

# Highlighting our Regional Principle and Strong International Network





## Constitutive Elements

The characteristics of the German Savings Banks Finance Group can also be seen as its major strengths:

- a business model and a legal form which ensure the supply of **banking services to the wider public**
- a **focus on the regional economy**, anchored in its business model and in the so-called 'regional principle'
- strong **cooperation within the Group**, sustained by a **mutual trademark** and the **Group's Institution Protection Scheme**
- a **decentralised structure**, group-wide division of labour and the generation of economies of scope.

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*»Savings Banks are strongly rooted in the concept of social and business sustainability. They balance out the difficulties that can accompany economic transformation and increase the resilience of financial markets.«*

HELMUT SCHLEWEIS  
President of the German Savings Banks Association

*Ladies and Gentlemen,*

Germany's Savings Banks are local retail institutions. Their origins lie in private retirement provision and asset accumulation. Their primary task is financial inclusion.

Savings Banks are strongly rooted in the concept of social and business sustainability. They balance out the difficulties that can accompany economic transformation and increase the resilience of financial markets.

The members of Savings Banks Finance Group play an important role as stabilisers of society and drivers of economic progress – especially in times of crisis and social insecurity as we experienced during the Corona pandemic and since the outbreak of war in Europe in February 2022.

The Savings Banks' history spans more than 200 years. They have supported and promoted the German economy through all its changes. Local business cycles of deposits and loans are our hallmark. Today, the Savings Banks Finance Group is Germany's market leader in private and corporate banking.

Around three out of four businesses in Germany are customers of the Savings Banks Finance Group. This makes Savings Banks and Landesbanken the most important providers of finance for Germany's small and medium-sized enterprises. However, while each Savings Bank operates exclusively in its home region, we support our business customers through an extensive network of our own branches and local partner banks.

This brochure describes the structures within which Savings Banks operate and explains their purpose and public mandate. In addition, we present our international network and we demonstrate how the Savings Bank concept is taking root in many countries around the world today.

*»The “Savings Bank” business model works worldwide. Local retail banking for the common good stabilises the economy and society of many emerging countries.«*

The Savings Banks, the institutions of the Savings Banks Finance Group and the German Sparkassenstiftung for International Cooperation make a tangible contributions towards this by making their expertise available.

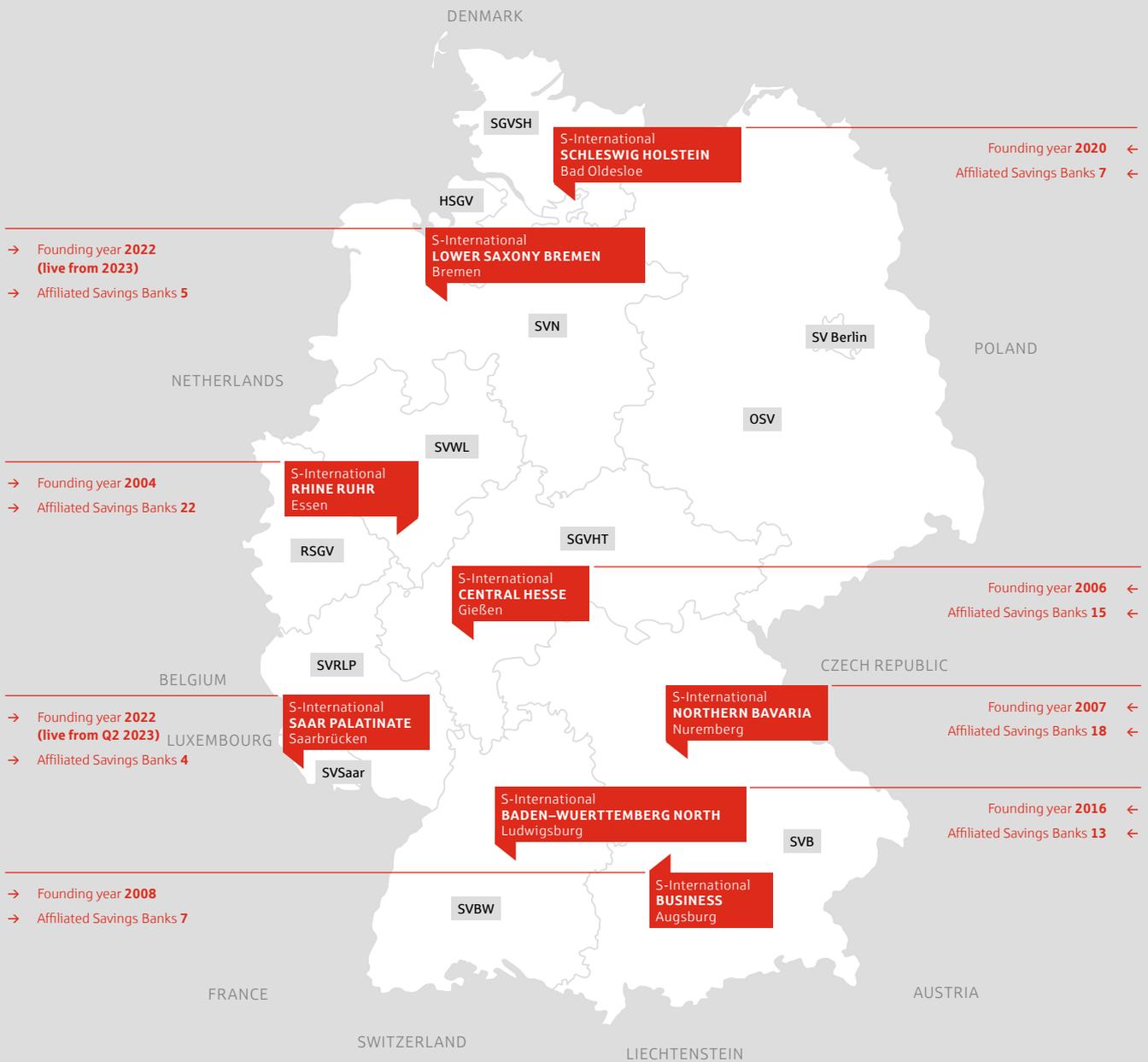
Local retail banking needs to be strengthened internationally by regulation that is suitable for this business model. Germany's Savings Banks are committed to this, together with many hundreds of other member institutions in the European Savings and Retail Banking Group and the World Savings and Retail Banking Institute.

We greatly appreciate your interest in Germany's Savings Banks and the Savings Banks Finance Group, as well as in our international activities.



Berlin, January 2023

# Regional associations and S-Internationals at a glance



## Savings Banks Associations

The German Savings Banks Association (DSGV) was founded in 1924.

The DSGV remains the umbrella organisation of the Savings Banks Finance Group and thus also of the 12 Regional Savings Banks Associations.

- S-Internationals
- Regional Associations
- SGVSH Savings Banks Association Schleswig-Holstein
- HSGV Hanseatic Savings Bank Association
- OSV East German Savings Banks Association
- RSGV Rhenish Savings Banks Association
- SGVHT Savings Banks Association Hesse-Thuringia
- SVB Savings Banks Association of Bavaria
- SV Berlin Savings Banks Association Berlin
- SVBW Savings Banks Association Baden-Wuerttemberg
- SVN Lower Saxony Savings Banks Association
- SVRLP Savings Banks Association Rhineland-Palatinate
- SVSaar Saar Savings Banks Association
- SWL Savings Banks Association of Westphalia-Lippe

## 2 WELCOME TO THE SAVINGS BANKS FINANCE GROUP

The Savings Banks Finance Group comprises approximately 510 member institutions. It is not a consolidated group. Instead, it forms a close network of regional institutions and specialised service providers. The individual institutions are managed on a decentralised and autonomous basis, which fits well with Germany's economic structure and culture. The Savings Banks Finance Group is particularly strong in the provision of finance for small and medium-sized enterprises.

### Who's who in the Group

#### Savings Banks

The 359<sup>1</sup> Savings Banks form the heart of the Group. Savings Banks are regional retail banks with total assets of about EUR 1.5 trillion. There is a local Savings Bank in every administrative region of Germany. Their activities focus on deposit and lending business with private and business customers (including the self-employed and local governments). With a network of more than 11,600 branches, Savings Banks are also the Group's most important 'sensor' in the market. Typical business areas in which Savings Banks use the products and services of other Group members include payment transactions, securities business, international corporate banking and IT services.

#### S-Internationals as local regional partners

S-Internationals are the Savings Banks' competence centres in which products and services relating to foreign commercial business are bundled for customers of cooperating Savings Banks. The first competence centre was founded in 2004 with S-International Rhein-Ruhr in Essen. Six S-Internationals are now active throughout Germany, and two more will start operations in 2023. In principle they are run as independent subsidiaries of the participating Savings Banks.

S-Internationals support companies – especially small and medium-sized enterprises<sup>2</sup> – in opening up new markets. The services offered by S-Internationals include foreign payment transactions, trade and export financing, documentary business as well as interest rate, currency and commodity management. Bundling the Savings Banks' foreign business in S-Internationals has created a combination of qualified expert knowledge and a high level of competence in international business.

#### Landesbanken

Landesbanken provide a broad range of services for businesses and enterprises of all sizes. As central clearing banks for Savings Banks, the Landesbanken ensure the integration of Savings Banks into supra-regional and international banking business. In addition, Landesbanken provide support and advice to the Savings Banks' small and medium-sized customers in their international activities. In this way, the Landesbanken play a major role in developing new business opportunities for small and medium-sized enterprises. By bundling services, e.g. in international payment transactions and in the securities trading business, Landesbanken contribute to the cost efficiency of Savings Banks.

#### Deutsche Leasing

The Deutsche Leasing Group is the leading solutions-oriented asset finance partner for German small and medium-sized enterprises and it offers a broad range of investment-related financing solutions (asset finance) as well as supplementary services (asset services). Within Savings Banks Finance Group, Deutsche Leasing is the competence centre for leasing and factoring as well as for other asset finance solutions and complementary services aimed at small and medium-sized companies both in Germany and in 23 countries abroad. For 60 years, Deutsche Leasing has supported its small and medium-sized customers from industry, commerce, the service sector and the public sector in their investments in innovation and transformation. (See page 33 for more information).

<sup>1</sup> As at 04 January 2023

<sup>2</sup> SMEs

## Deka Group

DekaBank is the Savings Banks' securities service provider and, together with its subsidiaries, it forms the Deka Group. With total assets<sup>1</sup> of approx. EUR 395 billion and roughly 5.2 million managed securities deposit accounts<sup>2</sup>, the Deka Group is one of Germany's largest securities service providers.

It provides private and institutional investors with access to a wide range of investment products and services. DekaBank is firmly anchored in the Savings Banks Finance Group, and its portfolio of products and services is entirely tailored to the requirements of its owners and its sales partners in the securities trading business.

## Partners at home and abroad

The Savings Banks Finance Group is a reliable partner for businesses and banks worldwide. International support for corporate customers is provided through the Group's international network.

within the Group and with the Landesbanken. Division of labour increases operational efficiency in areas such as back office and IT services, or the joint use of risk assessment models.

## Cooperation within the Group

While their focus on small-scale financing and services ensures moderate risks and stable earnings, Savings Banks also benefit from cooperating

Members of the Group share the mutual trademarks  and 'Sparkasse'. And in the event of economic difficulties, Savings Banks assist each other at regional or supra-regional level to ensure the continued existence of an institution through the Group's Institution Protection Scheme.

## The Savings Banks Finance Groups international network



<sup>1</sup> Total assets include mutual and special funds, ETFs and certificates

<sup>2</sup> As of 31 December 2021

## Market presence

### Savings Banks Finance Group

companies<sup>4</sup>

# 510<sup>3</sup>

Business volume<sup>5</sup> ..... EUR 3,330 billion<sup>6</sup>

..... EUR 3,190 billion<sup>7</sup>

Branches<sup>8</sup> ..... 15,860<sup>1</sup> / 15,820<sup>7</sup>

Employees<sup>9</sup> ..... 284,800<sup>6,10</sup> / 276,300<sup>10,7</sup>

# 359<sup>3</sup>

Savings Banks

Total assets ..... EUR 1,499 billion

Branches ..... 11,673

Employees ..... 194,937

S-Internationals  
Associated  
Savings Banks:

# 91<sup>1</sup>

This corresponds to a share of 25 % of the 359 Savings Banks, and the trend is rising.

# 5

Landesbank Groups

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

Total assets ..... EUR 953 billion

Employees ..... 32,799

Deutsche Leasing Group<sup>2</sup>

# 2,755

 employees

New business ..... EUR 9.9 billion

Assets under management .... EUR 40.94 billion

Deka-Bank

Deutsche Girozentrale

# 4,854

 employees

Total assets ..... EUR 89 billion

<sup>1</sup> As of 30 December 2022

<sup>2</sup> As of 30 September 2021

<sup>3</sup> As of 04 January 2023

<sup>4</sup> Including associations and other institutions; figures have been rounded

<sup>5</sup> Business volume here = balance sheet total/portfolio volume/total assets/investment volume; figures have been rounded

<sup>6</sup> Including foreign branches as well as domestic and foreign subsidiaries of Landesbanken

<sup>7</sup> Excluding foreign branches, excluding domestic and foreign subsidiaries of Landesbanken

<sup>8</sup> Offices/information centres

<sup>9</sup> Office staff and field force, excluding part-time employees; figures have been rounded

<sup>10</sup> Including 3,332 employees of associations, their institutions and other institutions

## History of the German Savings Banks

For over 200 years, the Savings Banks' concept has combined banking business with a sense of **civic responsibility**. Since its inception, the Savings Banks' business model has focused on the region in which the Savings Bank is based, promoting the **common good** in its home region. The decentralised structure of the Savings Banks Finance Group ensures the **local provision** of carefully tailored risk assessment and customer solutions.

**Savings Banks:  
a tradition that combines social  
and economic development**

**1778**

First Savings Bank in Hamburg was founded.

18th century  
**The Enlightenment**



- The first Savings Banks are founded by socially minded citizens and local associations to alleviate poverty
- Offering financial services to all promotes social inclusion

19th century  
**Industrial Revolution**

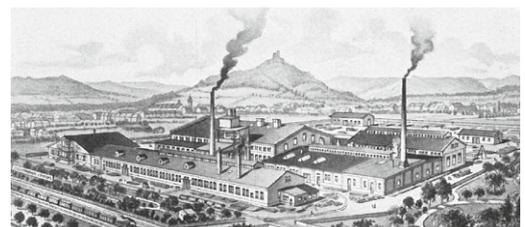


- Founding years of Savings Banks; most are incorporated as municipal entities
- Lending to small and medium-sized enterprises

The idea of Savings Banks has strong roots in Germany. Savings Banks can look back on two centuries of active involvement in regional development and of financial success in a highly competitive environment. The very foundation of the Savings Banks' business model lies in the 18th century proposition that everyone should have a fair chance to improve their lives through savings and retirement provision.

Savings Banks spread across the country in the 19th century and played a decisive role in financing the industrialisation of Germany.

At a time when there were still no comprehensive social security systems, Savings Banks were key in providing financial services to low-income households in particular, even in small communities.



# 1909

Introduction of the giro system

# 1931

Savings Banks become legally and economically independent



# 1948

Savings Banks contribute to the reconstruction of Germany



# 1990

Savings Banks support German reunification

**1910–1930**  
New set-up,  
same mission

- Growing cooperation of Savings Banks and Landesbanken
- Continuously supporting the economic development of their local communities

**Rebuilding the economy after 1945 and German reunification**

- Building up efficient banking structures
- People save to build assets and provide for the future
- Savings Banks contribute to the economic miracle: lending to SMEs and private customers



## Key drivers: financial inclusion and sustainable economic and social development

As it was in keeping with Germany's federal structure, the model of decentralised Savings Banks – supported by local authorities or municipalities – quickly set a precedent.

Originally, Savings Banks were primarily active in the savings business, but they have operated as full-service retail banks since the beginning of the 20th century. Their responsible approach to banking and their local focus remain unchanged.

The introduction of cashless payment transactions in 1909 marked the beginning of the Savings Banks' cooperation with the Landesbanken. Over the years, the Savings Banks Finance Group has been complemented by additional specialised service providers, for example in asset management, insurance etc.

The first Landesbanken were established in the mid-19th century in various parts of Germany.

They developed into central banks for the Savings Banks of a given region and soon became an important provider of local government finance. Today, Landesbanken operate both in Germany and abroad. They are predominantly active in wholesale banking. However, Landesbanken have retained their regional roots and operate as service providers for Savings Banks, for example, in more complex product areas.

## What sets the Savings Banks apart?

The German regulatory regime applies equally to all banks, including Savings Banks. However, the legal framework and business model of the Savings Banks have a number of special features, many of them a legacy from their founding days and a tribute to Germany's diversified economic structure.

### Savings Banks operate under a public mandate

Savings Banks were established to provide all citizens, including those on low incomes, with the opportunity to deposit their savings safely. This founding mission has evolved over time and was enshrined in law as a so-called public mandate, including the obligation among other things:

- to ensure non-discriminatory provision of financial services to all citizens and particularly to small and medium-sized enterprises in the region,
- to strengthen competition in banking business (even in rural areas),
- to promote savings,
- to focus on local and regional development as well as on social commitment.

Therefore Savings Banks are oriented toward the common good. Their business model is not aimed to generate maximum profits, but to fulfil their

public mandate on a permanent basis. Moreover, the profits generated by the Savings Banks benefits – insofar as they are not required to strengthen equity – only the general public (see page 14/15).

The public mandate shapes the Savings Banks' business model and entrusts them with an economic and social responsibility that goes far beyond banking services.

### Public legal form

Initially, Savings Banks were founded by citizens; their structure was reminiscent of private foundations. Later, they were founded predominantly by municipalities and integrated into the local government organisations. This legal structure was replaced in 1931, when Savings Banks became legally independent institutions. Since then, Savings Banks have operated under market conditions as legally and economically independent institutions under public law.



## Municipal Trusteeship

As opposed to other countries, Savings Banks in Germany have neither owners nor members. Instead they operate under "municipal trusteeship". Their "responsible public bodies" are the municipalities.

However, as the municipalities are not owners or shareholders of Savings Banks, they cannot be sold by the municipalities. In short, Savings Banks are not state-owned banks. They are fully independent in their day-to-day business and run by licensed bankers.

Unlike Savings Banks, Landesbanken are owned primarily by Germany's federal states and by the Savings Banks based in their respective federal state.

## Savings Banks follow the 'regional principle'

Savings Banks only service a clearly defined business area, which is specified as the administrative region of the municipality or district in which it was founded. The regional principle is enshrined in law. By focusing on their territory, Savings Banks operate very close to the market, balance risks carefully and take a long-term approach with their clients and the community as a whole. Their clear local focus helps Savings Banks to fine-tune products and services to meet local needs. This depth of knowledge, rarely found in remote corporate headquarters, contributes to the Savings Banks' efficiency.

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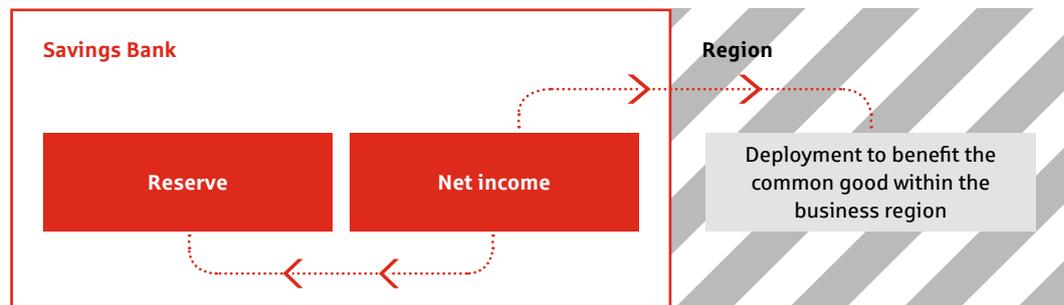
### The common basic principle of the Group's structure ensures the success of its business model



## 3 REGIONAL DEVELOPMENT AND SOCIAL COMMITMENT

The Savings Banks Finance Group's concept combines banking business with a sense of civic responsibility. For example, Savings Banks are there for everyone. They do not exclude any specific customer group from their services or limit the range of financial products available to low-income households or small businesses.

### Savings Banks apply their net income to promote sustainable development



A Savings Bank's profits are used exclusively to strengthen its financial base and to provide benefits for society.

### Broad-based social commitment strengthens public welfare

Unlike most private banks, Savings Banks provide a comprehensive range of services even in remote and less favoured regions. In addition to this, the Savings Banks Finance Group is also a major contributor to the German economy as a taxpayer to local budgets and as an employer. With staff over 284.800\*, the Savings Banks Finance Group is among the most significant employers in Germany, providing quality jobs and apprenticeships in all parts of the country.

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

#### Art and culture

The promotion of art and culture is an integral core element, firmly anchored in the social commitment of the Savings Banks Finance Group. In 2021, the Savings Banks Finance Group supported art and culture with a total of EUR 106.9 million.

Projects were supported nationwide and long-standing cooperations were continued, such as the commitment as the main sponsor of the Dresden State Art Collections.

#### Social projects

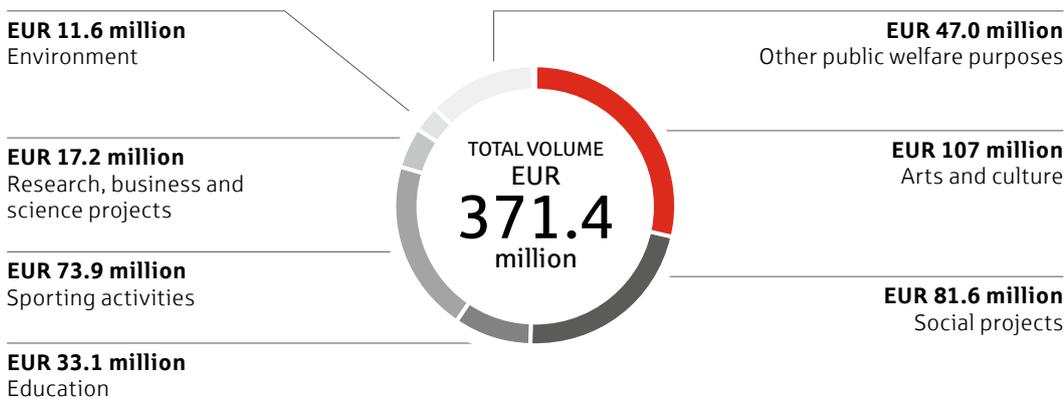
The Savings Banks are involved in a large number of projects for children, young people and senior citizens. Their support services are provided to society at large and include social advice centres, neighbourhood homes and integration projects for immigrants. Social commitment is the second largest area of support provided by the Savings Banks Finance Group, with contributions totalling EUR 81.6 million in 2021.

#### Sport

The Savings Banks Finance Group promotes all areas of sport. The majority of the support benefits clubs in all regions of Germany. One example of this is the commitment to the German Sports

\* As at 31 December 2021

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



With over **EUR 370 million spent on social commitment** per annum and **760 charitable foundations**, the Savings Banks Finance Group is:

- Germany's largest non-governmental sponsor of art and culture, and its largest non-governmental sports sponsor.
- one of the country's largest sponsors in the social sector.
- one of the country's largest scholarship sponsors.

Badge, which includes participation in the Sports Badge Tour as well as the annual Sports Badge Competition. In addition, top-level, junior and disabled sports are also supported, for example through the partnership with Olympic Team Germany and Team Germany Paralympics as well as through their sponsorship of elite sporting schools.

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

### Environment

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

### Education

Promoting education and integration is a central element of the Savings Banks Finance Group's commitment to sustainable social development. In 2021, EUR 33.1 million was invested in education. Throughout Germany, Savings Banks are committed to ensuring that all sections of the population participate in social life and develop personally in their environment. They invest in financial education from an early age and offer, for example, teaching materials on economic and financial topics through the "Sparkassen-SchulService" (Savings Banks School Service). In the non-school sector, the Savings Banks Finance Group's "Geld und Haushalt" (Money and Budgeting) advisory service supports all consumers with free products to strengthen financial literacy and prevent debt.

The Savings Banks Finance Group reports on its social commitment regularly at:

➔ [dsgv.de/unsere-verantwortung](https://dsgv.de/unsere-verantwortung)

## Our market position

Retail banking is the core business of the Savings Banks, and has been for more than 200 years. Today, around 50 million customers throughout Germany benefit from the fact that their Savings Bank is nearby. However, due to current uncertainties and geopolitical tensions (e.g. inflation, rising energy costs, Ukraine war), changes in the banking industry (e.g. increasing regulation), macroeconomic drivers (e.g. interest rate policy), digitalisation and the resulting change in customer behaviour, the Savings Banks are facing immense challenges. Savings Banks are meeting these challenges by repositioning themselves. New options for the future include multichannel strategies. With the "Digital Agenda", the Savings Banks Finance Group has further developed its digital services, offering customers a wide range of innovative products (see pages 20/21).

A large proportion of savers entrust their money to Savings Banks in the form of deposits. Furthermore, Savings Banks are the most important and reliable financiers of small and medium-sized companies (e.g. local renewable energy projects, housing construction).

This means: Savings Banks complement local and regional development with products that are relevant for the real economy. And as a result, there is little scope for artificial growth.

## Savings Banks fuel local economic cycles

Access to financing for small and medium-sized enterprises in Germany would be inconceivable without Savings Banks and Landesbanken. Savings Banks have been the most important source of finance for SMEs for many years. This vital role in the German economy is particularly striking in the segment of loans extended to tradesmen. Decisions on business loans and risk assessments are taken locally, rather than at distant corporate headquarters. As their business area is limited to a clearly defined local territory, Savings Banks are encouraged to promote prosperity in that same region.

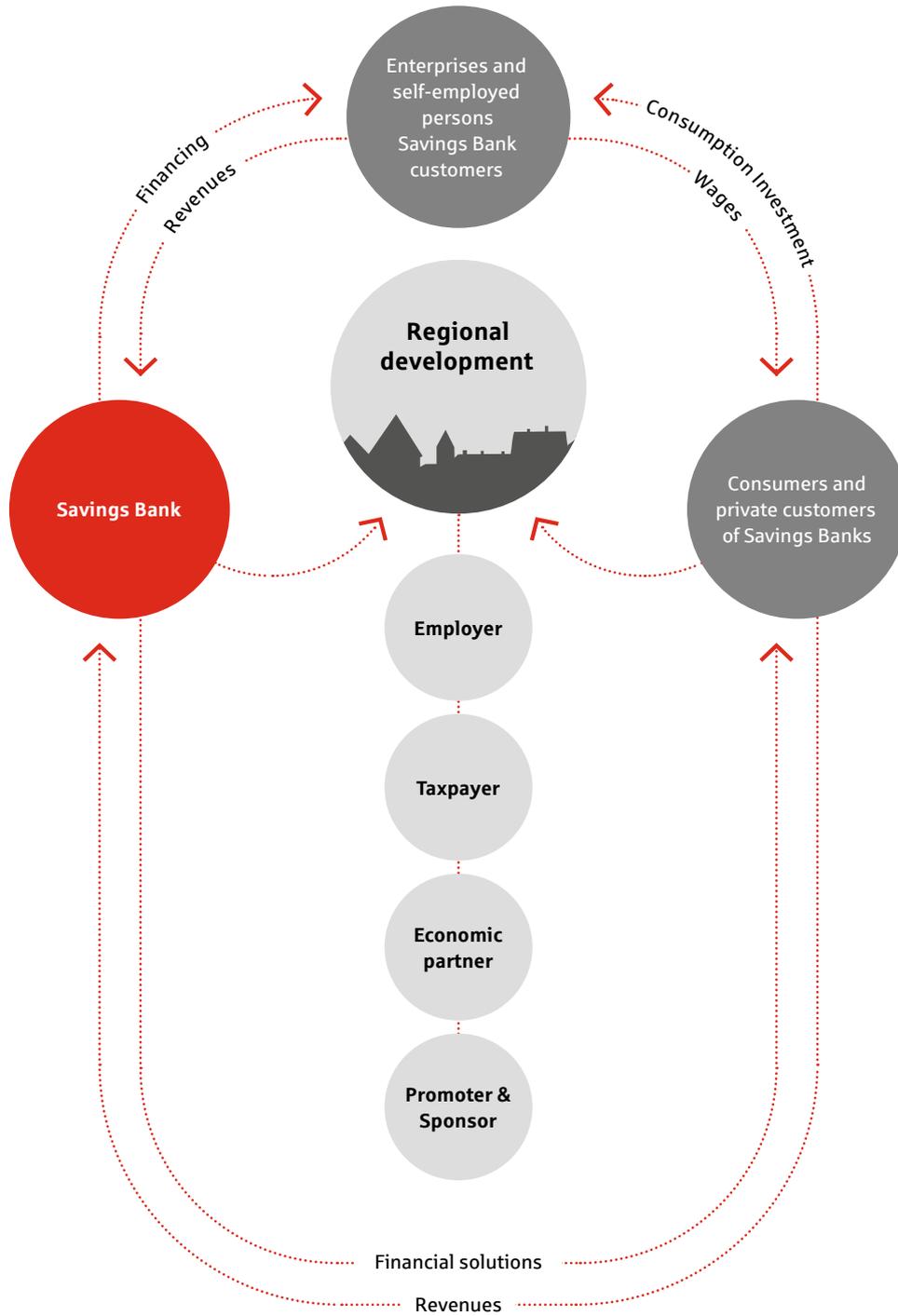
## Capital and investment

Traditional retail banking is the primary source of earnings for the Savings Banks. Their capital base is generated from retained earnings. Thanks to their broad positioning in the private and business customer segments, the Savings Banks have a superbly diversified portfolio, a moderate risk profile and generate stable earnings.

A comfortable tier-1 ratio overall and a very high net borrowing position which is stable over the long term are characteristic of Savings Banks. With their sound capital base and liquidity surplus, Savings Banks potentially have considerable scope to extend additional loans to corporate customers without violating minimum regulatory requirements and thus to consolidate their market position. Furthermore, Savings Banks are in a good position to issue covered bonds (mortgages) and to obtain long-term refinancing funds on attractive terms.



**Savings Banks are part of a regional economic cycle**



## Supporting the German economy

The German banking market plays an important role in the German economy, in particular in the financing of German small and medium-sized enterprises. Savings Banks and Landesbanken have traditionally been major players in this segment and reliable business partners for German enterprises.

- Savings Banks have a banking relationship with **half of all customers in Germany**.
- Savings Banks hold roughly **84 million savings, current and security accounts** and are strongest in deposits from private customers.
- Savings Banks and Landesbanken are the **'principal bank' for more than 40 percent of all German businesses**.

They show a long-term commitment to the real economy; thereby preventing credit crunches. The volume of **corporate loans** issued by the Savings Banks Finance Group **totalled EUR 687.5 billion** at year-end 2021. This represents a **market share of 40.9 percent**.

Due to their local and digital proximity and their focus on deposits and loans, the institutions of the Savings Banks Finance Group play a continuous role in shaping the economic and social development of their business area.

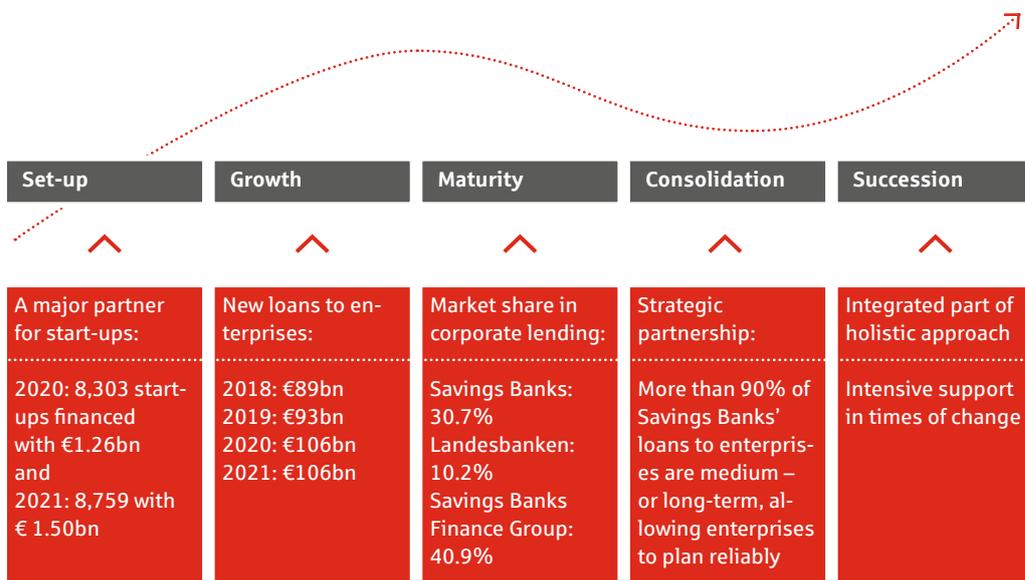
### A MAJOR PLAYER IN GERMAN BANKING

Savings Banks focus on the **real economy**.

Savings Banks have the **widest customer coverage** in retail banking in Germany.

They have been the **most important provider of corporate finance** for **small and medium-sized enterprises** in Germany for many years.

### Savings Banks accompany their corporate customers throughout the entire life cycle of their business. Examples of what we do:



## Structure of the German banking market

All banks including Savings Banks are subject to the German Banking Act and to general banking supervision, which is carried out by the German Federal Financial Supervisory Authority (BaFin) and the German Central Bank (Bundesbank).

The German banking market comprises credit and private banks, co-operative banks and credit institutions organised under public law, e.g. Savings Banks and Landesbanken. All three types of banking service providers have their own guarantee system and their own business model and are in direct competition with each other.

Both Savings Banks and co-operative banks form decentralised networks, contributing to a diversified banking market.

This diversified structure strengthens the German banking market and has proven its worth in several crises.

### The German banking market is built on three pillars:

	 <b>Co-operative banks</b>	<b>Commercial and privately owned banking groups</b>
Business territory	Local/regional	Germany Europe/world
Responsibility	Board-level/in situ	Board level from headquarters
Focus	Credit business	Capital market and credit business
Refinancing	Primarily through customer deposits	Primarily through capital market

The **decentralised structure** of the Savings Banks Finance Group is in **keeping with Germany's federal and decentralised economic structure.**

# 4 DIGITALISATION WITHIN THE GROUP

## We have already reached where others are yet to go

The Savings Banks have already introduced a whole range of innovative solutions. Our guiding principle has always been demonstrable direct benefit and added value for customers.

In this spirit, the products and services provided by Savings Banks – developed in co-operation with their partners within the Savings Banks Finance Group – are designed to meet current and future challenges.

This has led to the introduction of a whole range of new, innovative products designed to complement rather than replace the current services. It has proven to be the right approach, especially during the critical Corona phase.

**S-WELTWEIT**  
New digital marketing channel



**PUSHTAN**  
Germany's first mobile authentication service



**FINANZCOCKPIT**  
The app for business customers



**MOBILE PAYMENT**  
The android-app for mobile payment



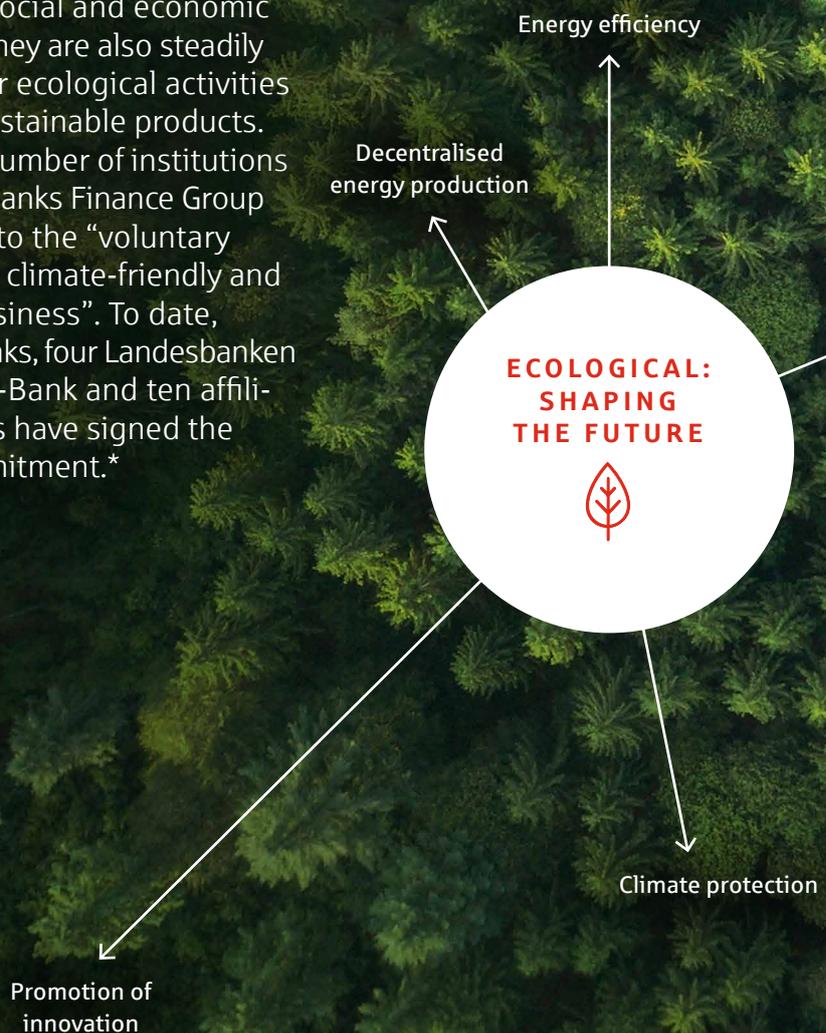
**GIROPAY**  
Account based online payments made in Germany



# 5 SUSTAINABILITY HAS MANY FACETS FOR THE SAVINGS BANKS FINANCE GROUP

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

To this end, both the Savings Banks and the institutions of the Savings Banks Finance Group have expanded their business model: In addition to social and economic responsibility, they are also steadily expanding their ecological activities and range of sustainable products. An increasing number of institutions of the Savings Banks Finance Group are signing up to the "voluntary commitment to climate-friendly and sustainable business". To date, 250 Savings Banks, four Landesbanken including Deka-Bank and ten affiliated companies have signed the voluntary commitment.\*



\* As at 30 November 2022



# 6 RISK MANAGEMENT AND FINANCIAL RELIABILITY

## Our risk profile

Germany's Savings Banks use comprehensive, state-of-the-art instruments and processes to measure and manage all major risks arising from banking business and market conditions. Additionally, risks are monitored group-wide within the framework of the Savings Banks Finance Group's Institution Protection Scheme.

### Business model mitigates risk

Savings Banks are fully exposed to market forces. They operate according to commercial principles and their survival depends on their intrinsic capacity to generate adequate profits to fund their business operations. But in order to maintain consistent services for their clients, Savings Banks do not strive for short-term profit maximisation, as this may produce high risks in the long term.

Since Savings Banks operate locally, they also have extensive knowledge of their local customers. This provides a thorough awareness of the risks involved in extending a loan to a specific customer. It is a depth of knowledge that can rarely be found in remote corporate headquarters.

The Savings Banks legislation that applies in Germany's federal states limits the scope of Savings Banks' engagement in certain high-risk business transactions from the very start.

### Measuring counterparty risk

Savings Banks have a very broad customer base, which includes larger SMEs as well as the businesses of craftsmen and the self-employed. Lending business with these customer groups is essential for Savings Banks. Their internal customer ratings provide validated information on loan loss probability.

The internal rating of business customers includes not only key financial ratios, but also more than 20 qualitative factors, such as sound succession planning and information on the quality of business controlling. Savings Banks possess a database of 14.7 million ratings of their business customers and this number is growing every year. On this basis, the Group's rating methods are fine-tuned on an ongoing basis.

A second pillar of the Savings Banks' internal risk management is their detailed knowledge of regional and national trends in specific sectors. The sector forecasts of the Savings Banks Finance Group, which are updated quarterly are based on around 300,000 annual corporate balance sheets. This data resource is unique in Germany in terms of its depth and history.

- Moderate risk profile;
- Balancing growth with common good orientation;
- Conservative risk management;
- Institution protection

- Customer assessment
- Risk control
- Management of institutions

### Safeguarding the risk bearing capacity



## Identifying and analysing sustainability risks



### Environment

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



### Social

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



### Governance

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



## Measuring ESG risk

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

The quantitative ESG risk measure can be applied equally to all sectors of the economy and has two major advantages: On the one hand, it can be used to quickly gain an initial impression of the extent of sustainability risks in an industry and, on the other hand, it enables a simple direct comparison between different industries – for example as part of portfolio management.

Ten suitable indicators were identified for the ESG score, which are specifically weighted and assigned to the three areas of environment, social affairs and governance. The results from the areas are determined regularly and then summarised to form the S-ESG score, which thus describes the current extent of the sustainability risks of all the industries covered.

The use of the sector-based S-ESG score is particularly useful and efficient in the retail business, where an individual customer-specific sustainability assessment would not be feasible.

## The Group’s Institution Protection Scheme

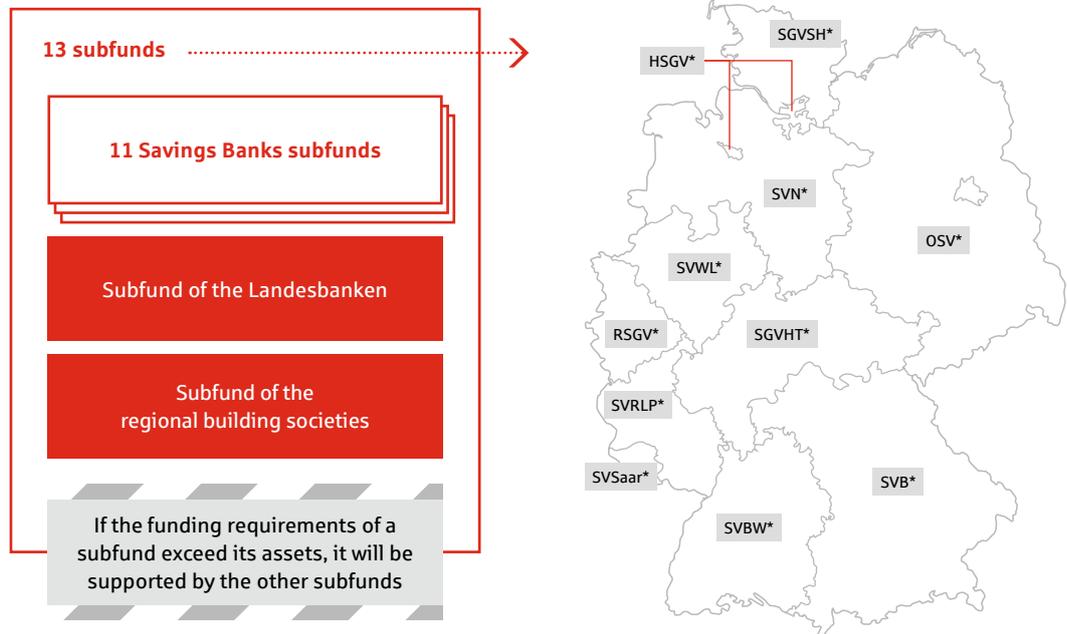
The Savings Banks Finance Group operates its own deposit guarantee scheme, the Institution Protection Scheme. The Group’s Institution Protection Scheme has a number of particular strengths:

- ex ante payments of its members according to their total assets and risk profile, allowing the fund to act locally when needed
- proactive monitoring of risks by means of performance indicators and qualitative analysis
- intervention rights long before default

Most importantly, the Group’s Institution Protection Scheme is designed to safeguard not only customer deposits in full, but also the solvency and liquidity of its member institutions. When a Savings Bank requires support, it has recourse firstly to the regional sub-fund, i. e. the neighbouring Savings Banks. If these resources are not sufficient, the Group’s supra-regional funds will be used. However, the primary task of the Institution Protection Scheme is not to coordinate support cases, but to prevent them from arising in the first place.

This has proved its strength. Since the establishment of the Institution Protection Scheme in the 1970s, no member institution has ever defaulted. In the Savings Banks Finance Group, no customers have lost any of their deposits or interest.

### Provision of funds to protect institutions



**The protection schemes’ decentralised structure and the interdependence of liability (assessment and monitoring) ensure a high level of mutual responsibility and corresponding risk mitigation.**

\* For definition of abbreviations see page six

The Institution Protection Scheme has a stabilising effect on the German banking market, ensuring that smaller institutions such as Savings Banks provide for their own protection and that their broad range of services will be maintained nationwide. From an economic perspective, this is a highly efficient form of protection.

Moreover, the Institution Protection Scheme of the Savings Banks Finance Group is officially recognised as a deposit guarantee scheme under the German Deposit Guarantee Act (Einlagensicherungsgesetz, "EinSiG"). Under a statutory deposit guarantee scheme, customers are entitled to compensation of up to EUR 100,000, as stipulated in the German Deposit Guarantee Act.

## Ratings of our Group

### Creditworthiness acknowledged by capital market ratings

The Savings Banks Finance Group has received separate capital market ratings for Savings Banks, Landesbanken and regional building societies (Landesbausparkassen). These ratings confirm the good credit standing of the Savings Banks and underline the importance of the cooperation within the Savings Banks Finance Group.

Most Savings Banks have received individual ratings by Fitch and/or DBRS based on the Group ratings.

The positive ratings by all three agencies reflect the stable business model and very strong domestic retail and SME business resulting in a leading market share position in Germany, high asset quality and strong and stable capitalisation, funding and liquidity position, as well as the healthy profitability of the Savings Banks Finance Group.

Many Landesbanken are active in the capital market and have received their own issuer ratings in addition to the Group ratings shown in the table below.

### Ratings of the Savings Banks Finance Group

	2022	2021	2020
<b>Moody's Corporate Family Rating</b>			
long-term	Aa2	Aa2	Aa2
<b>Fitch Group Rating</b>			
long-term	A+	A+	A+
<b>DBRS Floor Rating</b>			
long-term	A (high)	A (high)	A

# 7 SUPPORTING INTERNATIONALISATION

## Our international network

- Savings Banks **assist** their corporate clients when **entering new markets**.
- Savings Banks and Landesbanken share a **common international network**.
- The Savings Banks Finance Group's international activities range from **payment transactions to development assistance**.
- The Savings Banks Finance Group has the **third largest volume of SWIFT transactions in Germany** and is one of the largest users of the European EBA clearing platform.
- Savings Banks are competent local partners for internationally operating business enterprises – **partners with regional roots and a global network**.

- **German Savings Banks and Savings Banks in other countries are not interlinked**. Their common ground, however, is a **regional, retail and responsible** business approach.

### Savings Banks' international network

German Savings Banks do not operate branches abroad, but they do support their customers' international business.

- For private customers, this mainly includes services related to payment transactions.
- For business customers, this encompasses advisory, partner search and financing services, including investment support.

Needless to say, Savings Banks also cover international payment transactions, documentary business and foreign trade financing. Savings Banks often use the services of the Landesbanken to process international transactions or have their own correspondent banking connections.

### International operations of the Landesbanken

All Landesbanken are internationally active in a variety of fields, and they are also present in other countries through branches and offices. They provide a wide range of specialised services, from supporting small and medium-sized enterprises to derivatives trading and project financing.

Through their correspondent banking, Landesbanken maintain direct contact with foreign banks worldwide. In addition, they operate in the international capital markets, are involved in international project financing and act as investors.

Today, most Landesbanken are also part of S-CountryDesk. Via this network, they make the services of their international bases available to all interested Savings Banks and their business customers.

### S-CountryDesk international network

S-CountryDesk is an international network which was established as a joint project between the German Savings Banks and their European and overseas partners. S-CountryDesk provides German Savings Banks' customers with access to the infrastructure, product range, local expertise and capabilities of foreign banking and non-banking partners. It also provides a platform for all the institutions and service providers from within the German Savings Banks Finance Group that offer specialised products for international corporate banking business, including the Landesbanken.

The legal structure of S-CountryDesk is that of a limited liability company (GmbH). Its shareholders include not only a large number of German Savings Banks but also Landesbanken, Deutsche Leasing and Deutsche Factoring Bank. Associated service providers include institutions such as the EuropaService of the Savings Banks Finance Group and the German Centres in major target markets.

S-CountryDesk engages in intensive relationship management between foreign service and banking partners and the Savings Banks Finance Group. S-CountryDesk can therefore be used to organise and accompany corporate customers' specific business deals.

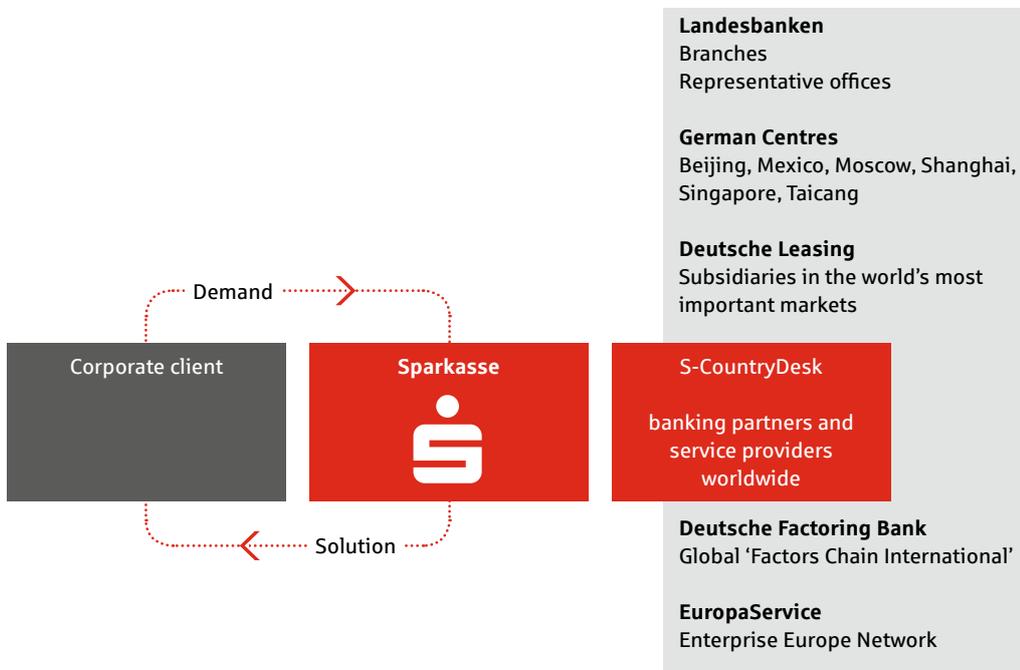
S-CountryDesk was also established to make Savings Banks more easily accessible for foreign banks' corporate clients on their way to Germany. Today, banks and service providers from almost 100 countries make their expertise and their services available to this personalised network of contacts.

In 2016 S-CountryDesk launched the highly successful "S-weltweit App" for international business. Nearly 250 Savings Banks are now using this new digital marketing channel.

The app provides high-quality information on 150 countries and is designed to give new impetus to international corporate banking business.

➔ [countrydesk.de](https://countrydesk.de)

## S-CountryDesk comprises Group specialists and partners from 100 countries



### S-WELTWEIT APP provides:

- **daily news** and events update
- a **wide spectrum** of country information and intercultural tips
- **business partner search offers** and requests
- **S-solutions:** product information and check-lists
- **personalised** exchange rate information and currency converter
- **worldwide locations** of the S-Finance Group
- **sharing** of news, events and links

➔ [s-weltweit.de](https://s-weltweit.de)

## EuropaService as a partner in the European Commission's network

The Savings Banks Finance Group's EuropaService forms part of the Enterprise Europe Network, put into place by the European Commission to help businesses to innovate and grow internationally with the support of partners around the world. The network helps especially small and medium-sized enterprises to increase their resilience and supports their transition to a more sustainable and digital business model. Based on its privileged contacts, EuropaService provides German Savings Banks' customers with advice and information on cross-border investment and trade, on EU funding and financing, and on finding business partners abroad, covering all key economic sectors. The information and services provided by EuropaService are integrated into the broad range of services offered by the international network of the Savings Banks Finance Group and into the "S-weltweit App".

➔ [europaservice.dsgv.de](https://europaservice.dsgv.de)



## Our international activities

### German Sparkassenstiftung for International Cooperation

The German Sparkassenstiftung (German Savings Bank Foundation) provides proactive support to financial institutions that sustainably promote economic and social development at local, regional or national level through demand-oriented banking services. The German Sparkassenstiftung's goal is to assist its partner institutions to become more professional and to enable them to provide their customers with sustainable access to financial services. The main target groups are micro, small and medium-sized enterprises (MSME), as well as poor and socially marginalised groups. This focus on MSMEs and low-income earners actually benefits our partner institutions, as delivering services to these customer segments ensures ongoing stable and satisfactory returns.

By strengthening local and regional financial structures, the German Sparkassenstiftung not only generates development opportunities for wide sections of the population and local businesses, but ultimately also helps to create jobs and income.

This is in line with the approach and objectives of Germany's Savings Banks. It also has a stabilising effect on the respective financial sector and, as a result, on the given country's economic development. With their 200-year history, Germany's Savings Banks show that sustainable microfinance is only feasible if it is organised efficiently and professionally. And it is these key success factors that the German Sparkassenstiftung communicates to its partners through its project work.

➔ [sparkassenstiftung.de](https://sparkassenstiftung.de)



Together with its local partner NACRO, the German Sparkassenstiftung has implemented needs-based training courses that provide people with agricultural and financial training.



**200**  
number of  
experts abroad



More than  
**390**  
staff worldwide



# 1 goal:

sustainable development through financial inclusion



project volume  
in 2021

**36.1**  
million



**59**  
project countries



**42**  
staff at Bonn  
Head Office



The Farming Business Game is an interactive training course for small farmers and agricultural entrepreneurs who want to improve their skills for successful and sustainable farm management.



### European Savings and Retail Banking Group (ESBG)/World Savings and Retail Banking Institute (WSBI)

Savings Banks or similar financial institutions are not a German phenomenon. Savings Banks also exist in other countries, albeit in a wide range of different forms. They share a strong focus on retail business and a business policy that is geared towards public welfare. The purpose of the European Savings and Retail Banking Group and the World Savings and Retail Banking Institute is to represent the political interests of local banks and to facilitate a professional exchange of views. The German Savings Banks Association is a voluntary member of both organisations.

[wsbi-esbg.org](http://wsbi-esbg.org)

### European Savings and Retail Banking Group (ESBG)

#### Advocating for a diverse banking sector

Pluralism and diversity in the European banking sector safeguard the market against shocks that arise from time to time. Members are committed to defend the European social and economic model that combines growth with high living standards and good working conditions.

### World Savings and Retail Banking Institute (WSBI)

#### Favouring inclusive globalisation

Favouring an inclusive form of globalisation that is equitable and fair, the WSBI supports international efforts to advance financial access and usage for everyone. They also promote the vision of a pluralistic banking model and an environment conducive to financial inclusion. The WSBI supports the goal of achieving sustainable, inclusive and balanced growth and job creation around the world.

#### European Savings and Retail Banking Group (ESBG)\*



#### World Savings and Retail Banking Institute (WSBI)\*



\* As at 31 December 2021

## Deutsche Leasing

The Deutsche Leasing Group is the leading solutions-oriented asset finance partner for German medium-sized companies and offers a wide range of investment-related financing solutions (asset finance) and other complementary services (asset services).

Within the Savings Banks Finance Group, Deutsche Leasing is the centre of excellence for leasing and factoring, as well as for other asset finance solutions and complementary services aimed at medium-sized companies both in Germany and abroad.

The Deutsche Leasing Group's services range from finance solutions for machinery and equipment, vehicles (as well as passenger cars, also commercial vehicles and local public transport), IT and communication equipment through to medical technology, real estate and large-scale movable assets (such as rail vehicles and solar and wind farms) as well as factoring and receivables management. Additionally, it offers ancillary services such as insurance, fleet management and construction management.

The asset and finance experts at Deutsche Leasing advise their customers and business partners and provide them with personal support, also on-site where necessary. The network of offices across Germany provides excellent coverage. The advice and products provided are specifically tailored to the respective investment projects.

Since 1993, Deutsche Leasing has been helping its German customers to access the most important export markets in Europe and further afield, including China, the USA, Canada and Brazil.

All told, the international network of Deutsche Leasing covers 23 countries in addition to Germany. German companies – machinery manufacturers with an international presence in most cases – see leasing as an important tool for driving sales. In addition, Deutsche Leasing also helps German companies with direct investments abroad.

For 60 years, Deutsche Leasing has helped its small and medium-sized customers from industry, commerce, and both the service and public sectors with their investments. Furthermore this leasing pioneer supports its customers in financing change and innovation when it comes to the key transformative issues of our time: digitalisation, forward-looking infrastructure and decarbonisation.

➔ [deutsche-leasing.com](https://www.deutsche-leasing.com)

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### Deutsche Leasing

- ➔ Over **20 years' experience** in international business
- ➔ The **international network** of Deutsche Leasing **covers 23 countries in addition to Germany.**
- ➔ [deutsche-leasing.com](https://www.deutsche-leasing.com)



# CONTACT

The Deutscher Sparkassen- und Giroverband e.V. – DSGV e.V. (German Savings Banks Association) is the umbrella organisation of the Savings Banks Finance Group. It represents the Savings Banks, the Landesbank Groups, the regional building societies, public primary insurance groups, as well as DekaBank and other financial service providers. The DSGV represents the interests of these companies vis-à-vis the institutions of Germany's federal government and the European Union, as well as the public at large.

The Savings Banks Finance Group is not a consolidated group; it has no corporate centre. For questions regarding day-to-day operations, direct contact should be made with the specific Savings Bank or Landesbank concerned.

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[➤ dsgv.de/en/facts/publications-reports.html](https://www.dsgv.de/en/facts/publications-reports.html)



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