

2009

Our report on the fiscal year

Management report (extract)
Balance sheet
Income statement

The complete annual financial statements of Sparkasse Saarbrücken were published in the Federal Gazette and given an unqualified auditor's opinion by the auditors of the Saarland Savings Banks Association.

 Sparkasse
Saarbrücken

Contents

| | | |
|-------|------------------------------------------------------------------------------|----|
| | Management report for fiscal 2009..... | 3 |
| 1 | Underlying conditions | 3 |
| 2 | Report on economic situation | 5 |
| 2.1 | Business performance..... | 5 |
| 2.1.1 | Total assets and volume of business | 5 |
| 2.1.2 | Lending business (including off-balance-sheet (Item 1) liabilities) | 5 |
| 2.1.3 | Deposit-taking business | 5 |
| 2.1.4 | Consultancy and services..... | 6 |
| 2.1.5 | Own trading..... | 6 |
| 2.1.6 | Derivatives..... | 6 |
| 2.2 | Financial position..... | 7 |
| 2.3 | Cash flows | 7 |
| 2.4 | Earnings | 8 |
| 2.5 | Non-financial performance indicators | 9 |
| 2.6 | Summary and assessment..... | 9 |
| 3 | Risk report | 10 |
| 3.1 | Risk management..... | 10 |
| 3.2 | Risk monitoring and management..... | 10 |
| 3.2.1 | Counterparty risks | 10 |
| 3.2.2 | Market price risks..... | 11 |
| 3.2.3 | Liquidity risk..... | 12 |
| 3.2.4 | Operational risks | 12 |
| 3.3 | Overall risk assessment..... | 13 |
| 5 | Outlook..... | 13 |
| 4 | Material events occurring after the balance sheet date | 13 |
| 5 | Outlook..... | 13 |
| 6 | Our branch offices | 16 |
| 7 | Our A-class correspondence banks..... | 17 |
| 8 | Balance sheet as of 31 December 2009..... | 18 |
| 9 | Income statement for 2009..... | 20 |
| 10 | At a glance | 21 |

Management report for fiscal 2009

1 Underlying conditions

Sparkasse Saarbrücken is a legal entity organised according to public law and domiciled in Saarbrücken. We engage in all standard banking transactions permitted by the Savings Bank Act of the State of Saarland, the rules issued under this Act and the Bank's bylaws. The Bank's shareholder is Sparkassenzweckverband. As a legally independent business entity, Sparkasse Saarbrücken pursues the aim of strengthening competition primarily in its home territory and providing the private and public sectors with appropriate and adequate lending and banking services in light of market and competition requirements. To this end, we maintain 68 branches in our home market, the regional association and the state capital, Saarbrücken. We have three Corporate Banking departments, two Private Wealth Management departments and one Private Banking asset management service.

Sparkasse Saarbrücken's management bodies comprise the Supervisory Board and the Management Board. The Supervisory Board issues instructions to the Management Board and the Credit Committee and monitors the activities of the Management Board. It comprises a total of 19 members. The Credit Committee is made up by members of the Management Board in accordance with Article 13 Paragraph 1 of the Saarland Savings Bank Act (SSpG) and comprises the Chairperson of the Supervisory Board and up to six members; it passes resolutions approving the grant of loans in accordance with the instructions issued. The Supervisory Board passes resolutions approving the origination of loans extended by the Bank to its own officers as defined in Article 15 of the German Banking Act. The Management Board manages the Bank at its own discretion. It represents the Bank and conducts its business.

As a member of the Savings Bank Support Fund of the Saar Savings Bank Association, our Bank is affiliated with the guarantee system of the German Savings Bank Organisation. This ensures that all savings deposited by our customers are guaranteed in full.

Economic development

In winter 2008/2009, the global recession reached its climax and world trade experienced a massive setback. The gross domestic product (GDP) fell in almost all industrial countries. The export-heavy German economy has suffered particularly hard. The fall in the German gross national product a 5% for the entire year according to the initial flash estimate by the Federal Office of Statistics.

Germany's real exports fell by 14.7% in 2009 compared to 2008. In traditionally export-oriented sectors such as machine manufacture and electrotechnology, falls in incoming orders of 30% and more were the order of the day.

Investment in machinery was therefore weak experiencing an actual fall of around 20% in 2009; gross fixed investment fell by a total of 8.6%. Other sectors based mainly in the domestic market and focused on consumption, on the other hand, remained almost untouched by the recession for some time. Private consumption seemed stable.

In many private households there was no loss of income in 2009. The fall in GDP and the national income was almost entirely a matter of losses in profit and capital investment income. The sharp drop in energy prices compared to the peak levels of the previous year helped to stabilise purchasing power.

The effects of the recession on the job market have so far been limited. Although Germany faced the largest fall in GDP among industrial countries globally, it was among the countries that lost the fewest jobs. Clearly German companies are relying on the fundamentally sound structure of their business activities. The flexible, extended part-time working regulations have helped and allowed the state to take on a significant proportion of the short-term costs.

Economic political measures have also contributed to stabilising the situation. In addition to more flexible and extended part-time working regulations, the economic stimulus packages passed at the end of 2008 and in early 2009 are particularly significant. They include additional expenditure and reduced tax receipts in the state sector totalling around EUR 80 billion, almost half of which was effective in 2009.

Owing to its reliance on exports – almost half of Saarland's industrial production goes abroad – and the importance of the automotive industry that has been hit hard by the crisis, the economy of Saarland entered a deep recession in winter 2008/2009. The gross domestic product in the first half of 2009 was lower than the same period the previous year at 10.1%.

While the manufacturing industry was fighting with drastic falls in orders, the economic situation in trade and services was far less dramatic. Since early 2009, the economy has become increasingly stable. Over the 2009, real GDP has fallen by 7.9%.

The rate of inflation in 2009 fell rapidly to below one percent in response to the weak economic climate. Over several months in the summer, prices were actually falling. The average rate of inflation in Saarland over the year was 0.2%. As was the case nationally, the Saarland labour market in 2009 – running behind the economic cycle – proved astonishingly robust. Despite the considerable falls in production, the number of employed persons receiving social benefits fell only slightly. The rate of unemployment was around 0.7 percent above the level of the previous year at 7.5% at the end of 2009.

2 Report on economic situation

2.1 Business performance

2.1.1 Total assets and volume of business

| | Existing 31 December 2009 mn EUR | 2009 mn EUR | Changes 2009 % | 2008 % |
|-------------------------------|----------------------------------------|----------------|----------------------|-----------|
| Business volume ¹⁾ | 6,189.6 | 158.0 | 2.6 | 0.8 |
| Total assets | 6,109.6 | 158.3 | 2.7 | 0.5 |

1) Total shareholders' equity and liabilities plus contingent liabilities

Volume of business and total assets have increased in 2009 compared to the previous year, thanks to a further increase in the volume of loans to customers (+7.2%) and increases (+6.0%) in investments in securities. Balances held with Deutsche Bundesbank and with other banks were further reduced.

2.1.2 Lending business (including off-balance-sheet (Item 1) liabilities)

| | Existing 31 December 2009 mn EUR | 2009 mn EUR | Changes 2009 % | 2008 % |
|------------------------------|----------------------------------------|----------------|----------------------|-----------|
| Volume of loans to customers | 3,504.9 | 236.9 | 7.2 | 4.9 |
| <i>Of which:</i> | | | | |
| Loans to public sector | 1,011.9 | 182.2 | 22.0 | 3.8 |
| Mortgage loans | 799.0 | -72.3 | -8.3 | -6.1 |
| Loans to banks | 916.9 | -120.4 | -11.6 | -2.6 |
| Investments in securities | 1,580.1 | 89.8 | 6.0 | 1.9 |

Volume of loans to customers

Sparkasse Saarbrücken originated new loans totaling EUR 414.9 million in fiscal 2009. This is equal to an increase of 3.0% compared to the previous year. Last year, the public sector was the main source of growth, increasing demand significantly – particularly in short-term business. However, companies and individuals showed a greater propensity to enter into debt compared to the previous year, despite the economic and financial crisis, and preferred long-term financing options. Our lending business with private individuals closed slightly down (-0.7%) at the end of 2009. While consumer credit has increased significantly, requests for building loans have fallen.

Overall, growth was again up on the previous year and above the average for Saarland Sparkasse banks.

Loans to banks

The loans to other banks have fallen in the year under review by EUR 120.5 million (-11.6%), in particular because of the decline in time deposits.

Investments in securities

Investments in securities increased by EUR 89.8 million (+6%). Securities are primarily assigned to the liquidity reserve and particularly comprise fixed-income securities issued by investment-grade counterparties. Some of our securities are held in several special-purpose funds. Our goal is to achieve lasting value growth with assets managed by third parties giving due consideration to risk and return profiles.

2.1.3 Deposit-taking business

| | Existing 31 December 2009 mn EUR | 2009 mn EUR | Changes 2009 % | 2008 % |
|----------------------------------------------------|----------------------------------------|----------------|----------------------|-----------|
| Funds deposited by customers | 4,042.3 | -93.0 | -2.2 | 2.1 |
| <i>Of which:</i> | | | | |
| Savings deposits | 2,197.7 | 228.9 | 11.6 | 0.1 |
| Non-certificated liabilities | 1,623.0 | -184.0 | -10.2 | 3.6 |
| Certificated liabilities | 153.0 | -129.1 | -45.8 | 1.4 |
| Subordinated liabilities and profit-sharing rights | 68.6 | -8.8 | -11.4 | 31.0 |
| Liabilities to banks | 1,740.2 | 253.5 | 17.1 | -2.9 |

Funds deposited by customers

Funds deposited by customers fell slightly overall in the year under review, whereby the individual deposit-taking products developed differently. Investors showed the most favour to savings deposits that achieved an increase of EUR 228.9 million or 11.6%. The "S-Geld-marktsparen" product brought out at the beginning of the year in particular suited customer demands for an attractive near-money-market interest rates. In part, this trend had a negative influence on classic lump sum investments such as structured certificates, where even higher maturities had to be offset. Term deposits were also lower. At a low interest rate, deposit-taking products with medium- or long-term maturity inevitably had a less prominent role. Correspondingly, existing assets in bearer bonds (EUR -129.1 million or -45.8%) and investment certificates (Sparkassenbrief) (EUR -69.1 million or -22.7%) dropped appreciably with maturities of over EUR 350 million.

Liabilities to banks

The liabilities to banks were increased significantly (EUR +253.5 million or 17.1%). In particular, the favourable refinancing from Deutsche Bundesbank was further developed. We used time deposits from other banks to refinance our lending business (EUR +118.2 million or 201.0%). This was caused by the fact that institutional investors tended to be cautious in their investment decisions during the year under review.

2.1.4 Consultancy and services

Consultancy for insurance and pension products is provided by Sparkasse Saarbrücken in association with S-Pro-Finanz GmbH. A wholly owned subsidiary of Sparkasse Saarbrücken, it also advises our customers on all matters relating to real estate.

In terms of the amount insured, sales of life-insurance products went up by 7%; commission income was down because of one-off effects.

Pension plans continue to figure prominently in advice to customers. "Riester" retirement products continue to play a central role, although the record sales of more than 6,000 contracts in the previous years could not be repeated in the year under review, as expected, with around 3,700 contracts. Demand for "Rürup" retirement products and the Sparkasse pension fund was also satisfactory.

Consultancy for property insurance products was also a success in 2009; commission income was increased by more than 13%.

More and more customers appreciate the competence of our subsidiary S-Pro-Finanz in real estate business. Despite the difficult market environment, revenue from consultancy services rose by more than 20%.

Building society business with our alliance partner LBS was also successful in 2009. In contrast to the national trend, we increased our sales of building savings plans to almost EUR 82 million (+6%). A low number of new contracts (-17%) could, however, be more compensated by a significantly higher average contract value (+28%). The new product "Wohn-Riester" contributed to that success.

Securities business in 2009 was characterised by high deviations in the stock market against a background of significant price rises and sharply falling short-term rates.

Nonetheless, investors placed significantly more importance on security and short-term investments than in previous years as the financial crisis continued. As a result, sales of shares to our customers fell in 2009 by around 35% to EUR 31 million.

Net fund sales were also significantly down with a fall of EUR 21 million. However, this negative figure was in the context of significantly lower money-market rates for returns from money market-funds. Investment opportunities in open property funds, on the other hand, were still in demand.

In-house bearer bonds that came due were primarily reinvested in other attractive in-house deposit-taking products. Among securities-oriented investments from third party issuers, bonds in particular showed significant portfolio increases (+52%). The yield mark-up against the money and capital market level for top-ranking bonds that some issuers had available in 2009 attracted more investor money from risk-aware customers.

For a major bank in a border region, management of international payments is an important building block in the range of services. International payments by Sparkasse Saarbrücken on behalf of customers accounted for almost 59,000 outgoing payments and more than EUR 193 million, with most transactions within the Euro zone. Documentary collection and credit operations round off the range of foreign business services. We are able to offer our customers appropriate derivatives as security against interest risks.

2.1.5 Own trading

Our Custodian Account A – a mixture of fixed-income securities, floaters and holdings managed by third parties – makes an important contribution to Sparkasse Saarbrücken's profit and loss account. Trading volumes – buying, selling and maturities – came to a total of EUR 987.4 million (prior year: EUR 477.5 million). Sparkasse Saarbrücken is a non-trading book institute as defined in the German Banking Act.

2.1.6 Derivatives

Most of the products in the derivatives business are interest rate swaps and interest rate futures taken out in order to hedge against interest rate books based on present values. The total principal amount of transactions still outstanding at year-end was around EUR 1.7 billion (prior year: EUR 1.1 billion).

2.2 Financial position

| | mn EUR | | Percentage of business volume | |
|---------------------------------------------------------------------|------------|------------|-------------------------------|------------|
| | 31/12/2009 | 31/12/2008 | 31/12/2009 | 31/12/2008 |
| Volume of loans to customers | 3,504.9 | 3,268.0 | 56.6 | 54.2 |
| <i>Of which:</i> | | | | |
| Loans to public sector | 1,011.9 | 829.7 | 16.3 | 13.8 |
| Loans to banks | 916.9 | 1,037.3 | 14.8 | 17.2 |
| Investments in securities | 1,580.1 | 1,490.3 | 25.6 | 24.7 |
| Fixed assets | 88.7 | 87.1 | 1.4 | 1.4 |
| Other assets | 99.0 | 148.9 | 1.6 | 2.5 |
| Funds deposited by customers | 4,042.3 | 4,135.3 | 65.3 | 68.6 |
| <i>Of which:</i> | | | | |
| Savings deposits | 2,197.7 | 1,968.8 | 35.5 | 32.6 |
| Liabilities to banks | 1,740.2 | 1,486.7 | 28.1 | 24.6 |
| Other liabilities (including contingent liabilities and provisions) | 128.8 | 138.8 | 2.1 | 2.3 |
| Shareholders' equity | 278.3 | 270.8 | 4.5 | 4.5 |

Compared with the association average, Sparkasse Saarbrücken's asset and liability structure is characterised by a smaller share of loans and liabilities to customers.

The contingency reserve will amount to EUR 241.6 million after the Supervisory Board resolves to allocate funds from the unappropriated surplus EUR as planned. This is equal to an increase of 2.9%. In addition to its contingency reserves, Sparkasse Saarbrücken has further extensive lower-tier equity resources. At 11.2% (combined index), the ratio of equity capital to total risk assets (multiplied by 12.5 in accordance with Article 2 (6) of the German Solvency Regulation (SolV)) as at 31 December 2009 substantially exceeds the minimum statutory requirement of 8%.

This strong equity basis provides the foundation for further efforts to expand business so that Sparkasse Saarbrücken is able to achieve its targets.

Undisclosed reserves are included in the assets carried on the balance sheet, particularly in real estate and securities holdings. We have also taken additional precautions pursuant to Article 340f of the German Commercial Code to avert banking-related risks. The fund formed for general banking risks in accordance with Article 340g of the German Commercial Code is valued at EUR 35 million.

2.3 Cash flows

Sparkasse Saarbrücken's solvency was guaranteed at all times in the year under review, despite the ongoing economic and financial crisis, thanks to the well-planned, balanced liquidity provisions it had set aside. Sparkasse's liquidity position is monitored in the monthly returns filed under German Liquidity Regulation (LiqV). Sparkasse Saarbrücken also has a liquidity management system that shows the liquidity statement for the next 30 days, and the utilisation of existing liquidity based on scenario analyses. It also accounts for available credit facilities with trading partners and available open market facilities.

Partial use was made of the credit facilities granted by Deutsche Bundesbank and Landesbank Saar. Appropriate assets were always maintained at Deutsche Bundesbank in order to comply with minimum reserve requirements. With effect as at the end of the fiscal year, a liquidity rating of 1.41 was calculated in maturity band I for the liquidity ratio of the regulation regarding the liquidity of banks (Liquiditätsverordnung LiqV), which is used by the banking regulator to assess banks' liquidity position, such that the liquidity level can be considered adequate both on the balance sheet date and for 2009 as a whole.

Similarly, the key figures to be calculated for further periods of observation (maturity bands of up to twelve months) do not give any indication of potential liquidity problems.

There are thus no signs that cash flows might worsen in the future.

2.4 Earnings

| Income statement | 2009 | 2008 |
|--------------------------------------------------------------------------|----------------|----------------|
| | million EUR | million EUR |
| Net interest income (including Items 3 and 4 of the income statement) | 112.6 | 104.0 |
| Net commission income | 21.2 | 21.6 |
| Administrative expenses | | |
| Personnel costs | 68.9 | 65.4 |
| Non-personnel costs | 27.6 | 27.5 |
| Sub-total | 37.3 | 32.7 |
| Net income from financial transactions | 0.3 | 0.6 |
| Net other operating income/expenses | - 6.1 | 6.2 |
| Result before provisioning | 31.5 | 39.5 |
| Net provisioning result | - 12.4 | - 31.3 |
| Result after provisioning | 19.1 | 8.2 |
| Taxes | - 10.6 | - 3.1 |
| Net income and unappropriated surplus | 8.5 | 5.1 |

Of course, the net interest income is of central significance in our profit and loss account. The ongoing low interest rates during 2009 have caused disproportionate falls in interest expenditure in customer and inter-bank business. The refinancing options from Deutsche Bundesbank were also used. Hedging to limit interest risk had a negative impact.

The low negative figure for net commission income is the result of higher costs, in particular with regard to credit card business.

The net income from financial transactions includes the successes of Sparkasse Saarbrücken in securities, foreign exchange, and foreign notes trading. In the year under review the areas have had positive results, although the gross income was slightly down. Overall, the item has a minor role only.

Personnel costs have increased by EUR 3.5 million (+5.4%), although the number of employees is almost the same. This was the result of a special payment to employees in December 2009, tariff increases, re-allocating staff to higher pay scale groups and additional work as part of preparations to migrate Sparkasse Saarbrücken to the new IT service provider, Finanz Informatik.

The non-personnel costs have increased only slightly compared to the previous year. There were savings on IT expenses. However, they were not sufficient to cover expenses in other areas, such as properties and buildings.

The result before provisioning is 8.0 million (-20.3%) below prior-year levels at EUR 31.5 million. However, a one-off effect from the release of provisions that were no longer necessary has been included.

The net provisioning result characterised in 2008 by the effects of the financial crisis, improved significantly from EUR -31.3 million in the previous year to EUR -12.4 million (EUR +18.9 million, +60.4%). This includes new formation of reserves pursuant to Article 340f of the German Commercial Code.

The result after provisioning is therefore EUR 10.9 million above the prior-year level.

After tax of EUR 10.6 million, the net income for the year is EUR 8.5 million which makes it possible to strengthen equity capital and pay a dividend to the shareholders.

For the purpose of analysing our earnings, we use what is known as the "Operations comparison" developed by the Savings Bank Organisation. In further analyses, we additionally track the earnings components broken down using the mark-to-market method as well as counterparty and market price risks for which provisions are set aside.

2.5 Non-financial performance indicators

Employees

The total number of employees remained almost the same in 2009. At the end of the year, Sparkasse Saarbrücken employed a total of 1,306 people (prior year: 1,305). Of these, 793 were full-time and 449 part-time employees and 64 were trainees.

We have developed numerous models allowing employees to combine families and careers. There are various part-time models. In addition to the statutory parental leave, employees are able to apply for leave of up to four years with a guaranteed right to return to the Bank. At present, 172 employees have taken the partial retirement pension option.

The declared aim of our site safety policy is to protect and, where possible, improve our staff's health and to ensure that they are able to work to the best of their abilities with maximum job satisfaction.

Ongoing further training is in the interest of both the employer and the employee. With this in mind, we offer internal and external (e.g. at Saarländische Sparkassenakademie) vocational education programs oriented to specific aspects of our business and helping staff to plan their careers. Given the constant changes in the savings bank business as well as new technological developments, target-oriented training and vocational education for employees continued to play a crucial role in personnel development activities last year.

Top priority is given to training school-leavers at all sites. 14 trainees who successfully completed their courses were offered permanent open-end positions at Sparkasse Saarbrücken. The ratio of trainees to the total number of employees stood at 4.9% in 2009.

Customer relations

We place our customers' interests at the heart of our activities and systematically align our internal benchmarks to their needs, expectations and wishes. For Sparkasse Saarbrücken, economic success over the next few years will hinge decisively on its ability to unlock new potential and extend existing business opportunities. This involves identifying new customer needs at an early stage and developing the right answers for them.

For this reason, our complaints management plays a central role in ensuring customer satisfaction: by specifically recording and evaluating complaints, we are able to address mistakes and gain a good idea of customers' basic requirements and expectations. Sparkasse Saarbrücken also regularly takes part in blind surveys and achieves very good results.

Social responsibility

We have always considered social responsibility a corner piece of our corporate culture in all areas where Sparkasse Saarbrücken operates. We support our community's development and appeal in the form of donations, sponsoring activities and the payment of dividends to our shareholder. This also includes assisting charities as well as cultural and sports activities.

2.6 Summary and assessment

Sparkasse Saarbrücken's performance as well as its profit position and cash flows can be considered satisfactory in the light of general economic conditions and the state of the banking sector. An increase in the volume of loans to customers totalling EUR 236.9 million and extensive customer interest in our saving deposits (EUR +228.9 million) are indicative of our strong presence in our home market. In retrospect, Sparkasse Saarbrücken's approach to the financial crises has proved correct. Retaining items affected by changes in market price has contributed to the development of undisclosed reserves. Significantly higher profit on investments coupled with moderate price increases and planned provisioning in credit and securities business made it possible to create contingency reserves in accordance with Article 340f of the German Commercial Code and achieve an annual result in line with the strategic aims of the Board. This has allowed us to increase our equity capital for the future.

3 Risk report

3.1 Risk management

The conscious acceptance, active management and specific transformation of risks are core functions of banks. At Sparkasse Saarbrücken, they are defined in a business strategy and a more specific risk strategy. Due to the nature of our business, we manage counterparty risks, liquidity risks, market price risks (interest, exchange rate risks) and operational risks as appropriate.

The measurement and close monitoring of all risks constitute a key basis for the controlled acceptance of risk as part of our business strategy. We meet these requirements by enhancing our risk management systems on an ongoing basis. In order to achieve our strategic goals of risk- and return-optimised employment of our capital, our risk management system must detect risks at an early stage and provide the responsible persons with all the information required to avert them with minimum delay.

The principles underlying the risk management and monitoring system, the types of risks identified as well as the instruments used are documented in Sparkasse Saarbrücken's risk manual. This additionally includes information on responsibilities as well as the cycles for reporting to the Management Board and other decision makers as well as planned enhancements.

The Management Board defines maximum potential risk in light of the Bank's risk resistance. This risk resistance model comprises both value-oriented and periodic views. It also takes account banking supervision regulatory requirements.

In regular reviews, we determine the risk capital available to Sparkasse Saarbrücken for covering losses. They indicate the extent to which we can accept risk as part of our business strategy.

As part of its monitoring duties, the internal auditing department, which is not integrated into the risk management processes, assists the Management Board. It works on a risk-oriented audit schedule that has been approved by the Management Board and that the internal auditing department uses as a basis for examining and evaluating the Bank's activities and processes. This includes auditing the risk management system, risk management and monitoring, internal reporting as well as compliance with internal and external rules and regulations. In this regard, the focus is on processes and methods in the light of the principles of security, propriety, economic efficiency and appropriateness. No findings of any significance impacting the Bank's financial position, cash flows or earnings were made in 2009. In principal, any improvements suggested by Internal Auditing are implemented.

3.2 Risk monitoring and management

3.2.1 Counterparty risks

Counterparty risk is defined as the risk of partial or full default on the part of business partners in the performance of their contractual obligations towards the Bank.

Our counterparty risk exposure **in the lending business** is managed with particular consideration being given to size class structure, the sectors, the collateral provided and the risk of the commitment concerned. Sparkasse Saarbrücken has also defined credit upper limits per borrower unit to avoid concentrations of risk. Details are defined in the credit risk strategy.

The Management Board attaches crucial importance to risk limitation in the Bank's customer lending activities. This is reflected in the fact that the Bank's corporate objectives continue to focus on quality, i.e. the risk-sensitive granting of loans. Major risks are accepted with the approval of Sparkasse Saarbrücken's Credit Committee.

Credit rating is of crucial importance for assessing counterparty risks in lending business. To manage credit risk, Sparkasse Saarbrücken uses the rating method developed by the Savings Bank Organisation. For corporate customers, the quantitative assessment involves a system-based analysis of the annual financial statements in connection with a mathematical/statistical rating model. The results are supplemented with an assessment of business performance, the ability to service loans as well as the quality and date of the figures furnished. In addition, qualitative factors such as management, market position, the range of products and services as well as the outlook for the sector are considered. The systems developed by the Savings Bank Organisation (e.g. EBILPlus for analysing individual balance sheets) are particularly used to assess borrowers' credit rating. Credit ratings are assessed by experienced credit analysts and corporate customer relationship managers. In the case of private individuals, credit ratings are determined on the basis of their income and assets as well as their ability to repay loans on the basis of these findings. Information relevant to the rating is reflected in an integrated credit score.

In addition to an assessment of the customer's credit rating as such, risk classification in the customer lending business also takes account of the collateral provided.

Emerging credit risks identified using effective early warning systems are addressed by intensive management in the front office. Non-performing loans or those requiring restructuring are managed in back-office departments.

The Management Board has defined a credit risk strategy on the basis of a risk analysis. It receives a quarterly report on the state of the counterparty risks and compliance with the strategy, and in turn informs the Supervisory Board. The risk report breaks down the portfolio by rating and scoring classes, sectors, size classes and risk-exposed volumes. This means potential concentrations of risk can be identified early. Together with the other systems used, this report forms the basis for decision-making processes in the lending business and enables the credit portfolio to be evaluated and managed. In addition, the counterparty risk is quantified for present values using a simulation technique that also takes into account concentrations of risk. The results are incorporated into the calculation of risk resistance. The risk premiums for risk-adjusted lending terms are calculated on the basis of the internal rating and asset backing. To a limited extent, derivative instruments are also used to diversify risk within the Savings Bank Organisation.

At the moment, there is no evidence of any exceptional risk exposure in our credit portfolio on account of its structure and diversification.

Counterparty risks **in the trading business** are limited thanks to the careful selection of our contractual partners based on the rules for determining credit ratings as well as volume limits per counterparty. In addition, the counterparty risk from trading business is capped at the overall portfolio level by means of a risk limit. At the end of 2009, 59% of the limit of EUR 2 million was in use.

3.2.2 Market price risks

Market price risks are defined as potential losses of income as a result of changes in the market prices of securities and foreign exchange, fluctuations in interest rates and prices as well as any resultant changes in the market value of derivatives. Additional market price risks occur in connection with items for which there is only a limited market. Market price risks are managed with the aim of making use of earnings opportunities without placing undue strain on financial resources.

Risks from trading business

Market price risks arising from trading business are calculated daily in accordance with current market prices and potential changes in market price (loss potential) and added to the defined risk limit. The loss and risk limit system is implemented in the light of Sparkasse Saarbrücken's financial position and earnings. Trading transactions are measured and monitored on the basis of a value-at-risk model. Potential loss for the portfolio as a whole is forecast using a variance/covariance approach based on a retention period of 10 days and a confidence level of 95%.

In 2009, market price risks remained within the risk limit defined by the Management Board at all times. The system and its validity are reviewed and enhanced by means of backtesting twice a year.

The Management Board is kept briefed on market price risks on a regular basis.

Interest risk

The Bank's overall exposure to interest margin risks is monitored periodically with the assistance of simulations in the Asset / Liability Management planning model, with reports submitted to the Management Board on a regular basis.

In addition, interest risk as a subset of market price risk is monitored regularly at the level of the overall interest book with the aid of risk analyses in accordance with the present value model. The findings are reported to the Management Board on a monthly basis. The interest risk is determined by applying a value-at-risk method based on a historic simulation with a retention period of 63 trading days, a confidence level of 95% and a historic observation period of 19 years.

As part of integrated bank management, derivative financial instruments in the form of interest swaps and bond futures alongside on-balance-sheet instruments are used to hedge interest risks.

Exchange rate risks are of only minor importance for Sparkasse Saarbrücken. Open positions are generally matched by counter transactions or currency forwards.

3.2.3 Liquidity risk

The risk of not being able to enter into contracts at all or on the expected terms in the event of insufficient market liquidity for individual products is also addressed by risk management and monitoring. The liquidity risk is averted by ensuring that sufficient liquidity is available and that assets and liabilities are structured responsibly. The liquidity statement is used as a basis for planning and managing Sparkasse Saarbrücken's liquidity. The current liquidity statement is analysed by the trading departments each day and used to manage daily liquidity. Liquidity is fine-tuned monthly using historical data. Sparkasse Saarbrücken is able to determine both current and future liquidity requirements or surpluses by observing the maturity lists for all interest and principal payment flows. In addition to this, it applies the liquidity principle requirements to measure and limit the longer-term liquidity reserve.

The Bank also developed a system with pre-defined scenarios and prioritised measures to ensure adequate liquidity. It was issued every month, and ensured that adequate liquidity was available at all times during the year under review.

As reflected in the liquidity principle indicator in the section on the Bank's financial position, Sparkasse Saarbrücken has a strong liquidity position overall thanks to its holdings of liquid assets. The fact that some of our securities are assigned to fixed assets does not change this position.

3.2.4 Operational risks

Sparkasse Saarbrücken defines operational risks as losses occurring as a result of external factors or the inadequacy or failure of internal infrastructure, employees, or internal processes.

Sparkasse Saarbrücken distinguishes between risks that have occurred - known as losses - and risks that might occur in the future. Losses above a certain magnitude are recorded in a loss database. It uses a risk map approach to identify true operational risks, i.e., risks that may occur in the future.

The rules and processes installed for managing operational risks particularly include the internal controlling system, written rules governing the Bank's structure and main processes, the use of qualified personnel as well as ongoing further development of methods and improvements to technical processes.

Operational risks in the IT field or due to organisational or processing errors are minimised by agreements with an external IT centre, precautions for emergency situations, growing automation and ongoing supervision carried out by qualified staff, and are covered in part by insurance.

Legal risks are averted by means of careful examination of contracts and the use of standard form contracts. Risks arising in connection with equity interests are addressed by means of periodic supervision and reporting in this area.

The Management Board and the Supervisory Board receive a quarterly operational risk report. In serious cases, the Management Board will receive ad hoc reports.

This approach allows Sparkasse Saarbrücken to comply with all regulatory and statutory requirements.

3.3 Overall risk assessment

Our Bank has established a risk management, monitoring and control system in accordance with Article 25a of the German Banking Act (KWG) that is appropriate in the light of the nature and scope of its business activities. The risk management and monitoring system enables risks to be identified at an early stage, information forwarded to the responsible decision-makers and risks averted. The risk resistance analyses show that there is sufficient risk resistance in all scenarios.

There is currently no evidence of any risks to Sparkasse Saarbrücken's status as a going concern. Similarly, there is adequate risk management and monitoring in place for risks liable to exert a material effect on Sparkasse Saarbrücken's financial position, cash flows and earnings. Given its existing risk management system, Sparkasse Saarbrücken sees itself well positioned to handle existing business and to master the challenges of the future.

4 Material events occurring after the balance sheet date

No events of material importance have occurred since the end of the fiscal year.

5 Outlook

The foremost strategic aim of Sparkasse Saarbrücken is to retain the leadership of our core market. We will only have sufficient financial scope for future business growth if we can ensure reasonable profitability. We are thus seeking to steadily boost profitability on the basis of equity resources that meet statutory requirements. To achieve this goal, we enter into management-by-objectives agreements with executives and staff.

We are committed to operating economically, taking manageable risks and generating funds which we can plough back into our business without losing sight of our public mission. Growth targets for balance-sheet items on the one hand and expense and income goals on the other have been defined to achieve reasonable profits to safeguard Sparkasse Saarbrücken's risk resistance.

Target achievement is monitored on a regular basis by comparing actual and required figures.

The forecast of Sparkasse Saarbrücken's performance over the next two years represents our view of the likeliest future outcome, based on the information available to us when we prepared this management report. As forecasts invariably involve uncertainty or may be rendered void by changes in the underlying assumptions, it should be noted that actual events may differ from those projected at this stage if the underlying assumptions fail to eventuate.

Expected business performance in 2010 and in 2011

Although one year ago there was great uncertainty about future development and trusted growth forecasts proved inaccurate, at the beginning of 2010 forecasts have been closer to the mark. The widely accepted standard scenario used by the Council of Experts, Deutsche Bundesbank, research institutes, the OECD, EU and IMF, predicts the continuation of a moderate recovery in the German economy.

Germany can expect export-driven growth in particular, even though Germany's traditional trading partners in neighbouring European countries are not currently great engines of growth.

There are moderate hopes that domestic demand will start to pick up in 2011. Private consumption already contributed last year. Further growth above that level should not be expected in 2010.

Investment will only contribute moderately, though positively to growth in 2010. Replacement and modernisation programmes suspended during the crisis are now gradually catching up. A real virtuous circle in investment activity overall, however, is not to be expected while real expansion investment is still lacking. In many sectors, ongoing low capacity utilisation means there is still no reason to expand.

One reason for the increasing public deficit in 2010 are the anticipated employment statistics. Job losses have a doubly negative impact on the public purse: on the one hand, tax receipts and social security contributions fall, on the other hand, unemployment benefits rise. Although the German labour market has done well in 2009 and although the low point in production is now a full year behind us, 2010 will still see a late fall in jobs.

In terms of price outlook, the free capacity in the labour and goods markets means that there is almost no upward pressure and it is difficult to pass on costs. Consumer prices will rise in Germany by around 1% in 2010.

Just as Saarland suffered in particular from the collapse in trade world wide because of the significance of its export-oriented manufacturing industry, in 2010 better global growth forecasts are grounds for cautious optimism. Positive development in the regional economic environment and a considerably improved order situation strengthen this optimism. It would not be a surprise in 2010 if the Saarland economy grew faster than the overall German economy. The labour market, however, threatens this positive scenario. As the flexibility of the labour market is now all but exhausted, the outlook for employment and unemployment at the beginning of 2010 is somewhat bleak.

Sparkasse Saarbrücken faces the challenge of responding to dynamic competitive conditions. This includes the continued intensification of competition amongst banks as well as customers' rising expectations. The Bank already has a broad range of acknowledged financial products covering a large part of the regional market. Our product strategy aims at achieving a reasonable presence in all economically viable market

segments. By selectively adapting our product and service portfolio, we can offer the full range of banking services for active sales activities. Ultimately, we intend to improve customer satisfaction, foster customer loyalty and attract new, lucrative customers.

Given the cautiously positive forecast for the economy as a whole, we project only marginal growth in total assets in 2010 and 2011. This growth is likely to be primarily underpinned by lending to customers as well as deposit-taking from customers.

In 2010, we expect to see moderate growth in commercial lending business, spurred for the most part by companies seeking to finance their replacement capex budgets. Turning to households, the main focus will be on financing homes and consumer spending. Despite continued low interest rates, households are expected to show only modest demand for credit due to the low level of housing starts. Thanks to reductions in tax in response to the financial crisis against a background of generally increasing pressures from transfer payments, the public sector may take on a more prominent role as borrower in the next few years. Overall, we see definite opportunities for moderate growth in lending business in the next two years.

We expect a slight increase in funds received from customers, as the uncertainty in the money and capital markets is drawing customers to Sparkasse Saarbrücken's range of investment products. This will drive a generally moderate increase in business activity.

The development of commercial interest rates and the steepness of the yield curve significantly influence the level of our net interest income. A change in interest levels impacts many different areas. Rising interest rates do raise our refinancing costs, but they do provide an opportunity to widen margins through interest rate adjustments. A rising interest rate affects customers in different ways. Our deposit products become more attractive to customers, while our lending business tends to suffer. We expect the interest rates to remain low in 2010. The ongoing steep yield curve provides an opportunity to expand interest rate income beyond the increase in transformation results. However, there could be greater competition in this area.

For Sparkasse Saarbrücken, a bull market means that rising stock prices could raise its customers' transaction and custodian account volumes. This will be significantly

impacted by stock and stock market volatility; high volatility begets high trading volumes, while stable market indices tend to dampen customer interest due to the modest profit opportunities. Furthermore, a positive market environment makes investments more attractive, increases funds received from customers and keeps the value of our own portfolios growing at a steady rate.

Although the DAX index has since recovered considerably, there is still great uncertainty and restraint in stock markets since the severe losses in 2008. This will continue to have a negative impact on our customer's securities turnover.

By implementing systematic cost management, Sparkasse Saarbrücken will attempt to keep the forecast increase in operating expense in check compared to 2009.

As personnel expenses will tend to rise despite moderate wage and salary settlements, Sparkasse Saarbrücken plans to minimise these effects via strict personnel management. We are also planning to spend on information technologies and products offering potential for the future as a basis for widening our share of the market. Looking ahead over the next few years, we consider our key tasks to be the enhancement of our existing management tools to implement integrated bank management, the risk-adjusted pricing of transactions and measures to heighten the security and user-friendliness of the Internet experience for our customers. The end-to-end integration of media distribution channels such as telephone banking and the Internet, on the one hand, and over-the-counter branch-based distribution, on the other, will help us to serve our customers in the line with their requirements and offer them what they are specifically seeking.

During the May weekend in 2010, the Saarland Sparkasse banks switched from their old DP applications to the new systems provided by Finanz Informatik GmbH & Co. KG, created from the union of FinanzIT GmbH and Sparkassen Informatik GmbH & Co. KG. The associated preparation and organisational changes were put in place as part of a project by Sparkasse Saarbrücken that has been running since the third quarter. DP costs should be reduced in future thanks to the synergy effect of migration.

Our planning and forecasts currently suggest profit margins will remain the same; we expect profit for the fiscal 2010 before provisioning to be at prior-year levels.

At this stage, we expect provisioning requirements for customer lending activities to be at prior-year levels and we are still very much aware of the danger that the financial crisis will have a greater impact on the real economy and, therefore, on our borrowers.

We can also not rule out further value adjustments in our securities.

We expect the business performance profit for fiscal 2010 to be largely consistent with the previous year. As far as we can forecast at this stage, we expect steady performance for 2011, with net profit for the year remaining at a comparable level provided that the economy continues to improve. Accordingly, Sparkasse Saarbrücken will be able to earn the Tier 1 capital which it requires itself. The Bank's necessary liable equity resources will remain satisfactory.

On the basis of our anticipatory financial projections, we assume that we will remain solvent at all times during the forecast period.

6 Our branch offices



The Management Board

Hans-Werner Sander
Chairman
Uwe Kuntz
Deputy Chairman

Uwe Johmann
Board Member

Frank Saar
Board Member

Commercial register
Saarbrücken, A 8590

Sparkasse Saarbrücken is member of Sparkassenverband Saar (Saarland Savings Banks Association) and as such is affiliated with Deutscher Sparkassen und Giroverband e.V., Berlin/Bonn. The shareholder is Sparkassen-zweckverband Saarbrücken, of which the Saarbrücken Regional Association and the City of Saarbrücken are members.

The Supervisory Board of Sparkasse Saarbrücken

Chairperson
Charlotte Britz
Mayor
Until 30 April 2009

Ulf Huppert
Commissioner for the Office of Regional Association Director
from 1 May until 13 August 2009

Peter Gillo
The Regional Association Director
As of 14 August 2009

Further members:

Bertold Bahner (until 05/11), **Dr. Gerhard Bauer**, **Roland Bentz**, **Karin Bernhard**, **Thomas Brück** (from 06/11), **Herbert Bonenberger** (until 05/11), **Annemie Christoph** (until 05/11), **Jörg Ehm** (ab 06/11), **Manfred Hayo**, **Günther Karcher**, **Martin Karren** (until 05/11), **Ralf Latz** (until 31/12), **Thomas Linnemann-Emden** (from 06/11), **Rolf Linsler** (from 06/11), **Manfred Maurer**, **Klaus Meiser**, **Christian Schmidt** (until 05/11), **Volker Schmidt** (from 06/11), **Frank Schuler**, **Gerhard Sendel** (until 05/11), **Peter Strobel** (from 06/11), **Jürgen Trenz** (from 06/11), **Friedel Trouvain** (until 05/11), **Karlheinz Wiesen**, **Klaus Winter**

Deputy Chairperson
Ulf Huppert
Commissioner for the Office of Regional Association Director
Until 30 April 2009

Charlotte Britz
Mayor
As of 1 May 2009

Address

Neumarkt 17
66117 Saarbrücken
Postal address
Saarbrücken, 66104

Telephone
(06 81) 5 04-0

Telefax
(06 81) 5 04 - 21 99

Telex
4 421 343 sbrk d

SWIFT code
SAKS DE 55

Email
service@sk-sb.de

Internet
<http://www.spk-sb.de>

7 Our A-class correspondence banks

| | | | | | |
|-----------------------|-------------------------------------------------------------------------|-----------------|------|----|--------|
| Belgium | Ing Belgium SA/NV..... | Brussels..... | BBRU | BE | BB 010 |
| | KBC Bank NV..... | Brussels..... | KRED | BE | BB |
| France | Banque Fédérative du Credit Mutuel | Strasbourg..... | CMCI | FR | PA |
| | Caisse Nationale des Caisses d'Epargne et de Prevoyance (CNCEP)..... | Paris | CEPA | FR | PP |
| United Kingdom | Barclays Bank PLC..... | London | BARC | GB | 22 |
| Italy | Unione di Banche Italiane SCPA..... | Brescia..... | BLOP | IT | 22 |
| Japan | Sumitomo Mitsui Banking Corporation | Tokyo..... | SMBC | JP | JT |
| Switzerland | Bank CIC (Switzerland AG)..... | Basel | CIAL | CH | BB |
| United States | The Bank of New York..... | New York..... | IRVT | US | 3N |
| | Wachovia Bank NA..... | New York..... | PNBP | US | 3NNYC |

8 Balance sheet as of 31 December 2009

Assets

| | EUR | EUR | EUR | 31. 12. 2008 TEUR |
|-----------------------------------------------------------------------------------------------------|----------------------|----------------|------------------|----------------------|
| 1. Cash reserve | | | | |
| a) Cash on hand | | 34,451,646.21 | | 42,737 |
| b) Balances held with Deutsche Bundesbank | | 36,366,803.87 | | 73,311 |
| | | | 70,818,450.08 | 116,048 |
| 2. Public-sector bonds and bills of exchange approved for funding with Deutsche Bundesbank | | | | |
| a) Treasury bills and non-interest bearing treasury notes and similar public-sector bonds | | 0.00 | | 0 |
| b) Bills of exchange | | 0.00 | | 0 |
| | | | 0.00 | 0 |
| 3. Loans to banks | | | | |
| a) Due daily | | 71,985,031.29 | | 5,160 |
| b) Other loans | | 844,900,476.75 | | 1,032,138 |
| | | | 916,885,508.04 | 1,037,298 |
| 4. Loans to customers | | | 3,423,968,328.06 | 3,186,818 |
| Of which: secured with liens on real estate | 798,967,151.81 EUR | | | (871,302) |
| Municipal loans | 1,011,907,610.20 EUR | | | (829,722) |
| 5. Bonds and other fixed-income securities | | | | |
| a) Money market securities | | | | |
| aa) From public issuers | | 0.00 | | 0 |
| Of which: eligible as security for loans from Deutsche Bundesbank | 0.00 EUR | | | (0) |
| ab) From other issuers | | 0.00 | | 30,623 |
| Of which: eligible as security for loans from Deutsche Bundesbank | 0.00 EUR | | | (30,623) |
| | | | 0.00 | 30,623 |
| b) Debentures and bonds | | | | |
| ba) From public issuers | 110,924,287.98 | | | 69,011 |
| Of which: eligible as security for loans from Deutsche Bundesbank | 110,924,287.98 EUR | | | (69,011) |
| bb) From other issuers | 1,053,867,031.90 | | | 1,075,980 |
| Of which: eligible as security for loans from Deutsche Bundesbank | 1,020,004,498.28 EUR | | 1,164,791,319.88 | 1,144,991 |
| | | | | (1,031,063) |
| c) Own bonds | | 1,246,134.60 | | 2,756 |
| Nominal amount | 1,220,500.00 EUR | | 1,166,037,454.48 | 1,178,370 |
| | | | | (2,754) |
| 6. Shares and other non-fixed-income securities | | | 414,100,509.38 | 311,926 |
| 7. Equity investments | | | 53,646,557.37 | 53,378 |
| Of which: | | | | |
| In banks | 1.00 EUR | | | (0) |
| In financial services companies | 1,898,762.92 EUR | | | (1,614) |
| 8. Shares in affiliated companies | | | 50,000.00 | 50 |
| Of which: | | | | |
| In banks | 0.00 EUR | | | (0) |
| In financial services companies | 0.00 EUR | | | (0) |
| 9. Trustee assets | | | 881,132.40 | 904 |
| Of which: trustee loans | 881,132.40 EUR | | | (904) |
| 10. Compensation claims from public-sector bodies including bonds from their exchange | | | 0.00 | 0 |
| 11. Intangible assets | | | 742,361.00 | 1,027 |
| 12. Tangible assets | | | 34,224,047.90 | 32,687 |
| 13. Other assets | | | 26,622,542.44 | 28,379 |
| 13a. Deferred tax assets according to Article 274 Paragraph 2 of the German Commercial Code. | | | 0.00 | |
| 14. Deferred income | | | 1,654,605.72 | 4,453 |
| Total assets | | | 6,109,631,496.87 | 5,951,338 |

Liabilities

| | EUR | EUR | EUR | 31. 12. 2008 TEUR |
|--------------------------------------------------------------------------|------------------|------------------|------------------|----------------------|
| 1. Liabilities to banks | | | | |
| a) Due daily | | 327,966,288.63 | | 333,229 |
| b) With agreed term or notice period | | 1,367,446,778.62 | | 1,106,847 |
| | | | 1,695,413,067.25 | 1,440,076 |
| 2. Liabilities to customers | | | | |
| a) Savings deposits | | | | |
| aa) With agreed period of notice of three months | 1,723,444,233.59 | | | 1,427,844 |
| ab) With agreed period of notice of more than three months | 474,246,896.54 | | | 540,921 |
| | | 2,197,691,130.13 | | 1,968,765 |
| b) Other liabilities | | | | |
| ba) Due daily | 783,073,885.52 | | | 779,839 |
| bb) With agreed term or period of notice | 839,938,005.10 | | | 1,027,112 |
| | | 1,623,011,890.62 | | 1,806,951 |
| | | | 3,820,703,020.75 | 3,775,716 |
| 3. Certificated liabilities | | | | |
| a) Bonds issued | | 186,535,345.65 | | 317,445 |
| b) Other certificated liabilities | | 0.00 | | 0 |
| | | | 186,535,345.65 | 317,445 |
| Of which: | | | | |
| money market securities | 0.00 EUR | | | (0) |
| Own bills of acceptance and promissory notes outstanding | 0.00 EUR | | | (0) |
| 4. Trustee liabilities | | | 881,132.40 | 904 |
| Of which: trustee loans | 881,132.40 EUR | | | (904) |
| 5. Other liabilities | | | 7,407,177.76 | 16,942 |
| 6. Deferred income | | | 4,049,484.46 | 3,600 |
| 7. Provisions | | | | |
| a) Provisions for pensions and similar commitments | | 10,079,225.00 | | 10,859 |
| b) Tax reserves | | 991,875.00 | | 0 |
| c) Other reserves | | 25,372,808.01 | | 26,196 |
| | | | 36,443,908.01 | 37,055 |
| 8. Special tax-allowable reserve | | | 0.00 | 0 |
| 9. Subordinated liabilities | | | 79,874,809.29 | 73,440 |
| 10. Participatory capital | | | 0.00 | 15,339 |
| Of which: due in less than two years | 0.00 EUR | | | (0) |
| 11. Fund for general banking risks | | | 35,000,000.00 | 35,000 |
| 12. Equity capital | | | | |
| a) Subscribed capital | | 0.00 | | 0 |
| b) Capital reserves | | 0.00 | | 0 |
| c) Revenue reserves | | | | |
| ca) Contingency reserve | 234,806,560.55 | | | 230,750 |
| cb) Other reserves | 0.00 | | | 0 |
| | | 234,806,560.55 | | 230,750 |
| d) Unappropriated surplus | | 8,516,990.75 | | 5,071 |
| | | | 243,323,551.30 | 235,821 |
| Total equity and liabilities | | | 6,109,631,496.87 | 5,951,338 |
| 1. Contingent liabilities | | | | |
| a) Contingent liabilities from rediscounted bills of exchange | | 0.00 | | 0 |
| b) Liabilities from sureties and guarantee contracts | | 78,414,978.78 | | 78,696 |
| c) Liability for assets pledged as collateral security for third parties | | 1,583,150.00 | | 1,624 |
| | | | 79,998,128.78 | 80,320 |
| 2. Other obligations | | | | |
| a) Commitments deriving from sales with an option to repurchase | | 0.00 | | 0 |
| b) Placement and underwriting obligations | | 0.00 | | 0 |
| c) Irrevocable loan commitments | | 41,906,191.28 | | 48,735 |
| | | | 41,906,191.28 | 48,735 |

9 Income statement for 2009

| | EUR | EUR | EUR | 01.01. - 31. 12. 2008 TEUR |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------------|
| 1. Interest income from | | | | |
| a) Lending and money market business | 196,919,198.57 | | | 237,783 |
| b) Fixed-income securities and debt register claims | <u>34,798,420.19</u> | | | <u>55,884</u> |
| | | 231,717,618.76 | | 293,667 |
| 2. Interest expenditure | | <u>134,137,883.30</u> | | <u>206,252</u> |
| | | | 97,579,735.46 | 87,415 |
| 3. Current income from | | | | |
| a) Shares and other non-fixed-interest securities | 12,920,502.68 | | | (12,719) |
| b) Equity investments | <u>752,698.62</u> | | | <u>(1,760)</u> |
| c) Shares in affiliated companies | <u>0.00</u> | | | <u>(0)</u> |
| | | | 13,673,201.30 | 14,479 |
| 4. Income from profit pools and full or partial profit transfer agreements | | | 1,965,531.26 | 2,080 |
| 5. Commission income | 24,227,770.05 | | | (24,273) |
| 6. Commission expenditure | <u>3,043,202.21</u> | | | <u>(2,705)</u> |
| | | 21,184,567.84 | | 21,568 |
| 7. Net income from financial transactions | | 302,544.82 | | 569 |
| 8. Other operating income | | <u>12,532,197.87</u> | | <u>21,574</u> |
| 9. Income from the release of the special tax-allowable reserve | | | 0.00 | 0 |
| | | | <u>147,237,778.55</u> | <u>147,685</u> |
| 10. General administrative costs | | | | |
| a) Personnel costs | | | | |
| aa) Wages and salaries | 53,045,107.94 | | | (49,810) |
| ab) Social security levies and expenses for old age pensions and support | <u>15,813,342.20</u> | | | <u>(15,635)</u> |
| Of which: for old age pensions 5,645,986.64 EUR | | 68,858,450.14 | | (65,445) |
| | | | | (6,013) |
| b) Other administrative costs | | <u>27,588,057.21</u> | | <u>(27,447)</u> |
| | | | 96,446,507.35 | 92,892 |
| 11. Depreciation and amortisation | | | 5,269,804.82 | 4,879 |
| 12. Other operating expenses | | | 13,325,732.50 | 10,468 |
| 13. Value adjustments and write-downs on receivables and certain securities as well as allocations to provisions for lending business | | | | |
| | 13,910,731.13 | | | (33,174) |
| 13a. Allocations to the fund for general banking risks | | | | 0 |
| 14. Income from write-ups of receivables and certain securities as well as release of provisions for lending business | | 0.00 | | (0) |
| | | | 13,910,731.13 | 33,174 |
| 14a. Withdrawals from the fund for general banking risks | | | 0.00 | 0 |
| 15. Value adjustments and write-downs on equity interests, shares in affiliated companies and securities treated as fixed assets | | 0.00 | | (0) |
| 16. Income from write-ups on equity interests, shares in affiliated companies and securities treated as fixed assets | | 1,503,390.00 | | (1,940) |
| | | | 1,503,390.00 | 1,940 |
| 17. Loss-absorption expenses | | | 644,455.24 | 6 |
| 18. Additions to special tax-allowable reserve | | | 0.00 | 0 |
| 19. Profit on ordinary activities | | | 19,143,937.51 | 8,206 |
| 20. Extraordinary income | | 0.00 | | (0) |
| 21. Extraordinary expenses | | <u>0.00</u> | | <u>(0)</u> |
| 22. Extraordinary net income/loss | | | 0.00 | 0 |
| 23. Income taxes | 10,430,344.25 | | | (2,935) |
| 24. Other taxes not included in Item 12 | <u>196,602.51</u> | | | <u>(200)</u> |
| | | | 10,626,946.76 | 3,135 |
| 25. Net income | | | 8,516,990.75 | 5,071 |
| 26. Profit/loss carried forward from the previous year | | | 0.00 | 0 |
| | | | 8,516,990.75 | 5,071 |
| 27. Withdrawals from revenue reserves | | | | |
| a) From contingency reserve | 0.00 | | | (0) |
| b) From other reserves | <u>0.00</u> | | | <u>(0)</u> |
| | | | 0.00 | 0 |
| | | | 8,516,990.75 | 5,071 |
| 28. Allocations to revenue reserves | | | | |
| a) To contingency reserve | 0.00 | | | (0) |
| b) To other reserves | <u>0.00</u> | | | <u>(0)</u> |
| | | | 0.00 | 0 |
| 29. Unappropriated surplus | | | 8,516,990.75 | 5,071 |

10 At a glance

| Item | Existing | Existing | 2009 Changes | |
|---------------------------------------------------|----------------------|----------------------|---------------|--------------|
| | 31/12/2009 mn EUR | 31/12/2008 mn EUR | mn EUR | % |
| Total assets | 6,109.6 | 5,951.3 | 158.3 | 2.7 |
| Funds deposited by customers | 4,042.3 | 4,135.3 | -93.0 | -2.2 |
| Of which: | | | | |
| Savings deposits | 2,197.7 | 1,968.8 | 228.9 | 11.6 |
| Non-certificated liabilities | 1,623.0 | 1,807.0 | -184.0 | -10.2 |
| Certificated liabilities | 153.0 | 282.1 | -129.1 | -45.8 |
| Subordinated liabilities | 68.6 | 62.1 | 6.5 | 10.5 |
| Participatory capital | 0.0 | 15.3 | -15.3 | -100.0 |
| Liabilities to banks | 1,740.2 | 1,486.7 | 253.5 | 17.1 |
| Of which: | | | | |
| Subordinated liabilities | 11.3 | 11.3 | 0.0 | 0.0 |
| Other liabilities | 128.8 | 138.8 | -10.0 | -7.2 |
| (including contingent liabilities and provisions) | | | | |
| Equity capital | 278.3 | 270.8 | 7.5 | 2.8 |
| (including fund for general banking risks) | | | | |
| Volume of loans to customers | 3,504.9 | 3,268.0 | 236.9 | 7.2 |
| Of which: | | | | |
| Loans to customers | 3,424.0 | 3,186.8 | 237.2 | 7.4 |
| Trustee assets | 0.9 | 0.9 | 0.0 | 0.0 |
| Guarantee loans | 80.0 | 80.3 | -0.3 | -0.4 |
| Loans to banks | 916.9 | 1,037.3 | -120.4 | -11.6 |
| Investments in securities | 1,580.1 | 1,490.3 | 89.8 | 6.0 |
| Fixed assets | 88.7 | 87.1 | 1.6 | 1.8 |
| Other assets | 99.0 | 148.9 | -49.9 | -33.5 |
| Net income | 8.5 | 5.1 | 3.4 | 66.7 |