

FACTS AND FIGURES

Business performance of Sparkasse Herford in 2010

Sparkasse Herford is satisfied with the year 2010, as all objectives set for the fiscal year were reached. The traditionally sustainable business model of the savings banks proved its worth especially during the economic and financial market crisis. Thanks to this business model, which is firmly rooted in the region and geared to solidity, Sparkasse Herford was not directly affected by the crisis but proved to be a factor of stability for the region.

Total assets and business volume

With customer deposits up by EUR 69.5 million, total assets increased by 1.0 % (EUR 44.5 million) to EUR 4,557.7 million in 2010. On the assets side, the loan portfolio (excl. guarantees) grew by EUR 25.2 million. The business volume (total assets, contingent liabilities and customers' securities portfolios) climbed 1.4 % to EUR 5,726.0 million.

Lending business

Rising by 1.1 % (previous year: 1.9 %), the lending business (claims on customers, trust loans and guarantees) was in line with the projections made at the beginning of the year.

Customer loans at the balance sheet date showed a more differentiated picture, however. The increase in loans to the public and corporate sectors as well as self-employed borrowers was offset by a decline in claims on private individuals. New business amounted to EUR 493.0 million (previous year: EUR 559.8 million).

At 62.6 %, claims on customers (including trust loans) accounted for a slightly lower share of total assets as of the reporting date than in the previous year. Claims on customers (including trust loans) declined also in relation to average total assets and reached 64.2 %.

The percentage breakdown shows that lending continues to account for the most important part of Sparkasse Herford's interest-earning business.

Securities portfolio

The portfolio of own securities was up by EUR 91.7 million on the previous year to EUR 1,358.1 million. Bonds and notes accounted for EUR 88.7 million of the increase, while equities and other variable-rate securities accounted for EUR 3.0 million.

As in the previous year, special funds accounted for 87.0 % of the balance sheet value of shares and other variable-rate securities.

Deposit-taking business

Liabilities to customers plus certificated liabilities increased by EUR 69.5 million or 2.1 % as of the balance sheet date. In view of the low interest rates in the money and capital market, private customers shifted their investments at the expense of term deposits. This primarily benefited the traditional savings investments, e. g. "Dynamiksparen" at EUR 119.0 million and the "Sparkassenbrief" at EUR 111.6 million. Funds were also shifted to the "Sdirekt-ZinsKonto" money market account. Increases were recorded primarily for corporate deposits. As Sparkasse Herford continued to scale down its activities involving own bearer bonds, the portfolio of own bearer bonds declined by 58.5 %. As of the reporting date, customer deposits as a percentage of total assets increased moderately to 73.2 %.

Interbank business

Claims on banks declined by EUR 75.6 million to EUR 149.5 million and primarily consist of liquidity reserves held at other banks. The decline is related to the increase

in the portfolio of bonds and notes. Liabilities to banks dropped by EUR 53.0 million to EUR 736.0 million. The reduction is related to the repayment of open market loans extended by Deutsche Bundesbank.

Services business

The trend in Sparkasse Herford's services business was inconsistent in 2010. Revenues from securities transactions for customer account declined by 15 %. In 2010, fixed-income securities accounted for less than 50 % of the sales revenues. Revenues in the life and pension insurance segment also remained the previous year's level, while the result in the building society segment improved markedly as compared to the previous year, as the volume increased by more than 50 %. Net commission income in the real estate segment was up by 15% on the good result of the previous year.

Human resources report

As of December 31, 2010, Sparkasse Herford employed 1,008 people including temporary workers. 383 of them worked part-time, while 73 were trainees and apprentices (of whom 25 started their vocational training in 2010). Staff-oriented conditions helped us to keep employee satisfaction at a high level, which, in turn, contributed to high customer satisfaction. This has been confirmed in a customer survey and a staff survey. The latter led to a good result in a competition among small and medium-sized employers, in which we won the "TOP JOB" seal. The expertise of our employees is key to excellent service and high-quality advice.

Net worth position

The revenues reserves recognised as of the end of the year increased due to the allocation from the 2009 profit. Sparkasse Herford's equity capital (including the fund for general bank risks; before appropriation of the net profit for the year 2010) totalled EUR 393.8 million (previous year: EUR 370.8 million). Besides the revenue reserves, Sparkasse Herford has further equity components as defined in the German Banking Act (KWG) and appropriate undisclosed reserves. The equity requirements of the German Banking Act were met at all times.

Earnings position

Earnings in 2010 were on a par with the previous year. Net interest income increased by EUR 0.2 million to EUR 110.1 million. Net commission income also rose by EUR 0.2 million to EUR 27.6 million. Personnel and administrative expenses were reduced to EUR 72.3 million. Earnings before valuation and risk provisions were up by EUR 2.7 million on the previous year. Net profit for the year amounted to EUR 10.1 million.