Finanzgruppe
Deutscher Sparkassen- und Giroverband

FINANCIAL REPORT 2021

of the Savings Banks Finance Group

The Savings Banks Finance Group

The Savings Banks Finance Group is Germany's most important banking group. Its great strength results from the Savings Banks' locally rooted business model and the close cooperation of its 510 member institutions in a strong group.

Together with its institutions and partner companies, the Savings Banks Finance Group covers the full range of financial needs for retail customers and enterprises in Germany.

Closeness and responsibility

Savings Banks are usually municipally funded institutions under public law. In line with the regional principle, they concentrate their presence and their business activities on the territory of their municipal sponsor. They are independent, managed on a decentralised basis, and focus on growth from their own resources. In order to maintain all this, Savings Banks must operate sustainably and ensure long-term economic balance. Therefore, the profits generated by the Savings Banks flow exclusively into strengthening their equity capital and into the development of their home region.

Branches

15,860[5]

15,820[7]

Employees

284,800[5,6]

276,300[6,7]

Apprentices

15,360

Strong within the Group

The local anchoring of the Savings Banks is complemented within the financial group by cooperation within the association. It enables the institutions to specialise in a division of labour and thus strengthens the performance of all of them. The Savings Bank network thus makes a significant contribution to the Group's responsible and risk-conscious business policy. The Savings Banks' business model reflects their founding mission: to act locally, close to the customer and responsibly.

Market presence

Savings Banks Finance Group

Companies[1]
510

Branches[2]
15,860[5]
15,820[7]

Employees[3]
284,800[5,6]
276,300[6,7]

Business volume[4]
EUR 3,330 billion[5]
EUR 3,190 billion[7]

Savings Banks*

370

Total assets .... EUR 1,499 billion
Branches 11,637
Employees 194,937

5 Landesbank Groups

(LBBW, BayernLB, Helaba, NORD/LB, SaarLB) + LB Berlin/Berliner Sparkasse

Total assets .... EUR 953 billion
Employees 32,799

Deka-Bank

Deutsche Girozentrale

Total assets
EUR 89 billion

Employees
4,854

Landesbausparkassen (LBS)

8

Total assets .... EUR 75 billion
Employees 6,632

Deutsche Leasing Group[8]

Total assets .... EUR 22.6 billion
New business volume .... EUR 9.9 billion
Assets under Management .... EUR 41.0 billion
Employees 2,755

Public direct insurance groups

9

Gross premium income .... EUR 23.8 billion
Employees 29,400

Capital investment companies

52

Total assets .... EUR 1.3 billion
Employees 199

S-Kreditpartner

Customer loan portfolio .... EUR 9.1 billion
Employees 583

Berlin Hyp

Mortgage loan portfolio .... EUR 25.6 billion
Employees 596

Factoring companies

3

Annual turnover ... EUR 37.5 billion
Employees 370

LBS Real estate-companies

7

Intermediated property volume ..... EUR 10.0 billion
Employees 599

Other leasing companies

New business volume .... EUR 2.4 billion
Employees 806

DSV-Group

Deutscher Sparkassenverlag

Turnover
EUR 0.6 billion

Employees
2,372

Offices
8

Finanz Informatik

Employees
4,687

SIZ

Employees
300

Sparkassen Rating und Risikosysteme

Employees
293

[1] Including associations and other institutions; figures have been rounded
[2] Offices/information centres
[3] Office staff and field force excluding part-time employees; figures have been rounded
[4] Business volume here = balance sheet total/portfolio volume/total assets/investment volume; figures have been rounded
[5] Including foreign branches as well as domestic and foreign subsidiaries of Landesbanken
[6] Including 3,332 employees of associations, their institutions and other institutes
[7] Excluding foreign branches, excluding domestic and foreign subsidiaries of Landesbanken
[8] As at 30 September 2021

* As at 31.12.2021; as at 15.06.2022: 363 Savings Banks

Key financials of the Savings Banks Finance Group *

Selected balance sheet items

	Portfolio at the end of 2021 in EUR billion	Portfolio at the end of 2020 in EUR billion	Change in %
Loans and advances to banks (MFIs[1])	**226.6**	269.9	–16.0
Loans and advances to non-banks (non-MFIs)	**1,395.3**	1,315.7	+6.0
Liabilities to banks (MFIs)	**457.3**	427.5	+7.0
Liabilities to non-banks (non-MFIs)	**1,452.1**	1,395.8	+4.0
Equity	**178.3**	173.7	+2.6
Total assets	**2,431.9**	2,346.1	+3.7
Core capital ratio according to CRR[2] (as percentage, change in percentage points)	**15.7**	16.3	–0.6

Selected income statement items[3]

	2021[4] in EUR billion	2020 in EUR billion	Change in %
Net interest income	**26.666**	27.140	–1.7
Net commission income	**10.546**	9.783	+7.8
Net result from financial transactions	**0.900**	0.461	+95.2
Administrative expenses	**27.005**	26.831	+0.6
Operating result before valuation	**11.330**	10.664	+6.2
Operating result after valuation	**11.238**	8.023	+40.1
Net income before taxes	**5.969**	4.165	+43.3
Income taxes	**3.467**	2.741	+26.5
Net income after taxes	**2.502**	1.424	+75.8
of which net income Savings Banks after taxes	1.656	1.462	+13.3
of which net income Landesbanken after taxes	0.813	–0.068	–[5]
of which net income Landesbausparkassen after taxes	0.033	0.030	+12.1

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken without foreign branches, without domestic and foreign Group subsidiaries, without LBS, 3. Landesbausparkassen (legally independent LBS and legally dependent divisions of Landesbanken); key figures without Hamburg Commercial Bank (formerly HSH Nordbank), which left the protection scheme at the end of 2021. Previous year's figures have been adjusted.

[1] Monetary Financial Institutions.

[2] Capital Requirements Regulation.

[3] Allocations to the fund for general banking risks in accordance with Section 340g of the German Commercial Code are taken into account here – as in the "original" income statement in accordance with the German Commercial Code – as expenses reducing the annual result; in the DSGV financial reports up to 2010, these "Section 340g allocations" were treated analogously to the income statement statistics of the Deutsche Bundesbank as an appropriation of profit increasing the annual result.

[4] Preliminary figures from partly not yet audited annual financial statements according to the German Commercial Code, rounding differences possible.

[5] Calculation not meaningful.

Contents

HELMUT SCHLEWEIS
President of the German Savings Banks Association

“Our group will play its part in over-coming the direct and indirect consequences of the war, and will support the necessary ecological transformation processes.”

Berlin, July 2022

Ladies and Gentlemen,

The Savings Banks performed well in a challenging environment in 2021. The institutions were able to achieve noticeable increases in lending business and a significant rise in net profit for the year. They succeeded in increasing net sales of securities to almost EUR 30 billion. This is also a success for the expansion of the securities culture in Germany. The net commission income of the Savings Banks increased significantly by 6.5 percent to around EUR 9 billion, thus largely but not completely offsetting the decline in net interest income.

“A fundamental restructuring of the existing energy supply is necessary. The institutions of the Savings Banks Finance Group stand ready to help meet this challenge.”

At the beginning of this year, there was still good reason to expect that 2022 would bring an overall economic recovery, with the pandemic overcome and supply bottlenecks increasingly resolved. However, the situation changed dramatically with the Russian attack on Ukraine. The war is causing much human suffering and large inflows of refugees. And this has far-reaching economic consequences. Supply bottlenecks have worsened again, supply relationships with Eastern Europe have been severed at short notice or are subject to sanctions. Key food and energy resources are in massively short supply on the world markets. Inflation has risen to record levels; many of our customers are also feeling the effects.

MORE ON THE COMMITMENT OF THE SAVINGS BANKS FINANCE GROUP
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In addition, the war has highlighted Germany's and Europe's structural dependencies on individual countries. This applies in particular to the purchase of fossil energies from Russia. A fundamental restructuring of the existing energy supply is therefore necessary. The institutions of the Savings Banks Finance Group stand ready to help meet this challenge, for example in the financing of renewable energies, energy-friendly building and housing construction and in the energy-efficient refurbishment of real estate. At the same time, these measures help to achieve the urgent goals of ecological sustainability and climate protection, which Germany's government placed at the centre of its coalition agreement in 2021.

> "The institutions of the Savings Banks Finance Group have already demonstrated their ability to deal with situations of crisis and upheaval on many occasions."

Our Group will play its part in overcoming the direct and indirect consequences of war and support the necessary ecological transformation processes - in a difficult environment with significantly subdued growth prospects.

The institutions of the Savings Banks Finance Group have already demonstrated their ability to deal with situations of crisis and upheaval on many occasions. On the basis of their strong operating results and a further expansion of their equity base in 2021, the institutions are well equipped to face the upcoming challenges in the economy and society.

371 million euros

Spent on social commitments

53.3 million

customer cards

49 million

current accounts

23,000

cash dispensers

over 200 years

close to our customers

31.6 million

savings accounts

3.5 billion euros in

taxes on income and earnings paid by the Savings Banks, Landesbanken and Landesbausparkassen

510

independent enterprises

2. OVERVIEW OF THE SAVINGS BANKS FINANCE GROUP

The Savings Banks Finance Group is the most important banking group in Germany. Its particular strength lies in the locally anchored business model of the Savings Banks and the close cooperation of its 510 member institutions within a strong group of companies.

The institutions of the Savings Banks Finance Group operate independently and decentrally in the market. They offer modern financial services in all municipalities and districts with a nationwide network of branches and a wide range of digital services.

With this strategy of local and digital proximity, the institutions of the Savings Banks Finance Group fulfil their public service mandate in a competitive environment: they ensure the supply of financial services to the population in their areas of business and promote general wealth creation.

With their social commitment, the institutions of the Savings Banks Finance Group assume responsibility for the communities throughout Germany.

Specialisation and division of labour among the institutions make our Group flexible, efficient and effective.

The Savings Banks Finance Group is comprised of:
- Savings Banks,
- Landesbanken and DekaBank,
- Landesbausparkassen,
- BerlinHyp,
- public sector insurance companies,
- leasing, factoring, capital investment and consulting companies and
- service companies, for example in the areas of IT, securities settlement, payment transactions and publishing.

The 370* independent Savings Banks form the core of the Group.

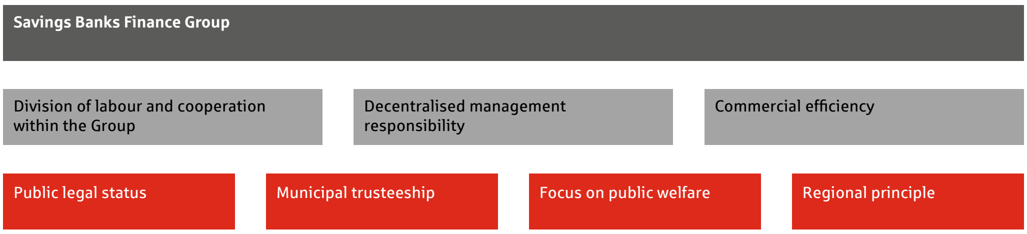
* As at 31 December 2021; 363 Savings Banks as at 15 June 2022.

As universal credit institutions, the Savings Banks carry out all standard banking business and provide basic financial services and personalised advice for approximately 50 million customers nationwide.

Since their foundation over 200 years ago, Savings Banks have been linked to a specific, geographically defined business area (regional principle). As Savings Banks are banks under public law and their responsible bodies are the local authorities, Savings Banks are represented throughout Germany.

This decentralised structure characterises not only the Savings Banks' core business, focused on deposits and loans, but also their willingness and ability to play a continuous role in shaping the economic and social development of their business area. The two are often linked and have demonstrated the value of the Savings Banks' proximity to their customers, especially in times of crisis. In new business, the Savings Banks committed EUR 106.4 billion in loans to companies and self-employed persons – taking into account that the loan commitments in 2020 included significantly higher volumes of Corona special loans from KfW and state development institutions. Even if these are excluded, new business in 2021 is substantially higher than in 2020 at EUR +6.4 billion or +6.5 percent. New business in residential construction loans reached a new record of EUR 73.4 billion, EUR 6.4 billion more than in the record year of 2020. Customer deposit business recorded high growth last year with an increase of EUR 48.4 billion to EUR 1,123 billion, which was lower than in the exceptional previous year but continues to demonstrate the great trust our customers place in the Savings Banks.

Together, the institutions of the Savings Banks Finance Group are one of the country's largest commercial employers as well as one of the biggest taxpayers, the leaders in training in the financial sector and the largest non-governmental sponsor of sport and culture in Germany. All of these services directly benefit the local communities. This is our contribution to a regionally balanced and sustainable development of the economy and society as a whole.



The mission

What sets us apart

FOR MORE THAN 200 YEARS, THE SAVINGS BANKS AND WITH THEM THE SAVINGS BANKS FINANCE GROUP HAVE ACCOMPANIED ECONOMIC AND SOCIAL CHANGE IN GERMANY WITH MODERN FINANCIAL PRODUCTS AND ADVISORY SERVICES FOR ALL CUSTOMER GROUPS.

For more than 200 years, the Savings Banks and with them the Savings Banks Finance Group have accompanied economic and social change in Germany, providing modern financial products and advisory services for all customer groups. Their business model has survived major upheavals – the period of industrialisation in cities and rural areas, the new beginnings after 1918 and 1945, and Germany's unification after the fall of the Berlin Wall. The Savings Banks Finance Group is currently dealing with the necessary changes in the EU and the accompanying economic and social transformation, which requires it to support municipalities, small and medium-sized enterprises as well as private households with financing during the transformation. The task of the Savings Banks Finance Group will be to promote and provide financial support for the expansion of renewable energies, ecological housing construction and energy-efficient building renovation. It will also continue to invest in the development of digital products and the expansion of the digital infrastructure.

However, the essence of the Savings Bank idea remains unchanged. For decades, it has also been legally anchored in German Savings Bank legislation as a "public mandate". This includes:

- a commitment to savings and retirement planning and access to financial services for all customer groups. Financial inclusion is the foundation of our business model.
- A second core element is the special focus on local and regional development and on its key players, i.e. mainly private households, craftsmen, small and medium-sized enterprises and local governments.
- Savings Banks stimulate competition in the German banking market. They do this by means of their broad positioning as retail institutions and their widespread presence in both economically strong and weak regions of Germany.

Based on their "public mandate" the Savings Banks therefore have a key role to play – not only in the banking sector, but also in society as a whole. And in accordance with its mission, the success of a Savings Bank is measured by its local creative impact, which goes far beyond the basic requirement of sound business management.

The Savings Banks Finance Group invests in the community; it actively addresses social developments and helps to shape them. Its many years of strong charitable commitment benefits customers and non-customers alike. It promotes art and culture, supports sports clubs and helps in the areas of environment and education. For decades, for instance, it has developed teaching materials and provided information to improve financial literacy among children, young people and private households. It also maintains a comprehensive internal education and training system and employs 15,360 trainees. In addition, Savings Banks and Landesbanken are reliably the most important financier of Germany's small and medium-sized enterprises – even through the difficult global economic situation of recent years and in the current crisis.

Our "Report to Society" contains many examples of how Savings Banks promote sustainable prosperity and quality of life in their home regions:

↘ s.de/society

Business model

Strengthening regions

The Savings Banks' business model has been an integral part of the German economic structure and culture for over 200 years. It has proven to be stable because it responds sensitively to change. As a result, the Savings Banks provide security for the people and businesses in their business regions and throughout Germany. In essence, Savings Banks do this by ensuring access to high-quality financial services for private customers, businesses and the public sector.

THE SAVINGS BANKS BUSINESS MODEL HAS BEEN PART OF THE GERMAN ECONOMIC STRUCTURE AND CULTURE FOR 200 YEARS.

The vast majority of Savings Banks are corporations under public law with local governments as their responsible public bodies. In accordance with the regional principle, they concentrate their presence and their business activities on a traditional home region. They are independent, are managed on a decentralised basis and rely on growth from their own resources. The five independent institutions, for which the responsible public bodies are not the local government, are nonetheless committed to the same principles.

To preserve this position, Savings Banks have to manage their business operation sustainably and ensure long-term economic equilibrium. For this reason, the profits generated by the Savings Banks are used exclusively to strengthen their equity base and promote the development of their business area.

The essential complement to the Savings Banks' local roots is their cooperation within the Savings Banks Finance Group. This cooperation enables the affiliated institutions to specialise and divide responsibilities among themselves, which strengthens the efficiency of the institutions as a whole. In this way, the network of institutions makes a significant contribution to the responsible and risk-conscious business policy of the Savings Banks Finance Group.

Acting sustainably

The Savings Banks' business model reflects their founding mission: to assume social responsibility and act sustainably. This applies even more in times of crisis and in the increasingly digital age.

To this end, both the Savings Banks and the institutions of the Savings Banks Finance Group have expanded their business model: In addition to social and economic responsibility, they are also constantly expanding their ecological activities and the range of sustainable products on offer. An increasing number of institutions of the Savings Banks Finance Group are signing up to the "voluntary commitment to climate-friendly and sustainable business". To date, 233 Savings Banks, four Landesbanken including Deka-Bank and eight affiliated companies have signed the voluntary commitment.*

*Status 08.06.2022.

Identifying market requirements with our partners in the Savings Banks Finance Group

THE INSTITUTIONS OF THE SAVINGS BANKS FINANCE GROUP WORK TOGETHER IN A STRONG ALLIANCE.

The institutions of the Savings Banks Finance Group work together in a strong alliance. While they operate as independent institutions, they also network their services. The resulting synergy effects make the Group efficient and effective – and at the same time help to identify future trends and find suitable solutions.

Landesbausparkassen – the number 1 in home savings and loans

The eight Landesbausparkassen (LBS) are the market leaders in Germany with a market share of 34.2 percent in terms of the number of new home savings contracts concluded and 35.3 percent in terms of the contract portfolio (number of contracts). They have 526 advisory centres and 6,632 office and field staff. At EUR 75.1 billion, the accumulated total assets of the LBS Group reached a new record level at the end of 2021.

Landesbanken

The Landesbanken are the regional lead institutions within the Savings Banks organisation. They act as the principal bank for the respective federal states: they carry out banking transactions and are entrusted with the promotion of regional economic development.

For instance, the Landesbanken cooperate with the Savings Banks as their partner within the Savings Banks Finance Group in attracting industrial enterprises, implementing infrastructure measures and funding housing construction. They also offer a wide range of services for businesses and commercial enterprises. They grant loans, support small and medium-sized enterprises in developing new business opportunities and assist them in their activities abroad.

Furthermore, as the central institutions of Savings Banks, the Landesbank groups also act as the central clearing house for cashless payment transactions. They are the Savings Banks' partner in retail business, providing them with efficient payment transaction systems and specific expertise in complex products and joint projects.

Deutsche Leasing Group
Together with the Savings Banks, Deutsche Leasing reaches pre-crisis level and seizes market opportunities

The past financial year 2020/2021 was also dominated by the Corona pandemic and its consequences. In this environment, the Deutsche Leasing Group was able to return to its pre-crisis level faster than expected. With new business up 7.7 percent year-on-year to to EUR 9.9 billion, it was able to slightly expand its market position as an asset finance partner. The economic result improved noticeably and at EUR 175 million was back to pre-crisis levels.[1]

In the **joint leasing business** with business customers, the Savings Banks and Deutsche Leasing intensified their cooperation and increased new business by 12 percent to EUR 4.2 billion (reporting date 31.12.2021).[2] The growth path of the **digital S commercial loan** for financing smaller equipment investments up to a value of EUR 70,000 was successfully expanded further. Last year, new business here rose by 60 percent to EUR 120 million. The new online application route for the S commercial loan offers extended digital access via various end devices. The recovery in **international business**, which increased by 52 percent to EUR 583.8 million compared to the previous

[1] Reporting date 30.09.2021 (Deutsche Leasing financial year 01.10.2020 to 30.09.2021).
[2] Reference date 31.12.2021 (financial year of the Group's partners 01.01.2021 to 31.12.2021).

year, also contributed to the good S-Group business. Foreign business with the Savings Banks was also expanded through ECA (Export Credit Agency) covered business. Export financing with a focus on an investment volume between EUR 1 and 10 million will open up additional earnings opportunities for the Savings Banks in the future.

The Deutsche Factoring Bank, which is part of the Group, exceeded the EUR 20 billion mark for the first time in 2021 and achieved factoring turnover of EUR 20.1 billion. This represents an increase of 18.8 percent compared with the previous year. The nationwide cooperation with the Savings Banks is the strongest pillar for the factoring business: for example, the share of business brokered by Savings Banks for new customers was around 89 percent.

Deutsche Leasing sees joint business with the Savings Banks as one of the largest growth areas. It will therefore further intensify the close cooperation and bundle strategic collaboration with the Savings Banks for the entire Deutsche Leasing Group in a new **central market unit** at the beginning of the new financial year 2022/23. Until then, the strategic market development approach will be tested together with selected pilot Savings Banks.

Deutsche Leasing celebrates its 60th anniversary in 2022. The leasing pioneer supports its customers in the financing of technological advances and innovation in both good and challenging times. As part of the Savings Banks Finance Group and in cooperation with partners from industry and commerce, Deutsche Leasing, together with the Savings Banks, will continue to be a reliable partner for SMEs and their innovative strength in the future.

Deka Group

DekaBank is the Savings Banks' securities house and, together with its subsidiaries, it forms the Deka Group. With total assets of around EUR 395 billion (as at 31 December 2021) and more than five million securities accounts under management, it is one of the largest securities service providers and real estate asset managers in Germany. It offers private and institutional investors access to a wide range of investment products and services. As a wholly owned subsidiary of the German Savings Banks, DekaBank is firmly anchored in the Savings Banks Finance Group.

Public insurers – strong in their regions

The nine public primary insurance groups generated gross premium income of EUR 23.8 billion in 2021, surpassing the previous year's figure by +3.2 percent. With this result, the group confirmed its position as the second largest insurance group in Germany. The Regional Savings Banks Associations are the main sponsors or owners of almost all of the public insurers.

Other financial service providers

The range of financial service providers of the Savings Banks Finance Group is complemented by a large number of associated companies and institutions. These include: five Landesbanken investment companies, three factoring companies, seven real estate companies of the Landesbausparkassen, 52 capital investment companies and other financial services companies.

With all its institutions and Group partners, the Savings Banks Finance Group comprehensively covers the financial requirements of private customers and companies in Germany.

WITH ALL ITS INSTITUTIONS AND ALLIANCE PARTNERS, THE SAVINGS BANKS FINANCE GROUP COMPREHENSIVELY COVERS THE FINANCIAL REQUIREMENT OF PRIVATE CUSTOMERS AND COMPANIES IN GERMANY.

The institution protection scheme of the Savings Banks Finance Group

The institutions of the Savings Banks Finance Group are safeguarded by their own protection scheme. Established over 40 years ago, it provides maximum reliability for the customers of the Savings Banks Finance Group.

THE INSTITUTIONS OF THE SAVINGS BANKS FINANCE GROUP ARE SAFEGUARDED BY THEIR OWN PROTECTION SCHEME.

The institution protection scheme of the Savings Banks Finance Group protects deposits made with Savings Bank, Landesbanken or a Landesbausparkassen. The purpose of the protection scheme is to prevent financial difficulties at affiliated institutions. The scheme achieves this by affording voluntary institutional protection in line with the statutory requirements. In this way, business relations with customers can continue as contractually agreed.

The institution protection scheme thus provides maximum reliability for the customers of the Savings Banks Finance Group. Since the protection scheme was established in the 1970s, no customer of an affiliated institution has ever suffered a loss of their deposits, no depositor has ever had to be indemnified, and no member institution has ever become insolvent.

In addition, the institution protection scheme meets all the requirements of a statutory deposit guarantee scheme. Under the statutory deposit guarantee scheme, customers have the right to have up to EUR 100,000 of their deposits refunded. This is stipulated in Germany's Deposit Guarantee Act (Einlagensicherungsgesetz, EinSiG).

In 2021, a process was initiated to make the protection system even more stable and at the same time to bring it in line with the latest banking supervision requirements. The adjustments resolved in August 2021 came into force in January 2022. In the reporting period relevant here, the protection system of the Savings Banks Finance Group still existed in its previous form with a total of 13 protection schemes:

- the eleven regional Savings Banks guarantee funds,
- the guarantee fund for Landesbanken and giro centres, and
- the guarantee fund of the Landesbausparkassen.

As part of the adjustments that took effect in January 2022, the institution protection scheme of the Savings Banks Finance Group has now formed a single support fund consisting of 13 functionally linked sub-funds, namely eleven sub-funds of the regional Savings Banks Associations, the sub-fund of the Landesbanken and giro centres and the sub-fund of the Landesbausparkassen.

These protection schemes are combined to form a protection system. It is officially recognised as a deposit guarantee scheme in accordance with Section 43 of the Germany's Deposit Guarantee Act (EinSiG).

Further information on the Savings Banks Finance Group's institution protection scheme can be found in the risk report on pages 77–80.

Ratings suitable for the capital markets

The Savings Banks Finance Group receives external ratings from the agencies Moody's Investors Service, Fitch Ratings and DBRS Morningstar. The credit rating of the Savings Banks Finance Group improved with all three rating agencies in 2021. While Fitch and Moody's adjusted the outlook from negative to stable, DBRS Morningstar raised the rating grade by one notch. Thus, the Savings Banks Finance Group's good credit rating was again affirmed by all three rating agencies in spring 2022 and reconfirmed by Fitch in June 2022.

The scope of the ratings varies: Moody's assigns a corporate family rating, which refers to the creditworthiness of the Savings Banks Finance Group as a whole. Fitch Ratings assigns a group rating for the creditworthiness of the Savings Banks, while rating agency DBRS issues a Group-wide floor rating. This floor rating reflects the minimum creditworthiness of the members of the protection scheme (Savings Banks, Landesbanken and Landesbausparkassen).

A major added value of the Fitch and DBRS ratings is the possibility of individual allocations, which means that these ratings can be used by the institutions in the same way as individual ratings.

The positive rating assessments of all three agencies have been primarily influenced by:

- the solid business model and the good credit standing of the Savings Banks in particular,
- the cooperation and solidarity within the Savings Banks Finance Group,
- the profitability,
- the risk management of the Savings Banks,
- the high quality of the risk assets,
- the diversification of their risk exposure,
- the solid capital and liquidity position, and
- the Group's institution protection scheme.

The ratings confirm the strong performance of its members and the high credit standing of the Savings Banks Finance Group on an international level, while recognising its decentralised, locally anchored business model.

The assessments continue with a confirmation of the ratings.

Ratings of the Savings Banks Finance Group

	2022	2021	2020
Moody's Corporate Family Rating			
Long-term	Aa2	**Aa2**	Aa2
Outlook	stable	**stable**	negative
Fitch Group Rating			
Long-term	A+	**A+**	A+
Short-term	F1+	**F1+**	F1+
Outlook	stable	**stable**	negative
DBRS Floor Rating			
Long-term	A (high)	**A (high)**	A
Short-term	R-1 (middle)	**R-1 (middle)**	R-1 (low)
Outlook	stable	**stable**	positive

Highlights 2021

Sparkasse app is test winner among multibanking applications

The Savings Banks' Sparkasse app is the best solution for anyone who wants to do their banking via smartphone. This is the result of a comparison by German consumer organisation Stiftung Warentest. It tested multibanking apps, i.e. applications with which users can manage their accounts at banks and Savings Banks. The Sparkasse app came out on top; ranked first for Android smartphones as well as for iPhones.

The 14 multibanking apps in the test were also tested for functionality and ease of use. The Sparkasse app also received praise from the testers in these two areas.

Apple Pay: The success story continues

The Savings Banks Finance Group reported a successful interim balance in its cooperation with Apple Pay in 2021, and continues to expand the functionality and the range of uses of Apple Pay for its customers. From now on, Savings Banks customers can use Apple Pay to pay easily, securely and confidentially with their digital girocard in apps and on the internet.

The Savings Banks Finance Group is the principal sponsor of the exhibition "German Design 1949–1989. Two Countries, One History".

Influenced by Bauhaus and Werkbund, German design achieved worldwide significance at the beginning of the 20th century. After 1949, it took a unique course: In the two parts of the divided country, the development of the pre-war period continued under completely different auspices. More than 30 years after reunification, the history of German design in the post-war period is examined for the first time in a comprehensive overview. The different worlds on both sides of the Wall are revealed, as well as the many parallels and cross-references that connected design in East and West. The exhibition was held in the Kunsthalle im Lipsiusbau from 15.10.2021–20.02.2022.

The Savings Banks Finance Group sponsored the exhibition as part of its cooperation with the Dresden State Art Collections.

The Savings Banks Finance Group stood alongside Team Germany and Team Germany Paralympics as a key partner in the Olympic and Paralympic Games.

After being postponed for a year, the Tokyo 2020 Olympic Games were held in July and August 2021, followed by the Paralympic Games in September 2021. The conditions in Japan were challenging: due to Corona, audiences were not permitted during the competitions and on-site activities were very limited. Nevertheless, the athletes of Team Germany gave outstanding performances. In doing so, they had a strong and reliable partner at their side: as part of its relationship with the German Olympic Sports Confederation (DOSB), the Savings Banks Finance Group has been supporting athletes on their way from young talent to Olympic participation and winning medals since 2008, and Team Germany Paralympics has also received the same support since 2013.

Team Germany (left) and Team Germany Paralympics marching into the Opening Ceremony of the Olympic and Paralympic Games Tokyo 2020

Youth plays music: Henrik and Frederik von Wrochem

Jugend musiziert (youth makes music) – Insights into the music room

Classical music in the modern age: "Jugend musiziert" was held digitally as a video stream for the first time in 2021. 140 jury members awarded the prizes in Europe's largest competition for young classical musicians, which is sponsored by the Savings Banks Finance Group. The competition entries, often produced with smartphones, provided many insights into private music rooms and sometimes required "affectionate, abstract listening", says jury chairman Ulrich Rademacher. 2250 children and young people qualified for the national competition and submitted a total of 1700 videos – the Savings Banks Finance Group's special prize for a family ensemble was awarded to the von Wrochem brothers from Aalen in Baden-Württemberg.

Rapid aid for flood victims: Savings Banks' fundraising campaign yielded over 15 million euros

In the summer of 2021, the Savings Banks Finance Group, its employees and customers supported those affected by the flood disaster in the west and south of Germany with a total of around EUR 17 million donations.

Corporate customers were also hit hard by the disaster. As a result, 23 Savings Banks set up special loan programmes for victims of the flood disaster.

Savings Banks cultural funds sponsored the exhibition "World Press Photo 2021" at Willy Brandt House in Berlin

For the seventh time in a row, the Savings Banks cultural fund of the German Savings Banks Association sponsored the World Press Photo exhibition. Since 1955, the photo of the year and the best press photos in different categories have been honoured with the World Press Photo Award.

Flood relief in Gemuend

3. STRENGTH-ENING THE REGIONS

Savings Banks ensure housing construction and vibrant town and city centres

A functioning society starts with the most basic things – in the region, in the town and in our own home. Everyone has the right to adequate housing. And yet this is often lacking in our communities, and this in turn has an impact on the entire local economic development. The federal government has therefore launched a major housing construction programme.

The aim is to lay the foundations for future coexistence, especially in the current crises and in times of rapid technological and social change. With more housing construction – including social housing – and new ideas for the preservation of our town and city centres. Savings Banks promote precisely this as part of their public mandate – whether as lenders, as builders or as project developers in their own right and with municipal partners. And they do so sustainably with the shared goal: to create strong cities and communities.

"SAVINGS BANKS CAN MAKE A SIGNIFICANT CONTRIBUTION TO THE STABILITY OF CITY CENTRES"

Interview with Gerd Landsberg, Managing Director of the German Association of Towns and Municipalities and Member of the DSGV's Board of Directors.

Online trade, demographic change, digitalisation: Germany's municipalities and their city centres are facing enormous challenges, and not just since Corona and the recent outbreak of war in Ukraine. Savings Banks support the cities and municipalities in many ways; their public mandate has always included social obligations in addition to banking and lending. Gerd Landsberg describes in an interview what these tasks can include in view of the current situation in the inner cities and how the centres as a whole should position themselves for the future.

Mr Landsberg, to what extent are the framework conditions for politics and society currently changing?
→ There is a war going on in Europe; there is still no end in sight. It cannot be ruled out that the number of refugees will increase and that the economic situation will continue to deteriorate internationally. In addition to this, the pandemic is not yet over, and we have to be prepared for the possibility of another wave in the autumn. The municipalities are systemically relevant, in the true sense of the term, and we have to secure services for the people locally.

For a sustainable, resilient policy, we as a society must also be more willing than ever to adapt and be flexible. We must move away from existing standards instead of creating new, sometimes restrictive rules. In short: Germany needs a greater sense of reality. Only if we have the courage to stand up for our social model on a lasting and sustainable basis can we have a bright future.

In view of the present economic and political environment, how would you assess the current situation in municipalities and cities?
→ Let's take an example: municipalities are among the largest property owners in Germany. The town halls, administrative buildings, schools, daycare centres, hospitals, fire stations, sports halls and swimming pools as well as other public service facilities consume an enormous amount of energy. Even before the war broke out, energy costs for the cities and municipalities in Germany amounted to about five billion euros. If prices continue to rise and even double in some areas, this will place a significant additional burden on municipal budgets. A large number of municipalities are already

heavily in debt and will be hit hard. In many places, urgently needed investments can no longer even be considered due to the rising inflation rate, disrupted supply chains and increasing construction prices. The “new” challenge is therefore to continue to structure the municipalities, which are in “permanent stress mode” due to the pandemic and now the consequences of the Ukraine war, in such a way that they can carry out their tasks for the citizens despite the ongoing shortage of skilled workers, and at the same time still tackle major projects for the future, such as the climate and energy transition. To be honest, in the current situation this is like trying to walk a tightrope of silk thread.

What do you see as the new challenges for cities and municipalities?
→ In these times, it is often a matter of crisis management: How do we prepare for different scenarios? For example, if there is a heat wave – do we have enough indoor areas in the cities that offer the possibility to cool down? Or the other way around: if there is a lack of heating and energy in the coming cold spell, are there warm places to stay, especially for the elderly? How do we take preventative measures against potential cyber attacks? What are our concrete plans in the event that new Coronavirus variants arrive in the autumn? We currently have a lot of catching up to do here.

How concerned are municipal treasurers when they look at the city coffers?
→ Most of them are very concerned. Although it was possible to stabilise municipal finances in 2020 and 2021 thanks to significant support from the federal and state governments, there was already a funding gap of 10 billion euros even before the Corona lockdowns. The current tax estimate shows that municipal tax revenues are more or less stagnating, but at the same time we are running out of funds. So the risks for municipal budgets are very high. And not only that. According to the new KfW Municipal Panel 2022, the municipal investment backlog has increased by a further 10 billion euros to a frightening EUR 159 billion. Strong inflation, exploding energy prices and further increases in social expenditure are placing an additional burden on us in the cities and municipalities. In addition, the gap between poor and rich municipalities is widening, especially with regard to the equality of living conditions. A child’s educational opportunities should not depend on the region in which it lives. In this context, the solution to the issue of old municipal debts also remains on the political agenda. Highly indebted municipalities must be given a new perspective.

As early as the first lockdown in spring 2020, many people switched to online ordering and delivery. This has further damaged local retail. What needs to be done to make downtown areas attractive again as centres of society?
→ Experts currently expect up to 50,000 more retail locations in Germany to close. This will have a massive impact on city centres, which will continue to lose their appeal. The aim must therefore be to preserve and further strengthen city centres as places of diversity of use, communication and quality of life. To enable cities and municipalities to meet this challenge, help must also be provided quickly and unbureaucratically. For example, an adequately financed “inner city fund” set up by the federal government could provide important impetus here. This new fund should additionally be fed from the resources of a new levy to be created for large online retailers, which also use the infrastructure of cities, but frequently pay no taxes or contributions. Municipalities must also be given improved access to key properties and be able to acquire or rent land on a temporary basis. Only then will it actually be possible to implement new usage concepts and creative ideas in our city and town centres. Above all else, it can only be done together. Urban development is not a task for the municipalities alone. Creative city centre concepts must be developed together with city centre stakeholders and citizens.

» An ’inner city fund’ set up and financed by the federal government could provide important impetus. «

Gerd Landsberg
General Manager of the German Association of Towns and Municipalities and Member of the DSGV Executive Board

Cities and municipalities will continue to need thriving town centres in the future.
Savings Banks play an important role in maintaining or revitalising them.

Housing also plays a major role in the revitalisation of cities and communities. How can housing be created in general and social and affordable housing in particular?

→ To secure affordable housing in Germany in the long term, the significant increase in supply which was stipulated in the coalition agreement – especially in the affordable segment – is urgently needed. However, the construction of 400,000 additional homes per year – 100,000 of them in social housing – will only succeed if we continue to reduce bureaucratic hurdles in the construction sector, accelerate planning and approval procedures and ensure adequate funding for social housing in the long term at federal and state level. The sum of two billion euros earmarked by the federal government for 2022 is a step in the right direction. In view of the fact that the number of social housing units has more than halved since 2002 from around 2.6 million units at that time to only around 1.1 million by 2021, significantly more commitment is needed here. Massively rising construction costs, material bottlenecks and a shortage of skilled workers mean, however, that the goals set will be difficult to achieve. It is therefore all the more important that the federal and state governments quickly adjust the factors that can be influenced and create better framework conditions for housing construction. A core problem remains the mobilisation of building land. It is therefore necessary to further improve the framework conditions here without delay.

What else can Savings Banks do to revive city centres?

→ Cities and municipalities need lively, mixed-use city and town centres. Maintaining these is one of the major challenges facing municipalities – and not just since the Corona pandemic. Savings Banks play an important role inthis regard, alongside trade, gastronomy, culture, housing and commerce. The further development of inner cities is a great challenge in view of demographic change, the demands of climate protection and adaptation, and the general economic conditions. It can only be mastered if public and private activities can be bundled. The Savings Banks can make a significant contribution to stabilising inner cities as building owners, as real estate developers, and also through their expertise in providing financing advice and in the subsequent financing of projects.

What are the medium to long-term prospects for the Savings Banks themselves?

→ Savings Banks will continue to be relied upon as guarantors of a stable and reliable supply of banking services and loans throughout the country. Especially in times of crisis, the Savings Banks have always proven to be a pillar of strength. The regional and comparatively low-risk business model of the Savings Banks has shown its worth. The Savings Banks make an important contribution to infrastructure projects, offer jobs and training positions and pay business tax in the regions. Their commitment to promoting culture and sport is indispensable. We are confident that the successful cooperation between the Savings Banks, the citizens, the economy and the local community will continue to function so well.

NEW IMPETUS FOR CITY CENTRES

Stadtsparkasse Bocholt and Sparkasse Westmünsterland contribute to centre revitalisation and housing construction in Bocholt

Germany's city centres are increasingly losing their appeal, and at the same time there is often a shortage of thousands of apartments. Two examples from Bocholt in North Rhine-Westphalia show how important the contribution of Savings Banks can be to the revitalisation of city centres in this situation. Both projects involved previously derelict sites: Stadtsparkasse Bocholt combined the construction of its new headquarters with a significant upgrading of the entire downtown area. And to enable major projects to be implemented more quickly in the residential sector, Sparkasse Westmünsterland and the real estate cooperative WohnBau set up a joint company to develop an entire neighbourhood.

Stadtsparkasse Bocholt: A successful combination of public and personal interests

It is not only since the Corona outbreak that the stationary retail trade in German cities has been under enormous pressure. Reports of store closures are piling up – among them Galeria Karstadt Kaufhof, Douglas and C&A. The pandemic massively accelerated the trend towards online retailing that has been going on for years. The German Association of Towns and Municipalities (DStGB) even speaks of a "hemorrhaging" of city centres (see also the interview on the previous pages). If you wish to stop this development, you have to go your own way. At the end of April 2021, Stadtsparkasse Bocholt did just that and moved into a new large building on Neutorplatz, which with its mix of shops and services is much more than just a headquarters.

» An area in the southern city centre that had been derelict for years was filled with new life in a variety of ways. «

Karl-Heinz Bollmann
Chairman of the Management Board of Stadtsparkasse Bocholt

The new headquarters of the Stadtsparkasse Bocholt with integrated café and adjacent retail building for Peek & Cloppenburg.

Years of standing empty ended

The site was previously occupied by the former Karstadt-Hertie building, constructed in 1970, which had stood empty for several years. In 2013, the Savings Bank was able to acquire the 10,000 square metre property to build its new headquarters, among other things. The previous building at Markt 8 had reached its limits in terms of energy, space and IT. On the new site between the small river Aa, which runs through Bocholt, and Neutorplatz, planning began for a modern and central location for the Stadtsparkasse. First, a comprehensive use and demand concept for the area was developed as part of a feasibility study in 2014. An architectural competition in 2015 produced, from 18 submitted designs, not only the building design for the headquarters, but also ideas for the other parts of the site with retail, services and housing. In the summer of 2017, demolition work on the old Karstadt-Hertie complex was completed enabling the groundbreaking ceremony for the new Sparkasse building to take place in the spring of 2018. “An area in the southern city centre that had been derelict for years was filled with a variety of new life again. This is not only due to our new building, which is undoubtedly an important contribution to increasing the attractiveness of the city centre, but it is also due to the area as a whole,” explains Karl-Heinz Bollmann, Chairman of the Board of Stadtsparkasse Bocholt.

A plot of land of approximately 2,200 square metres was earmarked for residential development from the outset and was sold to two investors. Two modern and contemporary properties with a total of 33 residential units and one commercial unit were built here by spring 2022. In addition, the Savings Bank built another new building directly adjacent to its building, which was leased to Peek & Cloppenburg on a long-term basis. The fashion house already opened the branch in September 2020. And the headquarters building itself has not only been used for the Savings Bank’s banking business since 2021, but also by three other, very different tenants. For this purpose, the property which has 4,000 square meters of usable space on four floors was designed from the outset to be particularly functional, sustainable and above all adaptable. This enabled around 1,000 square metres to be allocated to tenants. A café with outdoor catering has moved in on the ground floor. On the third floor, the service provider “Etage 3” has opened an innovative coworking area. A marriage, family and life counselling centre run by the Münster diocese has started up on the fourth floor. This mix of shops and services across the location contributes to a high visitor frequency. And it is facilitated by appropriate accessibility; among other things, a tactile system on Neutorplatz supports visually impaired people on their way to the central information desk in the Savings Bank’s customer centre. At the same time, however, the Savings Bank also attached great importance to not competing with

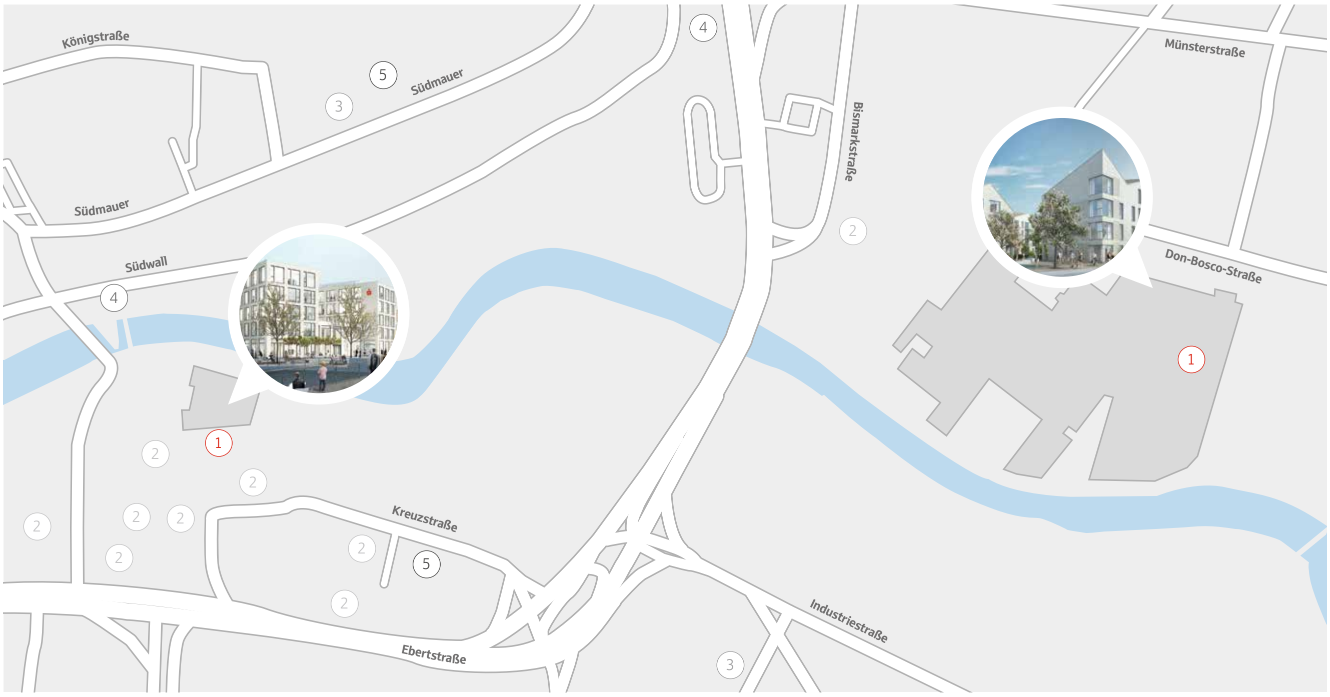
Short profile Stadtsparkasse Bocholt
With a significant market share among private customers, Stadtsparkasse Bocholt is the most important financial service provider in this industrial and shopping city with a good 70,000 inhabitants. Its total assets of 1.3 billion euros also make it a strong partner and an important economic factor in the region on the German-Dutch border. In 2021, the Savings Bank moved into its new headquarters in the middle of the city, in addition to which it has three branches and eleven self-service facilities.

other city centre locations in terms of customer flows. Therefore, only as much retail was planned as was necessary for the location.

In terms of ecological sustainability, the new head office scores highly as an energy-efficient building, thanks in particular to a combined heat and power unit (CHP), a photovoltaic system, cooling and air-conditioning ceilings and triple glazing throughout. In addition, there is climate-friendly greenery on the roof. This is also of enormous benefit to the economic efficiency of the entire building. Sustainability as well as local and regional ties are also reflected in the artworks by Claudy Jongstra and Stefan Zirwes, which provide focal points in the main branch.

Meeting many needs under one roof

It is not only the art and the many amenities that invite visitors to linger, but also the adjacent riverbank area of the Aa, which was redesigned together with the city of Bocholt. Stadtsparkasse Bocholt was thus able to reconcile many different needs of businesses, citizens and the municipality with its project, and make a contribution to the revitalisation of Bocholt's city centre. Karl-Heinz Bollmann therefore draws a thoroughly positive conclusion: "The greatest challenge is to merge our own and public interests into a perfect combination while not losing sight of the economic viability of the location. With our new building project at Neutorplatz, we have succeeded in this balancing act."



1 Savings Bank 2 Supermarkets 3 Train station 4 Restaurants 5 Doctor's surgeries

Two projects with special potential for Bocholt: the new headquarters building of the Stadtsparkasse (left) and the neighbourhood development on the KuBAaI North site co-initiated by Sparkasse Westmünsterland (right).

Heinrich-Georg Krumme,
Chairman of the Board of
Sparkasse Westmünsterland

Sparkasse Westmünsterland and WohnBau Westmünsterland: More affordable housing for the region

Whether it is a single-family house, a single apartment, a social housing apartment or a handicapped-accessible apartment – the urgent need for housing is evident everywhere in the Münsterland region. The Pestel Institute, which specialises in housing market research, found in a recent study that there has been a shortfall of a good 13,000 apartments in recent years. The study was commissioned by the “Münsterland Housing Initiative”, an alliance with other partners in the region initiated by the WohnBau Unternehmensgruppe and Sparkasse Westmünsterland. The market researchers call for significantly more construction activity for the existing population, and also for skilled workers from outside, which the local companies already lack. Sparkasse Westmünsterland and WohnBau have already begun to do this: The newly

Short profile
Sparkasse Westmünsterland
Sparkasse Westmünsterland and its predecessor institutions have been at home in the region for more than 180 years. It is represented in all towns and communities in the districts of Borken and Coesfeld. With total assets of 10 billion euros, it is a strong partner for the region. More than 1,300 employees serve over 330,000 customers.

Three questions for ...

Heinrich-Georg Krumme
Chairman of the Board of Directors of Sparkasse Westmünsterland

Mr Krumme, why does Münsterland need housing so urgently?
→ Our region is booming. Housing options are a location factor that helps determine whether skilled workers can be recruited and retained for our innovative companies. The massive need for affordable housing is not only proven by the study of the Pestel Institute, which we co-initiated, but we also experience it every day in our contact with customers.

Why did you establish the joint company with WohnBau?
→ Stadt + Quartier is, on the one hand, our answer to the enormous financial needs of such projects as the development of the KuBAaI site. And on the other hand, we as a Savings Bank want to use our wide-ranging expertise to help meet the demand for housing in Münsterland in the long term. Seen in this light, our partnership with WohnBau is therefore a win-win situation for the region, creating sustainably affordable and attractive living space.

Are more housing projects of this kind planned for the future?
→ The KuBAaI development is a good start. We are very interested in investing in other towns and communities in the Münsterland region and in contributing our know-how to the regional and local housing market. WohnBau and the Savings Bank are two companies here with close ties to the region and both are pursuing a long-term commitment as property owners.

KuBAaI-Nordareal: Around 370 apartments are being built on four hectares close to the city centre.

founded joint company Stadt + Quartier is currently developing a complete residential quarter on a brownfield site in Bocholt.

Modern residential quarter instead of industrial wasteland

For both partners, the founding of the company is the appropriate response to independently manage the future development of the region, as future economic growth and the provision of housing in line with demand are directly linked. The first significant joint neighbourhood development has already begun on the northern site of KuBAaI (Kultur- und Bildungsquartier Bocholter Aa und Industriestraße). On the four-hectare industrial wasteland directly on the river Aa, around 370 apartments, a day-care centre for chil-dren and a restaurant are being built. A modern and lively quarter for young and old as well as for singles and fami-lies is being developed. Maisonettes and penthouses will be included as well as student flats and assisted living. Half

Short profile WohnBau
WohnBau Westmünsterland eG is a real estate cooperative whose core business has been property development and management for more than 110 years. With its three subsidiaries, the company manages a total of around 5,800 apartments in the Münsterland region and currently has almost 700 flats under construction or in planning, including the KuBAaI project. The new company Stadt + Quartier is also organisationally integrated into the WohnBau Group.

The neighbourhood’s proximity to the river Aa also promises a high recreational value.

Uwe Schramm,
Chairman of the Board of
WohnBau Westmünsterland eG

Three questions for ...

Uwe Schramm
Member of the Board of WohnBau

Mr Schramm, is something going wrong in the public discussion about the housing market?
→ Yes, it seems that way to me. When it comes to the housing market, the discussion usually focuses one-sidedly on the metropolitan areas. But even in Münsterland the market is now very tight. There is demand in all segments – from single-family, two-family and multi-family homes to apartments with special requirements such as barrier-free access or for people on low incomes.

What are the specific reasons for this development?
→ In the case of single-family homes, for example, we see that many town halls in the Münsterland region are being flooded with requests for building land that cannot be satisfied. It is not true that all young and well-educated people are drawn to the big cities. But they will go there if we cannot offer them attractive housing here.

What do you consider to be the decisive factors for the foundation of the joint company?
→ With the founding of Stadt + Quartier, we have created another strategic building block alongside our efficient group of companies enabling us to build even more. Additionally, the successful regional cooperation and pooling of strengths in the KuBAaI project serves as a good blueprint for other large-scale projects in Münsterland.

of the new apartments will be publicly subsidised and thus offered at lower prices. The urban development contract entered into with the city of Bocholt also provides for the municipality to renaturalise the river Aa along the site and to build a riverside promenade. This will further enhance the urban development of the area between lake Aasee and the city centre. The mobility concept also includes a direct link to the express cycle path currently being implemented, numerous charging stations for electric vehicles and the short distance to the railway station.

By working together on the new venture, two regionally connected companies are pooling their conceptual and financial strengths in view of the enormous demand for living space, thus providing further tailwind for the development of the Kulturquartier. The partners expect an investment volume of more than 120 million euros. With its long-term commitment, Stadt + Quartier acts exclusively as a property owner with no interest in selling. The company acquired the KuBAaI site at the end of 2020 and is now pushing ahead with the construction process after completion of the site preparation. The former industrial warehouses on the brownfield site have already been demolished. The development and planning work is currently underway. Building construction is scheduled to begin in the second quarter of 2023.

CREATING MORE AFFORDABLE HOUSING

Sparkasse Südpfalz and its subsidiary S-Immobilien Invest GmbH provide more sustainable housing in the city of Landau

Housing is a scarce commodity in Germany. This is especially true for affordable housing for lower income groups or age-appropriate housing for the elderly. The city of Landau also wants to provide its citizens with more urgently needed offers in this direction. In Sparkasse Südpfalz, it has a local partner that provides comprehensive support.

The independent city of Landau in southern Rhineland-Palatinate is medium-sized with a population of just under 47,000. It looks back on a rich history, it is prospering and – like many cities – it has a problem: too little affordable housing. The number of social housing units in Germany in particular is shrinking steadily. In 1990 there were still about 3 million social housing units, at the end of 2020 there were only 1.1 million – and the trend is still downward. Landau has therefore been involved in housing construction for years. Currently, large areas are being developed, especially in the south-east and south. The conversion of former French military sites offers excellent opportunities for this. In a project with a special social touch, Sparkasse Südpfalz supports the municipality as a reliable partner, from financing to marketing.

The property, which will be completed in spring 2022, is an apartment building in a central location – well connected to the city centre – with 36 apartments. These are divided into ten socially-oriented apartments, 15 age-appropriate apartments for the 60-plus generation and eleven other apartments that are

» For our Savings Bank, this building can be considered a sustainable investment in the flourishing housing market in Landau. «

Achim Seiler
Member of the Management Board of Sparkasse Südpfalz

With its 36 apartments, of which ten are socially committed, the new apartment building helps to relieve the housing situation in Landau.

rented out normally. The development was carried out in accordance with the KfW 55 standard. In doing this, Sparkasse Südpfalz and its subsidiary S-Immobilien Invest are supporting the city of Landau by creating social and affordable housing. Thanks to efficient thermal insulation and regenerative heating such as heat pumps, underfloor heating and triple thermal glazing, the tenants have to pay less for the necessary energy, which significantly reduces ancillary costs. "For our Savings Bank, this building can be considered a sustainable investment in the flourishing housing market in Landau," explains Achim Seiler, Member of the Board of Sparkasse Südpfalz, adding: "The state's subsidy for social housing also makes investing in such projects attractive for us." Seiler sees good chances for long-term leasing of the property due to the well thought-out mix of size and accessibility in combination with age-appropriate and socially subsidised housing units.

The Savings Bank also takes care of purchasing and renting, in this case with the support of its subsidiary S-Immobilien Invest. The apartments are attracting a great deal of interest. There are only a few left, mainly for 60 plus use. In addition to this proven cooperation between institutions of the Savings Banks Finance Group, it is equally important for the success of such a project that all other external participants have the same goal in mind and are competent as well as experienced in what they do. The project in Landau was implemented by a highly efficient construction company from the region, which is also a customer of Sparkasse Südpfalz. In addition, there is the active teamwork with the municipality: "In our case, this worked excellently with the city of Landau, which knows the need for social housing down to the last detail and cooperated very closely with us. Added to this was the commitment of the state, which supports such projects through the Investitions- und Strukturbank Rheinland-Pfalz (investment and structural bank of Rhineland-Palatinate) with reduced-rate loans and grants," Seiler sums up positively.

Short profile Sparkasse Südpfalz

Sparkasse Südpfalz and its predecessor institutions have been serving customers in the Südliche Weinstraße region, the city of Landau and the district of Germersheim for more than 180 years. With 48 branches, 694 employees and total assets of 5.6 billion euros, it is one of the largest Savings Banks in the Rhineland-Palatinate and it pursues a fully integrated advisory approach. In addition, Sparkasse Südpfalz contributes as an employer and training provider, as a supporter of the economy, as a taxpayer, client and to a large extent as a donor and sponsor, thus sustainably enriching the culture and social life in its business area.

ACTING AS REAL ESTATE DEVELOPERS

Kreissparkasse Walsrode builds and markets apartments under its own management, thus strengthening customer loyalty

With the Stadtplatz-Carré, Kreissparkasse Walsrode has constructed another building that relieves the local housing market.

In view of the scarcity of housing in Germany, business in condominiums and building plots is booming. Consequently, an increasing number of Savings Banks are also developing real estate projects under their own management in order to offer them to their customers for sale or rent. Kreissparkasse Walsrode has been pursuing this strategy for years in the town of the same name in Lower Saxony, successfully breaking new ground. The Stadtplatz-Carré, completed in 2021, is one of its latest projects, through which the Savings Bank not only promoted its growth and customer loyalty, but also supported the regional housing market.

Flooded with light, handicapped-accessible, energy-efficient and some with magnificent views over half of Walsrode: the large-scale Stadtplatz-Carré building project in the heart of the city on the banks of the Böhme River was completed on schedule in June 2021. With its special architecture, which combines a traditional bricked look with modern construction methods, the four-storey real estate complex comprising two buildings exactly meets the current requirements for city centre living. With different apartment sizes and floor plans, people of all ages – from singles to families – can feel that their needs are being met. It is no wonder that all 27 freehold apartments and almost all of the 28 rented apartments were already taken last year. Especially as the town of Walsrode on the southern edge of the Lüneburg Heath with its approximately 30,000 inhabitants combines rural idyll with an excellent location in terms of transport at the Bremen-Hamburg-Hanover motorway intersection.

Required returns achieved

The Stadtplatz-Carré is one of the Savings Bank's most recently completed real estate projects. It has been building and marketing such projects independently for several years. "We made a strategic decision to pursue our own real estate development. The design, construction and partial resale of real estate allows us to generate not only adequate income but also new customers," Matthias Schröder, Chairman of the Board of the Kreissparkasse, explains. "Instead of investing in European real estate, we prefer to put our own money into projects here in the region and thus help to ease the housing market." Previous investments have also

» We have made a strategic decision to promote our own property development. «

Matthias Schröder
Chairman of the Board
of Kreissparkasse Walsrode

The four-story building complex offers a total of 27 condominiums and 28 rental flats.

yielded the required returns, so the Savings Bank will continue to pursue this course.

It is helpful in this area of business that the Lower Saxony institution has had extensive experience in real estate financing and sales for many years, so the development of its own portfolio was an obvious choice. To manage this business segment, the Savings Bank has founded a holding company, Heidekreis Dienstleistungs GmbH. This company is responsible for the construction, management and sale of real estate. It is also active in property development and property rental. For Schröder, the holding is one of the pillars of the company: “In the current situation with high demand for building land and living space, real estate development is, in my view, an important additional pillar for a regional credit institution. In addition to generating revenue from the sale and rental of residential space, the company’s own project development has the further objective of increasing the financing and cross-selling ratio for the Savings Bank – for example by brokering and selling old properties and insurance policies. “And that in turn leads to increased customer loyalty, which is so important for us,” Schröder is certain. “As a Savings Bank, we are the point of contact for all our customers’ financial issues – the comprehensive real estate business with all its facets is a perfect fit and rounds off our approach of providing comprehensive advice for our customers. In this way, we significantly strengthen the bond with our Savings Bank.”

» In the current situation with high demand for building land and living space, real estate development is, in my view, an important additional pillar for a regional credit institution. In addition, we will continue to expand our real estate services – ideas are already on the table. «

Matthias Schröder
Chairman of the Board
Kreissparkasse Walsrode

Two levels of configuration allow for individual design of the light-flooded apartments.

Active management of risks

Viewed in this way, project business has many advantages for Savings Banks, if the risks involved in developing their own real estate projects are taken into account at the same time. Particularly in the current situation with its supply bottlenecks, the risk of price fluctuations in construction materials and manufacturing costs must be specifically considered. “Anyone who is currently in an active construction phase knows what financial burdens the shortage and price development of building materials can mean and must actively manage these risks,” Schröder emphasises. For this reason, he says, the possible sale or rental price of a property must be calculated very precisely. This risk must also be reflected in the project management. Thus, well-founded management of all these opportunities and risks is the prerequisite for an equally well-founded business area around real estate financing and development.

In the case of the Stadtplatz-Carré, risk management has worked despite the high-quality and sustainable features. Both buildings in the complex were

The Stadtplatz-Carré has further enhanced Walsrode's city centre.
The Kreissparkasse is already planning further projects.

built to the KfW 55 standard, which is not only ecologically sound but also has a positive impact on ancillary costs. The high value placed on sustainability in the property becomes clear on closer inspection of the energy data. These are less than 4.5 cubic metres of natural gas per square metre per year (m^2/p.a.). Thanks to the use of modern technology, including an air-source heat pump, the buildings are well below the required values and achieve the best energy efficiency class of A+.

Customised configuration also possible

In terms of configuration, all 55 light-flooded flats with a total of 4,000 square metres of living space have floor-to-ceiling windows as well as balconies or terraces. Many of them are designed to be barrier-free or wheelchair accessible. In addition, the "exclusive" configuration level for selected condominiums includes high-quality floors, showers that are flush with the floor and exclusive bathroom fittings. In the same way, the Savings Bank has also offered buyers the opportunity to furnish their flats completely according to their own wishes in the "individual" level. Another striking feature of the Stadtplatz Carré is that visible parking spaces were deliberately omitted. Instead, there is an underground car park that can be easily reached by lift. Almost all parking spaces can also be equipped with a charging station for electric vehicles.

The Stadtplatz-Carré has further enhanced Walsrode's city centre with its special range of residential spaces. Kreissparkasse Walsrode is already planning further similar properties of this kind. It is currently constructing a residential and commercial building at Moorstraße 12-18 with a total volume of approximately 13 million euros.

Short profile Kreissparkasse Walsrode

Kreissparkasse Walsrode is a driving force in its region in the north of Lower Saxony. With total assets of over 1.9 billion euros, more than 38,000 private accounts and a good 200 employees, it is an important economic force. This outstanding position is also reinforced by its role as a project developer of innovative real estate. In addition to this, it offers high-quality advice, state-of-the-art self-service technology and comprehensive financial services. Thanks to its targeted and forward-looking corporate policy, it is one of the economically strongest Savings Banks in the entire federal state.

SAVINGS BANKS ESG SCORE MAKES SUSTAINABILITY RISKS MEASURABLE

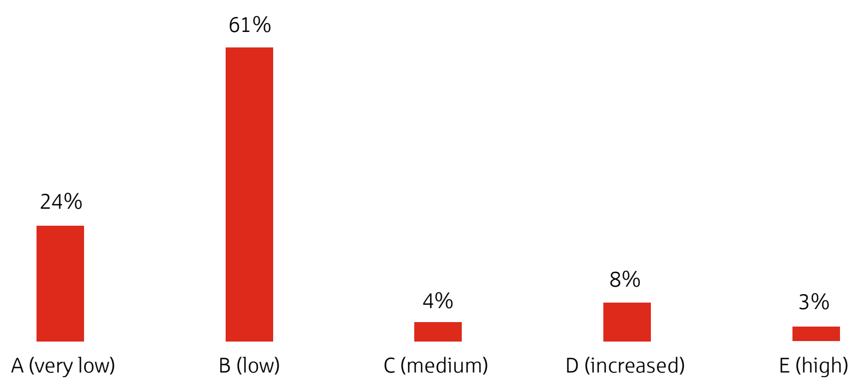
In corporate banking, Savings Banks already use their own tool for ESG risk analysis

In the future, financial institutions will be required to address the sustainability risks of borrowers in their corporate customer business. This is already mandatory for the largest institutions. However, in anticipation of this, the Savings Banks have already implemented the Savings Banks ESG Score (S-ESG Score) as a model for all institutions, which can be used to identify and analyse potential risks.

Although Bafin's recommendations for dealing with sustainability risks in the credit process are not yet binding in nature, this obligation will soon be a requirement for the entire credit industry. The supervisory authority proposes that relevant information on possible sustainability risks be identified, analysed and included in the decision-making processes. For the large institutions directly supervised by the European Central Bank (ECB), including the largest Savings Banks, the new guidelines of the European Banking Authority (EBA) on lending and credit monitoring are already gradually coming into force from 30 June 2021. Among other things, the EBA requires banks to pay particular attention to ESG risks in the lending process and specifically to climate and environmental risks.

S-ESG score – Sustainability risks in sectors

Distribution of the loan portfolio across the grades C01



Sources: DSGV Industry Service; loans to companies and self-employed persons by economic sector according to Deutsche Bundesbank borrower statistics, Savings Banks in Germany, reporting date: 30.09.2021

Joint development by DSGV Industry Service and S-Rating

For the Savings Banks Finance Group and the DSGV as its umbrella organisation, the issue of sustainability is fundamentally not a new one. Sustainability aspects have long played an important role in the analysis of sector developments. This is why they also have a prominent place in the reports and forecasts of the DSGV Industry Service. However, the industry service has also taken the publication of the Bafin instructions on dealing with sustainability risks as an opportunity to take an in-depth look at the measurability of these risks. The result of these considerations is the S-ESG score, which has been in use since summer 2021 and is a joint development of Branchendienst and S-Rating, the central Savings Bank service provider for risk management procedures. The goal was to establish a quantitative ESG risk measure that can be applied equally to all sectors of the economy.

Such a risk measure in the form of a numerical measurement has two major advantages: On the one hand, it can be used to quickly gain an initial impression of the extent of sustainability risks in an industry and, on the other hand, it enables a simple direct comparison between different industries – for example as part of portfolio management. Ten suitable indicators were identified for the ESG score, which are specifically weighted and assigned to the three areas of Environment (E: Environment and Climate), Social (S) and Governance (G). The results from the areas are determined regularly and then summarised to form the S-ESG score, which thus describes the current extent of the sustainability risks of all the industries covered. The score works with a scale from zero (very low risks) to 100 (high risks). Accordingly, the DSGV Industry Service has assigned five grades from A to E to this score spectrum. The result of the ESG score is shown in chart 1.

The use of the sector-based S-ESG score is particularly useful and efficient in the retail business, where an individual customer-specific sustainability assessment would not be feasible. It enables direct sector comparisons, as there are significant differences in sustainability risks across industries. For quick results, the DSGV Industry Service has also provided the Savings Banks with a programme that can be used to merge the industry-specific sustainability risks with their own corporate loan portfolio. Qualitative assessments by the DSGV Industry Service complete the model.

Environment

- Greenhouse gas emissions
- Water consumption
- Taxes for environmentally harmful activities
- Physical and transitory risks

Social

- Social security for employees
- Adequate remuneration, fair conditions in the workplace
- Labour standards, discrimination
- Social risks due to political measures and changes in the market environment

Governance

- Corporate governance in compliance with the law, business ethics
- Governance risks due to political measures and changes in the market environment

Score also makes individual evaluations possible

The S-ESG score can also be used as a basis for an individual assessment of the ESG risks of a corporate client. With reference to the industry, it can be used to assess the client's individual positioning based on each indicator. Building on this, the list of sustainable corporate activities of EU taxonomy can be used. In simple terms, the technical annex of this regulation lists around 100 specific business activities for the sectors with the highest greenhouse gas emissions that make a positive contribution to climate protection and adaptation to climate change and are thus in line with the EU climate goals. By granting corresponding loans, Savings Banks can support companies as financing partners in the transformation process towards a low-emission economy. Against this backdrop, the identified sustainability risks also offer sales potential in the corporate customer segment, for example if a commercial landlord identifies a need for energy-efficient building refurbishment or a logistics company wishes to convert its vehicle fleet.

In addition, S-Rating will provide the Savings Banks with the S-ESG score for the risk assessment of commercial real estate financing at both portfolio and individual customer level from July 2022.

4. MANAGEMENT REPORT

Economic Report

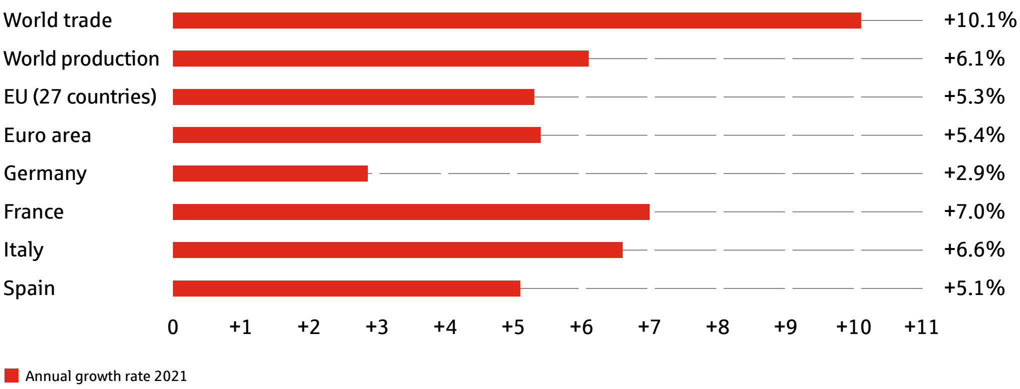
Macroeconomic situation

In 2021, the Corona pandemic dominated economic events worldwide and also in Germany for the second year in succession. However, compared with the particularly sharp declines in production in spring 2020, almost all countries showed significant recovery in 2021. Global production rose by 6.1 percent in 2021, and global trade volume recovered by as much as 10.1 percent (both figures based on the International Monetary Fund's definition and measurement).

The euro zone was able to increase its real GDP by 5.4 percent. In Germany, by contrast, growth averaged only 2.9 percent for the year. Part of the difference in growth can be explained as a counter-movement resulting from the extent of the slumps suffered previously. In 2020, they were more pronounced in countries with a large share of the tourism sector, for example. Both Italy and Spain, and also France, demonstrated this profile with disproportionate GDP declines in 2020 but a more dynamic recovery in 2021.

In addition, a second explanatory factor for Germany's relative weakness in recovery was the onset of various supply bottlenecks from summer 2021 onwards. The pandemic had shaken many value chains and the speed of the subsequent global recovery had been underestimated in some quarters. As a result, production capacities for many key primary products had not been maintained or created. Transport capacities were also lacking. These bottlenecks mainly affected industry. Germany has a particularly high value-added weight in this sector due to its international relationships.

GDP growth in selected countries[1]



[1] Actual data for European countries from official statistics. Source: Eurostat, data as at 25 April 2022, world trade and world production according to International Monetary Fund: World Economic Outlook from 19 April 2022, German GDP according to official audit from 22 April 2022.

The course of production during the year followed the events of the pandemic in 2021. In Germany, the first quarter was negatively affected by the second and – if counted as a separate phase – the third wave of infection. From autumn 2021, the country was then affected by the delta variant and at the very end of the year the omicron wave emerged. The opening and closing quarters brought GDP declines. The two middle quarters, on the other hand, supported growth and generated the positive full-year average.

In the breakdown of GDP by use, growth in 2021 was mainly driven by a recovery in exports and investment in equipment. Private consumption, by contrast, remained almost unchanged on an annual average price-adjusted basis compared with 2020, reflecting once again the closures and limited consumption opportunities, especially at the beginning and end of the year.

Government consumption, however, continued to have a strong supporting effect in 2021. The government spending-to-GDP ratio in Germany reached an all-time high of 51.5 percent. This was accompanied by an increased government financing deficit. The balance for the country as a whole, as defined in the national accounts, amounted to a deficit of over EUR 132.5 billion, which corresponded to around 3.7 percent of annual GDP. The deficit was almost exclusively incurred by the federal government, while the other regional authorities and the social security funds achieved balanced or surplus balances, thanks in part to compensation from the federal government. At the end of 2021, the German state as a whole had reached a debt level of EUR 2,476 billion. That is 69.3 percent of GDP.[1]

The labour market proved to be fairly robust in 2021. Despite the continuing burdens of the pandemic, employment increased slightly in terms of the number of people in work and even strongly in terms of the number of hours worked. The reduction in short-time working, which had been used to a much greater extent in the previous year, contributed significantly to this. The average unemployment rate for the year as defined by the German Federal Employment Agency fell by two per thousand points to 5.7 percent.

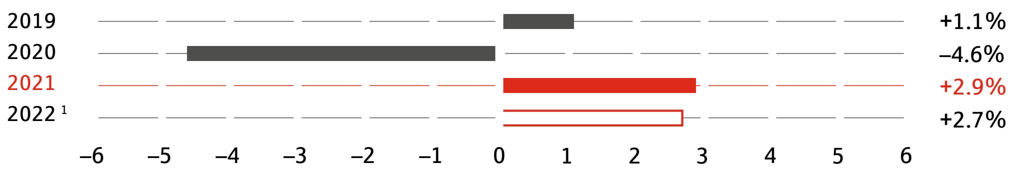
In general, there was a change in the cyclical character of the economy in the course of 2021. Whereas in 2020 there were not only production shortfalls but also a sharp drop in demand, in 2021 the demand side was no longer the bottleneck in the economy as a whole. On the contrary: Incoming orders in the manufacturing sector were quite good. For long stretches of 2021, it was not only above the previous year's level, but even higher than before the outbreak of the pandemic. However, orders could not be processed to the same extent due to the tense situation in the supply chains. Bottlenecks extended across an increasing number of categories of raw materials and intermediate products.

This situation has increasingly affected prices. Germany's import prices and the producer prices of industrial products already rose by double-digit percentages on average in 2021. In consumer prices, this development was only muted and delayed, but nevertheless already noticeable. The annual average inflation rate of 3.1 percent in the national definition of consumer prices underscores the momentum already seen towards the end of the year. In November and December, the annual rate of consumer prices exceeded the five percent mark both in the national definition and in the harmonised consumer price index (HICP)[2].

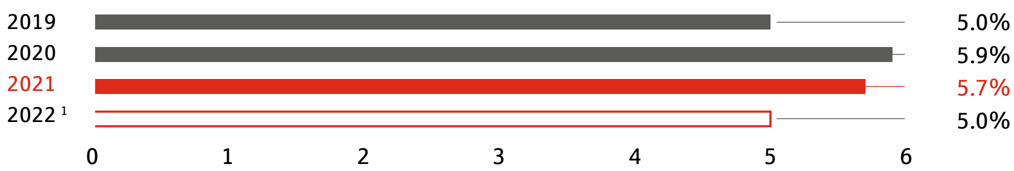
[1] All data on public finances according to Deutsche Bundesbank, Monthly Report April, as of 22.4.2022, values may still be subject to subsequent revision.
[2] The harmonised consumer price index is a consumer price index collected in the European Union by the national statistical offices and calculated by Eurostat in accordance with uniform EU-wide rules.

Economic development – review and outlook 2019 – 2022

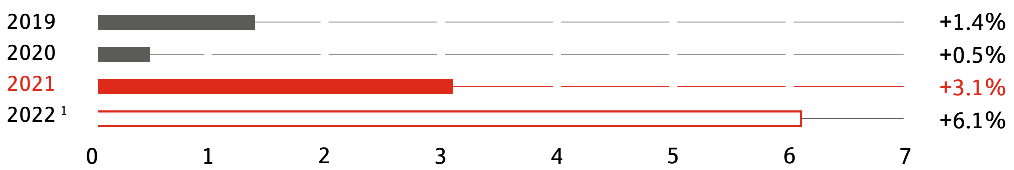
Growth of real gross domestic product (GDP) (Germany)



Unemployment rate of civilian labour force (Germany)



Change in the cost-of-living index (Germany)



Actual data 2019 to 2021 from official statistics; Destatis and Federal Employment Agency.
[1] Forecasts for 2022 from the "Spring Report", joint diagnosis of the German economic research institutes from 13 April 2022.

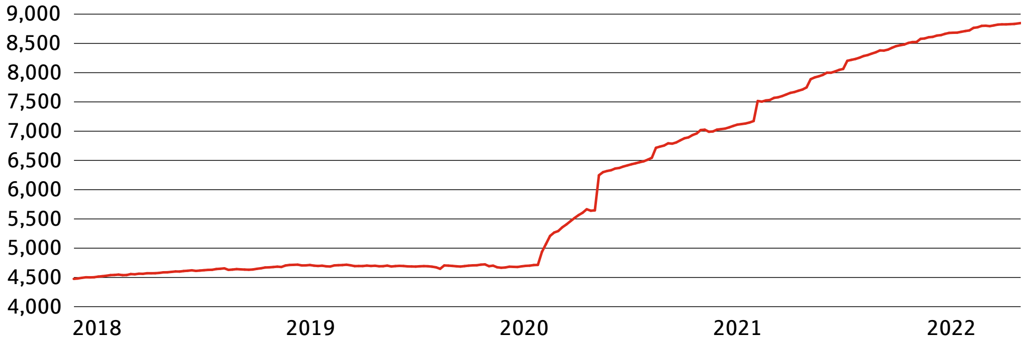
Developments on the money and capital markets

Despite the accelerating upward trend in prices, the European Central Bank maintained its extremely expansionary monetary policy in 2021. The reason given is that it considers the increased rates of price increases to be temporary and due to special effects. Other central banks, including the Federal Reserve, began to change course in 2021. The ECB, however, not only maintained the negative interest rate for its deposit facility, which acts as the key interest rate in the prevailing excess liquidity of central bank money.

In addition, the ECB continued its purchase programmes, including a baseload of net monthly purchases of EUR 20 billion under the general APP1, but most importantly, with alternating higher amounts, the PEPP2, which was intended to mitigate the effects of the pandemic. For the latter instrument, it was announced at the last Governing Council meeting of 2021 in December that net purchases under the PEPP should end in March 2022. In December, the last round of the TLTRO3 III long-term tender with a maturity of three years was also disbursed.

As a result of this monetary policy, the consolidated balance sheet of the Eurosystem continued to expand strongly. It rose from just under EUR 7 trillion at the end of 2020 to a good EUR 8.5 trillion at the end of 2021, an increase of almost 23 percent.

Consolidated balance sheet total of the Eurosystem, in EUR billions

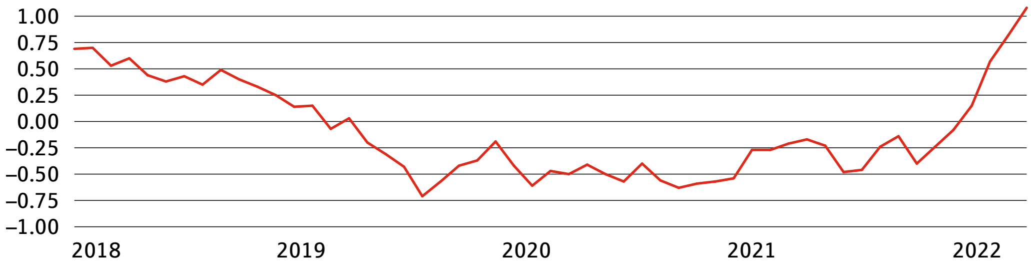


Source: European Central Bank

On the capital markets, the rise in inflation led to a degree of pricing in of price increases as premiums into interest rates as early as 2021. In addition, the expectation spread that the expansionary monetary policy of the major central banks could not be maintained for much longer. The turnaround in interest rates on the capital market was already quite clear in the US dollar in 2021. The yield on ten-year treasuries increased over the course of the year from a good one percent to around 1.5 percent. In the euro, the yield on ten-year German government bonds remained clearly in negative territory in 2021. However, it increased in the course of 2021 from around –0.6 percent at the beginning of the year to the order of –0.2 percent towards the end of the year.

[1] APP = Asset Purchase Programme.
[2] PEPP = Pandemic Emergency Purchase Programme.
[3] TLTRO = Targeted Longer-Term Refinancing Operations.

Current yield of German government bonds with 10-year residual maturity in %

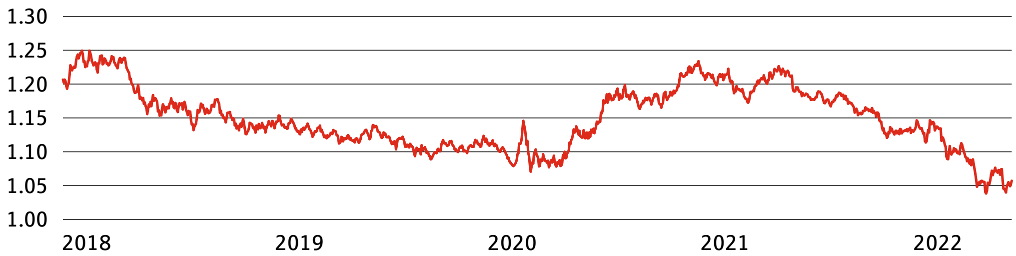


Source: European Central Bank

The stock markets developed positively in most industrialised countries in 2021. This was due to the economy's increasingly improved ability to cope with the pandemic. Although the latter had not yet been overcome, the economic damage was reduced. The earnings situation of most companies remained good. Cost burdens from the logistical bottlenecks could in most cases be passed on in prices. The markets were betting on a continued recovery of GDP. The DAX, which had stood at 13,718 points at the end of 2020, rose to 15,885 points by the end of 2021. This corresponds to an increase of 15.8 percent.

The situation on the foreign exchange markets remained fairly calm in 2021, apart from a few fluctuations in smaller currencies such as the Turkish lira, which were due to country-specific factors. However, there was some shift in the main bilateral exchange rate between the US dollar and the euro due to the widened interest rate differential, which tended to strengthen the US dollar. The rate shifted from 1.22 US dollars / euro at the beginning of 2021 to around 1.13 US dollars / euro towards the end of the year.

Exchange rate USD / EUR



Source: European Central Bank

Major markets and positioning

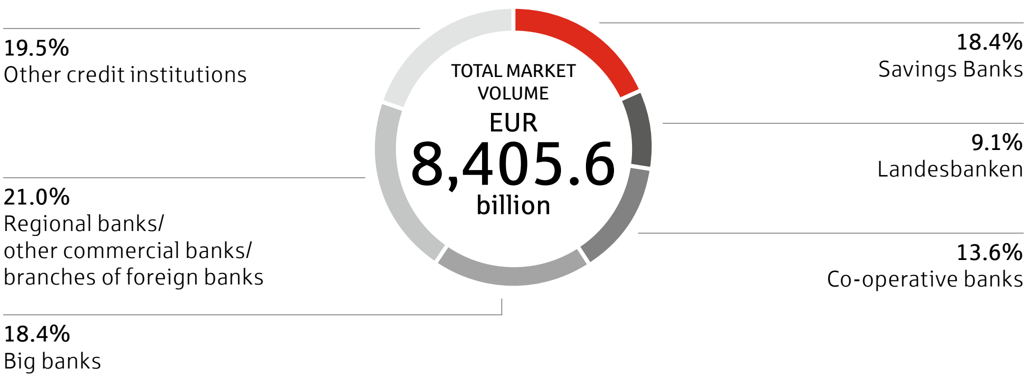
General overview

The institutions of the Savings Banks Finance Group[1] had a combined business volume[2] of EUR 2,312.1 billion at the end of 2021. This represents a 27.5 percent share of a total market volume of EUR 8,405.6 billion in Germany.

This means that the Savings Banks Finance Group's share of the on-balance sheet banking business of the German banking industry decreased by 0.5 percentage points compared with the previous year. The Savings Banks' business volume increased significantly by 5.9 percent, while that of the Landesbanken – in contrast to the previous year – decreased by 1.3 percent. The Savings Banks account for around 67 percent of the Savings Banks Finance Group's business volume, the Landesbanken for around 33 percent.

In a long-term comparison, the Savings Banks have consistently expanded their business volume through growing customer business. Since 2008, it has increased by around 45 percent at the Savings Banks. In the same period, the business volume of the Landesbanken has more than halved. This reflects the process of redimensioning in line with their strategy. Since 2017, the business volume of the Landesbanken has been growing again, demonstrating the further development of the business models. Irrespective of this, the development in 2021 was slightly downward.

Market share by business volume*
As at: 31.12.2021



* Excluding derivative instruments in the trading portfolio.
Source for all market share graphs: Deutsche Bundesbank and own calculations.

The development of the German banking industry's customer business in the 2021 financial year was characterised by very high portfolio growth in corporate loans and private housing loans. In the year under review, inflows of deposits from private individuals and companies did not reach the extraordinary levels of the previous year due to the pandemic, and consumer loans declined again in the market as a whole.

In the customer lending business, the Savings Banks Finance Group recorded slight market share gains in corporate loans and marginal market share losses in private housing loans in the financial year 2021. In consumer lending, its shares remained stable in a shrinking market. In the deposit

[1] The use of "Savings Banks Finance Group" in this chapter refers to the Savings Banks and Landesbanken (excluding foreign branches and excluding domestic and foreign subsidiaries of the Landesbanken). The Landesbausparkassen are not included here. In the Bundesbank data, Hamburg Commercial Bank (formerly HSH Nordbank) and Landesbank Berlin/Berliner Sparkasse are no longer included in the Landesbanken since December 2018. The latter is now listed under the Savings Banks.
[2] Excluding trading portfolio derivatives and repurchased own debt securities.

business with private customers, the Savings Banks Finance Group maintained its market position in 2021. Measured in terms of share in this business segment, it is thus clearly ahead of the other banking groups. The Savings Banks Finance Group's share of deposits from domestic companies increased significantly in the year under review.

Corporate lending business

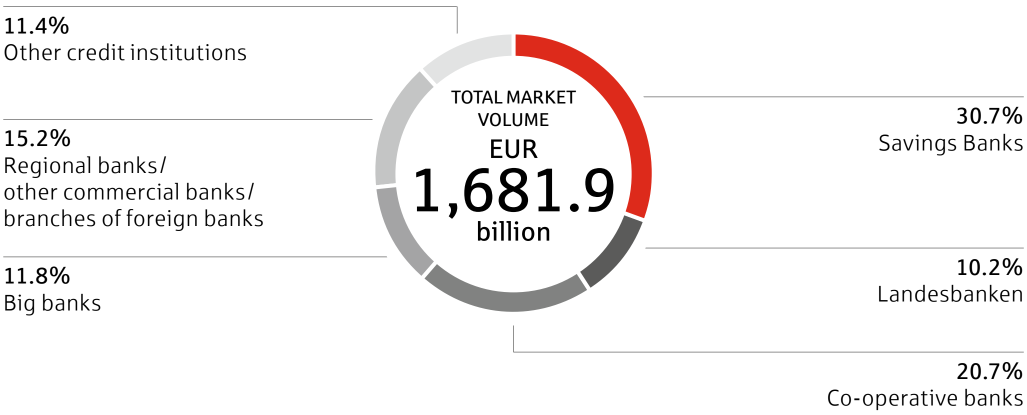
After an increase in the previous year of around EUR 58.3 billion or 3.8 percent, the total market volume of corporate loans increased somewhat more strongly again in the 2021 financial year, rising by EUR 76.3 billion or 4.8 percent to EUR 1,681.9 billion. Very dynamic development came from commercial housing construction in 2021.

With a portfolio increase of EUR 34.4 billion or 5.3 percent, the Savings Banks Finance Group recorded portfolio growth above the bank average and thus made slight gains in market share. The growth rates of the Savings Banks and Landesbanken were very similar in this segment: Savings Banks increased their portfolios by 5.4 percent (or EUR 26.3 billion) while the Landesbanken increased theirs by 5.2 percent (or EUR 8.1 billion).

The volume of corporate loans issued by the Savings Banks Finance Group totaled EUR 687.5 billion at year-end 2021. This represents a market share of 40.9 percent, with 30.7 percentage points attributable to the Savings Banks and 10.2 percentage points to the Landesbanken.

This means that the Savings Banks Finance Group continued to be the most important financial partner within the German banking industry, especially for small and medium-sized enterprises, even during the pandemic. It is followed by a wide margin by the cooperative banks with 20.7 percent as well as the regional and other credit banks[1] with 15.2 percent and the big banks with 11.8 percent.

Market share of loans to enterprises*
As at: 31.12.2021



* Loans to businesses and the self-employed (including commercial housing loans).

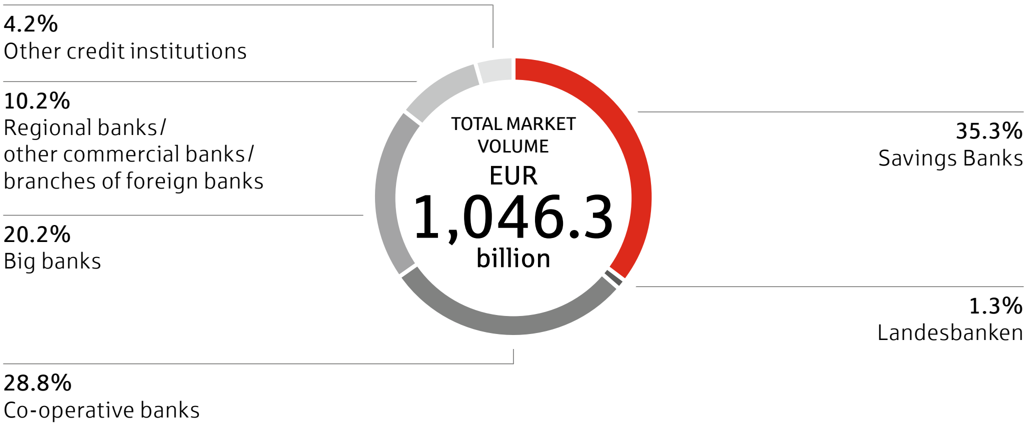
Loans to private customers

Since 2012, the demand for loans for private residential construction has picked up noticeably, mainly due to interest rates. As a result of this, the total market volume of private residential construction loans continued to increase significantly by EUR 69.0 billion or 7.1 percent to EUR 1,046.3 billion in the reporting year, again significantly stronger than in the previous year. The Savings Banks Finance Group achieved portfolio growth in 2021 that was only slightly below the market average. Its portfolio

[1] Incl. branches of foreign banks.

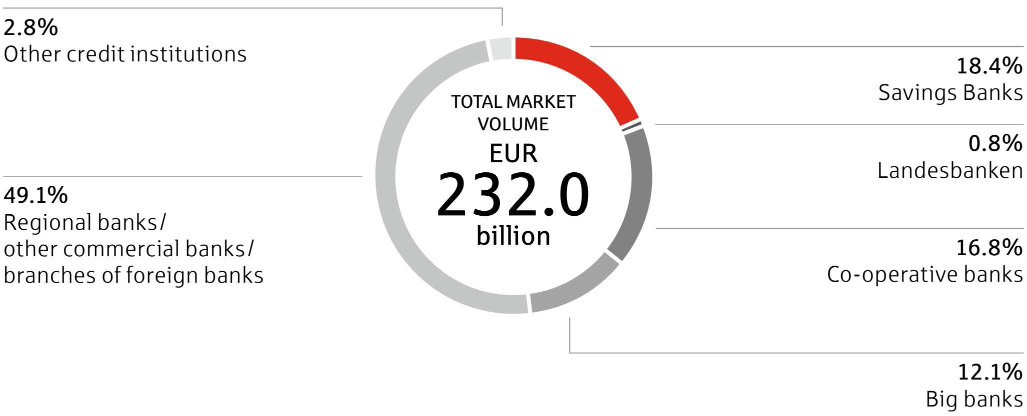
volume increased by EUR 24.9 billion to EUR 382.5 billion. The Savings Banks account for a 35.3 percent share of the total market. Together, the Savings Banks and Landesbanken have a market share of 36.6 percent. The second strongest group of institutions are the co-operative banks with a share of 28.8 percent, followed by the big banks with a share of 20.2 percent and the regional and other credit banks[1] with a share of 10.2 percent.

Market share of residential housing loans
As at: 31.12.2021



As in the previous year, the consumer loan business declined across all banking groups in 2021. The market volume decreased by EUR 1.9 billion or 0.8 percent to EUR 232.0 billion at the end of 2021. The institutions of the Savings Banks Finance Group recorded a portfolio decline of EUR 0.3 billion or 0.7 percent (previous year: –3.1 percent) and were able to keep their market share stable. With a portfolio volume of EUR 44.5 billion and a share of 19.2 percent, the Savings Banks Finance Group is clearly behind the banking group of regional and other credit banks[1] (share 49.1 percent), but remains in second place. The market is primarily dominated by regional/other credit banks, which include almost all specialised financiers. These have been able to further expand their share of consumer lending in 2021.

Market share of consumer loans
As at: 31.12.2021



[1] Incl. branches of foreign banks.

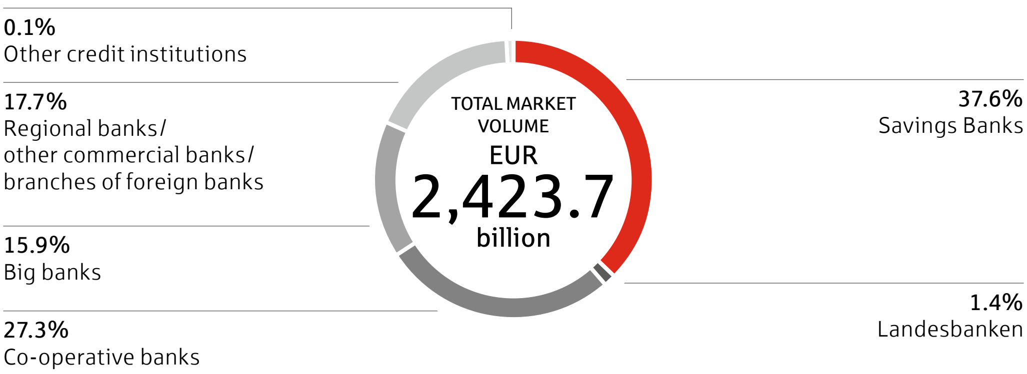
Deposits from private customers

The total market volume of deposits from private individuals[1] again increased appreciably last year by 3.4 percent to EUR 2,423.7 billion. The absolute growth of EUR 80.8 billion was at a high level, but well below the exceptional figure of the previous year (EUR 143.8 billion).

Within the individual investment categories, there were portfolio increases for the fifth time in a row in the year under review due to interest rates and the pandemic, exclusively in the case of demand deposits of private individuals, with demand deposits again recording a very strong increase of 5.5 percent, albeit not as high as in the previous year (10.8 percent). By contrast, as in previous years, outflows were recorded in the holdings of private time deposits as well as in the holdings of savings deposits and savings bonds. Developments in the Savings Banks Finance Group followed the general market trends.

In particular, the market segment of time deposits of private customers has been largely marginalised in Germany in recent years due to the interest rate developments.

Market share of deposits from private individuals*
As at: 31.12.2021



*Excluding time deposits with a fixed term of more than two years.

Overall, the development in 2021 clearly shows the continuing liquidity preference of private customers. On the one hand, this is due to the persistently low level of interest rates and also reflects the continued wait-and-see attitude of many private investors in their investment dispositions. On the other hand, the savings behaviour of consumers increased both due to the sometimes very severely restricted consumption options as a result of the Corona pandemic, and also the uncertain personal working and living situation that in some cases accompanied this.

The Savings Banks Finance Group achieved an increase of EUR 29.4 billion or 3.2 percent (previous year: +6.9 percent) in deposits from private individuals to EUR 946.1 billion in the reporting year 2021. The inflow of deposits was thus slightly below average, resulting in a slight decrease in market share. The Savings Banks Finance Group achieved a market share of 39.0 percent at the end of the year.

[1] Excluding time deposits with a fixed term of more than two years.

The Savings Banks Finance Group therefore remains the market leader in deposit business with private customers, ahead of the credit banks, which have a portfolio of EUR 813.6 billion and a market share of 33.6 percent. These include the regional / other commercial banks / branches of foreign banks with a share of 17.7 percent. This group of institutions, which includes all direct banks (including “automotive banks”), was able to improve its market position. Third place is held by the group of cooperative banks, which is also strongly anchored in the retail business. With a portfolio of EUR 661.3 billion at year end, this group accounted for 27.3 percent of total private deposits.

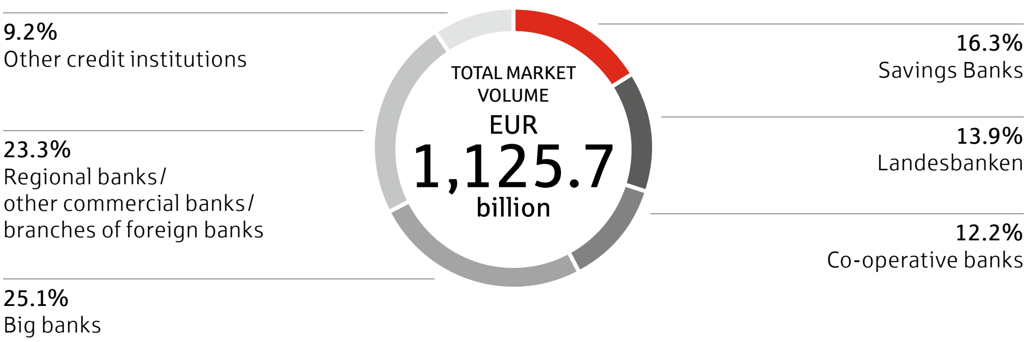
Deposits from domestic companies

After private deposits, deposits from domestic companies are the second largest segment of the German banking industry’s total customer deposit business. They amounted to EUR 1,125.7 billion at the end of 2021.

While deposits from domestic companies were still slightly down in 2018–2019, they recorded a very strong portfolio gain of EUR 84.5 billion or 8.4 percent, especially in 2020. In the 2021 financial year, the stock inflow of EUR 30.1 billion or 2.7 percent was no longer quite so strong. The increases are certainly due in part to the cautious disposition of companies during the pandemic. The trend was broadly similar for most bank groups. All banking groups, with the exception of the big banks and other credit institutions, were able to significantly increase their deposit holdings. The portfolio of corporate deposits held by the Savings Banks grew exceedingly strongly by EUR 17.4 billion or 10.5 percent in the year under review; with their market share now rising to 16.3 percent.

At the Landesbanken, the deposit portfolio held by domestic companies increased to EUR 156.0 billion at the end of 2021 (portfolio at the end of 2020: EUR 148.7 billion). The Landesbanken continue to have a strong market position in deposits from domestic companies, with a market share of 13.9 percent. Together with the Savings Banks, the Landesbanken will have a market share of 30.2 percent in this deposit segment at the end of 2021.

Market share of deposits from domestic enterprises
As at: 31.12.2021



Savings Banks are competent and reliable partners for the international business transactions of German entrepreneurs, especially in difficult times

Companies in Germany and around the world have learned to deal with the effects and restrictions of the Corona pandemic declared by the WHO[1]. In 2021, German exports increased by 14 percent compared to the previous year, reaching a new high of EUR 1,375.6 billion. This development was also reflected in the import business. Goods and services worth EUR 1,202.8 billion were imported in 2021. Compared to the previous year, this was an increase of +17.2 percent and also a new record. The export surplus, on the other hand, fell for the fifth year in succession and amounted to EUR 172.7 billion. This result was influenced by the fact that delivery of numerous goods and services had been delayed since the beginning of the pandemic. This was partially made up for in 2021. In addition, the high energy costs, especially for gas, contributed to the performance of imports. The most important global trading partners for Germany remain the USA and China. In the EU, the Netherlands and France are significant regions for German companies.

International business entails opportunities, but also risks. The Savings Banks Finance Group has been supporting small and medium-sized enterprises in their international business for many years. To this end, the Savings Banks bundle their know-how in “S-International” regional competence centres. This gives all entrepreneurs throughout Germany access to special expertise, extensive professional competence and valuable experience in dealing with special features of cross-border trade. In doing so, S-International uses an international network with more than 10,000 correspondent banks at around 100 locations worldwide. Depending on the customer’s needs, the Landesbanken, Deutsche Leasing and the S-CountryDesk accompany the customer directly on site and during important discussions in German.

The Corona crisis and the war in Ukraine have exposed high levels of dependency on global suppliers and countries (e.g. Russia as an energy supplier or China as a tech supplier). German SMEs are called upon to diversify their supplier structure more strongly in the short term in order to minimise default risks. This necessary change will be a challenge for companies in addition to sustainable transformation and digitalisation. Here, too, the Savings Banks Finance Group can provide support: EuropaService provides support in readjusting supply and sales relationships. Through its connection to the Enterprise Europe Network, it brings potential partners together. It also provides information on the business environment for trade and investment.

The Savings Banks Finance Group is gradually developing into the foreign trade manager of companies – regionally anchored and globally networked. In addition to the existing classic range of services offered by the Savings Banks, from foreign payment transactions to foreign trade financing, services are continuously being developed that offer customers additional added value, such as foreign trade and customs advice. Savings Banks are “The SME financiers” in Germany and know how to use this strength for their customers abroad.

[1] World Health Organisation.

Business performance and economic position

Development of the institutions affiliated to the Institution Protection Scheme[1] – an aggregated view

In its operating business, the Savings Banks Finance Group again reported an improved result in the 2021 financial year compared with the previous year.

The earnings situation of the Savings Banks Finance Group was relieved in the reporting year by a significantly lower valuation result compared with the previous year. In 2020, the valuation result[2] had risen sharply due to the effects of the Corona pandemic. Administrative expenses and net commission income again developed positively in the reporting year. Overall, this resulted in a gratifyingly higher annual result (before and after taxes).

↘ Further information on the business performance of the Savings Banks, Landesbanken and Landesbausparkassen can be found on pages 47, 54 and 58.

In operational terms, the Savings Banks Finance Group achieved an operating result before valuation of EUR 11.3 billion in 2021, which was higher than in the previous year (EUR 10.7 billion). Against the backdrop of slightly weaker net interest income, this growth is attributable to a significant improvement in net commission income and an increase in net trading income in the 2021 financial year. The net commission income of the Savings Banks Finance Group increased by 7.8 percent to EUR 10.5 billion. At EUR 26.7 billion, net interest income remained below the previous year's result (–1.7 percent) due to interest rates. Net trading income (net income from financial transactions), which is only relevant for the Landesbanken within the Savings Banks Finance Group, almost doubled to EUR 0.9 billion in the year under review.

Administrative expenses rose moderately by 0.6 percent to EUR 27.0 billion due to higher operating expenses.

The cost-income ratio[3] of the entire Savings Banks Finance Group improved to 70.4 percent in the financial year 2021 (previous year: 71.6 percent). This was primarily due to the increase in net commission income and net trading income.

In terms of the net valuation income, the Savings Banks Finance Group recorded a reduction in 2021 compared with the previous year. In 2020, the valuation balance was widened by the consequences of the Corona pandemic – due in particular to higher allocations to risk provisioning in the institutions' lending business. The net valuation expense fell significantly from EUR 2.6 billion in 2020 to EUR 0.1 billion in 2021.

The extraordinary result[4] again had a slightly greater negative impact on the earnings situation of the Savings Banks Finance Group in 2021 than in the previous financial year. At EUR –5.3 billion, the negative balance was higher than the previous year's figure of EUR –3.9 billion. However, the majority of this expense can be attributed to the allocations to the fund for general banking risks – in 2021 these amounted to EUR 3.5 billion.

[1] This chapter aggregates the performance of the Savings Banks, Landesbanken and Landesbausparkassen (Landesbanken without foreign branches, without domestic and foreign Group subsidiaries and without LBS); key figures without Hamburg Commercial Bank (formerly HSH Nordbank), which left the protection scheme at the end of 2021. Previous year's figures have been adjusted.
[2] Write-downs of and value adjustments to receivables and securities in the liquidity reserve (netted against income from write-ups to receivables and securities in the liquidity reserve) as well as changes in contingency reserves in accordance with Section 340f of the German Commercial Code.
[3] Administrative expenses in relation to operating income (sum of net interest income, net commission income, net income from financial transactions and other operating income).
[4] Balance of other and extraordinary income/expenses. In contrast to the income statement statistics of the Deutsche Bundesbank, the allocations to and withdrawals from the fund for general banking risks pursuant to Section 340g of the German Commercial Code are also included in the "extraordinary result".

Selected key figures of the Savings Banks Finance Group *

Selected balance sheet items

	Portfolio at the end of 2021 in EUR billion	Portfolio at the end of 2020 in EUR billion	Change in %
Loans and advances to banks (MFIs[1])	**226.6**	269.9	–16.0
Loans and advances to non-banks (non-MFIs)	**1,395.3**	1,315.7	+6.0
Liabilities to banks (MFIs)	**457.3**	427.5	+7.0
Liabilities to non-banks (non-MFIs)	**1,452.1**	1,395.8	+4.0
Equity	**178.3**	173.7	+2.6
Total assets	**2,431.9**	2,346.1	+3.7
Core capital ratio according to CRR[2] (as percentage, change in percentage points)	**15.7**	16.3	–0.6

Selected income statement items[3]

	2021[4] in EUR billion	2020 in EUR billion	Change in %
Net interest income	**26.666**	27.140	–1.7
Net commission income	**10.546**	9.783	+7.8
Net income from financial transactions	**0.900**	0.461	+95.2
Administrative expenses	**27.005**	26.831	+0.6
Operating result before valuation	**11.330**	10.664	+6.2
Operating result after valuation	**11.238**	8.023	+40.1
Net income before taxes	**5.969**	4.165	+43.3
Income taxes	**3.467**	2.741	+26.5
Net income after taxes	**2.502**	1.424	+75.8
of which net income Savings Banks after taxes	1.656	1.462	+13.3
of which net income Landesbanken after taxes	0.813	–0.068	–[5]
of which net income Landesbausparkassen after taxes	0.033	0.030	+12.1

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken without foreign branches, without domestic and foreign Group subsidiaries, without LBS, 3. Landesbausparkassen (legally independent LBS and legally dependent divisions of the Landesbanken); key figures excluding Hamburg Commercial Bank (formerly HSH Nordbank), which left the protection scheme at the end of 2021. Previous year's figures have been adjusted.

[1] Monetary Financial Institutions

[2] Capital Requirements Regulation

[3] Allocations to the fund for general banking risks in accordance with Section 340g of the German Commercial Code are taken into account here – as in the "original" income statement in accordance with the German Commercial Code – as expenses reducing the annual result; in the DSGV financial reports up to 2010, these "Section 340g allocations" were treated analogously to the income statement statistics of the Deutsche Bundesbank as an appropriation of profit increasing the annual result.

[4] Preliminary figures from partly not yet audited annual financial statements according to the German Commercial code, rounding differences possible.

[5] Calculation not meaningful.

Overall, the member institutions of the Savings Banks Finance Group achieved a pre-tax profit of around EUR 6.0 billion in 2021. This represents a significant improvement on the 2020 financial year, which the Group closed with a pre-tax result of EUR 4.2 billion. After taxes, the Savings Banks Finance Group recorded net income of EUR 2.5 billion in 2021, compared with EUR 1.4 billion in the previous year.

In the past financial year, the aggregate balance sheet total of the Savings Banks Finance Group continued to increase compared with the previous year. As in previous years, this development is primarily attributable to growing customer business. However, balances with central banks and interbank business were also expanded.

The total assets of the Savings Banks Finance Group increased by 3.7 percent to EUR 2,431.9 billion at year end 2021 (previous year: +5.6 percent). Both the customer lending business and the customer deposit business were expanded again. The Savings Banks achieved higher absolute growth in customer lending in particular. Loans and advances to non-banks increased by 6.0 percent to EUR 1,395.3 billion. Liabilities to non-banks of the Savings Banks Finance Group rose by 4.0 percent to EUR 1,452.1 billion.

The balance sheet equity of the Savings Banks Finance Group increased again in 2021. It grew by 2.6 percent to EUR 178.3 billion (previous year: +3.4 percent). The Group thus again improved its equity base in the past financial year.

178.3
EUR billion
BALANCE SHEET EQUITY OF THE SAVINGS BANKS FINANCE GROUP

The calculated core capital of the Savings Banks Finance Group in accordance with CRR/CRD IV[1] increased to EUR 175.4 billion at year end 2021 (end of 2020: EUR 171.4 billion). As a result of the increase in the total risk contribution[2] to EUR 1,118.3 billion (end of 2020: EUR 1,051.0 billion), the core capital ratio of the Savings Banks Finance Group fell slightly to 15.7 percent at year end 2021 (end of 2020: 16.3 percent).

On the basis of its solid equity base, the Savings Banks Finance Group will continue to make a sustainable contribution to the supply of credit to the German economy, especially to the many small and medium-sized enterprises.

Business performance of the Savings Banks

The Savings Banks in Germany significantly expanded their lending, deposit and securities business in 2021. The aggregated balance sheet total increased by EUR 84.9 billion (+6.0 percent) to EUR 1,499.0 billion. The number of Savings Banks decreased by six to 370 Savings Banks (previous year: 376; as at 15.06.2022: 363).

1,499.0
EUR billion
BALANCE SHEET TOTAL OF THE SAVINGS BANKS

The customer lending business was again characterised by strong momentum. With an increase of EUR 49.4 billion or 5.5 percent to EUR 955.0 billion, the Savings Banks recorded record growth in their portfolios. New business was also more encouraging than in the previous year. In total new customer business, the Savings Banks committed loans in the amount of EUR 197.3 billion, an increase of EUR +5.6 billion (+2.9 percent) on the previous year.

Growth was driven by both main pillars of the Savings Banks' lending business. Loans to companies and the self-employed expanded by EUR +26.0 billion or +5.5 percent, private housing loans by EUR +23.9 billion or +7.0 percent. Record levels of new business were achieved in both pillars.

[1] CRR = Capital Requirements Regulation; CRD = Capital Requirements Directive.
[2] Includes counterparty risks, market risk positions and other risks.

The Savings Banks also recorded strong growth in customer deposits in 2021 with a plus of EUR 48.4 billion (+4.5 percent) to a portfolio of EUR 1,123.0 billion, although this figure remained below that of the exceptional previous year. Structurally, the development was similar to previous years due to low interest rates: Sight deposits were expanded, while other forms of investment such as own issues and time deposits declined. Savings deposits remained constant.

In off-balance sheet customer securities business, the Savings Banks recorded one of the highest turnovers ever (+14.4 percent year-on-year) and net sales (purchases minus sales by customers) were the highest in the history of the Savings Banks at EUR 29.5 billion.

Thus, direct financial asset formation in 2021 was again able to benefit to a large extent from inflows from the deposit-taking and securities business.

Including the building society business attributable to the Savings Banks as well as the attributable life insurance business, Savings Bank customers made new direct and indirect investments of EUR 80.0 billion with their Savings Bank.

Earnings situation

In the 2021 financial year, the earnings situation of the Savings Banks in the operating business (operating result before valuation) remained stable, despite the decline in net interest income due to the ongoing low-interest phase. The 2021 income statement of the Savings Banks is primarily characterised by a significantly lower valuation result compared to the previous year, leading to a higher operating result after valuation. In the previous year, the effects of the Corona pandemic could still be seen in the increased risk provisioning.

The operating business of the Savings Banks continues to be determined in particular by the development of net interest income from the highly competitive lending and deposit business with private customers and SMEs. With a renewed decline, now by 3.6 percent, the Savings Banks generated net interest income of EUR 19.3 billion in the financial year 2021 (previous year: EUR 20.0 billion).

In customer business, the margins in deposit business in particular remain under strong pressure or are already negative due to interest rates. Despite rising credit demand in the second Corona year 2021, margins in the lending business continue to fall slightly. Revenue on the assets side can therefore not fully compensate for the decline in income despite growing credit volumes. In the reporting year, the maturity transformation income increased slightly. Since the beginning of the pandemic, there has been a quasi-disbursement ban on financial participations, which expired in 2021. Investment income in the reporting year was roughly the same as in the pre-pandemic year 2019.

The Savings Banks’ net commission income increased very significantly by 6.5 percent to around EUR 9.0 billion (previous year: EUR 8.4 billion). This improvement in earnings is mainly attributable to a substantial increase in commission income from the customer securities business, which continues to develop extremely dynamically. The Savings Banks also recorded growth in 2021 through higher revenues in the card and giro business as well as in the brokerage of loans and real estate.

On balance, the decline in net interest income was largely, but not entirely, offset by improved net commission income.

Fortunately, the Savings Banks succeeded in reducing administrative expenses slightly by 0.4 percent to EUR 19.7 billion in the financial year 2021 (previous year: EUR 19.8 billion). The banks recorded an increase in operating expenses to EUR 7.5 billion in the reporting year (+2.4 percent, previous year: EUR 7.3 billion). In addition to regulatory issues, IT costs were driven primarily by the necessary digitalisation and standardisation of processes in 2021. In the reporting period, expenses for advertising remained constant, while those for education and training increased again slightly due to the relatively relaxed Corona situation in the 2nd and 3rd quarters. However, the sharp rise in covered customer deposits also led to a noticeable increase in the bank levy charged by the Savings Banks.

This is now one of the main cost drivers for the institutions. Personnel expenses decreased noticeably by 2.1 percent in 2021 and amount to EUR 12.2 billion (previous year: EUR 12.5 billion). Thus, the moderate salary increases from the 2020 wage agreement were more than offset in the reporting year by the continued staff consolidation measures (including partial retirement) and natural fluctuation.

The cost-income ratio[1] improved slightly in the 2021 financial year, reaching a value of 69.5 percent (previous year: 69.6 percent). The lower net interest income had an increasing effect, while the expansion of commission income and the decline in administrative expenses had a decreasing effect.

The operating result before valuation remained at the previous year's level of EUR 8.65 billion.

In terms of valuation result[2], the Savings Banks recorded a net valuation expense of EUR 0.1 billion in 2021, well below the value of the previous year (EUR 1.8 billion). In 2020, the result was significantly higher due to the Corona pandemic. The valuation of securities in the liquidity reserve resulted in a negative valuation result of EUR 0.7 billion in 2021. These book value write-downs result in particular from the rise in interest rates at the end of the year. In the previous year, the negative valuation result of EUR 0.5 billion also impacted the result.

Due to the encouragingly positive development of the risk situation in the lending business in 2021, the balance of the 2021 valuation result remained balanced (previous year valuation expenses of EUR 1.3 billion). Medium-sized companies in particular have shown themselves to be especially resilient in this crisis. They were helped in this by their solid equity base and their ability to react extremely flexibly to changing circumstances. In addition, companies and the self-employed were supported during the crisis by the rapid credit and liquidity assistance provided by their credit institutions as well as by the KfW and state development institutions. Added to this was the short-time working allowance and the Corona subsidies for particularly hard-hit sectors.

The "extraordinary result"[3] of the Savings Banks in the 2021 financial year was again strongly affected by the additions to the fund for general banking risks in accordance with Section 340g of the German Commercial Code. At EUR 3.1 billion, the addition to the "340g reserves" was higher than the previous year's figure (2020: EUR 2.8 billion). The total "extraordinary result" therefore also closed in 2021 with a significantly higher negative balance of EUR 4.2 billion compared to the previous year.

Despite the higher "extraordinary result", the net income before taxes was noticeably relieved by the valuation result. With a net income before taxes of EUR 4.3 billion, the overall result of the Savings Banks in the 2021 financial year was higher than in the previous year (2020: EUR 4.0 billion).

Net income after deduction of income taxes amounted to around EUR 1.7 billion in the 2021 financial year, which was also above the previous year's level (EUR 1.5 billion).

4.3
EUR billion
NET INCOME OF THE SAVINGS BANKS BEFORE TAXES

[1] Administrative expenses in relation to operating income.
[2] The valuation result consists of the risk provisioning in the lending business and the allocations to/releases of provisioning reserves in accordance with Section 340f of the German Commercial Code as well as the write-downs and value adjustments on receivables and securities in the liquidity reserve (netted against income from write-ups on receivables and securities in the liquidity reserve).
[3] Balance of other and extraordinary income/expenses. In contrast to the income statement statistics of the Deutsche Bundesbank, the allocations to and withdrawals from the fund for general banking risks pursuant to Section 340g of the German Commercial Code are also included in the "extraordinary result".

Selected items of the Savings Banks' balance sheet and income statement

Selected items of the Savings Banks' income statement [1]

	2021 [2] EUR billion	2020 EUR billion	Changes 2021 vs. 2020 EUR billion	Changes 2021 vs. 2020 %
Net interest income	**19.262**	19.974	–0.7	–3.6
Net commission income	**8.974**	8.427	+0.5	+6.5
Net result from financial operations	**0.014**	0.000	+0.0	> +100
Administrative expenses	**19.694**	19.776	–0.1	–0.4
Personnel expenses	12.196	12.455	–0.3	–2.1
Other operating expenses (inc. depreciation of property, plant and equipment)	7.498	7.321	+0.2	+2.4
Operating result before valuation	**8.652**	8.648	+0.0	+0.0
Valuation result (excluding equity interests)	**–0.126**	–1.832	+1.7	–93.1
Operating result after valuation	**8.527**	6.816	+1.7	+25.1
Balance of other and extraordinary income / expenses [1,3]	**–4.184**	–2.836	+1.3	+47.5
of which: additions to the fund for general banking risks pursuant to Section 340g of the German Commercial Code	–3.110	–2.755	+0.4	+12.9
Net profit before taxes	**4.343**	3.981	+0.4	+9.1
Profit related taxes	**2.687**	2.519	+0.2	+6.7
Net profit after taxes	**1.656**	1.462	+0.2	+13.3
Return on equity before taxes (in percentage, changes in percentage points)	**5.8**	5.5	–	+0.4
Cost-income ratio (in percentage, change in percentage points) [4]	**69.5**	69.6	–	–0.1

[1] Allocations to the fund for general banking risks according to Section 340g of the German Commercial Code are taken into account here – as in the "original" income statement according to the German Commercial Code – as expenses reducing the annual result.
[2] Preliminary figures from partially unaudited annual financial statements according to the German Commercial Code, rounding differences possible.
[3] This includes the balance from profits from the sale of financial investments and securities held as fixed assets, write-downs on/write-ups to financial investments and securities held as fixed assets as well as changes in the fund for general banking risks in accordance with Section 340g of the German Commercial Code (additions to the fund for general banking risks with a negative sign).
[4] Administrative expenses in relation to operating income.

955.0
EUR billion
CUSTOMER LOANS

Lending business

Total customer lending business grew by EUR 49.4 billion in 2021. The Savings Banks thus increased their portfolio by 5.5 percent to EUR 955.0 billion (previous year +5.2 percent).

New business was expanded by 2.9 percent year on year, with a new record of EUR 197.3 billion. The fact that this was not reflected even more strongly in the portfolios is due to the also very high level of repayments, which at EUR 125.0 billion were only slightly below the high level of the previous year.

This development in the customer lending business was partly driven by corporate lending. In the course of 2021, the Savings Banks made practically the same amount of loan commitments to companies and the self-employed (EUR +0.003 billion or +0.0 percent) as in the exceptional Corona year of 2020. At EUR 106.4 billion, the record figure was set.

It should be noted that in 2020 the volume of special Corona loans from KfW and the promotional institutions of the federal states was significantly higher. If these are excluded, new business in 2021 is even clearly higher than in 2020 (EUR +6.4 billion or +6.5 percent).

The good level of new business is also reflected in the development of portfolios. With an increase of EUR 26.0 billion (+5.5 percent), the Savings Banks achieved almost the same growth as in the record previous year (EUR +26.1 billion, +5.9 percent). The loan portfolio stood at EUR 496.0 billion at the end of December 2021. The repayment volume decreased marginally, amounting to EUR 65.7 billion and was thus –1.3 percent below the previous year (EUR 66.6 billion).

Both investment loans and commercial housing loans are responsible for the increase in the portfolio. Investment loans increased by EUR +10.9 billion or +3.4 percent to a portfolio of EUR 329.5 billion in 2021 (previous year +4.8 percent). In commercial housing construction, the loan portfolio increased by EUR +15.2 billion or +10.1 percent (previous year +8.0 percent) to a portfolio of EUR 166.5 billion.

In addition, the Savings Banks also recorded an increase in new business in loans to private individuals compared with the previous year. For 2021 as a whole, this results in a commitment volume of EUR 83.4 billion, an increase of EUR 6.2 billion (+8.0 percent) compared with 2020. The portfolio also increased quite strongly again in 2021, by EUR 23.4 billion or 6.1 percent to EUR 406.1 billion (previous year +5.3 percent).

The increase in new business is attributable to the development in private housing loans. Commitments totaled EUR 73.4 billion, an increase of EUR 6.4 billion (+9.5 percent) compared with 2020. In part, this growth reflects the substantial price increases in recent years, as a result of which Savings Banks granted higher real estate loans than in previous years. Against the backdrop of still low interest rates and rising rents, the attractiveness of real estate remained high from the customer's perspective – and this despite further price rises over the course of the year and, in some cases, considerable shortages of building materials and in the building materials trade.

The portfolio of private housing loans increased by EUR +23.9 billion (+7.0 percent) in 2021 compared with the previous year's figure of EUR 20.4 billion (+6.4 percent) and totaled EUR 365.5 billion at the end of 2021.

The consumer loans / other loans business continued to decline in 2021 compared with previous years. In new business, the Savings Banks committed EUR 10.0 billion, EUR –0.2 billion (–2.0 percent) below the previous year. However, this is likely to be due in part to the special situation with reduced consumption opportunities (temporarily closed stationary trade, restricted travel). The portfolio decreased by a further EUR 0.5 billion or –1.3 percent to EUR 40.6 billion.

In 2021, loans to domestic public-sector budgets decreased by EUR 0.6 billion (–2.0 percent) to EUR 30.8 billion (2020: –5.9 percent). At EUR 3.3 billion, new business was –23.5 percent below the previous year's value.

Development of the Savings Banks' customer lending business

	2021 in EUR billion	2020 in EUR billion	Changes in EUR billion	Changes in %
Customer loans	**955.0**	905.6	+49.4	+5.5
Corporate loans[1]	**496.0**	469.8	+26.0	+5.5
Loans to private individuals	**406.1**	382.7	+23.4	+6.1
Private housing loans	365.5	341.6	+23.9	+7.0
Consumer loans / other loans	40.6	41.2	–0.6	–1.3
Loans to public-sector budgets	**30.8**	31.6	–0.6	–2.0
Total loan commitments / disbursements domestic customers	**197.3 / 174.8**	191.6 / 170.6	+5.6 / +4.2	+2.9 / +2.4
Loan commitments / disbursements corporates and self-employed[1]	**106.2 / 92.4**	106.2 / 93.1	–0.0 / –0.8	–0.0 / –0.8
Loan commitments / disbursements private individuals	**83.4 / 75.7**	77.3 / 70.1	+6.2 / +5.6	+8.0 / +8.0

[1] Including commercial housing loans.

Client securities business

In off-balance sheet customer securities business, the Savings Banks recorded total turnover of EUR 166.9 billion in 2021, exceeding the previous year's level (EUR +21.0 billion or +14.4 percent) and achieving one of the highest turnovers ever. There were increases in turnover in all categories: fixed-interest securities +24.6 percent, investment funds +18.6 percent and shares +4.4 percent. Net sales (purchases minus sales) were clearly positive in 2021, reaching a historic high of EUR 29.5 billion (2020: EUR 19.1 billion). This was largely due to the high positive net sales of investment funds (EUR +26.9 billion). Net sales of equities were also positive (EUR +3.8 billion). In the case of fixed-income securities, however, sales by customers outweighed purchases (net sales EUR –1.1 billion).

Among the investment funds, equity funds (EUR +11.1 billion), mixed funds (EUR +5.8 billion), bond funds (EUR +3.6 billion), open-ended real estate funds (EUR +3.6 billion) and other funds (EUR +3.9 billion) showed the highest positive balances.

Customer securities business at the Savings Banks

	2021 in EUR billion	2020 in EUR billion	Changes in EUR billion	Changes in %
Securities trading volume	**166.9**	145.9	+21.0	+14.4
Net securities sales[1]	**29.5**	19.1	+10.3	+54.0

[1] Net turnover as the balance of purchases and sales by customers.

Refinancing

The Savings Banks refinance themselves primarily from deposits from private customers and companies. In 2020, the Savings Banks recorded the highest deposit growth in their history (EUR +79.1 billion, including EUR +54.0 billion from private individuals). In 2021 growth was again strong, but more on the level of 2019 (around EUR +45.0 billion). Overall, deposits increased by EUR 48.4 billion (+4.5 percent) to EUR 1,123.0 billion in 2021 (previous year +7.9 percent).

1,123.0
EUR billion
CUSTOMER DEPOSITS WITH SAVINGS BANKS

The interest rate-induced development of the past years basically continued: demand deposits were further increased (by EUR 52.6 billion or 6.9 percent to a portfolio of EUR 814.1 billion), while the other categories declined. Time deposits decreased by EUR –1.3 billion or –10.7 percent to EUR 11.2 billion and own issues by EUR –2.9 billion or –10.3 percent to EUR 24.8 billion. Savings deposits remained constant (EUR +0.05 billion or +0.0 percent) at EUR 272.8 billion.

Domestic companies increased their deposits by EUR 13.6 billion or +8.0 percent to EUR 182.9 billion (+14.1 percent in the previous year). Private customers invested an additional EUR 28.1 billion in 2021 (+3.4 percent to EUR 862.8 billion), a smaller increase than in 2020 (+6.9 percent).

As in previous years, the Savings Banks therefore enjoyed a comfortable refinancing position. The entire customer lending business could be refinanced through customer deposits.

Customer deposit business at the Savings Banks

	2021 in EUR billion	2020 in EUR billion	Changes in EUR billion	Changes in %
Customer deposits	**1,123.0**	1,074.6	+48.4	+4.5
of which savings deposits	272.8	272.8	+0.0	+0.0
of which own issues	24.8	27.7	–2.9	–10.3
of which time deposits	11.2	12.6	–1.3	–10.7
of which sight deposits	814.1	761.5	+52.6	+6.9

Financial asset formation

Due to the strong inflow in the deposit business and the high positive net sales in the securities business, customers, including the home savings business attributable to the Savings Banks as well as the attributable life insurance business, formed additional assets of EUR 80.0 billion at the Savings Banks in 2021. This is the second highest figure ever. Compared with the record previous year, the decline amounts to EUR –20.9 billion (–20.7 percent). Taking into account the home savings and life insurance business, private individuals saved EUR 55.2 billion in additional funds with the Savings Banks. The decrease compared with the previous year amounted to –22.9 percent.

80.0
EUR billion
ACQUISITION OF FINANCIAL ASSETS BY CUSTOMER

Acquisition of financial assets by Savings Banks customers[1]

	2021 in EUR billion	2020 in EUR billion	Changes in EUR billion	Changes in %
Acquisition of financial assets by customers[2]	**80.0**	100.9	–20.9	–20.7
Acquisition of financial assets by private individuals	**55.2**	71.6	–16.4	–22.9

[1] From deposit business and customer securities business, including brokered home savings deposits and brokered life insurance.
[2] Private customers, corporate customers, domestic public authorities, non-profit organisations, foreign customers.

15.6%
CORE CAPITAL RATIO OF THE SAVINGS BANKS

Equity

At the end of the 2021 financial year, the Savings Banks reported regulatory capital of EUR 136.9 billion. This represents an increase of a further EUR 4.1 billion in the course of the year, exclusively in the form of (hard) core capital. At the end of 2021, the total capital ratio was 16.66 percent; the core capital ratio was 15.62 percent and, excluding hybrid core capital components, the hard-core capital ratio was 15.59 percent. Due to the comparatively stronger increase in risk-weighted assets, the ratios are slightly lower than in 2020, although the regulatory requirements continue to be significantly exceeded.

The Savings Banks' comfortable equity base underscores their financial independence and their ability to adapt to more stringent regulatory requirements.

Banking supervisory ratios of the Savings Banks in accordance with CRR

	2021 in %	2020 in %	Change in % points
Core capital ratio	**15.6**	16.4	–0.80
Common equity ratio	**15.6**	16.4	–0.80
Total capital ratio	**16.7**	17.5	–0.89

Business performance of the Landesbanken

In fiscal year 2021, the business performance of the Landesbank Group was characterised by the expansion of the customer lending and deposit business. Overall, however, the level of total assets stagnated compared with the previous year. It was increased in recent years and reduced more sharply until 2017: In the period from the end of 2008 to the end of 2017, total assets were reduced by over EUR 702 billion, or around 45 percent, as part of the strategic measures to rescale and realign the Landesbanken. The exit of HSH Nordbank in 2018 and the streamlining of the portfolio at NORD/LB contributed to the further consolidation of the Group. In the second Corona year 2021, the Landesbanken expanded their customer business and reduced interbank business.

Institutions[1] had total assets of EUR 857.7 billion in 2021, almost unchanged from the previous year. Total assets had already expanded only moderately in the previous year (EUR +8.7 billion or +1.0 percent). Thus, the Landesbanken did not continue the trend of expanding on-balance sheet business at least in 2021. The main reasons for this restrained development were declines in interbank business and in bonds and other fixed-interest securities, but also in other balance sheet items.

[1] This chapter refers to the five Landesbank groups, Landesbank Berlin/Berliner Sparkasse and DekaBank (excluding Hamburg Commercial Bank/formerly HSH Nordbank, which left the protection scheme at the end of 2021; the previous year was adjusted retroactively).

By contrast, the Landesbanken expanded their customer lending and deposit business as well as their cash reserve in 2021.

Lending business
On the assets side of the interbank business, the Landesbanken recorded a decrease of EUR 34.7 billion or 17.7 percent in loans and advances to banks to EUR 161.1 billion in 2021 (previous year: +2.4 percent). This is mainly attributable to the decrease in loans and advances to domestic banks (excluding Savings Banks), which were reduced by EUR 30.5 billion to EUR 33.4 billion. The Landesbanken's claims on Savings Banks grew by EUR 6.0 billion to EUR 67.4 billion. In contrast, the Landesbanken recorded a decrease of EUR 9.8 billion in their loans and advances to foreign banks to EUR 63.1 billion.

In the customer lending business, the Landesbanken reported a significant increase in the past financial year compared with the previous year. Loans and advances to non-banks increased by a total of EUR 28.2 billion or 7.5 percent to EUR 403.8 billion (previous year: –2.0 percent).

403.8
EUR billion
CUSTOMER LOANS OF THE LANDESBANKEN

This was mainly due to the increase in loans and advances to domestic and foreign companies. These increased by EUR 28.7 billion or 10.7 percent to EUR 296.0 billion (previous year: EUR –6.6 billion or –2.4 percent). The focus was on both domestic and foreign corporate business: loans and advances to domestic companies increased by EUR 15.0 billion or 9.0 percent to EUR 182.2 billion. Loans and advances to foreign companies also increased by EUR 13.7 billion or 13.6 percent to EUR 113.8 billion.

Loans and advances to domestic and foreign public authorities decreased by EUR 1.6 billion or 2.1 percent to EUR 76.4 billion in the reporting year (previous year: EUR –0.7 billion or –0.9 percent).

At EUR 31.1 billion, loans and advances to domestic private individuals (including non-profit organisations) expanded more strongly again (EUR +1.2 billion or +4.0 percent year-on-year).

Securities business
The Landesbanken increased their own securities investments in 2021. In contrast to the previous year, the total portfolio increased by +6.5 percent to EUR 97.4 billion (previous year: –25.6 percent). The highest inflow in volume can be found in investments in the securities category bank bonds. Holdings here increased by EUR +3.6 billion or 7.7 percent to EUR 50.6 billion. The portfolio of corporate bonds increased by +12.6 percent to EUR +15.0 billion. In contrast to the previous year, the securities portfolio invested in non-fixed-interest securities (shares, investment certificates) increased by 37.1 percent to EUR 5.9 billion.

The volume invested in "public-sector bonds" declined to EUR 24.0 billion (–3.9 percent). Money market instruments continued to play only a minor role with a portfolio of just under EUR 2.0 billion at the end of 2021.

The main focus in the Landesbanken's securities account A at year-end 2021 was on bank bonds with a structural share of 52.0 percent, followed by public-sector bonds and debt securities at 24.6 percent and corporate bonds at 15.4 percent. Securities holdings invested in non-fixed-interest securities are of minor importance with a structural share of 6.0 percent and money market securities at 2.0 percent.

271.3
EUR billion
CUSTOMER DEPOSITS OF THE LANDESBANKEN

Refinancing

In terms of customer deposits, the Landesbanken recorded a portfolio inflow of 2.6 percent to EUR 271.3 billion in 2021. In 2020, customer deposits had decreased by 0.9 percent. The increase in 2021 was primarily attributable to the development of liabilities to domestic and foreign companies, which increased by EUR 10.8 billion or 6.2 percent to EUR 185.0 billion.

Inflows were recorded both in liabilities to domestic companies, which rose by 6.3 percent to EUR 162.4 billion, and in liabilities to foreign companies, which increased by 5.6 percent to EUR 22.6 billion. A further differentiated analysis in the domestic corporate sector shows that the expansion in the reporting year was largely due to the development in the real corporate sector. This increased by 18.8 percent to EUR 68.7 billion.

Liabilities to financial institutions increased by 2.3 percent to EUR 36.1 billion. This was offset by a 3.6 percent reduction in liabilities to insurance companies to EUR 57.6 billion.

Deposits from domestic private individuals (including non-profit organisations) grew by 2.7 percent to EUR 60.4 billion. Liabilities to domestic public authorities decreased by EUR 5.7 billion or 18.3 percent to EUR 25.0 billion.

The Landesbanken continued to expand their interbank liabilities in 2021. They increased by 0.5 percent to EUR 263.3 billion (previous year: +15.8 percent). In the past year, liabilities to Savings Banks decreased by 8.9 percent to EUR 28.5 billion, while liabilities to domestic credit institutions (excluding Savings Banks) increased by 0.8 percent to EUR 194.3 billion. The high increase from the previous year, which was primarily attributable to the expansion of the “Targeted Longer-Term Refinancing Operations III” with the ECB, was not repeated. Liabilities to foreign banks increased by 6.7 percent to EUR 40.5 billion (previous year –39.4 percent).

In contrast to the previous year, the Landesbanken showed an increase in the portfolio of securitised liabilities in 2021. The portfolio increased by +3.2 percent to EUR 175.5 billion. In the previous years, the Landesbanken had recorded declines in this form of refinancing, some of which were substantial.

Equity

The balance sheet equity of the Landesbanken increased slightly by 0.8 percent from EUR 44.4 billion to EUR 44.8 billion in 2021. The majority of institutions were able to strengthen this balance sheet item.

15.9%
CORE CAPITAL RATIO OF THE LANDESBANKEN

The regulatory core capital of the Landesbanken calculated on the basis of the CRR/CRD IV decreased slightly by 0.2 percent to EUR 43.3 billion at the end of 2021 (end of 2020: EUR 43.4 billion). The total risk contribution (counterparty risks, market risk positions and other risks) was moderately increased by 0.7 percent to EUR 273.2 billion (end of 2020: EUR 271.2 billion). As a result of these two developments, the core capital ratio according to CRR/CRD IV of the Landesbank Group decreased by 0.1 percentage points and amounted to 15.9 percent at the end of 2021 (end of 2020: 16.0 percent).

Banking supervisory ratios of the Landesbanken in accordance with CRR

	2021 in %	2020 in %	Change in % points
Core capital ratio	**15.9**	16.0	–0.1
Common equity ratio	**15.1**	15.2	–0.1
Total capital ratio	**20.4**	20.5	–0.1

The Landesbanken have managed to rescale and realign themselves in the wake of the financial market crisis. Risk assets were reduced in a targeted manner and the capital ratios were further expanded. As a result, the Landesbank Group has a solid core capital base.

Profitability[1]

As in the previous year, the Landesbanken were again able to generate a higher operating result in the reporting year 2021, increasing by almost 36 percent in 2021. This strong increase can be attributed to the following developments: The Landesbanken recorded increases in both net interest income (EUR +0.3 billion to a level of EUR 6.7 billion) and net commission income (EUR +0.2 billion to EUR 1.6 billion). Net income from financial transactions was almost twice as high as in the previous year, increasing by EUR 0.4 billion.

Selected balance sheet items of the Landesbanken (including DekaBank)*

	As at year-end 2021 EUR billion	As at year-end 2020 EUR billion	Change in %
Loans and advances to banks (MFIs[1])	**161.1**	195.9	–17.7
Loans and advances to non-banks (non-MFIs)	**403.8**	375.6	+7.5
Liabilities to banks (MFIs)	**263.3**	261.9	+0.5
Liabilities to non-banks (non-MFIs)	**271.3**	264.6	+2.6
Balance sheet total	**857.7**	857.4	+0.0

* excluding Hamburg Commercial Bank (formerly HSH Nordbank).
[1] Monetary Financial Institutions.

The development of administrative expenses, which increased by almost EUR 0.3 billion compared with the previous year to reach a level of EUR 6.7 billion in 2021, had a negative impact on earnings. This was largely due to higher operating expenses.

Overall, the Landesbanken achieved an operating result before valuation of EUR 2.6 billion in 2021 (previous year: EUR 1.9 billion). The cost-income ratio[2] of the Landesbanken improved significantly to 72.2 percent (previous year: 77.2 percent) as a result of the earnings development outlined above.

A relief effect followed in 2021 from the valuation result: In the reporting year, the Landesbanken generated valuation income of around EUR 0.1 billion, which slightly increased the annual result for the Landesbank Group. In contrast, a valuation expense (EUR 0.8 billion) was incurred in 2020 as a result of the Corona pandemic. The Landesbanken had already made increased risk provisions for the lending business at an early stage. The high burden of the previous years was due in particular to the adjustment of one institution's loan portfolios due to the impact of the shipping crisis.

[1] Source: German Commercial Code, individual financial statements of the Landesbanken (including DekaBank) excluding Hamburg Commercial Bank (formerly HSH Nordbank), which left the protection scheme at the end of 2021. Previous year's figures have been adjusted.
[2] Administrative expenses in relation to operating income (sum of net interest income, net commission income, net income from financial transactions and other operating income).

As in the previous year, the result of the "extraordinary account"[1] was negative in 2021 and reduced earnings by EUR 1.1 billion. The result from the valuation and financial investment business was clearly negative in the reporting year with a net valuation expense of EUR 1.0 billion, and was slightly relieved by the extraordinary result. However, allocations to the fund for general banking risks are also posted under the result from valuation and financial investment securities.

The Landesbanken generated a positive pre-tax profit of EUR 1.6 billion in fiscal year 2021. In the previous year, however, the net income before taxes amounted to EUR 0.1 billion. After deducting profit-related taxes, the Landesbanken closed the 2021 financial year with a net profit after taxes of EUR 0.8 billion. In 2020, the Landesbanken had recorded a net loss after taxes of just under EUR 0.1 billion.

Selected items of P&L account of the Landesbanken (including DekaBank)*

	2021[2] EUR billion	2020 EUR billion	Change in %
Net interest income	**6.681**	6.381	+4.7
Net commission income	**1.573**	1.379	+14.0
Net income from financial transactions	**0.886**	0.456	+94.3
Administrative expenses	**6.721**	6.471	+3.9
Operating result before valuation	**2.589**	1.911	+35.5
Valuation result (excluding equity interests)	**0.053**	–0.776	–[4]
Operating result after valuation	**2.642**	1.135	> +100
Balance of other and extraordinary income/expenses[1,3]	**–1.081**	–1.017	+6.2
of which: Withdrawals from (+)/allocations to (-) the fund for general banking risks in accordance with Section 340g of the German Commercial Code	–0.376	–0.424	–11.3
Net profit before taxes	**1.561**	0.117	> +100
Profit related taxes	**0.749**	0.185	> +100
Net profit after taxes	**0.813**	–0.068	–[4]

* excluding Hamburg Commercial Bank (formerly HSH Nordbank).
[1] The allocations to the fund for general banking risks in accordance with Section 340g of the German Commercial Code are taken into account here – as in the "original" income statement in accordance with the German Commercial Code – as expenses reducing the annual result; accordingly, withdrawals from this fund are treated as income increasing the annual result.
[2] Preliminary figures from partially unaudited annual financial statements according to the German Commercial Code, rounding differences possible.
[3] This includes the balance from profits from the sale of financial investments and securities held as fixed assets, write-downs on/write-ups to financial investments and securities held as fixed assets as well as changes in the fund for general banking risks in accordance with Section 340g of the German Commercial Code (allocations to the fund for general banking risks with a negative sign, withdrawals from this fund with a positive sign).
[4] Calculation not meaningful.

Business performance of the Landesbausparkassen

The Group of eight Landesbausparkassen again achieved a solid result in the 2021 financial year. The construction financing business benefited from the continuing high demand for loans for both new construction and the acquisition of existing properties, which is often accompanied by investments in renovation and modernisation – increasingly in the form of energy-efficient refurbishment. Overall, home loan and savings funds in the amount of EUR 9.2 billion flowed into the housing market. This means that the LBS Group was even able to slightly exceed the high level of the previous year by 0.3 percent. The portfolio of building loans climbed to EUR 34.1 billion; an increase of 5.1 percent on the previous year.

[1] Balance of other and extraordinary income/expenses. In contrast to the income statement statistics of the Deutsche Bundesbank, allocations to and withdrawals from the fund for general banking risks pursuant to Section 340g of the German Commercial Code are also included in the "extraordinary result".

New savings contracts have not yet returned to pre-Corona levels: the volume of newly concluded building savings contracts reached EUR 25.8 billion, down 6.3 percent on the previous year. The average building savings sum climbed to a new high of around EUR 57,000 (+3.8 percent). This shows that people are adapting their savings behaviour to the steadily growing need for equity as a result of property prices, which have been rising significantly for years.

The “Bausparkassen der Sparkassen” (Savings Banks’ building societies) are the undisputed market leaders in the home loan and savings business in Germany. They have a market share of 34.2 percent in terms of the number of new contracts concluded in 2021 and 35.8 percent in terms of total home savings. Regarding the number of existing contracts, LBS has a market share of 35.3 percent (number of contracts) and 33.4 percent (total home loan savings). In residential Riester business, LBS’s market share is 45.0 percent, corresponding to around 776,000 contracts for a home loan and savings total of EUR 35.1 billion (–4.3 percent).

At year-end 2021, the eight Landesbausparkassen held a total of 8.4 million home loan and savings contracts (–5.3 percent) for their 7.5 million customers with a volume of EUR 305.1 billion (–0.5 percent).

The Landesbausparkassen have 526 advisory centres; the number of office and field staff is 6,632. At EUR 75.1 billion (+0.9 percent), the cumulative total assets of the LBS Group reached a new high at the end of 2021.

Business performance of the Landesbausparkassen

	2021	2020	Change in %
New contracts			
Number (millions)	**0.45**	0.50	–9.7
Building savings sum (EUR billion)	**25.8**	27.5	–6.3
Contract portfolio			
Number (millions)	**8.44**	8.90	–5.3
Building savings sum (EUR billion)	**305.1**	306.6	–0.5
Cash inflow (EUR billion)			
Total	**11.2**	11.0	1.0
of which savings contributions	8.6	8.4	2.7
New capital commitments (EUR billion)	**12.3**	12.2	0.7
Capital disbursements (EUR billion)	**9.2**	9.2	0.3
Total assets (EUR billion)	**75.1**	74.5	0.9
Net income after taxes (EUR million)	**33.2**	29.6	12.1
Employees (including field staff)			
Total	**6,630**	6,791	–2.6
of which apprentices	138	154	–10.4
			Change in %-pct.
Market shares (number of contracts)			
New contracts	**34.2**	33.6	0.6
Contract portfolio	**35.3**	35.5	–0.2

Responsibility and social commitment

Together, we have managed the enormous challenges of the Corona pandemic well. Social and economic changes continued to have a strong impact on human resources management in the Savings Banks Finance Group in 2021. Staff restructuring, branch closures and mergers in the banking and financial sector characterised the entire year. A look at the workforce figures shows that the consolidation process has continued this year.

Our employees are the key to our success.
Our employees are and will remain our most important link to our customers. They represent our brand message “Understanding people, providing security and thinking about the future” as the special self-image of the Savings Banks Finance Group throughout Germany. However, these values not only influence our dealings with customers, but also have an internal impact. Despite the slight decline in the number of employees, the Savings Banks Finance Group is one of the most important employers and trainers in the Federal Republic of Germany with 276,300 employees. 194,937 people worked for a Savings Bank in 2021. Increasingly, the focus is also on the question of how new areas of business and earnings can be developed while at the same time adjusting the workforce, or in other words: “Targeted investment in personnel with consistent management of personnel costs”. This is also an aspect that plays an important role in the “Human Resources Strategy Update” project launched in 2021. The project is designed to develop a concept on how Savings Banks can align their human resources strategy on an evidence-based basis. Evidence-based means that decisions are made on the basis of empirical data. For HR work, this means working with key figures and thus being able to make well-founded strategic decisions for the respective institution.

The Savings Banks Finance Group is an attractive employer.
The Savings Banks Finance Group is an attractive employer for junior staff and experienced professionals alike. Employer attractiveness is of the greatest importance to us in terms of human resources strategy. We focus on people, because our employees are what make us what we are. Apprentices continue to form the next generation of employees in our Group. Our excellent image as an employer has a positive effect on the recruitment of junior staff. The technical optimisation of the Savings Banks Finance Group’s career portal for mobile use by smartphones meets the expectations of the young target group. We regularly invest in the further development of our employer presence in terms of content and technology.

Even during vocational training, it is important to the institutions of our Group to offer the young apprentices security and perspective, as well as interesting and flexible areas of work. There is an impressive range of approaches in our training companies on how to promote and use the trainees’ personal responsibility and wealth of ideas: from self-organised introductory weeks and community service projects to social media editorial offices and trainee branches. These trainee branches create an environment in which the fresh ideas of the young talent are introduced and immediately put into practice. In this way, the junior staff experience real recognition for their ideas, they enjoy a feeling of appreciation and know that they have really arrived at the company. Learning opportunities abroad further enhance the attractiveness of vocational training for apprentices and those with professional qualifications.

Changing customer behaviour and advancing digitalisation require a significantly more differentiated approach to the market. Sales channels with new roles and tasks are emerging, and processes, personnel structure and management are being adapted. With a view to these challenges, we have also placed the focus in 2021 on the fields of action "strengthening employer attractiveness, expanding digital competences and training in sustainability issues to ensure the quality of our employees".

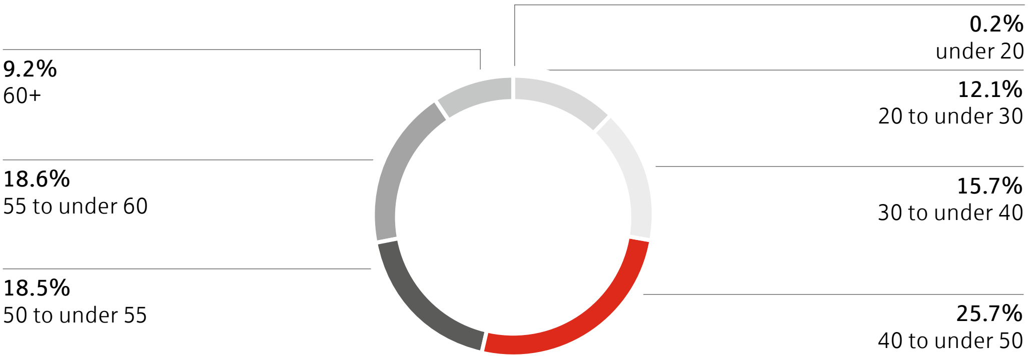
A good work-life balance for employees is vital to the institutions of the Savings Banks Finance Group. To this end, we offer flexible models for work location and working hours, professional career development and a wide range of support services for a better work-life balance. During the Corona crisis, our institutions also impressively demonstrated their flexibility. The switch to mobile and digital working was accomplished in a remarkably short time.

Excellent vocational training and further education opportunities.
In 2021, 4,376 young people started their vocational training at a Savings Bank. This is a decrease of 7.0 percent compared to the previous year due to the impact of the Corona crisis on the recruitment process. With 15,360 trainees, the Savings Banks Finance Group as a whole remains the largest provider of training in the German banking industry and one of the largest nationwide. Our broad commitment to training is part of the Savings Banks Finance Group's social responsibility. We provide training with the future in mind. This pays off: Savings Banks trainees regularly pass their Chamber of Industry and Commerce examinations at the top of their class and receive prestigious awards in their region as well as at state and national level. The take-up rate in 2021 increased by 8.2 percentage points over the previous year and was an impressive 87.8 percent.

Dual vocational training, in which practical learning in the training company is complemented by instruction in vocational school, is typical for the majority of apprenticeships. Most trainees aim to graduate with a qualification in banking. In 2019, experts from both the employer and employee sides drew up new training regulations for the occupational profile of banker. We in the Savings Banks Finance Group have taken the changed requirements for working in a Savings Bank and the reorganisation procedure as an opportunity to develop modular solutions – concepts, instruments and digital tools – for modernising training in the nationwide project "Bankausbildung" (bank training). In a further step, we have taken a close look at the interface between the completion of training and employment, with the aim of attracting employees to the Savings Bank and retaining them. Further concepts were developed to cushion the transition to employment and to take the young employees with us into this new phase. All results were handed over to the institutions for implementation in 2020 and 2021.

After graduating from school, many young people are looking to pursue a dual course of study as a combination of vocational training and university studies. Within the Savings Banks Finance Group, their University of Applied Sciences (Hochschule für Finanzwirtschaft und Management) offers a dual course of study. This programme is in line with the increasing demand for highly qualified specialists and managers, which is also a result of our "Sales Strategy of the Future".

Savings Banks employees: Age structure[1]
As at: 31.12.2021



[1] Active banking employees (headcount data).
Demographic ratio: 0.44 (ratio of under 30-year-olds to over 55-year-olds)

A look at the changing age structure shows how essential the issues of maintaining job satisfaction and succession planning will be in the future. Differentiated qualification programmes for all groups of the workforce are therefore crucial. It is the aim of the education service providers at the Savings Banks Finance Group to develop these measures together and to offer targeted training programmes.

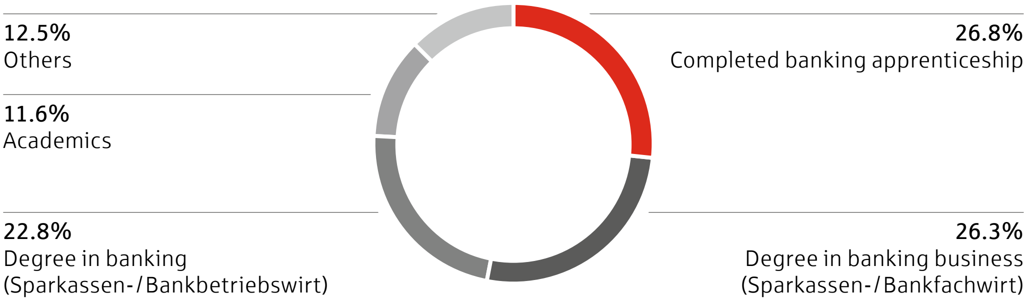
Increasing the proportion of women in leadership positions remains a key development goal for the entire Group. The measures implemented nationwide to date were again supplemented in 2021 by scholarship and mentoring programmes for more women in management positions. Overall, we have intensified the discussion within the Savings Banks Finance Group and have been able to achieve a slight increase in the proportion of female managers below board level to 27.5 percent (previous year 27.4 percent). The proportion of women on management boards fell slightly to 5.8 percent in 2021 (previous year 5.9 percent).

Managing the necessary transformation processes through targeted HR development.
Managing the transformation processes triggered by the change in values and culture, demographic development and digitalisation is a top priority for the institutions of the Savings Banks Finance Group. To support this, implementation recommendations for talent management and change management in sales have been made available nationwide.

The overall transformation of the world of work increases the need for continuing vocational education and training. There is a need for new formats of continuing education and an alignment of further vocational education and training with the newly emerging framework conditions.

A key factor in the success of the Savings Banks Finance Group is its internal training system. The Savings Banks Finance Group offers its employees high-quality and attractive career prospects, from career entry to management positions or demanding specialist roles. The Group-wide education structure with nine regional academies as well as the Savings Banks Finance Group's University of Applied Sciences for Finance & Management in Bonn comprehensively supports these development opportunities and imparts both the required specialist knowledge and the necessary skills and competences for each career stage.

Savings Banks employees: Qualification structure[1]
As at: 31.12.2021



[1] Active banking employees (headcount data).

The business model of the Savings Banks Finance Group focuses on providing holistic advice to our customers with the goal of achieving a high level of customer satisfaction and sustainable customer relationships. We offer our customers all paths for advice – be it in the branch, online or mobile. Due to Corona, there was a significant shift towards online contact in 2021. It is important to us to maintain the human proximity that distinguishes us from our competitors, despite the necessary changes to the branch structure. To ensure this, we continue to place particular emphasis on the qualification of our employees for cross-channel customer service. The academies' range of qualification programmes addresses this need to adapt and systematically develop employees' skills. This constantly gives rise to new digital education formats that can be held as seminars in the academies, but equally online or as in-house seminars directly in the institutions.

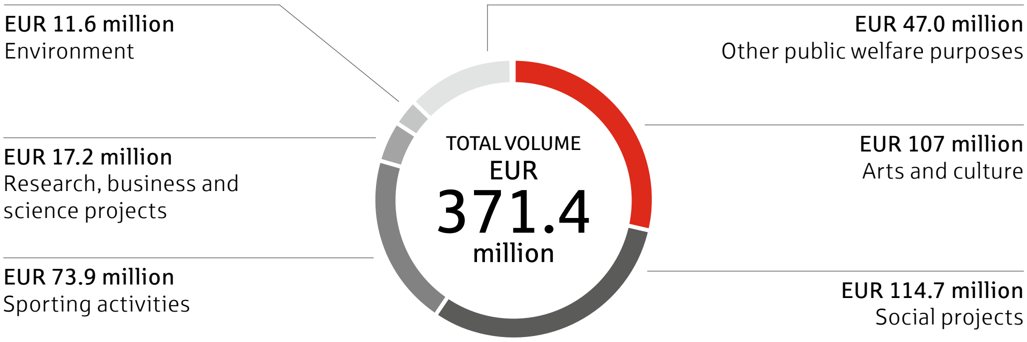
The subject of "sustainability" has become increasingly important for our customers as well as for our employees. For this reason, we continued to offer qualification programmes on the sustainability aspects "environment, social affairs and corporate governance" in 2021.

Broad-based social commitment strengthens public welfare

Savings Banks, Savings Banks Foundations, Landesbanken and S-Group partners shape local social interaction in a variety of ways. In 2021, the Savings Banks Finance Group invested around EUR 371 million in public welfare projects (previous year: EUR 363.7 million).

The consequences of the Corona pandemic have affected the social commitment of the Savings Banks Finance Group for the second year in a row. Due to the cancellation of numerous events and funding projects in the areas of culture and sport, which continue to be severely impacted, the funding amounts in these areas also declined in 2021. However, on the basis of a common philosophy among the institutions of the Savings Banks organisation with the aim of supporting their funding partners despite the difficult situation, it was possible in many cases to find solutions for support even during the pandemic.

Social commitment of the Savings Banks Finance Group
As at: 31.12.2021



Art and culture

The promotion of art and culture is an integral core element, firmly anchored in the social commitment of the Savings Banks Finance Group. In 2021, the Savings Banks Finance Group supported art and culture with a total of EUR 106.9 million (previous year: EUR 108.7 million). Projects were supported nationwide and long-standing cooperations were continued, such as the commitment as the main sponsor of the Dresden State Art Collections.

Social commitment

The Savings Banks are involved in a large number of projects for children, young people and senior citizens. Their support services are provided to society at large and include social advice centres, neighbourhood homes and integration projects for immigrants. Social commitment is the largest area of support provided by the Savings Banks Finance Group, with contributions totaling EUR 114.7 million in 2021 (previous year: EUR 106.5 million).

Sport

The Savings Banks Finance Group promotes all areas of sport. The majority of the support benefits clubs in all regions of Germany. One example of this is the commitment to the German Sports Badge, which includes participation in the Sports Badge Tour as well as the annual Sports Badge Competition. In addition, top-level, junior and disabled sports are also supported, for example through the partnership with Olympic Team Germany and Team Germany Paralympics as well as through their sponsorship of elite sporting schools.

In 2021, sports and members of sports clubs received EUR 73.9 million in support (previous year: EUR 76.5 million). 30 foundations of the Savings Banks Finance Group exclusively or primarily promote sport.

Environment

Savings Banks also take responsibility in the area of the environment. They are committed to environmental and climate protection in their business areas in a variety of ways. A large number of local environmental organisations can count on the support of the Savings Banks. The programme of support also includes selected ecological projects at schools. The funds spent on these projects amounted to around EUR 11.6 million in 2021 (previous year: EUR 8.3 million).

Education

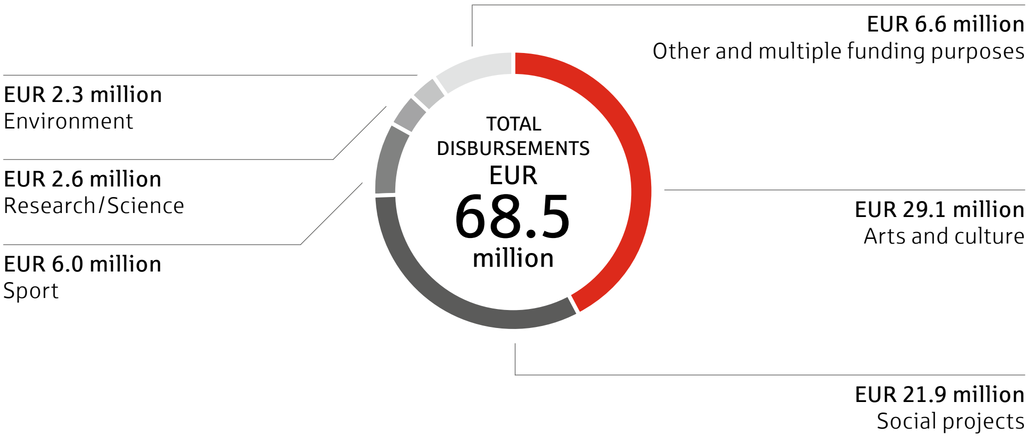
Promoting education and integration is a central element of the Savings Banks Finance Group's commitment to sustainable social development. In 2021, EUR 17.3 million (previous year: EUR 19.0 million) was invested in research, business and science promotion projects. Throughout Germany, Savings Banks are committed to ensuring that all sections of the population benefit from social life and can develop personally in their environment. They invest in financial education from an early age and offer, for example, teaching materials on economic and financial topics through the "SparkassenSchulService" (Savings Banks School Service). In the non-school sector, the Savings Banks Finance Group's "Geld und Haushalt" (Money and Budgeting) advisory service supports all consumers with free products to strengthen financial literacy and prevent debt.

Foundations

The charitable foundations of the Savings Banks Finance Group continue the funding and donation commitment of the Savings Banks, Landesbanken and other institutions of the Savings Banks Finance Group in a particularly sustainable form. In 2021, there were a total of 760 foundations in the Savings Banks Finance Group (previous year: 769). They contribute to regional development and support local civic engagement. At the end of 2021, they had a total capital of EUR 2.76 billion (previous year: EUR 2.72 billion). Last year, with distributions of EUR 68.5 million (previous year: EUR 63.9 million), the Savings Banks Foundations accounted for 18.4 percent of the total commitment of the Savings Banks Finance Group.

The Savings Banks Finance Group reports on its social commitment regularly at:
dsgv.de/unsere-verantwortung

Disbursements by the Foundations of the Savings Banks Finance Group in EUR million
As at: 31.12.2021



German Sparkassenstiftung for International Cooperation

The German Sparkassenstiftung (Savings Banks foundation) actively supports financial institutions that promote sustainable economic and social development at local, regional or national level through needs-based banking. Its aim is to enhance the professionalism of its partner institutions so that they can offer their customers ongoing access to financial services. Small and medium-sized enterprises (SMEs) in particular, but also poor and marginalised social groups are the target groups of the German Sparkassenstiftung's partner institutions.

By strengthening local and regional financial structures, the German Sparkassenstiftung not only creates development alternatives for broad sections of the population and local businesses, but ultimately also helps to generate jobs and income. In doing so, it also helps to promote financial education and support training and human resources development in its worldwide projects (e.g. the introduction of dual training systems in the microfinance sector in Latin America).

This is in line with the approach and objectives of the German Savings Banks; it has a stabilising effect on the respective financial sector and thus on a country's economic development. The more than 200-year history of the Savings Banks in Germany shows that sustainable microfinance is only possible with efficient organisation and professionalism – these are the key success factors that the German Sparkassenstiftung passes on to its partners worldwide through its projects.

Business games as a success factor for financial education

The German Sparkassenstiftung's Business Games are an important success factor for financial education worldwide. The Sparkassenstiftung's programme comprises four Business Games, including three haptic and one computer-based Business Game. All Business Games can be conducted virtually or on site in the project countries. Since 2019 alone, more than 3,000 events have been held with the Business Games, not only reaching small and micro entrepreneurs and schoolchildren, but also farmers and many more people in more than 50 countries. 134,000 participants worldwide have taken part in the Business Games to date – and the trend is upward.

↘ Sparkassenstiftung.de

Around 200
Number of other experts on assignment abroad

42
Staff in the Bonn office

Project volume 2021
36.1
million euros

390
Employees worldwide

59
Project countries

1 goal
Sustainable development through financial inclusion

Risk report

The institutions of the Savings Banks Finance Group have performed well despite the ongoing Corona crisis, the increasing competition and the persistent low and negative interest rate phase. Numerous new regulatory initiatives were advanced in 2021. One area of focus is the publication of the drafts of the EU banking package on 27 October 2021. With this package, the EU Commission has presented drafts for amending the Capital Requirements Directive and Regulation (CRD VI and CRR III). This is intended to complete the implementation of Basel III in the EU. The banking package also contains provisions aimed at strengthening the banking sector's resilience to environmental, social and governance risks (ESG risks[1]).

The issue of sustainability and the associated risks are increasingly becoming the focus of the institutions' risk management, partly due to the regulatory initiatives in this area. In July 2021, the DSGV initiated a project for the structured processing of regulatory requirements relating to sustainability. The emphasis is on reporting issues, such as the implementation of EU taxonomy in Savings Banks, as well as the integration of sustainability risks, which act as risk drivers on traditional financial risks, into risk management.

Another important development in 2021 is the 6th MaRisk amendment. BaFin published the final version of the circular on 16 August 2021. Among other things, the MaRisk amendment implements the EBA guidelines on the management of non-performing and deferred risk exposures (EBA/GL/2018/06) and the EBA guidelines on outsourcing (EBA/GL/2019/02). With the MaRisk interpretation guide, the DSGV provides the institutions of the Savings Banks Finance Group with detailed, principle-oriented guidance on the interpretation of the requirements set by the MaRisk.

Due to the persistently high number of new regulatory requirements for bank management, Sparkassen Rating und Risikosysteme GmbH (SR) provides centralised support for the regional Savings Banks in their operational implementation.

Risk management by the institutions of the Savings Banks Finance Group
The identification, control and management of general banking risks is one of the core tasks of a credit institution. The main risks of credit institutions include:

→ Counterparty risks

→ Market price risks

→ Liquidity risks

→ Operational risks

The institutions of the Savings Banks Finance Group manage the income and risks associated with their business activities in a professional and forward-looking manner. Changes in the market environment and new regulatory requirements necessitate the further development of methods, models and instruments for risk management.

[1] ESG risks and sustainability risks are used synonymously.

The DSGV, SR and the Regional Savings Banks Associations are constantly developing, maintaining and improving the instruments and methods in close cooperation with the institutions. This has numerous advantages, including

- creating practice-oriented and uniform standards throughout the Savings Banks Finance Group,
- establishing a broad database through nationwide data pooling based on these standards,
- relieving the burden on individual institutions and the avoiding duplication of work,
- pooling the entire know-how of the Savings Banks Finance Group.

Irrespective of the development of uniform procedures across the entire Savings Banks Finance Group, decisions on transactions and the associated risks, such as customer product design or own investment policy, remain with each individual institution. This also applies to the definition of the individual risk profile at overall institution level and the use of risk quantification procedures.

Categories of general banking risks

Counterparty default risks	– Risk of a negative deviation from the expected value of a balance sheet or off-balance sheet position caused by a deterioration in creditworthiness, including the default of a debtor. The counterparty risk is divided into the default risk and the migration risk of a debtor. Debtors in customer business within the meaning of this definition are borrowers, i.e. traditional private, commercial and corporate customers, credit institutions (interbank), federal states and the public sector. Debtors in proprietary business are any counterparties or issuers.
Market price risks	– Risk of a negative deviation from the expected value or the current market value of a balance sheet or off-balance sheet position resulting from changes in risk factors (interest rates, spreads, currencies, shares, commodities, real estate, volatility and option risk).
Liquidity risks	– Liquidity risk is generally composed of insolvency risk and refinancing cost risk. The liquidity risk also includes the market liquidity risk in both components defined below. This is the risk that, due to market disruptions or insufficient market depth, financial securities cannot be traded on the financial markets at a certain time and / or at fair prices. – Insolvency risk: Risk of not being able to meet due payment obligations in full or on time. – Refinancing cost risk: Risk of a decline in the market value of a bank resulting from a change in refinancing conditions.
Operational risks	– Risk of damage occurring as a result of the inadequacy or failure of internal procedures, employees, internal infrastructure or as a result of external influences, including legal risks.
Other risks	– Depending on the individual business model, Savings Banks may be subject to further risks, such as cost risk. The cost risk is the danger that the realised costs exceed the planned costs. It can materialise, for example, through a collective agreement that deviates from expectations.

Jointly developed procedures are used by individual institutions to measure risks, to aggregate them in the risk-bearing capacity, to manage the portfolio and for capital allocation to optimise their risk / return ratio. Due to the large number of individual decisions, the Savings Banks Finance Group as a whole remains very well diversified.

Risk management methods are optimised on an on-going basis within the Savings Banks Finance Group.

Ensuring risk-bearing capacity

For many years, the institutions of the Savings Banks Finance Group have used procedures and IT instruments in risk management to determine internal capital (risk coverage potential) on the one hand and risk on the other. The combination and thus comparison is carried out within the framework of risk-bearing capacity (RBC). Here, centrally developed concepts are available to the institutions that combine the various procedures and methods and embed them in a risk limitation at the level of the entire institution as well as the individual risk types.

Savings Banks generally pursue a going-concern approach[1], which complies with the previous national requirements for risk-bearing capacity. For Landesbanken, however, the ECB guideline on ICAAP applies as the basis for their own risk-bearing capacity concepts. The management methods anchored in the risk-bearing capacity concepts of Savings Banks and Landesbanken aim to ensure both the long-term continuation of the individual institutions and the protection of creditors.

The S-KARISMA/S-RTF software, which was jointly developed in the Savings Banks Finance Group, supports the institutions on the IT side from data bundling in risk management to scenario calculations to regulatory reporting for risk-bearing capacity. The individual risk values and hence the capital and asset requirements resulting from the business structure of the individual Savings Bank flow into this. Since mid-2016, SR has taken over the support and further development of the S-RTF software.

In the risk-bearing capacity calculations of the institutions, the risks are compared with the capital figures and the risk coverage potential in order to ensure coverage at all times. The institution-specific overall risk and the individual risk types below it are subject to a limit, which enables a timely response. Not all of the risk coverage potential is used, which means that reserves are kept for potential additional burdens.

The institutions of the Savings Banks Finance Group carry out capital planning processes in order to recognise the development of the capital figures or the risk coverage potential and the future scope at an early stage. Should measures be necessary in the area of capitalisation and in the development of results, these can thus be initiated at an early stage. In addition, dedicated planning of own funds and own funds requirements ensures a high level of transparency regarding the scope for own funds. A targeted and cautious use is thus made possible. Here, S-KARISMA/S-RTF is also used in Savings Banks as a close link is required between risk-bearing capacity and result planning.

The results planned for the next few years and their retention will allow the Savings Banks and Landesbanken to successively expand their risk coverage potential and their own funds. This will enable ongoing growth in the lending business, which increases the minimum capital requirement. Potential burdens from unfavourable macroeconomic developments can thus also be taken into account at an early stage in the planned earnings, capital and risk planning and adequate measures can be prepared if necessary.

The national supervisory authority published revised regulations on risk-bearing capacity on 24 May 2018, whereby existing risk-bearing capacity concepts could continue to be used. In 2021, the banking supervisory authority announced that it would only accept the previous going-concern concepts until the end of 2022. In the Savings Banks Finance Group, the necessary measures were initiated at an early stage to efficiently implement the new regulations (normative and economic perspective) in all institutions. The Savings Banks are currently in the process of rolling out the technical/methodological and system-related central solutions for risk-bearing capacity. Some large Savings Banks are already applying the new risk-bearing capacity methodology. The methodological changeover will be accompanied by the introduction of new and adapted systems for risk measurement/management, both for the individual risk types and the RBC as a whole. Furthermore, a

[1] Continuation approach.

central data pool is being established in the form of the integrated data budget (IDH), which will advance the automation of bank management and facilitate both internal Savings Bank and regulatory analyses.

Since 2016, the German supervisory authority has regularly defined new capital requirements and expectations for individual institutions through the so-called SREP surcharges[1] and the capital target ratio, which are to be taken into account both in the ongoing capital adequacy as well as in the risk-bearing capacity and capital planning.

With the SREP surcharges, the supervisory authority intends that such risks are to be backed with own funds that are identified in the risk-bearing capacity and backed with capital, but are not or not sufficiently taken into account in the own funds requirements of Basel Pillar 1.

The capital target ratio indicates how much additional capital an institution should hold from a regulatory perspective so that it can meet the SREP total capital requirement at all times, i.e. also in stress phases. For the majority of Savings Banks, this results in no or only low additional capital expectations.

Ensuring solvency
The equity base of the Savings Banks remained extremely solid in 2021. The Common Equity Tier 1 capital ratio was 15.6 percent as at 31 December 2021, while the total capital ratio reached 16.7 percent.

On average, the Savings Banks thus clearly exceed the Basel capital requirements of 4.5 percent for the hard core capital and 8 percent for the total capital ratio, which have been in force since 1 January 2014. The capital adequacy also covers the capital conservation buffer (2.5 percent), which increases the minimum values for the hard core capital according to Basel III to 7 percent and the total capital ratio to 10.5 percent. Also covered are the SREP surcharges and the own funds target ratio.

The Landesbanken (individual institution level), including DekaBank, had an average Common Equity Tier 1 capital ratio of 15.1 percent at the end of 2021. The total capital ratio is 20.4 percent on average.[2]

Management of individual risk types
Increased regulatory requirements for risk reporting make it necessary to establish principles for data management, data quality and aggregation of risk data.

Together with Finanz Informatik, SR ensures that the regulatory and business requirements are taken into account in the joint data budget of the Savings Banks Finance Group.

Earnings and risk management is always caught between economic market conditions, the regulatory framework and changing customer expectations. This is why it is a particular focus of the Savings Banks in the current interest rate situation. The management of counterparty risk enjoys special attention, as this type of risk has a major influence on the risk-bearing capacity of the institutions and the stability of their results. However, comprehensive procedures for risk measurement and management sustainably secure the lending capacity of the Savings Banks and Landesbanken.

[1] Supervisory Review and Evaluation Process
[2] The ratios apply to the Landesbank Group (excluding Hamburg Commercial Bank/formerly HSH Nordbank, which left the protection scheme at the end of 2021).

Risk classification tools

For corporate customer business: Savings Banks Standard Rating	– The Savings Banks Standard Rating is used for commercial customers of the Savings Banks. The creditworthiness assessment is carried out in a modular structure, i.e. it is first checked which information on a company is known to the Savings Bank/Landesbank and can be included in the determination of the rating grade. This information is subdivided as follows: – Evaluation of the annual financial statement or the income statement – Qualitative rating, i.e. assessing the qualities of the company and the entrepreneur or the managing director, – Taking into account existing business relationships with the customer, such as their account behaviour, – Potential downgrades due to warning signals regarding an impending corporate crisis, – Taking into consideration third-party creditworthiness influences (cross-guarantee systems) in the case of an existing “parent-subsidiary relationship”. – From a released rating, a strength-potential profile of the customer can be automatically generated, which can be used for customer communication. – For customers with low exposure, an automated procedure based primarily on account data is available to the institutions for ongoing credit assessment, as well as a simplified risk classification procedure for applications (customer compact rating).
For commercial real estate investments: Savings Banks Real Estate Business Rating	– The Savings Banks real estate business rating assesses the creditworthiness of real estate customers. Quantitative indicators, such as balance sheets, as well as qualitative factors, such as the expected business development, are used for the assessment. As a key risk driver, the property that is to be financed or has already been financed is assessed with the help of property-specific information and ratios. The focus is on checking whether the repayment of the loans from the rental income or the proceeds from the sale of the property is likely in the coming years. – In order to ensure the most realistic representation possible, all available information is weighted accordingly and combined into a rating grade for the client.
For private customer business: Savings Banks Customer Scoring	– The Savings Banks Customer Scoring is the risk classification procedure for private customer business. It enables the customer advisor to objectively assess the creditworthiness of a new customer as well as an existing customer with as much creditworthiness-relevant information as possible when applying for a loan. – With this instrument, the institutions also receive an automated portfolio monitoring of their retail exposures and thus a tool with which risks can be identified in good time.
For investments in renewables: Project Financing Rating	– The project financing rating is a tailored procedure for financing renewable energies (wind, photovoltaics, biogas/biomass). The loan commitment is primarily based on the cash flows generated from the operation of the plant. Accordingly, it is not the asset situation of the equity provider (also called sponsor) that forms the core of the risk, but the project performance. – Since the project company is to be analysed in its entirety, qualitative factors – such as the expertise of those involved in the project, information on the project environment and the contractual arrangements – are also included in the valuation process.

In addition, SR, together with Savings Banks and regional associations, has developed a standardised procedure model for conducting the risk inventory, including central recommendations for the criteria of the materiality assessment of the individual risks. It is validated annually by SR.

To support the risk management process of the Savings Banks, a risk manual is also available to the institutions to help keep a standardised eye on risks.

Managing counterparty risks

SR develops and maintains the necessary procedures for efficient and needs-oriented credit risk measurement of the Savings Banks together with representatives from regional associations, Savings Banks, Landesbanken, Landesbausparkassen and Finanz Informatik on the basis of data from the Savings Banks Finance Group. Accordingly, they are used throughout the Savings Banks Finance Group for the management of default risks.

The central maintenance and further development of the procedures by the SR ensure their high quality and uniformity. This ensures data protection-compliant work with the data of the Savings Banks and Landesbanken (data pooling), the annual qualitative and quantitative review (validation) as well as the regular supervisory review of the instruments.

The risk classification procedures, as shown in the table on page 71, relate to corporate lending, real estate and retail business.

Additionally, the institutions of the Savings Banks Finance Group have instruments for assessing creditworthiness for the fair calculation of creditworthiness premiums (risk costs) as well as for risk measurement (value-at-risk calculation) of the total loan portfolio. The calculated "fair" credit rating premium is also used for risk transfer between the institutions or within the framework of so-called credit pooling.

The Savings Banks Finance Group continually strives to increase the efficiency of its counterparty risk management and hence to generate more accurate forecasts. Because only the balance of accurate risk assessment and effective use of financial resources ensures fair conditions for customers.

In 2021, more than 324,000 commercial and corporate customers were classified in rating classes. In some cases, the ratings were carried out or updated several times. In total, there are more than 14.3 million commercial ratings in the data pool of the Savings Banks Finance Group. This data pool enables a high degree of reliability for the credit ratings and at the same time ensures the provision of qualified advice to the customer.

The common uniform rating procedures in the Savings Banks Finance Group offer the following advantages:

- a very broad database,
- high selectively of methods,
- an accurate and fair breakdown of our customers according to their creditworthiness,
- stable default rates,
- early and objective risk identification and
- centralised regulatory approval of the tools used to determine capital adequacy in accordance with the internal ratings-based approach.

All rating and scoring procedures are approved by the supervisory authorities and are regularly audited by the banking supervisory authority.

The models and methods for counterparty risk management of the Savings Banks take into account their heterogeneity in terms of the size of the individual institution as well as in the type, scope and complexity of the counterparty risk portfolio.

Thus, an ideal-typical counterparty risk management can be mapped over a total of five expansion stages.

In the context of the implementation

- the Savings Banks leverage synergies through the efficient use of risk measurement instruments and their integration into overall bank management,
- the Savings Banks optimise their equity utilisation by flexibly reducing and increasing counterparty risk positions,
- the Savings Banks create more scope for sales by clearly delineating responsibilities between sales, back office and portfolio management,
- the Savings Banks exploit growth opportunities in the lending business (including for new business) through the targeted management of concentration risks and the consistent use of risk management instruments,
- it is easier for the Savings Banks to find competitive conditions through improved risk structures in the loan portfolio.

By efficiently managing their loan portfolio, the Savings Banks are able to continue to grow sustainably in the lending business without overburdening themselves with the associated risk.

The portfolios of the Savings Banks Finance Group were also well positioned in the 2021 financial year. Overall, 61.9 percent of all corporate customers of the Savings Banks and Landesbanken had a rating in the so-called investment grade range (better than BBB-) and thus have a high credit quality. This value remained stable compared to the previous year.

Managing counterparty risk at portfolio level
In the financial year 2021, the Savings Banks in Germany were once again able to record an increase of 2.9 percent in lending (total new business customer loans excluding credit institutions). In order to remain able to act and compete in the lending business in the long term, Savings Banks comprehensively record the risks associated with lending and can manage these in a targeted manner by applying the eKRM (efficient credit risk management) management concept. Through active and efficient credit portfolio management, i.e. through the targeted optimisation of the income and risk situation of their credit portfolio, they are able to create competitive advantages for themselves. This ultimately leads to increases in efficiency and results. Especially in the low interest rate environment and after risk costs, the credit market and the customer lending business continue to be more profitable than the capital market business.

Diversification of counterparty risks:
Syndicated customer lending as an example
The classic syndicated loan business has already been used by the Savings Banks for many years. This includes not only loan or risk sharing with the respective Landesbank and association partners, but also increasingly the joint financing of larger customer loans by several Savings Banks. The form of this cooperation ranges from direct lending to loan sub-participation and indemnification.

Promissory note loans are also used by many Savings Banks for targeted investment in lending business with companies. All these instruments can be used both for hedging credit risks and for investing in credit risks.

The decisive factor is that customer responsibility remains with the lending Savings Bank. At the same time, however, the Savings Bank has “financing partners” at its disposal so that it can increase its leeway in the lending business through liquidity and equity relief. The systematic use of other Savings Banks, Landesbanken and alliance partners creates new opportunities for more credit growth, especially when accompanying the growth of large SMEs.

Tools for managing counterparty risk

Savings Bank Risk-Adjusted Pricing	– The risk-adjusted pricing procedure enables a credit institution to determine credit premiums on the basis of individual credit exposures and collateral provided. This avoids equal treatment of low and high risks. The creditworthiness premiums are included in the determining fair lending conditions and serve to cover expected losses from the lending business.
Savings Banks CreditPortfolioView	– CreditPortfolioView enables the Savings Banks and Landesbanken to identify, measure and provide an up-to-date view of the counterparty risks of a credit portfolio and of the Depot A. This is based on the P&L (periodically) and / or cash flow (value-oriented). CPV takes into account changes in creditworthiness and credit defaults of customers, issuers and counterparties in the corresponding macroeconomic scenarios.
Savings Banks Loss Data Collection	– The loss data collection is used to determine liquidation and recovery rates from the history of defaulted customers. The loss data is validated annually and integrated into bank management on the basis of institution or pool data via the RAP and CPV applications for managing counterparty default risk. Additional parameters are estimated from the validated pooled loss data of the Savings Banks Finance Group (e.g. to fulfil the hard test notification) and comprehensive reports are prepared.

Hedging counterparty risks:
Example of Savings Bank loan baskets
For some 17 years, the Savings Banks have had another efficient instrument at their disposal for hedging credit risks and managing concentration risks: Savings Banks loan baskets. In contrast to the syndicated loan business, they offer a way to synthetically hedge credit risks.

Designed like a “mutual insurance association”, participating Savings Banks contribute their hedging needs for the entire credit business relationships with larger customers to a basket twice a year and at the same time participate in the resulting diversified portfolio.

In the meantime, a good 40 percent of all Savings Banks have participated in at least one of the Savings Bank loan baskets, mutually hedging a total of almost EUR 7.2 billion. Here, too, the basic principle applies that the customer relationship remains with the lending Savings Bank, but at the same time it gains more leeway in the lending business with its existing customers and with new customers. In this way, the risk situation in the lending business can be managed in a targeted manner.

Managing market price risks
The starting point for market price risk management is the recording of the assets invested in this segment. The sum of these asset positions is subject to market price fluctuations, which can lead to either asset increases or asset decreases. The institutions of the Savings Banks Finance Group are supported by the DSGV, SR and the regional associations both in terms of the methodology for quantifying market price risks and optimising assets, as well as the technical implementation in dealing with these risks. Since the end of 2017, SR has offered the Savings Banks standardised parameters for quantifying interest rate, spread, equity and foreign currency risk and is consistently working on further improving the methods for market price risk management.

The interest rate risk is a key market price risk. This is presented in the Savings Banks Finance Group as value-at-risk (VaR) using the standard procedure of modern historical simulation. In this procedure, risks are directly related to possible earnings expectations.

For the management of interest rate risks, the institutions have instruments at their disposal which enable them to generate concrete control measures, taking into account the risk-bearing capacity required by supervisory law as well as internal economic and balance sheet limits. The continuous use of these procedures broadens the decision-making basis of the institutions, making it easier to derive effective measures for controlling the interest rate risk.

The management of interest rate risks is of major importance to the Savings Banks Finance Group, even in the persistently low interest rate environment, as

- the capital invested in the interest business accounts for a significant and strategic share of the total capital allocation in most institutions of the Savings Banks Finance Group,
- the intense competitive situation and the low interest rate policy of the European Central Bank permit only allow low margins and results from own investments contribute to the stability of the overall earnings situation,
- member institutions need to prepare themselves for a potential sustained rise in interest rates,
- new refinancing structures require the separation of refinancing and interest rate risk management,
- in the case of debt instruments, credit spreads and interest rate risks are linked more closely than before, and
- the supervisory authority focuses on interest rate risk, monitors it using standardised parameters and derives capital requirements on the basis of these parameters. Examples of this are the so-called SREP surcharge for interest rate risks and the determination of the capital target ratio from data of the LSI stress test.

The potential provided by interest rate risk management has been used across the board for years. Almost all Savings Banks have the necessary procedures and the associated technology. More than two thirds of the Savings Banks regularly report their interest rate risk to the DSGV on this basis.

Analysis of the Savings Banks' interest rate risks for 2021 show that the measures for managing interest rate risks are consciously adapted to the current market situation. The Savings Banks continued to generate solid earnings contributions in 2021, keeping net interest income largely stable. At the same time, the different risk appetites and interest rate expectations within the Savings Banks Finance Group ensure a very high level of diversification within the interest rate investments across the entire Group.

Managing liquidity risk

Liquidity risk is defined as insolvency risk and refinancing cost risk, each taking into account market liquidity risk. The latter is the risk that financial securities cannot be traded at a certain time and/or at fair prices due to market disruptions or insufficient market depth. Market liquidity risk focuses on the liquidity value of securities and the available refinancing capacity on the market.

The European liquidity coverage ratio "LCR" (Liquidity Coverage Ratio) was introduced on 1 January 2018, with a minimum compliance rate of 100 percent. This requirement was more than adequately met by the Savings Banks. The simulation and planning options for the LCR have improved steadily in recent years thanks to the "LCR Controller"[1] and enable all Savings Banks to fine-tune the operational management of this short-term ratio.

[1] A software in the "caballito" portal for Savings Banks.

Based on the EU banking package adopted in April 2019, the structural liquidity ratio Net Stable Funding Ratio (NSFR) with the regulatory minimum ratio of 100 percent must also be complied with from 28 June 2021. The ratio shows the "required" and "available" refinancing funds over a one-year period. In particular, the stable customer deposits of the Savings Banks enable more than sufficient compliance with the ratio across the entire Savings Banks Finance Group. The NSFR also exists in a "simplified" version. The application of the "simplified NSFR" was omitted due to the efficient central implementation of the NSFR reporting system by Finanz Informatik.

The focus of the institutions and associations of the Savings Banks Finance Group is generally on a permanent improvement of qualitative and quantitative liquidity risk management. A major innovation in the technical basis for this is the uniform group software "SVP calculator" and an associated "standard parameterisation". The analysis options of the extensive liquidity reporting system (in addition to LCR and NSFR, this includes additional liquidity ratios of the AMM[1]) were also greatly expanded. The small-scale data supply of the data centre enables the Savings Banks to analyse their liquidity flows to any level of detail. Centrally developed key figures, such as the survival period (SVP), make risk management comparable and accessible to the management level for interpretation.

Since 2019, the institution-specific process for identifying, measuring, managing and monitoring all liquidity risks (ILAAP) has been further refined. Since 2020, the institutions of the Savings Banks Finance Group have increasingly used the targeted, longer-term refinancing instruments of the Eurosystem as part of their refinancing mix. During the 2021 Corona pandemic, BaFin Corona FAQs enabled an effective management of the ratios while preparing for the (possibly partial) withdrawal of these simplifications in 2022.

Managing operational risks

Their sustainable business orientation obliges the institutions of the Savings Banks Finance Group to regularly deal with impending risks and their professional prevention. This is the only way to secure existing values in the future.

Operational risks are ubiquitous and yet not always easily identifiable. A more detailed explanation of the classification of operational risks is provided by Article 4 (52) CRR, according to which losses that may occur as a result of the inadequacy or failure of internal procedures, staff, internal infrastructure or as a result of external influences (including legal risks) may endanger an institution.

Furthermore, according to AT 2.2 of MaRisk, operational risks are to be taken into account as "material risks", and thus the Savings Bank must maintain a corresponding risk coverage potential for this, which is usually determined using the basic indicator approach. For business management, it uses the "loss database", "OpRisk estimation procedure" and / or "OpRisk scenarios" procedures offered by SR. In the loss event database, loss events that have occurred are systematically recorded and evaluated. In the "OpRisk scenarios", possible operational risks and their loss potential are assessed ex ante and preventive measures are derived.

In addition to the procedures for managing operational risks, the OpRisk estimation procedure is available to the Savings Banks as a standardised instrument both for estimating operational risks for the periodic risk-bearing capacity and for calculating the economic perspective. In addition to the institutions' own loss events, loss events from the nationwide OpRisk data pool are also taken into account.

[1] Additional Monitoring Metrics for Liquidity Reporting

The Savings Banks deliver their data annually to a nationwide data pool, which also gives them access to loss event data and risk scenarios of other institutions. The mutual exchange of this information helps to avoid losses and limit operational risks. The collected pool data can be considered representative due to the homogeneous business model of the Savings Banks.

The procedures provided (loss database, OpRisk estimation procedure, OpRisk scenarios and risk inventory) support the institutions in fulfilling MaRisk.

Managing sustainability risks

The transformation towards a sustainable economy is increasingly becoming the focus of politics and society. The sustainability risks associated with this transformation are increasingly finding their way into banking supervisory practice, such as the drafts of CRR III and CRD VI and the risk management of institutions. BaFin's non-binding fact sheet on dealing with sustainability risks and the EBA's guidelines on taking these risks into account in the lending business are to be incorporated into MaRisk with the next amendment.

Sustainability risks can act as risk drivers for the traditional financial risks of credit institutions, such as counterparty or market price risks. This must be analysed in each case. The high-quality, tried-and-tested methods for managing these risks therefore also enable sustainability risks to be dealt with appropriately. In addition, sustainability risks are taken into account as part of the strategy processes and the risk inventory of the institutions.

One challenge in dealing with sustainability risks is the long time period over which these risks build up. To address such methodological challenges and to ensure compliance with other supervisory requirements related to sustainability, the DSGV initiated a central project in July 2021.

For the operative analysis of sustainability risks in the institutions, the Sparkassen Rating und Risikosysteme (SR) and the DSGV Industry Service have developed the S-ESG score and have already rolled it out at the Savings Banks. This assesses the sustainability risks of the industries of all business customers by means of ten indicators, such as CO2 emissions or water use. In a further expansion stage of the S-ESG score, the industry values can be individualised for specific customers.

Protection afforded to institutions by the Savings Banks Finance Group's institution protection scheme

The institution protection scheme of the Savings Banks Finance Group protects customer deposits at the 363* independent Savings Banks, the Landesbanken, DekaBank and the Landesbausparkassen. In addition, the following institutions are affiliated with the guarantee fund of the Landesbanken: Berlin Hyp AG, Frankfurter Bankgesellschaft, Landesbank Berlin Holding AG, Portigon AG, S-Kreditpartner GmbH, Sparkassen Broker AG & Co. KG and Weberbank AG.

The guarantee scheme of the Savings Banks Finance Group is designed as an institutional protection system. The primary objective of the protection scheme is to avoid compensation cases and to protect the member institutions themselves, in particular to guarantee their liquidity and solvency (institutional protection). In this way, the business relationships of the member institutions with their customers can be continued as contractually agreed. Within the framework of the legal requirements, the voluntary institutional protection scheme therefore averts any imminent or existing economic difficulties. In addition, the protection scheme of the Savings Banks Finance Group is officially recognised as a deposit protection system in accordance with the German Deposit Protection Act (Einlagensicherungsgesetz – EinSiG). Under the statutory deposit guarantee scheme, the customer has a legal claim through the guarantee scheme for reimbursement of deposits up to EUR 100,000. This is stipulated in Germany's Deposit Guarantee Act.

* As at 15.06.2022.

The institution protection scheme of the Savings Banks Finance Group comprises thirteen guarantee funds: eleven regional Savings Banks guarantee funds, the guarantee fund of the Landesbanken and Girozentralen as well as the guarantee fund of the Landesbausparkassen.

The protection scheme has proven its worth for more than four decades. Since its foundation in 1973, no customer has ever lost their deposits or the interest due on them. Depositors have never had to be compensated. No member institution has ever become insolvent.

Financial market participants recognise the safeguarding effect of the institution protection scheme. Three international rating agencies – Moody's Investors Service, Fitch Ratings and DBRS Morningstar – explicitly base their very good ratings for Savings Banks, Landesbanken and Landesbausparkassen on the protection scheme.

Risk monitoring of the Savings Banks Finance Group's institution protection scheme

The guarantee funds have an early-warning system for the identification of potential risks, which permit countermeasures to be initiated rapidly. This risk monitoring is based on quantitative and qualitative parameters.

In addition to uniform key figures, qualitative reports are included in the assessment of an institution. Based on this information, the member institutions are classified into one of four monitoring levels.

The guarantee funds carry out risk monitoring on the basis of uniform principles. Monitoring committees monitor the risk situation of their member institutions, request additional information from them if necessary and take countermeasures if required.

The individual guarantee funds report regularly to a central transparency committee at the DSGV. This committee monitors the overall risk situation of the protection scheme and ensures transparency within the system.

Scope for action by the guarantee funds

The guarantee funds have rights of information and intervention enshrined in the statutes.

In addition to general rights, such as the right to audit all institutions at any time, there are additional rights to information and intervention that are derived from the results of the risk monitoring.

Institutions with no particular risk exposure are obliged to provide all information necessary for risk monitoring and must report on the occurrence of extraordinary events within the scope of due diligence obligations. If the risk situation deteriorates, the guarantee funds will decide on countermeasures. Institutions in a special risk situation are required by the guarantee fund to submit a restructuring concept and to initiate suitable measures in regard to assets or personnel.

In the case of support for an institution, the guarantee funds of the protection scheme have a comprehensive catalogue of measures at their disposal. As a rule, support is linked to conditions in a restructuring agreement; for example, benefits are repaid as soon as the economic situation of the supported institution has improved. This can also lead to a merger with another institution. The decision-making bodies are given a great deal of flexibility in responding to the special circumstances of each individual support case.

The individual guarantee funds of the institution protection scheme are interlinked.

A total of eleven Savings Bank guarantee funds are managed by the regional Savings Bank associations. They are interlinked by a supra-regional compensation mechanism. This mechanism is used whenever the resources required to support a troubled institution exceed those of the region's own guarantee fund. All other Savings Bank support funds then jointly participate in any measure necessary to support an institution. In this way, all eleven regional Savings Bank support funds are interconnected.

There are independent funds for the Landesbanken and Girozentralen as well as the Landesbausparkassen:

→ the guarantee fund for Landesbanken and Girozentralen, and

→ the guarantee fund for Landesbausparkassen.

If necessary, all of these guarantee funds work together within the system-wide compensation mechanism, which encompasses:

→ all Savings Bank guarantee funds,

→ the guarantee funds for Landesbanken and Girozentralen, and

→ the guarantee fund for Landesbausparkassen.

This applies in the event that the resources required to settle a support case exceed those of the guarantee fund concerned. Due to the system-wide compensation mechanism, the combined resources of all these guarantee funds are available in a crisis to support measures to protect the institution.

This means that the guarantee funds which make up the institution protection scheme have at their disposal the resources and power they need to identify and resolve financial problems confronting their members at an early stage. The aim of every support measure is to restore the sustainable competitiveness of the member institution concerned.

Assessing risk-based contributions to the institution protection scheme of the Savings Banks Finance Group

Contributions to the institution protection scheme of the Savings Banks Finance Group reflect not only the size and scope of business but also the individual risk-bearing capacity of an institution. The amount of the contributions of the member institutions is assessed in accordance with the regulatory requirements according to risk parameters defined by the supervisory authorities. The contributions of a member institution increase with its business volume and the regulatory risk parameters. This creates incentives for risk-conscious behaviour and thus for ensuring the solidity of the member institutions.

The law requires the institution protection scheme to continue building up its financial resources between now and 2024. The statutory target is 0.8 percent of the covered deposits of the protection scheme's member institutions. As a considerable part of the required funds has already been contributed from existing assets, the institution protection scheme of the Savings Banks Finance Group has always had a solid financial base.

Provision of funds to protect institutions

Sequence of actions to support a Savings Bank	Sequence of actions to support a Landesbank
Cash injection from the affected regional fund	Cash injection from the guarantee fund of the Landesbanken
↓	↓
Additional contributions from the affected regional fund	Obligation to make additional contributions to the guarantee fund of the Landesbanken
↓	↓
Cash injection from the other regional funds (supraregional compensation)	Cash injection from the system-wide compensation mechanism (Savings Banks and Landesbausparkassen)
↓	↓
Additional contributions from the other regional funds (supraregional compensation)	Obligation to make additional contributions to the system-wide equalisation scheme (Savings Banks and Landesbausparkassen)
Fund of the Landesbanken and Landesbausparkassen (system-wide equalisation)	The same sequence of actions is adopted to support a Landesbausparkasse.

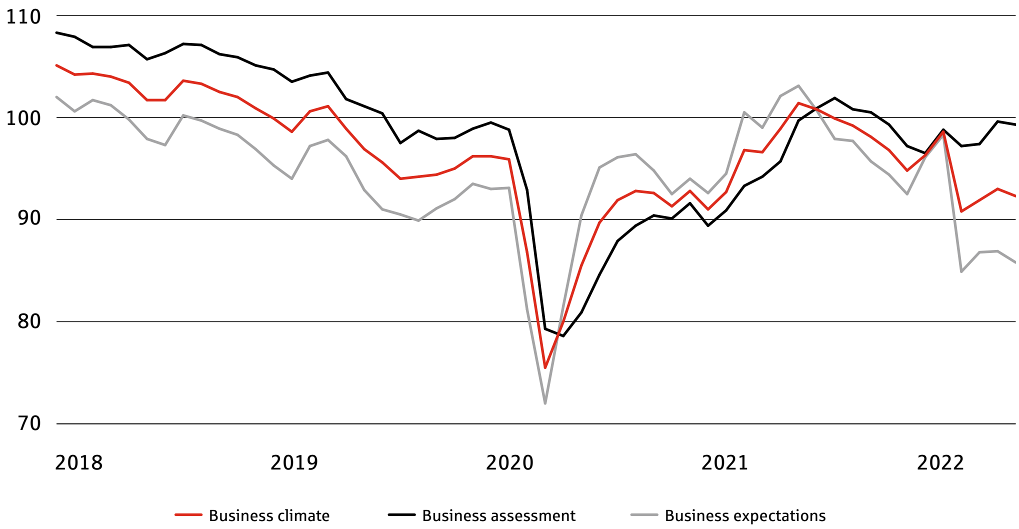
Report on expected developments

Economic environment 2022

At the beginning of 2022, the Corona infection figures in Germany reached new record levels. However, severe courses of the disease were significantly less frequent than in the previous two years. And despite re-imposed restrictions, the economy and the population have now learned to cope with the virus. The economic damage therefore remained more moderate. In general, the expectation at the beginning of 2022 was that the new year would bring a very strong recovery with the pandemic overcome and supply bottlenecks increasingly resolved.

But then war broke out in Eastern Europe with the Russian attack on Ukraine. With this, the situation was and is completely changed. New uncertainties have arisen and the bottlenecks have again worsened. Some supplier relationships with Eastern Europe fell away or are subject to sanctions. Other categories of goods such as food and especially energy raw materials have become very scarce on the world markets. All this is also reflected in the sentiment indicators.

Ifo Business Climate index for Trade and Industry[1]



[1] Source: ifo Institute.

Since the outbreak of the war, the predictions of relevant forecasting institutions have been scaled back, in some cases significantly. For example, the spring 2022 report of the German economic research institutes still assumed growth in Germany of 2.7 percent. This assessment was also shared in principle by the chief economists of the Savings Banks Finance Group in spring 2022. Since then, the relatively positive outlook from spring has deteriorated. Due to the threat of a gas supply freeze, growth of only 1 percent is now expected for Germany. If gas imports are halted in 2022, there is a real threat of a sharp recession. Energy supply security therefore constitutes the greatest known threat to development in 2022.

In addition, the growth prospects for Germany in 2022 remain below those of other industrialised countries, similar to 2021, and also below the recovery pace of the partner countries in the EU. Once again, one reason for this is the vulnerability of the industrial sector to supply bottlenecks, another is Germany's general exposure due to its dependence on Russian oil and gas, which is particularly difficult to replace in the short term.

In any case, upward pressure on prices has already intensified considerably. Relief due to a statistical effect at the beginning of the year – the elimination of the reduced VAT in the previous year's basis of comparison – had very little dampening effect. With the outbreak of war, the inflation dynamic accelerated again considerably. In the months of March to June, consumer prices rose by more than 7 percent compared with the same months of the previous year. At times, producer prices of industrial products even rose at annual rates of over 30 percent. For 2022 as a whole, average price increases of 7 to 8 percent are expected at consumer level. Although rates in 2023 are likely to decline, they will remain well above the ECB's target at over 3 percent in Germany and the euro zone as a whole. This would be the third year that the target has been exceeded.

Monetary policy will have to respond to this. The ECB should follow the example of other central banks and, after the (net) discontinuation of the purchase programmes, also raise its key interest rates as quickly as possible. Such a turnaround in interest rates is already priced into the money and capital markets. However, it remains to be seen what effect the key interest rate increases will have in the historically unknown situation of such high excess liquidity in the banking sector.

Business performance of the Savings Banks

In the first months of 2022, the Savings Banks recorded very good new lending business with companies and the self-employed, which was even slightly above the high level of the first quarter of 2021. In the case of private individuals, more loans were also approved in the first few months than in the same period of the previous years, with no decline in the granting of home loans evident to date despite the rise in interest rates.

In the deposit area, there has so far been no further structural shift towards demand deposits; these and total customer deposits declined slightly (not unusual for the first months of the year). In the customer securities business, turnover in the first months of 2022 did not reached the high level of the previous year, but net sales (purchases minus sales) were still significantly above the strong previous year's figure.

The unpredictability of the Russia-Ukraine war and the resulting economic consequences, such as increased supply chain problems and raw material shortages, lead to a significantly higher level of uncertainty in the results forecast than in normal financial years. At the same time, the impact of the Corona pandemic, which is weakening into an endemic, continues to diminish the results of the Savings Banks.

Despite the key interest rate conflict between high inflation rates and the economic uncertainties arising from the Ukraine war, the Savings Banks Finance Group expects the ECB to raise its key interest rate in the summer.

For the year as a whole, the Savings Banks Finance Group anticipates a decline in net interest income, a slight increase in commissions and a noticeable rise in operating expenses, with a simultaneous significant decline in personnel expenses, as total assets growth normalises.

Valuation expenses are expected to be significantly higher than in the previous year. Significant write-downs on interest-bearing securities are to be expected due to the rise in interest rates that has been initiated and is likely to continue. At the same time, market uncertainties are also burdening the investment values in direct investment and special funds. In addition, the Savings Banks Finance Group expects risk provisions in the lending business to normalise below pre-pandemic levels, apart from possible one-off special effects from the conversion of general loan loss provisions to the expected loss approach (IDW RS BFA7). Due to the lower operating result and the increasing valuation of securities, the scope for allocating provision reserves, which are used to strengthen capital in addition to the annual result after taxes, is expected to be lower.

Business development of the Landesbanken

2022 will be another challenging year for the Landesbanken. However, thanks to their long-term business policy, the institutions continue to have good opportunities to maintain their market position.

The strengths of the Landesbanken remain their many years of expertise, their established customer relationships, their roots in the regions – while maintaining an international presence – and their close integration into the Savings Banks Finance Group.

The Landesbank Group has significant market positions in key loan and deposit categories: In corporate lending[1], their market share at the end of March 2022 was 12.1 percent and in corporate deposits 14.0 percent. In domestic public sector lending, they have a 28.6 percent share of the total market volume, and in their deposits, 19.1 percent. In the first quarter of 2022, the aggregate balance sheet total of the institutions grew at a slightly faster rate again compared with the same quarter of the previous year. Customer lending, especially corporate lending, continues to expand, so far somewhat more cautiously than in the same period last year. On the deposit side, customer deposits continue to rise, especially from companies.

The environment for the German banking industry will remain challenging in 2022. On the one hand, long-standing parameters such as persistently low interest rates, complex regulatory requirements and intense competition in the market will remain. On the other hand, the banking year will most likely be shaped by the consequences of geopolitical tensions – above all the war in Ukraine. In addition, the further development of the Corona pandemic in autumn/winter 2022 is currently difficult to predict. There is great uncertainty about economic developments, particularly regarding supply chain problems and high energy and product prices, which are a burden on companies and consumers and are holding back economic recovery. However, thanks to increased additions to loan loss provisions in previous years and the high resilience of the German SME sector, the overall risk situation is expected to normalise further in 2022. However, increased loan defaults in individual sectors cannot be ruled out – also in view of the expiry of government support measures. Although this could have a negative impact on the earnings situation of the institutions, the Landesbanken have a solid equity and liquidity position with a balanced risk profile.

Advancing digitalisation has led to a change in customer behaviour and a profound transformation in banking business, which was accelerated during the Corona pandemic. In addition, new competitors are driving this digitalisation push. As a result, business models must be continuously adapted and corresponding investments made, especially in a modern, high-performing and efficient IT infrastructure. The institutions' digitalisation initiatives range from the customer interface to internal processes. With various cost-cutting measures and transformation programmes, the Landesbanken work continuously on strengthening their competitiveness.

In addition to digitalisation, sustainability is a key issue for the institutions, which offers the opportunity for the Landesbanken to further develop their business models. The Landesbanken will continue to expand their range of sustainable investment and financing options for their customers, as well as the advisory services for financing with sustainability components. Furthermore, corporate clients will receive increased support in their transformation towards sustainable business models. In order to make their contribution to environmental and climate protection, the institutions will make their business operations even more resource-efficient and continue to increase the share of ESG-compliant products in their portfolio. However, their commitment to social issues will also be strengthened to reflect their comprehensive approach.

[1] Investment loans excluding commercial housing.

The S-Group business with the Savings Banks offers an excellent opportunity to counter the pressure on profitability on both sides. Within the Group, the aim is to further expand the range of products and services, to create targeted product and service initiatives and to support the Savings Bank business with digital applications or platforms. In this way, the business potential of the Savings Banks can be further utilised and its efficiency increased. Joint financing of larger companies and support in foreign business serve the export-oriented corporate customers of the Savings Banks.

The bundling of competences within the Landesbank Group is another way in which this division of tasks can make the Savings Banks Finance Group more efficient and increase the competitiveness of the institutions.

Overall, their trust-based cooperation with private and corporate customers, the Savings Banks and the public sector will continue successfully in 2022. In doing so, it is important to meet the challenges flexibly and promptly with the further development of the business models and to respond to new customer needs. The Group's strength should be deployed to actively accompany the transformation towards a more sustainable economy.

Business performance of the Landesbausparkassen

Due to the change in interest rates initiated by the central banks, home savings contracts and financing are likely to be increasingly perceived once again as instruments for long-term hedging of the risk of rising interest rates. Furthermore, rising capital market interest rates are expected to lead to increased use of low-interest loans in the contract portfolio for real estate financing. The home loan and savings business is receiving additional impetus from the improvement in the housing construction subsidy decided by the German government: since 2021, broad sections of the population have again benefited from the subsidy thanks to a significant increase in income limits. The subsidy rate, which has been increased to 10 percent, as well as higher savings benefits eligible for subsidies are helping to strengthen the formation of equity for the purchase of residential property.

Management outlook

As in the previous year, the Savings Banks supported their customers through difficult times in 2021. They further expanded their digital services, also enabling them to stay in touch during lockdown phases. They provided the regional economy with urgently needed liquidity. EUR 197.3 billion in new loans were granted by the Savings Banks – EUR 5.6 billion more than in 2020.

Despite difficult general conditions, the institutions also succeeded in an even broader basis for their tried-and-tested business model. The equity base was strengthened and the Savings Banks achieved greater independence from interest-earning business. On balance, the improved commission income largely, but not fully compensated for the declines in net interest income.

The Savings Banks' solidity and competence in crisis management will be particularly in demand in 2022: The war in Europe challenges the regional institutions in a variety of ways. For example, it was and still is necessary to provide access to financial services for war refugees from Ukraine and to support them with liquidity. The 224,000 accounts opened at the institutions of the Savings Banks Finance Group in the first three months after the outbreak of the war show how successful the institutions are in this regard.

Current developments are leading to further challenges. Supply chains are disrupted, shortages of raw materials, food and energy are driving up prices. The inflation rate expected by the Bundesbank to average over 7 percent for the year as a whole is restricting the financial scope of many companies and private households. The proportion of German households that are no longer able to save because of the high inflation rate threatens to rise from 42 percent to 60 percent; the middle class continues to shrink. The Savings Banks will be called upon to cushion the impact, for example by implementing government aid programmes.

Even raising interest rates will not improve the savings capacity of private households for the time being. Although the ECB announced a turnaround in interest rates in June, it also signaled that it would proceed in very small steps. These will be slow to reach savers.

The Savings Banks are also called upon to contribute to fundamental issues facing the economy and society, the urgency of which has become clear since the outbreak of the war: Reducing dependencies on individual countries in system-relevant fields, especially in supply chains, energy supply or digitalisation, is at the top of the agenda.

In order to promote the digital independence of our society, we have used the strength of our Group to campaign vigorously for a European payment system. Because people want to be able to pay without being dependent on American or Chinese corporations. It remains our mission to make payment possible anywhere, at any time and through all channels.

The Savings Banks also contribute to digitalisation by expanding broadband in many regions and by supporting local authorities in e-government. In 2021, citizens will have carried out twice as many transactions digitally with their local authorities as in 2020. The Savings Banks have made this possible with their payment solutions for electronic payment.

We will only be able to achieve energy independence, especially from Russia, if we reduce our consumption of fossil fuels and expand renewable energies. Both of these measures will also help protect the climate, which is one of the most important tasks facing our economy and society. However, the necessary energy transition requires a high level of capital investment. EUR 6 trillion must be invested in the necessary ecological renewal by 2045 at the latest. A substantial share of the capital for this transformation will have to come from the Savings Banks Finance Group.

The Savings Banks and their associated companies have long been involved in the relevant fields of activity. They finance wind farms, solar thermal or photovoltaic projects. They support companies in their sustainable transformation.

Many Savings Banks are also active in the modernisation of real estate, as buildings in Germany offer particular potential for saving energy and thus promoting climate protection and energy sovereignty. Around two million homes need to be renovated every year to improve their energy efficiency. In terms of market share, this equates to around 700,000 homes per year in the Savings Banks sector. The investments required for this amount to the equivalent of more than two percent of our customer loan portfolio each year.

Projects of this kind will continue to be made possible primarily through loan financing. But in view of the large capital requirements, other financing options such as syndicated loans and leasing will also be in greater demand. Nevertheless, these sources of financing will be barely sufficient in view of the enormous challenges facing us. It will also be important to make additional public subsidies or private capital available.

Supplementary report

No significant events have occurred since the balance sheet date of 31 December 2021.

5. AGGREGATED FINANCIAL STATEMENT

Explanatory notes on aggregation

Scope of aggregation

The aggregated balance sheet and aggregated income statement presented by the DSGV include the financial statements of all Savings Banks, Landesbanken and Landesbausparkassen. The previous year was adjusted for the figures of Hamburg Commercial Bank (formerly HSH Nordbank), which left the protection scheme at the end of 2021.

The Landesbausparkassen have been fully included in the aggregation group regardless of their legal form (legally independent entities or legally dependent units of the Landesbanken).

The foreign branches of Landesbanken, as well as their domestic and foreign Group subsidiaries and Landesbausparkassen were not taken into account.

Aggregation

The Savings Banks and Landesbanken data used in the preparation of the aggregated balance sheet were taken from the German Central Bank's December 2020 and 2021 reports on the monthly balance sheet statistics (Bista). The corresponding balance sheet figures of the Landesbausparkassen are taken from the respective annual reports.

The figures for the aggregated profit and loss account (P&L) for the financial years 2020 and 2021 for the Savings Banks and Landesbanken are based on the results of the intercompany comparison and the FINREP reports of the Savings Banks, as well as the published individual financial statements of the Landesbanken in accordance with the German Commercial Code, whereby the results of the intercompany comparison of the Savings Banks have been reclassified in accordance with the German Commercial Code. The figures for the Landesbausparkassen were taken for both financial years from the respective annual reports – also prepared in accordance with the German Commercial Code.

The result of this data compilation consists of an unconsolidated aggregated balance sheet and an unconsolidated aggregated income statement of the institutions affiliated to the Institution Protection Scheme of the Savings Banks Finance Group. Other institutions affiliated to the Institution Protection Scheme of the Savings Banks Finance Group are: BerlinHyp AG, Frankfurter Bankgesellschaft (Deutschland) AG, Landesbank Berlin Holding AG, Portigon AG, S-Kreditpartner GmbH, Sparkassen Broker AG & Co. KG and Weberbank Actiengesellschaft.

Aggregated profit and loss account of the Savings Banks Finance Group*

	2021[1] EUR million	2020 EUR million
Net interest income	**26,666**	27,140
Interest income	51,336	51,666
Interest expense	24,670	24,526
Net commission income	**10,546**	9,783
Commission income	13,856	12,781
Commission expense	3,311	2,998
Net result from financial transactions	**900**	461
Administrative expenses	**27,005**	26,831
Personnel expenses	15,698	15,899
Material expenses	11,308	10,933
Other operating income	**224**	111
Operating result before valuation	**11,330**	10,664
Valuation result (excluding equity interests)	**–92**	–2,641
Operating result after valuation	**11,238**	8,023
Balance of other and extraordinary income / expenses[2]	**–5,269**	–3,858
of which: addition to the fund for general banking risks in accordance with Section 340g of the German Commercial Code[3]	–3,514	–3,189
Net income before taxes	**5,969**	4,165
Taxes on income and earnings	**3,467**	2,741
Net income after taxes	**2,502**	1,424
of which net income after taxes of the Savings Banks	1,656	1,462
of which net income after taxes of the Landesbanken	813	–68
of which net income after taxes of the Landesbausparkassen	33	30
Return on equity	in %	in %
before taxes	5.4	4.3
after taxes	3.4	2.7
Cost-income ratio (operating income)	**70.4**	71.6

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken without foreign branches, without domestic and foreign Group subsidiaries, without LBS, 3. Landesbausparkassen (legally independent LBS and legally dependent divisions of Landesbanken); without Hamburg Commercial Bank / formerly HSH Nordbank, which left the protection scheme at the end of 2021; the previous year was adjusted retroactively.

[1] Preliminary figures from partly not yet audited annual financial statements in accordance with the German commercial Code, rounding differences possible.

[2] This includes the balance from profits from the sale of financial investments and securities held as fixed assets, write-downs on/write-ups to financial investments and securities held as fixed assets as well as changes in the fund for general banking risks in accordance with Section 340g of the German Commercial Code (allocations to the fund for general banking risks with a negative sign).

[3] The allocations to the fund for general banking risks in accordance with Section 340g of the German Commercial Code are taken into account here – as in the "original" income statement according to German Commercial Code – as expenses reducing the annual result.

Source: Operational comparison and FINREP reports of the Savings Banks, annual reports of the Landesbanken (individual financial statements in accordance with German Commercial Code), DSGV / Federal office of the Landesbausparkassen, German Central Bank.

Aggregated Balance Sheet of the Savings Banks Finance Group*

	Assets	Balance at the end of the year	
		2021 EUR million	2020 EUR million
1	Cash reserve[1]	**266,045**	191,471
1a	of which balances with central banks	247,828	174,743
2	Treasury bills[2]	**139**	1,135
3	Other bills	**0**	0
4	Loans and advances to banks (MFIs)	**226,598**	269,864
5	Loans and advances to non-banks (non-MFIs)	**1,395,261**	1,315,743
6	Debt securities and other fixed-income securities	**289,133**	306,001
7	Equities and other non-fixed-income securities	**117,525**	107,791
8	Investments	**13,490**	13,352
9	Investments in affiliated companies	**10,535**	10,067
10	Trust assets	**14,589**	13,022
11	Equalisation claims	**0**	0
12	Tangible fixed assets	**12,603**	12,003
13	Other assets	**86,028**	105,685
14	**Total assets**	**2,431,946**	**2,346,135**

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken without foreign branches, without domestic and foreign Group subsidiaries, without LBS, 3. Landesbausparkassen (legally independent LBS and legally dependent divisions of Landesbanken)
[1] Cash on hand, balances with central banks
[2] inc. non-interest-bearing treasury bills and similar debt instruments issued by public authorities

Liabilities		Balance at the end of the year	
		2021 EUR million	2020 EUR million
1	Liabilities to banks (MFIs)	**457,348**	427,519
2	Liabilities to non-banks	**1,452,109**	1,395,767
2a	Savings deposits	347,580	347,334
2b	Other liabilities	1,104,529	1,048,433
3	Securitised liabilities	**189,664**	187,805
3a	of which: debt securities issued	183,959	184,506
3b	Money market instruments issued	5,693	3,297
4	Trust liabilities	**14,589**	13,022
5	Write-downs on loans and securities	**2,686**	1,583
6	Provisions	**22,527**	25,695
7	Subordinated liabilities	**17,113**	16,157
8	Profit participation capital	**1,007**	1,189
9	Equity[3]	**178,271**	173,733
10	Other liabilities[4]	**96,631**	108,080
11	**Total liabilities**	**2,431,946**	**2,346,135**
12	Contingent liabilities[5]	**0**	0
13	Bills for collection	**0**	0
14	Business volume	**2,431,946**	2,346,135
15	Guarantees	**71,829**	68,298

[3] Endowment capital and reserves (inc. fund for general banking risks)
[4] Including special items with an equity portion
[5] from rediscounted bills (inc. own bills drawn)

Source: DSGV, balance sheet statistics / business development of Savings Banks, Landesbanken (excluding LBS, excluding foreign branches and excluding domestic and foreign Group subsidiaries) and Landesbausparkassen.

6. GERMAN SAVINGS BANKS ASSOCIATION (DSGV)

Deutscher Sparkassen- und Giroverband e. V. (DSGV – German Savings Banks Association) is the umbrella organisation of the Savings Banks Finance Group.

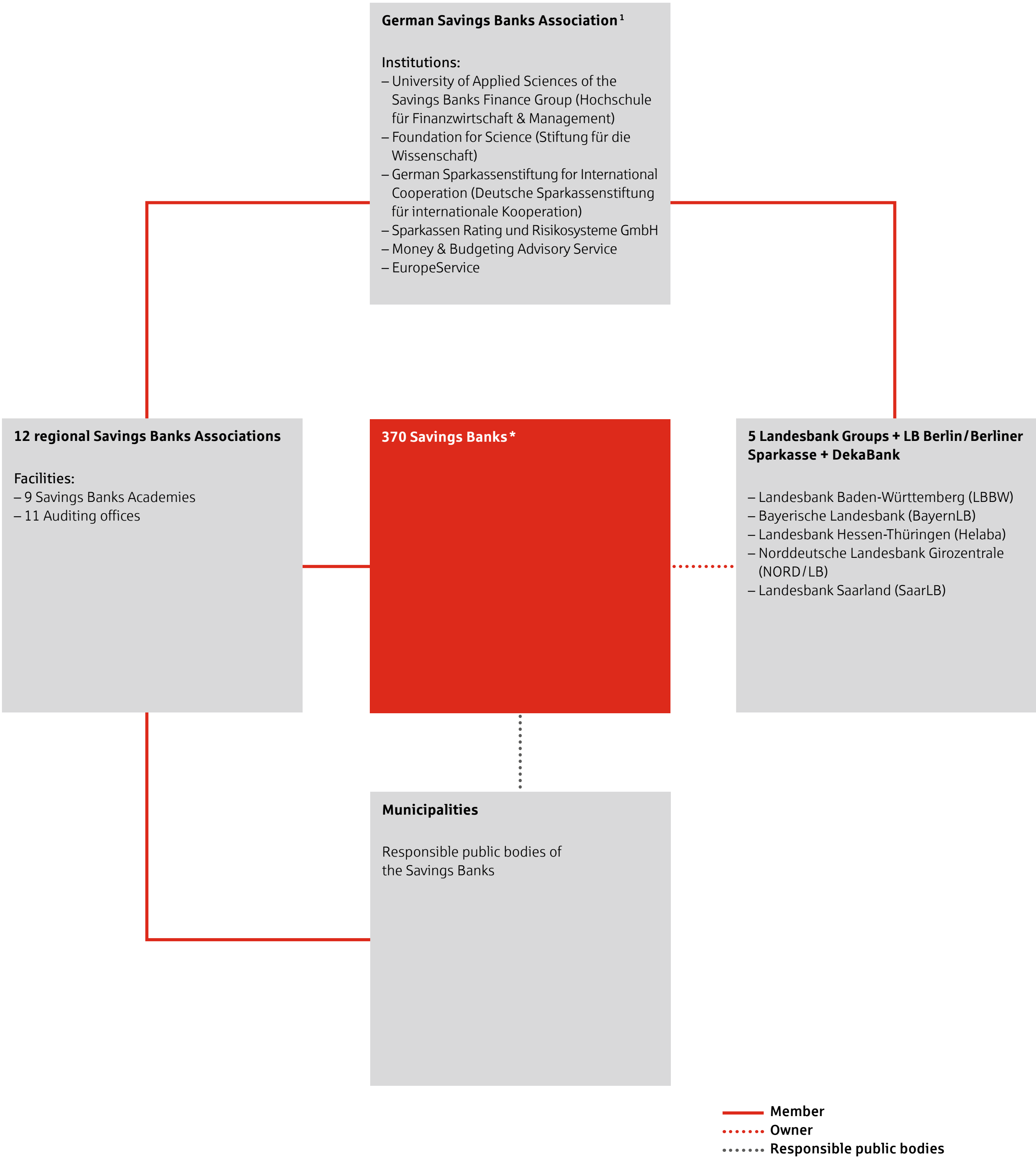
The DSGV represents the interests of all entities associated with the Savings Banks Finance Group in matters of banking policy, credit management and supervisory law vis-à-vis national and international institutions as well as the general public. In addition, the DSGV also coordinates the decision-making processes within the Savings Banks Finance Group and its strategic orientation.

To this end, its members and associated entities work with the DSGV on concepts for successful market development. This comprises strategic issues in terms of the market and operations, ranging from product development and processing to risk management, overall bank management, card and payment transactions, the digital agenda and comprehensive advisory approaches and sales strategies for all customer segments, as well as sustainability issues.

The DSGV also funds the central educational institutions of the Savings Banks Finance Group: the University of Applied Sciences in Bonn and the Money and Budgeting Advisory Service. Other joint institutions include the Foundation for Science with its Support College and the German Sparkassenstiftung for International Cooperation.

In addition, the DSGV also manages the schemes protecting its affiliated institutions in accordance with the German Deposit Guarantee and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz) and the Institution Protection Scheme of the Savings Banks Finance Group as well as the Guarantee Fund of the Girozentralen and the Guarantee Fund of the Landesbausparkassen.

Summary of the Savings Banks Finance Group’s association structure



[1] Including the Main Office of the Landesbausparkassen.

* As at 31.12.2021.
363 Savings Banks as at 15.06.2022.

DSGV[1]

Management

Helmut Schleweis
President of the German Savings Banks Association

Dr Karl-Peter Schackmann-Fallis
Executive Member of the Board of the German Savings Banks Association (Division A)

Dr Joachim Schmalzl
Executive Member of the Board of the German Savings Banks Association (Division B)

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Executive Committee

Ordinary Members	Alternate Members
Helmut Schleweis President of the German Savings Banks Association, Berlin **– Chairman –**	
Thomas Mang President of the Lower Saxony Savings Banks Association, Hanover	**Peter Schneider** President of the Baden-Württemberg Savings Banks Association, Stuttgart
Stephan Winkelmeier Chairman of the Management Board of the Bayerische Landesbank, Munich	**Rainer Neske** Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart/Karlsruhe/Mannheim
Walter Strohmaier Chairman of the Management Board of Sparkasse Niederbayern-Mitte, Straubing	**Alexander Wüerst** Chairman of the Board of Kreissparkasse Köln
Markus Lewe Mayor of the City of Münster and President of the Association of German Cities, Berlin and Cologne	**Dr Gerd Landsberg** Chief Executive of the Association of German Towns and Municipalities, Berlin

[1] All information current at the copy deadline 5 July 2022

Group Management Board

Chairman of the Board of Directors

Helmut Schleweis
President of the German Savings Banks Association, Berlin

Deputies for the Chairman of the Management Board (Vice-Presidents)

Thomas Mang
President of the Lower Saxony Savings Banks Association, Hanover
1st Vice President

Stephan Winkelmeier
Chairman of the Management Board of Bayerische Landesbank, Munich
2nd Vice President

Walter Strohmaier
Chairman of the Board of Sparkasse Niederbayern-Mitte, Straubing
3rd Vice President

Markus Lewe
Mayor of the City of Münster and President of the Association of German Cities, Berlin and Cologne
4th Vice President

Members of the Management Board

Chairpersons of the Association

Michael Breuer
President of the Rhineland Savings Banks Association, Düsseldorf

Prof Dr Liane Buchholz
President of the Westphalia-Lippe Savings Banks Association, Münster

Ludger Weskamp
Executive President of the East German Savings Banks Association, Berlin

Dr Johannes Evers
President of the Savings Banks Association, Berlin
Chairman of the Board of Landesbank Berlin AG / Berliner Sparkasse

Stefan Reuß
Executive President of the Hesse-Thuringia Savings Banks Association, Frankfurt am Main and Erfurt

Cornelia Hoffmann-Bethscheider
President of the Saar Savings Banks Association, Saarbrücken

Beate Läsch-Weber
President of the Rhineland-Palatinate Savings Banks Association, Mainz

Thomas Mang
President of the Lower Saxony Savings Banks Association, Hanover

Prof Dr Ulrich Reuter
President of the Bavarian Savings Banks Association, Munich

Peter Schneider
President of the Baden-Württemberg Savings Banks Association, Stuttgart

Oliver Stolz
President of the Schleswig-Holstein Savings Banks Association, Kiel

Dr Harald Vogelsang
President of the Hanseatic Savings Banks Association, Hamburg
and Chairman of the Board of Management of Hamburger Sparkasse AG

Executive Directors of the Girozentralen (clearing banks)

Dr Thomas Bretzger
Chairman of the Board of Saar LB, Saarbrücken

Jörg Frischholz
Chairman of the Board of Norddeutsche Landesbank, Hanover / Braunschweig / Magdeburg

Thomas Groß
Chairman of the Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main and Erfurt

Rainer Neske
Chairman of the Board of Landesbank Baden-Württemberg, Stuttgart / Karlsruhe / Mannheim and
Member of the Management Board of Bundesverband Öffentlicher Banken Deutschlands e.V., Berlin

Stephan Winkelmeier
Chairman of the Board of Bayerische Landesbank, Munich

National Chairman of Savings Banks Boards

Walter Strohmaier
Chairman of the Board of Sparkasse Niederbayern-Mitte, Straubing

Reginal Chairmen of Savings Banks Boards (Landesobleute)

Götz Bormann
Chairman of the Board of Management of Förde Sparkasse, Kiel

Michael Bräuer
Chairman of the Board of Sparkasse Oberlausitz-Niederschlesien, Zittau

Ingo Buchholz
Chairman of the Board of Kasseler Sparkasse

Ralf Fleischer
Chairman of the Board of Stadtsparkasse München

Wilfried Groos
Chairman of the Board of Sparkasse Siegen

Peter Klett
Chairman of the Board of Weser-Elbe Sparkasse, Bremerhaven

Ludwig Momann
Chairman of the Board of Sparkasse Emsland, Meppen

Frank Saar
Chairman of the Board of Sparkasse Saarbrücken

Burkhard Wittmacher
Chairman of the Board of Sparkasse Esslingen-Nürtingen, Esslingen

Alexander Wüerst
Chairman of the Board of Kreissparkasse Köln

Dieter Zimmermann
Chairman of the Board of Kreissparkasse Ahrweiler

Representatives of the municipal umbrella organisations

Association of German Cities

Helmut Dedy
Managing Member of the Executive Committee of the Association of German Cities, Berlin and Cologne

Markus Lewe
Mayor of the City of Münster and President of the Association of German Cities, Berlin and Cologne

Association of German Counties

Prof Dr Hans-Günter Henneke
Managing Member of the Executive Committee of the Association of German Counties, Berlin

Joachim Walter
District Administrator of the Göttingen District and Vice-President of the Association of German Counties, Berlin

Association of German Towns and Municipalities

Dr Gerd Landsberg
Managing Member of the Executive Committee of the Association of German Towns and Municipalities, Berlin

Roland Schäfer
Honorary President of the Association of German Towns and Municipalities, Berlin

DekaBank Deutsche Girozentrale

Dr Georg Stocker
Chairman of the Board of of DekaBank Deutsche Girozentrale, Berlin and Frankfurt am Main

Chairman of the Building Societies Conference

Jörg Münning
Chairman of the Board of LBS Westdeutsche Landesbausparkasse, Münster

Other Members of the Management Board of DSGV e.V.

Dr Karl-Peter Schackmann-Fallis
Executive Member of the Board of the DSGV, Division A, Berlin

Dr Joachim Schmalzl
Executive Member of the Board of DSGV, Division B, Berlin

List of abbreviations

Abbreviation	Explanation in English	Explanation in German
AMM	Additional Monitoring Metrics for Liquidity Reporting	Zusätzliche Parameter für die Liquiditätsüberwachung
API	Application Programming Interface	Anwendungsprogrammierschnittstelle
APP	Asset Purchase Programs	Ankauf von Vermögenswerten
GDP/BIP	Gross Domestic Product	Bruttoinlandsprodukt
Bista	Balance Sheet Statistics	Bilanzstatistik
BRRD	Banking Recovery and Resolution Directive	Richtlinie zur Sanierung und Abwicklung von Kreditinstituten
CRD	Capital Requirements Directive	Eigenkapitalrichtlinie
CRR	Capital Requirements Regulation	Eigenkapitalverordnung
CSR	Corporate Social Responsibility	Soziale Unternehmensführung
EBA	European Banking Authority	Europäische Bankenaufsichtsbehörde
EinSiG	Deposit Insurance Act	Einlagensicherungsgesetz
eKRM	Efficient Credit Risk Management	Effizientes Kreditrisikomanagement
ESG	Environmental, Social, Governance	Umwelt, Gesellschaft, Unternehmensführung
ETF	Exchange-Traded Funds	Börsengehandelte Fonds
FinaRisikoV	Financial and Risk-Bearing Capacity Information Regulation	Finanz- und Risikotragfähigkeitsinformations-verordnung
FSB	Financial Stability Board	Finanzstabilitätsrat
G-SIBs	Global Systemically Important Banks	Global systemrelevante Banken
P&L/GuV	Profit and Loss Account	Gewinn-und-Verlust-Rechnung
HGB	German Commercial Code	Handelsgesetzbuch
ICAPP	Internal Capital Adequacy Assessment Process	Verfahren zur Beurteilung der Angemessenheit des internen Kapitals
ILAPP	Internal Liquidity Adequacy Assessment Process	Verfahren zur Beurteilung der Angemessenheit der internen Liquidität
IMF/IWF	International Monetary Fund	Internationaler Währungsfonds
IRBA	Internal Rating-Based Approach	Auf internen Ratings basierender Ansatz
KSA	Credit Risk Standard Approach	Kreditrisiko-Standardansatz
KWG	Banking Act	Kreditwesengesetz
LCR	Liquidity Coverage Ratio	Liquiditätsdeckungskennziffer
LiqV	Liquidity Regulation	Liquiditätsverordnung
MaRisk	Minimum Requirements for Risk Management	Mindestanforderungen an das Risikomanagement
MFI	Monetary Financial Institutions	Monetäre Finanzinstitute
NSFR	Net Stable Funding Ratio	Strukturelle Liquiditätsquote
OECD	Organisation for Economic Cooperation and Development	Organisation für wirtschaftliche Zusammenarbeit und Entwicklung
OpRisk	Operational Risk	Operationelles Risiko
PEPP	Pandemic Emergency Purchase Program	Pandemic Emergency Purchase Programme
PSD 2	Payment Services Directive 2	Zweite Zahlungsdiensterichtlinie
SREP	Supervisory Review and Evaluation Process	Aufsichtsrechtlicher Überprüfungs- und Bewertungsprozess
SRM	Single Resolution Mechanism	Einheitlicher Abwicklungsmechanismus
SSBB	Small and Simple Banking Box	Small and Simple Banking Box
TLAC	Total Loss Absorbing Capacity	Verlustabsorptionsfähigkeit
TLTRO	Targeted Longer-Term Refinancing Operations	Gezielte längerfristige Refinanzierungsoperationen
VaR	Value-at-Risk	Potenzieller Risikobeitrag

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