4. MANAGEMENT REPORT

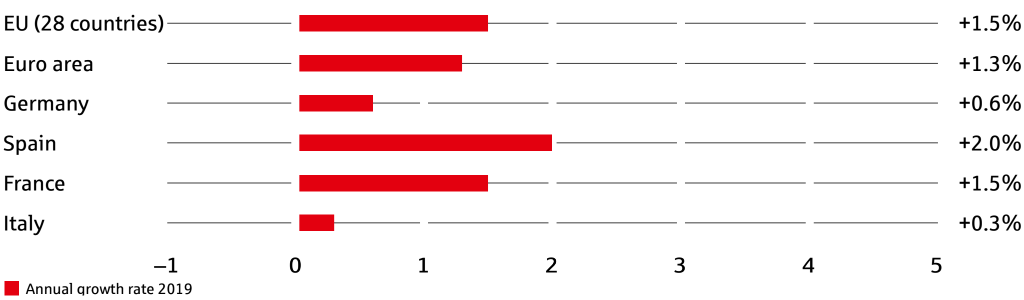
Economic Report

Macroeconomic situation

Before the outbreak of the Corona virus, 2019 was a largely normal financial year. Nevertheless, the year had already seen a noticeable slowdown in economic activity, particularly in world trade. One of the main reasons for this was the trade dispute, which had already begun in 2018 but continued into 2019. Tariffs and other protectionist measures escalated, especially between the USA and China.

But third parties were also affected. In 2019, the euro area grew at a satisfactory rate of 1.3 percent. However, growth was not equally distributed across the individual countries. Among the larger member states, growth remained unchanged from the growth ranking that had been observed for several years, according to which Spain grew disproportionately, while Italy did little more than stagnate.

GDP growth in selected countries [1]



[1] Source: Actual data from official statistics: Eurostat, data as of 16 June 2020, EU 2019 still including UK.

As a country that is particularly well integrated into the global economy, and with its range of goods strongly geared towards capital goods, Germany was considerably affected by the loss of momentum in the global economy. Only the first quarter still showed significant growth in Germany, after which the German economy entered a path of stagnation in spring 2019. This resulted in a pronounced division of paths for the individual sectors. While large parts of the service and construction sectors continued to grow, difficulties were concentrated in industry. The manufacturing sector was effectively already in recession in 2019.

Nevertheless, the labour market as a whole again showed a positive trend. The number of people in employment in Germany increased by almost 400,000 in 2019 and reached a new high of almost 45.3 million on average for the year. The annual average unemployment rate declined from 5.2 percent in 2018 to 5 percent in 2019. Inflation remained moderate in 2019. Consumer prices, measured by the national index, rose by 1.4 percent.

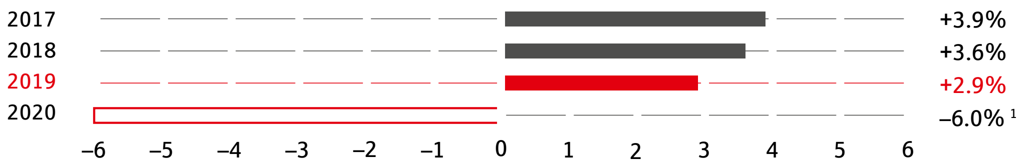
The public budgets again achieved financing surpluses. In the definition of the total state in the national accounts, these amounted to almost EUR 50 billion or 1.4 percent of the gross domestic product.

In the breakdown [1] of GDP, a conspicuously strong negative contribution of the stock-flow balance in 2019 weighed on growth: with a sharp reduction in inventories. Without this, GDP would have grown by 1.5 percent instead of 0.6 percent. The current account showed a very large surplus again. But in terms of rates of change, net exports depressed growth due to a stronger increase in imports compared to exports. By contrast, all parts of end-use (private and government consumption and investment) in the domestic sector were in the black, even equipment, which owed this exclusively to its strong start at the beginning of 2019. Construction investment, government consumption and private consumption were the mainstays of German growth in 2019. However, because incomes rose at a similar rate to private household consumption, their savings ratio for the full year 2019 remained virtually unchanged at 10.9 percent (11 percent in 2018).

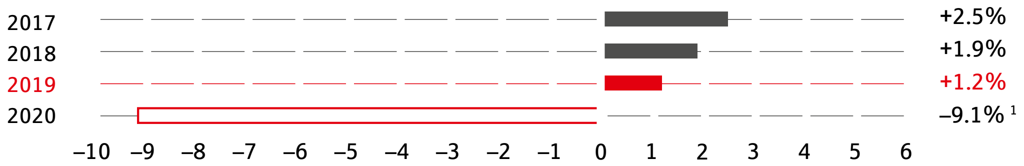
[1] Consumption + Investment + Export.

Economic development – review and outlook 2017 – 2020

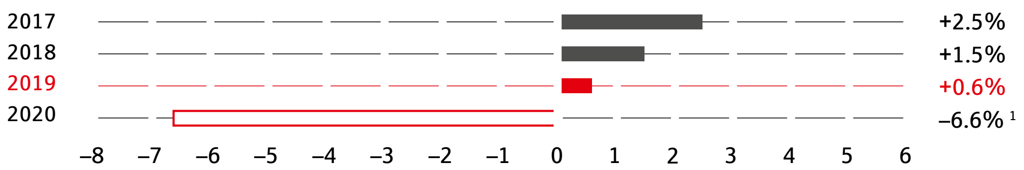
Growth of real gross domestic product (GDP) (world)



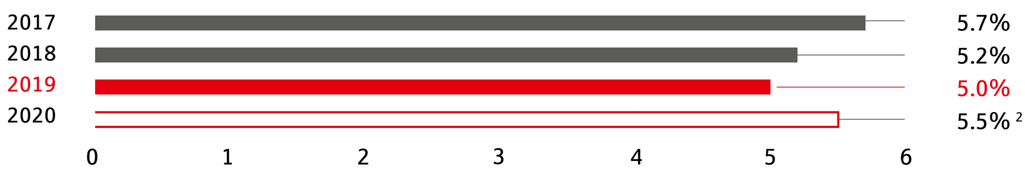
Growth of real gross domestic product (GDP) (euro area)



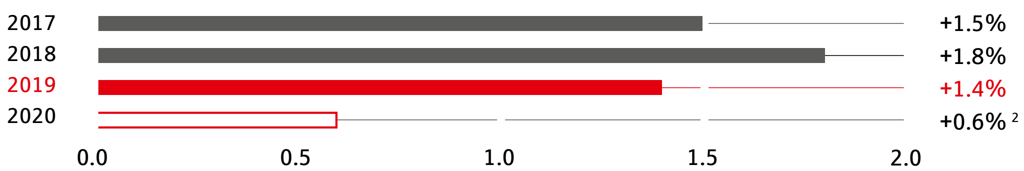
Growth in real gross domestic product (GDP) (Germany)



Unemployment rate of all domestic labour force (Germany)



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



Actual data 2017 to 2019 from official statistics; Eurostat, Destatis and Federal Employment Agency.

[1] OECD Economic Outlook, June 2020 The OECD's more severe scenario for a second pandemic wave would be: GDP world –7.6%, euro area –11.5% and Germany –8.8%.

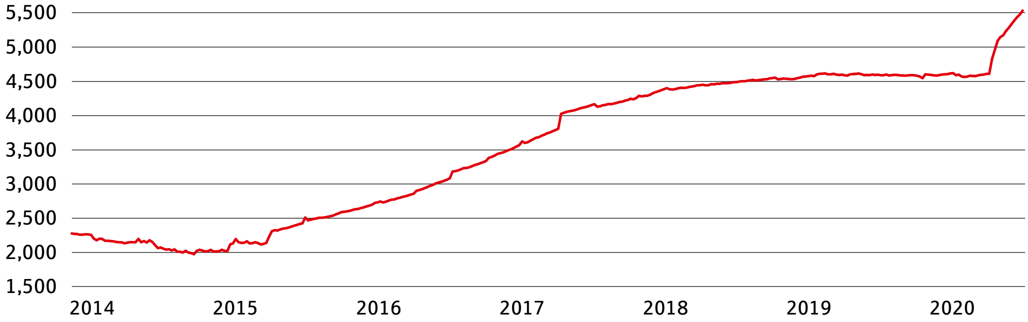
[2] Forecasts for unemployment and prices in Germany in 2020 from the „Spring Report", the joint diagnosis of the German economic research institutes of 8 April 2020.

Developments on the money and capital markets

At the end of 2018/beginning of 2019, the European Central Bank initially attempted to normalise its monetary policy and prepare for an exit from the extraordinary measures. Since the beginning of 2019 it has bought no more bonds, initially on a net basis. Only amounts due were reinvested throughout. However, when hopes of a continuation of the upswing in the euro area and a gradual acceleration of inflationary pressures were gradually dashed from spring 2019 onwards, the prospect of monetary normalisation was once again cancelled.

Furthermore: in September, decisions were again taken in favour of a more expansive monetary policy. The interest rate on the deposit facility, which had been at –0.4 percent since 2016, was pushed even further into negative territory. Since 18 September 2019, –0.5 percent now applies. The rate for the deposit facility is the key interest rate for money market operations in the prevailing situation of excess liquidity in central bank money. However, under the new system, known as "tiering", the European Central Bank, effective from November 2019, granted allowances to credit institutions. For six times the institutions' reserve requirement, the Eurosystem's remuneration is not negative but zero. In addition, a new series of long-term refinancing operations (TLTROs)[1] launched in 2019 is available. In addition, the Eurosystem (ECB and central banks) resumed its net purchases in November.

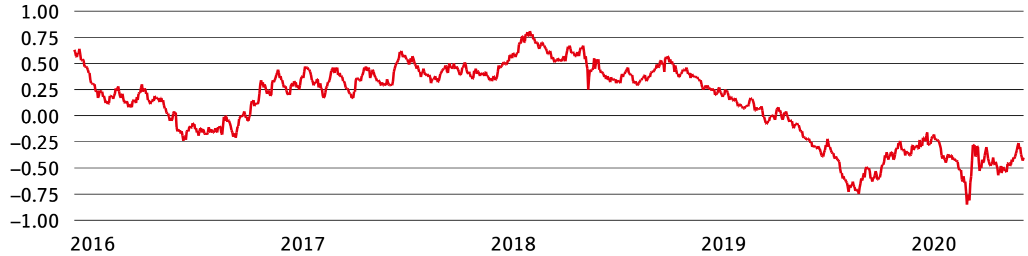
Consolidated total assets of the Eurosystem, EUR billion



Source: European Central Bank

The reversal of monetary policy had been expected on the capital markets since the spring and anticipated in market prices. In the second half of August, the yields on German government bonds in circulation reached new record lows. At times, ten-year bonds were below the 0.7 percent mark. And even 30-year Federal bonds showed negative yields based on the quotations at that time. Once it became clear from the actual monetary policy decisions that the central banks were again acting expansively but would not lower interest rates to the bottom until further notice, the bond markets then corrected to more moderate levels by the end of the year. This was the situation before the dramatic effects of the Corona crisis in 2020, with yields expected to return to the lows of late summer 2019.

Current yield on German government bonds with a remaining term to maturity of ten years in %

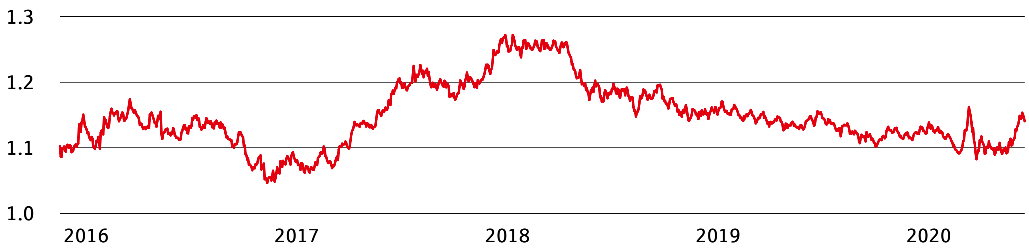


Source: Deutsche Bundesbank

[1] Targeted Longer-Term Refinancing Operations.

The Federal Reserve also cut its key interest rates in three steps between August and October. In contrast to the euro, however, these steps were still carried out at significantly positive interest rates of around two percent. In view of this transatlantic interest rate differential, the differences in growth and also the tense situation in the trade dispute, it was surprising that the bilateral exchange rate fluctuated little and, on balance, hardly changed at all. The euro depreciated only gradually in a slow, fairly steady process from 1.14 USD / Euro at the beginning of the year to 1.12 USD / Euro at the end of the year.

Euro reference rate USD / EUR



Source: Deutsche Bundesbank

Share prices defied the global economic slowdown in 2019 on the major international markets. In fact, they benefited from the continued low interest rates and the further easing of monetary policy. On the German stock market, the DAX 2019 rose from 10,478 points at the beginning of the year to 13,249 points at the end of the year, an increase of 26 percent.

Major markets and positioning

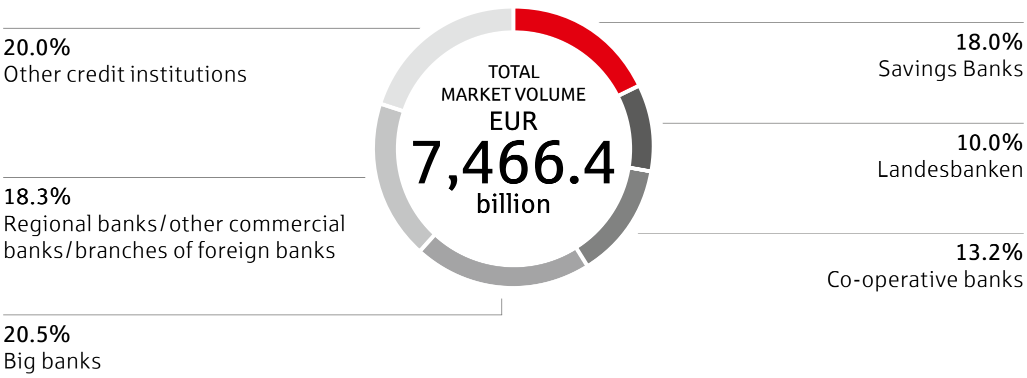
General overview

As at the end of 2019, the institutions affiliated with the Savings Banks Finance Group[1] generated a combined business volume[2] of EUR 2,087 billion, which is equivalent to a share of 28 percent of the total market volume of EUR 7,466.4 billion.

This means that the Savings Banks Finance Group's share of on-balance sheet banking business of the German banking sector declined slightly (by 0.1 percentage points) compared with the previous year. In this context, the business volume of the Savings Banks increased further by 4.2 percent, while that of the Landesbanken recorded a slight increase – as in the previous year – and now stands at 0.5 percent. The Savings Banks account for around 64 percent and the Landesbanken for around 36 percent of the business volume of the Savings Banks Finance Group. Between the end of 2008 and 2018, the Landesbanken more than halved their business volume.

This reduction clearly reflects the re-scaling process of the Landesbanken in line with their strategy by drastically reducing the credit substitute business and discontinuing business segments that are no longer part of their core business. The 2017 financial year marked a turning point for the Landesbanken – for the first time since 2007, the volume of business grew again. This development continued in the 2018 and 2019 financial years. As a result, the further development of the business model and the expansion of business with large and medium-sized enterprises are now the main focus of the majority of Landesbanken.

Market shares by business volume*
As at 31.12.2019



* 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 2019 financial year was again characterised by increases in the portfolio of corporate loans, private housing loans, consumer loans and deposits from private individuals throughout.

[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). Landesbausparkassen are not included here. Hamburg Commercial Bank (formerly HSH Nordbank) and Landesbank Berlin/Berliner Sparkasse are no longer counted as Landesbanken in Bundesbank data since December 2018. The latter are now listed under the Savings Banks.
[2] Excluding derivatives held for trading and excluding repurchased own debentures.

In its customer lending business, the Savings Banks Finance Group recorded a slight decline in market share for corporate loans and stable market shares for private residential construction loans in the 2019 financial year. It again lost market share in consumer lending business. In deposit business with private customers, the Savings Banks Finance Group maintained its stable market position in 2019. Measured by its share in this business segment, it is still well ahead of the other banking groups. The Savings Banks Finance Group's share of deposits from domestic companies increased slightly in the year under review.

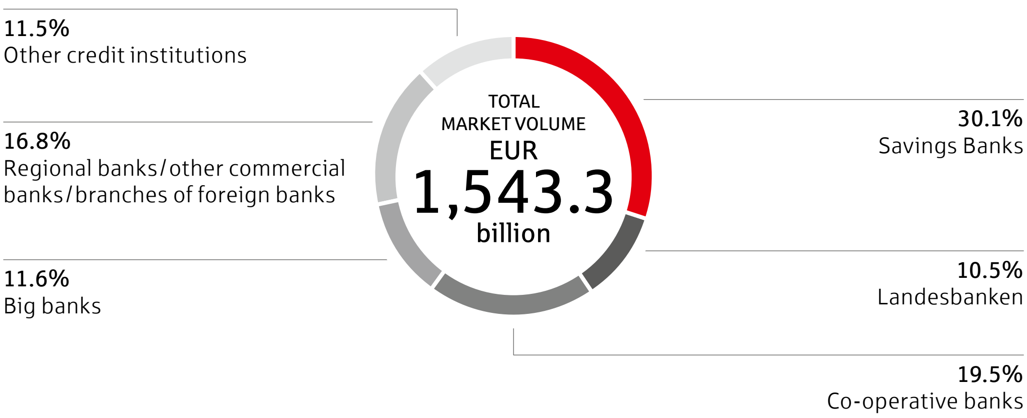
Loans to enterprises

Following a strong increase in the previous year by around EUR 74.6 billion and 5.4 percent, respectively, the total market volume of corporate loans increased at a similarly dynamic rate in fiscal year 2019 by EUR 76.5 billion and 5.2 percent to EUR 1,543.3 billion respectively.

With portfolio growth of EUR 28 billion and 4.7 percent, respectively, the Savings Banks Finance Group recorded portfolio growth slightly below the bank average, resulting in a slight loss of market share. The Landesbanken, in particular, recorded below-average growth in their corporate loan portfolios with an increase of 2.3 percent. This weaker loan growth in 2019 is mainly due to one Landesbank adjusting its loan portfolio. Other institutions have already completed the realignment and are expanding their corporate lending business. The total volume of corporate loans issued by the Savings Banks Finance Group amounted to EUR 625.6 billion at the end of 2019. This corresponds to a market share of 40.6 percent, with 30.1 percent attributable to the Savings Banks and 10.5 percent to the Landesbanken.

This means that the Savings Banks Finance Group remains the most important financial partner within the German banking industry, especially for small and medium-sized enterprises. This is followed by the credit banks with 28.4 percent and the cooperative banks with 19.5 percent.

Market shares loans to enterprises*
As at 31.12.2019

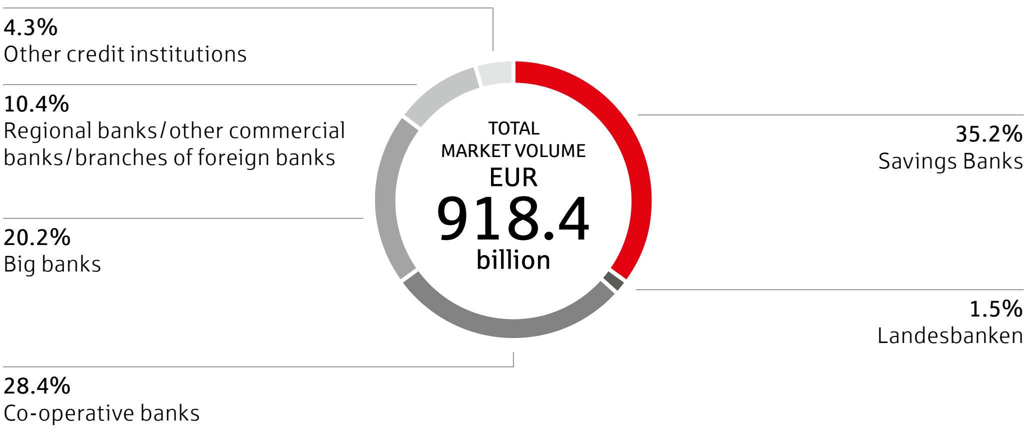


* Loans to enterprises and self-employed persons (including commercial housing loans).

Retail loans

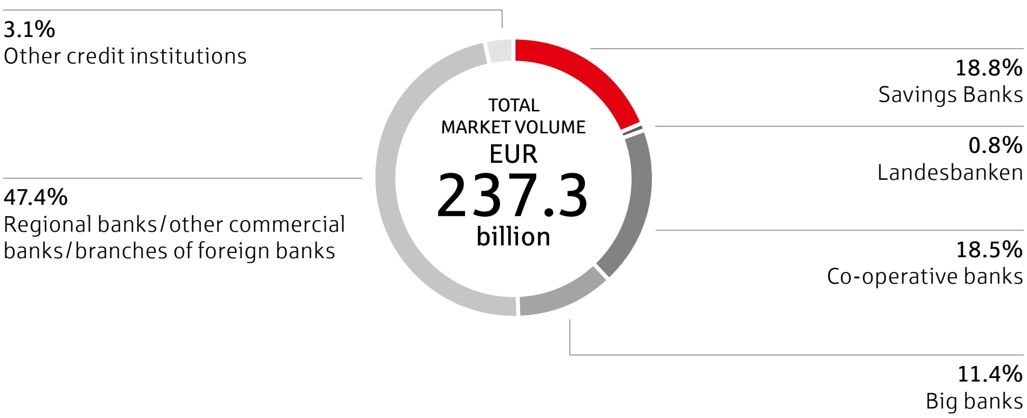
Since 2012, demand for loans for private residential construction has picked up noticeably, mainly due to interest rates. As a result, the total market volume of private residential construction loans increased further in the year under review by EUR 49.2 billion or 5.7 percent to EUR 918.4 billion, again much more strongly than in the previous year. Here, the Savings Banks Finance Group achieved portfolio growth in 2019 in line with the market. Its portfolio volume increased by EUR 18.1 billion to EUR 337.1 billion. The Savings Banks account for 35.2 percent of the total market. Together, the Savings Banks and Landesbanken account for a share of 36.7 percent. The credit banks follow as the second strongest group of institutions with a share of 30.6 percent. The third strongest group are the cooperative banks with a share of 28.4 percent.

Market shares residential housing loans
As at 31.12.2019



As in the previous year, the consumer lending business across all banking groups was characterised by portfolio growth in 2019. The market volume increased by EUR 6.6 billion or by 2.8 percent to EUR 237.3 billion at the end of 2019.

Market shares consumer loans
As at 31.12.2019



The portfolio held by the institutions affiliated with the Savings Banks Finance Group declined by EUR 0.6 billion or 1.1 percent (previous year: –1.6 percent) leading to a decrease in market share. With a portfolio volume of EUR 46.5 billion and a share of 19.6 percent, the Savings Banks Finance Group is in second place after the category of regional banks and other commercial banks/branches of foreign banks (share 47.4 percent). In 2019, the latter category of banks, which includes nearly all providers of specialised finance, continued to expand its share of the consumer credit segment.

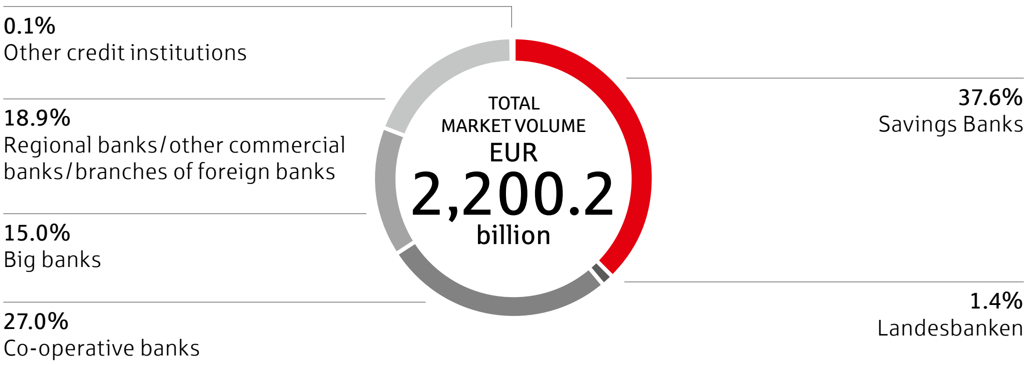
Retail deposits

In the past year, the total market volume of deposits from private individuals[1] continued to increase significantly, rising to EUR 2,200.2 billion, i.e. by 4.9 percent. At EUR 103.1 billion, absolute growth was significantly higher than in the previous year (EUR 98.8 billion).

When broken down by investment category, only the portfolio of sight deposits from private individuals grew for the fifth time in a row in the year under review due to interest rates: the increase recorded in sight deposits was once again significant (7.9 percent after 8.4 percent in 2018). On the other hand, the portfolios of time deposits, savings deposits and savings bonds of private individuals decreased, as in the previous years. The developments in the Savings Banks Finance Group were thus in line with the general market trends.

More so than other segments, the market segment of time deposits from private individuals has been largely marginalised in Germany due to the development of interest rates in recent years.

Market shares deposits from private individuals*
As at 31.12.2019



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

Overall, the current development clearly demonstrates the continuing liquidity preferences of private individuals. This is mainly due to the persistently low level of interest rates, and it also reflects the fact that many private investors continue to have a wait-and-see attitude with regard to their investment decisions.

In the year under review, the Savings Banks' deposits from private individuals increased by 4.8 percent (2018: +4.3 percent) to 826.3 billion. They were thus able to participate to a similar extent in the expansion of the total market volume in 2019 and keep their market share stable. The Savings Banks' market share amounted to 37.6 percent at the end of the year.

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

In deposit business with private customers, they are thus still well ahead of the lending banks, which have a portfolio of EUR 745.9 billion and thus a market share of 33.9 percent. These include the regional / other credit banks / branches of foreign banks with a share of 18.9 percent. This group of institutions, which includes all direct banks (including "automotive banks"), was unable to improve its market position – in contrast to previous years. In third place comes the group of cooperative banks, which are also strong in retail business. With a portfolio of EUR 594.8 billion at the end of the year, they accounted for 27 percent of total private deposits.

Together with the Landesbanken, where private deposit business is only of minor importance, the Savings Banks account for 39 percent of total deposits at the end of 2019.

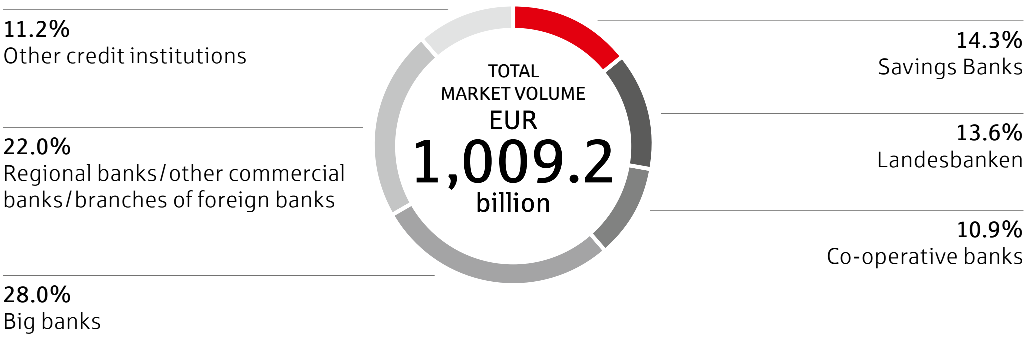
Deposits from domestic enterprises

After retail deposits, deposits from domestic enterprises constitute the second largest segment of the German banking sector's overall customer deposit business. At the end of 2019, deposits from domestic enterprises amounted to EUR 1,009.2 billion.

In fiscal year 2019, the overall portfolio of deposits from domestic enterprises decreased slightly by EUR 2.5 billion (0.3 percent). The development of this segment varied widely in the various categories of banks. Only Savings Banks, co-operative banks and branches of foreign banks were successful in increasing their portfolios of deposits. The Savings Banks' portfolio of deposits from enterprises grew by EUR 5.2 billion (3.8 percent) in the year under review; their market share now amounts to 14.3 percent.

At the Landesbanken, the deposit portfolio held by domestic companies increased to EUR 137.8 billion at the end of 2019 (end of 2018: EUR 133.3 billion). Despite the portfolio and market share declines of recent years as a result of restructuring, the Landesbanken still have a strong market position in deposits from domestic enterprises with a market share of 13.6 percent. Together with the Savings Banks, the Landesbanken reached a market share of 27.9 percent in this deposit segment as at the end of 2019.

Market shares deposits from domestic enterprises
As at 31.12.2019



Savings Banks are competent and reliable partners for the international business transactions of German enterprises

Trade conflicts and Brexit put a strain on the world markets. However, the German export economy remained stable last year and achieved significant growth. In 2019, German exports and imports even exceeded the previous record levels of 2018. However, growth lost momentum compared to previous years: in 2019, Germany exported goods worth EUR 1,327.6 billion and imported goods worth EUR 1,104.1 billion. This means that exports in 2019 were 0.8 percent higher than in 2018. Imports rose by 1.4 percent. In 2018, exports remained at 3 percent and imports increased by 5.6 percent compared to the previous year. The most important trading regions are and remain Europe, USA and China.

“Made in Germany” therefore continues to be one of the most important signs of quality for business owners from the Federal Republic of Germany. Due to its close integration into the global economy, employment in Germany is also heavily dependent on open markets and international trade: Around 28 percent of German jobs depend directly or indirectly on exports, and 56 percent in manufacturing.

International business thus harbours opportunities, but also risks, as the current Corona crisis shows, which is leading to massive payment and / or delivery defaults and great uncertainty. These have a direct impact on the economic stability of companies.

As the “provider of finance for Germany’s SMEs”, the regional Savings Banks know these small and medium-sized enterprises very well. A central task is to actively support companies and freelancers in these difficult times in order to mitigate the economic impact. By the end of April 2020, around 1.4 million advisory discussions had been held with corporate customers. The focus was on direct assistance measures to secure liquidity requirements, such as the suspension of interest and payments redemption, changes to credit lines and the rapid and unbureaucratic processing of subsidised loans.

The Savings Banks Finance Group has also supported medium-sized companies in their international business for many years. Via their international network, made up of the “S-CountryDesk”, Landesbanken and Deutsche Leasing, regionally rooted Savings Banks use their relationships with over 10,000 correspondent banks for transactions at approx. 100 locations worldwide. In this way, customers and Savings Banks can be supported directly on site and in German during important meetings. Additionally, enterprises can use the “EuropaService” of the German Savings Banks Association (DSGV) which – due to its co-operation with 600 institutions in more than 60 countries – helps to establish business relations between German and foreign enterprises.

The Savings Banks Finance Group is constantly evolving into a corporate foreign trade manager – regionally anchored and globally networked. In addition to the existing range of services, from foreign payment transactions to foreign trade financing, remote customer-oriented services are also to be developed in the future, such as foreign trade and customs consulting.

As “The SME financier”, Savings Banks and Landesbanken are thus not only crisis managers in difficult times, but also support internationally operating corporate customers as local partners with their broad global network and individual solutions.

Business performance and financial position

Performance of the institutions covered by the Institution Protection Scheme [1] – an aggregated view

The operational performance of the Savings Banks Finance Group in fiscal year 2019 was stronger than in the previous year.

In the year under review, the Results of Operations of the Savings Banks Finance Group were characterised by a much better valuation result [2] compared with 2018, albeit with lower net interest income. Overall, this resulted in a higher annual result (before and after taxes).

↘ For further information on the business development of the Savings Banks, Landesbanken and Landesbausparkassen, see pages 47, 54 and 59.

In 2019, the Savings Banks Finance Group achieved an operating result before valuation of EUR 10.2 billion, compared with EUR 11.3 billion in the previous year. This decline was due to lower net interest income – despite higher net commission income – and a slight increase in administrative expenses in fiscal year 2019. Net commission income of the Savings Banks Finance Group increased by 8.9 percent to EUR 9.6 billion. Net interest income of EUR 27.8 billion fell significantly short of the previous year's level (–3.1 percent) due to the interest-rate environment. Net trading income (net income from financial transactions), which is only relevant for Landesbanken within the Savings Banks Finance Group, decreased from EUR 0.7 billion to EUR 0.5 billion in the year under review.

Administrative expenses increased by 1.9 percent to EUR 28 billion due to higher operating expenses.

In fiscal year 2019, the cost-income ratio [3] of the Savings Banks Finance Group as a whole increased slightly to 73.3 percent (2018: 70.8 percent). This was primarily due to the decline in net interest income and the increase in administrative expenses.

The valuation result of the Savings Banks Finance Group for 2019 recorded a decisive improvement in the valuation balance over the previous year. Net valuation expenses decreased from EUR –3.6 billion in the previous year to EUR –0.3 billion in 2019. In the previous year, the negative effect was due, in particular, to higher additions to provisions for contingent losses in the lending business of Landesbanken.

By contrast, the extraordinary result [4] had a greater impact on the earnings position of the Savings Banks Finance Group in 2019 than in the previous financial year. The negative balance of EUR –5.3 billion was significantly higher than the previous year's level of EUR –4.6 billion.

[1] This chapter provides an aggregated view of the development at the Savings Banks, Landesbanken and Landesbausparkassen (in this case Landesbanken excluding foreign branches, domestic and foreign Group subsidiaries and LBS) as well as Hamburg Commercial Bank (formerly HSH Nordbank), which remains in the protection scheme.
[2] Valuation allowances and write-downs on receivables and securities held in the liquidity reserve (net of write-ups on receivables and securities held in the liquidity reserve) as well as changes in the contingency reserves in accordance with section 340(f) German Commercial Code.
[3] Ratio of administrative expenses to the result from operations (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 P&L statistics of Deutsche Bundesbank, additions to and withdrawals from the Fund for General Banking Risks are recognised under "extraordinary result" in accordance with section 340(g) of the German Commercial Code.

Key financials of the Savings Banks Finance Group *

Selected balance sheet items

	As at year-end 2019 EUR billion	As at year-end 2018 EUR billion	Change as %
Loans and advances to banks (MFIs[1])	**268.6**	268.6	–0.0
Loans and advances to non-banks (non-MFIs)	**1,307.4**	1,254.1	+4.2
Liabilities to banks (MFIs)	**371.4**	376.1	–1.2
Liabilities to non-banks (non-MFIs)	**1,342.0**	1,280.2	+4.8
Equity	**173.0**	167.8	+3.1
Total assets	**2,273.5**	2,178.2	+4.4
Tier 1 ratio pursuant to CRR[2] (as percentage; change in percentage points)	**16.1**	15.9	+0.1

Selected positions of P&L account[3]

	2019[4] EUR billion	2018 EUR billion	Change as %
Net interest income	**27.779**	28.661	–3.1
Net commission income	**9.590**	8.806	+8.9
Net income from financial transactions	**0.474**	0.668	–29.1
Administrative expenses	**28.024**	27.512	+1.9
Operating result before valuation	**10.216**	11.338	–9.9
Operating result after valuation	**9.898**	7.707	+28.4
Net income before taxes	**4.628**	3.130	+47.8
Income taxes	**2.676**	3.225	–17.0
Net income after taxes	**1.951**	–0.095	–[5]
of which net income Savings Banks after taxes	1.831	1.798	+1.8
of which net income Landesbanken after taxes	0.095	–1.918	–[5]
of which net income Landesbausparkassen after taxes	0.026	0.026	+0.2

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken excluding foreign branches, excluding domestic and foreign group subsidiaries and excluding Landesbausparkassen, 3. LBS: legally independent entities of LBS and legally dependent units of Landesbanken as well as Hamburg Commercial Bank (formerly HSH Nordbank), which is affiliated with the protection scheme.
[1] Monetary Financial Institutions.
[2] Capital Requirement Regulation.
[3] As in the "original" P&L account under the German GAAP, additions to the Fund for General Banking Risks pursuant to Section 340(g) of the German Commercial Code are recognised as expenses that reduce net income; in the DSGV's Financial Reports until 2010, such additions were treated – in line with Deutsche Bundesbank's P&L statistics – as appropriation of profits which increased net income.
[4] Preliminary figures from financial statements prepared in accordance with the German GAAP.
[5] Calculation would not make sense.

Overall, the institutions affiliated with the Savings Banks Finance Group achieved net income of approx. EUR 4.6 billion before taxes in 2019. The Group had closed the previous year with net income of EUR 3.1 billion before taxes. After taxes, the Savings Banks Finance Group recorded an net income of around EUR 2 billion in 2019, compared with EUR –0.1 billion in the previous year.

The substantial decline in net income in the 2018 results was due to the high extraordinary charges of a single institution of the Landesbanken Group. However, the results for 2019 would also have been significantly higher without the losses of the two institutions weakened by the shipping crisis.

In the past financial year, the year-on-year increase in the aggregate total assets of the Savings Banks Finance Group continued compared with the previous year. The decline in previous years was primarily due to the fact that the strategic measures designed to re-align and re-size the Landesbanken resulted in a further reduction in total assets.

As at the end of the year, the total assets of the Savings Banks Finance Group increased by 4.4 percent to EUR 2,273.5 billion (previous year: +2.3 percent). This was primarily due to the expansion of customer lending business and customer deposit business. Savings Banks and Landesbanken were able to achieve higher growth in customer lending business in particular. Loans and advances to non-banks increased by 4.2 percent to EUR 1,307.4 billion, while liabilities to non-banks of the Savings Banks Finance Group increased by 4.8 percent to EUR 1,342 billion.

The balance sheet equity of the Savings Banks Finance Group increased again in 2019. It grew by 3.1 percent to EUR 173 billion (previous year: +3.9 percent). The Group thus again improved its equity base in the past financial year.

EUR
173
billion
REPORTED EQUITY OF THE SAVINGS BANKS FINANCE GROUP

The calculated core capital of the Savings Banks Finance Group as per CRR/CRD IV[1] increased to EUR 169.1 billion (end of 2018: EUR 161.3 billion) at the end of 2019, the total risk contribution (counterparty risks, market risk positions and other risks) amounted to EUR 1,052.2 billion (end of 2018: EUR 1,012 billion). The Savings Banks Finance Group's Tier 1 capital ratio thus rose again slightly to 16.1 percent at the end of 2019 (end of 2018: 15.9 percent).

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

Business performance of Savings Banks

In 2019, the Savings Banks in Germany showed successful business development in lending, deposit and securities business. Their total assets increased by EUR 57.2 billion (+4.6 percent) to EUR 1,301 billion. The number of Savings Banks decreased by one to 379 Savings Banks (previous year: 380; as at 15 June 2020: 377).

EUR
1,301
billion
TOTAL ASSETS OF SAVINGS BANKS

As in the previous year, the customer lending business was characterised by high dynamics. In terms of portfolios, the Savings Banks again recorded strong growth with an increase of EUR 38.2 billion or 4.6 percent to EUR 861.2 billion. New business was also better than in the previous year, surpassing the record figure from the previous year. Loan repayments remained at a high level.

[1] CRR = Capital Requirements Regulation, CRD = Capital Requirements Directive.

One of the cornerstones of growth in 2019 was again private housing loans. Both portfolio growth and new business were higher than in the previous year. The portfolio increased by EUR 17.8 billion (+5.9 percent) to EUR 321.2 billion; in new business, the Savings Banks committed EUR 59 billion, EUR 8.7 billion more than in the previous year.

In 2019, the loan portfolio of companies and the self-employed grew even more strongly. With a plus of EUR 24.1 billion (+5.7 percent) to EUR 443.9 billion a record growth was achieved. Both investment loans and commercial housing loans are responsible for this. The Savings Banks committed EUR 93.3 billion in new business, which is also a new record.

In 2019, the Savings Banks' customer deposits were up EUR 45.2 billion (+4.8 percent) on the previous year's growth of +4.3 percent to a portfolio of EUR 995.5 billion. In structural terms, the trend was similar to previous years due to low interest rates: Sight deposits were expanded, while other forms of investment (own issues, time deposits, savings deposits) declined.

In the off-balance-sheet customer securities business, the Savings Banks recorded significantly higher sales compared with the previous year (+5.3 percent). Net sales (purchases minus customer sales) were clearly positive, but at EUR 10.8 billion they were down on the previous year.

Thus, direct financial asset formation was again able to benefit from inflows from the deposit business and securities business in the year under review.

Including home savings and loan business attributable to the Savings Banks and attributable life insurance business, Savings Bank customers invested EUR 58.8 billion directly and indirectly with their Savings Bank.

Profitability
As expected, the earnings position of the Savings Banks weakened in the 2019 fiscal year in operating business (operating result before valuation). The continuing phase of low interest rates is again noticeably reflected in the Savings Banks' income statement.

The Savings Banks' operating business continued to be determined in particular by the development of net interest income from the highly competitive lending and deposit-taking business with private customers and small and medium-sized enterprises. With a significant decline of 3.6 percent, the Savings Banks achieved net interest income of EUR 20.4 billion (previous year: EUR 21.2 billion) in the 2019 fiscal year.

In the customer business, margins in the deposit-taking business in particular are under severe pressure due to interest rate factors. Despite a further increase in demand for loans in 2019 due to the economic situation, margins in the lending business will fall slightly. Revenues on the assets side will therefore not be able to offset the decline in income despite growing lending volumes. Maturity transformation income rose slightly against the background of the somewhat steeper interest rate structure.

The net commission income of the Savings Banks increased by a gratifying 6.2 percent to EUR 8.2 billion (previous year: EUR 7.7 billion). This improvement in the result is due to a further increase in commission income in card business and giro business, but also in securities business. In 2019, the Savings Banks also recorded noticeable revenue increases in brokerage business, particularly in insurance business, loan brokerage and real estate brokerage.

On balance, however, the decline in net interest income was only partially offset by improved net commission income.

Administrative expenses rose by 1.2 percent to EUR 20.3 billion in fiscal year 2019 (previous year: EUR 20 billion). In the year under review, the Savings Banks recorded an increase in operating expenses to EUR 7.6 billion (+2.6 percent, previous year: EUR 7.4 billion). IT costs are being driven primarily by the necessary digitalisation and standardisation of processes. Personnel expenses increased only slightly by 0.3 percent in 2019 and amount to EUR 12.7 billion (previous year: EUR 12.6 billion). Thus, the significant salary increases from the last wage agreement were almost compensated for by the continued measures of personnel consolidation (among others through partial retirement) and by natural fluctuation.

The cost-income ratio[1] rose slightly more significantly to 70.6 percent in the 2019 fiscal year (previous year: 67.7 percent) and was primarily due to the decline in net interest income. Nevertheless, an even stronger increase was prevented by the slight rise in administrative expenses and an increase in commission income.

The operating result before valuation thus fell to EUR 8.4 billion (previous year: EUR 9.6 billion).

With reference to the valuation result[2], the Savings Banks achieved a net valuation expense in 2019 of just under EUR –0,1 billion – as in the previous year. In 2019, the valuation of securities held in the liquidity reserve resulted in a valuation result of slightly more than EUR 0.3 billion. Following a valuation result of EUR –1,3 billion in the previous year, this represents significant relief. 2019 was a much better stock market year than 2018.

With regard to risk provisions in the lending business, valuation expenses in the amount of EUR 0.5 billion were incurred for the first time in 2019 on balance, after the valuation result from the previous year was balanced. On the one hand, the good equity base of companies during the economic downturn in 2019 prevented major loan defaults. On the other hand, in addition to the emerging economic risks, some key industries are facing significant technological change.

Nevertheless, the current level of risk provisioning shows that the risk measurement and risk management procedures of the Savings Banks, which have been refined considerably in recent years, deliver reliable results and thus enable efficient risk coverage that is also tailored to requirements.

The „extraordinary result“[3] of the Savings Banks in the 2019 fiscal year was again strongly influenced by the allocations to the fund for general banking risks in accordance with Section 340(g) of the German Commercial Code. The increase in the „340g reserves“, at EUR 4 billion, was well above the previous year‘s figure (2018: EUR 3.8 billion). Fortunately, the total „extraordinary result“ closed 2019 with a considerably lower negative balance of EUR 4.1 billion compared to the previous year.

The improvement in the „extraordinary result“ and the valuation result had a positive effect on the development of the net income before taxes. However, with net income before taxes of EUR 4.3 billion, the Savings Banks‘ overall result for the 2019 fiscal year was down on the previous year (2018: EUR 4.6 billion).

EUR
4.3
billion
PRE-TAX NET INCOME FOR SAVINGS BANKS

[1] Ratio of administrative expenses to result from operations.
[2] The valuation result is composed of provisions for contingent losses in lending business, as well as write-ups/write-downs on contingency reserves pursuant to Section 340(f) of the German Commercial Code and valuation allowances and write-downs on receivables and securities held in the liquidity reserve (net of write-ups on receivables and securities held in the liquidity reserve).
[3] Balance of other and extraordinary income/expenses. Unlike the P&L statistics of Deutsche Bundesbank, additions to and withdrawals from the Fund for General Banking Risks are recognised under “extraordinary result” in accordance with Section 340(g) of the German Commercial Code.

Selected items of the P&L account of Savings Banks[1]

	2019[2] EUR billion	2018 EUR billion	Changes 2019 vs. 2018 EUR billion	%
Net interest income	**20.397**	21.152	–0.8	–3.6
Net commission income	**8.168**	7.694	+0.5	+6.2
Net income from financial transactions	**0.011**	0.001	+0.0	>+100
Administrative expenses	**20.267**	20.035	+0.2	+1.2
Personnel expenses	**12.669**	12.626	+0.0	+0.3
Operating expenses (including depreciation of property, plant and equipment)	**7.598**	7.409	+0.2	+2.6
Operating result before valuation	**8.440**	9.557	–1.1	–11.7
Valuation result (excluding equity interests)	**–0.069**	–0.572	+0.5	–88.0
Operating result after valuation	**8.371**	8.985	–0.6	–6.8
Balance of other and extraordinary income / expenses[1,3]	**–4.091**	–4.412	+0.3	–7.3
of which additions to the Fund for General Banking Risks in accordance with Section 340(g) German Commercial Code	**–3.964**	–3.781	–0.2	+4.8
Net income before tax	**4.280**	4.573	–0.3	–6.4
Income taxes	**2.450**	2.775	–0.3	–11.7
Net income after taxes	**1.831**	1.798	+0.0	+1.8
Return on equity before taxes (in %, percentage point changes)	**7.0**	7.5	–	–0.5
Cost-income ratio (in %, change in percentage points)[4]	**70.6**	67.7	–	+2.9

[1] As in the "original" P&L account under German GAAP, additions to the fund for general banking risks pursuant to Section 340(g) of the German Commercial Code are recognised as expenses that reduce net income; in the DSGV's Financial Reports until 2010, such additions were treated – in line with Deutsche Bundesbank's P&L statistics – as appropriation of profits which increased net income.
[2] Preliminary figures from financial statements prepared in accordance with German GAAP.
[3] Including the balance of gains on the sale of financial investments and investments held as fixed assets, write-downs / write-ups on financial investments and investments held as fixed assets as well as additions to and withdrawals from the Fund for General Banking Risks in accordance with Section 340(g) German Commercial Code (additions to the Fund for General Banking Risks with a negative sign).
[4] Ratio of administrative expenses to result from operations.

The net income for the year after deduction of income taxes amounted to EUR 1.83 billion in the 2019 fiscal year and thus exceeded the previous year's level (EUR 1.80 billion).

EUR
861.2
billion
CUSTOMER LOANS

Lending business

Total customer lending business grew by EUR 38.2 billion in 2019. The Savings Banks thus increased their portfolio by 4.6 percent to EUR 861.2 billion (previous year +3.7 percent).

New business improved by 7.3 percent compared to the previous year, with EUR 170 billion achieving a new record. The fact that this was not reflected even more strongly in the portfolios is due to the still very high repayments, which are roughly at the previous year's level of EUR 116 billion.

This positive development in customer lending business was driven by corporate lending business. In the course of 2019, the Savings Banks committed EUR 4.1 billion (or 4.6 percent) more new loans to companies and the self-employed than in 2018. A new record was set at EUR 93.3 billion.

At 70 percent, the majority of the loan commitments in 2019 continued to be in the medium and long-term area, so from the company's point of view new business continued to have an investment character.

This good new business was also reflected in the loan portfolio. In 2019, the increase amounted to EUR 24.1 billion or 5.7 percent (portfolio at year-end EUR 443.9 billion).

In 2019, investment loans from companies and the self-employed increased by EUR 15 billion or 5.2 percent (previous year +4.9 percent) to a portfolio of EUR 303.8 billion. In commercial housing construction, the loan portfolio also increased strongly by EUR 9.2 billion or 7 percent (previous year +6.8 percent) to EUR 140 billion.

On the other hand, the Savings Banks also recorded a strong increase in new business in loans to private individuals compared with the previous year. For 2019 as a whole, the volume of commitments was EUR 69.9 billion, an increase of EUR 8.5 billion (+13.8 billion) compared with 2018. The portfolio again increased quite strongly in 2019, by EUR 15.1 billion or 4.3 percent to EUR 363.6 billion (previous year +2.8 percent).

The increase in new business is attributable to the development of private housing loans. Commitments amounted to EUR 59 billion, up EUR 8.7 billion (+17.3 percent) compared with 2018. On the one hand, this growth reflects the considerable price increases of recent years, as a result of which Savings Banks granted higher real estate loans than in previous years. On the other hand, however, it should also be noted that these price increases have not slowed down demand. The attractiveness of real estate continued to be high in view of unchanged low interest rates.

In the course of the year, the portfolio of private residential construction loans increased by a good EUR 17.8 billion (+5.9 percent) to EUR 321.2 billion, clearly exceeding the previous year's growth (+3.6 percent).

In 2019, consumer lending business continued to decline compared to previous years. In new business, the Savings Banks committed EUR 10.9 billion, EUR –0.2 billion (–2.2 percent) below the previous year. Although the loan portfolio decreased further by EUR –2.7 billion (–5.9 percent), it must still be borne in mind that Savings Bank customers have considerable liquid funds and, given the interest rate situation, also use them for consumption.

In 2019, loans to domestic public authorities declined by EUR 2.3 billion (–6.5 percent) to EUR 33.5 billion (2018: –8.8 percent). New business was EUR –28.3 percent lower than in the previous year at EUR 3.1 billion.

Customer lending business of Savings Banks

	2019 EUR billion	2018 EUR billion	Change in EUR billion	Change as %
Customer loans	**861.2**	823.0	+38.2	+4.6
Loans to enterprises[1]	**443.9**	419.7	+24.1	+5.7
Loans to private individuals	**363.6**	348.5	+15.1	+4.3
Residential housing loans	321.2	303.4	+17.8	+5.9
Consumer credits	42.4	45.1	–2.7	–5.9
Loans to public authorities	**33.5**	35.8	–2.3	–6.5
Total loan commitments / disbursements to domestic customers	**170.0 / 154.7**	158.4 / 145.2	+11.6 / +9.5	+7.3 / +6.5
Loan commitments / disbursements to enterprises and self-employed persons[1]	**93.3 / 84.2**	89.2 / 79.9	+4.1 / +4.3	+4.6 / +5.3
Loan commitments / disbursements to private individuals	**69.9 / 64.3**	61.4 / 58.1	+8.5 / +6.1	+13.8 / +10.5

[1] Including loans for commercial housing loans.

Customer securities trading business

In 2019, the Savings Banks recorded total sales of EUR 111.3 billion in balance sheet-neutral customer securities business, slightly exceeding the previous year's level (+ EUR 5.6 billion and +5.3 percent). Turnover in fixed-income securities (+13 percent) and investment funds (+6.3 percent) was higher than in the previous year, while turnover in shares remained 5.1 percent below the 2018 figure. Net sales (purchases minus sales) were clearly positive in 2019 at EUR 10.8 billion (2019: EUR 13.8 billion). This was mainly due to high positive net sales of investment funds (EUR +9.8 billion), but shares (EUR +1.2 billion) were also positive, while fixed-income securities (EUR –0.2 billion) were slightly negative. Among the investment funds, open-ended real estate funds (EUR +4.5 billion), equity funds (EUR +4.0 billion), mixed funds (EUR +1.8 billion) and other funds (EUR +1.5 billion) show the highest positive balances.

Customer securities business at Savings Banks

	2019 EUR billion	2018 EUR billion	Change in EUR billion	Change as %
Securities trading volume	**111.3**	105.8	+5.6	+5.3
Net sales of securities[1]	**10.8**	13.8	–3.0	–21.9

[1] Net sales is the balance of customer purchases and sales.

Funding

Savings Banks fund themselves primarily from deposits of private customers and companies. The growth in customer deposit business in 2019 was clearly higher than in previous years (+4.3 percent in 2018) at EUR 45.2 billion (+4.8 percent to a total portfolio of EUR 995.5 billion).

EUR
995.5
billion
CUSTOMER DEPOSITS MADE AT SAVINGS BANKS

The interest-rate-induced development of the past years has continued: Demand deposits were further increased (by EUR 54 billion or 8.8 percent to a portfolio of EUR 664.6 billion) while the other categories are declining. Time deposits decreased by EUR –0.5 billion (–3.1 percent), savings deposits by EUR - 4.9 billion or –1.7 percent to EUR 282.7 billion and own issues were again reduced quite significantly by EUR –3.3 billion (–9.4 percent).

Domestic companies increased their deposits by EUR 5 billion or +3.5 percent to EUR 148.4 billion, in the previous year +2.8 percent. Private customers invested an additional EUR 37.2 billion in 2019 (+5 percent to EUR 780.7billion), an even higher increase compared to 2018 (+4.5 percent).

As in previous years, the Savings Banks were thus characterised by a comfortable refinancing situation. The entire customer lending business was refinanced via customer deposits.

Customer deposit business of Savings Banks

	2019 EUR billion	2018 EUR billion	Change in EUR billion	Change as %
Customer deposits	**995.5**	950.3	+45.2	+4.8
of which savings deposits	282.7	287.7	–4.9	–1.7
of which own issues	31.7	35.0	–3.3	–9.4
of which time deposits	16.4	17.0	–0.5	–3.1
of which sight deposits	664.6	610.7	+54.0	+8.8

Acquisition of financial assets

Due to the strong portfolio growth in the deposit business and the high positive net sales in the securities business, the financial assets of customers in 2019 was +6 percent more than the previous year. Including the home loan and savings business attributable to the Savings Banks and the attributable life assurance business, customers acquired additional financial assets worth EUR 58.8 billion via Savings Banks – more than ever before. This also applies to private customers who additionally invested EUR 49 billion (+5.1percent).

EUR
58.8
billion
ACQUISITION OF FINANCIAL ASSETS BY CUSTOMERS

Acquisition of financial assets by Savings Banks customers [1]

	2019 EUR billion	2018 EUR billion	Change EUR billion	Change as %
Acquisition of financial assets by customers [2]	**58.8**	55.4	+3.4	+6.1
Acquisition of financial assets by private individuals	**49.0**	46.6	+2.4	+5.1

[1] From deposit-taking business and customer securities trading business, including intermediated home savings and loan deposits and intermediated life assurance policies.
[2] Retail customers, corporate clients, domestic general government, non-profit organisations, foreign customers.

16%
TIER-1 RATIO OF SAVINGS BANKS

Equity

At the end of the 2019 fiscal year, the Savings Banks reported regulatory equity in the amount of EUR 127.9 billion. It was thus increased by a further EUR 4.8 billion over the course of the year, and this exclusively in the form of (hard) core capital. At the end of 2019, the total capital ratio was 17.25 percent; the core capital ratio was 16 percent and, after deducting hybrid core capital components, the hard core capital ratio was 15.97 percent. As a result of the sharp rise in risk-weighted assets, the ratios are thus slightly below the 2018 figures. However, the regulatory requirements continue to be clearly exceeded.

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

Banking supervisory ratios of the Savings Banks in accordance with CRR

	2019 in %	2018 in %	Change as %
Tier-1 ratio	**16.00**	16.21	–0.21
Common equity Tier-1 ratio	**15.97**	16.17	–0.20
Total capital ratio	**17.25**	17.60	–0.35

Business performance of Landesbanken

In the 2019 fiscal year, as in the previous year, the business development of the Landesbanken was characterised by an increase in total assets. It was reduced to a greater extent in the previous years: In the course of the strategic measures adopted in the financial market crisis to resize and realign the Landesbanken, total assets were reduced by EUR 702 billion or around 45 percent between the end of 2008 and the end of 2017.

In 2019, the institutions [1] recorded an increase in total assets of around EUR 35.6 billion or 4.1 percent to EUR 899.6 billion. Overall, Landesbanken are thus continuing the trend of expanding balance sheet business (2018: +0.3 percent). [2] The main reason for this dynamic development was the growth in customer lending business.

[1] This Chapter deals with the five Landesbank groups, Landesbank Berlin/Berliner Sparkasse, DekaBank, as well as Hamburg Commercial Bank (formerly HSH Nordbank) which is affiliated with the protection scheme.
[2] The increase in total assets and the expansion of certain loan and deposit positions (e.g. loans to public authorities and deposits from public authorities) was favoured by a special effect: in 2019 a Landesbank took over a Pfandbrief bank with a focus on municipal financing.

In addition, the Landesbanken increased their liabilities to customers and securitised liabilities (primarily money market paper issued) in 2019. Above all, deposits from public authorities were increased.

Lending business

On the assets side of interbank business, the Landesbanken recorded a portfolio growth in loans and advances to banks in 2019 of EUR 6 billion or 3.2 percent to EUR 195.2 billion (previous year: –1.4 percent). This is mainly due to the increase in loans and advances to foreign banks, which were increased by EUR 16.3 billion to EUR 88.9 billion. The claims of the Landesbanken on Savings Banks increased by EUR 5 billion to EUR 59.6 billion. In contrast, the Landesbanken recorded a decline in loans and advances to domestic banks (excluding Savings Banks) from EUR 15.2 billion to EUR 47.7 billion.

In customer lending business, the Landesbanken recorded an even more dynamic development in the past fiscal year compared with the previous year. Loans and advances to non-banks were increased by a total of EUR 13.2 billion or 3.3 percent to EUR 413.3 billion (previous year: +2.7 percent).

EUR
413.3
billion
CUSTOMER LOANS BY LANDESBANKEN

This is mainly due to the increase in receivables from domestic and foreign public-sector budgets. These rose by EUR 8.5 billion or 11.6 percent to EUR 81.5 billion.

Receivables from domestic and foreign companies increased in the year under review by EUR 4.8 billion or 1.6 percent to EUR 301.1 billion (previous year: EUR +13.9 billion or +4.9 percent). The focus was on foreign corporate customer business: Receivables from foreign companies increased from EUR 3 billion or +2.7 percent to EUR 113.9 billion. Loans and advances to domestic companies increased by EUR 1.8 billion or +1 percent to EUR 187.2 billion.

Loans and advances to domestic private individuals (including non-profit organisations) remained largely stable at EUR 30.6 billion (–0.3 percent).

Securities trading business

The Landesbanken further reduced their proprietary securities investments in 2019. The total portfolio declined by 0.5 percent to EUR 128.9 billion (previous year: –5 percent). The largest decline in volume is to be found in investments in the category of bank bonds. The holdings here fell by EUR 0.9 billion or 1.3 percent to EUR 68.7 billion. The portfolio of „public sector bonds“ fell by 2 percent to EUR 28.9 billion. As in the previous year, the securities portfolios invested in non-fixed-interest securities (shares, investment certificates) decreased by 2.7 percent to EUR 9.1 billion.

The holdings invested in corporate bonds remained almost constant at EUR 18.8 billion. Money market paper continued to play only a minor role despite a very high increase of 50.5 percent to a portfolio of EUR 3.3 billion at the end of 2019.

At the end of 2019, the focus of the "A securities account" of the Landesbanken was on bank bonds with a structural share of 53.3 percent, followed by bonds and debt securities issued by public authorities with 22.4 percent and corporate bonds with 14.6 percent. The securities portfolios invested in non-fixed-interest securities are of minor importance with a structural share of 7.1 percent and money market securities with 2.6 percent.

EUR
291.2
billion
CUSTOMER DEPOSITS OF LANDESBANKEN

Funding

In 2019, Landesbanken recorded an increase in customer deposits of 5.1 percent to EUR 291.2 billion. In 2018 customer deposits had fallen by 1.7 percent. The main reason for the increase in 2019 was the development in liabilities to domestic public-sector budgets, which were increased by EUR 11.1 billion and 24.4 percent to EUR 56.8 billion.

There was also an increase in liabilities to domestic and foreign companies, which rose by 1.2 percent to EUR 152.5 billion and by 3 percent to EUR 25.9 billion. A further differentiated consideration in the sector of domestic companies shows that the portfolio profit in the year under review is exclusively attributable to the development in liabilities to insurance companies. These were increased by 7.8 percent to EUR 65.9 billion.

In contrast, Landesbanken recorded outflows of EUR 1.6 billion (–4.6 percent) to EUR 33.8 billion for liabilities to financing institutions and of EUR 1.3 billion (–2.5 percent) to EUR 52.7 billion in the real economy corporate sector.

Deposits from domestic private individuals (including non-profit organisations) grew by 1.1 percent to EUR 55.3 billion.

The Landesbanken also reduced their interbank liabilities in 2019. They fell by 5.4 percent to EUR 232.3 billion (previous year: +3.1 percent). In the past year, liabilities to domestic banks (excluding Savings Banks) decreased by 5.1 percent to EUR 141.7 billion, while liabilities to Savings Banks fell by 7.9 percent to EUR 26.6 billion. Liabilities to foreign banks were 4.9 percent lower at EUR 64.1 billion (previous year +9.8 percent).

In 2019, as in the previous year, Landesbanken recorded an increase in the portfolio of securitised liabilities. The portfolio increased by 4.7 percent to EUR 197.6 billion. In the previous years, Landesbanken had recorded significant declines in their portfolios in some cases for this form of refinancing.

Equity

In 2019, the balance sheet equity of the Landesbanken fell slightly by 0.5 percent from EUR 49.4 billion to EUR 49.2 billion. The majority of the institutions were able to strengthen this balance sheet position.

16.2%
TIER-1 RATIO OF LANDESBANKEN

The regulatory Tier-1 capital of the Landesbanken, calculated on the basis of the CRR / CRD IV, increased by 5.6 percent to EUR 46.7 billion at the end of 2019 (end of 2018: EUR 44.3 billion). The total risk contribution (counterparty risks, market risk positions and other risks) was reduced by 0.7 percent to EUR 288.1 billion (end of 2018: EUR 290.2 billion). As a result of these two developments, the core capital ratio according to CRR / CRD IV of the Landesbanken Group rose by 1 percentage point and amounted to 16.2 percent at the end of 2019 (end of 2018: 15.3 percent).

Regulatory ratios of Landesbanken in accordance with CRR

	2019 as %	2018 as %	Change as %
Tier-1 ratio	**16.22**	15.25	0.97
Common equity Tier-1 ratio	**15.19**	14.30	0.89
Total capital ratio	**21.04**	19.85	1.20

The greatest burdens from the financial crisis have been removed. Risk-weighted assets were reduced in a targeted manner, and capital ratios were further expanded. Only two institutions are still struggling with the consequences of the shipping crisis. Nevertheless, the Landesbanken Group can look back on a solid core capital base. For the majority of the institutions, the focus is now on further developing their business model and expanding their business with large and medium-sized enterprises.

Selected balance sheet items of Landesbanken (including DekaBank)*

	As at year-end 2019 EUR billion	As at year-end 2018 EUR billion	Change as %
Loans and advances to banks (MFIs[1])	**195.2**	189.2	+3.2
Loans and advances to non-banks (non-MFIs)	**413.3**	400.1	+3.3
Liabilities to banks (MFIs)	**232.3**	245.6	–5.4
Liabilities to non-banks (non-MFIs)	**291.2**	277.0	+5.1
Balance sheet total	**899.6**	864.1	+4.1

* Including Hamburg Commercial Bank (formerly HSH Nordbank), which remains in the institution protection scheme.
[1] Monetary Financial Institutions.

Profitability [1]

Despite the ongoing phase of low interest rates, Landesbanken operating results declined by only 0.8 percent in the year under review. Operating revenues remained more or less stable in 2019: The decreases in net interest income by EUR 0.1 billion (to a level of EUR 6.5 billion) and in net income from financial transactions by EUR 0.2 billion (to EUR 0.5 billion) are offset by a strong increase in net commission income by EUR 0.3 billion (to EUR 1.5 billion). Administrative expenses rose slightly more than in the previous year due to an increase in operating expenses and reached a level of EUR 7.2 billion in 2019 (previous year: EUR 6.9 billion).

Overall, Landesbanken achieved an operating profit before valuation of EUR 1.67 billion in 2019 (previous year: EUR 1.69 billion). The cost-income ratio[2] of Landesbanken increased to 81 percent (previous year: 80.3 percent) as a result of the earnings development outlined above.

For several years in a row, Landesbanken have formed increased risk provisions for lending business. In contrast to previous years, the valuation expense in 2019 was significantly lower: It was significantly lower than in the previous year (2018: EUR 3.1 billion) at EUR 0.3 billion and accordingly had less impact on the annual result of the Landesbanken Group. The high burden of previous years was mainly due to the streamlining of the loan portfolios as a result of the financial crisis. In recent years, the earnings situation of some institutions was particularly affected by the effects of the shipping crisis.

While Landesbanken were still able to achieve a slight surplus in “other and extraordinary income and expenses” in previous years, the result of the “extraordinary account “[3] 2019 was negative – as in the previous year – and reduced the result to EUR 1.1 billion.

[1] Source: Individual financial statements of Landesbanken (including DekaBank) as well as Hamburg Commercial Bank (formerly HSH Nordbank), which is still affiliated with the protection scheme.
[2] Ratio of Administrative Expenses to Result from Operations (sum total of net interest income and net commission income, net income from financial transactions and other operating income).
[3] Balance of other and extraordinary income / expenses. Unlike the P&L statistics of Deutsche Bundesbank, additions to and withdrawals from the Fund for General Banking Risks are recognised under “extraordinary result” in accordance with Section 340(g) of the German Commercial Code.

The slightly positive valuation or financial investment business with a net valuation income of EUR 0.1 billion was therefore far from sufficient to compensate for the transferred profits or the extraordinary result. The latter primarily includes reorganisation expenses and restructuring provisions for the reorientation of two institutions.

Landesbanken achieved a slightly positive pre-tax result of EUR 0.3 billion in the 2019 fiscal year. In the previous year, the annual result before taxes was EUR –1.5 billion. After deduction of profit-related taxes, Landesbanken closed the 2019 fiscal year with a net profit after taxes of around EUR 0.1 billion. In 2018, Landesbanken recorded a net loss after taxes of EUR –2 billion.

The results for the fiscal years 2018 and 2019 were mainly affected by the high extraordinary charges at two institutions due to the shipping crisis. Without their losses, the Landesbanken Group would have generated a net income after taxes of EUR 1 billion in 2019 (previous year: EUR 0.8 billion).

Selected items of P&L account [1] of Landesbanken (including DekaBank) *

	2019 [2] EUR billion	2018 EUR billion	Change as %
Net interest income	**6.485**	6.598	–1.7
Net commission income	**1.526**	1.220	+25.1
Net income from financial transactions	**0.463**	0.667	–30.7
Administrative expenses	**7.151**	6.874	+4.0
Operating result before valuation	**1.674**	1.688	–0.8
Valuation result (excluding equity interests)	**–0.286**	–3.055	–90.7
Operating result after valuation	**1.389**	–1.367	– [4]
Balance of other and extraordinary income / expenses [1,3]	**–1.116**	–0.142	>+100
of which: Withdrawals from (+) / additions to (–) Fund for General Banking Risks pursuant to Section 340(g) German Commercial Code	**–0.319**	–0.120	>+100
Net income before taxes	**0.273**	–1.509	– [4]
Income taxes	**0.177**	0.409	–56.7
Net income after taxes	**0.095**	–1.918	– [4]

* Including Hamburg Commercial Bank (formerly HSH Nordbank), which remains in the institution protection scheme.
[1] As in the "original" P&L account under German GAAP, additions to the Fund for General Banking Risk in accordance with Section 340(g) German Commercial Code are recognised as expenses that reduce net income, while withdrawals from this fund are recognised as earnings that increase net income.
[2] Preliminary figures from financial statements prepared in accordance with German GAAP, rounding differences may occur.
[3] Including the balance of gains on the sale of financial investments and investments held as fixed assets, write-downs / write-ups on Financial investments and investments held as fixed assets as well as additions to and withdrawals from the Fund for General Banking Risks in accordance with Section 340(g) German Commercial Code (additions to the Fund for General Banking Risks with a negative sign, withdrawals from this fund with a positive sign).
[4] Calculation would not make sense.

Business performance of Landesbausparkassen

Landesbausparkassen reached a target contract sum in new business of EUR 32.9 billion. Compared to 2018, this means a plus of 0.6 percent. The further increase of the target contract sums reflects the development of the business towards financing-oriented customers which has been persisting for several years. Especially in the current capital market situation, the home savings and loan agreements are particularly attractive for consumers because they protect them against the risk of rising interest rates. The substantial rise in real estate prices has also increased the need for equity. The fact that building society savers have recognised this is shown by the further increase in the average target contract sum. It reached EUR 55,000 in the past fiscal year and was thus 8.5 percent higher than in the previous year.

The Savings Banks' "building societies" are the undisputed market leaders in home savings and loans business in Germany. Their market share is 34.7 percent in terms of the number of new contracts concluded in 2019 and 36.7 percent in terms of target contract sums. LBS' market share in terms of contract portfolio is 35.6 percent (number of contracts) and 33.4 percent (target contract sum). In the "Riester" home loan and savings segment, the market share of LBS is even higher, namely 45.8 percent which corresponds to approximately 830,000 contracts with a target contract sum of EUR 36.6 billion (+1.4 percent).

At the end of 2019, the eight Landesbausparkassen had a total of 9.3 million building society contracts (–3.5 percent) with a volume of EUR 306.9 billion (+1.8 percent) for their 8 million customers.

The Landesbausparkassen continued to be important providers of capital for the financing of private residential construction measures in the year under review. Capital disbursements amounted to EUR 8.3 billion (+5.6 percent). At the end of 2019, the portfolio of building society deposits increased to EUR 64.2 billion (+3.6 percent). The total portfolio of building loans rose by 5.5 percent to EUR 30.7 billion; the portfolio of loans from preliminary and interim financing loans increased by 5.7 percent to EUR 26.1 billion.

The Landesbausparkassen have 570 advice centres and employ 6,958 office and field staff. At EUR 73.3 billion (+3.5 percent), the cumulative balance sheet total of the LBS Group reached a new high at the end of 2019.

Business performance of Landesbausparkassen

	2019	2018	Change as %
New contracts concluded			
Number (millions)	**0.60**	0.65	–7.3
Target contract sum (EUR billion)	**32.9**	32.7	+0.6
Portfolio of contracts			
Number (million)	**9.33**	9.66	–3.5
Target contract sum (EUR billion)	**306.9**	301.6	+1.8
Money received (EUR billion)			
Total	**11.3**	11.1	+1.2
of which savings contributions	8.6	8.4	+2.3
New capital commitments (EUR billion)	**10.8**	10.6	+2.0
Capital disbursements (EUR billion)	**8.3**	7.9	+5.6
Total assets (EUR billion)	**73.3**	70.8	+3.5
Net income after taxes (EUR billion)	**26.1**	26.0	+0.4
Employees (including field force)			
Total	**6,958**	6,932	+0.4
of which apprentices	151	149	+1.3
	2019 in %	2018 in %	Change in %-points
Market shares (number of contracts)			
New contracts concluded	**34.7**	36.7	–2.0
Portfolio contracts	**35.6**	35.7	–0.1

Responsibility and social commitment

Last year’s focus was on enhancing the company's attractiveness as an employer, targeted personnel development and interesting offers for young junior staff. However, the year 2019 was also shaped by the ongoing digitalisation process, changing customer behaviour, and the resulting branch closures and mergers.

Employees as a key success factor and profitability management

Our employees are and remain our most important link to the customers and are a unique selling point. As brand ambassadors, they represent the special self-image of the Savings Banks Finance Group throughout Germany: understanding people, providing security and thinking about the future. Despite the slight decline in the total workforce, the Savings Banks Finance Group with its 285,200 employees continues to be one of the most important employers and one of the leaders in training in Germany. A total of 204,988 people were employed by Savings Banks in 2019. Increasing attention is paid to the question of how new business areas and sources of income can be developed, while at the same time adjusting workforce numbers, or in other words, “selectively investing in staff while consistently managing personnel expenses” (profitability management).

The Savings Banks Finance Group as an attractive employer

The Savings Banks Finance Group is an attractive employer for career starters and experienced professionals. Being an attractive employer is highly relevant for our human resources strategy. Our employees take centre stage because they are what sets us apart. As in the past, apprentices form the pool for our next generation of professionals. Our positive image as an employer has a positive impact on the recruitment of career starters. The technical optimisation of the Savings Banks Finance Group’s career portal for mobile use via smart phones meets the expectations of this young target group. We regularly invest in upgrading the content and the technical features of our employer brand.

It is important that the institutions in our Group offer young career starters not only job security and career prospects but also interesting and flexible fields of work – also during their vocational training. Savings Banks that train apprentices apply an impressive range of approaches to promote and apply their apprentices’ personal responsibility and creativity, including self-managed induction weeks and charitable projects, as well as editorial teams for social media and branches staffed by apprentices. The branches staffed by apprentices create an environment in which young talent can develop fresh ideas and immediately put these ideas into practice. In this way, apprentices see that their ideas are genuinely acknowledged; they know that they are appreciated and that they have “arrived” in the company.

Changes in customer behaviour and the ongoing digitalisation require a completely new market approach. This will lead to the emergence of sales channels with new roles and responsibilities and will trigger adjustments to processes, staff structure and staff management. To respond to these challenges, our focus in 2019 was on “strengthening our attractiveness as an employer, upgrading digital skills and ensuring the quality of our staff”.

It is very important to the institutions affiliated with the Savings Banks Finance Group that their employees have a good work-life balance. For this purpose, we offer flexible models in terms of workplaces and working time, professional career development and a variety of support measures.

Excellent training and continued professional development

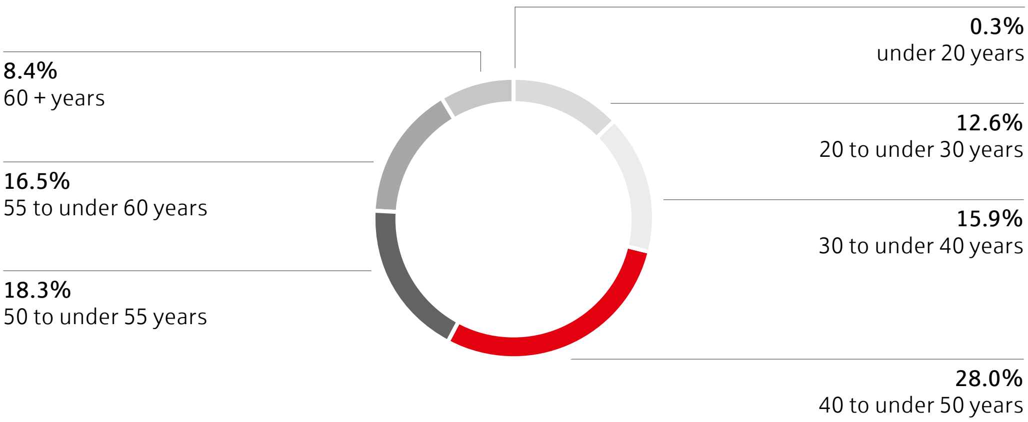
In 2019, 5,305 young people began their vocational training at a Savings Bank, Landesbank or Landesbausparkasse. This is an increase of 9.1 percent over the previous year. With 15,363 trainees, we continue to be the largest training provider in the German banking industry and one of the largest training providers nationwide. The broad commitment to training is part of the social responsibility of the Savings Banks Finance Group. This pays off: Savings Banks trainees regularly pass the Chamber of Industry and Commerce examinations as the best and receive prestigious awards in their region as well as at state and national level. In 2019, the take-up rate was 87.5 percent.

Dual vocational training, in which practical learning in the training company and in vocational school instruction complement each other, is typical for the majority of training places. Most of the trainees are aiming for a qualification as a banker. A new training regulation for the occupation of banker was drawn up in 2019 by experts from both the employers' and employees' sides of industry. This was accompanied by ministries, the Association of German Chambers of Industry and Commerce (DIHK) and coordinated by the Federal Institute for Vocational Education and Training (BIBB). The interests of the Savings Banks were implemented to a large extent through their representatives on the Council of Economic Experts. We in the Savings Banks Finance Group have taken the changed requirements for activities at the Savings Banks and the reorganisation procedure as an opportunity to develop modular solutions – concepts, instruments and digital tools – to modernise training in the nationwide project "Bank Training 2020".

School leavers are also looking for a dual course of study combining vocational training and university studies. More and more institutions are offering this via the Savings Banks Finance Group's University for Finance and Management. This offer is in line with the increasing demand for highly qualified specialists and managers, as is also evident from our "Sales Strategy of the Future".

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

Savings Bank employees: Age structure [1]
As at 31.12.2019



[1] Active banking employees (headcount).

Increasing the proportion of women in management positions remains a key development goal for the entire Group. With the measures implemented nationwide to date, we have intensified the discussion within the Savings Banks Finance Group.

Both the proportion of female managers (26.7 percent) and the proportion of women on the board (5.8 percent) increased slightly in 2019.

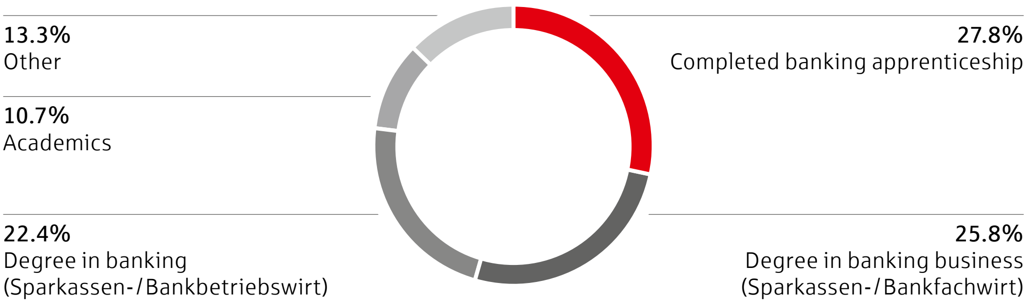
Human resources development continues to focus on coping with the transformation processes due to changing values and digitalisation

Mastering 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. The transformation of the world of work is increasing the need for continuing vocational training. New formats for further education and training are needed with a focus on newly emerging conditions.

A key success factor for 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 the start of their careers to management positions or demanding specialist tasks. The Group-wide educational architecture with nine regional academies and the Savings Banks Finance Group's University of Applied Sciences in Bonn provides comprehensive support for these development opportunities and imparts both the necessary specialist knowledge and the necessary skills and competencies for each career level.

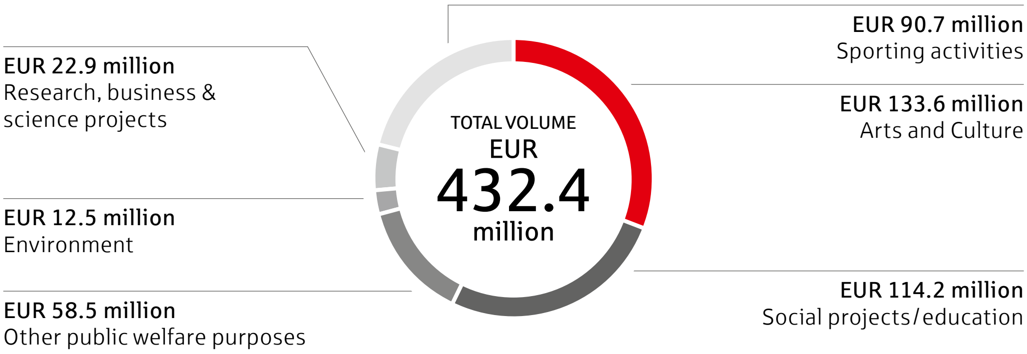
Our business model focuses on holistic customer consulting with the goal of high customer satisfaction and sustainable customer relations. We offer our customers all routes to the advisor – whether branch, online or mobile. Due to changing customer needs, there is a clear shift towards online contact. It is important to us to maintain the human proximity that distinguishes us from our competitors, despite the necessary restructuring of the branch structure in all directions. In order to ensure this, we continue to place particular emphasis on qualifying our employees for cross-channel customer service. The training offered by the academies addresses this need to adapt and systematically develop their own skills. This results in training formats that can be conducted as seminars in the academies, but also online or as in-house seminars directly in the institutions. As part of the Digital Agenda 2.0 project, the training courses offered by the academies for the Savings Banks were presented in a transparent and systematic manner throughout Germany.

Savings Banks employees: Qualification structure [1]
As at 31.12.2019



[1] Active banking employees (headcount).

Social commitment of the Savings Banks Finance Group
As at 31.12.2019



Broad-based commitment to society strengthens public welfare

In 2019, the Savings Banks Finance Group invested EUR 432 million in its social commitment (previous year: EUR 422 million). Savings Banks, Savings Bank Foundations, Landesbanken and partner entities shape local social interaction in a variety of ways. They promote art and culture, get involved in social projects, support sport and help in the areas of education and the environment.

Art and Culture

In 2019, the Savings Banks Finance Group again supported countless cultural projects throughout the country. One particular focus was its commitment as the main sponsor of "100 years of Bauhaus", in which numerous Savings Banks, Savings Bank Associations and Savings Bank Foundations support a large number of projects that were implemented in the spirit of the Bauhaus anniversary year. In addition, co-operations such as the commitment as main sponsor of the Dresden State Art Collections and the National Museum in Berlin were continued. The promotion of art and culture is firmly anchored in the social commitment of the Savings Banks. Overall, the Savings Banks Finance Group supported art and culture in 2019 with EUR 133.6 million (previous year: EUR 133.7 million). This makes it the largest non-governmental sponsor of culture in Germany.

Social commitment

Savings Banks are involved in a large number of projects for children, young people and senior citizens. They address their support services to the wider society and support, for example, social advice centres, neighbourhood homes and integration projects for immigrants. Social commitment, with benefits amounting to EUR 114.2 million in 2019 (previous year: EUR 112.6 million), is the second largest area of support by Savings Banks Finance Group.

Sports activities

The Savings Banks Finance Group promotes sport in all areas. The largest share of the contributions goes to sports clubs in all of Germany's regions. One example of this is the commitment to the Deutsches Sportabzeichen (German Sports Badge). In addition, the Group also supports top-class, junior and disabled sports, such as the German Olympic team and German Paralympic team, as well as the elite sports schools.

In 2019, sports and members of sports clubs were supported with EUR 90.7 million (2018: EUR 90.7 million). 37 foundations of the Savings Banks Finance Group exclusively or predominantly promote sports.

Environmental protection

Savings Banks also assume 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 Savings Banks. The canon of support also includes selected ecological projects in schools. The funds spent on these projects in 2019 amounted to around EUR 12.5 million (previous year: EUR 7.3 million).

Education

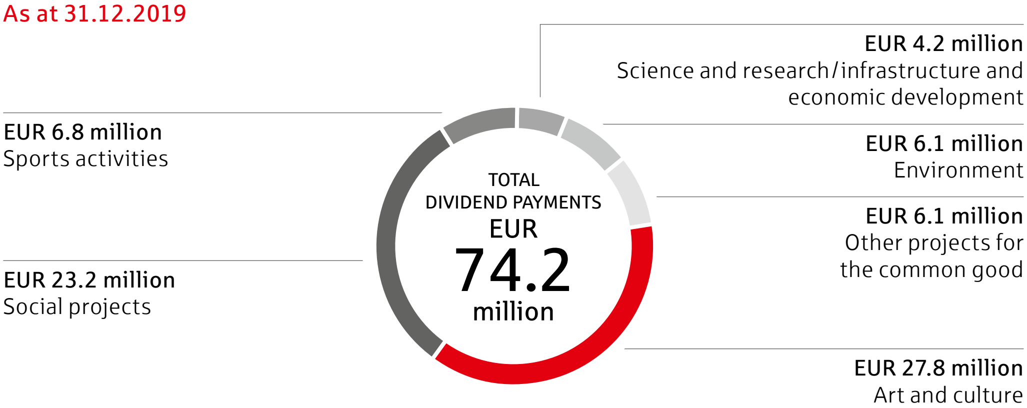
The promotion of education and integration is a central element of the Savings Banks Finance Group's commitment to sustainable social development. EUR 22.9 million (previous year: EUR 21.4 million) were channelled into projects in the areas of research, business and science promotion in 2019. Throughout 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 teaching materials on economic and financial topics via the “SparkassenSchulService” (Savings Banks School Service). Outside of schools, the Savings Banks Finance Group’s “Money and Household” advisory service provides all consumers with free-of charge information designed to improve their financial literacy and prevent debt.

Foundations

The charitable foundations of the Savings Banks Finance Group continue the sponsorship and donation commitment of Savings Banks, Landesbanken and other member institutions in a particularly sustainable form. In 2019, they numbered 754 foundations (previous year: 752). The foundations of the Savings Banks Finance Group contribute to regional development and support local civic involvement. At the end of 2019, they had a total capital of EUR 2.74 billion (previous year: EUR 2.65 billion). Last year, the Savings Banks Foundations, with distributions of EUR 74.2 million (previous year EUR 74 million), accounted for 17.15 percent of the Savings Banks Finance Group's total commitment.

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

Disbursement in EUR million
As at 31.12.2019



Sparkassenstiftung für internationale Kooperation (Savings Banks Foundation for International Co-operation)
The Savings Banks Foundation actively supports financial institutions that sustainably promote economic and social development at local, regional or national level through needs-based banking operations. It aims to enhance the professionalism of its partner institutions so that they can offer their customers permanent access to financial services. Small and medium-sized enterprises (SMEs) in particular, but also poor and socially marginalised groups are the target groups of The Savings Banks Foundation's partner institutions. The partner institutions themselves benefit from targeting SMEs and low-income earners with their business strategy: Serving these customer segments allows for sustainable, stable and satisfactory profits.

By strengthening local and regional financial structures, the Savings Banks Foundation not only creates development alternatives for broad sections of the population and local businesses, but ultimately also helps to generate jobs and income.

This is in keeping with the approach and the objectives of Germany’s Savings Banks; it has a stabilising effect on the financial sector concerned and, hence, on the economic development of the countries concerned. The 200-year history of Germany's Savings Banks shows that sustainable microfinance is only possible with efficient organisation and professionalism – the Savings Banks Foundation passes these key success factors on to its partners in its projects.

↘ Sparkassenstiftung.de

around 230
Number of other experts deployed abroad

40
Employees Bonn office

320
Employees worldwide

1 target:
Poverty reduction through financial inclusion

2019
Project volume
26.3
million euros

50
Project countries

Global access to financial services

Risk Report

Regulation is increasingly focused on the supervisory review process, referred to as Pillar 2 of the Basel Framework. This review process primarily deals with risk management and overall bank management. In 2019, the Group's institutions therefore placed particular emphasis on making progress in these areas. At the same time, the economic challenges posed by the period of low and negative interest rates persisted in 2019.

Market situation and regulatory environment

The institutions affiliated with the Savings Banks Finance Group performed well – despite growing competition, the ongoing period of low and negative interest rates and shrinking room for manoeuvre due to regulatory requirements.

Regulatory environment

Numerous regulatory initiatives were also advanced in 2019.

The EU published the banking package in the EU Official Journal on 7 June 2019. It consists of the Capital Requirements Directive and Regulation for Banks (CRD V/CRR II), the Banking Settlement Directive (BRRD) and the associated Single Resolution Mechanism (SRM) Regulation. There is a two-year implementation period for most requirements. It is important for small and medium-sized institutions that proportionality is explicitly anchored. The banking package provides for relief for so-called small, non-complex institutions. Institutions are considered small and non-complex if, in addition to certain qualitative requirements, they have a balance sheet total of less than EUR 5 billion. Approximately 85 percent of Savings Banks fall under this threshold. Following the banking package, the EU Commission will tackle the implementation of the finalisation of Basel III (published in December 2017). The Basel Committee has set a deadline of 2022 for this. Due to the Corona crisis, this deadline has now been extended by one year. At national level, preparations for the 6th amendment of the Minimum Requirements for Risk Management (MaRisk) have begun. Among other things, the 6th amendment is intended to implement the EBA guidelines on the management of non-performing and deferred risk positions (EBA/GL/2018/06) and the EBA guidelines on outsourcing (EBA/GL/2019/02).

The Savings Banks Finance Group bundles the operational implementation of the continuing high number of new regulatory requirements centrally in Sparkassen Rating und Risikosysteme GmbH (SR).

Risk management by the institutions affiliated with 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 default 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 future-oriented manner. Changes in the market environment and new regulatory requirements necessitate further development of methods, models and instruments for risk management.

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 brings 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 the individual institution and avoiding duplication of work,
- pooling of 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 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 an on-balance-sheet or off-balance-sheet item, due to the downgrading of the counterparty's rating, including the default of a debtor. Counterparty risks are subdivided into a debtor's default and migration risks. Within the meaning of this definition, debtors in the customer business are borrowers, i.e. traditional retail, commercial and corporate customers, credit institutions (interbank), governments and the public sector. In proprietary business, debtors are any counterparties or issuers.
Market price risks	– Risk of a negative deviation from the expected value of an on-balance-sheet or off-balance-sheet item, due to a change in risk classes affecting the value (interest rates, spreads, foreign exchange rates, equity prices, commodities and real estate).
Liquidity risks	– Liquidity risk is generally made up of insolvency risk and refinancing cost risk. In both components defined below, liquidity risk also includes market liquidity risk. This is the risk that financial securities cannot be traded on the financial markets at a specific time and/or at fair prices due to market disruptions or insufficient market depth. – Insolvency risk: The risk of not being able to meet due payment obligations in full or on time. – Refinancing cost risk: danger of a negative deviation from the expected value of refinancing costs.
Operational risks	– Risk of losses incurred due to the inadequacy or failure of internal processes, employees, internal infrastructure or external factors.
Other risks	– Depending on their specific business model, Savings Banks may be exposed to other risks such as cost risk. Cost risk is the risk that actual costs incurred may exceed the budgeted costs. This may be due, for instance, to the conclusion of a collective agreement that differs from the expected outcome.

Jointly developed methods are used by individual institutions to measure risks, aggregate these risks to determine their risk-bearing capacity, manage the portfolio and allocate capital, so as to optimise their risk/return ratio. Due to the large number of specific decisions, the Savings Banks Finance Group as a whole remains very well diversified.

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

Safeguarding the institutions' risk-bearing capacity
For many years, the institutions affiliated with the Savings Banks Finance Group have applied risk management methods and IT tools designed, on the one hand, to measure capital and assets and, on the other hand, to identify risks. The data collected are aggregated and compared with each other in the context of risk-bearing capacity. To this end, the institutions use centrally developed concepts which integrate the various procedures and methods and embed them in risk limits defined for the bank as a whole and for each category of risk.

As a rule, Savings Banks pursue a going-concern approach[1] that complies with the previous national requirements for risk-bearing capacity. For Landesbanken, on the other hand, the ECB's ICAAP guidelines form 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 survival of the individual institutions and creditor protection.

The software S-KARISMA/S-RTF, 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 and 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 are incorporated here. 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 in order to ensure that they are covered at all times. The overall risk of each individual institution and the individual risk types below it are limited by means of a limit system that enables timely reaction.

The institutions of the Savings Banks Finance Group carry out capital planning processes in order to identify the development of capital parameters and future scope for manoeuvre at an early stage. Should measures be necessary in the area of capital resources and earnings development, these can thus be initiated at an early stage. Here, too, S-KARISMA/S-RTF is used in Savings Banks, as a close link is required between risk-bearing capacity and earnings planning.

The results planned for the next few years and their retention will enable the Savings Banks and Landesbanken to successively expand their risk coverage potential. This will enable ongoing growth in lending business, which will increase the minimum capital requirement.

The national supervisory authority published revised regulations on risk-bearing capacity on 24 May 2018. Despite the possibility of continuing to use the existing risk-bearing capacity concepts until further notice, measures were initiated at an early stage in the Savings Banks Finance Group to efficiently implement these new regulations in all institutions.

[1] Continuation approach.

Since 2016, the German supervisory authorities have introduced new institution-specific capital requirements and expectations with the so-called SREP surcharges (SREP = Supervisory Review and Evaluation Process) and the capital target ratio, which must be taken into account in both ongoing capital backing and risk-bearing capacity.

With the SREP surcharges, Germany's Financial Markets Supervisory Authority BaFin implements the requirements of the EBA Guidelines for the Supervisory Review and Evaluation Process, according to which it will now also be necessary to provide capital backing for risks which have been identified when assessing the risk-bearing capacity and which have been backed with capital, but which are not taken into account when determining the capital requirements under Basel Pillar 1.

The target capital ratio indicates how much additional capital an institution should hold from a supervisory perspective in order to be able to meet the SREP total capital requirement at all times, i.e. also during periods of stress. For the majority of Savings Banks, this has led to no, or only limited additional capital requirements.

Safeguarding solvency

The Savings Banks' capital base will remain extremely solid in 2019. As of 31 December 2019, the common equity tier-1 ratio was 15.97 percent and the total capital ratio reached 17.25 percent.

Savings Banks thus clearly exceed the Basel capital requirements of 4.5 percent for common equity tier-1 ratio and 8 percent for the total capital ratio, which have been in force since 1 January 2014. Capital resources also cover the capital maintenance buffer (2.5 percent), which increases the minimum values for tier-1 capital under Basel III to 7 percent and the total capital ratio to 10.5 percent. The SREP surcharges and the target capital ratio are also covered.

Landesbanken (individual institution level) including DekaBank had an average hard core capital ratio of 15.2 percent at the end of 2019. The total capital ratio averages 21 percent. [1]

[1] The ratios apply to the Landesbank Group including Hamburg Commercial Bank (formerly HSH Nordbank), which is part of the institution protection scheme.

Management of individual types of risk

Due to stricter regulatory requirements to be met by risk reporting, it has become necessary to define principles for data management, data quality and the aggregation of risk data.

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

Managing risks and returns is always a balancing act between economic market conditions, the regulatory environment and changing customer expectations. In the current interest-rate environment, Savings Banks therefore focus on the management of risks and returns. In this context, particular attention is paid to managing the counterparty risk as this type of risk has a major impact on the institutions' risk-bearing capacity and the stability of their earnings. However, extensive risk measurement methods are applied to secure the lending capacity of Savings Banks and Landesbanken in a sustainable manner.

Risk classification tools

For corporate banking: Savings Banks Standard Rating	– The Savings Banks Standard Rating is applied to business clients of Savings Banks. Creditworthiness is assessed using a modular approach: as a first step, the Savings Bank / Landesbank examines what information is available on a given enterprise and can be included when establishing the rating score. This information is sub-divided as follows: – Analysis of the financial statements and / or net income accounts, – Qualitative rating, i.e. assessing the qualities of the enterprise and the entrepreneur or managing director, – Taking into account existing business relationships with the client, including the client's account behaviour, – Potential downgrades due to warning signals of a forthcoming crisis of the enterprise, – Taking into consideration third parties that may affect the enterprise's creditworthiness (joint liability) if there is a "parent-subsidiary relationship", – An approved customer rating can be used to automatically generate a strength / potential profile which can be used for communicating with the customer, – For customers with low exposure, institutions can use an automated procedure based on account data (Compact Customer Rating) to assess the customers' creditworthiness on an ongoing basis.
For commercial real estate investments: Savings Banks Real Estate Business Rating	– The Savings Banks Real Estate Business Rating is used to assess the creditworthiness of real estate business clients. Both quantitative indicators such as balance sheets and qualitative factors such as the expected business performance are used for this assessment. As the key risk driver, the property that is to be financed or has already been financed is valued using real-estate-specific information and indicators. In this context, the focus is on assessing how likely it is that loans will be repaid from the property's rental income in the years to come. – To ensure that the assessment is as realistic as possible, all the information available is given due consideration and combined to establish a rating score for the customer.
For retail banking: Savings Banks Customer Scoring	– The Savings Banks Customer Scoring is the risk classification method used for retail banking. It enables customer relationship managers to objectively assess the creditworthiness of new or existing customers applying for a loan, where possible using all the relevant information available. – In addition, this tool can also be used by the institutions for automated portfolio monitoring of their retail banking exposure, so as to identify risk in good time.
For investments in renewables: Project Financing Rating	– The Project Financing Rating is a method that is tailored to the financing of renewables projects (wind, photovoltaic systems, biogas / biomass). Loan commitments are primarily based on the cash flows generated from the operation of the plants. Hence, the core risk is not the financial position of the equity investor (also referred to as sponsor) but the project performance. – Since the project company is to be analysed in its entirety, qualitative factors such as the expertise of the parties involved in the project, information on the project environment and the contractual terms and conditions are also included in the assessment 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 materiality assessment of individual risks. It is validated annually by SR.

To support the risk management process in the Savings Banks, the institutions also have a risk manual at their disposal, which is intended to help them keep a standardised eye on risks.

Managing counterparty risks
In co-operation with representatives from regional associations, Savings Banks, Landesbanken, Landesbausparkassen and Finanz Informatik, SR develops and updates the necessary methods for efficient and needs-based credit risk measurement of Savings Banks, based on the data provided by the Savings Banks Finance Group. These methods are used throughout the Savings Banks Finance Group for managing default risks.

The fact that SR centrally develops and updates the methods guarantees their high quality and consistency. This ensures that the data pooled by Savings Banks and Landesbanken will be used in compliance with data protection laws, that they will be qualitatively and quantitatively validated and that the tools will be regularly subjected to a regulatory review.

The risk classification tools described in the table on page 71 refer to corporate lending business, as well as to real estate and retail banking business.

In addition, the institutions affiliated with the Savings Banks Finance Group also have tools for assessing ratings to allow the calculation of the fair values of credit spreads (risk spreads) and for measuring the risk exposure (value at risk) of the overall credit portfolio. The “fair” credit spread calculated is also used for risk transfers among the institutions and within the framework of what is referred to as credit pooling.

The Savings Banks Finance Group continually strives to increase the efficiency of its counterparty risk management, and hence, to generate more precise forecasts, as only a balance between precise risk assessment and effective use of financial resources will ensure fair terms for customers.

In 2019, a total of 367,000 commercial and business customers were classified in rating categories. Some of these ratings were conducted or updated several times. Overall, the data pool of the Savings Banks Finance Group comprises more than thirteen million commercial customer ratings. This database provides a high degree of reliability for the credit ratings and, at the same time, enables the institutions to give qualified advice to their customers.

The use of common uniform rating methods in the Savings Banks Finance Group offers the following advantages:

- a very broad database,
- high selectivity of methods,
- precise and fair classification of our customers in accordance with their creditworthiness,
- stable default rates,
- early and objective risk identification and
- centralised regulatory approval of the tools used to determine capital requirements in accordance with the internal ratings-based approach.

All rating and scoring methods have received regulatory approval and are audited regularly by banking supervisory authorities.

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

This permits an ideal counterparty risk management approach, involving five stages.

In the context of the implementation,

- Savings Banks leverage synergies by efficiently using risk measurement tools and integrating them into the overall bank management,
- Savings Banks optimise their equity utilisation by flexibly reducing or increasing their counterparty risk exposure,
- Savings Banks create more scope for sales by clearly delineating responsibilities between sales, back office and portfolio management,
- Savings Banks exploit growth opportunities in the lending business (including for new business) by systematically avoiding concentration risks and making consistent use of risk management tools,
- Savings Banks find it easier to offer competitive terms due to improved risk structures in their loan portfolio.

Efficient management of their loan portfolio enables Savings Banks to continue to grow their lending business in a sustainable manner without over-exposure to the associated risk.

As in previous years, the portfolios of the Savings Banks Finance Group were well positioned in fiscal year 2019. The ratings of 58.1 percent of all business clients of Savings Banks and Landesbanken were investment-grade ratings (better than BBB-), indicating high credit quality. This figure remained stable compared to the previous year.

Managing counterparty risk at portfolio level
In fiscal year 2019, Germany's Savings Banks reported yet another increase in lending by 7.3 percent (customer loans overall, excluding loans and advances to banks). To retain their capacity to act and their competitiveness in lending business over the long term, Savings Banks comprehensively register the risk exposure associated with lending and apply the efficient credit risk management (eCRM) concept to manage these risks in a more targeted manner. Active and efficient loan portfolio management – i.e. systematically optimising the risk/return ratio of their loan portfolio – gives them a competitive edge, which enables them to achieve efficiency gains and earnings growth. The credit market and the customer lending business continue to be more profitable than the capital market business, in particular in the low interest-rate environment and after risk costs.

Diversifying counterparty risks:
Syndicated customer lending as an example
Savings Banks have been engaged in the traditional syndicated lending business for many years. This includes not only sharing loans and risk exposures with their Landesbank and partner institutions within the Savings Banks Finance Group; increasingly, larger customer loans are also financed jointly by several Savings Banks. The organisation of this co-operation takes on different shapes and forms, including direct lending, loan sub-participation and release from liability.

Tools for managing counterparty risks

Savings Banks Risk-Adjusted Pricing	– The risk-adjusted pricing method enables credit institutions to determine credit spreads on the basis of individual credit exposures and collateral provided, which ensures that low and high risks are not treated equally. The purpose of the credit spreads, which are taken into account in the determination of fair credit terms, is to cover expected losses from the lending business.
Savings Banks CreditPortfolioView	– CreditPortfolioView enables Savings Banks and Landesbanken to identify, measure and provide an up-to-date view of counterparty risks associated with a loan portfolio. This is based on the P&L (periodic) and/or cash flow (value-based). The analysis takes into account changes in creditworthiness and loan defaults, as well as industry-specific and macroeconomic scenarios.
Savings Banks Loss Data Collection	– The loss data collection is used to determine liquidation and recovery rates from previously defaulted customers. The calculation of the risk costs for future transactions is based on these data. In this way, historical data on losses from lending transactions are integrated into bank management in a transparent manner. The pooled loss data of the Savings Banks Finance Group are also used to estimate loss ratios, prepare comprehensive reports and supply parameters, for example, for the Hard-Test report.

Promissory note loans have also been used by many Savings Banks for targeted investments in loans to enterprises. All of these instruments can be used both to hedge credit risk exposure and to invest in credit risks.

What is crucial is that the Savings Bank granting the loan will retain responsibility for the customer relationship. At the same time, however, the Savings Bank will have “financing partners”, so that the Savings Bank’s scope for originating loans is enhanced because of the liquidity and capital relief provided by its partners. The systematic co-operation with the other Savings Banks, Landesbanken and partner entities within the Savings Banks Finance Group creates new opportunities for more credit growth, in particular for supporting the growth of large SMEs.

Hedging counterparty risks: Savings Bank loan baskets

For the past 15 years, Savings Banks have had another efficient tool at their disposal for hedging credit risks and for managing concentration risks: Savings Banks Credit Baskets. Unlike syndicated lending, Credit Baskets provide an opportunity to synthetically hedge credit risks.

Credit Baskets are designed along the lines of a “mutual insurance society”. Twice a year, participating Savings Banks contribute their hedging requirements for the overall lending relationships with larger customers to a basket and, at the same time, they invest in the diversified portfolio created in this manner.

More than one-third of all Savings Banks have participated in at least one of the Savings Banks Credit Baskets to date, mutually hedging a total risk exposure of close to EUR 6.1 billion. Credit Baskets are also based on the underlying principle that the Savings Bank which grants the loan will retain responsibility for the customer relationship. At the same time, however, the Savings Bank will gain more scope for lending to new and existing clients. In this way, Savings Banks can systematically manage their risk exposure in the lending business.

Managing market price risks

The management of market price risks is based on the recognition of the assets invested in this segment. The sum of these asset items is subject to market price fluctuations which may lead to an increase or a decrease in the value of the assets held. The institutions affiliated with the Savings Banks Finance Group are supported by DSGV, SR and the regional associations with regard to the methodology used to quantify market price risks and optimise assets, as well as with regard to the technical implementation when dealing with these risks. Since the end of 2017, Savings Banks have been supported by SR with standardised parameters for quantifying interest-rate, spread, equity and foreign-exchange risks.

The interest rate risk is a key market price risk. In the Savings Banks Finance Group, this risk is represented as value at risk (VaR) using the modern historical simulation method, where risks are directly related to expected earnings.

To manage interest rate risks, the institutions have tools at their disposal which enable them to generate specific management measures, taking into account the required regulatory risk-bearing capacity as well as internal economic and accounting limits. The consistent use of these methods also broadens the institutions' basis for decision-making and makes it easier to define effective measures for managing the interest rate risk.

For the Savings Banks Finance Group, the management of interest rate risks is very important, also in today's persistent low interest rate environment, as

- the capital invested in the interest-earning business accounts for a major share of the total capital allocated,
- intense competition and the European Central Bank's low interest-rate policy permit only low margins and because results of proprietary investment contribute to the stability of the overall earnings position,
- member institutions have to be prepared for a potential interest rate hike,
- new funding structures call for a separation of the funding function from the interest rate risk management function,
- when issuing debt securities, credit spreads and interest rate risks are linked more closely than before, and
- supervisory authorities monitor interest rate risk exposure by means of standardised parameters and define capital backing requirements based on these parameters, referred to as the SREP surcharge for interest rate risks.

The potential provided by the management of interest rate risks has been utilised throughout the Savings Banks Finance Group for many years. Nearly all Savings Banks have the necessary methods at their disposal and the technology required to apply them. On this basis, more than two-thirds of all Savings Banks regularly report their interest rate risk exposure to DSGV and exchange comparative data with each other.

Analyses of the Savings Banks' interest rate risk exposure for 2019 demonstrate that the measures implemented to manage interest rate risks were deliberately adjusted in response to prevailing market conditions. As in previous years, Savings Banks generated stable earnings contributions to net interest income in 2019. At the same time, the differences in risk appetite and in interest rate expectations within the Savings Banks Finance Group ensure a very high degree of diversification within fixed-income investments across the entire Group.

Managing liquidity risks
Liquidity risk is defined as the insolvency risk and the cost of funding risk, taking into account the market liquidity risk. 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 point in time and/or at fair prices. The market liquidity risk is focused on the liquidation values of securities and the funding capacity available in the market.

The European liquidity standard LCR (Liquidity Coverage Ratio) was introduced on 1 January 2018, with a minimum compliance rate of 100 percent. The Savings Banks' liquidity was more than sufficient to comply with the LCR. In the past few years, the simulation and planning options of the LCR have steadily improved, permitting operational fine-tuning of this short-term liquidity metric by all Savings Banks.

In general, the attention of the institutions and associations of the Savings Banks Finance Group is focused on continuously improving qualitative and quantitative liquidity risk management. A key technical platform used for this purpose is the Group-wide "sDIS OSPlus" software and a management concept tailored to this software. The supply of granular data to the data centres enables Savings Banks to analyse their liquidity flows to any level of detail. Centrally developed parameters such as the "survival period" make risk management comparable and accessible to senior management for purposes of interpretation.

Since 2019, the process to be performed by each institution for identifying, measuring, managing and monitoring all liquidity risks (Internal Liquidity Adequacy Assessment Process – ILAAP) has been further refined and gradually adjusted for future compliance with a European "Net Stable Funding Ratio" (NSFR, mid-2021).

Managing operational risks

Their sustainable business policy obliges the institutions affiliated with the Savings Banks Finance Group to deal with future risks and their professional prevention on a regular basis. This is the only way to carry today's performance forward into the future.

Operational risks are ubiquitous and yet are not always easy to identify. A more detailed explanation of operational risk is provided by Article 4 (52) CRR, according to which losses resulting from inadequate or failed internal processes, people and systems or from external events can jeopardise an institution.

Furthermore, according to AT 2.2 MaRisk, operational risks must be seen as "material risks", so that Savings Banks must have the necessary risk coverage potential which, as a rule, is determined by means of the basic indicator approach (BIA). Savings Banks use the "database of loss events", "OpRisk assessment", the "risk map" and/or the "risk inventory" available from SR for the commercial management of their operational risk exposure. Loss events that have occurred are systematically recorded and analysed in the database of loss events. The risk map and the risk inventory are used to assess, ex ante, potential operational risks and the associated loss potential and to define risk-prevention measures.

In addition to the operational risk management tools, Savings Banks also have access to the OpRisk Assessment Tool, a standardised tool to assess operational risks for the periodic risk-bearing capacity reports. The OpRisk Assessment Tool takes into account not only the institution's own loss events but also the losses recorded in the nationwide OpRisk data pool.

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

The procedures made available (loss database, OpRisk estimation procedures, risk map and risk inventory) support the institutions in complying with MaRisk.

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 the customer deposits held with the 379* independent Savings Banks, Landesbanken, DekaBank and Landesbausparkassen. In addition, the following institutions are affiliated with the guarantee fund of Landesbanken: Berlin Hyp AG, Deutsche Hypothekenbank, Frankfurter Bankgesellschaft, Landesbank Berlin Holding AG, Portigon AG, S-Kreditpartner GmbH, Sparkassen Broker AG & Co. KG and Weberbank AG.

The guarantee scheme created by the Savings Banks Finance Group has been conceived as an Institution Protection Scheme. Its primary objective is to avoid having to pay compensation and to protect the member institutions themselves, in particular by safeguarding their liquidity and solvency (protection of institutions). This is designed to ensure that member institutions can maintain their business relations with their customers as contractually agreed. In line with the statutory requirements, this voluntary institution protection scheme therefore averts imminent or existing commercial difficulties. Moreover, the Institution Protection Scheme run by the Savings Banks Finance Group is officially recognised as a deposit guarantee scheme under the Deposit Guarantee Act (EinSiG). Under a statutory deposit guarantee scheme, customers have a legal entitlement to have up to EUR 100,000 of their deposits refunded by the guarantee scheme. This is stipulated in Germany's Deposit Guarantee Act.

The Group's Institution Protection Scheme encompasses thirteen individual guarantee funds: eleven regional Savings Bank guarantee funds, the guarantee fund of Landesbanken and Girozentralen and the guarantee fund of Landesbausparkassen.

The Institution Protection Scheme of the Savings Banks Finance Group has proven its worth for more than four decades. Since its establishment in 1973, no customers have ever lost any deposits or interest. No depositors have ever had to be indemnified. No affiliated institution has ever become insolvent.

The financial market players recognise the effective guarantees provided by the Institution Protection Scheme. Three international rating agencies – Moody's Investors Service, Fitch Ratings and DBRS Morningstar – explicitly cite the Institution Protection Scheme as one of the reasons for their decision to award very good ratings to Savings Banks, Landesbanken and Landesbausparkassen.

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

The guarantee funds include an early warning system for the identification of potential risks, which permits counter-measures to be initiated in good time. This risk monitoring approach is based on qualitative and quantitative parameters.

In addition to standardised key ratios, qualitative reports are integrated into the assessment of an institution. On the basis of this information, member institutions are classified according to one of four monitoring grades.

The guarantee funds carry out risk monitoring in accordance with standardised principles. Monitoring committees monitor the risk exposure in their member institutions, request supplementary information where appropriate and initiate counter-measures if required.

* As at 31 December 2019; 377 Savings Banks as at 15 June 2020.

The various guarantee funds report regularly to a central transparency committee of the German Savings Banks Association; this committee monitors the overall risk exposure of the protection scheme and creates transparency within the scheme.

Scope for action by guarantee funds

The guarantee funds have rights of information and rights of intervention that are laid down in the statutes.

Aside from general rights, such as the right to conduct an audit at any institution and at any time, there are additional information and intervention rights that depend on the risk monitoring outcome.

Institutions with no particular risk exposure are obliged to provide all the information necessary for risk monitoring and, within the scope of their due diligence obligations, must report any extraordinary occurrences. If the risk exposure deteriorates, the guarantee fund will determine what counter-measures should be adopted. Institutions with a particular risk exposure are required by the guarantee funds to submit a restructuring concept and to introduce suitable measures in relation to assets or personnel.

If an institution requires support, the guarantee funds of the protection scheme have a broad range of measures to draw on. As a rule, support is linked to a restructuring agreement that is subject to specific terms, such as the repayment of the support funds received as soon as the financial position of the institution concerned improves. A merger with another institution may also be an option. The decision-making bodies enjoy a large degree of flexibility in responding to the specific circumstances of a given challenge.

The various guarantee funds within the scheme are interlinked.

A total of eleven regional guarantee funds are maintained by the regional Savings Banks 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. In this event, all the other guarantee funds participate in whatever measures are required to support the institution concerned. As a result, all eleven regional guarantee funds of the Savings Banks are interconnected.

There is a separate fund for Landesbanken and Girozentralen and another for 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 of the Savings Banks’ guarantee funds,

→ the Guarantee Fund for Landesbanken and Girozentralen, and

→ the Guarantee Fund for Landesbausparkassen.

This mechanism is used whenever the resources required to support a troubled institution exceed those of the guarantee fund concerned. Due to the System-wide Compensation Mechanism, the combined resources of all these guarantee funds will be 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 powers 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 Financial Group reflect the size and business volume of each institution as well as its specific risk-bearing capacity. Each member's contribution is assessed, as set out in the regulatory requirements, on the basis of regulatory risk parameters. Member institutions' contributions increase in line with their business volume and regulatory risk parameters. This creates incentives for risk-aware behaviour, thereby helping to ensure the solidity of member institutions.

The law requires the Institution Protection Scheme to continue building up its financial resources between now and 2024. The statutory target is for funds to amount to 0.8 percent of the covered deposits held by the members of the protection scheme. Since a significant proportion of the resources required has already been paid in from existing asset pools, the Savings Banks Finance Group's Institution Protection Scheme already has sound financial resources at its disposal today.

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 Regional Savings Bank Guarantee Fund	Cash injection from Landesbanken Guarantee Fund
↓	↓
Capital injection from the Regional Savings Bank Guarantee Fund	Funding obligation of Landesbanken Guarantee Fund
↓	↓
Cash injection from other Regional Savings Bank Guarantee Funds (Supra-Regional Compensation Mechanism)	Cash injection from the System-Wide Compensation Mechanism (Savings Banks and Landesbausparkassen)
↓	↓
Capital injection from other Regional Savings Bank Guarantee Funds (Supra-Regional Compensation Mechanism)	Funding obligation of the System-Wide Compensation Mechanism (Savings Banks and Landesbausparkassen)
Funds from Landesbanken and Landesbausparkassen (System-Wide Compensation Mechanism)	The same sequence of actions is adopted to support a Landesbausparkasse.

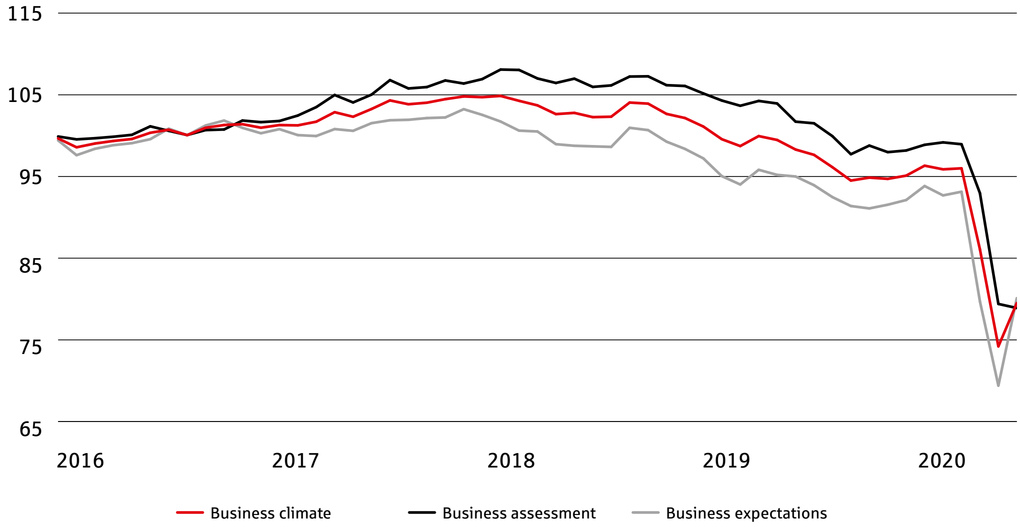
Report on expected developments

Economic environment in 2020

The development this year is expected to be completely dominated by the Covid 19 pandemic. First in China, and then after the virus spread to the other continents, there was an extensive "shutdown" of economic activity in almost all countries. The shutdown of the economy and social life was intended to curb the infection rates and thus prevent overloading of the health care systems. This has been achieved to varying degrees in the individual countries affected. The nature of the virus and the associated uncertainty about the course of the disease, as well as the drastic political measures taken in connection with the virus, will have a considerable negative impact on the economy.

This is a global phenomenon. Practically all sales markets are affected. In addition, there is the sealing off of the movement of people and goods. In some industries, value creation has come to a complete standstill. Other parts of the economy are at least affected by bottlenecks in the supply chains or by falling demand. When and how social and economic life will return to normal cannot be predicted at the time of going to press for this report.

ifo Business Climate Index for Trade and Industry [1]



[1] Source: ifo Institute.

The uncertainty in all forecasts is correspondingly high. The orders of magnitude of shrinkage put forward by the relevant institutions vary considerably. The only thing that is clear is that the global economy and also the German economy are in recession. It is obviously the most severe since the Great Depression ninety years ago. In many countries, unemployment will increase significantly.

In Germany, it is hoped that the automatic stabilisers in the support measures will limit the impact on the labour market and in the event of corporate insolvencies. Germany had the necessary fiscal policy leeway. Nevertheless, it is impossible to predict what damage will still occur. In its summer forecast, the OECD assumes that German economy will contract by 6.6 percent in the current year if there is no second wave of the pandemic. If such a second wave does occur, it could even be –8.8 percent.

Business performance of Savings Banks

In the first quarter of 2020, the Savings Banks recorded very good new lending business with enterprises and the self-employed, which is significantly above the level of the first quarter of 2019. More loans were also granted to private individuals in the first three months than in the same period of previous years. Even in times of the Corona pandemic, the Savings Banks stand by their customers, make a significant contribution to financing the SME sector in Germany and support private individuals in realising their housing construction projects.

In the deposit area, the structural shifts continued in the first months of 2020, with demand deposits rising abruptly in the course of the shutdown. It remains to be seen whether and to what extent this temporary decline in consumption and the tendency to create security reserves will continue over the year as a whole. However, the structural shares of savings deposits, time deposits and own issues are likely to continue to decline. In the customer securities business, sales in the first quarter of 2020 were significantly higher than in the previous year, and net sales (purchases minus sales) were also well above the previous year's figure.

The impact of the Corona pandemic on the results situation in 2020 is naturally considerable. For the year as a whole, a decline in net interest income, only a slight increase in commission income and falling personnel expenses are expected, with a slight increase in operating expenses. In addition, as things currently stand, loan loss provisions in the lending business will triple and there will be substantial write-downs of the book value of the A securities account due to exchange rate fluctuations. Despite all this, the Savings Banks will still be able to report positive net income after taxes. It is very likely that they will even be able to build up provisioning reserves at a low level.

Business performance of Landesbanken

2020 is a year with many challenges for Landesbanken and yet offers good opportunities for the institutions to maintain their market position. The strengths of Landesbanken are their mature customer relationships, their roots in the regions and their association with the Savings Banks. They have significant market positions in important loan and deposit categories: In corporate credit [1], their market share at the end of March 2020 is 12.6 percent and for corporate deposits 14.8 percent. They have a share of 29.4 percent of the total market volume for loans to domestic general government and 22.1 percent for deposits. In the first quarter of 2020, the institutions' aggregated total assets grew slightly faster than in the same quarter of the previous year. Customer lending business – especially loans to enterprises – will be further expanded, and so far at a significantly higher rate than in the previous year. In the deposit-taking business, deposits from customers – in particular from enterprises – continue to rise.

The challenges in 2020 continue to include low interest rates, regulatory requirements and the pressure on earnings due to intense competition. Above all, however, the drastic measures to contain the Corona pandemic, such as the shutdown of large parts of the economy, will put pressure on the earnings situation of the institutions. The exact impact of the pandemic cannot be estimated at present. As a result of the economic slowdown, corporate customers will make greater use of their credit lines or will increasingly show payment arrears. This is associated with rising risk provisioning expenses and growing risk assets. On the one hand, the consequences of the pandemic will be mitigated by the German government's various packages of measures to support companies and consumers. On the other hand, the majority of Landesbanken have a solid equity and liquidity base with a balanced risk profile.

[1] Investment loans excluding commercial housing.

In addition, Landesbanken are constantly working to strengthen their competitiveness: rising costs can be countered by digitalisation along the value chain, thus creating necessary scope for investment. Optimised business processes not only lead to greater efficiency but also take account of changing customer behaviour. Transparent processes and easy communication increase customer satisfaction and strengthen customer loyalty. This requires flexible forms of internal cooperation in order to be able to react to changes faster and more effectively.

In addition to digitalisation, sustainability will be a central theme for the institutions. In order to make their contribution to environmental and climate protection, Landesbanken will further expand sustainable investment and financing opportunities for their customers, but will also support companies in the transformation to sustainable business models. Ultimately, the banks' own business operations will have to be made even more resource-efficient.

Group business with the Savings Banks offers an excellent opportunity to counteract the pressure on profitability on both sides. The aim of the Group is to further expand offerings, create targeted product and service initiatives and support Savings Bank business through digital applications or platforms. This will expand the business potential of the Savings Banks and increase efficiency. Joint financing for larger companies or support in international business strengthen the export-oriented corporate customers of the Savings Banks.

Overall, the trusting co-operation with private and corporate customers as well as with Savings Banks and the public sector will continue to be successfully pursued in 2020. The aim here is to meet the challenges posed by further development of the business models flexibly and promptly and to respond to new customer needs.

Business performance of Landesbausparkassen

In the current capital market situation, home savings and loans agreements remain attractive as an instrument for securing the risk of rising interest rates in the long term. The continued high demand for private housing construction financing supports the lending business of the Landesbausparkassen. A dent in the number of new contracts signed during the lockdown in March and April 2020 could be compensated for in the course of the year. Home loan and savings business is receiving a noticeable boost from the improvement in the housing construction premium adopted by the Federal Government: from the 2021 savings year onwards, broad sections of the population will benefit from the subsidy thanks to significantly raised income limits. The subsidy rate, which has been increased to 10 percent, and higher savings benefits eligible for subsidisation will help to strengthen the formation of equity capital for the acquisition of residential property.

Management Outlook

The Savings Banks can look back on a successful 2019 fiscal year. New lending business reached a new record level of EUR 170 billion. As the principal bank for SMEs and skilled trades, Savings Banks financed more investments in 2019 than in the previous year. Moreover, no-one in Germany brings more people into their own four walls than the Savings Banks. Deposits from private persons also rose significantly.

However, despite strong expansion of lending and deposit business, the Savings Banks earned less in 2019 due to interest rate factors. Net interest income in 2019 reached EUR 20.4 billion, the lowest level in the past 15 years. Nevertheless, Savings Banks succeeded in increasing net commission income by EUR 474 billion. This compensated for much of the loss in net interest income. This is unlikely to continue in the coming years.

The results of the Savings Banks will continue to come under pressure in the foreseeable future. This does not even include the latest developments due to the Corona pandemic. It can be assumed that the valuation expenses, which have been historically low for several years now, will move significantly upwards. In this respect, it is good that Savings Banks already increased their contingency reserves by another EUR 4.1 billion in 2019. In this way, it has been possible to build up reserves continuously over the past few years and to act in an economically sustainable manner.

It is clear that the further development of the year 2020 is of vital importance.

The German economy in particular needs to be strengthened in the current weak phase in order to gain strength for a repositioning. The Corona crisis will in all probability develop into a catalyst for the foreseeable structural and ecological change. The institutions of the Savings Banks Finance Group can make a significant contribution in this respect, as they maintain business contacts with two thirds of German companies and already offer both private and institutional investors a wide range of sustainable investment opportunities.

At the same time, financial provision must be ensured, especially if there are still restrictions on public life. In any case, Savings Banks will stand by their customers to meet their needs in the best possible way.

It is therefore important not to neglect other strategic processes. This year, these include above all the expansion of the financial platform and the increased use of digital payment methods, as well as the development of a European payment market in which the Savings Banks Finance Group will play an active role. This will not only lead to a vigorous digitalisation of work processes in the Savings Bank network, but also to greater unity in the implementation of joint projects.

Supplementary report

In January 2020, the European Central Bank (ECB) and the Federal Financial Supervisory Authority (BaFin) notified the German Savings Banks Association (DSGV) of certain regulatory expectations regarding the further development of the institution protection scheme of the Savings Banks Finance Group on the basis of an audit of the protection scheme. The DSGV is currently exchanging information on this with the ECB and BaFin. It is expected that the Savings Banks Finance Group will agree with the ECB and BaFin on any necessary adjustments to the protection scheme.

5. AGGREGATED FINANCIAL STATEMENTS

Explanatory notes on aggregation

Scope of aggregation

The aggregated balance sheet and the aggregated profit and loss account (P&L) presented by the DSGV include the financial statements of all Savings Banks, Landesbanken and Landesbausparkassen, as well as Hamburg Commercial Bank (formerly HSH Nordbank), which is still affiliated with the Institution Protection Scheme.

Regardless of their legal form (legally independent entities or legally dependent units of Landesbanken), Landesbausparkassen have been fully incorporated into the scope of aggregation.

The foreign branches of Landesbanken, as well as their domestic and foreign Group subsidiaries and Landesbausparkassen are not included in the figures.

Aggregation approach

The Savings Banks and Landesbanken data used in the preparation of the aggregated balance sheet were taken from the Deutsche Bundesbank's 2018 and 2019 December reports for the monthly balance sheet statistics ("Bista"). The corresponding balance sheet data of the Landesbausparkassen were taken from the respective annual reports.

The Savings Banks and Landesbanken figures used for the aggregated profit and loss (P&L) accounts of fiscal years 2018 and 2019 are based on the results of the external analysis of Savings Banks and the published German GAAP individual financial statements of Landesbanken; the results of the external analysis of Savings Banks were reclassified in accordance with German GAAP. The Landesbausparkassen figures for both fiscal years were taken from the respective annual reports (also prepared in accordance with German GAAP).

The result of this data compilation is a non-consolidated aggregate balance sheet and a non-consolidated aggregate profit and loss account of the institutions affiliated with the Institution Protection Scheme of the Savings Banks Finance Group. Other institutions affiliated with the Institutional Protection Scheme of the Savings Banks Finance Group include BerlinHyp, Deutsche Hypothekenbank, Frankfurter Bankgesellschaft (Deutschland) AG, Landesbank Berlin Holding AG, Portigon AG, S-Kreditpartner GmbH, Sparkassen Broker and Weberbank.

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

	2019[1] in EUR million	2018 in EUR million
Net interest income	**27,779**	28,661
Interest income	58,221	58,592
Interest expense	30,442	29,931
Net commission income	**9,590**	8,806
Commission income	12,496	11,632
Commission expenses	2,906	2,826
Net income from financial transactions	**474**	668
Administrative expenses	**28,024**	27,512
Personnel expenses	16,371	16,256
Material expenses	11,653	11,256
Other operating income	**397**	715
Operating result before valuation	**10,216**	11,338
Valuation result (excluding equity interests)	–318	–3,631
Operating result after valuation	**9,898**	7,707
Balance other and extraordinary income / expenses[2]	–5,270	–4,577
of which: additions to the Fund for General Banking Risks in accordance with Section 340(g) German Commercial Code[3]	–4,345	–3,923
Net income before taxes	**4,628**	3,130
Income taxes	2,676	3,225
Net income after taxes	**1,951**	–95
of which net income/loss of Savings Banks after taxes	1,831	1,798
of which net income/loss of Landesbanken after taxes	95	–1,918
of which net income/loss of Landesbausparkassen after taxes	26	26
Return on equity	as a percentage	as a percentage
Before taxes	5.2	4.3
After taxes	3.7	2.3
Cost/income ratio (operating income)	**73.3**	70.8

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken excluding foreign branches, excluding domestic and foreign group subsidiaries and excluding Landesbausparkassen. 3. Landesbausparkassen (legally independent entities of LBS and legally dependent units of Landesbanken) as well as Hamburg Commercial Bank (formerly HSH Nordbank), which is still affiliated with the institution protection scheme.

[1] Provisional figures from financial statements prepared in accordance with German GAAP, rounding differences may occur.

[2] Including the balance of gains on the sale of financial investments and investments held as fixed assets, write-downs / write-ups on financial investments and investments held as fixed assets as well as additions to and withdrawals from the Fund for General Banking Risks in accordance with Section 340(g) German Commercial Code (additions to the Fund for General Banking Risks are preceded by a minus sign).

[3] As in the “original” P&L account under German GAAP, additions to the Fund for General Banking Risk in accordance with Section 340(g) German Commercial Code are recognised as expenses that reduce net income.

Source: Operating comparison and FINREP reports of the Savings Banks, annual reports of the Landesbanken (individual financial statements according to HGB), DSGV/federal branch of the Landesbausparkassen, Deutsche Bundesbank.

Aggregated balance sheet of the Savings Banks Finance Group*

	Assets	Balance at the end of the year	
		2019 in EUR million	2018 in EUR million
1	Cash reserve[1]	**121,016**	104,487
1a	of which balances held with central banks	106,569	92,114
2	Treasury bills[2]	**677**	0
3	Other bills	**0**	0
4	Loans and advances to banks (MFIs)	**268,573**	268,628
5	Loans and advances to non-banks (non-MFIs)	**1,307,380**	1,254,119
6	Debt securities and other fixed-income securities	**321,319**	328,192
7	Equities and other non-fixed income securities	**105,013**	100,105
8	Investments	**14,041**	14,091
9	Investments in affiliated undertakings	**10,426**	10,152
10	Trust assets	**9,080**	9,304
11	Equalisation claims	**0**	0
12	Tangible fixed assets	**11,854**	11,743
13	Other assets	**104,111**	77,361
14	**Total assets**	**2,273,491**	**2,178,182**

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken excluding foreign branches, excluding domestic and foreign group subsidiaries and excluding Landesbausparkassen, 3. Landesbausparkassen (legally independent entities of LBS and legally dependent units of Landesbanken), as well as Hamburg Commercial Bank (formerly HSH Nordbank), which is still affiliated with the institution protection scheme.
[1] Cash on hand and balances held with central banks.
[2] Including non-interest-bearing treasury notes and similar public-sector debt.

Liabilities		Balance at the end of the year	
		2019 in EUR million	2018 in EUR million
1	Liabilities to banks (MFIs)	**371,439**	376,127
2	Liabilities to non-banks	**1,341,961**	1,280,220
2a	Savings deposits	356,996	360,923
2b	Other liabilities	984,965	919,297
3	Securitised liabilities	**211,823**	203,107
3a	of which: debt securities issued	190,392	189,681
3b	money-market instruments issued	21,338	13,424
4	Trust liabilities	**9,080**	9,304
5	Write-downs on loans and securities	**1,855**	1,696
6	Provisions	**27,828**	26,784
7	Subordinated liabilities	**18,024**	17,970
8	Profit participation certificates	**1,604**	1,121
9	Equity[3]	**173,047**	167,846
10	Other liabilities[4]	**116,830**	94,008
11	**Total equity liabilities**	**2,273,491**	**2,178,182**
12	Contingent liabilities[5]	**0**	0
13	Bills for collection	**1**	2
14	Business volume	**2,273,492**	2,178,184
15	Guarantees	**69,724**	66,366

[3] Dotation capital and retained earnings (including Fund for General Banking Risks).
[4] Including special items with an equity portion.
[5] From rediscounted credit bills (including own bills drawn).

Source: DSGV, balance sheet statistics / business performance 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.

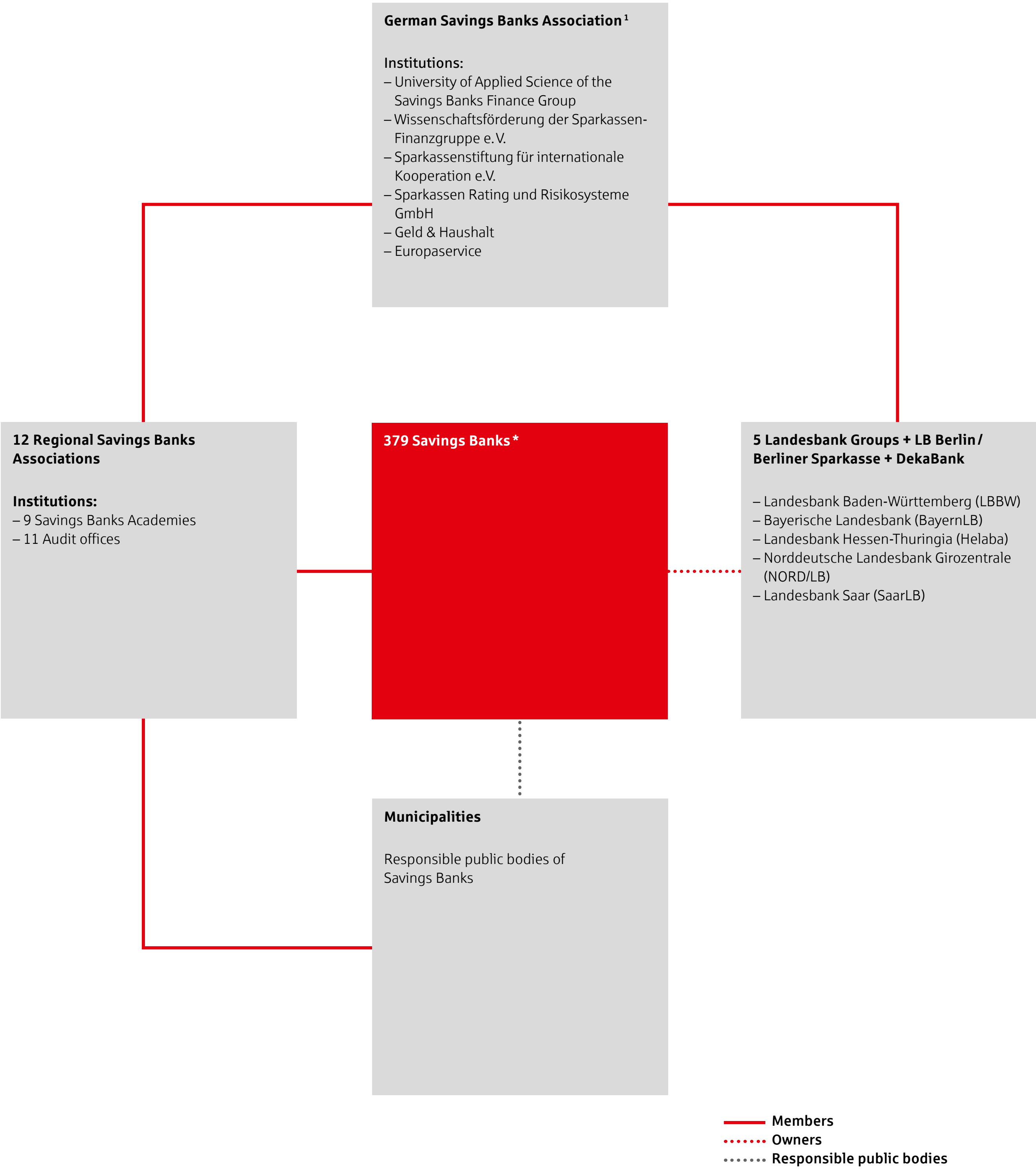
The DSGV defends the interests of all the entities associated with the Savings Banks Finance Group in relation to banking policy, the banking sector and regulation vis-à-vis national and international institutions and the general public. In addition, the DSGV defines the strategic direction of the Savings Banks Finance Group.

To this end, its members and associated entities develop concepts in cooperation with the DSGV for a successful market approach. This comprises strategic issues in terms of the market and operations, including product development and handling, risk management and overall bank management, card and payment transactions, the digital agenda, 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 of the Savings Banks Finance Group and Geld & Haushalt (Budget Advisory Service). Other joint institutions include the Verein Wissenschaftsförderung (Research Funding Association) of the Savings Banks Finance Group as well as the Sparkassenstiftung für internationale Kooperation (Savings Banks Foundation for International Co-operation).

In addition, the DSGV manages the schemes protecting its affiliated institutions under the German Deposit Guarantee and Investor Compensation Act 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 Main Office of Landesbausparkassen

* As at 31.12.2019.
377 Savings Banks as at 15.06.2020

DSGV[1]

Management

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President of the German Savings Banks Association

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Executive Member of the Board of the German Savings Banks Association (Division A)

Dr. Joachim Schmalzl
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Executive Committee

Ordinary Members	Deputy 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 Board of Landesbank Baden-Württemberg, Stuttgart / Karlsruhe / Mannheim
Walter Strohmaier Chairman of the Management Board of Niederbayern-Mitte Savings Bank, Straubing	**Siegmar Müller** Chairman of the Board of Germersheim-Kandel Savings Bank, Kandel
Professor Dr Hans-Günter Henneke Managing Member of the Executive Committee of the Association of German Counties, Berlin	**Markus Lewe** Mayor of the City of Münster and Vice-President of the Association of German Cities and Towns, Berlin and Cologne

[1] All the information current as at the copy deadline 1 July 2020

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 Niederbayern-Mitte Savings Bank, Straubing
3rd Vice-President

Professor Dr Hans-Günter Henneke
Managing Member of the Executive Committee of the Association of German Counties, Berlin
4th Vice-President

Members of the Management Board

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Michael Breuer
President of the Rheinland Savings Banks Association, Düsseldorf

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

Dr Michael Ermrich
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Dr Johannes Evers
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Chairman of the Board of Landesbank Berlin AG / Berliner Sparkasse

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Dr Ulrich Netzer
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and Chairman of the Board of Hamburger Sparkasse AG

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Chairman of the Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt / Main and Erfurt

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

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Siegmar Müller
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Burkhard Wittmacher
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Alexander Wüerst
Chairman of the Board of the Savings Bank of Cologne

Representatives of municipal umbrella organisations

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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 Vice-President of the Association of German Cities, Berlin and Cologne

Association of German Counties

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

Bernhard Reuter
District Administrator of the Göttingen District and Vice President of the Association of German Counties, Berlin

Association of German Towns and Municipalities

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

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DekaBank Deutsche Girozentrale

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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 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
API	Application Programming Interface	Anwendungsprogrammierschnittstelle
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	German Deposit Insurance Act	Einlagensicherungsgesetz
eKRM	Efficient Credit Risk Management	Effizientes Kreditrisikomanagement
ESG	Environmental, Social, Governance	Umwelt, Sozial, Unternehmensführung
ETF	Exchange-Traded Funds	Börsengehandelte Fonds
FinaRisikoV	Financial and Risk-Bearing Capacity Information Ordinance	Finanz- und Risikotragfähigkeitsinformations-verordnung
FSB	Financial Stability Board	Finanzstabilitätsrat
G-SIBs	Global Systemically Important Banks	Global systemrelevante Banken
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
IRBA	Internal Rating-Based Approach	Auf internen Ratings basierender Ansatz
IWF/IMF	International Monetary Fund	Internationaler Währungsfonds
KSA	Credit Risk Standard Approach	Kreditrisiko-Standardansatz
KWG	German 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
OECD	Organisation for Economic Cooperation and Development	Organisation für wirtschaftliche Zusammenarbeit und Entwicklung
OpRisk	Operational Risk	Operationelles Risiko
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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