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Management report for fiscal 2010

1 Underlying conditions

Sparkasse Saarbrücken is a legal entity organised according to public law with statutory seat 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 bye-laws. The Bank's shareholder is Sparkassenzweckverband Saarbrücken. 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. In order to provide advisory services at the appropriate levels, we offer our customers three business service centres, two -Asset Management Centres individual customers and an -Asset Management Centre Private Banking.

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 that the Supervisory Board has elected from among its members as per Art. 13 a par. 1 SSpG (Saarländisches Sparkassengesetz (Saarland Savings Banks Act)) consists of the Chairperson of the Supervisory Board and six members; it decides on granting credit on the basis of business instructions. The Supervisory Board passes resolutions approving the granting of loans by the Bank to its own officers or related companies 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 Banks Association, our Bank is affiliated with the guaranty system of the German Savings Banks Organisation. This ensures that all savings deposited by our customers are guaranteed in full.

Economic development

In 2010, the world economy continued the recovery that had already started in 2009. The severe recession around the turn of the year 2008/2009 then saw a quick turn-around. Nevertheless, the recovery occurred inhomogeneously, with large difference in growth between individual countries and regions.

Growth dynamics were strongest in the emerging countries of Latin America and especially Asia. They also happened to be those countries that were themselves the least affected by the earlier crisis. The Chinese economy even showed signs of overheating.

In many industrial countries, however, the upturn has until now been rather timid. The countries that got into a crisis with overvalued real estate markets and too high private and/or public debt suffered in the process of sanitising those structural burdens. There, it was shown that the great recession was not merely an economic problem, but rather had fundamental causes.

The risk premiums that were demanded on the capital markets for financing those countries have risen clearly in 2010, with a first peak in the Spring and a new wave in the Autumn. With the unfurling of a rescue parachute and the development of a long-term support mechanism, the crisis countries in the European area experienced solidarity.

Germany plays a special role in the split development of the world economy and forms a contrast in the European area against the problem countries. Measured by its rate of growth over the past year, Germany even displays a dynamic that well stands a comparison with the rate of expansion of the emerging countries.

Once again, the decisive impulse for the growth came from exports. This is not only about an increase in the exchange of goods with industrial countries, though. Germany's assortment of exports profited additionally to a significant extent from its focus on investment goods.

During the second half of the year, the forces of growth could be seen to be shifting to the domestic economy. Of the overall real rate of economic growth of 3.6 %, already 2.5 percentage points could in 2010 be attributed to the impulses of the domestic economy. Both private consumption and investment activities saw a jump.

The well-developing jobs market definitely provided good support for the increase in consumer confidence during the course of the year. Furthermore, Germany was glowing with a further increase in the rate of employment, which is very remarkable when compared internationally and also against the background of German experience during earlier economic cycles.

With 40.5 mn employed people, more people were active in the German economy in 2010 than ever before. And at last, mostly full-time jobs with obligatory social insurance were newly created. With the return to normal working hours, 2010 additionally saw an increase in actually paid out wages, which, in turn, stimulated consumption.

Consumer prices in Germany rose in 2010 by just over one percent. The moderate development must be seen in conjunction with the low capital utilisation. Once again, the average annual rate of inflation in this country was in 2010 around half percentage point lower than the average rate of inflation in the European area, which was 1.6 percent. The urgently required recovery in pricing competitiveness of the partner countries vis-à-vis Germany has therefore not yet occurred in 2010. Those relationships could possibly reverse in the future, because the economy and lending are in most other countries of the currency union weaker than in Germany.

The economic curve that could be seen for the whole of Germany – collapse 2009, strong recovery 2010 – could also be observed in Saarland, but with even stronger swings. On the basis of the high orientation on exports in Saarland – almost half the industrial production of Saarland is sold beyond the federal borders – this is not surprising. Nonetheless, the development of the Saarland economy in 2010 may be described as quite satisfactory. During the first half of the year, real gross domestic product rose around 4.9 percent and the dynamics remained high in the second half of the year. So, already in 2010 a fair part of the drop in GDP of 7 percent in 2009 was made good.

In spite of the clearly improved economic situation, the rate of inflation remained low in 2010. The comparative difference with the previous year did not reach 1 percent until November of 2010. The annual average rate of price increases was 0.7 percent in Saarland. Similar to the federal level, the way the jobs market on the Saar is following the economic cycle is pleasantly robust. It should be noted that the instrument of short-time working was very intensively used in Saarland. An entirely positive fact is that the number of people that are employed under obligatory social insurance rose by 1.8 percent until October of 2010 (federal level: + 1.8 percent). At the end of 2010, the unemployment rate stood at 7.1 percent, around 0.4 percent below the previous year.

2 Report on economic situation

2.1 Business performance

2.1.1 Total assets and volume of business

	Status	2010	Changes	
	31/ 12/ 2010 mn EUR		2010	2009
		mn EUR	%	%
Business volume ¹⁾	6,225.5	+35.9	+0.6	+2.6
Total assets	6,133.9	+24.3	+0.4	+2.7

1) Total shareholders' equity and liabilities plus contingent liabilities

Business volume and total assets have increased slightly in 2010 compared to the previous year. Determinant factors were particularly the once again increased volume of customer lending (+6.8 %) and the growth (+2.4 %) in investments in securities. The balances at the Deutsche Bundesbank and at other financial institutions were reduced.

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

	Status	2010	Changes	
	31/ 12/ 2010 mn EUR		2010	2009
		mn EUR	%	%
Volume of loans to customers	3,744.6	+239.7	+6.8	+7.2
<i>Of which:</i>				
Loans to public sector	1,217.2	+205.3	+20.3	+22.0
Through mortgages secured	1,299.5	+500.5	+62.6	-8.3
Loans to financial institutions	703.9	-213.0	-23.2	-11.6
Investments in securities	1,618.4	+38.3	+2.4	+6.0

Volume of loans to customers

During fiscal 2010, the Bank has approved new credits to the tune of altogether EUR 625.7 mn to private individuals, to companies and the self-employed and to the public sector. That represents an increase of 50.8 % compared to the previous year. Lending to companies and the self-employed as well as to individuals is benefiting from the positive mood and the above average rates of growth that have been achieved within the Saar Savings Banks Association. The public sector was particularly looking for long-term financing.

Loans to financial institutions

Claims on financial institutions were reduced compared to the previous year-end (EUR -213.0 mn resp. 23.2 %). The changes are particularly in day-to-day and fixed deposits.

Investments in securities

Investment in securities rose by EUR 38.3 mn (+2.4 %). Securities are primarily assigned to the liquidity reserve and particularly comprise fixed-income securities from investment-grade issuers. Some of our securities are managed in several special-purpose funds. Our goal is to achieve value growth with assets managed by third parties, giving due consideration to risk and return profiles.

2.1.3 Deposit-taking business

	Status	2010	Changes	
	31/ 12/ 2010 mn EUR		2010	2009
		mn EUR	%	%
Funds deposited by customers	4,027.1	-15.2	-0.4	-2.2
<i>Of which:</i>				
Savings deposits	2,271.7	+74.0	+3.4	+11.6
Non-securitised liabilities	1,615.0	-8.0	-0.5	-10.2
Securitised liabilities	89.0	-64.0	-41.8	-45.8
Subordinated liabilities	51.4	-17.2	-25.1	-11.4
Owed to financial institutions	1,749.4	+9.2	+0.5	+17.1

Funds deposited by customers

With a drop of 0.4 %, the inflow of funds from customers was relatively stable during the reporting year. A steady factor for this continuity was once again the volume of savings deposits, which rose by EUR 74 mn or 3.4 %. In addition to this increase, a shift to higher yielding types of saving could be observed, where the "S-Money Markets Saving" product that was introduced last year is especially benefiting. There is hardly any demand for our own issues with medium-term and long-term maturities during times of low interest rates. Consequently, the stocks of bank bonds and bearer bonds fell by EUR 114.7 mn (-48.8 %) resp. EUR 64.0 mn (41.8 %). The proportion of fixed deposits on the balance sheet was decreased through a reduction of EUR 183.6 mn (-30.5 %).

Liabilities to financial institutions

Overall liabilities to financial institutions were virtually unchanged compared to the previous year (EUR +9.2 mn or +0.5 %). The maturity breakdown shows a shift from day-to-day to fixed deposits. Liabilities towards the Deutsche Bundesbank resulting from open market activities were reduced by around 18 %.

2.1.4 Services

Insurance products and products for old-age provision are offered by the bank in cooperation with **S**-Pro-Finanz GmbH. The wholly owned subsidiary of Sparkasse Saarbrücken also advises our customers on all matters relating to real estate.

In the life insurance business – comparable to the on-balance-sheet deposit-taking business – a reluctance by the customer to enter into longer-term commitments was noticeable. Correspondingly, there was a reduction in the volume of newly insured amounts (-19 %). The need for provisions was clearly more stable (-2.2 %).

In the property insurance business, it was not possible to equal the results of previous years. Provisions were lower by around 19 %.

In selling products for old-age provision – especially Riester pensions – the Bank was, with 6,000 resp. 3,700 agreements, quite successful in the years 2008 and 2009 and very likely has saturated a large part of market potential. Against this background, the selling of more than 1,500 Riester products during the reporting year is a good result, which is in line with the planning of the Management Board.

In the real estate business, our affiliate **S**-Pro-Finanz has by now become one of the largest in the city and in the Saarbrücken Regional Association. The results of mediation activities are approximately in line with the good results of the previous year (+1.1 %).

In the building society business we successfully work together with our partner is the Association, LBS. The number of agreements in which we mediated is more or less in line with the number of the previous year (-0.3 %), the amount of savings fell slightly.

In the securities business, safety was again the determining factor in 2010. Nevertheless, after the clear falls in both preceding years, turnover in shares could be increased by ca. 15 % to EUR 36 mn. The higher price level of shares – the DAX closed 2010 with a plus of 16 % at 6,914 points – as well as the increased purchase of shares ensured that the stock of shares could be increased by more than 23 % compared to the previous year.

The development of net funds sales fell back with a minus of more than EUR 519 mn. The outflows, as in previous years, mainly affected money market funds because of the continuously low rates of interest. Instead, our customers preferred our own liability products with attractive rate of interest.

The tendency also continued in the case of our own bearer debentures: the high volumes of maturities were mainly reinvested in our own liability products, so that the stock of better debentures was further reduced.

Risk-conscious investors showed demand for so-called structured certificates from issuers, who – because of their lower creditworthiness compared to issuers of prime paper – could offer higher yields. After a plus of around 52 % in the previous year, the stock of foreign debentures increased by a further 12 % in 2010.

For a large savings bank in a border region, the processing of international payments is an important cornerstone of the package of services. Sparkasse Saarbrücken handled almost 33,000 outgoing payments for its customers. with a total value of more than EUR 46 mn, where the emphasis, obviously, was on other EU countries. The package of services in international business is completed by documentary collections and documentary credits. We can offer our customers suitable derivatives for hedging interest rate risk.

2.1.5 Own trading

Our depot A – essentially a mixture of fixed interest paper, floaters and stocks managed by third parties – makes an important contribution to the profit and loss account of the Bank. Turnovers – purchases, sales and maturities – came to a total of EUR 1,056.1 mn (previous year: EUR 987.4 mn). Sparkasse Saarbrücken does not trade for its own account within the meaning of federal banking legislation.

2.1.6 Derivatives

The product line in derivatives encompasses essentially interest-rate swaps and forward rate agreements that have been concluded within the framework of interest rate risk management on an NPV basis. The nominal value of contracts outstanding at year end was EUR 2.0 bn (previous year: EUR 1.6 bn).

2.2 Financial position

	EUR mn 31/12/2010	EUR mn 31/12/2009	as % of business volume	
			31/12/2010	31/12/2009
Volume of loans to customers	3,744.6	3,504.9	60.1	56.6
<i>Of which:</i>				
Loans to public sector	1,217.2	1,011.9	19.6	16.3
Loans to financial institutions	703.9	916.9	11.3	14.8
Investments in securities	1,618.4	1,580.1	26.0	25.6
Fixed assets	85.4	88.7	1.4	1.4
Other assets	73.2	99.0	1.2	1.6
Funds deposited by customers	4,027.1	4,042.3	64.7	65.3
<i>Of which:</i>				
Savings deposits	2,271.7	2,197.7	36.5	35.5
Liabilities to financial institutions	1,749.4	1,740.2	28.1	28.1
Other liabilities (incl. contingent liabilities and provisions)	133.6	128.8	2.1	2.1
Shareholders' equity	315.4	278.3	5.1	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.

After planned appropriations on which the Supervisory Board still has to resolve, contingent reserves will amount to EUR 248.7 mn – which reflects an increase of 2.9 %. In addition to the contingent reserves, the Bank has significant additional shareholders' equity. The ratio of eligible own funds to the with a factor 12.5 weighted risk amounts as per Art. 2 par. 6 Solvency Ordinance (Solvabilitätsverordnung (SolV)) exceeds, at 11.7 % (overall number) at 31 December 2010, the legally prescribed value 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.

The on-balance sheet assets, especially investments in securities, contain hidden reserves. Moreover, in accordance with Art. 340f Commercial Code we have taken additional measures for protection against the extraordinary risks of the financial institutions sector. The fund set up for general banking risks as per Art. 340g Commercial Code has been increased by EUR 30 mn during the year under review and now stands at EUR 65 mn.

2.3 Financial position

Solvency of the Bank was assured at all times during the business year on account of carefully planned and executed liquidity management. The liquidity position of the Bank is monitored within the framework of the monthly statutory reporting. Concurrently, the Bank applies a liquidity model in which the liquidity position for the next 30 days is the key component and available liquidity is calculated on the basis of stress scenarios, where lines of credit from trading partners and available open market limits are taken into consideration.

The credit resp. disposal lines at the Deutsche Bundesbank and at Landesbank Saar have partly been made use of. Appropriate assets were always maintained at Deutsche Bundesbank in order to comply with minimum reserve requirements. At year end, the liquidity coefficient as per the liquidity ordinance, which serves as supervisory assessment of the liquidity position, was calculated at a value of 1.43 for maturity tier I, so that liquidity is seen to be sufficient, as indeed it was throughout 2010.

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.

Therefore, there are no indications of impairment of the financial position in the future.

2.4 Earnings

Presentation of the Income Statement:	2010	2009
	mn EUR	mn EUR
Interest surplus (including P&L positions 3, 4 and 17)	115.7	112.6
Net commission income	21.2	21.2
Administrative expenses		
Staff costs	67.0	68.9
Material costs	28.2	27.6
Sub-total	+ 41.7	+ 37.3
Net result of the trade account	0.0	+ 0.3
Net other operating income/expenses	- 7.1-	- 6.1-
Result before provisioning	+ 34.6	+ 31.5
Net provisioning result	- 11.5-	- 12.4-
Result after provisioning	+ 23.1	+ 19.1
Extraordinary net income/loss	+ 23.4	0.0
Taxes	- 7.9-	- 10.6-
Allocations to the fund for general banking risks	- 30.0-	0.0
Net income and unappropriated surplus	8.6	8.5

As before, the interest surplus is the most important position on our Income Statement. The slight increase can be attributed to the disproportionately fallen interest expenses. The favourable rediscounting possibilities at the Deutsche Bundesbank have had a positive effect. But interest rate risk hedging transactions have had a negative effect.

Staff costs were reduced in the reporting year by EUR 1.9 mn (-2.8 %), which can only partly be attributed to the lower number of staff on reporting date – 1298 versus 1306. Rather, the addition to staff reserves that was lower than in the previous year has led to a corresponding relief, which more than compensated the effects of a one-time payment under the tariff round, an extraordinary payment to staff and the usual level regrouping.

Compared to the previous year, material costs were higher, especially in the areas of IT as well as training and advanced training, the latter particularly in conjunction with the migration to finance informatics, which took place in May of 2010. But savings could be booked on land and premises, so that the overall increase by EUR 0.6 mn (+2.3 %) was still moderate.

The result before revaluation is at EUR 34.6 mn EUR 31.5 mn or almost 10 % higher than the previous year.

Taking into account the revaluation result that has improved by EUR 0.9 mn or 7.3 % to EUR -11.5 mn and in which – as in the previous year – newly built reserves as per Art. 340f Commercial Code are included, the result after revaluation is EUR 23.1 mn (+4.0 mn, +20.9 %).

The shown extraordinary income and expenses are the result of the first-time application of the Accounting Law Modernisation Act (BilMoG) to the revaluation of securities, the liquidity reserve and the reserves.

The extraordinary result was used, amongst others, to build up the reserves as per Art. 340g Commercial Code by EUR 30 mn. Because of this strengthening of core capital, the Bank has created a solid basis for the future supervisory requirements for equity as per Basle III.

After taxation of EUR 7.9 mn the net profit for the year is EUR 8.6 mn, which makes further strengthening of equity and appropriate distribution to the shareholder possible.

To compare the earnings situation of our Bank, we apply, amongst others, the so-called "operational comparison" of the savings banks organisation for internal purposes. In other studies, we also consider components of the results split on the basis of the criteria of the market interest rate method and the risk of counterparty failure and market price risks that have impact on the revaluation results.

2.5 Non-financial performance indicators

Staff

The overall number of staff was reduced slightly in 2010. Including sabbaticals, at year end the Bank employed altogether 1,298 (previous year 1,306) staff, of which 799 full-time, 429 part-time and 70 trainees.

We offer our female staff numerous facilities for combining family and work. There are various part-time models. Over and above the legally laid down parenting time, staff may avail of sabbatical leave for up to 4 years with a guaranty of reappointment. Until now, 172 staff have made use of the possibility to apply for age-related part-time working.

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. We are offering internal and external advanced training programmes (e.g. at the Saarland Sparkasse Academy) that are oriented towards particular fields of activity and make it possible to plan a career. In view of the continuous development of the Bank's business and of the technical innovations, in the past year targeted training, further education and higher qualification also offered focal points for personal development.

Top priority is given to training school-leavers at all sites. 15 trainees, who successfully completed their training, were taken onto the permanent staff for indefinite periods. The ratio of trainees to permanent staff was 5.4 % in 2010.

Customer relations

We put the interests of the customer first gear our internal measures consequently towards the requirements, expectations and wishes of our customers. In the coming years, the economic success of the Bank essentially depends on whether we will be able to open up new potential and to expand on existing potential. 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. Additionally, the Bank regularly participates in test purchasing research and achieves 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 includes particularly assisting charities as well as cultural and sports activities.

2.6 Summary and assessment

Sparkasse Saarbrücken's performance as well as its financial position and cash flows can be considered satisfactory in the light of general economic conditions as well as the state of the banking sector. A renewed increase in customer credit volumes (EUR 239.7 mn) and a stable supply of customer deposits (-0.4 %) have further strengthened the position of Sparkasse Saarbrücken in its coverage area. An again increased interest surplus, slightly reduced management expenses and a revaluation result as planned made it again possible to as to reserves as per Art. 340f Commercial Code. And the extraordinary result in conjunction with the first time application of the Accounting Law Modernisation Act was used to increase the fund for general banking risks by EUR 30 mn. This way it was possible – together with the contribution from profits – to strengthen the core capital of the Bank, which will be particularly important under Basle III.

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 rate, 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 acceptability model comprises both value-oriented and periodic views. It also takes account of regulatory requirements from Banking Supervision.

In regular reviews, we determine the risk capital available to Sparkasse Saarbrücken for covering losses. It indicates 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 in 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 connection, the focus is on processes and methods in the light of the principles of security, propriety as well as economic efficiency and appropriateness. No findings of any significance impacting the Bank's financial position,

cash flows earnings were made in 2010. 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. To avoid concentration of risks, the Bank has additionally set strict ceilings on credit limits resp. limits per (related group of) borrower(s). 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.

The 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' creditworthiness. 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 that is relevant for assessing creditworthiness is entered into an integrated scoring model.

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 that are identified using effective early warning systems, are addressed by intensive management in the front office. Non-performing loans, cancelled facilities 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 is advised every quarter about the development of counterparty risks and adherence to the strategy and it, in turn, informs the Supervisory Board. The credit risk report breaks down the portfolio by creditworthiness resp. rating classes, sectors, size classes and risk-exposed volumes. Possible concentrations of risks can be recognised at an early stage that way. 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. Counterparty risk is also quantified through simulation on an NPV basis, where risk concentration is taken into account as well. Those results are used in the risk acceptability calculation. The risk premiums that are calculated on the basis of internal rating and availability of collateral serve the setting of risk-adjusted conditions. For the purpose of diversification of risk, derivative instruments are used to a limited extent within the Savings Banks Organisation.

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

To mitigate the risk from counterparty failure, Sparkasse Saarbrücken uses guarantees and financial sureties as collateral, in addition to mortgages in case of financing private and commercial real estate.

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. Moreover, in future, the risk of counterparty failure in trading business will be taken into account in the model for assessing counterparty risks.

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.

When managing market price risks, differentiation is made between risk from trading transactions and interest rate risk in the investment portfolio.

Risks from trading business

Risks from trading business is monitored and managed periodically as well as through marking to market.

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 by applying a Modern Historical Simulation Model, based on a retention period of 10 days and a confidence level of 95 %.

Under normal circumstances, the Management Board is informed about the results and limit utilisation on a weekly basis.

In 2010, market price risks remained within the risk limit defined by the Management Board at all times. For the purpose of testing their effectiveness, risk mitigation measures are included in the calculations of risks from trading transactions. The system and its validity is tested and refined annually.

Interest rate risk

Sparkasse Saarbrücken knowingly accepts interest rate risk with the aim of deriving additional income from maturity differentials. The interest rate risk is monitored and managed periodically and by marking to market.

The exposure to interest margin risks is determined periodically with the assistance of simulations in the P&L planning model, with reports submitted to the Management Board every quarter.

In addition, interest rate 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 NPV model. The findings are reported to the Management Board on a monthly basis. The interest rate risk is determined by applying a value-at-risk method based on a historic simulation with a retention period of three months, a confidence level of 95 % and a historical 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. For the purpose of monitoring their effectiveness, concluded hedge transactions are taken into account in the calculations of interest rate risk.

Exchange rate risks are of only minor importance for Sparkasse Saarbrücken. Open positions are generally covered by matching transactions or forward foreign exchange transactions.

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 (liquidity risk) 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 status is analysed by the Treasury 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 shortfalls or surpluses by observing the maturity ladders for all interest and repayment flows. In addition to this, the Bank 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. If the pressure on free funds exceeds a pre-set threshold, the Management Board is informed on an ad hoc basis. Other than that, reporting is quarterly. Sufficient liquidity was available at all times during the reporting period.

Altogether, the Bank has a good liquidity position. A determinant factor is our stock of liquid securities. There, it is also taken into account that part of our securities portfolio is allocated to fixed assets.

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, staff or internal processes.

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

Sparkasse Saarbrücken distinguishes between risks that have occurred - known as losses - and risks that might occur in the future. Losses of EUR 1,000 or more 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.

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. Related-party risks are addressed by means of periodic supervision and reporting in this area.

To determine the weighted amount for operational risks as per Art. 269 ff Solvency Ordinance, the Bank applies the basic indicator approach.

The Management Board and the Supervisory Board receive an operational risk report every quarter. In serious cases there is ad hoc reporting.

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 are currently no risks recognisable that may pose a threat to the Bank. For risks that can have an essential impact on the financial and income positions and cash flows of the Bank, adequate risk management and control has been installed. 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 Supplementary report

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 managers 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 Bank'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 2011 and 2012

Germany still finds itself in an unequivocally favourable and well-balanced overall economic scenario: Employment is going up, profitability of the business sector is good. Indebtedness of consumers and businesses is really low. Major orders are awaiting domestically as well as from abroad. Those are excellent conditions for a continuation of the upturn.

In addition to investments, private consumption could go up as well. The conditions for that are favourable. Because the good jobs market situation strengthens consumer confidence and creates income. Because of bottlenecks for particular qualifications, major increases in remuneration may be expected in some places. Obviously, that is not an encouragement for unbridled expansion. As long as there is considerable unemployment, its reduction warrants primary attention. Low private indebtedness and an already appropriately high savings rate are the best conditions for expansion and increase of market income also leading to higher consumption.

Obviously, the government should not undermine the perspective of lively consumption by increasing the burden of taxation. Certain dampening effects are unavoidable in 2011. The increase in health insurance contributions has already come into effect. And the saving packages still contain several other contractual stipulations. Nevertheless, consolidation of government finances should now get under way.

Strangling the domestic economy which is showing increasing dynamism should, however, not be expected with well meted out consolidation. If the world economy and the clamouring for stable institutions in Europe will not cause negative shocks for Germany that are too great, 2011 promises to be an excellent economic year. With powerful growth, better balanced foreign trade, increased investment activity and further expanding employment.

The optimistic picture that has been painted for the German economy also applies to Saarland in view of the global perspectives for growth. The strong demand for investment goods and vehicles, amongst others from the emerging countries, should provide impulses for the Saarland economy. The good development of the regional economic climate and the decent order book strengthen this view. It should, therefore, not be surprising if the Saar economy were to expand again a little more than the German economy as a whole.

The risks that have been described, especially those concerning the further development of the financial markets, obviously also apply to the Saar economy.

Sparkasse Saarbrücken faces the challenge of responding to dynamic competitive conditions. This includes the continued intensification of competition amongst financial institutions as well as our 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 positive forecast for the economy as a whole, we project marginal growth in total assets in 2011 and 2012. This growth is likely to be primarily underpinned by lending to customers as well as deposit-taking from customers.

In 2011, we expect to see moderate growth in commercial lending business, spurred for the most part by companies seeking to finance their replacement capital expenditure budgets. For private households, financing of the home and consumption take the lead. Despite even lower interest rates, households are expected to show only modest demand for credit due to the low level of housing starts.

We assume a slight increase in deposits from customers in 2011, because the uncertainty in the money markets and capital markets still make the investment products of the Bank attractive to its customers. This will drive a generally moderate increase in business activity.

The development of market interest rates and especially the steepness of the interest rate curves have a great impact on the level of the interest surplus. A change in interest levels impacts various areas. Rising interest rates do raise our refinancing costs, but they do allow the opportunity to widen margins through interest rate adjustments. A rising interest rate affects customers in different ways. On account of higher basic rates of interest, our deposit products become essentially more attractive to customers, while our lending business tends to suffer.

We expect that the level of interest rates will increase somewhat in 2011. The possibly slightly flattening yield curve opens up the possibility of contribution to profits by exploiting maturity differentials. On the other hand, there is high pressure on margins because of increasing competition.

For Sparkasse Saarbrücken, a bull market in the stock exchange means that rising stock prices could raise its customers' transaction turnovers and custodian account volumes. This will be significantly impacted by stock and stock market volatility; high volatility begets high trading volumes, while sideways moving markets 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.

By implementing systematic cost management, the Bank will attempt to keep the forecast increase in operating expense in check compared to 2010.

As staff costs will tend to rise on account of moderate wage and salary settlements, the Bank plans to minimise these effects via strict staff 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. 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 second weekend of May of 2010, the savings banks in Saarland have converted their existing IT applications to Finanz Informatik GmbH & Co. KG, which emerged from the merger between FinanzIT GmbH and the Sparkassen Informatik GmbH & Co. KG. The migration to the new IT environment, which fundamentally changed many operational processes, went smoothly at Sparkasse Saarbrücken. Because of the synergy effects that arise within the framework of the migration, the possibility exists of reducing IT expenditure in the future.

Our planning and prognostic calculation currently show continuity in the results; for fiscal 2011 we expect a noticeably improved results compared to the previous year before revaluation, especially because of favourable developments in hedging transactions.

At the moment, with a need for caution, we still see customer business this year at the level of the previous year, but also are acutely aware of the danger that the after-effects financials crisis may hit the actual economy and therefore our borrowers.

Neither can we exclude the possibility of further write-offs in our securities portfolio, especially of bonds issued by a European state that is making use of the support measures of the European Stability Mechanism (ESM). Also because on 31 December 2010, further attributions had to be made under the Accounting Law Modernisation Act.

For fiscal 2011, we expect a business development with a result that will be largely in line with the profit for the previous year. As far as we can forecast at this stage, with economic development again improving, we assume steady performance also for 2012, with net profit for the year remaining at a comparable level. Accordingly, Sparkasse Saarbrücken will be able to earn the Tier 1 capital which it requires itself. The structure of the Bank's resources of liable equity will continue to develop satisfactorily.

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
Dep. Chairman

Uwe Johmann
Board Member

Frank Saar
Board Member

Commercial register

Saarbrücken, A 8590

Sparkasse Saarbrücken is a member of Sparkassenverband Saar (Saarland Savings Banks Association) and as such is affiliated with Deutsche Sparkassen- und Giroverband e.V., Berlin/Bonn.

The shareholder is Sparkassenzweckverband Saarbrücken, of which the Saarbrücken Regional Association and the City of Saarbrücken are members.

The Supervisory Board of Sparkasse Saarbrücken

Chairperson
Peter Gillo
Regional Union Director
until 30/04/2010

Charlotte Britz
Lady Mayoress
from 01/05/2010

Dep. Chairperson
Charlotte Britz
Lady Mayoress
until 30/04/2010

Peter Gillo
Regional Union Director
from 01/05/2010

Further members:

Dr. Gerhard Bauer, Peter Bauer (from 21/05/2010), Roland Bentz, Karin Bernhard, Thomas Brück, Jörg Ehm, Manfred Hayo, Günther Karcher, Thomas Linnemann-Emden, Rolf Linsler, Manfred Maurer, Klaus Meiser, Volker Schmidt, Frank Schuler, Peter Strobel, Jürgen Trenez, Karlheinz Wiesen, Klaus Winter

Address

Neumarkt 17
66117 Saarbrücken

Postal address
66104 Saarbrücken

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 correspondent banks

Belgium	ING Belgium SA/NV.....	Brussels	BBRU	BE	BB 010
France	Banque Fédérative du Credit Mutuel	Strasbourg	CMCI	FR	PA
	Caisse Nationale des Caisses d'Epargne et de Prevoyance (CNCEP)	Paris	CEPA	FR	PP
Great Britain	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 (Schweiz AG)	Basle	CIAL	CH	BB
United States	The Bank of New York.....	New York	IRVT	US	3N

8 Balance sheet as of 31 December 2010

		EUR	EUR	EUR	31/ 12/ 2009 000 EUR	
Assets	1) Cash reserve					
	a) Cash and cash items		33,062,444.15		34,452	
	b) Balances held with Deutsche Bundesbank		30,278,727.20		36,367	
				63,341,171.35		70,818
	2) Public-sector bonds and bills of exchange approved for discounting at the 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		16,192,655.27			71,985
	b) Other loans		687,684,498.34			844,900
				703,877,153.61		916,886
	4) Loans to customers			3,652,226,681.38		3,423,968
	Of which: secured by mortgages	EUR	1,299,522,250.32			(798,967)
	Local authority lending	EUR	1,217,246,448.03			(1,011,908)
	5) Bonds and other fixed-income securities					
a) Money market securities						
aa) From public issuers		0.00			0	
Of which: eligible as collateral at the Deutsche Bundesbank	EUR	0.00			(0)	
ab) From other issuers		0.00			0	
Of which: eligible as collateral at the Deutsche Bundesbank	EUR	0.00			(0)	
			0.00		0	
b) Debentures and bonds						
ba) From public issuers		137,326,351.84			110,924	
Of which: eligible as collateral at the Deutsche Bundesbank	EUR	137,326,351.84			(110,924)	
bb) From other issuers		1,009,408,373.40			1,053,867	
Of which: eligible as collateral at the Deutsche Bundesbank	EUR	962,061,430.54			(1,020,004)	
			1,146,734,725.24		1,164,791	
c) Own bonds			298,550.38		1,246	
Nominal amount		287,500.00 EUR			(1,221)	
				1,147,033,275.62	1,166,037	
6) Shares and other non-fixed-income securities				471,413,319.66	414,101	
6a. Trade account				0.00	-	
7) Equity investments				51,496,157.37	53,647	
Of which:						
in financial institutions	EUR	1.00			(0)	
in financial services companies	EUR	1,898,762.92			(1,899)	
8) Shares in affiliated companies				50,000.00	50	
Of which:						
in financial institutions	EUR	0.00			(0)	
in financial services companies	EUR	0.00			(0)	
9) Trustee assets				801,407.88	881	
Of which: Fiduciary credits	EUR	801,407.88			(881)	
10) Compensation claims from public-sector bodies including bonds from their exchange				0.00	0	
11) Intangible assets						
a) Self-created trade property rights and similar rights and values			0.00		-	
b) concessions, trade property rights and similar rights and values, as well as licences for such rights and values, acquired against payment			624,539.00		-	
c) Goodwill			0.00		-	
d) Performed down payments			0.00		-	
				624,539.00	742	
12) Tangible assets				33,222,885.89	34,224	
13) Other assets				8,909,101.98	26,623	
14) Deferred income				903,987.55	1,655	
15) Active deferred taxes				0.00	-	
16) Pro rata balance from off-setting assets				0.00	-	
Total assets				6,133,899,681.29	6,109,631	

	EUR	EUR	EUR	31/ 12/ 2009 000 EUR
1) Liabilities to financial institutions				
a) Due daily		150,160,150.47		327,966
b) With agreed term or notice period		1,542,348,273.84		1,367,447
			1,692,508,424.31	1,695,413
2) Liabilities to customers				
a) Savings deposits				
aa) With agreed period of notice of three months	2,066,558,600.50			1,723,444
ab) With agreed period of notice of more than three months	205,114,781.81			474,247
		2,271,673,382.31		2,197,691
b) Other liabilities				
ba) Due daily	1,075,643,918.76			783,074
bb) With agreed term or period of notice	539,395,462.06			839,938
		1,615,039,380.82		1,623,012
			3,886,712,763.13	3,820,703
3) Securitised liabilities				
a) Bonds issued		134,563,139.70		186,535
b) Other securitised liabilities		0.00		0
Of which:				
Monay market paper	EUR 0.00			(0)
own acceptances and sole bills of exchange in circulation	EUR 0.00			(0)
			134,563,139.70	186,535
3a. Trade account			0.00	-
4) Trustee liabilities			801,407.88	881
Of which: Fiduciary credits	EUR 801,407.88			(881)
5) Other obligations			5,891,351.81	7,407
6) Deferred income			4,085,320.63	4,049
6a. Passive deferred taxes			0.00	0
7) Provisions				
a) Provisions for pensions and similar commitments		10,434,699.00		10,079
b) Tax reserves		2,100,735.00		992
c) Other reserves		18,672,277.68		25,373
			31,207,711.68	36,444
8) Special tax-allowable reserve			0.00	0
9) Subordinated liabilities			62,684,609.11	79,875
10) Participatory capital			0.00	0
Of which: maturing within two years	EUR 0.00			(0)
11) Fund for general banking risks			65,000,000.00	35,000
Of which: Extraordinary items as per Art. 340e par. 4 Commercial Code	EUR 0.00			(-)
12) Equity capital				
a) Subscribed capital		0.00		0
b) Capital reserves		0.00		0
c) Revenue reserves				
ca) Contingency reserve	241,810,214.01			234,807
cb) Other reserves	0.00			0
		241,810,214.01		234,807
d) Unappropriated surplus		8,634,739.03		8,517
			250,444,953.04	243,324
Total equity and liabilities			6,133,899,681.29	6,109,631
1) Contingent liabilities				
a) Contingent liabilities from rediscounted bills of exchange		0.00		0
b) Liabilities from sureties and guarantee contracts		89,059,930.31		78,415
c) Liability for assets pledged as collateral security for third parties		2,565,275.30		1,583
			91,625,205.61	79,998
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		53,748,899.72		41,906
			53,748,899.72	41,906

9 Income statement for 2010

01/01 – 31/12/2009

	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>000 EUR</u>
1) Interest income from				
a) Lending and money market business	187,618,584.79			196,919
Of which: from discounting provisions	EUR 0.00			(-)
b) Fixed-income securities and debt register claims	<u>26,783,860.56</u>			<u>34,798</u>
		<u>214,402,445.35</u>		<u>231,718</u>
2) Interest expenditure		<u>112,781,856.30</u>		<u>134,138</u>
Of which: from discounting provisions	EUR 943,538.11			(-)
			<u>101,620,589.05</u>	<u>97,580</u>
3) Current income from				
a) Shares and other non-fixed-interest securities		<u>15,194,217.25</u>		<u>12,921</u>
b) Participations		<u>913,337.99</u>		<u>753</u>
c) Shares in affiliated companies		<u>0.00</u>		<u>0</u>
			<u>16,107,555.24</u>	<u>13,673</u>
4) Income from profit pools and full or partial profit transfer agreements			<u>1,879,941.07</u>	<u>1,966</u>
5) Commission income		<u>24,477,045.77</u>		<u>24,228</u>
6) Commission expenditure		<u>3,252,447.31</u>		<u>3,043</u>
			<u>21,224,598.46</u>	<u>21,185</u>
7) Net result of the trade account			<u>0.00</u>	<u>303</u>
Of which: Additions to / withdrawals from the fund for general banking risks	EUR 0.00			(-)
8) Other operating income			<u>14,698,982.39</u>	<u>12,532</u>
Of which: from foreign currency conversions	EUR 124,106.00			(0)
9) Income from the release of the special tax-allowable reserve			<u>0.00</u>	<u>0</u>
			<u>155,531,666.21</u>	<u>147,238</u>
10) General administrative costs				
a) Staff costs				
aa) Wages and salaries	<u>51,800,449.91</u>			<u>53,045</u>
ab) Contributions and costs for old-age pensions and support of which: for old-age pensions	<u>15,162,532.93</u>			<u>15,813</u>
	EUR 5,302,528.41			(5,646)
		<u>66,962,982.84</u>		<u>68,858</u>
b) Other administrative costs		<u>28,217,494.77</u>		<u>27,588</u>
			<u>95,180,477.61</u>	<u>96,447</u>
11) Depreciation and amortisation on intangible and tangible assets			<u>5,526,939.72</u>	<u>5,270</u>
12) Other operating expenses			<u>16,283,371.20</u>	<u>13,326</u>
Of which: from foreign currency conversions	EUR 0.00			(0)
13) Value adjustments and write-downs on receivables and certain securities as well as allocations to provisions for lending business		<u>10,131,296.15</u>		<u>13,911</u>
14) Income from write-ups of receivables and certain securities as well as release of provisions for lending business		<u>0.00</u>		<u>0</u>
			<u>10,131,296.15</u>	<u>13,911</u>
15) Value adjustments and write-downs on equity interests, shares in affiliated companies and securities treated as fixed assets		<u>1,437,895.78</u>		<u>0</u>
16) Income from write-ups on equity interests, shares in related companies and securities treated as fixed assets		<u>0.00</u>		<u>1,503</u>
			<u>1,437,895.78</u>	<u>1,503</u>
17) Loss-absorption expenses			<u>3,864,929.48</u>	<u>644</u>
18) Allocations to the fund for general banking risks			<u>30,000,000.00</u>	<u>-</u>
19) Loss/profit from ordinary business activities			<u>6,893,243.73</u>	<u>19,144</u>
20) Extraordinary income		<u>24,097,287.70</u>		<u>0</u>
Of which: Transition effects as a result of the Accounting Law Modernisation Act	EUR 24,097,287.70			(-)
21) Extraordinary expenses		<u>686,199.72</u>		<u>0</u>
Of which: Transition effects as a result of the Accounting Law Modernisation Act	EUR 686,199.72			(-)
22) Extraordinary net income/loss			<u>23,411,087.98</u>	<u>0</u>
23) Taxes on income and on earnings		<u>7,667,929.27</u>		<u>10,430</u>
Of which: Changes in deferred taxation as per Art. 274 Commercial Code	EUR 0.00			(0)
24) Other taxes not included in Item 12		<u>215,175.95</u>		<u>197</u>
			<u>7,883,105.22</u>	<u>10,627</u>
25) Net income			<u>8,634,739.03</u>	<u>8,517</u>
26) Profit/loss carried forward from the previous year			<u>0.00</u>	<u>0</u>
			<u>8,634,739.03</u>	<u>8,517</u>
27) Withdrawals from revenue reserves				
a) From contingency reserve		<u>0.00</u>		<u>0</u>
b) From other reserves		<u>0.00</u>		<u>0</u>
			<u>0.00</u>	<u>0</u>
			<u>8,634,739.03</u>	<u>8,517</u>
28) Allocations to revenue reserves				
a) To contingency reserve		<u>0.00</u>		<u>0</u>
b) To other reserves		<u>0.00</u>		<u>0</u>
			<u>0.00</u>	<u>0</u>
29) Unappropriated surplus			<u>8,634,739.03</u>	<u>8,517</u>

10 At a glance

Position	Status	Status	2010 changes	
	31/12/2010 EUR mn	31/12/2009 EUR mn	EUR mn	%
Total assets	6,133.9	6,109.6	24.3	0.4
Funds deposited by customers	4,027.1	4,042.3	-15.2	-0.4
Of which:				
Savings deposits	2,271.7	2,197.7	74.0	3.4
Non-certificated liabilities	1,615.0	1,623.0	-8.0	-0.5
Certificated liabilities	89.0	153.0	-64.0	-41.8
Subordinated liabilities	51.4	68.6	-17.2	-25.1
Liabilities to financial institutions	1,749.4	1,740.2	9.2	0.5
Of which:				
Subordinated liabilities	11.3	11.3	0.0	0.0
Certificated liabilities	45.6	33.5	12.1	36.1
Other liabilities	133.6	128.8	4.8	3.7
(Including contingent liabilities and provisions)				
Equity capital	315.4	278.3	37.1	13.3
(Including fund for general banking risks)				
Volume of loans to customers	3,744.6	3,504.9	239.7	6.8
Of which:				
Loans to customers	3,652.2	3,424.0	228.2	6.7
Trustee assets	0.8	0.9	-0.1	-11.1
Guarantee loans	91.6	80.0	11.6	14.5
Loans to banks	703.9	916.9	-213.0	-23.2
Investments in securities	1,618.4	1,580.1	38.3	2.4
Fixed assets	85.4	88.7	-3.3	-3.7
Other assets	73.2	99.0	-25.8	-26.1
Net income	8.6	8.5	0.1	1.2