

Performance Report 2007 of the Stadtparkasse Düsseldorf



The general economic trend in 2007

2007 was a good year for the economy, both for Germany as a business location but above all for the metropolitan region of Düsseldorf. The economic situation proved to be robust, the German economy showed strong growth. Whereas the rate of growth ran to 2.9 % in 2006, the Gross Domestic Product rose by 2.5 % in the year under review. After adjustments for prices and non-working days the Gross Domestic Product increased by 2.6 % (in 2007 there were 1.6 less working days than in the previous year). The economic revival maintained its strength regardless of the increase in VAT and a few other encumbering factors in the world economy such as the increase in the price of oil, the weakening of the US dollar, the real estate crisis in the USA and the turbulences on the financial markets in 2007.

Despite the strong euro, foreign demand again paid a major contribution (1.4 %) to growth. On the other hand, impulses from domestic demand were weaker than in the previous year. This was mainly on account of private consumption behaviour. Private consumption slackened despite the favourable developments on the employment market and the accelerated gross wage increases, hampering economic growth. The increase in VAT at the beginning of the year had a negative effect on consumption. The increased energy prices added the final blow to dampen the passion for private consumption.

The friendly economic climate has led again to a great improvement in the situ-

ation on the employment market. The unemployment rate fell to a yearly average in 2007 of 9.0 % and lay 1.8 percentage points below the figure for the previous year.

The economic statements of the Chamber of Industry and Commerce in Düsseldorf and the Düsseldorf Chamber of Trade underline the favourable economic situation of companies in the metropolitan region of Düsseldorf during the year under review. Up until the autumn, when, according to nationwide surveys, the US American property market crisis severely dimmed economic expectations both institutions still registered mainly good business prospects from their members. Economic developments proved to be particularly robust in the industrial and service sectors.

Once again the employment market figures for Düsseldorf showed pleasing results. The rate of unemployment within the city area of Düsseldorf fell from 10.9 % in 2006 to 9.7 %.

Developments in business at the Stadtparkasse Düsseldorf

The Stadtparkasse Düsseldorf looks back on a satisfying year of business in 2007 and succeeded in securing its strong market position in the highly competitive financial centre of Düsseldorf.

Results were strongly affected by the flat yield curve resulting in only a small amount of income from term transformations. Despite these factors, the

Stadtsparkasse Düsseldorf was still able to register a high income level. The balance sheet total rose by 4.9 % to € 13.2bn. The year before it amounted to € 12.6bn. The main source of growth was, as in the previous year, the high level of lending business to our customers. These increased by € 763m or 10.7 % to almost € 8bn.

Lending operations

The volume of new loans developed in a pleasing way and again exceeded the high level of the previous year. We approved new loans in an amount of € 1.564bn, by comparison to the previous year when total loan approvals amounted to € 1.409bn. By comparison to the very strong results of the previous year, this is a further increase of 11 %. The volume of loans as a whole rose by 10.7 % or € 763m to € 7.922bn. Lendings to corporate clients showed particularly dynamic growth on account of the positive economic trends. To our corporate and institutional clients we granted new loans in an amount of € 1.123bn (previous year: € 858m). This constitutes an excellent rate of growth of 31 %. Positive indications for the economy: the main focus of loan approvals was investment loans. In the year under review we registered an increasing demand in all branches of industry for supplementary forms of financing such as leasing and individual solutions by way of structured products.

In contrast to the strong previous year, the volume of lendings to private customers showed regressive tendencies.

New business fell by 20 % to € 441m. This fall resulted mainly from the fact that less loans were given for housing. Approvals amounted to € 316m or 20 % below the very high level of € 395m in the previous year. The reason for this lies in the windfall effect from customers wishing to benefit from housing subsidies before they were stricken. Clear growth rates were registered in consumer loans. The volume of loans granted increased by 9.8 % to € 67m (previous year: € 61m).

Investment portfolio

The investment activities of the Stadtsparkasse Düsseldorf are organised both directly and indirectly (through the medium of its subsidiary **SKBG**). The task of **SK**-Kapitalbeteiligungsgesellschaft Düsseldorf mbH (**SKBG**) as the holding company of the Stadtsparkasse Düsseldorf is foremost controlling.

The value of the participations under the item "investment portfolio" increased in 2007 by € 74.3m to € 426.9m. The increase was a result of equity allocations to the **SKBG**. The book value increased by € 26.5m to a total of € 140.1m. The funds were placed mostly at the disposal of Equity Partners GmbH. This company is responsible for the supervision and management of private equity and venture capital within the defined strategic objectives of our Bank.

In addition, the Stadtsparkasse Düsseldorf acquired shares in the Landesbank Berlin Holding AG through the "Erwerbs-

gesellschaft der S-Finanzgruppe mbH & Co. KG" in an amount of € 47.8m.

Other important investments are the participations in the Rheinischer Sparkassen- und Giroverband – RSGV – (book value € 138.9m) as well as the CORPUS Immobiliengruppe GmbH & Co. KG (book value € 67.3m) and the RW Holding AG (book value € 23.0m). The RSGV is a shareholder of the Provinzial Rheinland (Insurance), the WestLB AG and the Landesbausparkasse LBS West, inter alia. The book values remained unchanged by comparison to the previous year.

Deposit-taking

During the period under review, the Stadtsparkasse Düsseldorf registered high increases in deposit-taking. On the whole, total customer deposits rose by 7.4 %, i. e. € 493m, to € 7.123bn (previous year: € 6.630bn). The rate of growth lies well above the comparative quota at other savings banks in the Rhine area (+ 2.8 %). There was a considerable amount of regrouping between the different types of deposits. Whereas savings deposits fell back by 3.8 % to € 1.769bn (previous year: € 1.837bn), the volume of sight-deposits rose by almost 5 % to € 2.979bn (previous year: € 2.849bn). Term-deposits even climbed by a pleasing 44.3 % to € 1.150bn (previous year: € 797m). The volume of bonds expanded further by approx. 10 % to € 879m (previous year: € 801m). The value of savings certificates only increased slightly by two million euros to € 146m.

Securities business

The German share index DAX closed the year 2007 with a pleasing plus of 22 %. The increases in interest rates by the European Central Bank had a negative influence on the bond market. In view of the, in some cases, severe fluctuations, most security prices eased. The net yield from public-sector bonds rose by 4.34 %.

Total turnover in securities operations amounted to € 2.022bn (previous year: € 1.566bn). On account of the favourable mood on the stock exchanges, which prevailed for a long time, the turnover in shares rose by € 500m to € 864m (previous year: € 364m). We also registered increased turnover in investment funds; they rose from € 621m in 2006 to € 901m in 2007. On the other hand, the demand for fixed-interest securities was considerably weaker. Turnover fell from € 581m in 2006 to € 257m in 2007.

Important events in the course of the year

In addition to the floor rating which rates the association of public-sector banks as a whole, the Stadtsparkasse Düsseldorf subjects itself annually to an external and individual rating procedure.

The issuer rating of Aa3 was first given to our Bank by Moody's rating agency in February 2005 and was again confirmed in 2006. In the year under review, Moody's upgraded the issuer rating by two notches to Aa1. With this assessment the Bank now belongs to the three best rated banks in the country. In their assess-

ment Moody's particularly emphasised the following:

- The high market penetration of the Bank both in retail and corporate business
- The good risk management
- The solid financial and earnings position
- The good equity base
- The integration in a strong economic region and the economic strength of the supporting authority, the regional capital of Düsseldorf.

The Stadtsparkasse Düsseldorf is not directly affected by the subprime crisis. Due to the general liquidity and confidence crisis it was, however, necessary to make adjustments for funds and fund-in-fund investments which contained loan-affiliated or asset-backed securities. The effects of the subprime crisis are explained in the appendix.

Staff

As per 31 December 2007 the Stadtsparkasse Düsseldorf employed a total of 2,124 staff (2006: 2,114), of which 1,504 worked on a full-time basis (2006: 1,495), 532 on a part-time basis (2006: 527) and 88 were trainees (2006: 92).

Equity situation

After distribution in accordance with § 28 of the Savings Bank Act (SpkG NW), the remaining amount from the net income of € 67m (previous year: € 57m) will be allocated to the reserves to provide a basis for further business expansion.

Furthermore, the bank has at its disposal a wide range of non-core capital assets.

The ordinance on adequate equity endowment for institutions, institutional groups and financial holding groups (Ordinance on solvability SolvV) came into force on 01 January 2007. With this, the prescribed European minimum equity standards based on the recommended equity requirements of the Basel Convention have become national law. It replaces the hitherto Principle 1 and substantiates the adequacy of equity as required under § 10 of the German Banking Act (KWG). The regulations of the SolvV have been construed to provide a more risk-orientated approach in accordance with modern standards, thus leading to a more risk appropriate equity requirement. Institutions are, hereby, required to quantify counterparty risks, operational risks and market risks and to underlay these risks with sufficient capital resources. The minimum total equity requirement is 8 %.

For a transitional period up to the end of 2007, institutions were given the alternative of calculating their complete equity requirements as before on the basis of Principle 1. The Stadtsparkasse Düsseldorf adopted the new registration requirements ahead of schedule with effect from 01/10/2007. The initial assessment of the ratio between equity and risks as at 31/12/2007 was calculated at 12.8 % (previous year on the basis of Principle 1 of the German Banking Act: 12.3 %) and lies well above the required minimum value of 8 %. The improvement in the utilisation of capital re-

sources was foremost due to the allocation of the net income for the year 2006 to the reserves and to the first time inclusion of unrealised reserves in listed securities held as supplementary capital. An adequate capital base is, therefore, available for further business expansion.

The equity requirements prescribed by the KWG were met at all times during 2007. The ratio between total equity and the total amount of weighted risk assets and price risks, last calculated in accordance with Principle 1 on 30/09/2007, amounted to 12.2 %. In the course of the year, this value fluctuated between 12.0 % and 12.6 %.

Bearing in mind the proposed allocation of the net income for 2007 to the reserves and the continuation of the dynamic lending operations, the Stadtsparkasse Düsseldorf is counting on a slight improvement in the equity ratio for 2008.

Receivables from customers at 57 % continued to be the most important item on the assets side (previous year: 54 %). The importance of securities transactions (bonds, stocks and other non-fixed interest items) fell below the value for the previous year of 34 % to 27 %. On the liabilities side, liabilities towards customers at 46 % (previous year: 45 %) and liabilities towards financial institutions at 27 % (previous year: 27 %) account for the largest share of the balance-sheet total. The balance-sheet portion of securitised debt fell in 2007 to 19 % (previous year: 20 %) due to the maturity of a mortgage bond in an amount of € 100m.

Financial situation

Due to well planned and thought-out liquidity provisions throughout the last year of business, the Stadtsparkasse Düsseldorf was in a position to meet all its obligations at any given time. The requirements of the Federal Banking Supervisory Authority with respect to the liquidity of financial institutions were observed at all times. In the course of the year, the utilisation fluctuated within a width between 1.32 and 1.61 due to changes in financial instruments and payment obligations in interbank business and lies well above the prescribed minimum value of 1.00. On the reference date the value was 1.32. Moreover, additional observation co-efficients established over a period of 12 months show all indications of a stable liquidity position.

With respect to the management of liquidity risks, please refer to the details in the risk report.

Earnings position

Despite the still intensive competition in the financial centre of Düsseldorf the earnings position of our Bank again attained satisfying results on the basis of the Profit & Loss Account. The net income for the year amounted to € 67m and lies well above the value for the previous year of € 57m.

Net interest income continues to be the most important source of income. Net interest income including regular income as in item 3 of the Profit & Loss

Account fell by 5.0 % to € 234m. The year before this position amounted to € 246m. The main reasons for this decrease were the intense price competition, the increases in key interest rates by the European Central Bank and the continuingly flat yield curve. In relation to the average balance sheet total (+ 2.7 %) this results in a net interest income of 1.75 %, after 1.90 % in the previous year.

The fall in net interest income was partly compensated by the considerable improvement in net income from commissions. The result for the year increased by 7.2 % to € 63m. The main sources of growth were securities operations, as a result of the considerably higher turnover, international operations, brokerage and payments services. In relation to the average balance sheet total, net income from commissions accounted for 0.47 % (previous year: 0.45 %).

The net income from financial business, i. e. the result from trading with securities, foreign currencies and derivatives, fell on account of a reduction in trade in foreign currencies and derivatives to € 2m (previous year: € 3m).

Income from other business (€ 15m) remained almost unchanged with respect to the previous year. This item includes hedging proceeds from own issues in an amount of € 2m (previous year: € 4m). Other operating costs lie € 6m below the value for the previous year at € 15m. Hedging expenses for own securities included in this item increased to € 9m (previous year: € 5m).

Operating costs (item 10 of the Profit & Loss Account) and depreciation on property, plant and equipment (item 11 of the Profit & Loss Account) rose by 10.5 % to € 225m (previous year: € 204m). Personnel expenses included in this item fell considerably by € 12m by comparison to the previous year mainly on account of a one-off effect brought in the year before. Personnel costs changed only marginally.

The main source for the increase in operating costs were the other administrative costs which increased by € 35m to € 105m. From this amount, € 31m alone went to the contribution of the Stadtsparkasse Düsseldorf to the increase of the reserve fund of the Rheinischer Sparkassen- und Giroverband (RSGV) for the restructuring of the Westdeutsche Landesbank Girozentrale (WestLB). Other increases are foremost accounted for by the increase in VAT as of 01/01/2007 from 16 to 19 % as well as an increase in the use of third-party services. Depreciation on property, plant and equipment (item 11 of the Profit & Loss Account) fell by € 1m to € 9m.

Total income (items 1 to 9 of the Profit & Loss Account) amounted to € 314m, € 9m less than the value for the previous year. The expenses increased by 6.7 % to € 240m. In accordance with the definition of the German Central Bank, the cost-income ratio was 71 %, excluding the contribution to the reserve fund to assist the WestLB (previous year: 63 %).

Depreciation and value adjustments on receivables and certain securities are shown after having set off the corresponding income in accordance with

§ 340 f, Section 2 of the German Commercial Code (HGB). The sum of the value adjustments was more or less even in the year under review (previous year: – € 15m) and bears witness to our endeavours to engender consolidation effects through systematic risk management.

Adequate depreciation and devaluation measures were taken for acute customer contingency risks.

As in previous years, before drawing up the balance sheet in accordance with international accounting standards (IFRS), € 30m were removed from the provisions in line with § 340 f HGB and added to the balance sheet.

The sum of alignments and depreciation and price gains and price losses of the securities held as liquidity reserves improved on the value for the previous year by € 8m, mostly on account of higher price gains and write-ups. The Stadtparkasse Düsseldorf was indirectly affected by the developments on the capital markets as a result of the subprime crisis. Value losses were sufficiently covered by profit from own investments and trade foremost in the first half of the year.

Taxes on income and capital gains (item 23 of the Profit & Loss Account) fell to € 7m (previous year: € 26m). The reduction is mainly accounted for by a lower taxable base as a result of changes in the taxable structure of expenses and profits.

A distribution will be made from the profit for the year of € 67m (previous year: € 57m) to the City of Düsseldorf

as the body responsible for the Bank, in accordance with § 28 SpkG NW, for charitable purposes.

The City Council will decide on the size of the distribution in accordance with the recommendation of the Supervisory Board.

The remaining amount will be allocated to the reserves to enable a suitable increase in equity as a basis for future business expansion.

Provisions for the restructuring of the WestLB by means of the reserve fund of the Rheinischer Sparkassen- und Giroverband

With the resolution of the reserve fund committee of the Rheinischer Sparkassen- und Giroverband (RSGV) dd. 21 January 2008, institutional protection was granted to the WestLB in an amount of € 500m.

The reserve fund of the RSGV comprises cash payments in an amount of € 250m (compulsory deposits) and a reserve liability up to the total amount of € 500m, less the available deposits of currently € 102m before assistance was granted.

The current situation of the WestLB makes it likely that advantage will be taken of a first tranche of € 250m. The portion of the increase carried by the Stadtparkasse Düsseldorf is € 11.6m, according to the current contribution key.

It is, therefore, necessary to create respective provisions in the balance sheet for 2007.

In the case of a drawdown of the second tranche of € 250m, the contribution of the Stadtsparkasse Düsseldorf within its reserve liability obligations would be € 19.2m.

In view of the principle of prudence when assessing provision requirements, the Management Board of the Stadtsparkasse Düsseldorf passed a resolution on 29 January 2008 to create provisions in the full amount (cash payment and reserve liability) of € 30.8m for 2007 for the restructuring of the WestLB through the reserve fund of the RSGV.

Risk management and risk control

Concept for risk-bearing capacity

The concept for risk-bearing capacity is an essential part of the comprehensive control of the Bank. The aim of the equity management of the Stadtsparkasse Düsseldorf is to ensure adequate capital resources to carry out the group strategy as defined by the Management Board, to generate an adequate return on equity as well as to comply with the minimum equity requirements. The value of equity is calculated in accordance with the German Commercial Code (HGB).

With the concept for risk-bearing capacity, the Stadtsparkasse Düsseldorf defines the scope and type of risks it can carry. In this way, it is ensured that the Stadtsparkasse Düsseldorf can shoulder any losses that might possibly occur.

Until 2007 the hedging potential was essentially assessed on a value-orientated basis which was replenished with profit

and loss orientated information. The hitherto existing procedure has been revised for 2008 so that the risk-bearing capacity is judged separately under value-orientated, profit and loss and regulatory aspects. The value-orientated approach is the prime mechanism for the Stadtsparkasse Düsseldorf, whereas the profit and loss and the regulatory approach function as subordinate criteria. Limits are allocated both for normal case and for worst case scenarios on a value basis.

By comparing the risk hedging potential and the overall risk of the Bank, the Stadtsparkasse Düsseldorf ensures that there are comprehensive risk-bearing capacities. Suitable risk limits or loss ceilings are thereby set for market risks, interest rate risks, counterparty risks, shareholder risks, real-estate risks, operational risks or planning risks.

In 2006 and 2007 the overall limit for the individual management of risks was set at € 782m for upper loss limits and € 937m for maximum loss limits.

The overall risk of the Bank is calculated on an additive basis. Correlations between the individual types of risk are not taken into consideration. Only in the case of market risks are correlative effects included in the assessment.

Types of risk

Market risks

Almost all our business is subject to risk from changes in market prices and quotations which can result in gains or

losses. We differentiate between a variety of market risks such as interest rate risks, stock risks, loan spread risks and currency risks including the respective option risks.

Quantification

Within the framework of our daily assessment of market prices, we calculate for all items the actual development (profits taken and losses made plus changes in pending profits and losses) as well as the risk simulation. The separate items are allotted to portfolios and every transaction is immediately registered upon settlement. We also take into consideration the counterparty risks of our own portfolio.

The Stadtsparkasse Düsseldorf manages its interest rate risks on the basis of instruments recommended by the German Association of Savings Banks (DSGV) and on the basis of the cash value method. All interest-bringing business is summarised in a standardised cash-flow chart. Performance analyses and cash-value simulations complete the cash-flow diagram. The aim of the cash-value simulation is to quantify possible chances and risks on the basis of various interest scenarios.

The value at risk for the market risk of restricted funds is calculated on the basis of the performance of the shares in the fund, irrespective of any consolidation in accordance with IFRS.

Limits and reporting

On the basis of the risk-bearing capacity the Stadtsparkasse Düsseldorf sets limits for market risks which are defined by

the Management Board. From the overall limit for market risks individual limits are derived on a portfolio level dependent on strategic policy. A separate limit is fixed for interest rate risk in the same fashion.

Credit risks

Risk definition

Counterparty risks are risks which occur when a borrower or counterparty does not fulfil a contractual agreement at all or not on time. In the case of the Stadtsparkasse Düsseldorf these are the counterparty risks from classical lending business (borrower risks) as well as issuer and counterparty risks from trading business.

Counterparty risks differentiate between item risks and advance performance risks. Item risks include borrower risks as well as issuer and recovery risks and the open positions. Advance performance risks encompass the danger that a counterparty does not fulfil his contractual obligations after performance has been met in advance. The monitoring of counterparty risks is ensured by daily limit controls in trading business and in lending operations through individual limits on the borrower level and monitoring of the overall portfolio.

Quantification

The monitoring of counterparty risks and advance performance risks for trading activities is conducted in accordance with the regulatory requirements. As per 31/12/2007 counterparty risk amounted to € 19.8m (as per 31/12/2006: € 18.9m).

In order to assess the counterparty risk from classical lending operations (non-trading operations) we take into consideration all risk inclined cases excluding all existing defaults (basis 31/12/2006: € 232.8m, 30/12/2007: € 203.4m).

Apart from the value-orientated approach through assessment of the credit value at risk, we also examine size, spread of activities, rating structure, collateral and overdraft behaviour.

We calculate the credit appraisal on the basis of the likelihood of default in accordance with the master chart of the DSGVO and under consideration of the collateral as an average expected non-discounted value. For 2007 this value lay at € 39.3m.

On the basis of the magnitude classification, risk concentration is assessed and reported according to the size of the commitments.

Limits and reporting/credit risk report

Counterparty risks from trading operations are limited and are monitored and reported on daily. We have allotted to the counterparty risks from classical lending operations an overall portfolio limit within the scope of the concept for risk-bearing capacity.

At the same time we monitor and manage counterparty risks on the basis of the a/m essential aspects (magnitude, spread of activities, rating structure, collateral and overdraft behaviour), and the definitions in the credit risk strategy as well as procedures in line with the German regulations on risk management

(MaRisk). In this way, we ensure that the Stadtsparkasse Düsseldorf is thoroughly informed about all counterparty risks at all times and the risk-bearing capacity is upheld.

Furthermore, we have defined rating orientated limits on the borrower level (borrower units in acc. with § 19(2) German Banking Act) within the framework of our credit risk strategy.

The credit value at risk as per 31/12/2007 amounted to € 122m (as per 31/12/2006: € 123.2m).

The credit appraisal (expected defaults) amounted to € 39.3m in 2007. Utilisation amounted to 64.2 % (previous year: € 37.1m scheduled, 91 % utilised).

Liquidity risks

Risk definition

The Stadtsparkasse Düsseldorf defines liquidity risks as the probability that payment obligations are not met on time or to the full extent.

Management and monitoring of liquidity risks/quantification

Liquidity status

The level monitored is cash-flow orientated liquidity risks of up to 1 year.

Liquidity survey

An annual liquidity survey is drawn up every month.

Risk situation

On account of the business structure of the Stadtsparkasse Düsseldorf the liquidity risk is considered to be small (member

of the joint liability fund of the Savings Banks Finance Group; high portion of refinancing through customer deposits; liquidity lines at financial institutions; good external rating). Moreover, the Sparkasse Düsseldorf has at its disposal a large amount of first-class creditworthy liquid investments. The liquidity co-efficient amounted to 1.61 as per 31/12/2006 and 1.32 as per 31/12/2007, well above the prescribed threshold.

Operational risks

Risk definition

Operational risks are risks which affect the operating functions of the Sparkasse Düsseldorf. These can occur through the inadequacy or default of internal processes, employees, internal infrastructure or external influences.

Quantification

For the management and controlling of operational risks the Sparkasse Düsseldorf applies the procedure recommended by the DSGVO. This comprises a loss or damage database and a risk inventory.

Limits and reporting

Within the concept for risk-bearing capacity, the basic indicator principle is used in accordance with the regulations under § 270 f. of the SolvV. For 2006 and 2007 € 48m have been earmarked.

Risk situation

Operational risks primarily occur under the category of counterparty risks and are registered and managed together with this category. IT risks are limited

as these services are provided by Sparkassen-Informatik.

Other operational risks are of more minor relevance or are covered by insurance policies. As a result, operational risks (non-related to lending operations) are classified as nonessential.

Shareholder risks

Risk definition

By shareholder risk, the Sparkasse Düsseldorf understands the danger of financial loss due to reduction in value.

Organisation

The investment business of the Sparkasse Düsseldorf comprises both direct and indirect participations. The indirect participations are held through the SKBG. The investment decisions of Equity Partners GmbH (a subsidiary of SKBG) are based on the investment strategy passed by the Management Board.

Quantification of shareholder risks

The value-orientated risk limit for investments for 2007 was set at € 69m in normal circumstances (level of confidence 99.0 %) and at € 78m for the worst case scenario (level of confidence 99.9 %). The limit was not overshoot in 2007.

Risk situation

On account of the high level of diversification, we consider the default risk of the fund investments of Equity Partners GmbH (EP) in the area of private equity fund of funds to be small.

The developments of direct participations undertaken by EP are always subject to risks typical for this type of investment. Through diversification and careful choice of the company participations we presume that any defaults will be more than compensated by positive results achieved by the overall portfolio.

Currency fluctuations (in US dollars) are subjected to permanent monitoring and are calculated into the strategic planning of the company. A currency hedging concept has been introduced.

The risks in the field of real estate result mostly from the further developments of the invested-in companies and the adherence to the planned project scenarios.

The participation in the RSGV comprises the major risk of the participation in the WestLB. The restructuring measures decided at the beginning of 2008 were accounted for in 2007. Possible further developments in 2008 will be intensely observed.

Future developments

For the whole of 2008 we expect the yield curve to remain flat. As a result, there will be little room for income from term transformations. Our most important source of income, the interest surplus, will continue to weaken in 2008, even more so than in the previous year. We presume that increasing commission earnings will partly compensate the fall in interest surplus. Expenditure will remain at last year's level.

With the introduction of SEPA (Single European Payments Area) the first step has been made to the creation of a unified European payments system. Our Bank offers customers new products through their transaction management which have met with keen demand in particular on the part of internationally active companies.

On the basis of the business structure and the very good external rating of Aa1 (Moody's) we still assess the liquidity risk of the Stadtsparkasse Düsseldorf as low, even in view of the international liquidity crisis in 2007.

In general, we expect a further consolidation of the risk situation over the next years with the ensuing positive effects on the earnings situation at the Stadtsparkasse Düsseldorf.

For business in 2008 we anticipate satisfactory results for the year with profit for the year in the region of the results for 2007. As last year, the responsible public authority will benefit from the positive business and earnings developments and will receive a distribution on a similar level to 2007. We will strengthen our equity base further to ensure continued growth in our fields of activity.

Düsseldorf, 31 March 2008

Summary of the Bank's Performance

	EUR in thousands as at 31/12/2007
Balance Sheet Total	13,182,417
Volume of Business	13,545,581
Assets	
Cash and Banks	82,893
Investments	3,934,228
Loans & Discounts	9,059,561
Other Assets	105,735
Liabilities	
Deposits	12,051,006
Other Liabilities	160,451
Subordinated Liabilities	212,772
Capital	691,270
Profit	66,918

Profit & Loss Account

	EUR in thousands for the year from 01/01/2007 to 31/12/2007
Expenses	
Interest and Commissions Paid	377,660
Staff Costs	111,186
Other Operating Costs	104,799
Depreciation	9,108
Taxes	7,187
Other Expenses	14,818
Profit for the Year	66,918
Receipts	
Interest and Commissions Received	674,091
Other Receipts	17,585

Universal banking business in Germany and abroad
Correspondent banks in Europe and overseas

International Division

Andrea Kühn

Vice President

Phone: +49 211 878-2399

andrea.kuehn@sskduesseldorf.de

International Banking Relations

Marion Wiegmann

Senior Manager

Phone: + 49 211 878-2255

marion.wiegmann@sskduesseldorf.de

Stadtsparkasse Düsseldorf

Berliner Allee 33

40212 Düsseldorf

Germany

www.sskduesseldorf.de

S.W.I.F.T.: DUSSEDD

