

Table of Contents

A	Management report for fiscal 2017	3
1	Principles of the Sparkasse.....	3
1.0	Preliminary remark	3
1.1	Business model	3
1.2	Goals and strategies	4
1.3	Control system.....	4
1.4	Internal control system for accounting process	4
2	Report on economic situation	6
2.1	Macro-economic and sector-specific environment.....	8
2.2	Business development	9
2.3	Capitalisation, financial and earnings positions	11
2.3.1	Financial status.....	11
2.3.2	Financial position.....	11
2.3.3	Earnings position.....	12
2.4	Non-financial performance indicators	13
2.5	Summary and assessment.....	14
3	Risk, opportunities and prognosis report.....	15
3.1	Risk report	15
3.1.1	Risk management.....	15
3.1.2	Counterparty risks	18
3.1.3	Market price risks.....	23
3.1.4	Liquidity risks.....	25
3.1.5	Operational risks	26
3.1.6	Summary risk assessment	27
3.2	Opportunities report.....	27
3.3	Outlook.....	29
B	Annex to the management's report Report on equal opportunities and equal remuneration according to Article 21 EntgTranspG.....	32
C	Branch office network	34
D	Class-A correspondent banks	35
E	Balance sheet as of 31 December 2017	36
F	Profit-and-loss account for the period from 1 January until 31 December 2017	38
G	At a glance	39
H	Appendix to the annual accounts as per Article 26a, Paragraph 1, Point 2, Banking Act as per 31 December 2017 ("Country-specific reporting").....	39

A Management report for fiscal 2017

1 Principles of the Sparkasse

1.0 Preliminary remark

As of 01 January 2017, Sparkasse Saarbrücken merged as receiving institute with the Stadtparkasse Völklingen (transferring institute) based on Section 28 SSpG.

On 12 July 2016 respectively on 7 July and 24 November 2016, the representatives of the responsible authorities of Sparkasse Saarbrücken and Stadtparkasse Völklingen have decided to merge both Sparkassen institutions with effect from 1 January 2017. By way of universal succession, the assets of Stadtparkasse Völklingen have passed to Sparkasse Saarbrücken on 1 January 2017. The new Sparkasse bears the name of “Sparkasse Saarbrücken” and has its statutory seat in Saarbrücken.

Upon the amalgamation taking effect, the special purpose association of Sparkassen [Sparkassenzweckverband] Saarbrücken has acceded to all rights and obligations of the previously responsible authority for the Stadtparkasse Völklingen, the medium-sized City of Völklingen. At the same time, the City of Völklingen joined the Sparkassenzweckverband. The state capital of Saarbrücken, the Saarbrücken Regional Association and the City of Völklingen make up the Sparkassenzweckverband.

The technical merger took place on 20/21 May 2017.

Time comparisons in this report have summarised the two institutes Sparkasse Saarbrücken and Stadtparkasse Völklingen in calculation on the key date 31 December 2016 already.

1.1 Business model

Sparkasse Saarbrücken is a legal entity organised according to public law and domiciled in Saarbrücken. As independent commercial business, it offers, together with its partners from the Sparkassen Financial Group, financial services and financial products to private as well as commercial customers and to municipalities.

Locally present and therefore close to its customers, Sparkasse makes fast decisions that are based on the interests of our customers and that take the economic and social circumstances of the region into consideration. That brings proximity to customers, efficiency and expertise together.

Against the background of market and competitive requirements, Sparkasse has the special legal task of strengthening competition in its home territory and of providing all layers of the population, commerce as well as the public sector with appropriate and adequate banking and commercial lending services. In order to properly discharge those functions, as at 31 December 2017 we maintained a head office and 54 branches in our catchment area and employed altogether 1,247 staff. Measured by balance sheet total, it is the largest Sparkasse in Saarland. In Germany as a whole, it ranks 31st. .

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.

Additionally, the security system of Sparkassen-Finanzgruppe also meets the requirements of the statutory investment protection. This secures customer deposits up to 100,000 euros per customer. If BaFin determines a compensation case for any institute, clients have a right to compensation within seven working days.

Sparkasse Saarbrücken’s management bodies comprise the Supervisory Board and the Management Board.

The Supervisory Board issues instructions to the Board of Directors, the Credit Committee and Internal Audit and monitors the activities of the Board of Directors. It is made up of the chairperson and another 18 members.

The Credit Committee, consisting of seven members, decides on approving loans in accordance with Article 9 of the business policy for the Board of Directors and on approving the granting of loans to related parties, within the meaning of Article 15 of the banking law.

The Board of Directors, consisting of four members, manages the Sparkasse under its own responsibility, within the framework of the applicable legislation. It represents the Bank in and out of court and conducts its business.

The business areas of market / trade and back office / monitoring make up the superordinate organisational structure of the Sparkasse.

1.2 Goals and strategies

Also in future, Sparkasse wishes to be market leader in all financial matters in its catchment area and to be the major partner of private and commercial customers as well as of the municipalities. The main focus is on organic growth, which should be achieved through intensifying business with existing customers, but also through acquiring new customers in the private, business and local authorities sectors.

Our goal is strengthening our market position in our catchment area. We will have sufficient financial scope for future business growth if we can ensure reasonable profitability. We are thus seeking a stable profitability on the basis of equity resources that exceed statutory requirements.

We try to bring this mission about through target agreements with managerial and other staff, in compliance with our business and risk strategies. We aim to achieve the required productivity by making efficient use of existing resources and by continuously enhancing our processes. Therefore, in that connection we are expecting from all staff members that they actively participate in looking for possibilities for improvement in all processes and products by contributing through the ideas management system.

In our business strategy for 2017, targets were formulated that were aimed at increasing the growth and profitability of the Sparkasse. In consideration of our public mandate, we have set as targets to hold and expand market shares, to operate economically and to strive for the most efficient risk-return relations possible in the scope of risk acceptability. Growth targets for balance-sheet items on the one hand and expense and income goals on the other have been defined, in order to generate appropriate profits and to safeguard the resistance to risk of the Sparkasse.

In addition to our business-management and market-political targets, we pursue a strategy of sustainability, i.e. we connect the main criteria of social responsibility, ecology and economic performance in a harmonious balance.

1.3 Control system

Achieving the goals is monitored on a regular basis by comparing actual against the agreed required figures. For carrying out the controls, the operative figures of the profit-and-loss account, the operational comparison of the Sparkasse organisation and the financial ratios of banking supervision are used. Every year, the Board of Directors lays down targets for the various performance indicators. They are then allocated to the business units. It is of major significance that the risks that are entered into will be consistent with our risk capacity and that sustainable profits will be generated in the long term. The Senior Control Committee continuously monitors adherence to the business plan.

1.4 Internal control system for accounting process

To ensure proper bookkeeping and accounting, the Sparkasse has an internal control system (ICS) for the accounting processes. To objective is the correct and complete presentation of the assets, financial and earnings positions of the Sparkasse in the annual accounts.

For the most part, the monitoring department of the back office takes care of accounting. The department head is responsible for the accounting process and the effectiveness of the backup and control measures that are integral components of the accounting process. He must ensure that risks in the accounting process are recognised at an early stage and that appropriate backup and control measures are taken at once.

In particular use of the following equipment ensures an evenly high level in accounting:

- Work directives and process descriptions for the individual processes in accounting exist, including for drawing up the annual accounts, and continuously kept up-to-date and captured in a database.
- The chart of accounts of the German Savings Banks Organisation is used as basis for the uniform booking of transactions and is, in respect of composition and structure, designed for deriving the annual accounts from the bookkeeping. It ensures a uniform standard for the process and drawing up of the annual accounts.
- IT processing for accounting is essentially done by Finanz Informatik (FI) in Frankfurt on Main, as service provider to the Sparkassen Financial Group. FI uses the "KORE" application for handling the financial bookkeeping and the IT system "OBR" for drawing up the annual accounts. By processing the accounts of the financial bookkeeping and by automatically processing possibly required balancing entries for individual balance sheet items, the "OBR" system makes the drawing up of the balance sheet and the profit-and-loss account a largely automated process.

The processing instructions and descriptions are regularly checked for being up-to-date. The chart of accounts is also constantly updated. The relevant staff have access to the available information and inform themselves that way about the prevailing regulations.

Within the framework of taking new and changing accounting standards into consideration and the introduction of new products or procedures, the Business Administration Department is responsible for analysing the effects and for introducing suitable measures in respect of the rendering of accounts.

For laying down parameters for the institution that determine a significant part of steering the ICS, a procedure has been implemented that ensures that changes are properly authorised, checked and traceably documented.

The tasks and responsibilities are clearly allocated within the organisational structure, are precisely defined and are subject to the principle of separation of duties. Activities that may pose conflicts of interest, such as changing master data and making payments, are fully separated. The ability to post entries on general ledger accounts is regulated by means of granting special authorisations. Transactions are captured on the general ledger resp. on the relevant sub-ledger, on the basis of the chart of accounts. The four-eyes principle applies to the booking of closing entries and the drawing up of the annual accounts.

The processes, systems and controls that exist at Sparkasse do sufficiently well ensure that the accounting processes are in conformity with the prevailing accounting principles and legislation. The Board of Directors is regularly informed about the effectiveness of the internal control system in relation to the accounting process.

2 Report on economic situation

Our Sparkasse may look back at an altogether successful fiscal 2017. The performance as well as the asset, financial and revenue position may be considered to be satisfactory in the light of the general economic conditions as well as the state of development in the banking sector. The result before evaluation increased. This is particularly due to an increased commission surplus, another improved ordinary result and savings in personnel and property

expenses. The interest excess reduced further as expected. A lesser assessment result (due to the formation of pension reserves according to Article 340f German Commercial Code) and the increase of the funds for general banking risks according to Article 340g German Commercial Code led to an annual surplus below the previous year's level.

The development of the business year of 2017 is reflected in the following overview:

Presentation in figures of the balance sheet	Existing		as % of business volume		Changes ³⁾			Prognosis
	31/12/2017 €million	31/12/2016 €million	31/12/2017 %	31/12/2016 %	2017 €million	2017 %	2016* %	31/12/2017 €million
Balance sheet total	7,352.9	7,299.4			53.5	0.7	1.6	7,370.0
Business volume ¹⁾	7,519.5	7,457.9			61.6	0.8	1.8	7,500.0
Lending business²⁾								
Volume of loans to customers	5,150.7	5,041.2	68.5	67.6	109.5	2.2	7.4	5,180.0
Of which:								
Loans to public sector	1,225.7	1,316.4	16.3	17.7	-90.7	-6.9	1.6	1,230.0
secured with liens on real estate	1,703.6	1,671.5	22.7	22.4	32.1	1.9	5.2	1,650.0
Loans to banks	54.8	155.7	0.7	2.1	-100.9	-64.8	19.2	60.0
Investments in securities	2,011.4	2,090.5	26.8	28.0	-79.1	-3.8	-9.8	1,950.0
Fixed assets	74.6	77.0	1.0	1.0	-2.4	-3.1	-1.4	80.0
Other assets	228.0	93.5	3.0	1.3	134.5	143.8	-18.1	230.0
Deposit-taking business								
Deposits from customers	4,766.0	4,392.9	63.4	58.9	373.1	8.5	-5.0	4,750.0
Of which:								
Savings deposits	2,168.1	2,251.5	28.8	30.2	-83.4	-3.7	-2.0	2,155.0
Non-certificated liabilities	2,564.4	2,107.8	34.1	28.3	456.5	21.7	-8.0	2,560.0
Subordinated liabilities	33.5	33.5	0.4	0.4	0.0	0.0	0.0	35.0
Liabilities to financial institutions	2,037.7	2,367.7	27.1	31.7	-330.0	-13.9	12.5	2,035.0
Other liabilities (including contingent liabilities and provisions)	207.3	200.8	2.8	2.7	6.5	3.2	8.1	205.0
Shareholders' equity	508.5	496.5	6.7	6.7	12.0	2.4	20.1	510.0
Of which:								
Profit reserves	318.5	311.5	4.2	4.2	7.0	2.2	2.9	
Fund for general banking risks	190.0	185.0	2.5	2.5	5.0	2.7	66.3	

¹⁾ Business volume = balance sheet total plus contingent liabilities (guarantee loans, collateral for third-party liabilities)

²⁾ (including liability item 1 below the line)

³⁾ Calculation in this and the following tables takes place based on the rounded million values

* without Sparkasse Völklingen

The economic development and positive basic attitude have led to further invigoration of the credit demand among the companies and the private persons. On the liabilities side, the call money and time deposits of customers increased, so that refinancing through credit institutions could be reduced accordingly.

The net total and the business volume developed according to plan. Against the background of general economic development, the assets and financial positions could be described to be favourable.

Presentation on the basis of the figures of the profit- and-loss account:	Result		Changes		
	1.1. – 31/12/2017 €million	1.1. – 31/12/2016 €million	2017 €million	2017 %	2016* %
Interest surplus ¹⁾	133.9	141.1	-7.2	-5.1	-5.4
Net commission income	32.7	29.2	3.5	12.0	9.6
Administrative expenses	106.5	108.7	-2.2	-2.0	0.3
Other ordinary result	-7.0	-14.0	7.0	50.0	-76.5
Result before provisioning	53.1	47.6	5.5	11.6	-20.9
Net provisioning result	-23.5	49.1	-72.6	-147.9	310.5
Result after provisioning	29.6	96.7	-67.1	-69.4	192.2
Taxation	15.8	15.8	0	0	6.6
Allocations to the fund for general banking risks	5.0	70.0	-65.0	-92.9	596.0
Surplus for the year	8.8	10.9	-2.1	-19.3	16.5

¹⁾ Interest surplus = P&L positions 1, 2, 3, 4 and 17

* without Stadtsparkasse Völklingen

Presentation on the basis of the figures of the profit-and-loss account:	Result		Changes		Prognosis
	1.1. – 31/12/2017 %	1.1. – 31/12/2016 %	2017 % points	2016* % points	1.1. – 31/12/2017 €million
Profit ¹⁾	0.12	0.15	-0.03	0.01	
Cost-Income Ratio ²⁾	68.2	67.3	0.9	2.1	73.2

¹⁾ Annual income / total

²⁾ According to operational comparison

* without Stadtsparkasse Völklingen

The earnings position, which saw satisfactory development compared to the previous year, was characterised by falling net interest income, increased commission income and lower administrative effort ordinary income in the year under review.

This other ordinary result also clearly improved. After consideration of the evaluation result, taxes and an increase of the fund for general banking risks, a surplus for the year resulted that corresponds to our planning.

The regulatory ratios developed as follows:

Key banking supervision figures	Existing		Prognosis
	31/12/2017	31/12/2016	31/12/2017
Equity	€503.4 million	€465.1 million	€503.1 million
Tier I capital	€494.4 million	€415.2 million	€494.2 million
Tier II capital	€9.0 million	€49.9 million	€8.9 million
Risk-weighted item values	€3,761.3 million	€3,616.9 million	€3,770.2 million
Overall ratio	13.4 %	12.9 %	13.3 %
Core capital ratio	13.1 %	11.5 %	13.1 %

2.1 Macro-economic and sector-specific environment

Economic environment

The economic situation in Germany was characterised by strong economic growth in 2017. The gross domestic product (GDP) was by 2.2 % above the prior year's and thus nearly one percentage point above the average of the last ten years of 1.3 %. Consumption and investments were the most important growth drivers. In 2017, the imports increased more strongly (+5.2 %) than the exports (+4.7 %). The external contribution contributed +0.2 % points to the GDP growth strictly in terms of calculation. The number of employed persons reached a new maximum in 2017 at just 44.3 million. With 638,000 persons or 1.5 % more than in the previous year, this was the highest increase since 2007.

German banking industry

On the one hand, the problems in the German banking industry may be accredited to the essentially rising costs on account of inflation, which, at times of historically low interest resp. negative rates, is limited in the way that it can be kept pace with. On the other hand, development in the regulatory area as a result means both limitation of the ability to act and cost increases, e.g. for the banking levy, which is not tax-deductible in Germany. Fundamentally though, the pertinent regulations can have the effect of increasing security within the financial sector. Competitive pressure has particularly had an effect on private customers, amongst others because of changes in the ways of communication, demographic developments and changes in customer requirements.

Developments in the savings banks organisation

Sparkassenfinanzgruppe was able to maintain its rating from the last few years. The rating agencies FitchRatings, Moody's Investors Service and DBRS Ratings Limited once again confirmed their good rating levels of the previous years.

Regional economic development

The Saarland economy clearly improved again. According to current calculations, GDP of the year 2017 is estimated at EUR 35,3 billion, which is nominally 2.8 % higher than in the previous year. Price-reconciled, this leads to a real economic growth of 1.2 %.

Nevertheless, economic activity in Saarland thus lagged behind most other states, both in nominal terms as well as in real terms.

The economic development of Saarland was determined by special influences in 2017, which mostly concerned the local automotive industry. Due to production-technical conversions in vehicle construction, production and sales loss occurred at a larger scope that affected the overall economic development of the country. In this key industry of the Saar industry, the turnovers in total reduced by 1.9 %, with the domestic sales (-7.4 %) developing much worse than the foreign demand (+2.4 %).

Continually positive results by contrast were reported from the two other large industry branches: In engineering, the orders received increased by 7.3 %, so that the production there could be increased by 14.3 %. The steel industry proved to have recovered well from the steel crisis and reported an order improvement of 18.1 %.

Outside of the processing industry, i.e. in the remaining industry and the diverse areas of the service sector, the Saar economy, however, was often unable to keep up with the Federal development. Thus, the Saarland building economy could be satisfied with the business year of 2017 as compared to 2016, but came out less well as compared to the other Federal states. The same applies to development in trade and traffic, in information and communication technologies, in property real estate and housing and in other service industries where Saarland had some great issues in following the Federal trend.

(Source: Saarland Statistical Office).

Competitive situation and market position in the catchment area

Sparkasse was able to hold on to its position as market leader in its catchment area. Major competitors of the Sparkasse are the cooperative banks and for new business the internet banks. Large private banks only have branches in the larger cities and not in rural areas. Internet banks, foreign banks and the Postbank mostly compete with the local banks for short-term deposits. The large banks and private banks especially try to attract private customers through advertising on television. Moreover, established institutions see themselves ever more often confronted with FinTech companies and competitors from other sectors.

2.2 Business development

Total footings and business volume

At EUR 7,352.9 million, total footings are about EUR 53.5 million or 0.7 % higher than the previous year. On the assets side, there was satisfactory growth in the customer lending business, so that the securities portfolio could be reduced. In refinancing, bank funds were substituted by increasing customer deposits.

Business volume rose by around EUR 61.6 million or 0.8 % to EUR 7,519.5 million.

Lending business

Volume of loans to customers

During fiscal 2017, the Sparkasse originated new loans totalling EUR 681.0 million (previous year EUR 771.1 million). Development of the customer's credit volume in total was at a plus of 109.5 M EUR (+2.2 %) to 5,150.7 M EUR and thus again above the average of Sparkassen in Saarland.

They were again especially companies and the self-employed, who contributed to expanding the business, although the private individuals did so as well.

Altogether, a total of EUR 2,002.4 million has been disbursed to commercial customers and EUR 1,597.5 million to private customers. There also were publicly subsidised low-interest loans to businesses and private person to the tune of EUR 205.3 million.

Loans to banks

During the year under review, claims on financial institutions have reduced to about EUR 54.8 million (EUR -100.9 million, -64.8 %). The reduction of time deposits (-40.8 M EUR) and due dates at debenture loans (45.0 M EUR) were decisive for this.

Investments in securities

In light of the positive credit growth, depot-A was less at the focus for use of funds. Accordingly, the inventory reduced by 79.1 M EUR (-3.8 %) to 2,011.4 M EUR.

Parts of our securities portfolio are administered in several special funds, of which four are combined into a master fund. Our goal is to achieve value growth with assets managed by third parties, giving due consideration to risk and return profiles.

Equity investments

The net total of the participations and shares in affiliated companies amounted to 49.3 million EUR.

The Sparkasse founded Deutsche Crowdinvest GmbH with two other banks in the reporting year. The object of the company is the provision and operation of an internet-based platform through which loans and capital investments can be mediated.

The inventory was reduced by the capital cut of another holding company.

Deposit-taking business

Deposits from customers

The fund occurrence among customers had a positive development in total. Over 370 M EUR (+8.5 %) more were invested with Sparkasse. While the – still moderate – reduction process continued in the savings deposits (-83.4 M EUR; -3.7 %), clear increases were found in other places. The call money and demand deposits increased by 156.6 M EUR (+214.3 %) and 53.8 M EUR (+3.5 %) respectively, the time deposits increased by 240.1 M EUR (+110.8 %). Call money and time deposits are usually from large customers, also from the area of the public sector.

Liabilities to financial institutions

By the last day of the year, refinancing was able to make use of customer funds more strongly again, so that the credit institutions went a little into the background. This affected the call money and time deposits (-103.0 M EUR and -124.2 M EUR respectively), but also the open market loans taken out with Deutsche Bundesbank (-100.0 M EUR). All in all, the inventory reduced by 330.0 M EUR (-13.9 %) to 2,037.7 M EUR.

Consultancy and services

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

The intermediary business in the real estate sector developed once again satisfactorily. The minus of 10.1 % in the commissions is due to special effects from the previous year.

When selling property insurances, the positive trend of the prior years continued. The commissions increased by 14.1 % (previous year: 8.6 %).

The sale of life insurances went satisfactorily, with the sales success not affecting commissions in full due to special effects. They reduced by 25.7 % (previous year: -3.1 %).

In 2017, a high demand for building loan products was evident. All in all, the building loan sales increased by 14 % as compared to the prior year. In addition to the consulting needs for Wohnriester, the classical tariffs were in demand as well.

Economically, the year of 2017 had been clearly underestimated by most analysts. Political risks (Syria, North Korea, Turkey, USA, Russia) neither reduced the economic growth nor the financial markets. Calculations by Deka concerning growth of the gross domestic production in Germany were 2.2 % (with a forecast of 1.3 %) and the global economic growth was at 3.7 % (forecast 3.2 %). In light of this, many share markets were able to reach new maximums. In 2017, nearly all investment forms brought respectable profits for the investors - provided that they invested their funds in kind instead of money. The rate of the US dollar, which is very important for German exports, by contrast, lost more than 14 % as compared to the Euro.

The sustained low interest rates led to increasing interest in investment alternatives as compared to savings deposits in 2017 as well. The investment funds and certificate inventory of our customers with our premium partner, Deka Bank, were able to grow by more than 16 % in this environment.

With an increase of a total of 132.7 M EUR, the total customer inventory in securities in our company grew by about 13 % to 1,156 M EUR. The focus continued to be on real estate funds and share-oriented investment funds, as well as certificates.

For a savings bank in a border region, the processing of international payments is an important cornerstone of the package of services, where the focus is on other EU countries. Documentary collection and credit operations round off the range of foreign business services. We can offer our customers suitable derivatives for hedging interest rate risk.

Own trading

Our Depot A – essentially a mixture of fixed interest paper, floaters and stocks managed by third parties – makes a positive contribution to the profit-and-loss account of the Sparkasse. Turnovers – purchases, sales and maturities – came to a total of EUR 1,056.1 million (previous year: EUR 830.9 million). The Sparkasse does not engage in proprietary trading within the meaning of the CRR.

Derivatives

Most of the products in the derivatives business are interest rate swaps and interest rate futures, bought in order to hedge against interest rate books. The nominal value of contracts outstanding at year end was EUR 2.2 bn (previous year: EUR 2.0 bn).

Investments

During the year under review, building measures in our Financial Centre in Quierschied and in our Rodenhof branch have been completed. Furthermore, we opened the ImmobilienCenter Neumarkt within the scope of our new sales strategy.

2.3 Capitalisation, financial and earnings positions

2.3.1 Financial status

The financial status of our Sparkasse is characterised by relatively lower claims on customers, higher depot-A-stocks and lower customer liabilities than the association average.

Altogether, there was no significant change in structural shareholdings.

Undisclosed reserves are included in the assets carried on the balance sheet, particularly in real estate and securities holdings. We have also set aside additional contingent reserves as provision for the extraordinary risks that exist in the financial institutions sector, in accordance with Article 340f, HGB (Handelsgesetzbuch [German Commercial Code]). The fund formed for general banking risks as stipulated in Article 340 g, Commercial Code, now stands at EUR 190.0 million, after an addition of EUR 5.0 million during the year under review. For our at the close of the year prevailing indirect old-age pension obligations, we refer to the presentation in the Appendix.

The securities portfolio is recognised under non-current as well as current assets.

At balance sheet date, there were provisions for rate fluctuations amounting to EUR 39.0 million. Existing balance-sheet risks were recognised through appropriate revaluations of sufficient provisions. On the balance sheet key date, 31 December 2017, the total capital ratio was, at 13.38 %, clearly higher than legally required in the CRR. With a ratio of 13.14 % for Tier I capital, Sparkasse complies with the quantitative capital adequacy requirements that are currently in force. After the allocation of funds from the unappropriated surplus of Sparkasse Saarbrücken to be decided by the Supervisory Board, contingent reserves (including the surplus allocation from the previous year) will increase from EUR 309.7 million to EUR 316.6 million; it means an increase of 2.2 % compared to the previous year.

It is taken as a given that the security and safety regulations and the fund for general banking risks will form the planned business expansion.

This strong capital basis provides the precondition for further efforts to expand business and for achieving the targets of Sparkasse. The evident additional requirements for equity will also be achievable this way.

2.3.2 Financial position

Liquidity management at the Sparkasse falls under the responsibility of Treasury Division. Control of inflows and outflows of short-term and long-term money, planning of cash flows and control of access to the refinancing instruments of the European Central Bank resp. Deutsche Bundesbank are the operational liquidity management tasks of the Cash Management and Trading Department.

Within the framework of the liquidity strategy, the department manages access to the refinancing sources of the money and capital markets as well as the liquidity reserve. Controlling the assets and liabilities with impact on liquidity, within the framework of the legal and supervisory limits, is also a task of strategic liquidity management.

During the period under review, there were no limitations on access of the Sparkasse to the money and capital markets. Solvency of the Bank was assured at all times during the business year on account of carefully planned and executed liquidity management. For monitoring our solvency and refinancing possibilities under stressful conditions, we make use of ladders – broken down into monthly periods – that show the inflows and outflows of money in the short term and medium term, and we also make use of prognoses that are developed on the basis of statistics that are derived from past performance of customer business.

In a further step, the planned data are completed with actual values and target values, where appropriate. Larger variances are analysed in quarterly comparisons of actuals to plan.

On the basis of prognosticated cash flows, Sparkasse determines for various "Survival periods" to which extent outflows are covered by inflows. In the risk scenario that is based on improbable though possible negative developments, the period encompasses around 53 months as at 31 December 2017; under still more serious assumptions (stress scenario) cover would still be adequate, because under that scenario, outgoing liquidity would be restricted by refraining from granting new customer loans until further notice. That ensures that Sparkasse will have sufficient time for reacting to a looming liquidity bottleneck.

At year end, the liquidity coverage level as calculated conform the liquidity ordinance stood at 2.23, indicating that liquidity is sufficient, also during the entire fiscal year.

The liquidity coverage figure is a reflection of the relationship between available cash and payment obligations and must be at least 1.0. During 2017, the Sparkasse complied at all times with the requirement of the liquidity ordinance. During 2017, the coverage figure fluctuated between 1.77 and 2.23.

Similarly, the other key figures that must be calculated on the basis of the liquidity ordinance for further periods of observation (maturity bands of up to twelve months) do not give any indication of potential bottlenecks.

Since 01 October 2015, all banks must comply with the "liquidity coverage ratio" (LCR) every day. This is an index specified by the banking supervision that maps the stress situation. The specified minimum ratio was 80 % in 2017.

During the year under review, only partial use was made of the credit facilities at the Deutsche Bundesbank. On balance-sheet date, there were unutilised credit limits and / or refinancing possibilities at the Deutsche Bundesbank to the tune of EUR 839.8 million in total.

On the basis of expected liquidity inflows and the refinancing possibilities of the Sparkasse, solvency is also guaranteed for any time in the future.

2.3.3 Earnings position

The interest surplus as the most important component of our profit and loss account continued to reduce by -7.2 M EUR (-5.1 %) in the year under review. The low interest level leads to over-proportionally dropping revenues in customer business. The business with credit institutes, by contrast, supplied a positive contribution to the annual account.

The re-investment of free funds in deposit A leads to revenues reducing further as well, due to low coupons. Further savings resulted, in contrast, in the scope of interest swap agreements entered into in the scope of hedging transactions.

The commission surplus increased by 3.5 M EUR (+12.0 %) to 32.7 M EUR. In addition to savings in the expenses, in particular the customer business with interest derivatives and investment shares was successful.

Personnel expenses reduced slightly by 1.2 M EUR (-1.6 %) to 72.5 M EUR. Further reducing employee numbers – from 1,266 at the end of 2016 to 1,247 at the end of 2017 – and stable salaries according to collective agreement contribute to this. Additional expenses resulted from pension provisions.

Material costs reduced slightly by EUR 1.0 million (-2.9 %) to EUR 34.0 million. The reduction is essentially

due to special effects from the previous year (merger with Stadtsparkasse Völklingen). Cost increases resulted from the properties and buildings.

Results from other ordinary revenues and expenses have clearly improved by EUR 7.0 million (+50.0 %) to EUR -7.0 million compared from the previous year. This is closely connected to the assessment of the collateral transactions with interest futures concluded in the scope of interest book control.

The result before revaluation is thus EUR 53.1 million (previous year: EUR 47.6 million).

The evaluation result totalled -23.5 M EUR (previous year: 49.1 M EUR) and was characterised in particular by the valuation of pension reserves in accordance with Article 340f German Commercial Code in addition to the addition and dissolution of value adjustments in credit business. Course reductions led to value adjustments in our deposit A that were, however, countered by rate gains received during the year.

The result after revaluation is EUR 29.6 million (previous year: EUR 96.7 million).

After deduction of the taxation of EUR 15.8 million (previous year: EUR 15.8 million) and an increase in the fund for general banking risks as per Article 340g, Commercial Code, of EUR 5.0 million, a surplus for the year of EUR 8.8 million results.

Of the annual surplus, 5.9 M EUR were added to the contingent reserves in accordance with Article 270 Commercial Code in conjunction with Article 25 SSpG, leading to a remaining net profit of 2.9 M EUR.

Further valuation of the reserve and addition to the fund for general banking risks according to Article 340g Commercial Code meant further strengthening of the core capital. Furthermore, the board will suggest to the supervisory council to decide on a distribution to the sponsor.

For the purpose of further analysing the earnings position of our Bank, we use the so-called "Operational comparison" of the savings banks organisation, which involves a detailed breakdown and analysis of the result of our Sparkasse in terms of average balance sheet total. The operating result before revaluation of our Sparkasse of 0.71 % of DBS (durchschnittliche Bilanzsumme [average total footings]) is lower than the average value for the savings banks in Saarland (0.78 %). That also applies to the operating result after revaluation (0.27 % of average total footings as compared to 0.41 % of average total footings), which is, however, due to the building of new reserves in conformity with Article 340 f abd g, Commercial Code.

2.4 Non-financial performance indicators

Staff

The overall number of staff was slightly further lower in 2017, by 1.5 %. At the end of the year, the Sparkasse employed a total of 1,247 people. Of these, 741 were full-time staff, 416 were part-time staff and 90 were apprentices.

We have developed numerous models allowing employees to combine families and careers. For example, we offer our staff several different part-time working models. In addition to the statutory parental leave, staff are able to apply for sabbatical leave of up to one year with a guaranty of re-employment. The Sparkasse also renders assistance with finding places in after-school care facilities and kindergartens.

In the last year, further employee workshops in the subject of back health were offered and performed based on the findings from the previously completed ergonomic workplace inspection. The target of this measure is using well-founded back analyses, individual consulting and precisely fitting recommendations for action as well as back-specific exercises to preserve or improve the current health status of the employees.

In addition to this, the employees of Sparkasse Saarbrücken were able to participate in two lecture events from renowned healthcare experts. The lecture contents include subjects such as handling of stress and physical strains, as well as the relevance of functional team structures and the meaning of clear communication structures.

Nowadays, learning throughout life is a necessary precondition for being able to participate in professional life until retirement. Ongoing further training is, therefore, in the interest of both the employer and the employee. Consequently, we are committed to the life-long learning of apprentices up to managerial levels – not only during economic upswings, but also when times are hard. With this in mind, we offer internal and external (e.g. at Saarländische Sparkassenakademie) vocational education programmes that are oriented on specific aspects of our business, such as "Loans Advisor Customers", and help staff in planning their careers. In light of continuous further development of the savings bank transactions and technical innovations, targeted promotion, further education and higher qualification of the employees were also focuses on personnel development in the last year.

Training of youth has high priority for us. 21 apprentices, who successfully completed their training, have been offered permanent employment in 2017. Altogether, we employed 115 apprentices and 28 trainees during the year under review. Additionally, there were 11 volunteers, who, apart from being trained at the Sparkasse, pursued studies.

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. A prudent business plan and a remuneration system that is substantially based on fixed components ensure that no inappropriate incentives might conflict with the interests of customers.

Our complaints handling system plays a central role in ensuring customer satisfaction: Through targeted capturing and assessment of complaints, we obtain good insight into the basic requirements of our customers. Moreover, it ensures that customer complaints are swiftly dealt with. We received 1,508 customer complaints in the reporting year. 30 complaints were still open on balance sheet date. Altogether, payments totalling 30.3 kEUR have been made in respect of goodwill or compensation.

Sustainability

Our sustainability strategy includes internal as well as external activities, which in turn are aligned with the three pillars of sustainability (ecology, economy and social responsibility). Within these fields for action, diverse tasks and opportunities for us and for the customers and business partners who operate with us result.

The result of the sustainability strategy has been that Sparkasse Saarbrücken was the first and only financial institution in Saarland to be awarded the EMAS (Eco-Management and Audit Scheme) certificate. As such, Sparkasse Saarbrücken is one of only twelve financial institutions in the whole of Germany that applies environmental management at the highest European standards. The specific implementation is recorded in an environmental management manual.

Social responsibility

We have always considered social responsibility a corner piece of our corporate culture in all areas where Sparkasse Saarbrücken operates. With donations, through sponsoring and by funding a foundation, we promote the economic development and attractiveness of the region. Social facilities are supported and cultural and sporting life are being promoted. But our sense of responsibility is not limited to the taking of preventive measures or to sponsoring activities. It is our opinion that nowadays a company only acts socially responsibly when it actively secures employment, helps its staff to obtain qualifications and allows for the future when structuring the company. We do so at all locations in our catchment area.

2.5 Summary and assessment

The business development, assets, financial and profit position can be considered satisfactory in the light of the situation of the general economy and the banking sector. The customer credit volume was specifically developed further by transactions with companies, self-employed persons and private individuals (+109.5 M EUR, +2.2 %). The fund occurrence among customers had a positive development in total as well. The figures highlight the good market positions of Sparkasse and affirm the business policy of the board of directors. The profit and loss account results in a reduction of the interest surplus, which could be partially set off by an improved commission result and by savings in the administrative effort. Further relief resulted in the collateral transactions in the interest book. Since the valuation result in deposit A was mostly balanced, in particular the additions and dissolutions of value adjustments in the credit business and the new valuation of reserves according to Article 340f Commercial Code had an effect. The result before taxes was 29.6 M EUR. After consideration of taxation and further increase of reserves in the amount of EUR 5.0 million as per Article 340 g, Commercial Code, an annual surplus of EUR 8.8 million remains, which corresponds to the planning of the Board of Directors.

3 Risk, opportunities and prognosis report

3.1 Risk report

Because the conscientious accepting, active managing and targeted transforming of risks, whilst applying a risk appetite that does not involve excessive exposure to risk and still leaves room for adequate earnings, or core function of financial institutions, the executive management of the Sparkasse has installed a risk management system as integral part of the overall control system, which is used for identifying, assessing, mitigating and monitoring the risks and for communicating them. The management information with relevance for risk is used as basis for making operational and strategic business decisions. Clear separation of duties and close cooperation between the involved divisions of the Sparkasse make efficient implementation of the risk-political control impulses possible. To enable us to deal with the continuously evolving framework conditions, we continuously adapt our strategies, concepts, procedures, instruments and organisational structure and processing arrangements.

The general part of the business and risk strategy documents the strategy process and strategic guidelines of the Sparkasse, and its special part describes various partial strategies, e.g. on the areas of private customers, business customers, staff, treasury and costs, under consideration of business, commercial-law and supervisory framework conditions. Based on the risk capacity, partial strategies for the individual risk types are determined.

In respect of its strategies and implemented processes, the Sparkasse complies with the minimum requirements of risk management (MaRisk).

As basis of our risk inventory, we designate as fundamental risks for our institutions: counterparty risks (especially country risk, spread risk, default risk and creditworthiness), market rate risks, (especially interest rate risks), liquidity risk, operational risk and participation risk.

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 Board of Directors and other managers.

3.1.1 Risk management

The business and risks strategies are regularly discussed with the Supervisory Board. The Board of Directors presents a quarterly risk report to the Supervisory Board, on the risk position of the Sparkasse.

The Sparkasse differentiates between operational and strategic risk management. The operational risk management encompasses the implementation of the risk strategy as specified by the Board of Directors by introducing or reducing risks into or in the individual risk-bearing business divisions. The strategic risk management entails the specifying of risk-political guidelines and the coordinating and supporting of operational risk management.

In addition to setting the business-political objectives, the Board of Directors sets the fundamental strategic and methodical orientations and determines the level of risk coverage that is made available for hedging and how that will be spread over the various types of risks. The actual risk managing is actually done by the individual management units in the various divisions.

Controlling and monitoring counterparty risk is done in the Overall Control Division and the Back Office for lending operations. The full Board of Directors decides for every individual case of lending to customers up to EUR 43.3 million and of unsecured lending up to EUR 8.6 million. Below those limits, the Board has delegated approval authorities to qualified staff. Above those levels, approval from the Credit Committee is required. The approval authority level of staff depends on the credit exposure, the unsecured portion and the rating score. In the case of risk-relevant lending decisions, in addition to the opinion of the market division, the opinion of the back office is needed, based on analysis of the case. Decisions and monitoring of repackaging and rescheduling are the responsibility of CreditConsult Division.

Treasury Division manages market rate risk under its own responsibility, within a framework of limits that are set by the Board of Directors. The division also manages counterparty risk in relation to commercial deals and it manages liquidity risk.

The Control and Risk Management Department coordinates the process of determining operational risks, verifies the instruments that are used and analyses resp. monitors the way the risk develop on the basis of the risk map and the damage that has occurred.

In order to be properly able to assess the risks emanating from new products or new markets, their consequences are analysed and displayed to the Board of Directors in a presentation. Before embarking upon regular trading, commercial deals are fundamentally first subjected to a test stage, in which the affected organisational units are involved. Only when tests are completed successfully and suitable risk management instruments are in place, regular trading may commence.

Before planned changes in operational processes and structures are implemented, the effects on the control process and the intensity of controls are verified.

The risk controlling function is performed by the department Controlling and Risk Control. The management is assumed by the area manager integrated bank management, who is directly subordinate to the monitoring director. His main task is to support the management in all risk-political questions, particularly in the development and implementation of the risk strategy and in the design of a system to limit the risks. The head of risk controlling function has all necessary authorisations and unlimited access to all information required to perform his task. Before decisions with essential effects on the risk and income situation, the head of risk controlling function must be informed.

It is the responsibility of the Control and Risk Management Department, as organisational unit that is, in terms of construction and process organisation, independent of the divisions that are responsible for the actual transactions, to assess, monitor and report the functions that have been identified as carrying significant risks. Risk Control is responsible for testing the suitability of the methods and processes that are used. Risk Control is also responsible for the implementation of regulatory and statutory requirements, calculating the risk capacity and monitoring the adherence to risk limits.

The MaRisk compliance function has been set up with the objective of counteracting risk that may be the result failure to comply with legal regulations and specifications.

As organisationally independent unit, Internal Audit, within the framework of its monitoring function, supports the Board of Directors and other management levels. It is based on a risk-oriented verification plan that has been approved by the Board of Directors.

It provides the fundamental basis on which Internal Audit checks and assesses all operational and business processes. That also entails checking risk management and adherence to internal and external 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. It is a significant contribution to adherence to defined processes and supports the further development and enhancement of the risk management processes. No findings of any significance with impact on the financial position, cash flows and earnings were made during fiscal 2017. Improvements suggested by Internal Audit are implemented after mutual discussion.

Stages of the risk management process

With the objective of developing a uniform and integral system for analysing and quantifying existing counterparty, market price, liquidity, participation and operational risks, we have identified four stages in the risk management process. First of all, within the framework of identifying risks, significant current and future risks must be identified and be used as basis for classification. They entail, for example, the risks in conjunction with integrating the risks in connection with new products or complex transactions into the existing system. Risk concentrations associated with significant risks are taken into account within the framework of risk identification. Objective of the risk assessment is the measuring and evaluation of the identified risks. Appropriate risk assessments are performed for essential risks, e.g. by risk models or scenario analyses. Risk management as a whole is aimed at accepting risks, mitigating risks, limiting risks, avoiding risks or transferring risks. The last stage is the monitoring of the limits that have been set by the Board of Directors and reporting on the risk parameters and the analysis results to the Board of Directors and the concerned divisions by Risk Control. Apart from the regular reporting on significant risks in accordance with MaRisk, there is also ad hoc reporting, as and when needed. Moreover, the methods of the preceding process stages and the quality of the data that were used, resp. of the results are checked and validated.

Risk capacity

Within the framework of the quarterly calculation of risk capacity, the Sparkasse compares its risk coverage potential to the accepted risks. In doing so, the installed processes for measuring and managing the risks ensure that the significant risks are at all times covered by the existing risk coverage potential and that, therefore, all existing risks are contained within the risk capacity. The Sparkasse applies a risks capacity concept, based on periodic, value-oriented and regulatory views. It takes the going concern basis as principle, under which it is assured that also in case the risk coverage potential that is used for covering risks is lost, the minimum capital requirements as per the CRR can still be met. Risk buffers are applied for the essential risks that cannot be quantified precisely. At the end of a current year, the Board of Directors always lays down which part of the maximum available risk coverage potential will be made available for covering the significant risks that exist for the following fiscal year. The maximum available periodic risk coverage potential is made up of the planned operating result before evaluation, the contingent reserves as per Article 340f, HGB, and the fund for general banking risks as per Article 340g, HGB. When needed, the available parts of the contingent reserves that are not used for meeting minimum regulatory requirements might also be used. Subsequently, the quantifiable significant risks are compared with the limits that have been derived from the provided risk coverage potential. From the middle of the fiscal year onward, the Sparkasse also looks at the risk capacity for the following years until the balance-sheet date of the following year. To review the risk capacity, the stress amount used as a basis for the risk case is compared to the provided risk coverage potential as a total bank limit (as per 31/12/2017: EUR 122 million). The overall banking limit was stressed by less than 51 % in the reporting year.

The value-oriented risk coverage potential is derived from marking assets and liabilities to market; as such from the net present value of the Sparkasse.

On balance-sheet date, the value-oriented risk coverage potential was EUR 928 million. EUR 278 million have been made available as risk-taker. The calculated risk for the Bank as a whole that was calculated without taking diversification factors into account stood, for a holding time of one year, at EUR 132 million.

According to the MaRisk, each institute must have a process of planning supervisory and internal future capital demand. The planning horizon must include an appropriately long period of several years. Sparkasse Saarbrücken simulated the capital planning until the year of 2022. Various assumptions concerning future result developments and future capital demand were made.

Risk strategy

A consistent risk strategy has been formulated for the business activities of the Sparkasse, which has the following characteristics:

- The risk strategy takes the significant business activities that have been laid down in the targets and plans of the business strategy as well as the significant risks that are associated with outsourcing into account and is restrained by the risk capacity. It encompasses also the targets of the risk management of the significant business activities, such as existing risk and earnings concentrations.
- By means of set risk limits and efficient control systems, the earnings and the assets of the Sparkasse must be protected. By settling risk tolerance limits, it has been determined under which conditions Sparkasse will be ready to accept risks.
- Our good reputation as dependable partner of our customers must be consolidated and maintained, even when applying risk management.
- Before embarking upon new business activities, suitable analyses in respect of possibility of implementation in the organisation, legal consequences, risk level and compatibility with risk capacity must be carried out.
- Supervisory and legal standards must be met at all times.

- The competent decision makers receive the required information completely and in real time, within the framework of a strategy process as well as risk reporting that has been set up.
- As a rule, the strategy process and all operating processes must be checked by Internal Audit.
- The risk strategy is reviewed on an annual basis and bit by bit further developed.

3.1.2 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.

Lending business

Our counterparty risk exposure in the lending business is managed with particular consideration being given to size-classification structure, creditworthiness, industrial sectors, the collateral that is provided and the commitment risk.

To avoid concentration of risks, the Sparkasse has additionally set strict ceilings on credit limits. Details are defined in the credit risk strategy.

The Management Board attaches great importance to risk limitation in its customer lending activities. This is reflected in the fact that the corporate objectives continue to focus on quality, i.e. the risk-sensitive granting of loans. If applicable, major risks are accepted with the approval of Credit Committee of the Sparkasse.

In the annual average 2017 the total amounts of receivables, broken down into claims categories (presented on the basis of the measuring fundamentals as per the standard basis for credit risk in accordance with Article 112 of the EU regulation no. 575/2013 (Capital Requirements Regulation) before credit risk reductions plus value adjustment and provisions), are as follows:

Overall amount of risk positions by risk position categories	Average result for the year in thousands of euros
Central governments or central banks	264,349
Regional or local area corporations	1,921,812
Public bodies	141,414
Multilateral development banks	35,054
International organisations	28,319
Institutions	935,125
Businesses	1,943,053
Retail business	1,616,645
Positions secured by real estate	1,208,490
Defaulted items	46,134
Items in the form of covered promissory notes	86,226
OGA (Investment funds)	620,566
Other items	81,665
Total amount	8,928,852

The geographical distribution over main areas as per 31/12/2017 is as follows:

Main geographical areas	Germany 000 EUR	EEA 000 EUR	Miscellaneous 000 EUR
Central states or central banks	170,774	149,296	0
Regional or local area corporations	1,835,629	0	0
Public bodies	130,882	0	0
Multilateral development banks	0	30,059	0
International organisations	0	31,050	0
Institutions	482,355	359,062	30,285
Businesses	1,826,792	131,517	14,121
Retail business	1,525,150	100,956	4,579
Positions secured by real estate	1,153,256	15,962	3,388
Defaulted items	43,056	2,398	0
Items in the form of covered promissory notes	60,313	72,318	0
OGA (Investment funds)	556,171	64,572	0
Other items	82,953	0	0
Total amount	7,867,331	957,190	52,373

The following overviews show the distribution of lending business as per 31/12/2017 over main sectors.

Overall amount of the risk positions by industries – banks and public sector	000 EUR				
	Banks	Open investment assets incl. money market funds	Public sector	Non-profit organisations	Miscellaneous
Central states or central banks	170,755	0	149,315	0	0
Regional or local area corporations	0	0	1,704,195	3,533	127,901
Public bodies	114,241	0	5	10,510	6,126
Multilateral development banks	30,059	0	0	0	0
International organisations	0	0	6,001	0	25,049
Institutions	791,342	0	0	0	80,360
Items in the form of covered promissory notes	132,631	0	0	0	0
OGA (Investment funds)	0	620,743	0	0	0
Other items	0	0	0	0	82,953
Total amount	1,239,028	620,743	1,859,516	14,043	322,389


Overall amount of risk positions by industries – industrial companies	000 EUR				
	Agriculture and forestry, fisheries and aquaculture	Energy and water supply, waste management, mining and quarrying stones and earth	Manufacturing trade	Building trade	Miscellaneous
Businesses	3,004	103,283	165,305	34,159	0
Of which: SME	0	727	9,170	3,902	0
Retail business	4,963	13,744	48,305	63,013	10
Of which: SME	4,963	13,744	48,305	63,013	10
Positions secured by real estate	1,719	2,506	15,835	38,301	0
Of which: SME	1,719	2,506	14,110	36,817	0
Defaulted items	153	163	4,736	3,455	0
Total amount	9,839	119,696	234,181	138,928	10

Overall amount of risk positions by sector – Service providers and private individuals	000 EUR						
	Non-profit organisations	Dealerships, maintenance and repairing of motor vehicles	Traffic, warehousing, message couriers	Financial and insurance service providers	Real estate and housing	Other service providers	Private individuals
Businesses	97,038	102,368	45,968	304,079	543,993	549,767	23,466
Of which: SME	0	12,073	3,228	0	19,123	20,788	0
Retail business	9,708	80,619	9,760	10,877	73,994	167,336	1,148,356
Of which: SME	9,708	79,855	9,760	10,877	73,994	167,336	0
Positions secured by real estate	343	35,720	5,784	11,309	71,289	92,476	897,324
Of which: SME	243	34,952	5,784	11,309	42,174	85,476	0
Defaulted items	4	3,263	1,007	223	11,969	3,735	16,746
Total amount	107,093	221,970	62,519	326,488	701,245	813,314	2,085,892

The breakdown into classifications according to size does not show any abnormalities. With a portion of 31.6 % of mostly smaller commitments with an exposure up to EUR 1 million.

The overview of claims categories at 31/12/2017 according to residual maturities shows that lending is mostly for the longer term:

Overall amount of risk positions by residual maturities	< 1 year and indefinite €000	1 year to 5 years 000 EUR	> 5 years 000 EUR
Central states or central banks	204,281	86,093	29,696
Regional or local area corporations	621,680	411,239	802,620
Public bodies	31,458	84,552	14,872
Multilateral development banks	9,953	10,057	10,049
International organisations	63	17,006	13,981
Institutions	181,574	489,203	200,925
Businesses	326,611	625,789	1,020,030
Retail business	534,214	148,963	947,508
Positions secured by real estate	54,588	89,862	1,028,156
Defaulted items	11,869	3,996	29,589
Items in the form of covered promissory notes	2,904	72,066	57,661
OGA (Investment funds)	620,743	0	0
Other items	82,953	0	0
Total amount	2,682,891	2,038,916	4,155,087

The credit rating is of crucial importance for assessing counterparty risks in lending business. To manage credit risks in customer lending business, the Sparkasse uses the scoring and rating method of the  Financial Group.

For corporate customers, the quantitative assessment involves a system-based analysis of the annual accounts 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.

For assessing borrowers' creditworthiness, the Sparkasse uses other systems that are offered by the savings banks organisation (such as the EBIL application for analysing individual balance sheets).

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.

If we are privy to information that points at impairment of economic circumstances, we proceed with extraordinary verification. Emerging credit risks that are identified by using an effective early warning system, trigger the reaction of taking intensive monitoring measures in the front and back offices. Non-performing loans or those requiring restructuring are managed in back-office departments.

The rated customer lending volume has mostly been allocated to rating classifications 1 to 5. The following overview shows the percentage distribution of our customer lending portfolio, as determined through our rating and scoring process:

Risk positions by risk category as of 31/12/2017	000 EUR	%
Risk categories 1 to 5	4,994,250	80.9
Risk categories 6 to 9	823,226	13.3
Risk categories 10 to 15	241,666	3.9
Risk categories 16 to 18	63,226	1.0
Not rated	52,778	0.9
Total amount	6,175,146	100.0

In addition to the purely economic assessment of a customer's credit rating as such, risk classification in the customer lending business also takes account of the collateral that is available.

Lending commitments are also regularly checked for the eventuality that contingent reserves may need to be set aside. The level of the in individual cases required

contingent reserves is, on the one hand, based on the probability of the borrower not being able to honour his contractual obligations. The basis for that is the assessment of the economic circumstances and the payment history of the customer. On the other hand, the collateral is assessed against its probable realisation value, in order to estimate which payment could still be expected to be received after an event of default occurs. Valuation adjustments, setting aside of reserves and direct write-offs are decided on a case-by-case basis by the competent functionaries. Suitability of the applied measures and the emanating adjustments are checked on a regular basis. If the economic circumstances of the borrower sustainably improve and give evidence of the borrower being able to service his debt or if the loan is redeemed from the proceeds of collateral, the contingent reserve will be released. The setting aside, adjusting and releasing of contingent reserves is done at the Sparkasse in a central system. For latent default risks, the Sparkasse makes lump-sum value adjustments. Additionally, there are provisions for general banking risks, as stipulated in Article 340f, HGB.

Work instructions regulate the business processes in terms of contingent reserves and the approval process by competent functionaries.

During the year under review of 2017, contingent reserves developed as follows:

	Amount at start	Additions	Releases	Utilisation	Amount at end
	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
Specific provisions incl. interest adjustment items	19,267	4,959	3,734	1,650	18,842
Provisions sureties and credit basket	855	141	590	0	406
General provisions	7,964	0	817	0	7,147

The Board of Directors has defined a 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 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 pro-

cesses in the lending business and enables the credit portfolio to be evaluated and managed. In addition, the counterparty risk is quantified in terms of present values, using a simulation technique that also takes risks concentrations into account. 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.

To a limited extent derivative hedging instruments are used within the savings banks organisation, for the purpose of risk diversification: hitherto, the Sparkasse participated in altogether 12 credit basket transactions.

At the moment, there is no evidence of any exceptional risk exposure in our credit portfolio on account of its structure and diversification. Within the framework of the annual analyses, risk concentrations in the sectors “financial institutions” and “real estate and housing” and “financial and insurance services” are identified. Those sectors are taken into account within the framework of regular reporting and simulation calculations for stress tests.

The contingent reserve limit for counterparty risks in the business year 2017 has been reduced from 12.2 million EUR to 5.0 million EUR and has been utilised at 2.2 % as compared to the reduced limit. Against the background of the findings from the creditworthiness assessment systems and of the limit utilization, we see the development of our risk classification structure in the lending business as very favourable.

Commercial transactions

In order to limit counterparty risk in trading, there are limits for every counterparty (as issuer and as transaction counterparty). The risks are limited by carefully selecting our counterparties, after thoroughly testing their creditworthiness. Fundamentally, we only accept counterparties with investment grade ratings. Limit utilisation is monitored by the Controlling and Risk Management Department.

On balance-sheet date, the total volume of trading transactions stood at EUR 2,319.4 million. Essential items are the bonds and promissory notes and the special and public funds. It is broken down as follows, in terms of ratings (without funds):

External rating (Standard and Poor's, Fitch)	2017 %	2016 %
AAA to A-	73.3	79.6
BBB	22.6	18.2
BB+ to C	0	0
D	0	0
Not rated	4.1	2.2

95.9 % of the securities held by the Sparkasse are of investment grade area.

To calculate the counterparty risk, use the default probabilities as reference that underlie the current rating classifications, with a reduction of the rating grade of the respective trading partners by one level being assumed. The effects on results for the period from identified risk concentrations in the financial institutions sector and from defaults of trading partners are simulated within the framework of the stress tests. In value-oriented observation, a stress test is carried out on the basis of assumed negative economic development. Monte-Carlo simulation is used for this.

During entire fiscal 2017, counterparty risk from trading activities remained within the limits that were set within the framework of risk capacity. In view of the concerned volumes, sovereign risk is considered to be low.

Equity investments

The risk of financial loss on account of impairments in the participations portfolio is designated as participation risk. Apart from the risk of potential loss of value, there is the risk of the investment returning low or no interest income. There could also be the risk of being liable under the profit transfer agreement with the subsidiary company **ProFinanz**.

The participations of the Sparkasse in parties within the savings banks association are essentially strategic participations. They are specifically meant to strengthen the financial savings banks association and the expanding of sales channels for the products of the members of the association. The participations in the association are meant to support the business purpose of the Sparkasse in the long term. In part, the participation are also held indirectly through the Savings Bank Association Saar. Including shares in related companies, the total volume of the participations portfolio is EUR 49.3 million (book value) and is thereby 0.3 % lower than the value for the previous year.

The Sparkasse has laid down targets and framework conditions in the business and risk strategy. The participation risk are included at appropriate levels in the risk capacity concept of the Sparkasse. The participations are controlled by the Business Administration Department. The participation risk is determined through the standard rating mechanism of the Sparkasse, with complementary reference to the classification of external rating agencies (S&P). The participation risks are also presented through stress scenarios. The control and monitoring systems ensure that the Sparkasse is adequately informed about the situation in individual participations.

Reporting

We meet the necessity of suitable and real-time reporting on counterparty risks and present every quarter a risk report on counterparty risk to the Board of Directors and the Supervisory Board. Together with the other systems that we use, this report provides the basis for our decision-making processes in the lending business and enables us to be evaluate and manage the credit portfolio. It contains the following presentation and possibly required comments

- the structuring of the portfolio according to classification for size, risk, collateral security, country risks and sectors, with particular attention to risk concentration,
- Large loans and other commitments of essential importance,
- significant exceeding of limits and the reasons for it having happened,
- the development of new business,
- the development of contingent reserves,
- significant credit decisions, if they deviate from our risk strategy or that have been approved by the Board of Directors within the framework of its competency to decide on individual cases, but where the decision was not unanimous, or if they are made by a manager who is responsible for the aftermarket area,
- the level of the participation risk,
- actual information on significant participations,
- choices for action by the decision-makers.

3.1.3 Market price risks

The Sparkasse does not engage in proprietary trading and does not maintain proprietary trading book positions. 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.

Market rate risks from trading transactions of the trading and investment books

The Controlling and Risk Management Department does every day retrieve current market rates and possible changes in market rates for the purpose of marking trading transactions to market, so that the values of the transactions may be compared to the limits that have been derived from the risk capacity concept. Possible negative changes in market rates for trading transactions are measured by means of scenario analyses and a value-at-risk method. An escalation procedure is triggered at a defined limit stress.

Value-at-risk for trading transactions is determined on the basis or historical simulation with a duration of ten days, a confidence level of 95 % and a historical observation period of 500 days. The quality of the risk model is verified through regular back-testing and the parameters are adjusted, when necessary.

The following overview shows market rate risks on the basis of value-at-risk, compared to the previous year:

Market rate risks	31/12/2017	31/12/2016
in millions of Euros		
Rate risks from interest-bearing positions	2.6	2.9
Foreign exchange rate risks	0	0
Share price risks	0.1	0.2
Other price risks	3.6	7.1

During the observed fiscal year, value-at-risk was between EUR 5.3 million and EUR 10.3 million.

In 2017, market rate risks remained at all times within the value-oriented limits system as specified by the Board of Directors. At year-end 2017, the risk limit for trading transactions had been utilised for EUR 30 million (previous year EUR 30 million) or 18.3 %.

Limit utilisation of the risk budget for trading transactions in periodic view fluctuated in 2017 between 0 % and 30 %. At year end, limit utilisation was 18 %.

The quarterly executed stress tests did not produce any events that could be classified as threatening continued existence. The early-warning and escalation procedures make it possible to mitigate possible risks at an early stage.

Exchange rate risks are of only minor importance for Sparkasse Saarbrücken. Open positions are generally closed through matching transactions and / or derivatives (e.g. forward foreign exchange transactions).

The following data and / or records are presented by Risk Management to the Board of Directors on a weekly basis in the risk report on trading transactions, as risk information.

- Market price risks in the investment book
- Risk and results development of the individual portfolios of trading transactions
- Significant limit excesses

Rate change risk for the institution as a whole

Sparkasse Saarbrücken knowingly accepts interest rate risk with the aim of deriving additional income from maturity differentials. The interest rate risk is controlled value-orientedly and regularly monitored in respect to compliance with the periodic and value-oriented targets of the business and risk strategy.

The basis for managing interest rate risk is the overall cash flow that encompasses all interest-bearing transactions. On- and off-balance-sheet products and positions that react to changes in market rates are accordingly taken into account. As a rule, the contractual agreements and the fixed rates of the positions resp. products are taken into the equation. For floating rate products that have neither fixed interest rates nor fixed capital amounts (open-ended deposits), fictitious maturities according to the moving averages model are used as basis. Effects from the use of implicit options, that present the estimated exercising behaviour, are taken into account through a correctional cash flow.

Determining rate change risk in the periodic view for the entire institution is done with the help of simulations calculations on the basis of various scenarios. For developing the volumes, a scenario that is based on expected business development is used. The effect of possible interest rate development on the interest margin are simulated by means of various interest rate scenarios. Apart from an assumed constant interest rate development, the development of the interest margin in an interest scenario expected by the Sparkasse and a sharp rise in interest rates is examined. The results of the calculations are reported to the Board of Directors on a quarterly basis. Therefore, in the face of impending impairment of the earnings position it may be possible to implement mitigating measures in good time.

The interest rate expectation scenario shows that in coming years recovery of the interest margin must be expected. The interest margin is sufficient in all the years under consideration to be able to report a positive annual result.

The value-oriented quantification of the rate change risk is done by means of the value-at-risk risk measure. A confidence level of 95 %, a duration of three months and an observation period from 1988 till 2016 are used as basis. A benchmark that is identified as being efficient is used as reference value. The following overview shows the rate change risks (value-oriented) on the basis of value-at-risk, compared to the previous year.

	VaR Minimum 2017	VaR Maximum 2017	VaR 31/12/2017	VaR 31/12/2016
in millions of Euros				
Interest rate change risks	23.5	32.5	26.2	31.1

At times, positions with lower and higher risks than the planned deviation from the benchmark were entered into and approved by the Board of Directors.

The stress tests that are quarterly carried out for extraordinary market developments did not reveal any threats to the continuity of the Sparkasse under any scenarios. Basis for the stress tests are extreme changes to interest rates that have occurred in the past and hypothetical changes in yield curves.

Within the framework of the overall management of the Bank, derivative financial instruments in the form of interest rate swaps (nominal amount EUR 1,773 million) and bond futures are used alongside on-balance-sheet instruments for the purpose of fine-tuning and hedging rate change risks. Revaluing the interest rate swaps is being dispensed with, because they serve the overall management of the interest rate change risk and are included in the lossless evaluation.

The following data and/or records are presented by the Controlling and Risk Management Department to the Board of Directors on a weekly, resp. quarterly basis:

- Changing in the basic assumptions or parameters
- Scenario calculations for the earnings position
- Development of the interest margin risk
- Development of the present value interest rate change risks
- Development of the interest rate risk coefficients
- Limit excesses
- Stress test results


3.1.4 Liquidity risks

Liquidity risk in the narrower sense of the word is understood to be risk of not being able to meet one's financial obligations at the time that they are due (maturities on their due dates and call and notice demands). The risk of not being able to enter the market at all or only on unfavourable terms in the event of insufficient market liquidity (market liquidity risk) is also included under liquidity risk. Refinancing risk is the danger that required subsequent financing and / or additional refinancing means cannot be acquired or only at higher cost. Liquidity risk is managed within the framework of risk management and risk control.

The liquidity risk is averted by ensuring that sufficient liquidity is available and that assets and liabilities are structured responsibly. The liquidity status and the various liquidity overviews are used as basis for planning and managing the liquidity of the Sparkasse. The actual liquidity status is measured every day by the Cash Management and Trading Department and is used for managing the liquidity on a day-to-day basis. Short-term and medium-term liquidity is monitored and managed with the aid of several calculation tools. Long-term liquidity is monitored with the aid of maturity analyses, the liquidity status and the survival period by using the FI application SDis-OSPlus.

In the planning (hypothetical and historical stress scenarios) unplanned developments, such as premature notice, is taken into consideration. The Sparkasse has no investments in markets with poor liquidity. It is continuously being verified to which extent the Sparkasse will be able to satisfy its own liquidity requirements. Courses of action for situations with impending low liquidity and for an emergency plan for a situation of actual illiquidity have been defined in the "Emergency plan for managing liquidity risk".

For measuring and limiting the liquidity reserve, the Sparkasse follows the requirements of Article 11, KWG, in conjunction with the Liquidity Ordinance, the Capital Requirements Regulation (CRR) and the MaRisk. Refinancing risk is quantified on the basis of an assumed reduction in customer deposits that must be refinanced at higher cost in the capital market. Treasury Division reports regularly to the Board of Directors on the liquidity situation.

As shown in the liquidity indicators in the section on the financial position, the Sparkasse enjoys a strong overall liquidity position. Determinant is our stock of highly liquid securities, the ability to borrow short-term money at the Deutsche Bundesbank and from numerous trading partners within and outside the -Financial Group. Additional, credit balances are maintained at the Deutsche Bundesbank within the framework of the minimum reserve requirements.

The good liquidity situation during the year under review is reflected in the better than required supervisory indicators (Liquidity Ordinance, LCR, Survival Period) and the high level of available refinancing credit limits.

The stress tests that are carried out for extraordinary market developments show that the Sparkasse also has sufficient liquidity under the assumption of historical and hypothetical stress scenarios. Starting from normal case simulations, the following assumptions are applied.

Historical scenario

"The banking industry suffers from serious loss of confidence throughout the world, which was shown in its worst form during the financial crisis of April 2008. The banks no longer lent fixed deposits. Financial balancing is now only happening in a limited way within banking groups, such as the Sparkassen - Financial Group. Securities trading is now only possible in sovereign bonds. Therefore, in our stress scenario we assume that only sovereign bonds are available as means of payments and that only the savings banks sector will lend to us. The ECB continues to be active as manager of the financial system."

Hypothetical scenario

"The five largest non-bank depositors are withdrawing their deposits. Moreover, our limits at trading partners are reduced by 30 % and none of the securities portfolio can be liquidated. It assumed massive failure of the money and capital markets. Transactions with the ECB remain possible, because to central bank must attempt to maintain the functionality of the financial system."

Additionally, the Sparkasse calculates survival periods that indicate the period that outflows of cash and cash items are covered by inflows of cash and cash items. According to that, a surplus of cash and cash items will be available during at least 53 months (as at 31/12/2017), even under severe refinancing circumstances.

The Board of Directors is provided with information on a quarterly basis through an overall risk report with the following scope:

- Liquidity utilisation under normal circumstances (inflows and outflows of cash and cash items)
- Results of the scenario analyses and stress tests (short-term liquidity planning, liquidity coverage figures and survival period)

If utilisation of unencumbered cash and cash items exceeds a specified threshold, the Board of Directors will be informed on an ad hoc basis and will from then onward receive a report on a daily basis.

3.1.5 Operational risks

The Sparkasse defines operational risks the danger of as losses that occur as a result of the inadequacy or failure of internal procedures, staff, internal infrastructure or external factors. The Board of Directors is responsible for adequately dealing with operational risks, which is in this regard charged with the task of laying down, regularly verifying and securing the framework conditions for dealing with operational risks.

At the Sparkasse, operational risks are identified and documented on an annual basis, based on ex ante observations. Events of damage that have occurred are then captured in a database. The rules and/or processes that are installed for managing operational risks particularly include the internal control system, written rules governing the organisational structure and essential processes, the use of qualified staff as well as ongoing further development of methods and enhancements of the technical processes. Operational risks in the IT field or due to organisational or processing errors are minimised by agreements with an external computer 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 contracts and the use of standard form contracts.

Moreover, the Sparkasse makes use of the instruments "Risk map" and "Damage case database" that have been developed by the DSGV in the project "Operational risks". Apart from identifying operational risks, the "Risk map" is used for analysing potential losses that could be of relevance to risk (ex ante observation). In the "Damage case database", actual damage with a value of EUR 1,000 and higher that has occurred through operational risks is captured (ex post observation).

The scope of operational risks is considered to be manageable.

In the case of extraordinary events, stress tests are carried out on the basis of the damage that has occurred. It will not threaten continuity.

Risk information is provided annually by risk control to the Board of Directors, internal audit, the risk control manager and the compliance manager by means of the reports “Operational risks”, “Damage case database” and “Risk map”, with the following scope:

- Summary of occurred damage cases,
- Determined risks,
- Measures that have been taken

Additionally, in important cases, there is quarterly and ad hoc reporting (nature, extent and cause). Additional, early warning indicators have been defined, so that countermeasures can be taken at an early stage.

3.1.6 Summary risk assessment

Our Bank has established an adequate risk management, monitoring and control system in accordance with Article 25a, 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. Risks are determined as periodic views until the next balance-sheet date and from the middle of the year onward also for the following year. The risk resistance during the business year was at no time at risk. On balance-sheet date, utilisation of the value-oriented risk coverage potential stood at 14.18 %. The risk capacity calculation that has been carried out in the periodic view from the middle of the year onward for the following year does not show any impairments either. The stress tests that are carried out have the objective of deriving measures and recommendations for action at an early stage, when extraordinary market circumstances prevail. Calculations for quantifying the expected capital requirement of the basis of the increasing capital adequacy requirements under Basel III show that the demanded minimum capital ratios could be met. The total capital ratio as of 31/12/2017 was 13.38 %, and the hard capital ratio 13.14 %. No risk concentrations are apparent that could threaten continuity.

3.2 Opportunities report

The Sparkasse analyses continuously trends and changes in the market place. In that regard, the staff in the market and complaints handling play a central role. They continuously receive market information in respect of required products and possible trends, in direct exchanges with our customers and partners. The information is summarised in appropriate form and assessed. The objective is the enhancement of existing products and processes and the developing of sales opportunities for our strategic business fields.

Divisions and departments are involved in the strategy process with responsibility for planning. The Senior Control Committee is responsible for overall coordination. The reporting to the Board of Directors on the opportunities that are derived from the strategy builds upon the results of the strategic planning. Our staff are informed about the potential opportunities within the framework of communicating the business strategy. The Senior Control Committee monitors achievement of targets through a quarterly reporting process on the basis of should/actual comparisons.

Strategic opportunities

When demand from abroad will be increasing again, we see opportunities for the economy in our catchment area to pick up again, especially in the automotive industry.

In the regional banking market, adjustment measures of some competing banks – prompted by pressure from costs and regulatory requirements – are leading to withdrawal from business fields that are important to the Sparkasse. This offers the opportunity of gaining new customers.

Because of the continuous strengthening of our capital base in past years, we see ourselves as well prepared for the quantitatively and qualitatively increasing capital requirements.

The rising volatility on the bourses give opportunities for higher transaction volumes with customers and for attracting more deposits. Of significant influence is the volatility on the bourses resp. of individual securities, for high volatility often leads to higher trading volumes, while stable market indices tend to dampen customer interest as there will be fewer opportunities for profitable trading.

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.

A precondition for increasing our market share, in private customer business as well as corporate business, is the targeted expansion of marketing our products and services. One objective will be increasing customer satisfaction, in order to tie them more close to the Sparkasse, and reaching out in a targeted fashion to new customers, because continuous growth of the customer base with consciously accepting risks is a fundamental condition for enhancing the success of our business. Apart from the expected, improved contributions to the results from off-balance-sheet securities business, especially expansion of association and mediation business is seen as a possibility for broadening our earnings basis.

We expect to see opportunities emanating from our investments in future-oriented information technologies. Looking ahead over the next few years, we consider our key tasks to be the enhancing of our existing management tools in order to implement integrated bank management, the risk-adjusted pricing of transactions and measures to heighten the security and user-friendliness of the internet experience for our customers. In order to further intensify customer loyalty and to promote cooperation as partners within the Sparkasse Financial Group, suitable technical solutions will be required that permit the linking of business processes throughout the business organisation and that will give us full view of the customers, so that in future we may be able to offer, together with our partners, "One-stop financial shopping". Through-processing without having to change media will provide lean, total processing. The end-to-end integration of media distribution channels such as online banking and the internet on the one hand, and over-the-counter branch-based selling on the other, will help us to serve our customers in line with their requirements and offer them what they are specifically seeking.

In private customer business and private banking it is our mission to become the No. 1 in the region in terms of market share and quality for service and consultation as well as for products and processes. In addition to the products that affect the balance sheet, we also want to increase our market shares with insurance, building loan and securities products. Regulatory and consumer protection aspects increasingly need to be observed as well. Sparkasse Saarbrücken wants to continue to be the most important financial partner in the region. It is important to adjust to the changed customer behaviour in the service processes and to use the opportunities of digitalisation.

In the corporate customer business, we will continue to intensify our offer for interest management in addition to our activities on the subject of corporate succession (S Lotse, corporate exchange). In the scope of workshops and regular meetings, interest change risks for our corporate customers and municipalities will be identified together with these and possible solutions will be offered together with our partner Helaba. Loans and capital investments are mediated through our newly founded subsidiary "Deutsche Crowdinvest GmbH".

The Bank already has a broad range of acknowledged financial products covering a large part of the regional market. We especially wish to exploit opportunities by expanding some business fields with additional products and services, in future. Our product strategy is aimed at achieving a meaningful presence in all economically viable market segments. Furthermore, through deeper intensification of sharing the work load with our partners in the savings banks association, we see the possibility of meeting strong competition and continued high pressure on profitability head on.

3.3 Outlook

The prognoses present our assessments of the most likely future developments on the basis of the information that was available to us at the time of drawing up the management report. The target values that are expected from us are compared in this section and Section 2 with the values of the year under review. 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 values projected at this stage if the underlying assumptions fail to eventuate. The profitability of the banking sector is persistently under pressure because of increasing regulatory requirements (Basle III, European banking levy, Sustainability deposit insurance, etc.). The period of low interest rates that has now lasted for several years, makes it increasingly difficult for financial institutions to achieve the necessary earnings.

Framework conditions for the German and Saarland economy

In the first months of 2018, the Federal economy appears to be in a good condition; after four years with a good economic situation, observers speak of a "mature upwards trend". Generally, an even more dynamic development of the global economy is expected for 2018; in particular the expected economic invigoration in the Euro area is important to the local economy. In light of this, the Saarland economy may also see a slightly stronger year of 2018 following a year of 2017 with a slow economic development. The sustainably high dynamics in important sales markets should lead to an increased demand for German products. These effects will likely be of particular benefit for the export-dependent Saarland economy.

The IHK Saarland forecasts that the gross domestic product of Saarland in 2018 will increase by about 1.5 % in fact. This value is about 0.8 % points below the growth expected in total for the Federal Republic. The expectation of a continued positive development on the labour market of Saarland fits this forecast.

All overall economic forecasts are subject to reservations, with the risks shifting further towards the political ones as compared to the previous years.

Nevertheless, positive surprises are also within the scope of the possible: in a positive scenario, the central banks would continue to be able to carefully tighten their money policy without any negative consequences on the real economy, and the global economic dynamics, specifically in the emerging markets, would continue.

Within the planning framework for 2018, the Sparkasse does not expect to see major changes in the financial market indicators. We expect that the ECB will initiate a gradual exit from its expansive money policy in the course of 2018. The transfer to a neutral money policy will take place very carefully and only increase the returns level very slowly. If the end of the bond purchases as of September 2018 is confirmed by the ECB, the return increase in the last quarter should be a little more dynamic at a low level. A possible end to the expansive money policy would be more strongly noticeable at the short term end, but let the returns increase across the entire curve.

The Sparkasse faces the challenge of responding to dynamic, competitive conditions. This includes the continued intensification of competition amongst financial institutions as well as growing demands from our customers, consumer protection and banking supervision. Since the crisis in the financial markets in 2008, statutory requirements have not stopped rising. Complaints with the requirements of the Basle Committee for banking supervision with its increasing tying up of technical and personnel resources also further restrict our freedom of action.

Expected development of the Sparkasse

Against the background of the presented prognoses that are specific for the sector, we expect falls in net interest income for the fiscal years 2018 and 2019. In terms of the total footings, we expect to see growth based on the volumes in customer business.

We expect to see moderate growth in commercial lending business, spurred for the most part by companies seeking to finance their new and replacement capital expenditure. On the basis of the employment and income situations, we also see favourable preconditions for moderate increases in consumption and corresponding willingness to incur debts. The financing of building, acquisition and renovation of residential properties will continue to have its important place in our lending business. In spite of increasing efforts to achieve consolidation, the public purse will continue to be an important group of customers for the lending business of the Sparkasse.

The figures for the first quarter of 2018 essentially confirm this assessment. The good growth in total is mostly due to the companies. Increases also occurred for private individuals, while the public budgets still reduced their loan demand so far.

Concerning deposits from customers, there was a slight plus in the first three months, particularly carried by the public sector, which changed the deadlines structure at the same time.

For reasons of caution, we expect, as last year, only little earnings from association participations and have left them out of the equation for the purpose of prognosticating earnings. It cannot be excluded that further write-offs resp. setting aside of reserves may be necessary in connection with our association participations.

For 2018, we assumed a commission result conservatively at 30 MEUR. We expect that not only margins, but also prices for services will come under pressure for some time to come. Apart from the expected, slightly increasing contributions to the results from off-balance-sheet securities business, especially expansion of association and mediation business is seen as a possibility for broadening our earnings basis. On the other hand, we can also see rising expenses. We expect similar results for fees in 2019.

By implementing systematic cost management, the Sparkasse will attempt to keep the forecast increase in operating expenditure in check. As staffing costs will tend to rise on account of future wage and salary settlements, those costs are to be kept within reasonable limits through strict staff management. We are planning to spend on information technologies and products offering potential for the future, as a basis for expanding our market share. Through its connection with the FinanzInformatik that is active throughout the federal republic, the Sparkasse is well placed for meeting those challenges. Expenditure in connection with data processing will rise during the coming years, particularly due to continually increasing supervisory-law requirements.

In our budget accounts for 2018, we are looking initially at the anticipated revaluation results as shown in the simulation run through our credit risk model. We expect the danger of high, negative revaluation results for securities still to be low, because we do not expect interest rates to rise significantly in the near term.

Compliance with the statutory specifications is ensured for 2018, also under the increased requirements to quality and quantity in terms of capital adequacy under Basle III.

A comparison between individual expense and income items according to the assignment criteria of the operating comparison as of 31/12/2017 regarding the corresponding forecast values for the key date of 31/03/2017 and a forecast for the year of 2018 (as of 31/03/2018) is reflected in the following table:

	31/12/2017 €million	Prognosis 2017 as at 31/03/2017 €million	Deviation €million	Prognosis 2018 as at 31/03/2018 €million
Interest surplus	129.2	125.2	+4.0	122.2
Net commission income	32.6	29.3	+3.3	30.5
Proper expenses	111.1	114.4	-3.3	112.0
Result before provisioning	52.1	41.7	+10.4	41.7
Net provisioning result	-32.0	-13.4*	-18.6	-20.3
Result after provisioning	20.1	28.3	-8.2	21.4

* without formation of reserves according to Article 340f Commercial Code

Overall statement

As far as we can forecast at this stage, we expect a slightly improving economic performance, with also for the following year a steady development of the business. It can be assumed that the operating result will reduce due to the reducing interest surplus caused by lower margins, in particular in the deposit-taking business. The cause for this is the continued low interest level. From our good market position, however, we expect that we will be able to profit of a positive economic development and achieve a satisfactory annual result for the business year of 2018. Thus, the necessary development of equity can be continued.

we assume that we will remain solvent at all times during the forecast period of 2018 and 2019. Deviating negative developments in terms of risk are covered by the existing risk capacity.

Saarbrücken, May 2018

Sparkasse Saarbrücken
– The Board of Directors –

On the basis of our anticipatory financial projections,

B Annex to the management's report

Report on equal opportunities and equal remuneration according to Article 21 EntgTranspG

Measures of the Sparkasse Saarbrücken to promote equal opportunities for women and men in the reporting period

1. Compliance with statutory provisions
 - Designation of a women's officer and compilation of a promotion plan for women according to the Saarland Landesgleichstellungsgesetz (LGG) incl. measures catalogue to promote women.
2. Support by operational measures
 - Service agreements "Variable working time" and "Part-time work and operational parental leave" to make the working time conditions more flexible for specialists and managers as well, along with individual working time models.
3. Company-strategic placement of the subject of "Promotion of women" in the area of personnel; focus on the task of the HR development department.
 - Transparency concerning career and succession planning based on the personnel development concept. Targeted contact with candidates and individual development discussions.
 - Support of employees on parental leave (e.g. contact and information) as well as continuation of the promotion (technical and management career) during and after parental leave.
 - Internal further education offer to activate and promote female potentials and raising awareness among male managers concerning the subject of "promotion of women", as well as offering exchange of experience for female managers.
 - Establishing a work group "Promotion of women" to specify promotional measures such as family-friendly design of meeting times and offer of personal coaching.
4. Quality assurance measures by certifications and their communication inwards and outwards
 - Certifications:
 - "Total E-Quality" of the association Total E-Quality (since 2002)
 - "Family-friendly company" according to the Ministry for Social Affairs, Health, Women and Families of Saarland (since 2012)
 - Communities
 - via the website and in the social media
 - in the local media

Effects:

Increase of the percentage of women in management positions from the original 6 % to 22 %.

Increase of the percentage of women in qualified technical positions from the original 42 % to 51 %.

Measures of the Sparkasse Saarbrücken to create equal remuneration for men and women

Sparkasse Saarbrücken is bound by collective agreements for the private banking sector and public banks and pays according to the tariff groups of the framework agreement. No difference is made between the genders here. Remuneration above the collective agreement takes place gender-neutrally without exception.

Since the remuneration is based on the work, equal treatment is ensured.

When classifying and evaluating functions, upgrading and assignment of higher-value tasks, equal treatment – independently of gender – of the eligible employees is ensured at all times. The staff council and women's officer are involved in all of these processes.

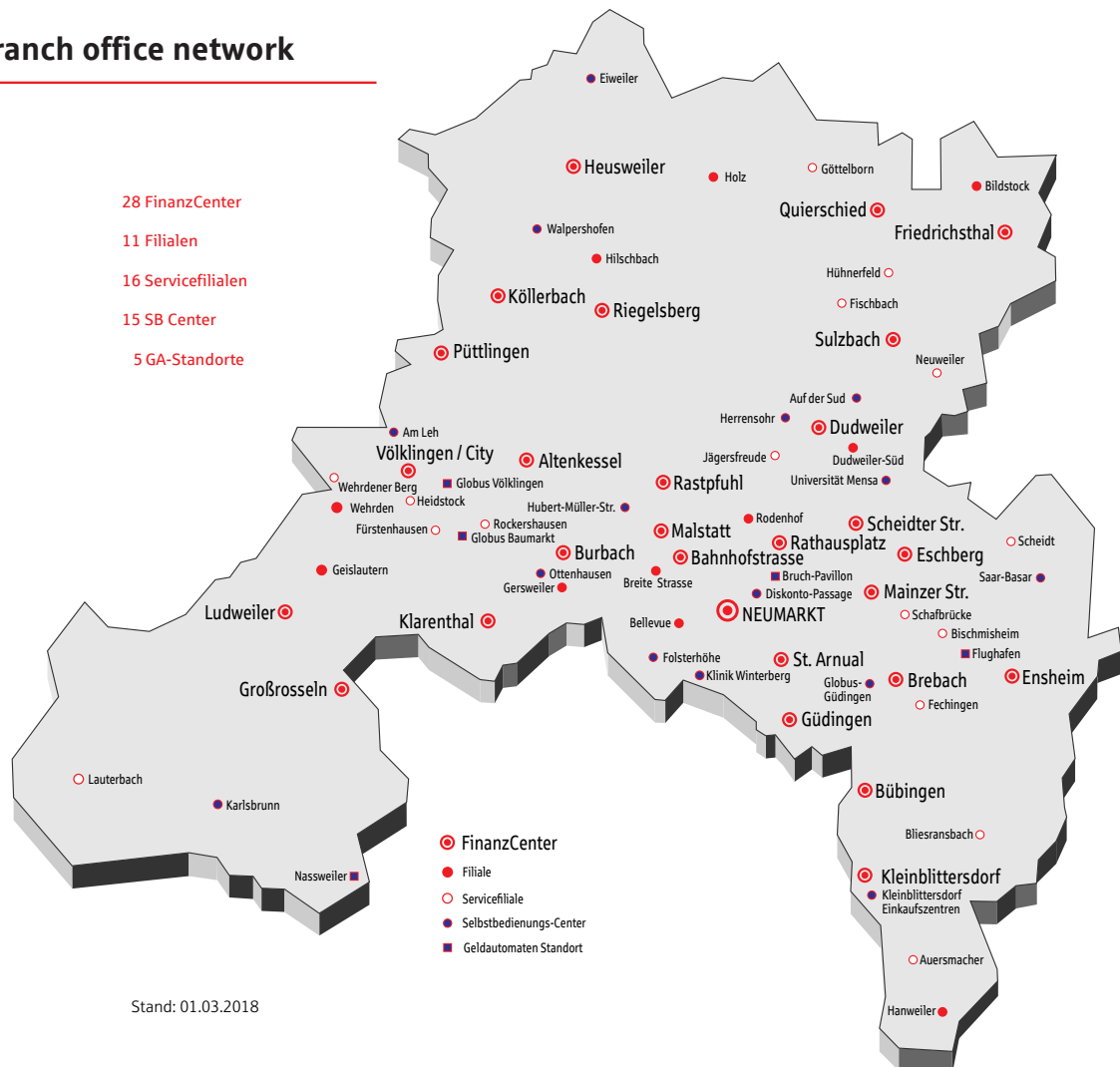
Employee number for 2016

(Without early retirement, partial retirement / passive phase, helpers, FOS interns)

In heads	Women	Men	Total
Average number of full-time employees	403.75	422.42	826.17
Average number of part-time employees	347.00	14.08	361.08
Average total of employees	750.75	436.50	1,187.25
Of which			
Average number of board members	0	4.00	4.00
Average number of trainees/Vol.	45.42	26.58	72.00

In MAK	Women	Men	Total
Average number of full-time employees	403.75	422.42	826.17
Average number of part-time employees	202.91	8.48	211.39
Average total of employees	606.66	430.90	1,037.56
Of which			
Average number of board members	0.00	4.00	4.00
Average number of trainees/Vol.	45.42	26.58	72.00

C Branch office network



The Board of Directors

Hans-Werner Sander
Chairman

Uwe Kuntz
Deputy Chairman

Uwe Johmann
Board Member

Frank Saar
Board Member

The Supervisory Board of Sparkasse Saarbrücken

Chairperson of the Board of Administrators

Charlotte Britz
Mayor
until 30/04/2017

Peter Gillo
Regional Union Director
from 01/05/2017

Deputy Chairman of the Board of Administrators

Peter Gillo
Regional Union Director
until 30/04/2017

Charlotte Britz
Mayor
from 01/05/2017

Address

Neumarkt 17
D-66117 Saarbrücken

Postal address
D-66104 Saarbrücken

Telephone
+49 (681) 504-0

Fax
(06 81) 5 04 - 21 99

Commercial register

Saarbrücken, A 8590

Telex
4 421 343 sbrk d

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.

Further members:

Dr. Gerhard Bauer, Peter Bauer, Roland Bentz, Karin Bernhard, Pia-Maria Blankenburg, Berthold David (until 26/01/2017), Winfried Jung, Günther Karcher, Timo Lehberger (until 10/11/2017), Thomas Linnemann-Emden, Klaus Meiser (until 31/03/2018), Manfred Michler (from 27/01/2017), Norbert Moy, Torsten Reif (from 24/11/2017), Volker Schmidt, Frank Schuler, Jörg Schwindling, Peter Strobel (until 05/03/2018), Karlheinz Wiesen, Rainer Ziebold, Klaus Lorig (guest from 27/01/2017)

Due to the merger on 01 January 2017, there were new elections and a guest mandate was created.

SWIFT Code
SAKS DE55

Email
service@sk-sb.de

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

D Class-A correspondent banks

United States	The Bank of New York Mellon	New York.....	IRVT	US	3N
Switzerland	Bank CIC (Schweiz AG)	Basle	CIAL	CH	BB
France	Crédit Mutuel	Strasbourg.....	CMCI	FR	PA
Germany	Commerzbank AG	Frankfurt am Main	COBA	DE	FF
Germany	HELABA	Frankfurt am Main	HELA	DE	FF
Germany	Saar LB.....	Saarbrücken	SALA	DE	55
Germany	LBBW Stuttgart.....	Stuttgart.....	SOLA	DE	ST

E Balance sheet as of 31 December 2017

		EUR	EUR	EUR	31/12/2016 000 EUR	
Assets	1. Cash reserve					
	a) Cash and cash items		48,945,607.29		46,391	
	b) Balances held with Deutsche Bundesbank		170,754,508.29		39,662	
				219,700,115.58		86,053
	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		7,171,037.98			18,988
	b) Other loans		47,619,013.23			136,738
				54,790,051.21		155,726
	4. Loans to customers			4,983,631,194.20		4,882,413
	Of which:					
	secured by mortgages	EUR	1,703,587,938.00			(1,671,474)
	Local authority lending	EUR	1,225,699,819.93			(1,316,410)
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		390,892,237.33			521,507	
of which: eligible as collateral at the Deutsche Bundesbank	EUR	390,892,237.33			(521,507)	
bb) From other issuers		989,405,696.95			919,226	
of which: eligible as collateral at the Deutsche Bundesbank	EUR	792,189,385.17			(814,835)	
			1,380,297,934.28		1,440,733	
c) Own bonds			0.00		0	
Nominal amount	EUR	0.00			(0)	
			1,380,297,934.28		1,440,733	
6. Shares and other non-fixed-income securities			631,124,208.22		649,800	
6a) Trade account			0.00		0	
7. Equity investments			48,824,447.17		49,354	
Of which:						
in financial institutions	EUR	0.00			(0)	
in financial services companies	EUR	2,333,283.80			(2,333)	
8. Shares in affiliated companies			508,000.00		148	
Of which:						
in financial institutions	EUR	0.00			(0)	
in financial services companies	EUR	0.00			(0)	
9. Trustee assets			483,331.01		322	
Of which: Fiduciary credits	EUR	483,331.01			(322)	
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 as well as licences for such rights and values			205,489.00		196	
c) Goodwill			0.00		0	
d) Performed down payments			0.00		0	
			205,489.00		196	
12. Tangible assets			25,119,556.49		27,345	
13. Other assets			7,635,341.49		6,486	
14. Deferred income			626,322.43		761	
15. Active deferred taxes			0.00		0	
16. Pro rata balance from off-setting assets			0.00		0	
Total assets			7,352,945,991.08		7,299,337	

Liabilities

	EUR	EUR	EUR	31/12/2016 000 EUR
1. Liabilities to financial institutions				
a) Due daily		321,649,789.73		419,561
b) With agreed term or notice period		1,656,905,496.62		1,881,818
			1,978,555,286.35	2,301,379
2. Liabilities to customers				
a) Savings deposits				
aa) With agreed period of notice of three months	2,154,697,457.91			2,228,731
ab) With agreed period of notice of more than three months	13,372,885.55			22,800
		2,168,070,343.46		2,251,532
b) Other liabilities				
ba) Due daily	2,065,097,175.64			1,835,617
bb) With agreed term or period of notice	499,309,697.80			272,305
		2,564,406,873.44		2,107,922
			4,732,477,216.90	4,359,454
3. Securitised liabilities				
a) Bonds issued		59,114,103.60		66,332
b) Other securitised liabilities		0.00		0
Of which:				
Money market paper	EUR 0.00			(0)
own acceptances and sole bills of exchange in circulation	EUR 0.00			(0)
			59,114,103.60	66,332
3a) Trade account			0.00	0
4. Trustee liabilities			483,331.01	322
Of which: Fiduciary credits	EUR 483,331.01			(322)
5. Other liabilities			4,628,882.64	4,978
6. Deferred income			339,066.74	552
7. Provisions				
a) Provisions for pensions and similar commitments		18,479,426.00		18,304
b) Tax reserves		717,310.24		739
c) Other reserves		16,216,067.44		17,330
			35,412,803.68	36,374
8. (ceased)				
9. Subordinated liabilities			33,474,094.89	33,474
10. Participatory capital			0.00	0
of which: maturing within two years	EUR 0.00			(0)
11. Fund for general banking risks			190,000,000.00	185,000
Of which: Extraordinary items as per Article 340e, Paragraph 4, HGB	EUR 0.00			(0)
12. Equity capital				
a) Subscribed capital		0.00		0
b) Capital reserves		0.00		0
c) Revenue reserves				
ca) Contingency reserve	313,699,278.89			307,839
cb) Other reserves	1,831,590.00			0
		315,530,868.89		307,839
d) Unappropriated surplus		2,930,336.38		3,634
			318,461,205.27	311,472
Total of liabilities			7,352,945,991.08	7,299,337
1. Contingent liabilities				
a) Contingent liabilities from passed-on settled bills of exchange		0.00		0
b) Liabilities from sureties and guarantee contracts		162,348,005.98		154,593
c) Liability from the provision of collateral for third-party liabilities		4,239,821.70		3,933
			166,587,827.68	158,526
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		146,813,950.74		172,183
			146,813,950.74	172,183

F Profit-and-loss account for the period from 1 January until 31 December 2017

	EUR	EUR	EUR	01/01 – 31/12/ 2016 000 EUR
1. Interest income from				
a) Lending and money market business		123,790,662.91		136,887
including: deducted negative interest	96,113.85 EUR			(18)
from discounting provisions	EUR 0.00			(0)
b) Fixed-income securities and debt register claims		15,554,180.69		20,309
including: deducted negative interest	0.00 EUR			(0)
		<u>139,344,843.60</u>		<u>157,195</u>
2. Interest expenditure		22,948,409.56		31,803
including: deducted positive interest	4,032,408.30 EUR			(2,197)
from marking up provisions	EUR 876,253.38			(923)
			<u>116,396,434.04</u>	<u>125,392</u>
3. Current income from				
a) Shares and other non-fixed-interest securities		11,816,060.07		12,369
b) Participations		3,798,522.66		2,198
c) Shares in affiliated companies		0.00		0
			<u>15,614,582.73</u>	<u>14,567</u>
4. Income from profit pools and full or partial profit transfer agreements			1,946,950.44	1,829
5. Commission income		35,860,644.09		32,677
6. Commission expenditure		3,198,624.95		3,452
			<u>32,662,019.14</u>	<u>29,226</u>
7. Net income or net expenditure on the trade account			0.00	0
Of which: Additions to or withdrawals from the fund for general banking risks	EUR 0.00			(0)
8. Other operating income			10,158,479.28	8,709
Of which: from foreign currency conversions	EUR 67,434.69			(65)
from discounting provisions	EUR 0.00			(0)
9. (ceased)			<u>176,778,465.63</u>	<u>179,723</u>
10. General administrative costs				
a) Personnel costs				
aa) Wages and salaries		55,639,522.11		57,122
ab) Contributions and expenditure for old-age care and support of which: for old-age care	EUR 6,282,232.12	<u>16,863,085.21</u>		16,631
				(5,548)
		<u>72,502,607.32</u>		73,754
b) Other administrative expenses		34,036,932.76		34,924
			<u>106,539,540.08</u>	<u>108,678</u>
11. Depreciation and amortisation of intangible assets and properties			4,257,757.32	4,447
12. Other operating costs			12,825,343.46	18,290
Of which: from foreign currency conversions	EUR 0.00			(0)
from marking up provisions	EUR 0.00			(0)
13. Value adjustments and write-downs on receivables and certain securities as well as allocations to provisions for lending business		24,449,444.90		901
14. Income from write-ups of receivables and certain securities as well as release of provisions for lending business		0.00		47,709
			<u>24,449,444.90</u>	<u>46,808</u>
15. Value adjustments and write-downs on participations, shares in related companies and securities treated as fixed assets		0.00		0
16. Income from write-ups on participations, shares in related companies and securities treated as fixed assets		908,674.59		2,291
			<u>908,674.59</u>	<u>2,291</u>
17. Loss-absorption expenses			7,589.32	713
18. Additions to or withdrawals from the fund for general banking risks			5,000,000.00	70,000
19. Results from ordinary business activities			24,607,465.14	26,694
20. Extraordinary income		0.00		0
21. Extraordinary expenses		0.00		0
22. Extraordinary net income/loss			0.00	0
23. Taxes on income and on earnings		15,625,734.38		15,603
Of which: Changes in deferred taxation as per Art. 274 Commercial Code	EUR 0.00			(0)
24. Other taxes not included in Item 12		190,721.63		190
			<u>15,816,456.01</u>	<u>15,793</u>
25. Surplus for the year			8,791,009.13	10,901
26. Profit/loss carried forward from the previous year			0.00	0
			<u>8,791,009.13</u>	<u>10,901</u>
27. Withdrawals from revenue reserves				
a) From contingency reserve		0.00		0
b) From other reserves		0.00		0
			<u>0.00</u>	<u>0</u>
			<u>8,791,009.13</u>	<u>10,901</u>
28. Allocations to revenue reserves				
a) To contingency reserve		5,860,672.75		7,267
b) To other reserves		0.00		0
			<u>5,860,672.75</u>	<u>7,267</u>
29. Unappropriated surplus			2,930,336.38	3,634

G At a glance

Position	As at	As at	Changes	
	31/12/2017	31/12/2016	2017	
	EUR mn	EUR mn	EUR mn	%
Balance sheet total	7352.9	7299.4	53.5	0.7
Business volume *	7519.5	7457.9	61.6	0.8
Deposits from customers	4,766.0	4,392.9	373.1	8.5
Of which:				
Savings deposits	2,168.1	2,251.5	-83.4	-3.7
Non-certificated liabilities	2,564.4	2,107.8	456.6	21.7
Securitised liabilities	0.0	0.0	0.0	0.0
Subordinated liabilities	33.5	33.5	0.0	0.0
Liabilities to financial institutions	2,037.7	2,367.7	-330.0	-13.9
Of which:				
Subordinated liabilities	0.0	0.0	0.0	0.0
Securitised liabilities	59.1	66.3	-7.2	-10.9
Other liabilities	207.3	200.8	6.5	3.2
(Including contingent liabilities and provisions)				
Equity capital	508.5	496.5	12.0	2.4
(Including fund for general banking risks)				
Volume of loans to customers	5,150.7	5,041.2	109.5	2.2
Of which:				
Loans to customers	4,983.6	4,882.4	101.2	2.1
Trustee assets	0.5	0.3	0.2	66.7
Guarantee loans	166.6	158.5	8.1	5.1
Loans to banks	54.8	155.7	-100.9	-64.8
Investments in securities	2,011.4	2,090.5	-79.1	-3.8
Fixed assets	74.6	77.0	-2.4	-3.1
Other assets	228.0	93.5	134.5	143.8
Surplus for the year	8.8	10.9	-2.1	-19.3

* Total footings plus contingent liabilities

Basis: Balance sheet figures as of 31 March 2018

H Appendix to the annual accounts as per Article 26a, Paragraph 1, Point 2, Banking Act as per 31 December 2017 (“Country-specific reporting”)

Sparkasse Saarbrücken has no branch offices abroad. All of the following information results from the annual accounts as per 31 December 2017 and refers only to its business activities as a regionally active savings bank in the Federal Republic of Germany. The activities of Sparkasse Saarbrücken essentially consist of receiving deposits or other repayable moneys from private individuals and business customers and granting loans for its own account.

Sparkasse Saarbrücken defines turnover as the result from the following components of the profit-and-loss account, as stipulated in the Commercial Code: Interest revenues, interest expenses, current revenues from

shares, etc., revenues from profit pools, etc., commission income, commission expenses, other operational income. The turnover for the period from 01 January to 31 December 2017 is 176,778 kEUR.

The number of wage and salary recipients in full-time equivalents was 972.67 staff at the end of the year.

The profit before taxes according to the commercial profit and loss statement is 24,607 kEUR; the taxes reported according to this for the profit amount to 15,626 kEUR.

Sparkasse Saarbrücken did not receive any public subsidies in the business year.