	6,491
Other operating income	2,151	1,768	3,665	817	2,247
Total operating income	33,565	27,589	28,942	26,001	27,376
Operating costs	21,943	18,036	18,142	18,079	17,884
Pre-impairment operating profit	11,622	9,553	10,800	7,922	9,492
Loan and other impairment charges	2,831	2,327	832	151	576
Operating profit	8,791	7,226	9,968	7,771	8,916
Other non-operating items (net)	n.a.	n.a.	211	n.a.	n.a.
Tax	2,667	2,192	3,133	2,369	2,843
Net income	6,124	5,034	7,046	5,402	6,073
Other comprehensive income	n.a.	n.a.	1,055	-453	-208
Fitch comprehensive income	6,124	5,034	8,101	4,949	5,865
.					
Summary balance sheet					
Assets					
Gross loans	1,083,475	890,576	844,552	794,916	761,880
Loan loss allowances	12,738	10,470	9,119	8,988	7,363
Net loans	1,070,737	880,106	835,433	785,928	754,517
Interbank	24,004	19,730	22,439	18,800	51,042
Derivatives	n.a.	n.a.	25,232	20,530	22,325
Other securities and earning assets	509,265	418,597	390,104	371,554	363,597
Total earning assets	1,604,005	1,318,433	1,273,208	1,196,812	1,191,481
Cash and due from banks	147,161	120,961	87,421	75,169	32,594
Other assets	44,448	36,535	23,459	21,196	19,241
Total assets	1,795,615	1,475,929	1,384,088	1,293,177	1,243,316
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Liabilities					
Customer deposits	1,141,020	937,876	880,398	842,420	801,031
Interbank and other short-term funding	195,780	160,924	156,316	119,300	113,065
Other long-term funding	76,410	62,806	46,793	58,677	68,581
Trading liabilities and derivatives	56,932	46,796	54,896	48,742	44,181
Total funding	1,470,142	1,208,402	1,138,403	1,069,139	1,026,858
Other liabilities	177,304	145,737	129,525	116,160	111,608
Preference shares and hybrid capital	n.a.	n.a.	204	243	492
Total equity	148,170	121,790	115,956	107,635	104,358
Total liabilities and equity	1,795,615	1,475,929	1,384,088	1,293,177	1,243,316
Exchange rate		USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382

Source: Fitch Ratings, Fitch Solutions, GFG

Key Ratios

	31 Dec 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
.				
Profitability				
Operating profit/risk-weighted assets	1.0	1.5	1.2	1.5
Net interest income/average earning assets	1.4	1.5	1.5	1.6
Non-interest expense/gross revenue	65.4	63.2	69.9	65.6
Net income/average equity	4.2	6.3	5.1	6.0
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Asset quality				
Growth in gross loans	5.5	6.2	4.3	3.9
Loan impairment charges/average gross loans	0.3	0.1	0.0	0.1
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Capitalisation				
Common equity Tier 1 ratio (excluding reserves for general banking risks)	14.4	13.6	13.5	13.3
Tangible common equity/tangible assets	8.3	8.2	8.3	8.4
Basel leverage ratio	7.5	7.0	6.9	6.8
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Funding and liquidity				
Loans/customer deposits	95.0	95.9	94.4	95.1
Liquidity coverage ratio (group median)	177.6	174.3	166.0	161.0
Customer deposits/funding	77.6	79.0	80.5	79.9

Source: Fitch Ratings, Fitch Solutions, CFG

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	A+ to A-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	**ns**
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

GFG's Government Support Rating (GSR) of 'no support' reflects our view that extraordinary sovereign support for EU banks is possible but cannot be relied on due to the Bank Recovery and Resolution Directive and the Single Resolution Mechanism's resolution tools and mechanisms. It is likely that senior creditors will be required to participate in losses, if necessary, instead of, or ahead of, the group receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings **Genossenschaftliche FinanzGruppe** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Credit-Relevant ESG Derivation				Overall ESG Scale
Genossenschaftliche FinanzGruppe has 5 ESG potential rating drivers Genossenschaftliche FinanzGruppe has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. Governance is minimally relevant to the rating and is not currently a driver.	key driver	0	issues	5
	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/esg

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.

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