

2011

Our report on the fiscal year

Management report (extract)
Balance Sheet
Income statement

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

 Sparkasse
Saarbrücken


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Management Report for the Fiscal Year 2011

1 Framework conditions

1.1 Legal Environment

Sparkasse Saarbrücken is a legal entity organised according to public law and domiciled at 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 Articles of Association of the Bank. 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 have 67 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  for individual customers and an -Asset Management Centre Private Banking.

Sparkasse Saarbrücken's management bodies comprise the Supervisory Board and the Board of Directors. The Supervisory Board issues instructions to the Board of Directors and the Credit Committee and monitors the activities of the Board of Directors. 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 origination of loans extended by the Bank to its own officers as defined in Article 15 of the German Banking Act. The Board of Directors 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 guaranty system of the German Savings Bank Organisation. This ensures that all savings deposited by our customers are guaranteed in full.

1.2 Macro-economic environment

At the beginning of 2011, world economic recovery was still well under way. Emerging from the recession of late 2008 / early 2009, the positive development of 2010 was initially sustained in many places. However, the rate of growth was not equally distributed over the various regions. Many emerging economies that had lived through the world recession without incurring too much damage in terms of their own production and that previously already showed the highest rates of growth, also remained particularly strong during 2011.

On the other hand, in the industrialised countries, the emphasis was first on regaining the levels of before the crisis. Countries like Japan or Germany, which were particularly hard hit because of their orientation on exports, also showed the strongest recovery in 2010 and at the beginning of 2011. But of course, in Japan it was abruptly interrupted in the spring of 2011 by a combination of natural catastrophes.

Germany was able to reduce its public deficit to 1.0 % of gross domestic product, thanks to the relatively good economic recovery in 2011. During the two preceding years, the limit values of 3 % of the Maastricht Treaty had still been exceeded.

In the spring of 2011, the gross domestic product of our country was able to regain and then slightly exceed the level of before the crisis. And following that strong recovery, capacity utilisation quickly returned to normal levels. That then was a reason for investments for the purpose of maintaining and enhancing production capacity.

Although exports did very well in 2011 (actual +8.2 %), imports also increased significantly (+7.2 %). The external component of contingents remained of moderate proportions, though. On the one hand, the increasing expansion of imports reflects the high gearing of the value creation chain in Europe and the global economy, because many parts of German end products are based on raw products and semi-finished goods come from abroad, such as from eastern Europe, including those of the investment goods sector, which heavily rely on exports. On the other hand, the increasing imports show that in 2011, Germany was the economic locomotive for its partner countries.

Private consumption (actual +1.5 %) lagged a little behind the rate of expansion in terms of overall economic development. Still, it is a good signal that after many years of stagnation, something has happened in the first place. The, after the recession, once again higher average working hours, the good level of employment and the concomitant job security and the higher incomes may well have contributed to this.

Because of its high weighting for GDP, consumption – private and public together – accounts for more than one third of total growth during 2011. According to a first estimate of the Federal Statistical Office of 11 January 2012, the overall growth rate for the whole of 2011 was 3.0 %.

The slowing down during the course of the year is, amongst others, the result of the sense of insecurity that has been caused by the public debt crisis. Certainly since the summer of 2011 has it become apparent that it will not be possible to finance Greece in a sustainable manner by means of ever more support loans from the other EU countries and the IMF. During various EU summits and accompanying negotiations with the major creditors, ever farther reaching debt tranches were initially still declared to be "voluntary". It then became clear that sovereign debt can no longer be classified as investments without risk. Risk premiums also rose for debts of other countries because of the contagious effect.

During the summer of 2011, stock markets collapsed and recorded in many places losses between July and September of a third of their value – including in Germany, as measured by the DAX. Bank shares took the lead in the losses, triggered by fears of having to take losses on sovereign debt and the resulting need for recapitalisation of financial institutions. Indeed, since the autumn of 2011, the interbank markets once again witnessed impediments and mistrust. The situation was reminiscent of the situation after the Lehman insolvency, three years earlier.

That the German labour market is the source of good news throughout the changeable economic situation is something that one has been able to get used to for more than half a decade. The tendency of improvement that could be perceived there extended throughout 2011. Growth in the working population was higher still than in the already good year 2010. Whereas in 2010, the focus following the overall economic recovery was still the restoration of normal working hours, 2011 could witness the filling of new jobs again. The working population increased by more than 530,000 to 41 mn now.

1.3 Regional environment

With an increase of the gross domestic products by actual 4.1 %, economic growth in the Saarland was again higher than in almost all other federal lands. The generally positive development was brought about by the metal sector, vehicle production and mechanical engineering. The impulses did not only arise out of domestic business but also out of demand from abroad. It was pleasant to witness that employment was able to benefit from the trend. The number of jobs in the industrial sector alone has risen by 4.7 %.

2 Report on economic situation

2.1 Business performance

2.1.1 Total footings and volume of business

	As at 31/ 12/ 2011 mn EUR	2011 mn EUR	Changes	
			2011 %	2010 %
Business volume ¹⁾	6,332.3	+106.8	+1.7	+0.6
Total footings	6,207.6	+73.7	+1.2	+0.4

1) Total shareholders' equity and liabilities plus contingent liabilities

Compared to the previous year, business volume and total footings were once again higher in 2011, particularly because of increased lending to customers. Investment in securities and claims on financial institutions have been reduced as planned.

2.1.2 Lending business (including Item 1 of contingent liabilities)

	As at 31/ 12/ 2011 mn EUR	2011 mn EUR	Changes	
			2011 %	2010 %
Volume of loans to customers	4,194.9	+450.3	+12.0	+6.8
<i>Of which:</i>				
Claims on public sector	1,487.2	+270.0	+22.2	+20.3
Through mortgages secured	1,325.5	+26.0	+2.0	+62.6
Claims on financial institutions	566.8	-137.1	-19.5	-23.2
Investments in securities	1,419.0	-199.4	-12.3	+2.4

Volume of loans to customers

During fiscal 2011, the Bank has approved new loans to the tune of altogether EUR 775.9 mn to private individuals, to companies and the self-employed and to the public sector. That represents an increase of 24.0 % compared to the previous year. The volume of loans already drawn also developed satisfactorily and, at 12.0 %, rose at twice the rate of the average of the savings bank in the Saarland. Primary source of growth was again the public sector, but local companies and the self-employed have contributed to the positive development. Private individuals have also increased their balances – albeit only slightly.

Claims on financial institutions

Claims on financial institutions were further reduced compared to the previous year-end (EUR -137.1 mn resp. -19.5 %). The changes were particularly in promissory notes and fixed deposits.

Investments in securities

Investment in securities have fallen by EUR 199.4 mn (-12.3 %). These were planned redemptions upon maturity of fixed income paper of public and other issuers, but also planned sales within the framework of managing own investments. Securities are primarily assigned to the liquidity reserve and particularly comprise fixed-income securities of issuers with creditworthiness in good standing. Some of our securities are held 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

	As at 31/ 12/ 2011 mn EUR	2011 mn EUR	Changes	
			2011 %	2010 %
Deposits from customers	3,942.1	-85.0	-2.1	-0.4
<i>Of which:</i>				
Savings deposits	2,219.3	-52.4	-2.3	+3.4
Non-secured liabilities	1,640.0	+25.0	+1.5	-0.5
Securitized liabilities	44.3	-44.7	-50.2	-41.8
Subordinated liabilities	38.5	-12.9	-25.1	-25.1
Owed to financial institutions	1,876.3	+126.9	+7.3	+0.5


Deposits from customers

Deposits fell slightly by EUR 85.0 mn (-2.1 %). Because of the low rates of interest in the market, it would seem that especially savings have become less attractive during the year under review (EUR -52.4, -2.3 %). Similarly difficult was the situation for Savings Bank Notes and fixed deposits, which fell by around EUR 55.2 mn (-45.9 %), EUR 42.8 mn (-10.3 %), respectively. Obviously, monies at one day notice enjoyed more interest of the customers and rose by around EUR 122.9 (+11.4 %), taken together. Especially, the call deposit and money market accounts benefited.

Owed to financial institutions

Obligations towards financial institutions have agreed by about EUR 127.0 mn (+7.3 %). In the deposit structure, there was a slight shift from fixed deposits to call deposits and an increased in obligations towards the Deutsche Bundesbank, stemming from open market operations.

2.1.4 Services

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

During the past year, the interest of our customers in life insurance products was again at a satisfactory level. The newly insured amounts as well as commissions rose by more than 20 per cent each. Most likely, the lowering of the guaranty rate with effect from 01/01/12 has led to new contracts having been brought forward.

Sales of property insurance products also developed favourably in 2011; commissions rose by around 54 per cent.

After several successful years, real estate sales were somewhat stagnant in 2011, after earlier growth in earlier years. The reluctance of customers to buy and sell is reflected in the amount of earned commissions (-22 %).

Our building savings business was characterised by intensive cooperation with LBS, a partner within our association. This allowed us to increase the total amount of building saving agreements by around 34 %. Additionally, the need of our customers for advice on "Riester housing" was noticeable.

Against the background of the renewed turbulence in the capital markets and the experience of many investors in 2008, the subject of safety in the securities business was in 2011 once again the dominant investment criterion for most investors.

That was also noticeable in the clear spreading of foreign bond portfolios. After the clear increases that had been recorded in previous years, the volume rose again significantly in 2011 by almost 40 per cent to more than EUR 200 mn.

Over the year as a whole, the DAX lost more than 1,000 points or almost 15 per cent. The forceful fluctuations in the stock markets and the relative low price levels enticed investors with an appetite for risk to buying or to speculative buying and selling. That led to an increase in turnover of stocks by more than 12 per cent, but the falls in prices caused to the total value of the portfolio to fall by around 14 per cent. The reduction thus largely corresponded to the percentage fall in the DAX in 2011.

For the savings bank funds, Sparkasse Saarbrücken experienced a fall of around EUR 17 mn., which was in line with the trend in the sector. Counter to this development, net sales of more than EUR 6 mn could be achieved in the "Future Portfolio Sustainability", the sustainability fund of Sparkasse Saarbrücken that is offered in cooperation with Bank Sarasin and Universal-Investment-Gesellschaft mbH.

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 25,000 outgoing payments for its customers with a total value of more than EUR 137 mn, where the emphasis 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 1,049.0 mn (previous year: EUR 1,056.1 mn). Sparkasse Saarbrücken does not trade for its own account within the meaning of federal banking legislation.

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 manage interest rate books, based on present values. The nominal value of contracts outstanding at year end was EUR 2.2 bn (previous year: EUR 2.0 bn).

2.2 Financial position

	EUR mn 31/12/2011	EUR mn 31/12/2010	as % of business volume	
			31/12/2011	31/12/2010
Volume of loans to customers	4,194.9	3,744.6	66.2	60.1
<i>Of which:</i>				
Loans to public sector	1,487.2	1,217.2	23.5	19.6
Claims on financial institutions	566.8	703.9	9.0	11.3
Investments in securities	1,419.0	1,618.4	22.4	26.0
Fixed assets	80.2	85.4	1.3	1.4
Other assets	71.4	73.2	1.1	1.2
Deposits from customers	3,942.1	4,027.1	62.3	64.7
<i>Of which:</i>				
Savings deposits	2,219.3	2,271.7	35.0	36.5
Owed to financial institutions	1,876.3	1,749.4	29.6	28.1
Other liabilities (including contingent liabilities and provisions)	164.7	133.6	2.6	2.1
Shareholders' equity	349.2	315.4	5.5	5.1

For the first time, loans to customers exceed deposits from customers. 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 253.1 mn – which reflects an increase of 1.8 %. 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 12.2 % (overall number) at 31 December 2011, the legally prescribed value of 8 %.

This strong equity basis provides the foundation for further business activities, so that Sparkasse Saarbrücken will be able to achieve its targets.

The on-balance sheet assets, especially investments in securities, contain hidden reserves. We have also taken additional precautions pursuant to Article 340f of the German Commercial Code to avert banking-related risks. 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 95 mn.

2.3 Financial position

Sparkasse Saarbrücken's solvency was guaranteed at all times in the year under review, 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 applies a liquidity management concept 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 from trading partners and available open market facilities.

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 1.27 for maturity Tier I, so that liquidity is seen to be sufficient, as indeed it was throughout 2011.

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

Representation as per Income Statement:	2011	2010
	mn EUR	mn EUR
Interest surplus (including P&L positions 3, 4 and 17)	129.6	115.7
Net commission income	22.0	21.2
Administrative expenses		
Staff costs	65.3	67.0
Material costs	27.5	28.2
Sub-total	+58.8	+41.7
other operating income/expenses	-21.1	-7.1
Result before provisioning	+ 37.7	+ 34.6
Net provisioning result	+7.6	- 11.5
Result after provisioning	+45.3	+23.1
Extraordinary net income/loss	0.0	+23.4
Taxes	-9.8	-7.9
Allocations to the fund for general banking risks	-30.0	-30.0
Net income and unappropriated surplus	5.5	8.6

The most important item on our income statement is obviously the interest surplus. Its increase (+11.6 %) can mainly be attributed to higher income from investment in securities and from claims on customers. The strong reduction in expenditure for own emissions to customers has had a positive effect. But against that, interest rate swap transactions that had been entered into within the framework of managing the interest rate book, have had a negative impact.

In spite of a moderate increase in tariffs, staff expenditure has fallen by around 1.6 % during the year under review from EUR 67.0 mn to EUR 65.3 mn (EUR -1.7 mn, -2.5 %). The main reason was a smaller number of staff and a changed staffing structure (more part-time staff).

During the reporting year, material costs have fallen by around 2.5 %. There were clear savings on IT expenditure, but maintenance of land and building took once again a heavier toll.

The result from other operating income and expenses has clearly fallen. This is mainly attributable to the expenditure and income from interest futures transactions that were entered into within the framework of managing the interest rate book and which has been explained under that item.

At EUR 37.7 mn the result before revaluation is about EUR 3.1 mn or 9 % higher than the previous year.

After a revaluation result of EUR +7.6 mn, which has been particularly impacted by write-offs in the areas of securities and participations as well as by the release from reserves conform Art. 340f, Commercial Code, a result after revaluation of EUR 45.3 mn remains.

Expenditure on taxation was EUR 9.8 mn and was mainly higher compared to the previous year on account of write-offs that were not fiscally deductible.

In preparation for the tighter capitalisation requirements under Basle III that will apply from the beginning of 2013, the Bank has transferred a further EUR 30 mn to reserves as per 31/12/2011 conform Art. 340g, Commercial Code, and has thereby further strengthened its core capital.

A result for the year of EUR 5.5 mn remains, 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 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

Staff

The overall number of staff was reduced slightly in 2011. Including sabbaticals, at year end the Bank employed altogether 1,294 (previous year 1,298) staff, of which 794 full-time, 426 part-time and 74 trainees.

We offer our female staff numerous facilities for combining family and work. 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. 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. With this in mind, we offer internal and external (e.g. at Saarländische Sparkassenakademie) vocational education programmes that are oriented toward specific aspects of our business and help staff in planning their careers. Given the constant changes in the savings bank business as well as new technological developments, target-oriented training, and vocational education higher qualification levels for employees continued to play a crucial role in staff development activities last year.

Top priority is given to training school-leavers at all sites. 15 trainees who successfully completed their courses were offered permanent open-end positions at Sparkasse Saarbrücken. The ratio of trainees to total number of staff stood at 5.7 % in 2011.

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, implement general measures for improvement 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 of their business environment 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, as well as the development of the operating results before revaluation, can be considered satisfactory in the light of general economic conditions as well as the state of the banking sector. A renewed clear increase in customer lending volumes (EUR +450.3 mn) and a slightly falling inflow of customer deposits (-2.1 %) have further strengthened the position of Sparkasse Saarbrücken in its coverage area. An interest surplus that was once again higher and slightly lower administration expenditure formed the basis for a successful business year. The revaluation result of the lending business was also positive. But on the other hand, the public debt crisis and the risk management transactions that were necessary within the framework of managing the interest book were clearly burdensome. The Board of Directors attached great importance to preparing the Bank for the "Basle III" regulations that will apply with effect from 01/01/2013 by means of a new transfer to reserves of EUR 30 mn conform Art. 340g, Commercial Code, and the appropriation of profits towards equity.

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 activities, we manage counterparty risks, liquidity risks, market price risks (interest, exchange rate risks), risks from participations in lieu of lending and operational risks as appropriate.

The measuring and close monitoring of all risks constitute essential preconditions for 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 the risk manual of the Bank. This additionally includes information on responsibilities as well as the cycles for reporting to the Board of Directors and other decision makers. The activities for measuring and monitoring at the level of the level of the Bank as a whole are the responsibility of the Controlling and Risk Management Department, which analyses and quantifies the risks that the Bank is exposed to, monitors adherence to the limits set by the Board of Directors and takes care of risk reporting.

The Board of Directors 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 the regulatory requirements of banking supervision.

In regular reviews, we determine the risk capital available to Sparkasse Saarbrücken for covering losses. It indicates the extent to which the Bank can accept risk as part of its business and risk strategy. Within the framework of its stress tests, the Bank regularly simulates extraordinary or plausibly possible events and presupposes especially changes in market circumstances with the nature of a crisis. The scenario's for types of significant risk take account of historic as well as hypothetical developments. Additionally, an inverted stress test is also calculated. For each risk category, it is analysed whether risk categories exist.

As part of its monitoring duties, the independently operating internal audit department lends support to the Board of Directors. It works on a risk-oriented audit schedule that has been approved by the Board of Directors and that the internal audit 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. There were no findings of any significance impacting the Bank's financial position, cash flows and earnings in fiscal 2011. In principle, any improvements suggested by Internal Audit 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 Board of Directors attaches great 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 and scoring method developed by the Savings Bank Organisation. For corporate customers, the quantitative assessment involves a system-based analysis of the annual financial statements in conjunction 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. Creditworthiness is assessed by experienced credit analysts and corporate customer relationship managers. In the case of private individuals, creditworthiness is 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 through effective early warning systems, are addressed by applying intensive management measures in the front office. Loans that require rescheduling, non-performing loans and loans that have been called in are handled by a back office that is independent of the markets.

The Board of Directors has defined a risk strategy on the basis of 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 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 lending 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.

Within the framework of credit risk management, the Bank participates in several supraregional credit basket transactions in the shape of credit-linked notes.

Counterparty risks in the market dealing business are limited thanks to the careful selection of our contractual partners based on the rules for determining creditworthiness as well as volume limits per counterparty. Moreover, in future, the risk of counterparty failure in the market dealing 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 in value and 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 risks from dealing transactions and interest rate risk in the investment portfolio.

Risks from trading business

Risks from market dealing 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 %.

For the purpose of testing their effectiveness, risk mitigation measures are included in the calculations of risks from dealing transactions. The system and its validity is tested every year and is being further refined.

In 2011, market price risks remained within the risk limit defined by the Board of Directors at all times. Because of the drop in values of fixed income securities and special securities funds as a result of the European debt crisis, limits were temporarily exceeded in the periodic views. The Bank's risk resistance was at no time at risk.

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

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 regulatory specifications of banking supervision are complied with.

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 Board of Directors 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 present value model. The findings are reported to the Board of Directors 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 historic observation period of 19 years.

As part of integrated bank management, derivative financial instruments in the form of interest rate swaps and bond futures, alongside on-balance-sheet instruments, are used to hedge interest rate 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 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 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. Within the framework of measuring and limiting longer-term liquidity, the Bank applies the concept of the German Savings Banks and Giro Association "Survival period".

The Bank also developed a system with pre-defined scenarios and prioritised measures to ensure adequate short-term, medium-term and long-term liquidity, which is issued every month, resp. quarter. If the pressure on free funds exceeds a pre-set threshold, the Board of Directors is informed on an ad hoc basis. There is regular quarterly reporting to the Board of Directors. 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 on-going supervision carried out by qualified staff, and are covered in part by insurance.

Legal risks are averted by means of careful examination of contractual fundamentals and the use of standard form contracts. Participation 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 Board of Directors and the Supervisory Board receive an operational risk report every quarter. In important 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 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 2012 and 2013

After a period of weakness lasting several months, the German economy started gathering steam again in the spring of 2012. During the six months over the winter just behind us, total economic production has hardly risen as the debt and trust crisis in the Eurozone became acute and there was cyclic weakness in the world economy. The world economic environment has meanwhile brightened and the measures that have been taken to mitigate the turbulences in the Eurozone have contributed to temporary stabilisation of the financial markets and to reduction of the economic uncertainty. Amongst others, this could be read from the sentiment indicator. Business expectations of German enterprises were looking up from December of last year into early 2012, but have meanwhile become dull again. Initially, the climate improved for consumers as well. But the latest rises in risk premiums for Spanish and Italian sovereign debt show that the debt and trust crisis is still deepening. The political situation in Greece remains unresolved and is bearing on the markets.

For the prognostication period, the Institutes expect that the upward forces in Germany will gain the upper hand. But nevertheless, the economies in the rest of the Eurozone will remain very weak. But the interest policy that the ECB is applying in the entire Eurozone and the attractiveness of Germany as "safe haven" is keeping the level of interest rates down, which is spurring investments. Furthermore, the competitive position in terms of price of German enterprises is currently better than at any one time during the past 30 years, especially because of the low valuation of the Euro on the foreign exchange markets. Therefore, in spite of the recession in the most important market for German manufacturers, the Eurozone, and the only slowly improving world economic environment, exports keep looking up. Finally, the labour market is in very good shape, also because of the recent labour market reforms; the further reduction in the structural unemployment rate is a stimulus for income, income expectations and private consumption. It is expected that real GDP will increase by 0.9 % in 2012. Estimates for 2013 are around 2.0 %. Effective wages are likely to increase by more than 3.0 % in both years. The rise in consumer prices this and next year of 2.3 resp. 2.2 % will be higher than the benchmark 2.0 %. (Source: Community diagnosis Spring 2012: Upswing in the German economy – European debt crisis broadens further, Munich 2012.

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 continue to provide impulses for the Saarland economy. The good development of the regional economic climate and the decent order book strengthen this view. We see it as a possibility that, also in 2012, the Saarland economy will, in real terms, grow a little faster than the German economy as a whole. The catchment area of the Bank, the Regional Association Saarbrücken, is good for more than 50 % of value-creation in the Saarland.

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 is aimed at achieving a reasonable presence in all economically viable market segments. By selectively adapting our product and service portfolio, we have the opportunity of offering a full range of banking services and market them actively. Ultimately, we intend to enhance customer satisfaction, foster customer loyalty and attract new, lucrative customers.

Given the positive forecasts for the economy as a whole, we project marginal growth in total footings in 2012 and 2013. This growth is likely to be primarily underpinned by lending to customers as well as deposit-taking from customers.

The lending business of Sparkasse Saarbrücken is likely to profit also in 2012 from the financing requirements of public collection offices. Additionally, we are again expecting moderate growth in commercial lending business, which is likely to be financed by replacements as well as by disinvestments. With regard to private households it is hoped that a further improved employment basis, once again noticeably and steadily increasing income and a more optimistic basic sentiment will have a positive influence on consumption and the willingness to incur debts. The financing of building, acquisition and renovation of residential properties will continue to have its place in our lending business.

In respect of deposit-taking, we expect that, in spite of a higher propensity for consumption and continued historically low interest rates, deposits from customers will remain stable for reason of attractive investment products.

The development of market interest rates and especially the steepness of the interest rate curves have a great impact on the level of our interest surplus. A change in interest levels impacts various areas. In principle, rising interest rates do raise our refinancing costs, but they offer the opportunity of widening margins through interest rate adjustments. Rising interest rates gradually affect customer behaviour. Because of higher basic interest rates, our deposit products become in principle more attractive to customers, while our lending business tends to suffer as loans become more expensive. We expect that the level of interest rates will remain low in 2012. The possibly slightly flattening yield curve basically continues to provide the opportunity of contributing to profits by exploiting maturity differentials. On the other hand, there is high pressure on margins because further of increasing competition.

For Sparkasse Saarbrücken, bullish development in the securities markets means that rising stock prices could provide opportunities for higher 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 market movements tend to dampen customer interest due to rather lower profit opportunities. Furthermore, a positive market environment makes investments more attractive, increases funds received by our customers and keeps the value of our proprietary portfolios growing at a steady rate.

By implementing systematic cost management, the Bank will attempt to limit the forecast increase in operating expenses, compared to 2011.

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 technology 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 line with their requirements and offer them what they are specifically seeking.

For the moment, our planning and prognostic calculations point at continuation of the results situation. For fiscal 2012, we expect a noticeably better result before revaluation compared to the previous year, especially because of lower interest expenditure.

Currently, for our customer lending business we are still assuming a provisioning requirement at the level of previous years. And of course, we do not yet foresee solution of the problems in conjunction with the financing and sovereign debt crisis, in spite of the positive economic outlook. It is, therefore, possible that the general economic situation and consequently the situation of our borrowers can worsen at short or no notice.

We have also prepared for charges in conjunction with the as yet unresolved sovereign debt crisis in Europe.

For fiscal 2012, we expect a business development with a result that will a profit for the year that will be slightly higher than the previous year. As far as we can forecast at this stage, with economic development again improving, we are assuming a steadily improving performance also for 2013, with net profits for the year at a comparable level. As such, the Bank will continue to be able to generate the required core capital by itself and to increase liable equity.

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 Board of Directors

Hans-Werner Sander
Chairman

Uwe Kuntz
Deputy 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 Deutscher 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

Chairman of the Board of Administrators

Charlotte Britz
Mayor
until 30/04/2011

Peter Gillo
Regional Union Director
from 01/05/2011

Deputy Chairman of the Board of Administrators

Peter Gillo
Regional Union Director
until 30/04/2011

Charlotte Britz
Mayor
from 01/05/2011

Further members:

Dr. Gerhard Bauer, Peter Bauer, Roland Bentz, Karin Bernhard, Thomas Brück, Jörg Ehm, Manfred Hayo (until 17/03/2011), Günther Karcher, Thomas Linnemann-Emden, Rolf Linsler, Manfred Maurer, Klaus Meiser, Norbert Moy (from 20/05/2011), Volker Schmidt, Frank Schuler, Peter Strobel, Jürgen Trenz, Karlheinz Wiesen, Klaus Winter

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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 2011

		EUR	EUR	EUR	31/ 12/ 2010 000 EUR	
Assets	1) Cash reserve					
	a) Cash and cash items		32,591,963.98		33,062	
	b) Balances held with Deutsche Bundesbank		28,143,322.64		30,279	
				60,735,286.62		63,341
	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) Claims on financial institutions					
	a) Due daily		10,658,283.22			16,193
	b) Other loans		556,143,094.31			687,684
				566,801,377.53		703,877
	4) Loans to customers			4,069,570,073.21		3,652,227
	of which					
	secured by mortgage	1,325,459,673.28 EUR				(1,299,522)
	Local authority lending	1,487,202,434.84 EUR				(1,217,246)
	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	0.00 EUR				(0)
	ab) From other issuers		10,001,971.11			0
	of which: eligible as collateral at the Deutsche Bundesbank	10,001,971.11 EUR				(0)
			10,001,971.11		0	
b) Debentures and bonds						
ba) From public issuers		52,690,896.31			137,326	
of which: eligible as collateral at the Deutsche Bundesbank	39,987,621.15 EUR				(137,326)	
bb) From other issuers		870,035,323.70			1,009,408	
of which: eligible as collateral at the Deutsche Bundesbank	817,229,743.82 EUR				(962,061)	
			922,726,220.01		1,146,735	
c) Own bonds		673,986.66			299	
Nominal amount	661,500,00 EUR				(288)	
			933,402,177.78		1,147,033	
6) Shares and other non-fixed-income securities			485,587,734.22		471,413	
6a) Trade account			0.00		0	
7) Equity investments			47,374,408.37		51,496	
Of which:						
in financial institutions	1.00 EUR				(0)	
in financial services companies	2,201,012.92 EUR				(1,899)	
8) Shares in affiliated companies			50,000.00		50	
Of which:						
in financial institutions	0.00 EUR				(0)	
in financial services companies	0.00 EUR				(0)	
9) Trustee assets			608,797.77		801	
Of which: Fiduciary credits	608,797.77 EUR				(801)	
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			0	
b) concessions, trade property rights and similar rights and values, as well as licences for such rights and values, acquired against payment		593,728.00			625	
c) Goodwill		0.00			0	
d) Performed down payments		0.00			0	
			593,728.00		625	
12) Tangible assets			32,155,564.83		33,223	
13) Other assets			9,723,112.39		8,909	
14) Deferred income			1,022,792.09		904	
15) Active deferred taxes			0.00		0	
16) Pro rata balance from off-setting assets			0.00		0	
Total assets			6,207,625,052.81		6,133,900	

Liabilities

	EUR	EUR	EUR	31/ 12/ 2010 000 EUR
1) Owed to financial institutions				
a) Due daily		317,008,468.01		150,160
b) With agreed term or notice period		<u>1,503,677,733.19</u>		<u>1,542,348</u>
			1,820,686,201.20	<u>1,692,508</u>
2) Liabilities to customers				
a) Savings deposits				
aa) With agreed period of notice of three months	2,050,777,318.47			2,066,559
ab) With agreed period of notice of more than three months	<u>168,558,998.12</u>			<u>205,115</u>
		2,219,336,316.59		<u>2,271,673</u>
b) Other liabilities				
ba) Due daily	1,198,524,942.58			1,075,644
bb) With agreed term or period of notice	<u>441,514,614.14</u>			<u>539,395</u>
		<u>1,640,039,556.72</u>		<u>1,615,039</u>
			3,859,375,873.31	<u>3,886,713</u>
3) Securitised liabilities				
a) Bonds issued		99,861,644.89		134,563
b) Other securitised liabilities		<u>0.00</u>		<u>0</u>
Of which:				
Money market paper	<u>0.00</u> EUR			(0)
own acceptances and sole bills of exchange in circulation	<u>0.00</u> EUR			(0)
			99,861,644.89	134,563
3a) Trade account			0.00	0
4) Trustee liabilities			608,797.77	801
Of which: Fiduciary credits	<u>608,797.77</u> EUR			(801)
5) Other obligations			5,351,875.86	5,891
6) Deferred income			4,284,116.58	4,085
6a) Passive deferred taxes			0.00	0
7) Provisions				
a) Provisions for pensions and similar commitments		10,179,133.00		10,435
b) Tax reserves		<u>2,050,643.00</u>		<u>2,101</u>
c) Other reserves		<u>17,514,832.30</u>		<u>18,672</u>
			29,744,608.30	<u>31,208</u>
8) Special tax-allowable reserve			0.00	0
9) Subordinated liabilities			38,479,171.62	62,685
10) Participatory capital			0.00	0
Of which: maturing within two years	<u>0.00</u> EUR			(0)
11) Fund for general banking risks			95,000,000.00	65,000
Of which: Extraordinary items as per Art. 340e par. 4 Commercial Code	<u>0.00</u> EUR			(0)
12) Equity capital				
a) Subscribed capital		0.00		0
b) Capital reserves		<u>0.00</u>		<u>0</u>
c) Revenue reserves				
ca) Contingency reserve	248,718,005.23			241,810
cb) Other reserves	<u>0.00</u>			<u>0</u>
		248,718,005.23		241,810
d) Unappropriated surplus		<u>5,514,758.05</u>		<u>8,635</u>
			254,232,763.28	<u>250,445</u>
Total equity and liabilities			6,207,625,052.81	6,133,900
1) Contingent liabilities				
a) Contingent liabilities from rediscounted bills of exchange		0.00		0
b) Liabilities from sureties and guarantee contracts		<u>121,532,972.18</u>		<u>89,060</u>
c) Liability for assets pledged as collateral security for third parties		<u>3,160,400.00</u>		<u>2,565</u>
			124,693,372.18	<u>91,625</u>
2) Other obligations				
a) Commitments deriving from sales with an option to repurchase		0.00		0
b) Placement and underwriting obligations		<u>0.00</u>		<u>0</u>
c) Irrevocable loan commitments		<u>107,036,051.13</u>		<u>53,749</u>
			107,036,051.13	<u>53,749</u>

9 Income statement for 2011

01/01 - 31/12) 2010

	EUR	EUR	EUR	000 EUR
1) Interest income from				
a) Lending and money market business	186,420,996.05			187,619
Of which: from discounting provisions	0.00 EUR			(0)
b) Fixed-income securities and debt register claims	29,568,236.10			26,784
		215,989,232.15		214,402
2) Interest expenditure		107,622,259.02		112,782
Of which: from discounting provisions	1,006,278.85 EUR			(944)
			108,366,973.13	101,621
3) Current income from				
a) Shares and other non-fixed-interest securities		16,483,259.59		15,194
b) Participations		1,172,333.42		913
c) Shares in affiliated companies		0.00		0
			17,655,593.01	16,108
4) Income from profit pools and full or partial profit transfer agreements			3,608,532.07	1,880
5) Commission income		25,278,715.31		24,477
6) Commission expenditure		3,263,109.60		3,252
			22,015,605.71	21,225
7) Net result of the trade account			0.00	0
Of which: Additions to / withdrawals from the fund for general banking risks	0.00 EUR			(0)
8) Other operating income			11,023,659.57	14,699
Of which: from foreign currency conversions	116,792.90 EUR			(124)
9) Income from the release of the special tax-allowable reserve			0.00	0
			162,670,363.49	155,532
10) General administrative costs				
a) Personnel costs				
aa) Wages and salaries	50,643,162.33			51,800
ab) Contributions and expenditure for social security old-age care and support of which: for old-age care	4,981,281.98 EUR			15,163
		65,298,194.08		(5,303)
b) Other administrative costs		27,465,720.27		66,963
			92,763,914.35	28,217
				95,180
11) Depreciation and amortisation of intangible assets and properties			5,287,475.40	5,527
12) Other operating costs			26,921,736.24	16,283
of which: from foreign currency conversions	0.00 EUR			(0)
13) Value adjustments and write-downs on receivables and certain securities as well as allocations to provisions for lending business		0.00		10,131
14) Income from write-ups of receivables and certain securities as well as release of provisions for lending business		35,471,215.20		0
			35,471,215.20	10,131
15) Value adjustments and write-downs on participations, shares in related companies and securities treated as fixed assets		27,860,113.90		1,438
16) Income from write-ups on participations, shares in related companies and securities treated as fixed assets		0.00		0
			27,860,113.90	1,438
17) Loss-absorption expenses			3,986.96	3,865
18) Allocations to the fund for general banking risks			30,000,000.00	30,000
19) Profit/loss from ordinary business activities			15,304,351.84	6,893
20) Extraordinary income		0.00		24,097
Of which: Transition effects as a result of the Accounting Law Modernisation Act	0.00 EUR			(24,097)
21) Extraordinary expenses		0.00		686
Of which: Transition effects as a result of the Accounting Law Modernisation Act	0.00 EUR			(686)
22) Extraordinary net income/loss			0.00	23,411
23) Taxes on income and on earnings		9,649,936.94		7,668
Of which: Changes in deferred taxation as per Art. 274, Commercial Code	0.00 EUR			(0)
24) Other taxes not included in Item 12		139,656.85		215
			9,789,593.79	7,883
25) Surplus for the year			5,514,758.05	8,635
26) Profit/loss carried forward from the previous year			0.00	0
			5,514,758.05	8,635
27) Withdrawals from revenue reserves				
a) From contingency reserve		0.00		0
b) From other reserves		0.00		0
			0.00	0
			5,514,758.05	8,635
28) Allocations to revenue reserves				
a) To contingency reserve		0.00		0
b) To other reserves		0.00		0
			0.00	0
29) Unappropriated surplus			5,514,758.05	8,635

10 At a glance

Position	As at	As at	2011 changes	
	31/12/2011 EUR mn	31/12/2010 EUR mn	EUR mn	%
Total footings	6,207.6	6,133.9	73.7	1.2
Business volume*	6,332.3	6,225.5	106.8	1.7
Funds deposited by customers	3,942.1	4,027.1	-85.0	-2.1
Of which:				
Savings deposits	2,219.3	2,271.7	-52.4	-2.3
Non-certificated liabilities	1,640.0	1,615.0	25.0	1.5
Securitised liabilities	44.3	89.0	-44.7	-50.2
Subordinated liabilities	38.5	51.4	-12.9	-25.1
Liabilities to financial institutions	1,876.3	1,749.4	126.9	7.3
Of which:				
Subordinated liabilities	0.0	11.3	-11.3	-100.0
Securitised liabilities	55.6	45.6	10.0	21.9
Other liabilities	164.7	133.6	31.1	23.3
(Including contingent liabilities and provisions)				
Equity capital	349.2	315.4	33.8	10.7
(Including fund for general banking risks)				
Volume of loans to customers	4,194.9	3,744.6	450.3	12.0
Of which:				
Loans to customers	4,069.6	3,652.2	417.4	11.4
Trustee assets	0.6	0.8	-0.2	-25.0
Guarantee loans	124.7	91.6	33.1	36.1
Claims on financial institutions	566.8	703.9	-137.1	-19.5
Investments in securities	1,419.0	1,618.4	-199.4	-12.3
Fixed assets	80.2	85.4	-5.2	-6.1
Other assets	71.4	73.2	-1.8	-2.6
Surplus for the year	5.5	8.6	-3.1	-36.0

*Total footings plus contingent liabilities

