

# Investitionsbank Schleswig-Holstein (IB.SH)

## Full Rating Report

### Ratings

Long-Term IDR	AAA
Short-Term IDR	F1+
Support Rating	1

### Sovereign Risk

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

### Outlooks

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

### Financial Data

#### Investitionsbank Schleswig-Holstein (IB.SH)

Local GAAP	2017	2016
Total assets (EURm)	18,210	18,054
Total equity (EURm)	1,647	1,573
Gross loans (EURm)	10,631	10,570
Net income (EURm)	3	3
Operating ROAA (%)	0.4	0.4
Operating ROAE (%)	4.0	4.3
Impaired loans/gross loans (%)	1.4	1.5
Fitch Core Capital/RWAs (%)	19.0	18.2

Source: Fitch Ratings

### Key Rating Drivers

**State Support Drives Ratings:** Investitionsbank Schleswig-Holstein's (IB.SH) ratings are based on support from its 100% owner, the federal state of Schleswig-Holstein (SH, AAA/Stable). A direct, unlimited statutory guarantee from SH fully covers IB.SH's liabilities. A maintenance obligation from SH guarantees IB.SH's continuation as an economic entity.

**Legally Protected from Insolvency:** Fitch Ratings believes the EU's Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism (SRM) do not affect SH's support for IB.SH. This is because local legislation that is applicable to IB.SH prohibits insolvency proceedings against the bank.

**Unaffected by Amended Insolvency Regime:** The German Banking Act amended in July 2018 harmonises the ranking of German banks' senior unsecured debt with the EU's insolvency hierarchy directive. The new regime allows banks to issue senior preferred and non-preferred bonds. However, as an insolvency-remote development bank, IB.SH is not affected by this differentiation within the senior unsecured debt class.

**Policy Bank Role:** IB.SH provides financial support and promotional funding to foster regional development and is responsible for the management and distribution of European structural and cohesion funds in the region. The bank operates under the principle that its lending activities must be sufficiently profitable to cover its costs.

**Stable New Business:** IB.SH's loan origination was roughly stable at EUR2.2 billion in 2018 after EUR2.3 billion in 2017, driven by robust demand for social housing and promotion of local corporates. The bank's loan quality is strong and its securities portfolio is reasonably low risk.

**Rising Costs:** Net interest income (NII), IB.SH's dominant source of revenue, was stable in 2017. Reversals of loan-loss provisions mitigated negative valuation changes from pension commitments and higher costs from digitalisation investments.

**Regulatory Changes Could Affect Capitalisation:** Revisions to the Basle framework could burden IB.SH's regulatory capitalisation. However, owing to its focus on profit retention, the bank had a solid common equity Tier 1 ratio of 18.1% at end-2017. This provides material flexibility to absorb potential regulatory changes. The leverage ratio rose to 8.3% at end-2017 from 8% at end-2016, which compares well with those of IB.SH's peers.

**Funding Benefits from State Guarantee:** IB.SH is mainly funded by national and international development banks. The 0% regulatory risk-weighting of IB.SH's liabilities reflects SH's explicit state guarantee and gives the bank privileged access to the debt capital markets. Its liquidity is sound and underpinned by a large pool of unencumbered assets.

### Rating Sensitivities

**Downgrade of Guarantor's Ratings:** A downgrade of IB.SH's ratings could result from a downgrade of SH's Issuer Default Ratings (IDRs). The latter would most likely be triggered by a downgrade of Germany's IDRs, with which SH's IDRs are equalised.

**Weakening Support Mechanism:** A change in SH's propensity to support IB.SH could deeply affect the bank's business model, operations and access to funding. We view such a change as extremely unlikely, due to the bank's strategic role for the federal state.

### Related Research

[Fitch Affirms 6 German State-Owned Development Banks at 'AAA/Stable' \(January 2019\)](#)

[State of Schleswig-Holstein \(December 2018\)](#)

[Germany \(February 2019\)](#)

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## SH – Key Data

	2017	2016
Operating revenue (EURm)	11,767	11,162
Direct debt (EURm)	26,422	26,691
Operating balance/operating revenue (%)	8.6	12.5
Debt service/current revenue (%)	51.3	43.5
Debt/current balance (years)	31.4	33.2
Operating balance/interest paid (x)	2.0	2.4
Capital expenditure/total expenditure (%)	5.3	4.8
Surplus/total revenue (before debt variation) (%)	1.3	4.0
Current balance/capital expenditure (%)	64.1	110.1

Source: Fitch Ratings, State of Schleswig-Holstein

## Support

## IB.SH's Ratings Reflect Strength of Support Mechanism

A statutory guarantor liability makes SH liable for IB.SH's obligations. IB.SH also benefits from a refinancing guarantee from SH. Under [Article 4 of SH's Investitionsbankgesetz](#) (IB.SH's governing law), SH guarantees all loans extended to IB.SH and credits to third parties that are expressly guaranteed by IB.SH. SH's institutional liability (Anstaltslast) secures IB.SH's economic viability and ensures it can continue to operate in the event of financial difficulty.

The European Commission (EC) has approved the state guarantee framework in line with EU state-aid rules. An agreement from 2002 between the German federal government and the EC allows German public development banks to continue receiving state support for their development business. This applies as long as the banks' activities remain purely promotional and non-competitive. We do not expect any changes to IB.SH's business scope or public-sector role.

## Stability and Sustainability of German Federal States' Solidarity System is Key

The German constitution makes the government and the federal states jointly responsible for supporting states that face financial hardship. The states share equal responsibilities and must be financially able to fulfil their constitutional duties while exercising their right of autonomy.

SH has a record of supporting entities it owns, but IB.SH is managed in a way that allows it to fund its promotional activities independently. Germany's constitution obliges the federal states to run their budgets without incurring new debt from 2020. SH is likely to maintain its strict fiscal consolidation path and continue to limit expenditure growth in 2019, even though its structural deficit reduction is ahead of schedule. Rising tax revenue enabled a balanced budget in 2017. However, in 2018 a deficit occurred primarily due to a one-off payment obligation of the state of EUR2.3 billion for the sale of HSH Nordbank (now Hamburg Commercial Bank) to a private investor. According to the 2019 budget, SH has a surplus before debt variation of EUR166 million.

## Insolvency Remote by Law

State support for IB.SH is not affected by the BRRD and the SRM. This is because the Investitionsbankgesetz was amended in 2016 to ensure the bank cannot be subject to insolvency procedures. Consequently, we believe the bank can only be dissolved by law and, pursuant to the no-creditor-worse-off principle, is exempt from resolution procedures.

## Unaffected by Banking Act Amendment

The amended Article 46f of the German Banking Act in force since July 2018 allows German banks to issue two classes of senior unsecured bonds: preferred and non-preferred. This harmonises the ranking of banks' unsecured debt issuance with the EU's Insolvency Hierarchy Directive. However, this change does not apply to insolvency-remote development banks because their support mechanisms provide equivalent protection to all senior unsecured notes. Therefore, IB.SH's senior unsecured notes will continue to rank *pari passu* among themselves.

## Operating Environment

## Support of Regional Economic Development

Development banks are an important pillar of Germany's economy and financial system, accounting for 16% of the banking sector's assets at end-2017. IB.SH's strategic importance to SH lies in its long-term financing of regional development projects and is evidenced by the size of its balance sheet, which is equivalent to 20% of SH's GDP. SH's SME sector is developed, but its industrial base is smaller, even in relative terms, than in larger federal states. SH's real GDP growth of 2.1% in 2017 slightly lagged the nationwide average of 2.2%.

## Exempt from CRD IV and CRR

In 2016, the EC proposed to exclude several development banks from the scope of the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR). In May 2018, the EU's Economic and Financial Affairs Council reached an agreement on the reform

## Related Criteria

[Bank Rating Criteria \(October 2018\)](#)

[Short-Term Ratings Criteria \(May 2019\)](#)

package, and granted their approval in April 2019. The revised CRD IV must also be implemented into national law, which is expected later in 2019.

**German Regional States and their Development Banks**

(In EURbn at end-2017)	GDP	RDBs' assets <sup>a</sup>	RDBs' assets/ GDP (%)
Baden-Wuerttemberg	493	71	14
Bavaria	594	45	8
Berlin	137	18	13
Brandenburg	69	13	19
Bremen	34	1	3
Hamburg	118	5	4
Hesse	279	18	6
Mecklenburg-Western Pomerania	43	2	5
Lower Saxony	288	4	1
North Rhine-Westphalia	692	148	21
Rhineland-Palatinate	144	10	7
Saarland	35	1	3
Saxony	122	8	7
Saxony-Anhalt	61	2	3
<b>Schleswig-Holstein</b>	<b>93</b>	<b>19</b>	<b>20</b>
Thuringia	62	4	6
<b>Germany total</b>	<b>3,277</b>	<b>369</b>	<b>11</b>

<sup>a</sup> RDBs: regional development banks (excludes the national development banks KfW and Landwirtschaftliche Rentenbank); including trust assets  
 Source: Fitch Ratings, Statistical office, annual and regulatory transparency reports

**Company Profile**

**Policy Mandate Clearly Defines Business Scope**

IB.SH is a public-law institution established in 2003 and based in Kiel, SH. The Investitionsbankgesetz specifies its policy role as a development institution with a mandate to support SH's public duties and those in the public's interest. This includes promotional funding for alternative energy, energy efficiency, affordable housing, digital transformation and start-up companies.

IB.SH's four business lines are corporate, real estate, municipal clients and labour market/ structural promotion. The corporate segment includes business passed through from KfW and Landwirtschaftliche Rentenbank, and the refinancing business with commercial banks. This segment, IB.SH's main business line, contributed 38% of its total business in 2017. IB.SH holds a small portfolio of strategic investments to carry out its development targets. It also offers advisory and related services on promotional issues, which generate modest fee income.

**Management and Strategy**

**Consistent Strategy, Clearly Defined Business Guidelines**

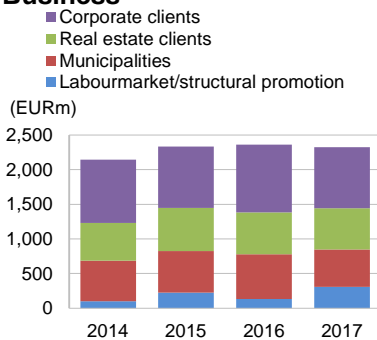
IB.SH's legal framework and statutes underpin its corporate governance by clearly setting out its strategic objectives and business principles. Due to its close cooperation with its owners and its role in managing and distributing federal and European funds, IB.SH's operations are closely supervised by the state and reviewed by European, federal and state audit offices.

BaFin, the German financial regulator that supervises IB.SH, does not classify the bank as systemically relevant due to its moderate balance sheet and risk profile as well as its absence of retail business or critical functions. IB.SH's two board members are supervised by 12 supervisory board members, some of which are owner representatives with limited banking experience.

**Independent from Financial Contributions from SH**

IB.SH is not geared toward maximising profits, but a key objective of its management is to generate sufficient recurring earnings to perform its development mandate sustainably without financial contributions from SH. Therefore, its earnings must cover the operating and risk costs arising from its promotional activities and the capital build-up needed to fulfil regulatory requirements. This underpins the bank's conservative risk-management practices and controlled treasury activities.

**Development of Promotional Business**



Source: Fitch Ratings, IB.SH

## Risk Appetite

### Conservative Risk Profile, Adequate Risk Management Tools

IB.SH's policy role and strategic objectives guide its risk profile and management risk tools, which we view as adequate for the activities it undertakes. The utilisation of limits for each risk category is typically low. Interest-rate risk in the banking book is a notable exception as maturity transformation is an important earnings component.

### Banking Book's Interest Risk Large and Moderately above that of German Peers

Interest-rate risk is IB.SH's only material market risk as its long-term lending drives maturity mismatches stemming from a macro-hedge approach, treasury activities and liquidity management. The bank does not intend to incur currency, equities or other market price risks. It uses derivatives only to hedge interest-rate risk in its banking and treasury books. At end-2017, a 200bp parallel upward shift of the yield curve would have reduced the present value of the banking book by EUR196 million or 12% of IB.SH's total regulatory capital, i.e. below the 20% regulatory threshold for market risk.

## Asset Quality

### Improving Impaired Loan Ratio

Asset quality is robust considering the high level of direct lending to end-clients compared with pass-through loans, where commercial bank partners that on-lend to ultimate borrowers assume the credit risk. IB.SH's residential loans are granular, except for real-estate lending for multi-family housing, which entails some concentration risk. IB.SH's lending is regional. Lending to corporate, owner-occupied and multi-family housing is exclusively within SH. Promotional loans (EUR15 billion at end-2017) are mainly to German municipalities and banks.

IB.SH's non-performing loans primarily relate to corporates and larger real estate projects. In line with peers, borrowers include a relatively large share of low-risk municipalities. Overdue and problem loans (per the bank's regulatory transparency report) remained low at 1.4% of gross loans at end-2017 (1.5% at end-2016), indicating conservative underwriting standards. The non-performing loan coverage ratio declined in 2017 but remained at a solid 61%.

IB.SH's EUR3.5 billion securities portfolio at end-2017 represented 18% of its total assets. It is reasonably low-risk and well diversified, with a focus on financial institutions and corporates.

## Earnings and Profitability

### Business Model, German GAAP Reporting Drive Moderate but Stable Profits

IB.SH reports under German GAAP only. This benefits its performance by smoothing valuation effects relative to IFRS peers. NII from lending and treasury activities accounts for almost 90% of IB.SH's revenue as fee income is negligible. Higher new business volumes and treasury revenue increased the NII by 3% in 2017. However, valuation losses from pension commitments and investments in digitalisation and sustainability reduced the pre-impairment operating profit by 15% in 2017. Profitability improved moderately in 2018, driven by higher NII.

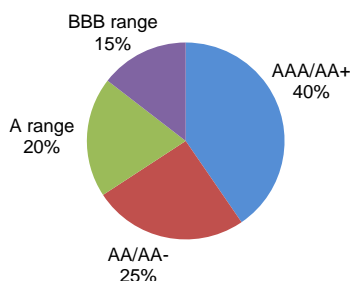
## Capitalisation and Leverage

### Comfortably Capitalised Owing to High Profit Retention

IB.SH cannot raise capital in the market as it is a public-law institution. Therefore, it relies on internal capital generation to maintain comfortable capital buffers as it develops its lending activities. Its total capital ratio increased to 19.5% at end-2018 from 19.3% at end-2017 through profit retention. (In the last few years, the bank has added between EUR60 million and EUR65 million per year from its operating income to its fund for general banking risks (line "Other non-operating income and expenses" in the income statement below)).

### Securities Portfolio

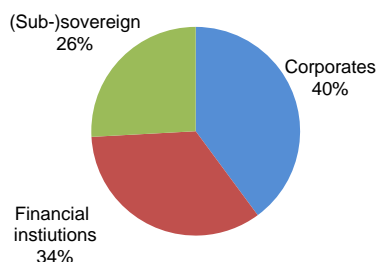
End-1H18



Source: Fitch Ratings, IB.SH

### Securities Portfolio

End-1H18



Source: Fitch Ratings, IB.SH

IB.SH's strong regulatory leverage ratio of 8.3% at end-2017 reflects its use of the standard approach to assess credit risk for all asset classes. Hence, the bank measures its risk-weighted capital ratios more conservatively than peers that use the internal rating-based approach.

### Revised Basel III Requirements Manageable

IB.SH's capitalisation provides a robust buffer above existing and expected regulatory requirements. The announced revision of the Basel III standards could mildly inflate its risk-weighted assets requiring higher capital requirements for pass-through interbank loans. However, we expect the bank to moderately strengthen its capitalisation through profit retention ahead of the implementation of the regulatory changes starting in 2022.

### Funding and Liquidity

#### Solid Wholesale Funding Profile Benefits from 0% Regulatory Risk-Weighting

SH's statutory guarantor liability and funding guarantee underpin IB.SH's funding profile. The bank sources its purely wholesale funding mainly from national and international development banks. It has also issued unsecured debt since 2014, and its capital market issuance volume is likely to remain at least EUR500 million a year, similar to 2017.

#### Strong and Conservatively Managed Liquidity, Large Unencumbered Assets

EUR3.1 billion out of EUR3.5 billion of IB.SH's liquid assets are ECB-eligible. They cover all daily unsecured money-market maturities and any cumulative cash-flow gaps over a 12-month horizon. The bank's asset encumbrance ratio was a moderate 9% and its regulatory liquidity coverage ratio was a comfortable 158% at end-2017.



Investitionsbank Schleswig-Holstein (IB.SH)

Income Statement

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	Year End	Year End	Year End	Year End
	EURm	EURm	EURm	EURm
	Audited -	Audited -	Audited -	Audited -
	Unqualified	Unqualified	Unqualified	Unqualified
1. Interest Income on Loans	416	442	468	508
2. Other Interest Income	60	64	69	78
3. Dividend Income	10	10	9	8
<b>4. Gross Interest and Dividend Income</b>	<b>486</b>	<b>516</b>	<b>546</b>	<b>594</b>
5. Interest Expense on Customer Deposits	n.a.	n.a.	n.a.	n.a.
6. Other Interest Expense	370	404	430	486
<b>7. Total Interest Expense</b>	<b>370</b>	<b>404</b>	<b>430</b>	<b>486</b>
<b>8. Net Interest Income</b>	<b>115</b>	<b>112</b>	<b>116</b>	<b>109</b>
9. Net Fees and Commissions	1	2	2	4
10. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	n.a.	n.a.
11. Net Gains (Losses) on Assets and Liabilities at FV	n.a.	n.a.	n.a.	n.a.
12. Net Gains (Losses) on Other Securities	n.a.	n.a.	n.a.	n.a.
13. Net Insurance Income	n.a.	n.a.	n.a.	n.a.
14. Other Operating Income	14	15	12	10
<b>15. Total Non-Interest Operating Income</b>	<b>15</b>	<b>17</b>	<b>14</b>	<b>14</b>
<b>16. Total Operating Income</b>	<b>131</b>	<b>129</b>	<b>130</b>	<b>123</b>
17. Personnel Expenses	43	37	43	39
18. Other Operating Expenses	30	24	22	26
<b>19. Total Non-Interest Expenses</b>	<b>73</b>	<b>61</b>	<b>65</b>	<b>65</b>
20. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	n.a.	n.a.
<b>21. Pre-Impairment Operating Profit</b>	<b>58</b>	<b>68</b>	<b>65</b>	<b>58</b>
22. Loan Impairment Charge	(7)	3	(3)	(6)
23. Securities and Other Credit Impairment Charges	0	0	0	(0)
<b>24. Operating Profit</b>	<b>65</b>	<b>66</b>	<b>68</b>	<b>64</b>
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	0	0	n.a.	n.a.
28. Non-recurring Expense	0	0	0	0
29. Change in Fair Value of Own Debt	n.a.	n.a.	n.a.	n.a.
30. Other Non-operating Income and Expenses	(62)	(62)	(65)	(61)
<b>31. Pre-tax Profit</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
32. Tax expense	0	0	0	0
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.
<b>34. Net Income</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
35. Change in Value of AFS Investments	n.a.	n.a.	n.a.	n.a.
36. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.
37. Currency Translation Differences	n.a.	n.a.	n.a.	n.a.
38. Remaining OCI Gains/(losses)	n.a.	n.a.	n.a.	n.a.
<b>39. Fitch Comprehensive Income</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
40. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	n.a.	n.a.
41. Memo: Net Income after Allocation to Non-controlling Interests	3	3	3	3
42. Memo: Common Dividends Relating to the Period	n.a.	n.a.	n.a.	n.a.
43. Memo: Preferred Dividends and Interest on Hybrid Capital	n.a.	n.a.	n.a.	n.a.
Accounted for as Equity Related to the Period				

Investitionsbank Schleswig-Holstein (IB.SH)

Balance Sheet

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	Year End	Year End	Year End	Year End
	EURm	EURm	EURm	EURm
<b>Assets</b>				
<b>A. Loans</b>				
1. Residential Mortgage Loans	0	0	1	1
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	3,577	3,674	3,888	4,095
5. Other Loans	7,054	6,895	6,628	6,009
6. Less: Loan Loss Allowances	94	103	104	120
<b>7. Net Loans</b>	<b>10,537</b>	<b>10,467</b>	<b>10,412</b>	<b>9,984</b>
<b>8. Gross Loans</b>	<b>10,631</b>	<b>10,570</b>	<b>10,516</b>	<b>10,104</b>
9. Memo: Impaired Loans included above	153	153	156	173
10. Memo: Specific Loan Loss Allowances	n.a.	n.a.	n.a.	n.a.
<b>B. Other Earning Assets</b>				
1. Loans and Advances to Banks	4,616	4,445	4,305	4,398
2. Reverse Repos and Securities Borrowing	n.a.	n.a.	n.a.	n.a.
3. Derivatives	n.a.	n.a.	n.a.	n.a.
4. Trading Securities and at FV through Income	n.a.	n.a.	n.a.	n.a.
5. Available for Sale Securities	n.a.	n.a.	n.a.	n.a.
6. Held to Maturity Securities	n.a.	n.a.	n.a.	n.a.
7. Other Securities	2,793	2,895	2,895	3,105
<b>8. Total Securities</b>	<b>2,793</b>	<b>2,895</b>	<b>2,895</b>	<b>3,105</b>
9. Memo: Government Securities included Above	1,144	751	537	956
10. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.
11. Equity Investments in Associates	124	124	124	124
12. Investments in Property	n.a.	n.a.	n.a.	n.a.
13. Insurance Assets	n.a.	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	n.a.	n.a.	n.a.
<b>15. Total Earning Assets</b>	<b>18,069</b>	<b>17,930</b>	<b>17,735</b>	<b>17,611</b>
<b>C. Non-Earning Assets</b>				
1. Cash and Due From Banks	3	3	1	5
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	7	7	8
5. Goodwill	n.a.	n.a.	n.a.	n.a.
6. Other Intangibles	3	3	2	1
7. Current Tax Assets	n.a.	n.a.	n.a.	n.a.
8. Deferred Tax Assets	n.a.	n.a.	n.a.	n.a.
9. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
10. Other Assets	124	110	4	5
<b>11. Total Assets</b>	<b>18,210</b>	<b>18,054</b>	<b>17,750</b>	<b>17,631</b>
<b>Liabilities and Equity</b>				
<b>D. Interest-Bearing Liabilities</b>				
4. Total Customer Deposits	2,217	1,938	2,049	2,013
5. Deposits from Banks	10,932	11,861	11,914	12,671
6. Repos and Securities Lending	n.a.	n.a.	n.a.	n.a.
7. Commercial Paper and Short-term Borrowings	n.a.	n.a.	n.a.	n.a.
<b>8. Customer Deposits and Short-term Funding</b>	<b>13,149</b>	<b>13,798</b>	<b>13,963</b>	<b>14,684</b>
9. Senior Unsecured Debt	n.a.	n.a.	n.a.	n.a.
10. Subordinated Borrowing	n.a.	n.a.	n.a.	n.a.
11. Covered Bonds	n.a.	n.a.	n.a.	n.a.
12. Other Long-term Funding	2,252	1,502	1,242	760
<b>13. Total LT Funding</b>	<b>2,252</b>	<b>1,502</b>	<b>1,242</b>	<b>760</b>
14. Memo: o/w matures in less than 1 year	n.a.	n.a.	n.a.	n.a.
15. Trading Liabilities	n.a.	n.a.	n.a.	n.a.
<b>16. Total Funding</b>	<b>15,401</b>	<b>15,300</b>	<b>15,205</b>	<b>15,444</b>
17. Derivatives	n.a.	n.a.	n.a.	n.a.
<b>18. Total Funding and Derivatives</b>	<b>15,401</b>	<b>15,300</b>	<b>15,205</b>	<b>15,444</b>
<b>E. Non-Interest Bearing Liabilities</b>				
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	973	972	977	971
4. Current Tax Liabilities	n.a.	n.a.	n.a.	n.a.
5. Deferred Tax Liabilities	n.a.	n.a.	n.a.	n.a.
6. Other Deferred Liabilities	140	163	30	34
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	48	46	39	36
<b>10. Total Liabilities</b>	<b>16,562</b>	<b>16,481</b>	<b>16,252</b>	<b>16,484</b>
<b>F. Hybrid Capital</b>				
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	n.a.	n.a.
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	n.a.	n.a.
<b>G. Equity</b>				
1. Common Equity	1,647	1,573	1,498	1,147
2. Non-controlling Interest	n.a.	n.a.	n.a.	n.a.
3. Securities Revaluation Reserves	n.a.	n.a.	n.a.	n.a.
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	n.a.	n.a.
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	n.a.	n.a.
<b>6. Total Equity</b>	<b>1,647</b>	<b>1,573</b>	<b>1,498</b>	<b>1,147</b>
7. Memo: Equity + Pref. Shares and Hybrid Cap. acc. for as Equity	1,647	1,573	1,498	1,147
<b>8. Total Liabilities and Equity</b>	<b>18,210</b>	<b>18,054</b>	<b>17,750</b>	<b>17,631</b>
9. Memo: Fitch Core Capital	1,644	1,570	1,496	1,146

Investitionsbank Schleswig-Holstein (IB.SH)

Summary Analytics

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	Year End	Year End	Year End	Year End
<b>A. Interest Ratios</b>				
1. Interest Income/ Average Earning Assets	2.7	2.9	3.1	3.4
2. Interest Income on Loans/ Average Gross Loans	3.9	4.2	4.5	5.2
3. Interest Exp. on Customer Deposits/ Av. Customer Deposits	n.a.	n.a.	n.a.	n.a.
4. Interest Expense/ Average Interest-bearing Liabilities	2.4	2.7	2.8	3.2
5. Net Interest Income/ Average Earning Assets	0.6	0.6	0.7	0.6
6. Net Int. Inc Less Loan Imp. Charges/ Av. Earning Assets	0.7	0.6	0.7	0.7
7. Net Interest Inc Less Preferred Stock Div./ Av. Earning Assets	0.6	0.6	0.7	0.6
<b>B. Other Operating Profitability Ratios</b>				
1. Operating Profit/ Risk Weighted Assets	0.8	0.8	0.8	0.8
2. Non-Interest Expense/ Gross Revenues	55.5	47.3	50.1	52.9
3. Loans and securities impairment charges/ Pre-imp. Op. Profit	(11.2)	3.7	(3.9)	(11.3)
4. Operating Profit/ Average Total Assets	0.4	0.4	0.4	0.4
5. Non-Interest Income/ Gross Revenues	11.7	13.3	11.0	11.5
6. Non-Interest Expense/ Average Total Assets	0.4	0.3	0.4	0.4
7. Pre-impairment Op. Profit/ Average Equity	3.6	4.4	4.9	5.1
8. Pre-impairment Op. Profit/ Average Total Assets	0.3	0.4	0.4	0.3
9. Operating Profit/ Average Equity	4.0	4.3	5.1	5.6
<b>C. Other Profitability Ratios</b>				
1. Net Income/ Average Total Equity	0.2	0.2	0.2	0.3
2. Net Income/ Average Total Assets	0.0	0.0	0.0	0.0
3. Fitch Comprehensive Income/ Average Total Equity	0.2	0.2	0.2	0.3
4. Fitch Comprehensive Income/ Average Total Assets	0.0	0.0	0.0	0.0
5. Taxes/ Pre-tax Profit	3.2	9.1	0.0	3.2
6. Net Income/ Risk Weighted Assets	0.0	0.0	0.0	0.0
<b>D. Capitalization</b>				
1. FCC/ FCC-Adjusted Risk Weighted Assets	19.0	18.2	17.8	13.8
2. Tangible Common Equity/ Tangible Assets	9.0	8.7	8.4	6.5
3. Equity/ Total Assets	9.1	8.7	8.4	6.5
4. Basel Leverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Common Equity Tier 1 Capital Ratio	18.1	17.3	13.6	13.7
6. Fully Loaded Common Equity Tier 1 Capital Ratio	18.1	17.3	n.a.	n.a.
7. Tier 1 Capital Ratio	18.1	17.3	13.6	13.7
8. Total Capital Ratio	19.3	18.4	14.8	16.4
9. Impaired Loans less Loan Loss Allowances/ FCC	3.6	3.2	3.5	4.7
10. Impaired Loans less Loan Loss Allowances/ Equity	3.6	3.2	3.5	4.7
11. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
12. Risk Weighted Assets/ Total Assets	47.4	47.8	47.3	47.2
13. Risk Weighted Assets - Standardised/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
14. Risk Weighted Assets - Advanced Method/ RWA	n.a.	n.a.	n.a.	n.a.
<b>E. Loan Quality</b>				
1. Impaired Loans/ Gross Loans	1.4	1.5	1.5	1.7
2. Growth of Gross Loans	0.6	0.5	4.1	5.9
3. Loan Loss Allowances/ Impaired Loans	61.7	67.3	66.7	69.2
4. Loan Impairment Charges/ Average Gross Loans	(0.1)	0.0	(0.0)	(0.1)
5. Growth of Total Assets	0.9	1.7	0.7	1.7
6. Loan Loss Allowances/ Gross Loans	0.9	1.0	1.0	1.2
7. Net Charge-offs/ Average Gross Loans	0.0	n.a.	n.a.	n.a.
8. NPLs + Foreclosed Assets/ Gross Loans + Foreclosed Assets	1.4	1.5	1.5	1.7
<b>F. Funding and Liquidity</b>				
1. Loans/ Customer Deposits	479	545	513	502
2. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding (excluding derivatives)	14	13	13	13
4. Interbank Assets/ Interbank Liabilities	42	37	36	35
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	14	(5)	2	12



Investitionsbank Schleswig-Holstein (IB.SH)

Reference Data

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	Year End	Year End	Year End	Year End
	EURm	EURm	EURm	EURm
<b>A. Off-Balance Sheet Items</b>				
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	423	458	543	594
4. Acceptances/documentary credits reported off-balance sheet	n.a.	n.a.	n.a.	n.a.
5. Committed Credit Lines	754	712	501	547
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	n.a.	n.a.	n.a.	n.a.
<b>B. Average Balance Sheet</b>				
1. Average Loans	10,600	10,543	10,310	9,752
2. Average Earning Assets	17,999	17,833	17,673	17,469
3. Average Total Assets	18,132	17,902	17,690	17,485
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.
5. Average Interest-Bearing Liabilities	15,351	15,253	15,325	15,304
6. Average Common equity	1,610	1,536	1,322	1,140
7. Average Equity	1,610	1,536	1,322	1,140
8. Average Customer Deposits	2,078	1,994	2,031	1,907
<b>C. Maturities</b>				
<b>Asset Maturities:</b>				
Loans & Advances < 3 months	222	218	302	252
Loans & Advances 3 - 12 Months	448	472	558	670
Loans and Advances 1 - 5 Years	2,532	2,490	2,197	2,094
Loans & Advances > 5 years	7,335	7,287	7,355	6,969
Debt Securities < 3 Months	n.a.	n.a.	n.a.	n.a.
Debt Securities 3 - 12 Months	116	339	600	831
Debt Securities 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Debt Securities > 5 Years	2,667	2,546	2,285	2,264
Loans & Advances to Banks < 3 Months	341	301	271	178
Loans & Advances to Banks 3 - 12 Months	400	404	374	375
Loans & Advances to Banks 1 - 5 Years	1,433	1,431	1,318	1,370
Loans & Advances to Banks > 5 Years	2,248	2,203	2,239	2,245
<b>Liability Maturities:</b>				
Retail Deposits < 3 months	254	51	15	59
Retail Deposits 3 - 12 Months	106	103	44	148
Retail Deposits 1 - 5 Years	348	311	133	13
Retail Deposits > 5 Years	1,113	1,104	1,378	1,408
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	820	1,512	1,244	812
Deposits from Banks 3 - 12 Months	1,752	817	1,299	1,599
Deposits from Banks 1 - 5 Years	2,337	3,356	4,032	4,849
Deposits from Banks > 5 Years	5,713	5,906	5,338	5,117
Senior Debt Maturing < 3 months	2	2	13	11
Senior Debt Maturing 3-12 Months	0	0	10	9
Senior Debt Maturing 1- 5 Years	1,500	1,000	581	575
Senior Debt Maturing > 5 Years	750	500	639	165
<b>Total Senior Debt on Balance Sheet</b>	<b>2,252</b>	<b>1,502</b>	<b>1,242</b>	<b>760</b>
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.
<b>Total Subordinated Debt on Balance Sheet</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.
<b>D. Risk Weighted Assets</b>				
1. Risk Weighted Assets	8,637	8,635	8,402	8,313
2. FCC Adjustments for Insurance and Securitisation RWA	n.a.	n.a.	n.a.	n.a.
<b>3. Fitch Core Capital Adjusted Risk Weighted Assets</b>	<b>8,637</b>	<b>8,635</b>	<b>8,402</b>	<b>8,313</b>
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
<b>5. Fitch Adjusted Risk Weighted Assets</b>	<b>8,637</b>	<b>8,635</b>	<b>8,402</b>	<b>8,313</b>
<b>E. Fitch Core Capital Reconciliation</b>				
1. Total Equity as reported (including non-controlling interests)	1,647	1,573	1,498	1,147
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	0	0	0	0
5. Other intangibles	3	3	2	1
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-balance sheet securitizations	0	0	0	0
9. Fund for gen. banking risks if not already incl. and conv.into equity	0	0	0	0
<b>10. Fitch Core Capital</b>	<b>1,644</b>	<b>1,570</b>	<b>1,496</b>	<b>1,146</b>

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