

Annual Financial Report | **2010**

Meine Bank heißt Haspa.

Haspa[®]
Hamburger Sparkasse

At a glance

	2006 € million	2007 € million	2008 € million	2009 € million	2010 € million
Total assets	33,961	34,581	36,100	37,514	38,233
Liabilities to banks	4,900	5,573	4,619	4,265	4,692
Customer deposits	22,534	22,805	25,543	26,884	27,122
Bearer debentures	3,383	2,980	2,695	3,077	2,958
Receivables from banks	6,637	7,020	5,157	3,887	2,129
Customer loans	21,939	21,356	22,668	24,213	26,166
Securities portfolio	4,999	5,545	7,500	8,523	9,061
Equity (excluding net retained profits)	1,465	1,542	1,572	1,597	1,597
Securities sales, customers	13,521	17,784	13,751	13,197	10,651
Number of employees	5,350	5,328	5,434	5,547	5,622

Haspa on the Internet

For news and information about Haspa,
please go to:

www.haspa-bank-in-hamburg.de

www.haspa.de

Information on Haspa's multifaceted corporate social
responsibility activities can be found at:

www.gut-fuer-hamburg.de

www.haspa-hamburg-stiftung.de

www.haspa-musik-stiftung.de

Haspa is an attractive employer offering
excellent prospects.

More information on this on the Internet at:

www.karriere.haspa.de

Short profile

Hamburger Sparkasse AG, Haspa for short, is Germany's largest Sparkasse (savings bank). It has total assets of more than € 38 billion and employs more than 5,600 people. Haspa offers a wide range of financial services for private individuals and businesses, serving the more than three million people living in the Hamburg Metropolitan Region.

Haspa is a public sector savings bank committed to serving the public interest. HASPA Finanzholding, a legal entity formed under old Hamburg law, holds 100 percent of the shares in Hamburger Sparkasse AG. HASPA Finanzholding has no owners and is obligated by its articles of association and bylaws to fulfil the mission entrusted to the savings bank.

Haspa is one of the few independent savings banks in Germany. It is also a member of the Hamburg-based Hanseatischer Sparkassen- und Giroverband (Hanseatic Savings Banks Association – HSGV) and the Bremen-based Verband der Deutschen Freien Öffentlichen Sparkassen e. V. (Registered Association of Independent German Public Savings Banks). Through HSGV, Haspa is affiliated with the Deutscher Sparkassen- und Giroverband e. V. (German Savings Banks Association) in Berlin and Bonn, and therefore fully included in the comprehensive guarantee system of all German savings banks. This guarantee system for financial institutions ensures that customer deposits at all German savings banks are secured without limitation. This applies to all deposits from private individuals, businesses and institutions.

Contents

Management	Management report	Annual Financial Statements	Additional information
02 Foreword of the Board of Management	05 General conditions	22 Balance sheet	48 Auditors' report
03 The Board of Management	07 Business performance	24 Income statement	49 Report of the Supervisory Board
	09 Staff	26 Notes including Cash flow statement and statement of changes in equity	51 Haspa regions
	11 Development of income	47 Responsibility statement	58 Corporate bodies
	13 Comprehensive bank controlling and risk report		59 Divisions
	19 Report on expected developments		60 Business development

Foreword of the Board of Management

Ladies and Gentlemen,

Haspa gives highest priority to its customer support and consulting services. With about 250 branches and customer service centres, Haspa is close to the customer in and around Hamburg – always easy to reach. Personalised services and good partnerships are our strength. It is very important to us to assist our customers throughout their lives, taking their changing individual needs into account.

Ever-increasing numbers of Hamburg's residents are turning to us. In 2010 alone Haspa gained more than 80,000 new customers. This enabled the bank to maintain its position in Hamburg's banking market.

Strong growth in deposits visibly testifies to the trust our customers place in us. Lending is also expanding. At 21,500 contracts, in 2010 demand for private real estate financing was the highest ever, enabling many people to turn their dream of owning their own home into reality. We provided loans in excess of € 20 billion to our private and corporate customers in the past three years – so that Hamburg can continue to grow.

Collecting deposits in the region and making them available as loans for the region to enable investment and safeguard and create local jobs has been a proven business model for generations – a business model that works especially in challenging times, maintaining the circular flow of money and creating stability.

As a savings bank, this focus puts us on a growth trajectory. Our result for 2010 was satisfactory and higher year on year.

We will continue to promote the common good and general fortunes of the Hamburg Metropolitan Region, both through banking services for all customer groups and our multifaceted corporate social responsibility activities. Each year we spend several millions of euros to support educational and social issues, the arts, music and sports.

We thank our customers and business partners for the trust they continue to place in us. Special thanks also go to all Haspa employees. In a challenging environment, they have demonstrated outstanding commitment, expertise and foresight. Furthermore, our staff's flexibility, as well as the constructive cooperation with the Works Council, have enabled us to manage all necessary change processes in order to continue to grow together with our customers.

Hamburg, March, 2011

The Board of Management



Dr. Harald Vogelsang, born in 1959, holds a banking diploma and a law degree, and has been the Spokesman of the Board of Management of Hamburger Sparkasse AG since 31 January 2007. He has been with Haspa since 1991 and became a member of the Board of Management in 2000.

In his capacity as spokesman of the Board of Management he is responsible for the Human Resources, Audit, Strategic Asset Allocation, Corporate Communication and Board Staff divisions as well as for the Performance Management Partner Savings Banks department.

Reinhard Klein, born in 1960, holds a banking diploma and a degree in business administration (Diplom-Kaufmann) and has been a member of the Board of Management of Hamburger Sparkasse AG since 2006; since January 2009 he has also been Deputy Spokesman of the Board of Management of Hamburger Sparkasse AG.

His Private Customers reporting area includes the Asset and Financial and Retirement Planning Management, Individual Customers, Mobile Sales, Private Banking, Private Customers I and II, Quality Management and Central Management Private Customers divisions, as well as the Private Customers Management department.

Dr. Wolfgang Botschatzke, born in 1959, holds a degree in economics (Diplom-Ökonom), and has been with Haspa since 2003. He has been a member of the Board of Management of Hamburger Sparkasse AG since 2004.

He is responsible for the Information Technology, Productivity and Processes as well as for the Securities and Trading Service divisions.

Frank Brockmann, born in 1963, holds a banking diploma and is a qualified banking services and operations specialist (Bankfachwirt). He has been a member of the Board of Management of Hamburger Sparkasse AG since 2008.

He is responsible for the Corporate Customers, Corporate Customers South, Real Estate Customers, SME Customers, Treasury, Enterprise Customers and Central Management Corporate Customers divisions.

Jörg Wohlers, born in 1959, holds a banking diploma and a degree in savings bank administration (Diplom-Sparkassenbetriebswirt) and joined Haspa as a trainee in 1979. He has been a member of the Board of Management of Hamburger Sparkasse AG since 2005.

His responsibilities include the Finance and Controlling, Credit and Legal, Real Estate and Logistics, Central Purchasing and Procurement divisions as well as the Compliance and Money Laundering department.

Management report

Thanks to a robust upturn, in 2010 the Federal Republic of Germany recovered faster than expected from its deepest downturn since its founding.

Hamburg's economy is equally buoyant. High levels of sovereign debt, the euro crisis, tightening regulation of the financial markets and stiff competition continue to challenge the lending industry. Thanks to its clear strategic alignment and its sustainable business model, Hamburger Sparkasse AG (Haspa) posted a result for the year that was satisfactory on the whole despite the very challenging environment.

Haspa was also able to intensify its customer support and consulting services thanks to the solid commitment of its employees, and thus expand its market position in the Hamburg Metropolitan Region.

Contents

- 05 General conditions
- 07 Business performance
- 09 Staff
- 11 Development of income
- 13 Comprehensive bank controlling and risk report
- 19 Report on expected developments

General conditions

Financial market crisis still ongoing

The global economic upturn cannot conceal the fact that the crisis in the financial markets has still not ended. The banking sector continues to deal with the fallout of the international financial market crisis. Whilst conditions in the financial markets have eased, the banking system still needs to undergo structural adjustments. In addition, the refinancing difficulties that arose in the wake of the European sovereign debt crisis have not abated, especially among credit institutions in peripheral countries of the euro zone such as Portugal, Spain, Ireland and Greece. The sovereign debt crisis has impeded these countries' access to the capital markets and caused risk premiums to soar in the capital markets. Aside from the rescue package that the EU countries and the International Monetary Fund adopted for Greece, the EU alone established a € 750 billion rescue fund; to date, only Ireland has drawn from it.

The financial market and economic crisis, as well as the subsequent sovereign debt and euro crisis, have demonstrated that a functional monetary and credit system is paramount worldwide. As in many other countries, the German government helped to stabilise the country's financial system during the crisis of the financial markets by giving guarantees and acquiring equity interests. A number of private credit institutions and public regional banks (Landesbanken) have drawn from Germany's Special Fund for the Stabilisation of the Financial Market (Sonderfonds Finanzmarktstabilisierung). Yet governmental intervention has also led to competitive distortions that should not be allowed to become a permanent feature of the market.

The German lending industry turned out to be relatively stable on the whole. This applies in particular to the savings banks and the cooperative banks.

Tightened capital adequacy regulations and stricter liquidity requirements as well as a bank levy have imposed new challenges on German credit institutions. Add to that the planned European deposit insurance, which would be a particular burden for the savings and cooperative banks. They are the house banks of Germany's SMEs, and the planned new deposit insurance would actually have a negative impact on their customers compared to the current systems.

Hamburg as a banking centre

After Frankfurt/Main, Hamburg is one of the most important financial centres in Germany – and the most important one for Northern Germany. The credit institutions domiciled in Hamburg provide jobs for about 25,000 people. This makes the lending business a major employer in Hamburg.

All of Hamburg's credit institutions faced major challenges in the wake of the financial market and economic crisis, just as the German lending industry as a whole. Overall however, Hamburg's banking market remained stable.

Robust upturn

In 2010 the global economy recovered from the deep recession that was sparked by the crisis in the financial markets. The upturn in many emerging and industrialised countries alike is strong. A few peripheral euro zone countries that are attempting to consolidate their budgets through intense austerity measures in the face of excessive sovereign debt are an exception. Germany in contrast is Europe's economic driver.

The country's gross domestic product (GDP) rose by 3.6 percent in 2010, after falling by 4.7 percent the previous year. Germany's economy thus recovered stronger and faster than expected. Both the export industry and capital spending, as well as government spending and personal consumption, contributed to this growth.

Consumers' reawakened willingness to consume also stems from the positive development of the job market. The unemployment rate did not rise sharply as expected, on the contrary. It declined by 0.5 percentage points to 7.7 percent in 2010. The number of people in gainful employment rose to 40.8 million at the close of the 2010 financial year – an increase of just over 1 percent compared to December 2009.

German consumer prices climbed by 1.1 percent on the annual average. Whilst the annual inflation rate was 0.7 percent higher year on year, once again it fell far short of the 2 percent threshold that is central to monetary policy.

The European Central Bank (ECB) retained its low prime rate of 1 percent, given price stability and in order to support the recovery of the banking system. It also substantially slowed down the reversal of its extremely expansive monetary policy owing to the sovereign debt crisis that started in Greece

in order to protect both the market and the economy. The ECB has been buying European government bonds since May 2010 to prevent distortions in the fixed income markets.

Economic growth in Hamburg

In the first six months of 2010, Hamburg's real gross domestic product rose by 2.3 percent year on year, i.e. 0.8 percentage points less than the national average. This means that the recovery from the ramifications of the economic crisis has clearly made itself felt here too.

The city's below-average growth compared to the rest of Germany stems from the structure of its economy and the rather moderate decline of its GDP in 2009, the crisis year. Hamburg's manufacturing sector for instance posted slightly below-average growth after a downturn that was less pronounced than elsewhere. On the whole however, manufacturing made a substantial contribution to growth in Hamburg as well. Service industries which expanded at a more restrained pace than the manufacturing sector account for a large portion of the city's economy. Both the retail and the wholesale business grew substantially compared to other service sectors. It is estimated that Hamburg's real gross domestic product rose by over 3 percent in 2010.

The situation in the job market also shows that the momentum of the city's economy has substantially accelerated. On the annual average 75,600 fewer residents of Hamburg were reported as being unemployed in 2010, a decline of 3.8 percent from the previous year. The number of people in gainful employment in Hamburg rose by 0.8 percent. Hamburg thus surpassed the national average by 0.5 percent – a testament to the strength of its economy.

Haspa on a growth trajectory

As a retail bank, Haspa focuses on competent and comprehensive services for private customers as well as small and mid-size corporate customers (SMEs) in the Hamburg Metropolitan Region. Haspa has been gaining both customers and deposits thanks to this stable business model.

Some 5,600 employees and more than 250 branches and customer service centres account for the bank's high market penetration. One in five employees in Hamburg's lending industry is employed with Haspa, and one in three bank branches in Hamburg is a Haspa branch.

No other bank knows the Hamburg Metropolitan Region better. We are at home in Hamburg and know what our customers need. In-depth knowledge of the market, competent and committed staff, competitive products, in-house expertise, corporate social responsibility for the region and local decision-making authority are the key to our success.

Independent experts and testers yet again rewarded both our employees' closeness to the customers and Haspa's high quality of service and advice. The German Institute for the Quality of Services (Deutsches Institut für Service-Qualität) named Haspa "Best Bank in Hamburg" for the fourth time in a row. And the trade magazine, Elite Report, in 2010 named Haspa the "Best Asset Manager in all German-Speaking Territories" for the eighth time running.

Haspa intensified its focus on quality, customers and growth in 2010. Quality assurance was improved in order to enhance customer satisfaction and loyalty. Optimising technology and processes also allows us to link growth and efficiency.

Haspa successfully implements the German Accounting Law Modernisation Act

The German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG) is considered the law that entails the greatest changes in German accounting – in both quantitative and qualitative terms – since the country's 1985 Accounting Directives Act (Bilanzrichtlinien-Gesetz) and thus the most significant reform of accounting under the German Commercial Code in 25 years.

In a separate project Haspa successfully implemented absolutely all of the law's requirements that must be applied to financial years starting in 2010.

Implementation of the requirements of the German Accounting Law Modernisation Act has both quantitative and qualitative effects. Three major changes were made in Haspa's 2010 annual financial statements.

We created a "Trading portfolio" balance sheet item in both assets and liabilities given the introduction of fair value accounting for financial instruments in the trading portfolio. This is where the financial instruments in the trading portfolio – including derivative financial instruments – are recognised at their fair value.

Long-term provisions (including pension provisions) must now be discounted at the interest rate prescribed by Deutsche Bundesbank that matches the respective maturity based on the given settlement amount.

All initial adjustment effects that are recognised in profit or loss and arise from the implementation of the German Accounting Law Modernisation Act must be shown under the balance sheet item “Extraordinary income” or “Extraordinary expenses” in the income statement.

The multitude of changes arising from the law entail many changed or additional disclosures in the notes; the disclosures related to hedge accounting and trading portfolios were greatly enhanced.

Business performance

More than 80,000 new customers demonstrate Haspa's strength in the retail banking business

Competent and comprehensive customer support of our private, individual and SME customers in the Hamburg Metropolitan Region again was at the heart of Haspa's entrepreneurial activities in 2010. The bank gained a total of 80,000 new customers in the reporting year just ended, substantially surpassing the gain in new customers the previous year and further consolidating Haspa's strong position. Private customers are our most important and largest customer group; in 2010 we assisted them yet again in word and deed regarding all financial matters. We also provide intensive customer and consulting services to our corporate customers – whether business start-ups, tradesmen, small business operators, professionals and freelancers or larger mid-size enterprises.

Strong presence thanks to dense sales network

Haspa's good position in Hamburg's banking market is also reflected in its market penetration which it achieves thanks to some 5,600 employees and more than 250 branches and customer service centres among other things. This is augmented by teams of specialists at the main branch that service start-up entrepreneurs, larger corporate customers, the property industry as well as Private Banking. Our dense network of

branches and customer service centres offers our customers a valuable local presence and thus is perceived and appreciated by them as an important aspect of our quality.

Improved business performance boosts total assets

Total assets rose to more than € 38.2 billion in 2010 thanks to the positive development of business, up by about € 0.7 billion or 1.9 percent. This means that Haspa remains Germany's largest savings bank.

Total assets (in € billion)



Assets increased thanks to the positive growth of the customer business

Total assets rose thanks to the positive development of receivables from customers which climbed by just under € 2 billion or some 8 percent. On the other hand, a substantially larger portfolio of equities and other non-fixed interest securities is contrasted by a decrease in debentures and other fixed interest securities as well as receivables from banks.

Further increase of new loan approvals which were already at a high level

The substantial increase in receivables from customers also stems from the positive development of new loan approvals. Having grown by a substantial margin in the two previous years, they rose yet again from an already very high level in the reporting year just ended. At almost € 7.6 billion, new loan approvals were up over the previous year's high level by almost € 0.6 billion. The increase in demand for credit is reflected especially in real estate financing, which grew by 9.7 percent to € 18.3 billion. The new real estate financing volume was € 5.3 billion in the aggregate. At just under 21,500 contracts, private real estate financing accounts for the lion's share of approximately 22,500 contracts. Haspa has thus helped multitudes of Hamburg's residents to own their own home.

Customer loans	2006	2007	2008	2009	2010
	€ million	€ million	€ million	€ million	€ million
Business loans	4,821	4,311	4,991	5,143	5,464
Personal loans	2,025	2,017	2,033	2,047	2,203
Real estate financing	15,046	14,917	15,463	16,683	18,294
Municipal loans	47	111	181	340	205
Total	21,939	21,356	22,668	24,213	26,166

This means that Haspa expanded its credit programmes in the reporting year as well. On the whole Haspa has granted loans in excess of € 20 billion in the past three years without easing its risk assessment criteria. These numbers demonstrate that Haspa was in a position to support Hamburg's growth in 2010 as well and counteract the credit squeeze in the Hamburg Metropolitan Region.

Customer deposits	2006	2007	2008	2009	2010
	€ million	€ million	€ million	€ million	€ million
Registered Pfandbrief securities	198	478	655	1.187	1.867
Savings deposits	6.849	6.652	7.067	6.072	5.837
Savings certificates/ RentaPlan	1.308	1.110	1.106	1.087	1.008
Time deposits/ Promissory note loans	7.981	7.055	8.765	6.756	5.689
Deposits payable on demand	6.198	7.510	7.950	11.782	12.721
Total	22.534	22.805	25.543	26.884	27.122

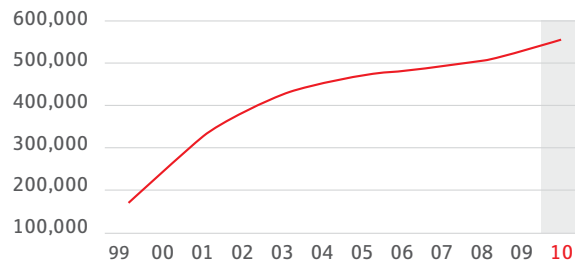
Customers trust Haspa – Slight increase in deposits

Solid growth in customer deposits also contributed to the increase in total equity and liabilities. Customers' trust in Haspa lifted deposits by more than € 0.2 billion or just under 1 percent such that our liabilities to customers have climbed to some € 27.1 billion. In particular, deposits payable on demand rose by € 0.9 billion to more than € 12.7 billion. The interest levels in the money and capital markets boosted mainly giro account deposits. Deposits in Haspa-DIREKT Cashkonto accounts also developed along a positive trajectory. In the reporting year just ended, the number of Haspa-DIREKT Cashkonto accounts rose yet again by more than 19,600 or 9.9 percent to roughly 219,000 overall. We also succeeded in expanding existing accounts from an already very high level by just under € 0.1 billion to about € 5.9 billion. On the whole the increase in deposits payable on demand more than made up for the total decrease by € 0.7 billion in time deposits and savings deposits. The decline in promissory note loans by € 0.6 billion is contrasted by an increase in registered Pfandbrief securities by € 0.7 billion; unsecured transactions were replaced by Pfandbrief securities. Liabilities to banks also rose substantially. This liabilities item climbed by some € 0.4 billion or 10 percent to about € 4.7 billion. A large portion of this increase is attributable to pass through loans which are contained in this item. In the assets, this is matched by the corresponding increase in the lending business.

Substantial increase in the number of giro accounts – rising demand for HaspaJoker

By now Haspa is managing just under 1.3 million giro accounts. Of these, over 550,000 giro account holders – close to 24,000 more than at the close of the year – went with the “HaspaJoker” account, Hamburg’s advantage account. As a result more than 62 percent of all private giro account holders now have the HaspaJoker. Besides extensive banking services, Haspa’s customers also benefit from a multitude of value-added services that were further improved the past year in conjunction with a relaunch.

Number of HaspaJoker accounts



Staff

Increase in the number of employees

Haspa is an attractive employer that offers both employees and applicants many qualified jobs.

The number of employees rose by 75 in the reporting year. Haspa had approximately 5,600 employees at the end of 2010. More than 3,000 of them deal directly with our customers. Most of the personnel hired in 2010 also works in customer service. About 1,300 staff were employed on a part-time basis.

Haspa uses challenging performance targets, compensation commensurate with performance, personnel development and flexible working hours to promote both motivation and entrepreneurial thinking and acting in its employees. Above and beyond salaries governed by collective agreements we also offer our employees a diverse range of benefits that further enhance Haspa’s attractiveness as a fair employer.

A new generation for the banking business

Haspa offers highly qualified training. We had 458 trainees at the close of 2010. As a result our company once again made a significant contribution to the implementation of the Federal Training Pact that was signed between German employers and the German government in 2004.

Haspa is one of the largest private companies in the Hanseatic City of Hamburg that takes on trainees. At a training ratio of about 10 percent, Haspa surpasses the national average by far. Our training programmes lead to qualifications such as a banking diploma and a diploma in office communications. Each year we also offer 15 young people the opportunity to obtain a bachelor degree in business administration: For one, an internationally accepted Bachelor of Arts (B.A.) degree based on a dual studies course at the Hamburg School of Business Administration (HSBA). For another, our junior staff can also obtain a Bachelor of Science (B.Sc.) in business administration at the College of the German Savings Banks Finance Group.

Approximately 80 percent of our trainees graduated from secondary school with the Abitur, the German university entrance qualifications. Out of approximately 3,500 applicants annually, we also seek out qualified middle-school graduates who account for about 20 percent of our trainees. Women make up roughly 60 percent of our junior staff.

	2006	2007	2008	2009	2010
Trainees	450	432	424	423	458
Part-time employees	1,037	1,101	1,146	1,217	1,277
Full-time employees	3,863	3,795	3,864	3,907	3,887
Total	5,350	5,328	5,434	5,547	5,622

Our trainees repeatedly achieve above-average scores on their final qualification exams and do particularly well in the “advising customers” portion of their practical exams, thus proving that they are very well suited to apply Haspa’s customer-focused consulting and management system. These are skills that directly benefit our customers.

The Hamburg Chamber of Commerce has bestowed its award for outstanding performance in vocational or professional training on Haspa nine times. Our “Top Trainee Model” serves to open up additional training and education programmes and career perspectives to particularly capable and committed trainees. For instance, we already offer our top trainees the assurance that they will be hired one year before their training ends.

Haspa has increased the number of training places by 25 to 475 as part of its training initiative. This is how we have assumed responsibility for the professional perspectives of young people, especially because in Germany the number of secondary school graduates with the Abitur is slated to double in certain years. We will maintain the larger number of training places in order to continue recruiting qualified trainees.

In the reporting year Haspa further enhanced its collaboration with universities in the Hamburg Metropolitan Region and participated in numerous university job fairs.

Launch of Professional Banking trainee programme

Under our Professional Banking trainee programme, 40 college graduates are introduced to the banking business on site at our branches and customer service centres while simultaneously enrolling in finance courses and personal development seminars. Following the successful completion of their training programmes, these graduates are employed at Haspa as deputy branch managers or specialists for individual or SME customers.

Depending on their educational level at the time they join the programme, trainees can complete it in 18 or 24 months. This trainee programme is usually offered on an annual basis.

Cultural diversity as an opportunity

Promoting diversity and equal opportunity are integral to Haspa’s corporate culture. Our trainees and employees are as diverse as our company and our customers. The different ethnic and national origins as well as multilingual backgrounds of many of our trainees and employees are put to best use by assigning them whenever possible to branches where customers speaking foreign languages predominate.

The cultural diversity of its trainees and employees is an important issue for Haspa. Indeed Haspa already signed on to the “Diversity as Opportunity – Charter for Diversity in Companies in Germany” in November 2008. This underscores our commitment to fairness toward and respect for the people in the company and the creation of a working environment that is free of prejudice, discrimination and exclusion. The German Government supports the “Diversity as Opportunity” initiative. It is chaired by Germany’s Chancellor, Dr. Angela Merkel.

Qualified employees as guarantors of success

Most of Haspa’s success as a retail bank in Hamburg is due to its dedicated and competent employees who demonstrate Haspa’s high quality of service and consulting day in and day out. Young people and staff with many years of professional experience work hand in glove to serve our customers. Our employees’ average age is about 40, and their qualifications are very high. More than three quarters of our workforce are qualified bank managers or have completed other vocational business training. Approximately one in four have obtained additional qualifications such as a banking services and operations specialist or as bank business administrator. Employees with specialist responsibilities also possess extensive professional credentials; about ten percent of them have a university degree.

It is the good mixture of our employees in terms of their professional qualifications, age and professional experience that is particularly advantageous, for every customer will find a suitable contact person at Haspa. In order to ensure continuity in customer service, we endeavour to assign employees to a branch or customer service centre over an extended period of time. Our flexible working hours enable our employees to focus on customers’ needs.

Investing in employee training and education

Haspa invests some € 10 million in training and continued education for its employees each year. The clear structure of Haspa's training programmes allows employees and applicants alike to obtain comprehensive information on the range of our educational and training modules and plan their careers with the available prospects in mind.

In 2010 approximately 440 Haspa employees enrolled in programmes leading to certification as financial services consultant, banking services and operations specialist and bank business administrator or in the basic banking training programme of the Hanseatic Savings Bank Academy. Whilst about 500 employees enhanced their expertise in additional seminars, many others ex-

panded their know-how via online seminars and virtual training programmes directly at the workplace. Between 2008 and 2010 all of Haspa's customer service officers underwent comprehensive training as experts in financial and retirement planning in order to further their qualifications in this important area of the bank's consultancy services.

Leadership has traditionally been given high priority at Haspa. We place the utmost value on the professional selection and development of our executives. We have further refined their understanding of roles and leadership. Our Management Development Programme and other qualification programmes give us tried and tested tools for training and educating both our current executives and the up-and-coming generation.

Development of income

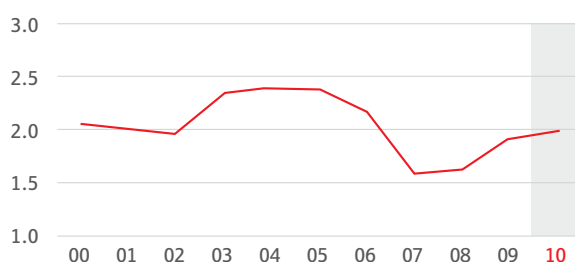
Positive development of the operating result before loan loss provisions

Haspa posted an operating result before loan loss provisions of just under € 308 million in the 2010 financial year, an increase of € 12 million year on year. Net interest income – as always the largest component of income – contributed substantially to this positive development. Income rose by € 64 million on the whole thanks also to the increase in net commission income, accounting-related shifts between net trading income or expense as well as other operating income. The German Accounting Law Modernisation Act gave rise to shifts in expenses. A substantial increase in other ordinary expenses by just under € 47 million thus is contrasted with a very moderate increase by just under € 6 million in administrative expenses. Total expenditures in the operating result before loan loss provisions rose by some € 52 million to € 747 million.

Another year-on-year increase in net interest income

At € 769 million, net interest income was € 58 million or some 8 percent higher year on year. The exceedingly low level of short-term interest rates continued to have a positive effect, as expected. Whilst Haspa borrows short and thus pays a lower interest rate due to the low short-term interest it is charged, the funds that it loans out are largely subject to longer-term fixed interest arrangements. Maturity transformation thus makes a positive contribution. Transactions associated with maturity transformation also helped to generate additional positive net interest income owing to low interest rates.

As before the customer business remained on a growth trajectory, contributing the largest portion of net interest income. Portfolios were expanded in both assets and liabilities, laying the foundation for our future success. At more than 76 percent, net interest income continues to account for the lion's share of gross profit (which is the sum of net interest and net commission income). Relative to the substantial increase in total assets, at 1.96 percent the interest margin in 2010 substantially exceeded the previous year's level of 1.90 percent.

Interest margin (in percent)**Net commission income grows again**

Whilst 2009 was still in the grip of the financial market crisis, the financial year just ended showed first signs of a more sustained recovery in the money and capital markets. In conjunction with other positive developments such as commission from the lending business due to the high level of loan approvals, this trend helped to substantially offset the decline in income from insurance sales with the effect that net commission income rose by over 4 percent or some € 10 million to € 239 million.

Accounting-related shift between net trading income/expense and other operating income – in sum almost at the previous year's level

On the whole our trading activities serve to support our retail banking business; in particular they comprise gains and losses from securities and foreign exchange trading. Due to an accounting-related shift, the foreign exchange gains or losses on micro-hedged transactions are no longer recognised in net income or expense from financing activities; instead they are shown under items 8 and 11 of the income statement, i.e. other operating income or expenses. On the whole unrealised foreign exchange gains are also recognised in the foreign exchange gain or loss due to changes in the micro-hedges. The foreign exchange gain or loss also benefits from the maturities of a variety of foreign exchange transactions. In sum net trading income or expense, as well as other operating income, fell by € 4 million to € 46 million, almost reaching the previous year's level.

Accounting-related shifts cause personnel expenses to decline despite new hires

Total personnel expenses rose year on year by some € 52 million or 7.5 percent to just under € 747 million. These numbers reflect the shifts between items that arise from the changes in accounting under the German Accounting Law Modernisation Act. Effects from the annual recalculation of the pension provisions have led, for the first time, to a substantial increase in other operating expenses that go hand in hand with the corresponding decrease in personnel expenses. Due to the resulting decline in social security, post-employment and other employee benefit costs by just under € 23 million, personnel expenses dropped by more than € 11 million in spite of numerous new hires. Absent these shifts, personnel expenses would have risen owing to both the new hires and salary increases.

Investments in cutting-edge IT trigger increase in other administrative expenses

Other administrative expenses, amortisation and write-downs of intangible fixed assets as well as depreciation and write-downs of tangible fixed assets rose by a total of just under € 17 million to a grand total of about € 321 million. This increase is due especially to substantial investments in our IT systems that will enable us to profit from more moderate cost increases in future.

Net revaluation gain/loss more favourable than the previous year

The measurement approaches that Haspa uses in connection with the net revaluation gain/loss are conservative on the whole, as in the previous year. As a result Haspa's proprietary investments in securities are still measured using the strict lower-of-cost-or-market principle, taking into account the requirement to reverse write-downs. On the whole the net revaluation gain/loss was much more positive than the previous year. Besides substantially improved provisions in the lending business, the net revaluation gain/loss from securities also improved yet again. This reflects the recovery to date relative to the peak of the financial market crisis in 2009. On the whole a large portion of the net revaluation gain/loss also stems from further increases in provisions for potential future risks in subsequent years.

Substantial increase in the result from ordinary business activities

Our positive performance – particularly in terms of income and the net revaluation gain/loss – generated a substantially higher result from ordinary business activities which is shown in item 17 of the income statement. At just under € 168 million, it substantially exceeds the previous year's figure by some € 59 million or just under 55 percent.

Extraordinary result due to effects from the German Accounting Law Modernisation Act

Initial application of the BilMOG leads to recognition of an extraordinary result. Whilst nothing was shown in items 18 through 20 of the income statement in recent years, the extraordinary result for 2010 was € minus 5.2 million. Specifically, it includes just under € 12 million in effects on expenses arising

from initial adjustments associated with the shift to the new requirements under BilMOG, the German Accounting Law Modernisation Act. Pension provisions account for € 10.5 million of this amount. This is contrasted by some € 6 million in extraordinary income, € 4.9 million of which stem from the positive fair values of interest rate swaps.

Year-on-year increase in the result for the year to be transferred – substantial increase in tax allocation

At € 79 million, the result for the year to be transferred was € 19 million higher year on year. Under the control and profit transfer agreement (profit and loss transfer agreement), these € 79 million will be transferred in full to HASPA Finanzholding. The tax expense to be borne in form of a tax allocation rose substantially to some € 83 million in the reporting year.

Comprehensive bank controlling and risk report

Well equipped to brave the financial market and economic crisis

The liquidity crisis in the banking sector that had already begun in 2007 required rescue measures for various credit institutions, among others in the USA, the UK and also in Germany. The insolvency of the US investment bank Lehman Brothers in September of 2008 represented the first ever breakdown of a globally significant, system relevant credit institution. The trust in the banking sector was severely shaken. The result was a deep, worldwide recession.

The collapse of the entire financial system – including Germany – could ultimately only be prevented by the decisive intervention of governments and central banks. In 2010 the financial markets continued to stabilise despite the sovereign debt and euro crisis; there has been a strong economic recovery. Yet the stresses on German banks stemming from the financial market and economic crisis have yet to abate. For instance it remains a challenge to build equity, also due to the further tightening of banking regulations.

Hamburger Sparkasse AG responded to the extraordinary financial market and economic crisis by pursuing forward-looking risk policies in the interbank business and the capital markets. It believes that it is still well equipped to weather the challenges ahead thanks also to its comfortable equity and liquidity in conjunction with the ongoing development of its risk management.

Comprehensive bank controlling focused on core business and risks

Three customer groups – private customers, individual customers and SME customers – are at the heart of Hamburger Sparkasse's comprehensive bank controlling based on its retail banking strategy. Successes and risks from trading, investment, maturities transformation as well as the operating business complete the picture.

Integration of the internal and the external view – uniform comprehensive bank controlling

Haspa's comprehensive bank controlling consists of linking internal key performance indicators (KPIs) that have clear economic aims with external KPIs that are subject to the requirements of the German Commercial Code or to regulatory requirements. The integrated analysis of both views enables targeted control of operational and economic processes.

Comprehensive bank controlling as a closed procedural cycle

At Haspa, the responsibility for the reporting system regarding internal and external KPIs is organisationally separate from the management function.

Haspa's strategic alignment is reviewed in annual strategy workshops at the level of the Board of Management. Among other things this process yields the updated mid-term planning for the coming years. The annual planning process in turn generates specific and agreed upon budgets for the coming year that are reflected in the groupwide target-setting process. An integrated, monthly reporting system serves to record Haspa's performance with respect to sales, costs and risks, as well as its income, expenses and net revaluation gain/loss.

All divisions are also integrated into a quarterly preview process that furnishes updated targets for the year overall and is condensed as part of the reporting to corporate bodies.

Whilst this closed-circuit process has been in place for years, the respective procedures are subject to continuous improvement in conceptual terms, and the given tools are refined on an ongoing basis.

Flexible earnings analysis

The margins for the lending and deposit business are determined at the transaction level using the market rate method; risk costs for loans are deducted separately. Terms appropriate to the given risks are stipulated with the customers. As is customary for the lending business, they are determined with regard to expected defaults; in terms of equity costs, they are determined with respect to unexpected defaults. Besides the margins from interest transactions, commission income is also important. These calculations which are specific to individual transactions and contracts enable us to flexibly support our sales and marketing activities in the branches and customer service centres.

Efficient controlling – the prerequisite for successful cost management

All divisions are strictly broken down by appropriate cost centre structures based on our customer-focused organisational structure. Separate budgets are allocated to individual projects. Larger projects are subject to special investment controlling which evaluates them according to business management standards and monitors them from a controlling viewpoint until the desired benefit has been achieved. About 30 projects were subject to investment controlling in 2010. Among others they included product development projects, the ongoing development of sales and marketing channels and sales support as well as projects aimed at migrating core bank systems to SAP.

With a view to proper cost accounting allocation, at Haspa all intragroup service relationships are recorded using intragroup settlement procedures.

Functional internal control and risk management system guarantees the accounting process

Pursuant to section 25a (1) German Banking Act, overall responsibility for proper business organisation and the risk management integral to it rests with Haspa's Board of Management. Among other things risk management comprises the implementation of internal control procedures consisting of an internal control system and an internal auditing system. Internal Audit is an integral part of Haspa's risk management and internal control procedures. It carries out its responsibilities autonomously and independently on behalf of the full Board of Management.

Risk management and the internal control processes also cover the accounting process. Accounting in turn comprises bookkeeping as well as preparation of both the annual financial statements and the management report. Each Haspa division is responsible for bookkeeping based on prescribed rules for account assignment. Preparation of the annual financial statements and the management report has been outsourced to NRS Norddeutsche RetailService AG (NRS AG). The subcontracting process is controlled and monitored by the Finance and Controlling division of Hamburger Sparkasse AG and supplemented by the auditing activities of Internal Audit. Organisationally all divisions tasked with accounting are separate from departments responsible for marketing activities.

The rules for account assignment and the control processes pertaining to the bookkeeping as well as the preparation of the annual financial statements and the management report are specified in various work instructions. In particular these work instructions address the controls to be carried out in terms of reconciliations and the requisite documentation. All data related to the financial reporting process of Hamburger Sparkasse AG is processed using IT systems which at all times are subject to access limitation, system activity logs, access controls, data backups and data protection.

Internal Audit directly or indirectly reviews the accounting related internal control and risk management systems based on a risk oriented audit plan. This also includes functional separation, data processing security, documentation of control actions and compliance with work instructions. The accuracy of our data processing programmes is ensured by means of strict separation of the development, testing and production systems and through a defined development process for software packages with the pertinent testing and release procedures. Introduction of new or amended parameters can only be placed in production within the scope of defined change management. In its reviews, Internal Audit verifies that these procedures are followed properly.

If the financial reporting process is carried out using centralised third-party data processing equipment, the pertinent providers are obligated under the general agreements closed with them to comply with all statutory and regulatory requirements relevant to the outsourced activities. Compliance with these statutory and regulatory requirements is monitored by the internal auditing departments of the given third-party providers as well as by Haspa's Internal Audit.

Comfortable ability to carry risk ensures the ability to act in the competitive environment

Incurring risk in targeted ways is at the heart of all banking activity. The ability to comprehensively measure, monitor and control risk is a critical competitive factor.

The objective of our risk management is to optimise success while constantly taking into account the risks incurred. Haspa regularly determines its ability to carry its total risk by comparing it to the available risk cover, which largely comprises equity. Limits for each individual risk type are defined on that basis. Depending on the type of risk, the amount of the risk budget corresponds either to the net present value (NPV) limit

or the sum of the NPV limit and the loss limit. The respective risk budgets are derived from the available cover assets and are specific to the material risks. The liquidity risk is an exception in that it is easier to control using the appropriate stop-light system. Diversification effects are considered in the economic analysis in order to determine the cover assets required for the agreed upon total risk budget. This amount must then be collateralised by the available cover assets. In that connection the total risk budget must be measured such that large portions of the cover assets are not used even if the risks occur. Haspa also ensures compliance with the regulatory capital adequacy requirements under the German Solvency Regulation (Solvabilitätsverordnung) even when all NPV limits are utilised in their totality and at the same time, i.e. without considering diversification effects.

Regular stress tests are performed to analyse stressful market conditions and long-term economic downturns. Analyses of the given results show that the existent risk cover would be sufficient to ensure Haspa's existence as a going concern even in times of extreme crises.

Material risks are subject to continuous monitoring by means of suitable early warning systems that identify significant developments as quickly as possible, thus enabling timely countermeasures based on thresholds.

Knowledge of the regional market and portfolio risk management limit credit risks

Haspa's counterparty default risk stems from the lending business associated with private, corporate, enterprise and real estate customers. Our steadily growing customer loan portfolio is broadly diversified and largely secured by mortgages. We have also been able to include larger, highly rated commitments in our portfolio as part of our balanced growth strategy. On the whole credit risk is generally covered through appropriate risk provisions.

The internal rating procedures developed jointly with the German Savings Banks Finance Group offer specific tools that are tailored to our customer groups and continuously refined.

We use the current scoring systems of the German Savings Banks Finance Group to assess creditworthiness and determine pricing in our private customers business.

Rating procedures designed to assess credit ratings and determine risk-based pricing are used in our standard corporate customer business. Different procedures apply depending on the given company. They are broken down by procedures for small, mid-size and large corporate customers, professionals/freelancers as well as start-up entrepreneurs. Our real estate customer division uses a property transaction rating tool tailored to commercial property financing for more complex commercial real estate commitments. Automated compact customer rating is additionally applied to enable targeted credit scoring of small corporate customers.

We handle issuer default risk and counterparty default risk in both our securities investment and interbank business by limiting ourselves to trading partners with first-rate credit ratings as well as a widely diversified portfolio and a strict limit system. In the interbank money market business, we also tap into our advantage of being able to include a range of trading partners and thus avoid becoming dependent on individual market players. Haspa's intensive monitoring of banking sector counterparties as well as all issuers remains a tried and tested system that is adjusted to business developments on an ongoing basis. The default risk is also limited through the gradual build-up of collateralisation in the trading business. About 89 percent of the derivatives business is now hedged through standard collateral agreements. Most of our financial futures transactions not collateralised in this way are conducted with other savings banks. Repo transactions hedged through first-rate securities are widely used in the lending business involving the money market.

Expected default risks are hedged using the risk provisions. We use a suitable loan portfolio model (Monte Carlo simulation) to measure unexpected default risks based on the value-at-risk (VaR) method, applying a confidence level of 99 percent for a holding period of one year.

Targeted management of maturity transformation risks ensures steady contribution to profits

Maturity transformation risk arises from potential changes in market interest rates relative to the structure of the bank's on and off-balance sheet transactions.

Maturity transformation basically arises from the given loan commitment which tends to be of a longer term nature on the asset side, compared to borrowings which tend to run over a shorter term on the liabilities side. Money and capital market

interest rates have an immediate effect on Haspa's bottom line. We measure and control maturity transformation risk in a comprehensive manner using both periodic and net present value methods.

The VaR method is also used to determine maturity transformation risks. They are quantified at a confidence level of 99 percent and a holding period of one month. Stress scenarios are also simulated in connection with this type of risk, especially scenarios entailing substantial changes in interest rates. Haspa's maturity transformation position is monitored on an ongoing basis. It is reviewed in greater depth and controlled with respect to money and capital market trends at monthly meetings of the Maturity Transformation Committee with the participation of the Board of Management. Ad hoc meetings are held as necessary to ensure appropriate action in case of rapid changes.

The possible impact of any change in market interest rates on our periodic net interest income is also monitored on a continuous basis. Simulation of various interest rate scenarios shows the sensitivity of the net interest income to changes in market interest rates.

Haspa employs derivative financial instruments, especially standard interest rate swaps, to manage its maturity transformation risk.

Intentionally incurring maturity transformation risks is an integral part of the bank's core business. To that end we actively exploited favourable options of entering into maturity transformation transactions that had already had a positive impact on net interest income in 2009.

Capital market risks and the European sovereign debt crisis

The reporting year was largely defined by the sovereign debt crisis in the euro zone. It dampened Germany's unexpectedly positive economic prospects, and the capital markets developed unevenly as a result. Risk premiums for the bonds of the peripheral euro zone countries particularly hard hit by the European sovereign debt crisis – Portugal, Ireland, Italy, Greece and Spain, i.e. the so-called PIIGS states – soared to record highs due to high market volatility.

Yet rising share prices and falling interest rates helped to stabilise capital market risks despite the ongoing debate on the sovereign debt crisis. Haspa exploited this situation to strategi-

cally position and expand its proprietary investments. Processes and risk models used to monitor and control them were also refined in that connection.

Higher equity risks due to expansion of the equities portfolio

Haspa strategically restocked its equities portfolio during the year given expectations that market conditions would develop favourably. Besides exploiting market opportunities as they arise, optimising the risk/return profile of the proprietary investments has highest priority in that regard. Broad diversification within this asset class across industries and countries supports this objective.

These equities are held indirectly via special funds. Haspa also employs the VaR method to determine equity risk based on a portfolio risk model. Risk Controlling examines each position separately on a daily basis. The transparency principle is applied to the special funds in that connection.

Restocking of corporate bond portfolio and simultaneous decline in price risk contingent on credit ratings in the bond markets

The risk of spread changes arising from credit ratings in corporate bonds abated toward the middle of the year after rising at the start of the year thanks in part to the positive economic outlook.

Corporate bonds are held indirectly via special funds. Haspa employs the VaR method to determine the spread risk based on an advanced portfolio risk model. Risk Controlling continuously monitors all relevant positions. The transparency principle is applied to the special funds in that connection.

Ongoing strategic build-up of select asset classes to diversify proprietary investments

We continued investing in first-rate real estate funds over the year and expanded the range of our holdings by new, select asset classes and strategies in order to optimise our proprietary investments in strategic terms. These new investments largely concern emerging market bonds and equities as well as transactions contingent on commodity prices. A substantial portion of these investments is hedged against foreign currency risks; in some cases however, we intentionally incurred risk across different currencies. These risks are determined using the VaR

method based on an integrated portfolio risk model. Risk Controlling continuously monitors all relevant positions. The transparency principle is applied to the special funds in that connection.

Low trading risks, as before

Haspa's considerable restraint in taking on equity and foreign exchange trading risk as well as currency risks also reflects its alignment as a retail bank in the Hamburg Metropolitan Region. Most of our trading activities are customer initiated, and we only hold closed currency and option positions.

Country risks

Our risk management focused especially on country risks in connection with the intensifying sovereign debt crisis in a few euro zone countries.

Close to 90 percent of Haspa's gross receivables originate in Germany owing to its regional alignment as a retail bank. A small portion of its proprietary investments are related to the PIIGS states however, mainly corporate bonds and securities not directly affected by the sovereign debt crisis. There is a very small direct receivables position in the form of Italian government bonds.

Appropriate risk management steps were taken to limit and monitor our country risks. Besides reducing the affected positions, this also includes reducing the country limits assigned, expanding the collateralisation of current contracts as well as refining the related reporting to the Board of Management.

Focus on operational risks associated with marketing processes

Operational risk arises from risks rooted in operating systems and processes. As part of its internal control system, Haspa has taken many steps to ensure flawless and smooth business procedures. Intragroup procedures and the functionality of technical systems are continuously adapted to both internal and external requirements. Operating processes are subject to instructions and directives, and are monitored by Internal Audit.

Haspa has outsourced portions of its market support processes associated with its lending, deposit and services business, as well as certain aspects of Finance and Controlling, to NRS Norddeutsche Retail Service AG and its subsidiaries. Additionally some

IT functions have been transferred to Finanz Informatik GmbH & Co. KG, Wincor Nixdorf Portavis GmbH, Océ-Deutschland GmbH/OBS and T-Systems GmbH.

The interaction between outsourcing centres and Haspa with respect to the outsourced functions is subject to and governed by statutory and regulatory requirements using individual and interface-specific agreements. These arrangements have been tried and tested in the interaction between the different entities and are further expanded and refined on an ongoing basis.

Information technology security is one of the focal points in controlling operational risks. Detailed contingency plans are available for all IT functions. These emergency plans also include crisis management protocols as well as procedures designed to ensure uninterrupted business operations. Authorized access systems and control and monitoring processes guarantee the protection of confidential information against unauthorised access and modifications of business processes. Effective firewall systems provide protection against unauthorised external access.

A project aimed at refining product and marketing processes also entailed the development and implementation of complementary measures in response to the novel approach of German jurisprudence to issues of liability on the part of bank officers who serve as investment consultants. Among other things they consist of standardising processes related to purchasing and inventories as well as the ongoing development of educational programmes for our investment consultants. The record required under the German Securities Trading Act for advising customers on financial instruments was also introduced effective 1 January 2010.

Operational risks are measured and managed during an annual risk inventory through analyses of significant loss events and by means of an indicator-based early warning system.

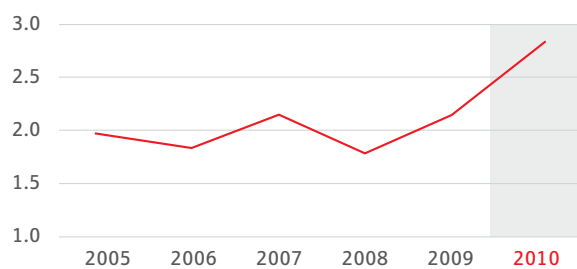
Liquidity risks limited through funding strategy and solid liquidity limit

Liquidity risks arise when payment obligations are not fulfilled at all or insufficiently or if liquidity can only be obtained at higher market prices.

Beyond its short-term liquidity outlook, Haspa also uses its divisional planning to develop a strategic liquidity outlook that identifies liquidity needs early on. This enables us to assess our liquidity needs for future maturities and manage cash flows accordingly. Risk scenarios are also monitored and analysed on the same basis to cover all developments arising from the stress tests in accordance with the minimum requirements for risk management (MaRisk). Based on our funding strategy, stoplight systems are used to define and regularly monitor Haspa's risk tolerance, taking into account the funding potential, such that timely control measures can be adopted as necessary.

By becoming an issuer of Pfandbrief securities in 2006, Haspa has tapped into the vast liquidity potential of the Pfandbrief market which will enable it to cover even larger liquidity needs in future.

Liquidity ratio



For years Haspa has also served as a lender in the interbank lending market – especially in times of crisis.

At year's end, the bank's liquidity ratio pursuant to the German Liquidity Regulation was just under 2.8 times the required minimum.

Solid economic and regulatory risk-taking ability guarantees risks incurred

The bank's risk-taking ability is monitored by comparing it to the available cover assets. Its risk coverage potential is comfortable, also against the backdrop of volatile market conditions.

Since 2008 all regulatory capital adequacy requirements for credit institutions have been drafted in accordance with the requirements of the German Solvency Regulation. Haspa applies the standardised approach in this regard. Compliance with the German Solvency Regulation requires an adequate capital base

at all times. As at 31 December 2010, Haspa's total capital ratio was 9.3 percent. At 12.6 percent, the total capital ratio of the Haspa Group remained at a comfortable level, as previously.

Risk measurement

No going-concern risks or risks with a material effect on its net assets, financial position and results of operations were identified for the current year despite the continued fallout from the economic crisis.

Report on expected developments

Continued yet weakened upturn

The strong economic recovery from the severe recession will continue in 2011 albeit in weakened form. The upturn in the job market continues unabated. Anticipated substantial wage and salary increases under collective agreements should help turn personal consumption into a pillar of economic growth. Large corporate profits, low interest rates and positive growth prospects also contribute to the continued favourable investment climate. Exports will continue to expand in 2011 as well. Given the substantial increase in domestic demand however, imports might rise faster than exports such that the export industry might make a smaller contribution to growth in 2011 than in the reporting year. Overall Germany's real gross domestic product is expected to expand by 2.0 percent in 2011.

The European Central Bank noted at the start of 2011 that the risk of inflation was growing. Higher prices for imported goods, sharply rising energy prices, the likelihood of higher wages and salaries under collective agreements and the continued expansion of the money supply are fuelling fears of inflation. In 2011 consumer prices should rise by just under 2 percent in Germany and between 2 percent and 2.5 percent in the euro zone. It is unlikely that the prime rate will be raised before the

2011/2012 winter given the continued weaknesses of the financial sector and the economic problems of peripheral euro zone countries.

Confidence reigns in the capital markets despite the sovereign debt and euro crisis. The economic recovery and rising corporate profits lead us to expect that 2011 will be a good year on the whole for equities. Unforeseeable events could however disappoint investors' positive expectations.

Hamburg remains on a growth trajectory

Hamburg will benefit from the strong economic recovery that started the previous year and continues the current year albeit in weakened form. According to the economic indicators of the Hamburg Chamber of Commerce, positive expectations predominate among the companies that were surveyed as to their expectations for their businesses, investments and personnel planning. The companies' plans point to a considerable expansion of both investment and hiring activity. Hamburg's GDP is expected to rise by over 2 percent in 2011. The continued upturn will have a positive effect on the city's job market.

Haspa's planning

Based on these assumptions, the following report focuses on Haspa's likely performance including material opportunities and risks. Both the current and the following financial year are covered by the forecasting horizon. The forward-looking statements contained in this report are based for one on generally expected macroeconomic developments with a particular focus on the Hamburg Metropolitan Region. For another these statements are based on Haspa's updated mid-term planning for the coming years. It provides the framework for the annual planning process which in turn serves to generate concrete and agreed upon budgets that are also incorporated into the groupwide target-setting process.

Retail banking remains the cornerstone of Haspa's business

As in previous years, Haspa will continue to refine its strategy in the Hamburg Metropolitan Region. Whilst all of our activities will focus on private, individual and SME customers as well as our Private Banking which has won numerous awards, private customers are and will remain the foundation of our business. Haspa will continue to expand in the Hamburg Metropolitan Region thanks to its comprehensive services for this customer segment. It also plans to further intensify its activities related to individual and corporate customers, as well as its Private Banking.

Well equipped for the future – customer business headed for growth

Our consistent focus on retail banking as well as the comprehensive support that we provide to our customers will generate not just higher customer deposits but also larger loan portfolios. Haspa's comfortable liquidity position ensures that it will be able to service demand for credit in future as well – despite the added burdens that might arise from tightened banking regulations. On the whole Haspa benefits from its consistently rising cover pool and thus the potential to issue Pfandbrief securities.

Net interest income is likely to rise yet again in both the 2011 and the 2012 financial year due to low short-term interest rates and the continuing expansion of our customer business. Total assets will expand somewhat thanks to this growth.

We expect net commission income to rise yet again by single digits given the turnaround in 2010. As this expectation is also rooted in the assumption that there will be no new turmoil in the money and capital markets, it remains subject to some uncertainty, particularly regarding the euro zone countries that are currently mired in crises.

Administrative expenses are expected to rise moderately over the next two years. Aside from the expected wage and salary increases under collective agreements, this will also stem from the contemplated additional new hiring especially for areas requiring intensive advisory activity. Investments in IT in contrast will prepare the ground for future cost savings.

In summary the operating result before loan loss provisions is expected to be comparable more or less to the previous year's positive level, both in the current financial year and the next following one.

Whilst risk provisions for the lending business are expected to rise slightly in the coming years owing to the increase in customer assets and the good outcome of the current year, they will still be lower than in 2009.

The cost/income ratio is unlikely to change significantly in the next two financial years but the equity ratio will improve on a continuous basis.

For one the new Basel capital adequacy requirements (known as Basel III) obligate banks to set aside higher levels of equity for their exposure to risk. For another Basel III also requires compliance with liquidity ratios. On the whole lending will become more challenging – in particular for SMEs – because the requirements to increase both equity and liquidity will cause credit costs to rise. Given its comfortable capital base and its relaxed liquidity situation, Haspa is well-equipped to handle the requirements under Basel III. Hence Haspa will remain the partner that Hamburg's economy has come to rely on and counteract any credit squeeze.

Events of special significance

No events of special significance took place after the closing of the 2010 financial year.

Hamburg, 10 March 2011

The Board of Management

Balance sheet

of Hamburger Sparkasse AG for the year ended 31 December 2010

Assets in € '000	2010	2009
1. Cash reserve		
a) Cash on hand	200,499	257,763
b) Balance with Deutsche Bundesbank	192,383	498,006
	392,882	755,769
2. Public-sector debt instruments and bills of exchange eligible for refinancing with Deutsche Bundesbank		
a) Treasury bills and non-interest bearing treasury notes and similar debt instruments issued by public-sector entities	—	—
b) Bills of exchange	—	—
	—	—
3. Receivables from banks		
a) Payable on demand	563,310	520,125
b) Other receivables	1,565,958	3,367,273
	2,129,268	3,887,398
4. Receivables from customers	26,165,524	24,213,397
of which: secured by mortgages	10,375,163	(9,624,535)
Public-sector loans	204,532	(339,986)
5. Debentures and other fixed-interest securities		
a) Money market instruments		
aa) by public-sector issuers		
of which: eligible as collateral for Deutsche Bundesbank advances	—	(—)
ab) by other issuers		
of which: eligible as collateral for Deutsche Bundesbank advances	—	(—)
	—	—
b) Bonds and debentures		
ba) by public-sector issuers	1,881,562	1,668,459
of which: eligible as collateral for Deutsche Bundesbank advances	1,881,562	(1,568,650)
bb) by other issuers	1,786,063	2,442,075
of which: eligible as collateral for Deutsche Bundesbank advances	1,786,063	(2,441,956)
	3,667,625	4,110,534
c) Own debentures		
Principal amount	—	111,061
	—	(108,047)
	3,667,625	4,221,595
6. Equities and other non-fixed interest securities	5,392,975	4,301,416
6a. Trading portfolio	272,689	—
7. Long-term equity investments	38,698	37,737
of which: in banks	3,047	(2,961)
in financial services institutions	—	(—)
8. Shares in affiliated companies	14,510	11,545
of which: in banks	—	(—)
in financial services institutions	—	(—)
9. Fiduciary assets	488	636
of which: Fiduciary loans	488	(636)
10. Equalisation claims on the public sector including debentures arising from conversion of equalisation claims	—	—
11. Intangible fixed assets		
a) Internally generated industrial rights and similar rights and assets	—	
b) Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	8,151	
c) Goodwill	—	
d) Prepayments	45,535	
	53,686	18,151
12. Tangible fixed assets	39,544	44,703
13. Unpaid contributions to subscribed capital		
of which: called	—	(—)
14. Other assets	60,362	14,570
15. Prepaid expenses	5,047	7,274
16. Deferred tax assets	—	—
17. Excess of plan assets over post-employment benefit liability	—	—
18. Deficit not covered by equity	—	—
Total assets	38,233,298	37,514,191

Equity and liabilities in € '000	2010	2009
1. Liabilities to banks		
a) Payable on demand	301,492	224,441
b) With agreed maturity or notice period	4,390,641	4,040,921
	4,692,133	4,265,362
2. Liabilities to customers		
a) Savings deposits		
aa) With agreed notice period of three months	5,825,938	6,056,462
ab) With agreed notice period of more than three months	11,419	15,663
	5,837,357	6,072,125
b) Other liabilities		
ba) Payable on demand	12,720,456	11,781,636
bb) With agreed maturity or notice period	8,564,396	9,030,553
	21,284,852	20,812,189
	27,122,209	26,884,314
3. Securitised liabilities		
a) Debentures issued	3,486,325	3,604,755
b) Other securitised liabilities	—	—
	3,486,325	3,604,755
of which: money market instruments	—	(—)
own acceptances and promissory notes outstanding	—	(—)
3a. Trading portfolio	46,942	—
4. Fiduciary liabilities	488	636
of which: Fiduciary loans	488	(636)
5. Other liabilities	178,919	125,623
6. Deferred income	37,852	43,050
6a. Deferred tax liabilities	—	—
7. Provisions		
a) Provisions for pensions and similar obligations	466,892	443,096
b) Provisions for taxes	66,284	49,416
c) Other provisions	166,254	130,939
	699,430	623,451
8. Subordinated liabilities	370,000	370,000
9. Profit participation capital	—	—
of which: maturing within two years	—	(—)
10. Fund for general banking risks	2,000	—
11. Equity		
a) Subscribed capital	1,000,000	1,000,000
b) Capital reserves	380,000	380,000
c) Revenue reserves		
ca) Legal reserve	—	—
cb) Reserve for shares in a parent or majority investor	—	—
cc) Reserves provided for by the articles of association	—	—
cd) Other revenue reserves	217,000	217,000
	217,000	217,000
d) Net retained profits	—	—
	1,597,000	1,597,000
Total equity and liabilities	38,233,298	37,514,191
1. Contingent Liabilities		
a) Contingent liabilities from endorsement of discounted bills of exchange	—	—
b) Contingent liabilities from guarantees and warranties	469,904	999,989
c) Contingent liabilities from the granting of security for third-party liabilities	—	—
	469,904	999,989
2. Other obligations		
a) Repurchase obligations under sales with an option to repurchase	—	—
b) Placement and underwriting obligations	—	—
c) Irrevocable loan commitments	2,354,802	1,664,646
	2,354,802	1,664,646

Income statement

for the period from 1 January to 31 December 2010

All figures stated in € '000	2010	2009
1. Interest income from		
a) Lending and money market transactions	1,249,399	1,266,685
b) Fixed interest securities and registered government debt	70,530	128,254
	1,319,929	1,394,939
2. Interest expense	–695,605	–859,499
	624,324	535,440
3. Current income from		
a) Equities and other non-fixed interest securities	142,148	173,180
b) Long-term equity investments	967	807
c) Shares in affiliated companies	548	651
	143,663	174,638
4. Income from profit pooling, profit transfer, or partial profit transfer agreements	1,740	1,033
of which: from tax allocations	329	(125)
5. Commission income	267,087	252,392
6. Commission expenses	–28,054	–23,695
	239,033	228,697
7. Net trading income or expense	1,146	16,449
8. Other operating income	44,874	33,596
	1,054,780	989,853
9. General and administrative expenses		
a) Personnel expenses		
aa) Wages and salaries	–271,424	–259,962
ab) Social security, post-employment and other employee benefit costs	–68,536	–91,284
	–339,960	–351,246
of which: in respect of post-employment benefits	–18,661	(–42,802)
b) Other administrative expenses	–309,062	–291,390
	–649,022	–642,636
10. Depreciation, amortisation and write-downs of tangible and intangible fixed assets	–11,729	–12,479
11. Other operating expenses	–86,454	–39,186
12. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions	–139,250	–184,666
13. Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions	–	–
	–139,250	–184,666
14. Write-downs of and valuation allowances on other equity investments, shares in affiliated companies and securities classified as fixed assets	–731	–2,170
15. Income from reversals of write-downs of other equity investments, shares in affiliated companies and securities classified as fixed assets	–	–
	–731	–2,170
16. Cost of loss absorption	–	–468
17. Result from ordinary activities	167,594	108,248
18. Extraordinary income	6,424	–
19. Extraordinary expenses	–11,666	–
20. Extraordinary result	–5,242	–

All figures stated in € '000	2010	2009
21. Taxes on income	-83,352	-48,248
of which: for tax allocations	-80,985	(-50,038)
22. Other taxes not included in item 11	—	—
	-83,352	-48,248
23. Income from loss absorption	—	—
24. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements	-79,000	-60,000
25. Net income for the financial year	—	—
26. Retained profits brought forward	—	—
27. Withdrawals from revenue reserves	—	—
a) from the legal reserve	—	—
b) from the reserve for treasury shares	—	—
c) from the reserves provided for by the articles of association	—	—
d) from other revenue reserves	—	—
28. Appropriation to revenue reserves	—	—
a) to the legal reserve	—	—
b) to the reserve for treasury shares	—	—
c) to the reserves provided for by the articles of association	—	—
d) to other revenue reserves	—	—
29. Net retained profits	—	—

MANAGEMENT

MANAGEMENT REPORT

ANNUAL FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Notes

Contents

- 27 General disclosures
- 27 Accounting policies
- 30 Cash flow statement
- 31 Notes to the balance sheet including
the statement of changes in equity
- 37 Notes to the income statement
- 37 Other disclosures

General disclosures

The annual financial statements of Hamburger Sparkasse AG (Haspa) for the year ended 31 December 2010 were prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch), as amended after the effective date of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz), as well as the requirements of the German Ordinance on Accounting for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute), taking into account the requirements of the German Stock Corporation Act (Aktiengesetz). They comply with the requirements of section 66 (3) Introductory Law to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch) that shall be applied from the 2010 financial year.

Pursuant to section 67 (8) Introductory Law to the German Commercial Code, we elected not to adjust the previous year's figures.

The option not to break down prorated interest by residual maturity (section 11 sentence 3 German Ordinance on Accounting for Banks) was also applied.

Accounting policies

Lending business

Receivables from customers and banks were recognised at their nominal value or cost. Any discounts retained or premiums charged in connection with the disbursement of loans are allocated over the fixed interest period or a maturity of no more than five years.

Individual write-downs or provisions take adequate account of recognisable risks in lending. Generalised valuation allowances were recognised for potential risks from receivables. The requirement to reverse write-downs was observed when measuring loans.

All amounts that satisfy the requirements of section 14 German Pfandbrief Act (Pfandbriefgesetz) were reported under the balance sheet item, "Receivables from customers", i.e. the portions of loans secured by mortgages are shown here, as are loans secured solely by mortgages.

Securities

Securities in the bank's own portfolio are largely held for liquidity purposes as well as for trading.

The securities allocated to the liquidity reserve are measured using the strict lower-of-cost-or-market principle subject to simultaneous consideration of the requirement to reverse write-downs.

The appropriate market value of assets that are held in special funds and for which there is no marketable price is determined by the respective fund based on due assessments using suitable measurement models and taking prevailing market conditions into account.

Trading portfolio

Financial assets acquired for trading are recognised in the trading portfolio at fair value less value at risk (VaR). Pursuant to IDW RS BFA 2, the value at risk is accounted for in the larger of the respective balance sheet items (assets or liabilities).

Financial assets and liabilities in the trading portfolio are translated at average rates.

Haspa is classified as a securities trading firm and thus must comply with the requirements of section 25a German Banking Act (Kreditwesengesetz) among others. The corresponding value at risk is determined to satisfy requirements related to the trading book's market price risks. The value at risk which is determined as part of the market price risk pursuant to MaRisk is used to calculate the risk discount in accordance with the German Accounting Law Modernisation Act. It is determined based on a holding period of one day, a data history of 250 days and a confidence level of 99 percent.

Applying the risk discount accounts for the probability of a loss of realisable profits from the measurement at market rates. Changes in the risk discounts are recognised in net trading income or expense. Gains and losses on the prices and the measurement of financial instruments are also recognised in net trading income or expense. Interest income and expense from trading are recognised in net interest income.

Shares in affiliated companies and equity investments

Shares in affiliated companies and equity investments are recognised at cost. The requirement to reverse write-downs was observed for the purpose of remeasurement. Lower values are recognised if special circumstances apply.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are recognised at cost less amortisation and depreciation. Depreciation allowed under German tax rules is taken on tangible fixed assets that were acquired by 2009.

Liabilities

Liabilities are measured at the settlement amount. Discounts taken are reported in assets under prepaid expenses whilst premium income is reported in deferred income.

In deviation from the above, zero-coupon bonds are accounted for at their present value.

Provisions

The provisions shown adequately account for all recognisable risks as well as all uncertain obligations. Provisions with a residual maturity of more than one year are discounted at the average market interest rate for the most recent seven-year period that matches the respective maturity. The provisions for pension liabilities are recognised based on actuarial principles using the projected unit credit method and the 2005 G Heubeck mortality tables.

Provisions for pensions and similar obligations are discounted at the average market interest rate for the past seven years that is published by Deutsche Bundesbank and follows from an assumed residual maturity of 15 years. An interest rate of 5.17 percent was used in the financial year just ended. Wage and salary increases (including career trends) of 2.1 percent and pension increases of 1.75 percent were used in the determination of the provisions for pension liabilities. The age-dependent employee turnover rate was between 1 percent and 5 percent.

Currency translation

Foreign currency amounts are translated in accordance with section 340h German Commercial Code in conjunction with section 256a German Commercial Code. Assets denominated in foreign currency that are treated as fixed assets are translated into euros at the acquisition-date foreign exchange rate. Foreign currency securities reported under current assets are measured at the spot exchange rate. Solely the expense from currency translation of securities in foreign currency with a residual maturity of more than one year is recognised.

Pursuant to section 340h German Commercial Code, other foreign currency items, as well as spot and forward transactions not yet settled and not held for trading, are treated as transactions that qualify for hedge accounting. The transactions are hedged based on matching amounts but not matching maturities. Hedged transactions are measured at the cash settlement or forward price. We have opted to split the forward rate and treat swap positions separately whenever hedges are allocated directly to the hedged asset item.

Both the cash settlement and the forward prices are based on the reference rate of the European Central Bank.

Currency gains and losses from translation of hedged transactions are recognised in the income statement.

Hedge accounting

Haspa applies hedge accounting as defined in section 254 German Commercial Code. Hedge accounting is applied to liabilities and executory contracts considered the underlying transaction; they are hedged using derivative financial instruments.

The interest and other price risks from structured bonds or registered instruments (underlying transactions) are hedged using structured interest rate swaps (hedges). The underlying transactions concern structured bearer debentures shown under “Securitised liabilities” as well as structured registered bonds, promissory note loans and savings certificates recognised in “Liabilities to customers” or “Liabilities to banks”. The respective hedges are structured such that the parameters of the underlying transaction relevant to the hedged risk fully offset each other, both at the inception of the transaction and during the maturity of the underlying transaction (critical terms match).

The currency and interest rate risks of cross currency interest rate swaps with customers are hedged using precisely balanced hedging transactions with banks that have first-rate credit ratings. Both the derivative customer business and the back-to-back hedging business are combined into micro hedges. We also enter into contracts designed to limit interest rates such as caps, floors and collars in connection with the customer lending business. These interest rate options granted to customers are hedged on the basis of the individual contract by means of matching transactions with banks that have excellent credit ratings.

Both the derivative customer business and the back-to-back hedging business are subject to hedge accounting.

The effectiveness of the given hedge is reviewed by a department separate from trading upon designation of the hedges as well as at the reporting date. In each case the underlying transactions are hedged effectively against the existing risks.

The accounting treatment of the hedges follows the net hedge presentation method pursuant to IDW ERS HFA 35. Haspa ensures based on the methods used (critical terms match) that every hedge is effective with respect to the existing fair value and cash flow risks of the respective hedged risk. Changes in the fair value or cash flows of both the underlying transactions and the hedges relative to the hedged risks are likely to balance out in full over the entire hedging period.

Derivatives

Interest rate swaps are used primarily to manage interest rate risks. Insofar no measurements were made. Haspa also possesses derivative financial instruments to which hedge accounting is applied. Some derivative financial instruments are held for trading.

In the case of options, Haspa’s option writer positions are usually hedged by means of matched transactions. Option premiums received or paid on options not yet settled, as well as margin obligations from forward transactions, are recognised under financial assets and liabilities in the trading portfolio. For the rest, they are accounted for as “Other assets” or “Other liabilities”.

Cash flow statement

Cash flow statement	2010 € million	2009 € million
Net income/loss for the period before extraordinary items and profit transfer	84.2	60.0
Non-cash items and reconciliation to cash flow from operating activities included in net income/loss for the period		
Depreciation, amortisation, write-downs and reversals of write-downs on receivables, tangible fixed assets and financial assets	151.7	199.3
Increase/decrease in provisions	65.6	19.4
Other non-cash expenses/income	0.4	0.0
Gain/loss from the sale of financial assets and tangible fixed assets	0.3	1.0
Other adjustments (net)	-895.9	-909.2
Subtotal	-593.7	-629.5
Change in assets and liabilities from operating activities		
Receivables		
from banks	1,758.1	1,269.9
from customers	-1,952.1	-1,545.9
Securities (other than financial assets) and trading portfolio	-810.3	-1,022.8
Other assets from operating activities	-43.4	17.1
Liabilities		
to banks	426.8	-353.8
to customers	237.9	1,341.0
Securitised liabilities	-118.4	397.1
Liabilities under profit transfer to HASPA Finanzholding	19.0	60.0
Other liabilities from operating activities	75.9	-24.9
Interest and dividends received	1,462.1	1,568.1
Interest paid	-695.6	-859.5
Extraordinary receipts	0.0	0.0
Extraordinary payments	0.0	0.0
Income tax payments	-83.4	-48.2
Cash flows from operating activities	-317.1	168.6
Proceeds from disposal of		
long-term financial assets	0.5	1.3
tangible fixed assets	0.6	1.5
Payments for investments in		
long-term financial assets	-4.5	0.0
tangible fixed assets	-3.4	-3.6
Change in cash from other investing activities (net)	-39.0	-14.4
Cash flows from investing activities	-45.8	-15.2
Cash receipts from issue of capital (capital increases, sale of treasury shares, etc.)	0.0	0.0
Dividend payments to HASPA Finanzholding	0.0	-25.0
Change in cash from other capital sources (net)	0.0	0.0
Cash flows from financing activities	0.0	-25.0
Net change in cash funds (sum total of the cash flows)	-362.9	128.4
Effect of exchange rate movements on cash funds	0.0	0.0
Cash funds at beginning of period	755.8	627.4
Cash funds at end of period	392.9	755.8

Notes to the balance sheet (assets)

Receivables from banks	2010	2009
	€ million	€ million
This item includes:		
Receivables from affiliated companies	0.0	0.0
Receivables from other long-term investees and investors	0.0	0.0
Breakdown of sub-item b) Other amounts by maturity:		
up to 3 months	1,103.1	2,339.4
more than 3 months up to 1 year	87.5	582.8
more than 1 year up to 5 years	48.0	42.4
more than 5 years	0.7	17.7

Additional disclosures regarding Pfandbrief banks.

The receivables do not contain any mortgages or public-sector loans, but they contain € 450.0 million in loans on securities.

Receivables from customers	2010	2009
	€ million	€ million
This item includes:		
Receivables from affiliated companies	89.3	85.0
Receivables from other long-term investees and investors	46.5	45.5
Subordinated receivables	0.4	1.8
of which: from affiliated companies	0.4	0.4
Breakdown of the position "receivables from customers" by maturity:		
up to 3 months	1,506.1	1,630.6
more than 3 months up to 1 year	1,736.6	1,474.0
more than 1 year up to 5 years	6,020.3	5,531.3
more than 5 years	15,943.8	14,857.5
with indefinite maturity	927.6	692.8

Additional disclosures regarding Pfandbrief banks:

The receivables include € 10,375.2 million in mortgages and € 204.5 million in public-sector loans. The other receivables of € 15,585.8 million contain € 38.0 million in loans on securities.

Debentures and other fixed-interest securities	2010	2009
	€ million	€ million
Of the marketable securities included in this balance sheet item the following are:		
listed	3,420.0	3,967.6
not listed	247.6	254.0
due in the following year	650.6	855.9
The carrying amount of the debentures and other fixed interest securities treated as fixed assets is	0.0	0.0

Equities and other non-fixed interest securities	2010	2009
	€ million	€ million
Of the marketable securities included in this balance sheet item the following are:		
listed	0.0	0.0
not listed	0.0	2.5

This balance sheet item only contains shares in special funds with a carrying amount of € 5.4 billion. The fungibility of these shares is limited. Gains on shares in special funds were largely reinvested to the extent that they resulted from rate gains. Gains from interest and dividend income were distributed in full.

Investment funds with a share in excess of 10 percent in € million

NAME	ISIN	Carrying amount 31.12.2010	Market value 31.12.2010	Difference	Distribution 2010	Returnable daily	Write-downs omitted
JUPITER-FONDS 1	DE000DK0ECC6	4,828.0	5,014.5	186.5	133.6	Yes	No
JUPITER-FONDS 2	DE000DK0ECD4	402.7	402.7	0.0	7.0	Yes	No
JUPITER-FONDS 3	DE000DK0RCT2	162.3	173.3	11.0	1.6	Yes	No

The JUPITER FUNDS are mixed special funds focused on Pfandbriefe and corporate bonds.

Trading portfolio	2010	2009¹
	€ million	€ million
The trading portfolio comprises:		
Derivative financial instruments	51.6	—
Receivables from banks	9.0	—
Receivables from customers	0.0	—
Debentures and other fixed-interest securities	207.3	—
Equities and other non-fixed interest securities	4.5	—
Other assets	0.8	—
Subtotal	273.2	—
Risk discount	-0.5	—
	272.7	—

¹ No previous year's figures were adjusted because the figures were shown for the first time in the financial year just ended.

Long-term equity investments	2010	2009
	€ million	€ million
Of the shares included in this balance sheet item that are securitised in marketable securities the following are:		
listed	0.0	0.0
not listed	0.0	0.0

Fiduciary assets

Reported fiduciary loans pertain exclusively to fiduciary amounts due from customers.

Intangible and tangible fixed assets

Changes in intangible and tangible fixed assets:

	Intangible fixed assets € million	Tangible fixed assets € million
Cost on 01.01.2010	61.7	193.5
Additions	39.1	3.4
Disposals	0.6	7.2
Accumulated depreciation, amortisation and write-downs	46.5	150.2
Carrying amount as at 31.12.2010	53.7	39.5
Carrying amount as at 01.01.2010	18.2	44.7
Depreciation, amortisation and write-downs in the financial year	3.5	8.2

Haspa did not use the option of capitalising internally generated software.

Other assets	2010 € million	2009 € million
Other assets comprise the following:		
Cheques and other collection items	0.0	0.0
Capitalised inventories and other assets	1.7	2.7
Adjustment item from foreign currency translation	18.6	—
Other receivables from affiliated companies	26.5	0.8
Other receivables	13.6	11.1
	60.4	14.6

Prepaid expenses	2010 € million	2009 € million
Prepaid expenses include:		
The difference between the lower of the settlement amount and the issue price of liabilities or debentures	3.4	5.6
The difference between the higher of the nominal amount and the settlement amount of receivables	1.0	1.5
Other prepaid expenses	0.6	0.2
	5.0	7.3

Additional disclosures regarding Pfandbrief banks:

Prepaid expenses of € 4.4 million arise from the issue and lending business.

Notes to the balance sheet (equity and liabilities)

Liabilities to banks	2010	2009
	€ million	€ million
This item includes:		
Liabilities to affiliated companies	0.0	0.0
Liabilities to other long-term investees and investors	1.2	2.4
Total amount of assets transferred as collateral for the liabilities included in this item	2,333.5	2,163.2
Breakdown of sub-item b) by maturity:		
up to 3 months	419.8	169.8
more than 3 months up to 1 year	191.3	143.9
more than 1 year up to 5 years	1,893.9	1,533.6
more than 5 years	1,518.9	1,818.6

Additional disclosures regarding Pfandbrief banks:

Liabilities include € 10 million in registered mortgage Pfandbrief securities; the portfolio did not contain any registered public-sector Pfandbrief securities in the financial year just ended. No registered mortgage Pfandbrief securities were furnished to lenders for securing loans received.

Liabilities to customers	2010	2009
	€ million	€ million
This item includes:		
Liabilities to affiliated companies	327.3	276.3
Liabilities to other long-term investees and investors	9.5	8.2
Breakdown of sub-item ab) by maturity:		
up to 3 months	0.6	0.6
more than 3 months up to 1 year	0.2	0.2
more than 1 year up to 5 years	10.6	14.9
more than 5 years	0.0	0.0
Breakdown of sub-item bb) by maturity:		
up to 3 months	2,241.4	2,655.6
more than 3 months up to 1 year	604.5	466.9
more than 1 year up to 5 years	1,134.6	2,450.1
more than 5 years	4,270.7	3,143.4

Additional disclosures regarding Pfandbrief banks:

Liabilities include € 1,866.6 million in registered mortgage Pfandbrief securities; the portfolio did not contain any registered public-sector Pfandbrief securities in the financial year just ended. No registered mortgage Pfandbrief securities were furnished to lenders for securing loans received.

Securitised liabilities	2010	2009
	€ million	€ million
This item includes:		
Debentures issued that are due in the following year	737.3	530.5

Additional disclosures regarding Pfandbrief banks:

The debentures issued include € 527.9 million in mortgage Pfandbrief securities; the portfolio did not contain any public-sector Pfandbrief securities in the financial year just ended. The other debentures issued amount to € 2,958.4 million.

Trading portfolio	2010	2009¹
	€ million	€ million
The trading portfolio comprises:		
Derivative financial instruments	46.9	—
Liabilities	0.0	—
Subtotal	46.9	—
Risk premium	—	—
	46.9	—

¹ No previous year's figures were adjusted because the figures were shown for the first time in the financial year just ended.

Fiduciary liabilities

The fiduciary liabilities reported exclusively concern liabilities to banks.

Other liabilities	2010	2009
	€ million	€ million
The other liabilities comprise:		
Tax liabilities	15.1	16.9
Liabilities under profit transfer agreements	79.0	60.5
Liabilities to companies of Haspa Finanzgruppe	18.3	26.0
Adjustment item from foreign currency translation	38.8	—
Other liabilities	27.7	22.2
	178.9	125.6

Deferred income	2010	2009
	€ million	€ million
Deferred income includes:		
The difference between the lower of the nominal amount and the settlement amount of loan receivables	30.1	33.8
The difference between the higher of the settlement amount and the issue price of liabilities or debentures	5.8	8.1
Other deferred income	2.0	1.2
	37.9	43.1

Additional disclosures regarding Pfandbrief banks:

Deferred income of € 35.9 million arises from the issue and lending business.

Provisions

The difference resulting from the new measurement requirements for pension provisions as at 1 January 2010 is deducted from the extraordinary result and allocated to the pension provisions over a period of 15 years using the straight-line method.

The balance of the amount yet to be allocated as at 31 December 2010 is € 147.2 million.

Pursuant to section 67 (1) sentence 2 Introductory Law to the German Commercial Code, we exercised the right to choose and opted to retain the higher amount in connection with the four remaining provisions. The excess cover is € 2.5 million.

Subordinated liabilities

Interest of € 20.5 million was paid on € 370 million in subordinated liabilities during the reporting year. The subordinated liabilities consist of a loan from HASPA Finanzholding at an interest rate of 5.54 percent p.a. The loan is due on 31 December 2013. An obligation to repay it early cannot arise. The principal on the subordinated loan may only be repaid after all higher-ranking creditors have been satisfied in the event of insolvency or liquidation.

Fund for general banking risks

This balance sheet item only contains an extraordinary item of € 2 million under section 340e (4) German Commercial Code.

Equity

The equity is € 1 billion and is divided into 1,000,000 no par shares. HASPA Finanzholding holds all of these shares.

Statement of changes in equity

The statement of changes in equity shows the development of equity:

in € million	Subscribed capital	Capital reserve	Revenue reserves	Retained earnings	Equity shown on the balance sheet
Balance on 31.12.2009	1,000.0	380.0	217.0	0.0	1,597.0
Capital changes					
Net income for the financial year				79.0	
Profit to be transferred				- 79.0	
Balance on 31.12.2010	1,000.0	380.0	217.0	0.0	1,597.0

Contingent liabilities and other obligations**Contingent liabilities (liabilities under guarantees and warranties)**

Contingent liabilities are subject to credit approval and monitoring processes that also apply to loans and other forms of credit. The probability of a loss is rather low.

Irrevocable credit commitments

The irrevocable credit commitments largely comprise loans that have been disbursed in part but not yet in full. They are subject to the regular credit monitoring processes that apply to all credit commitments. There has been no increase in related default risks.

Notes to the Income Statement

Commission income

Approximately 19 percent of total commission income is attributable to brokerage and management services for third parties.

Net trading income or expense

This item contains the allocation of € 2.0 million under section 340e (4) German Commercial Code to the balance sheet item, “Fund for general banking risks”, under section 340g German Commercial Code.

Other operating income

The other operating income contains a one-off effect from the matching transactions subject to hedge accounting.

This item contains € 9.4 million in income from currency translation.

Other operating expenses

A total of € 30.7 million in discounted long-term provisions is recognised in the other operating expenses.

Extraordinary result

The extraordinary result of € 5.2 million contains the initial adjustments stemming from the switch to the German Accounting Law Modernisation Act. The pension provisions account for € 10.5 million of the extraordinary expense. Positive fair values of interest rate swaps account for € 4.9 million of the extraordinary income.

Taxes on income

This item totalling € 83.4 million includes € 81.0 million in non-recurring tax allocations.

Other disclosures

Disclosures in accordance with section 160 (1) no. 8 German Stock Corporation Act

The following announcement was published by Hamburger Sparkasse AG in the Electronic Federal Gazette on 17 July 2003:

“HASPA Finanzholding, Hamburg, has advised us that they hold a controlling interest (section 20 (4) German Stock Corporation Act in conjunction with section 16 (1) German Stock Corporation Act) in our company.”

Disclosures in accordance with section 285 No. 21 German Commercial Code

No transactions were carried out at off-market terms.

Board of Management and Supervisory Board

In the 2010 financial year, the members of the Board of Management received total compensation of € 3.8 million. Loans and guarantees granted to members of the Board of Management amounted to € 0.9 million.

The total compensation of the members of the Supervisory Board in financial year 2010 amounted to € 0.6 million. Loans and guarantees granted to members of the Supervisory Board amounted to € 5.6 million.

Expenses for the auditor

The total fee for the auditor in the 2010 financial year amounted to € 0.8 million, of which 0.7 million concerned the audit of the annual financial statements and € 0.1 million other confirmation services.

Amounts not available for distribution in accordance with section 268 (8) German Commercial Code

There were no amounts not available for distribution in accordance with section 268 (8) German Commercial Code in the 2010 financial year.

Other financial obligations

There are obligations arising from letting, rental and lease agreements in effect for the next financial years.

Financial year	of which: affiliated companies	
	€ million	€ million
2011	41.7	7.9
2012	43.0	7.9
2013	43.3	8.1
	128.0	23.9

The purchase obligation for investment projects is within the usual limits.

At the reporting date, securities with a carrying amount of € 1,934.6 million had been deposited with Deutsche Bundesbank for open market operations; there were no related obligations.

A total of € 57.6 million were utilised in connection with transactions in futures exchanges and at clearing houses, for which securities with a carrying amount of € 219.2 were deposited.

Obligations to make additional contributions come to € 5.0 million.

There are also outstanding deposits of € 14.0 million.

There were no other off-balance sheet transactions pursuant to section 285 no. 3 German Commercial Code at the reporting date.

Foreign currency

Total assets and liabilities denominated in foreign currency were translated into € 1,162.0 and € 746.6 million respectively.

Forward transactions / Derivative financial transactions

The following table shows the volume of transactions in effect at the end of 2010.

as at 31.12.2010	Nominal values			Total	of which: Nominal values in the trading portfolio	Market values	
	in € million	Maturity up to 1 year	more than 1 year up to 5 years			more than 5 years	positive
Interest rate related transactions							
OTC products							
Caps	30.1	185.0	51.5	266.6	0.0	1.2	1.2
Collars	7.1	141.7	4.9	153.7	0.0	1.9	2.0
Forward transactions in securities	69.0	0.0	0.0	69.0	0.0	1.2	1.9
Structured swaps	0.0	1,327.7	5,900.3	7,228.0	0.0	158.2	17.5
Swaptions	0.0	6.0	0.0	6.0	0.0	0.1	0.1
Interest rate swaps	6,314.9	29,328.2	14,685.1	50,328.2	1,243.6	752.3	1,031.4
Stock market instruments							
Interest futures	1,736.8	103.9	0.0	1,840.7	3.3	1.7	0.9
Interest options	11.4	0.0	0.0	11.4	0.0	0.0	0.0
Total	8,169.3	31,092.5	20,641.8	59,903.6	1,246.9	916.6	1,055.0
Currency-related transactions							
OTC products							
Collars	0.0	3.9	0.0	3.9	0.0	0.1	0.1
Currency options	6.0	0.0	0.0	6.0	6.0	0.2	0.2
Forward currency transactions	2,468.2	85.4	0.0	2,553.6	0.0	19.4	39.4
Currency swaps	0.8	38.3	230.4	269.5	0.0	38.3	34.2
Total	2,475.0	127.6	230.4	2,833.0	6.0	58.0	73.9
Transactions involving other price risks							
OTC products							
Structured swaps	10.0	20.0	0.0	30.0	0.0	0.0	0.1
Stock market instruments							
Stock options	22.0	0.0	0.0	22.0	0.0	0.2	0.2
Index futures	12.9	0.0	0.0	12.9	0.0	0.0	0.1
Index options	258.9	0.0	0.0	258.9	0.0	0.9	0.9
Total	303.8	20.0	0.0	323.8	0.0	1.1	1.3

Derivatives are always measured by reference to their current market price. The prices on the last trading day in 2010 were used for derivatives traded on a stock exchange. If no current market price is immediately available, the measurement is based on standard financial valuation methods. In the case of interest swaps for instance, the present value is determined based on the current yield curve. In currency futures, the forward rate is used. The fair values of currency options are determined based on the current spot exchange rate, yield curves as well as implied volatilities (binomial model). The market values of options on swaps (swaptions) and interest rate options are determined using yield curves and implicit levels of volatility (Black 76 and Hull White Model).

Haspa issues structured securities that are matched by swaps combined into micro hedges such that the interest rate risks and other price risks are hedged in full. The bulk of Haspa's interest-related transactions mentioned above were carried out to limit interest rate risks. Haspa's maturities transformation is managed as part of its asset and liabilities management by means of the interest rate swaps and most of the swaptions. Interest rate derivatives admitted to a stock exchange for trading mainly concern interest rate hedges as well as trades for customers.

A large portion of the currency-related transactions concerns transactions with customers and own special funds that are hedged through foreign exchange contracts and, to a lesser extent, own portfolio trading and own securities hedging. The currency-related derivative transactions constitute an almost closed position in conjunction with Haspa's foreign currency holdings.

Transactions involving other price risks solely comprise trades for customers and structured swaps with fully hedged price risks.

Hedges

Both liabilities with a carrying amount of € 3,708.1 million and executory contracts with a nominal value of € 535.0 million were classified as underlying transactions and subject to hedge accounting pursuant to section 254 sentence 1 German Commercial Code. These are so-called micro hedges. All underlying transactions are hedged against interest, currency and other price risks using derivative financial instruments.

At the reporting date, transactions with a positive market value of € 140.1 million were in place to hedge interest rate risks; transactions with a negative market value of € 22.6 million to hedge currency risks; as well as transactions with a negative market value of € 0.1 million to hedge other price risks.

Pfandbrief securities

Haspa has been issuing Pfandbrief securities since the 2006 financial year.

The standard transparency requirements of section 28 German Pfandbrief Act are fulfilled by disclosure on our website (www.haspa.de).

	2010 € million	2009 € million
Section 28 (1) no. 1 German Pfandbrief Act		
Mortgage Pfandbrief circulation		
Nominal value	2,362.3	1,682.7
Present value	2,550.3	1,810.2
Risk net present value ¹	2,784.8	1,673.7
Cover assets		
Nominal value	3,605.9	2,608.3
Present value	3,879.7	2,829.1
Risk net present value ¹	4,069.1	2,679.7
Excess cover		
Nominal value	1,243.6	925.6
Present value	1,329.4	1,018.9
Risk net present value ¹	1,284.3	1,006.0
Section 28 (1) no. 2 German Pfandbrief Act		
Maturity structure of the mortgage Pfandbrief circulation		
Up to 1 year	516.0	10.0
more than 1 year up to 2 years	4.0	516.0
more than 2 years up to 3 years	53.2	4.0
more than 3 years up to 4 years	45.5	2.0
more than 4 years up to 5 years	56.7	44.8
more than 5 years up to 10 years	871.2	476.7
more than 10 years	815.7	629.2
Fixed-interest periods of the cover assets		
Up to 1 year	252.8	211.9
more than 1 year up to 2 years	480.7	275.6
more than 2 years up to 3 years	463.8	237.6
more than 3 years up to 4 years	290.1	297.0
more than 4 years up to 5 years	322.9	239.0
more than 5 years up to 10 years	1,494.3	1,126.6
more than 10 years	301.2	220.6
Section 28 (1) no. 3 German Pfandbrief Act		
The cover assets do not include any derivatives		
Section 28 (1) no. 4 German Pfandbrief Act		
The cover assets include further coverage in the amount of € 625 million.		

¹ Dynamic procedure according to the German Pfandbrief Net Present Value Directive

	2010 € million	2009 € million
Section 28 (2) no. 1 German Pfandbrief Act		
a) Total amount of nominal value cover assets used, by size class ¹		
Credit coverage		
up to € 300 thousand	1,624.6	1,412.4
more than € 300 thousand up to € 5 million	1,151.4	982.9
more than € 5 million	204.9	163.0
b) Total amount of receivables used for cover, by state ^{1,2}		
Federal Republic of Germany	2,980.9	2,558.3

	Land used for residential purposes		Land used for commercial purposes	
	2010 € million	2009 € million	2010 € million	2009 € million
c) Total amount of receivables used for cover, by type of use ^{1,2}				
Apartments/flats	317.6	271.6	0.0	0.0
Single-family homes	1,086.6	934.3	0.0	0.0
Multi-family homes	993.1	849.4	0.0	0.0
Office building	0.0	0.0	242.0	199.9
Commercial building	0.0	0.0	44.1	55.4
Industrial building	0.0	0.0	25.0	19.2
Other commercially used buildings	0.0	0.0	272.5	228.5
Unfinished and non-income-earning new buildings	0.0	0.0	0.0	0.0
Building plots	0.0	0.0	0.0	0.0

	2010 € million	2009 € million
Section 28 (2) no. 2 German Pfandbrief Act		
Total amount of receivables past due at least 90 days ²	0.0	0.0

	Land used for residential purposes		Land used for commercial purposes	
	2010 Number	2009 Number	2010 Number	2009 Number
Section 28 (2) no. 3a-3c German Pfandbrief Act				
Pending foreclosures and receiverships	0	0	0	0
Foreclosures executed	0	0	0	0
Takeover of land	0	0	0	0
	€ million	€ million	€ million	€ million
Interest in arrears	0.0	0.0	0.0	0.0

Trustees

Uwe Rollert – corporate consultant

Heiner Holtappels, deputy – retired notary public

Rainer Sinhuber, deputy – retired judge

¹ Only regular cover is taken into consideration

² No liens on property outside the Federal Republic of Germany

Employees

	Annual average		
	male	female	Total
Full-time employees	2,210	1,523	3,733
Part-time employees	59	614	673
	2,269	2,137	4,406
Trainees	159	254	413
	2,428	2,391	4,819

Part-time employees are included on a prorated basis as full-time employees according to their contractual working hours.

An annual average of 1,277 part-time staff were employed in 2010.

Disclosures in accordance with section 340a (4) German Commercial Code

Members of the Board of Management and directors who hold positions on statutory monitoring bodies of large corporations (section 267 (3) German Commercial Code):

Members of the Board of Management

Dr. Harald Vogelsang (Spokesman of the Board of Management)

Supervisory Board

Landesbank Berlin AG, Berlin	Member
Landesbank Berlin Holding AG, Berlin	Member
NRS Norddeutsche Retail-Service AG, Hamburg/Bremen	Chairman

Reinhard Klein (Deputy Spokesman of the Board of Management)

Supervisory Board

LBS Bausparkasse Schleswig-Holstein-Hamburg AG, Kiel/Hamburg	Member
neue leben Pensionskasse AG, Hamburg	Member
neue leben Unfallversicherung AG, Hamburg	Member
V-Bank AG, Munich	Member
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg	Member

Jörg Wohlers (Member of the Board of Management)**Supervisory Board**

Hamburger Hafen und Logistik AG, Hamburg	Member
NRS Norddeutsche Retail-Service AG, Hamburg/Bremen	Member
Sparkasse zu Lübeck AG, Lübeck	Member

Directors**Olav Melbye****Supervisory Board**

Sparkasse zu Lübeck AG, Lübeck	Member
--------------------------------	--------

Thorsten Giele**Supervisory Board**

LBS Bausparkasse Schleswig-Holstein-Hamburg AG, Kiel/Hamburg	Member
--	--------

Haspa's holdings in large corporations that exceed five percent of voting rights:

- Bürgschaftsbank Schleswig-Holstein GmbH, Kiel
- Bürgschaftsgemeinschaft Hamburg GmbH, Hamburg
- Wincor Nixdorf Portavis GmbH, Hamburg

Supervisory Board

Dr. Karl-Joachim Dreyer Chairman	Chairman of the Executive Management of Haspa-DIREKT Servicegesellschaft für Direktvertrieb mbH
Uwe Mellewigt Deputy Chairman	Chairman of the Works Council of Hamburger Sparkasse AG
Peter Becker Second Deputy Chairman	Master Baker President Zentralverband des Deutschen Bäckerhandwerks e.V.
Dipl.-Kfm. Günter Elste	Chairman of the Board of Management of Hamburger Hochbahn AG
Stefan Forgé	Deputy Chairman of the Works Council of Hamburger Sparkasse AG
Karin Gronau	Member of the Works Council of Hamburger Sparkasse AG
Uwe Grund	Chairman of the German Trade Unions Association Hamburg

Claus Krohn	Deputy Chairman of the Works Council of Hamburger Sparkasse AG
Dirk Lender	Legal Administrator Hamburger Sparkasse AG
Professor Dr. Gerhard Mehrrens	Managing Director of Berufsgenossenschaftlicher Verein für Heilbehandlung Hamburg e.V. and Vereinigung Berufsgenossenschaftlicher Kliniken Hamburg – VBGK
Olav Melbye	Director Hamburger Sparkasse AG
Wilfried Sander	Managing partner, August Sander GmbH
Christiane Stascheit	Union secretary of the ver.di trade union
Peter Widmayer	Managing Partner THOR Wohnungsbau Corporate Group
Dr. Martin Willich	Chairman of the Executive Management Studio Hamburg GmbH
Cord Wöhlke	Managing Director Iwan Budnikowsky GmbH & Co. KG

Haspa is included in the consolidated financial statements of HASPA Finanzholding, Hamburg, Germany, as the latter's wholly-owned subsidiary. It has entered into a control and profit transfer agreement with HASPA Finanzholding pursuant to section 291 (1) German Stock Corporation Act. Whilst Haspa in turn has equity interests in subsidiaries as well, pursuant to section 296 German Commercial Code it may dispense with preparation of (partial) consolidated financial statements.

Section 296 (1) no. 1 German Commercial Code applies to one subsidiary due to a voting right limitation under German corporate law. Haspa's five other subsidiaries are individually and jointly subject to section 296 (2) German Commercial Code. Relative to Haspa's separate financial statements, these subsidiaries, individually and jointly, would have an insubstantial effect on Haspa's total assets, sales and net income for the year if Haspa prepared (partial) consolidated financial statements. Consolidating these subsidiaries would thus be of secondary significance to Haspa's annual financial statements and the presentation of its assets, liabilities, financial position and profit or loss.

Board of Management

Dr. Harald Vogelsang

Spokesman

Reinhard Klein

Deputy Spokesman

Dr. Wolfgang Botschatzke

Frank Brockmann

Jörg Wohlers

Hamburg, 15 February 2011

The Board of Management



Dr. Harald Vogelsang



Reinhard Klein



Dr. Wolfgang Botschatzke



Frank Brockmann



Jörg Wohlers

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles and taking into account the principles of proper accounting, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Hamburger Sparkasse AG, and the management report includes a fair review of the development and performance of the business and the position of the Hamburger Sparkasse AG, together with a description of the material opportunities and risks associated with the expected development of Hamburger Sparkasse AG.

Hamburg, 15 February 2011

The Board of Management



Dr. Harald Vogelsang



Reinhard Klein



Dr. Wolfgang Botschatzke



Frank Brockmann



Jörg Wohlers

Auditors' report

We have audited the annual financial statements – comprising the balance sheet, the income statement, the notes, the cash flow statement and the statement of changes in equity – including the bookkeeping system, and the management report of Hamburger Sparkasse AG, for the financial year from 1 January to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary provisions in the articles of association are the responsibility of the Sparkasse's legal representatives. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Sparkasse and expectations as to possible misstatements are taken into account in the determination of audit procedures.

The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the accounting principles used and significant assessments made by the company's legal representatives, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the findings of the audit, the annual financial statements are in compliance with legal provisions and the supplementary provisions of the articles of association and give a true and fair view of the net assets, financial situation and results of the operations of the Sparkasse in accordance with the principles of proper accounting. The management report is consistent with the annual financial statements and on the whole provides a suitable understanding of the Sparkasse's position and suitably presents the opportunities and risks of future development.

Hamburg 22 March 2011

**Auditing Division of the
HANSEATISCHER SPARKASSEN-
UND GIROVERBAND
(HANSEATIC SAVINGS BANKS ASSOCIATION)**



Bolte
Wirtschaftsprüfer (German Public Auditor)

Report of the Supervisory Board

During the reporting year, the Supervisory Board had the Board of Management report to it on all fundamental matters related to the strategic alignment of Hamburger Sparkasse AG, its corporate policies, the development of its operating business, its financial condition and its exposure to risk. All key issues were discussed in depth with the Board of Management in four routine plenary sessions. Matters of major importance were also discussed and fleshed out ahead of time at the meetings of the appropriate committees. The implementation of the amended minimum requirements for risk management (MaRisk) and the German Act on the Regulatory Requirements Governing the Compensation System of Financial Institutions and Insurance Companies were a focal point. In addition the Supervisory Board closely followed pending regulatory action aimed at the financial services industry, in particular regarding deposit insurance as well as capital adequacy requirements for financial institutions and the possible ramifications of these requirements for Hamburger Sparkasse AG. Preparations for migrating bank-specific IT services to SAP systems, the sovereign debt crisis in a number of EU countries as well as issues of data privacy and protection related to mobile sales were additional matters of concern to the Supervisory Board. The Supervisory Board was involved in all material decisions of Hamburger Sparkasse AG requiring its consent by law or the company's articles of association. The Spokesman of the Board of Management and the Chairman of the Supervisory Board also regularly engaged in discussions at which the former informed the latter of current operational matters and addressed strategic considerations ahead of time. The Supervisory Board satisfied itself of the Board of Management's due and proper conduct of business and made all decisions that are incumbent upon it by its authority – especially under the requirements of applicable laws and the articles of association – at its regular meetings. A separate information meeting was held for the members of the Supervisory Board. At this meeting the auditor of the Haspa Group presented an overview of the legal parameters of the Supervisory Board's work, in particular against the backdrop of current developments in both corporate law and bank regulatory requirements.

The auditing division of the Hanseatischer Sparkassen- und Giroverband (Hanseatic Savings Banks Association), which the General Meeting had elected to serve as the auditors, audited the bank's annual financial statements as at 31 December 2010 – comprising the balance sheet, income statement, notes as well as the cash flow statement and the statement of changes in equity – including the bookkeeping system and the management report and issued an unqualified auditors' report.

The auditors' report was presented to the members of the Steering Committee tasked with conducting a preliminary review. The auditors attended the financials meetings of both the Steering Committee and the Supervisory Board and reported on the material findings of their audit. The Supervisory Board discussed the auditors' report in detail and duly noted its findings. The Supervisory Board's own review fully concurs with the results of the audit by the auditing division of the Hanseatic Savings Banks Association. The Supervisory Board sees no reason to raise any objections against the management and the financial statements that were presented. The Supervisory Board approved the annual financial statements as prepared by the Board of Management at today's meeting. The annual financial statements have thus been adopted pursuant to section 172 German Stock Corporation Act. Under the control and profit transfer agreement (profit and loss transfer agreement), the net income for the 2010 financial year prior to profit transfer, as reported in the annual financial statements, is transferred in full to HASPA Finanzholding without requiring a resolution of the General Meeting as to the appropriation of net retained profits.

The Supervisory Board expresses its gratitude and appreciation to the Board of Management and to all employees of Hamburger Sparkasse AG for their significant commitment and successful work in the financial year just ended.

Mr Peter Mählmann – who served as member of the Board of Management of Hamburger Sparkasse from 1961 to 1988 and its Spokesman since 1977, as well as Chairman of the Supervisory Board from 1989 to 1996 – died on 8 November 2010. Hamburger Sparkasse AG will always remember Mr Mählmann in gratitude.

Hamburg, 14 April 2011

The Supervisory Board

A handwritten signature in blue ink, consisting of a large, stylized 'C' followed by a vertical line and a small horizontal stroke at the bottom right.

Dr. Karl-Joachim Dreyer
Chairman of the Supervisory Board

Alster-West Region

Manager of the Alster-West Region

Holger Eschholz

Advisory Board of the Alster-West Region

Prof. Norbert Aust

Managing Director “Schmidt’s Tivoli” GmbH
Kultur- und Gaststättenbetriebe

Frederik Braun

Managing Partner
Miniatur Wunderland Hamburg GmbH
(since 1 January 2011)

Dr. Manuel Cadmus

Lawyer, Tax Consultant

Andreas Fischer-Appelt

Managing Director
FischerAppelt Kommunikation GmbH

Holger Kowalski

Chairman of the Board of Management
Altonaer Spar- und Bauverein eG

Dipl.-Ing. Jan-Oliver Meding

Managing Partner
Meding Plan + Projekt GmbH

Günter Neumann

Businessman
(until 31 December 2010)

Felizitas Peters

Senior Partner
HGB Hamburger Geschäftsberichte GmbH & Co. KG
(until 31 December 2010)

Dipl.-Wirtschafts-Ing. Lars Reeder

Managing Partner
Hein & Oetting Feinwerktechnik GmbH

Jörn Rompel

Managing Partner
Gebrüder Klingenberg & Rompel in Hamburg GmbH

Sonja Saltuari

Managing Director
Solutions! Styling Promotion
Merchandising GmbH & Co. KG

Dr. Torsten Sevecke

Eimsbüttel Municipal City District Manager
(since 1 January 2011)

Dr. Detlef Thomsen

Notary Public

Dipl.-Ing. Klaus-Hinrich Vater

Managing Partner
Vater Holding GmbH

Jürgen Warmke-Rose

Altona Municipal City District Manager

Klaus Weise

Member of the Board of Management
Wohnungsgenossenschaft von 1904 e.G.

Frank K. Westermann

Honorary Counsel
of the United Mexican States

Reinhard Wolf

Staff Lawyer
Hamburg Chamber of Commerce

City Centre Region

Manager of the City Centre Region

Holger Eschholz

Advisory Board of the City Centre Region

Helge Adolphsen

Senior Pastor (retired).
(until 31 December 2010)

Dr. Uwe Christiansen

Managing Director
Arbeitsgemeinschaft Bildung & Medien norddeutscher
Industrie- und Handelskammern

Lars Einsle

Businessman

Brigitte Engler

Managing Director
City Management Hamburg

Dr. Georg Faerber

Lawyer

Anthony James Firmin

Managing Director
Hapag-Lloyd Container Linie GmbH
(until 31 December 2010)

Sabine Forest

Managing Partner
Forest & Friends GmbH

Wolf Michael Henneberg

Corporate Consultant

Kai Hollmann

Managing Director
Gastwerk Hotel Hamburg GmbH & Co. KG
(since 1 January 2011)

Dr. Ursula Keller

Former Program Director Literaturhaus
(until 31 December 2010)

Thomas W. Kraupe

Director
Hamburg Planetarium
(since 1 January 2011)

Gunter Mengers

Managing Partner
Gayen & Berns-Homann GmbH

Jasmin Missler

Publisher
missler Verlags GmbH
(since 1 January 2011)

Sybill Petermann

Corporate Consultant

Markus Schreiber

Hamburg-Mitte Municipal City District Manager

Christian Seeler

Artistic Director
Ohnsorg Theater

Jens Stacklies

Managing Director
Altonaer Fischauktionshalle
Betriebsges. mbH & Co. KG
(since 1 January 2011)

Prof. Dr. Michael Stawicki

College President
HAW Hamburg

North Region

Manager of the North Region

Michael Günther

Advisory Board of the North Region

Dipl.-Ing. Dipl.-Chem. Christian Peter Ahrens

Managing Director

Peter Ahrens Bauunternehmen GmbH

Dr. Dörte Christiansen

Notary Public

Dipl.-Kfm. Christian Glied

Managing Partner

nordwerbung Marketing Service GmbH

Alida Gundlach

Author, Producer

Dr. Gerhard Hoffmann

Notary Public

Axel Johnson

Businessman

Karl-Heinz Jung

Chartered Accountant, Tax Consultant

Günter Kliewe

Master Coppersmith

André Poitiers

Architect

Dr. Friedrich-Christian Rieß

Chief Physician

Albertinen Herzzentrum Hamburg

Harald Rösler

Local Government Department Director

Dr. Torsten Schweda

Pastor

Rector Ev.-Luth. Diakonissenanstalt Alten Eichen

Hermann Tomfort

Businessman

Claus-Dieter Wulf

Businessman

North-East Region

Manager of the North-East Region

Andreas Meyer

Advisory Board of the North-East Region

Dr. Florian Asche

Lawyer

Andreas Bartmann

Managing Director

Globetrotter Ausrüstung Denart & Lechhart GmbH

Dr. Andreas Gent

Member of the Board of Management

HanseMerkur Insurance Group

Niels Hellwege

Notary Public

Monika Kleemann

Businesswoman

Dipl.-Betriebswirt Gert Koetke

Member of the Board of Management

Bijou Brigitte modische Accessoires AG

(until 31 December 2010)

Peer Petersen

Businessman

Dipl.-Ing. Uwe Pinck

Managing Director

Pinck Ingenieure Consulting GmbH

Dr. Thomas Röh

Lawyer, Tax Consultant

Dipl.-Volkswirt Ulrich Stallmann

Chairman of the Board of Management

Walddörfer Wohnungsbaugenossenschaft eG

Jan Weitendorf

Managing Director

Oetinger Publishing Group

Dipl.-Volkswirt Sönke Witt
Executive Member of the Board of Management
Gartenstadt Hamburg eG Wohnungsgenossenschaft

Dr. Michaela Witte
School Principal

Dipl.-Kfm. Nils Witthöft
Managing Director
Witthöft Anlage- und Gewerbeimmobilien

East Region

Manager of the East Region

Michael von Lützow

Advisory Board of the East Region

Niels Bonn
Tax Consultant, Chartered Accountant

Hans-Joachim Eulenstein
Real Estate Broker

Dr. Friedemann Green
Pastor, Chairman
Das Rauhe Haus

Frauke Grube
Businesswoman

Hans-Jürgen Grünhage
Notary Public

Dörte Inselmann
Managing Director
Kulturpalast im Wasserwerk e.V.

Dr. Christoph Krupp
Bergedorf Municipal City District Manager

Norbert Leinius
Managing Director
Wirtschafts- und Aufbaugesellschaft Stormarn mbH

Gisela Paegelow
Master Hairdresser

Dr. Jochen Riebensahm
Member of the Board of Management Schorisch AG

Frank Ruppert
Mayor of the Town of Schwarzenbek

Jürgen Sallier
Businessman

Prof. Dr. Ernst A. Sanders
Dean
HAW Hamburg

Axel Stehr
Managing Director
VSW Verband der Südholsteinischen Wirtschaft e.V.

Joachim Wulff
Businessman

South Region

Manager of the South Region

Holger Knappe

Advisory Board of the South Region

Wiebke Becker

Managing Director
Bäcker Becker GmbH

Ekkehardt Busch

Managing Director
Gerhard Busch GmbH
(since 1 January 2011)

Helmut Gericke

Pharmacist

Dr. Martin Christoph Lockert

Lawyer, Notary Public

Torsten Meinberg

Harburg Municipal City District Manager

Dr. Thomas Nesemann

Notary Public

Michael Niemeyer

Lawyer, Tax Consultant

Dipl.-Ing. Karen Pein

City Planner
IBA Hamburg GmbH

Thorsten Römer

Managing Director
Lühmanndruck Harburger
Zeitungsgesellschaft mbH & Co. KG

Paul-Otto Schwarz

Businessman
(until 31 December 2010)

Mathias Süchting

Managing Director
Autohaus S + K GmbH

Dipl.-Kfm. Peter Voss

Executive Member of the Board of Management
Baugenossenschaft Finkenwärder-Hoffnung eG

Dipl.-Kfm. Franziska Wedemann

Managing Partner
Back-Haus Wedemann KG

Dipl.-Ing. Peter Wigger

Chairman of the Board of Management
Deutsches Rotes Kreuz District Chapter Hamburg-Harburg e.V.

Jochen Winand

Chairman of the Board of Management
Wachstumsinitiative Süderelbe AG

Wandsbek Region

Manager of the Wandsbek Region

Joachim Ewald

Advisory Board of the Wandsbek Region

Dipl.-Ing. Regina Blindow

Managing Partner

badgepoint Namensschilder Systeme GmbH

Dr. Ronald Crone

Businessman

(until 31 December 2010)

Maik Grabow

Managing Partner

STARCAR Kraftfahrzeugvermietung GmbH

Peter Johannsen

Businessman

Manfred König

Managing Partner

ARNOLD KOCH JR. GMBH

Prof. Dr. Lisa Kosok

Director

hamburgmuseum

Laurenz Lenffer

Managing Partner

Porzellanhaus Lenffer & Sohn KG

Heinz Meyer

Tax Consultant

Ernst Pfaff

Forwarding Agent

Chairman of Supervisory Board

SVG Nordwest eG

Karin Pitschel

Managing Director

ARBEIT UND MEHR Zeitarbeit

und Arbeitsvermittlung GmbH

(since 1 January 2011)

Dipl.-Kfm. Torsten Püst

Chartered Accountant, Tax Consultant

Dr. Uwe Reimer

School Principal

Michael Schaper

Journalist

Editor-in-Chief, GEO Group

Cornelia Schroeder-Piller

Wandsbek Municipal City District Manager

Hans-Peter Siebert

Chairman of the Board of Management

Wohnungsbaugenossenschaft

Gartenstadt Wandsbek eG

Armin Thorn

Businessman

West Region

Manager of the West Region

Helge Steinmetz

Advisory Board of the West Region

Frank Fischer

Businessman

Winfried Gretemeier

Building Contractor

Dipl.-Psychologin Dr. Tina Ingwersen-Matthiesen

Managing Director

BORCO-MARKEN-IMPORT MATTHIESEN GMBH & CO. KG

Hans-Walter Kröger

Businessman

Thomas Leistenschneider

Managing Director

ROPELIUS. MARKE UND DESIGN GmbH

Arnold von Mallesch

Businessman

Peter E. Merck

Managing Director

Golf Lounge GmbH

Dr. Eberhard Müller-Arp

Director

Hamburger Konservatorium

Dr. Ulrich Schneider

Notary Public

Klaus Schümann

Publisher

Robert Schulte Hemming

Composer

Managing Partner

Off Beat GmbH

Dipl.-Betriebswirt Nikolaos Tavridis

Managing Director

Elbschloss Residenz GmbH

Managing Partner

axion consult GmbH

(since 1 January 2011)

Barbara Wentzel

Director, Marketing/Communication

Beiersdorf AG

Dipl.-Kfm. Wolfgang Westphalen

Tax Consultant

Dr. med Oktay Yagdiran

Consultant for Psychiatry and Psychotherapy

(since 1 January 2011)

Corporate bodies

Supervisory Board

Chairman

Dr. Karl-Joachim Dreyer

Chairman of the Executive Management of
Haspa-DIREKT Servicegesellschaft für Direktvertrieb mbH

Deputy Chairman

Uwe Mellewigt

Chairman of the Works Council
Hamburger Sparkasse AG

Second Deputy Chairman

Peter Becker

Master Baker
President Zentralverband des
Deutschen Bäckerhandwerks e.V.

Dipl.-Kfm. Günter Elste

Chairman of the Board of Management
Hamburger Hochbahn AG

Stefan Forgé

Deputy Chairman of the Works Council
of Hamburger Sparkasse AG

Karin Gronau

Member of the Works Council
Hamburger Sparkasse AG

Uwe Grund

Chairman of the German Trade Unions Association Hamburg

Claus Krohn

Deputy Chairman of the Works Council
of Hamburger Sparkasse AG

Dirk Lender

Legal Administrator Hamburger Sparkasse AG

Professor Dr. Gerhard Mehrrens

Managing Director of Berufsgenossenschaftlicher Verein
für Heilbehandlung Hamburg e.V. and Vereinigung Berufs-
genossenschaftlicher Kliniken Hamburg – VBGK

Olav Melbye

Director Hamburger Sparkasse AG

Wilfried Sander

Managing Partner
August Sander GmbH

Christiane Stascheit

Union secretary of the ver.di trade union

Peter Widmayer

Managing Partner
THOR Wohnungsbau Corporate Group

Dr. Martin Willich

Chairman of the Executive Management
Studio Hamburg GmbH

Cord Wöhlke

Managing Director
Iwan Budnikowsky GmbH & Co KG

Board of Management

Dr. Harald Vogelsang

Spokesman

Reinhard Klein

Deputy Spokesman

Dr. Wolfgang Botschatzke

Frank Brockmann

Jörg Wohlers

Corporate divisions

Asset and Financial and Retirement Planning Management
Holger Lefeber

Audit
Thorsten Pegelow

Board Staff
Arne Nowak

Central Management Corporate Customers
Jürgen Marquardt

Central Management Private Customers
Thorsten Giele

Central Purchasing and Procurement
Volker Widdra

Corporate Communication
Stefanie von Carlsburg

Corporate Customers
Ralf Günther

Corporate Customers South
Arent Bolte

Credit and Legal
Olav Melbye

Enterprise Customers
Andreas Mansfeld

Finance and Controlling
Dr. Burkhard Haun

Human Resources
Dr. Elisabeth Keßeböhmer

Information Technology
Thomas Tänzer

Individual Customers
Jochen Sturtzkopf

Mobile Sales
Hans-Otto Kattenberg

Private Banking
Jörg Ludewig, General Legal Representative

Private Customers I
Joachim Ewald

Private Customers II
Helge Steinmetz

Productivity and Processes
Dr. Rudolf Hoyer

Quality Management
Michael Günther

Real Estate Customers
Wilfried Jastremski

Real Estate and Logistics
Gerhard Lippe

Securities and Trading Service
Carsten Hoever

SME Customers
Holger Eschholz

Strategic Asset Allocation
Dr. Olaf Oesterhelweg

Treasury
Heinz Dreves, General Legal Representative

Departments reporting directly to the Board of Management

Compliance and Money Laundering
Martina Frentz

Performance Management Partner Savings Banks
Andreas Bielert

Private Customers Management
Olaf Buchwald

Works Council

Chairman of the Works Council
Uwe Mellewig

Haspa Business Development – Summary 2006 to 2010

Balance sheet figures	2006	2007	2008	2009	2010
	€ million	€ million	€ million	€ million	€ million
ASSETS					
Cash reserve	233	519	627	756	393
Receivables from banks	6,637	7,020	5,157	3,887	2,129
Receivables from customers	21,939	21,356	22,668	24,213	26,166
Business loans	4,821	4,311	4,991	5,143	5,464
Personal loans	2,025	2,017	2,033	2,047	2,203
Commercial real estate financing	7,389	7,463	7,967	8,882	10,143
Private real estate financing	7,657	7,454	7,496	7,801	8,151
Public-sector loans	47	111	181	340	205
Securities	4,999	5,545	7,500	8,523	9,061
Trading portfolio ¹					273
Equity investments, shares in affiliated companies	41	49	51	49	53
Tangible and intangible fixed assets	67	60	58	63	93
Other assets	45	33	40	23	65
EQUITY AND LIABILITIES					
Liabilities to banks	4,900	5,573	4,619	4,265	4,692
Liabilities to customers	22,534	22,805	25,543	26,884	27,122
Savings deposits	6,849	6,652	7,067	6,072	5,837
RentaPlan	41	17	12	6	6
Savings certificates	1,267	1,093	1,094	1,081	1,002
Time deposits	3,678	3,000	4,730	2,972	2,479
Promissory note loans	4,303	4,055	4,035	3,784	3,210
Registered Pfandbrief securities	198	478	655	1,187	1,867
Deposits payable on demand	6,198	7,510	7,950	11,782	12,721
Securitized liabilities	3,383	2,980	2,695	3,077	2,958
Pfandbrief securities	513	513	513	528	528
Trading portfolio ¹					47
Provisions	581	600	604	623	699
Subordinated liabilities	370	370	370	370	370
Equity	1,580	1,627	1,622	1,597	1,597
Equity (excluding net retained profits)	1,465	1,542	1,572	1,597	1,597
Net retained profits ²	115	85	50	0	0
Other equity and liabilities	100	114	134	170	220
Total equity and liabilities	33,961	34,581	36,100	37,514	38,233
Figures from the income statement					
Net interest income	733	560	591	711	770
Interest income	1,642	1,698	1,803	1,570	1,465
Interest expense	909	1,138	1,212	859	695
Net commission income	275	294	260	229	239
Administrative expenses	634	632	626	655	661
Net income from financing activities	1	3	1	16	1
Other operating income/expenses (net)	11	1	19	-5	-41
Operating result before loan loss provisions	386	225	247	296	308
Taxes on income	108	48	33	48	83
Earnings after taxes	145	102	60	60	79
CIR (according to DSGV) ³ in %	59,8	72,5	73,6	67,4	65,9
Equity ratio before tax in %	17,6	9,8	5,9	6,8	10,2

¹ New balance sheet item since 2010

² From 2009 onwards, net retained profits will not be shown as a result of the control and profit transfer agreement entered into with HASPA Finanzholding.

³ According to the definition by the DSGV/German Savings Banks Association

Hamburger Sparkasse AG

Ecke Adolphsplatz / Großer Burstah
20457 Hamburg

Sorting Code 200 505 50
Telephone +49 (0)40 3579-0
Fax +49 (0)40 3579-3418
www.haspa-bank-in-hamburg.de
www.haspa.de
haspa@haspa.de

Concept and design

CAT Consultants, Hamburg
www.cat-consultants.de

Printed by

LangebartelsDruck, Hamburg

