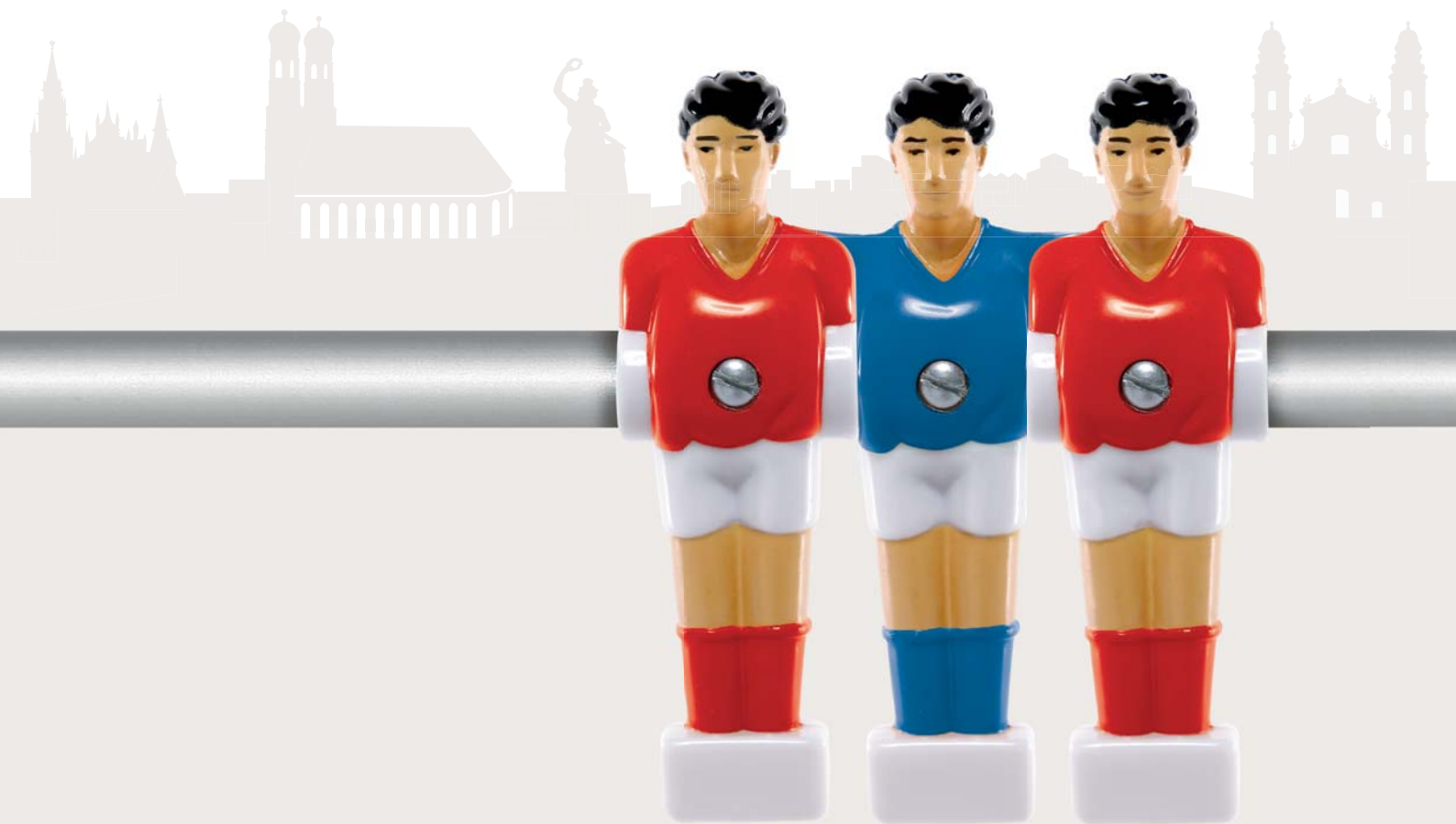


Fairness first.

ANNUAL REPORT 2009



Die Bank unserer Stadt.

 Stadtparkasse
München

FACTS AND FIGURES 2009

31 December 2009

Data of Stadtsparkasse München

	IN MIO. EURO	+/- COMPARED TO 2008
Balance sheet total	15.222	+1,1 %
Total loans receivable	8.797	+2,6 %
Total deposits (incl. own issues)	12.676	+2,0 %
Trade volume securities	1.940,6	-14,0 %
Equity	894,4	+5,6 %
Earnings after tax	53,2	+0,4 %
Number of customers	800.000	

Presence of Stadtsparkasse München

	NUMBER
Branches	91
Self-service branches	50
ATMs	185
ATM deposit machines	35
Service terminals	350
Coin machines	33
Competence and advice centers	47

Employees of Stadtsparkasse

	NUMBER
Banking employees	2.472
Employees in training	259

Floor-Rating of -Finanzgruppe

Dominion Bond Rating Service	A (high) (confirmed 4/2010)
Moody's	Aa2 (confirmed 4/2010)

Social commitment for Munich

	IN MIO. EURO	+/- COMPARED TO 2008
Amount of sponsoring by Stadtsparkasse and its foundations	5,6	+16,7 %
Sponsored projects (Number)	283	+16,5 %
Donations, sponsoring, distributions of foundation capital		
Total foundation assets (in million euros)	29	0,0 %
Distribution of profits to the city of Munich for charitable purposes	6,0	+50 %



Mayor Christian Ude: **Munich profits from success.**

In 2009 Stadtparkasse München again achieved a record result. Against the backdrop of a generally tense economic situation this is remarkable, all the more so if you compare this result with the results of Stadtparkasse's competitors, the formerly self-confident large banks, which have now rightly come under heavy scrutiny.

The state capital of Munich as owner of "Die Bank unserer Stadt (Munich's bank)" profits from the bank's economic success in many respects. While some financial institutions can only survive because of 'charitable' contributions of billions of euros made by the tax payers, others are indeed in a position to donate millions for real social and charitable purposes: the social commitment by Stadtparkasse and its five foundations amounts to a total of 5,6 million euros in donations. In addition, Stadtparkasse has paid 6 million euros into the city treasury. This money is also intended for social purposes. And as a trade tax payer Stadtparkasse is one of Munich's largest businesses anyway.

That Stadtparkasse is "Good for Munich" is evident in its daily dealings with Munich's citizens: as a reliable loan provider, as a safe harbour for all kinds of capital investments, as a dependable employer for its almost 2.500 employees and as a valuable partner for all kinds of events, festivals and other activities, which enrich Munich's public life.



Chief Executive Officer Harald Strötgen: **Our best business year to date**

For Stadtsparkasse München the year 2009 was not only a good business year, it was the best business year we have ever had. This goes to show once again that responsible and sustainable work ethics are always superior to those business strategies which are solely designed to optimize profits and only look as far ahead as the next quarterly results.

Just like in sports, our motto is “Fairness first”. It’s not about winning at any cost. We hold rules in high regard and we observe them too: for example in our credit risk policies, when investing customer assets, and especially when advising and taking care of those who trust us with their financial affairs.

To be a good sportsman one must act fairly and with respect for other people and one must try to create equal chances and conditions for everybody. Our customer service philosophy is therefore based on a long-term and holistic approach. We want what our customers want: not short-term profits but long-term satisfaction.

We are therefore of the opinion that Stadtsparkasse München is different from other banks – better than other banks, we believe. For Munich and for its people.

Stadtsparkasse for Munich.

Harald Strötgen

Chief Executive Officer

A good bank like Stadtsparkasse is first and foremost a service provider for its customers. Our own interests are secondary to those of the people who trust us with their money and those of the city for which we work.

Dr. Thomas Grützmacher

Member of the Board of Directors

To be able to do our job well we need solid results. Moderate growth – along economic framework conditions – is our goal.

Adolf Strack

Member of the Board of Directors

Corporate customers and small and medium-sized enterprises are the driving forces behind economic improvement in our region. Stadtsparkasse takes care that those forces can continue to gather strength.

Joachim Ebener

Member of the Board of Directors

Protecting our customers' assets is our highest priority. We shun uncalculable risks and take great care in determining which risks are economically justifiable.

Marlies Mirbeth

Member of the Board of Directors

Stadtsparkasse advises all its customers according to their personal needs. For us, a customer who is satisfied in the long term is more important than a short-term sales success.

*Board of Directors of Stadtsparkasse München (from the left)
Marlies Mirbeth, Adolf Strack, Harald Strötgen (CEO),
Dr. Thomas Grützmacher, Joachim Ebener*



1, We would rather serve our customers in a fair way



**than lure them
with baits.**

Bait and switch deals are not our style. Instead we aim to convince our customers with the quality of our service. The conditions and prices of all our products and services are calculated fairly. In this manner we treat all our customers with equal measure, no matter which banking products they use.

Good for our customers, good for our city

Stadtsparkasse München is an important instrument of structural policy and fulfils its tasks on behalf of its owner, the Bavarian state capital, and according to its status as a public body

Differences to private banks result not only from a long tradition but they are also a living embodiment of Stadtsparkasse's self-image as a service provider for all Munich citizens. What is more, these differences serve to distinguish and set us apart in the competition for customers.

Our guiding principle as "Munich's bank" is that we have very clear values. It is our job to provide our customers with all relevant banking products; making profits is not our highest priority. This is what clearly sets us apart from private banks who design their activities mainly in the interests of their investors and shareholders.

Stadtsparkasse's values

Stadtsparkasse's business strategy is sustainable, its professional interests long-term. The reasons are manifold: as municipal "subsidiary" of the city of Munich, Stadtsparkasse is here for Munich's citizens, just like any other public body. Its line of business is regional. Whereas some banks concentrate their activities predominantly on businesses rich in returns, wealthy groups of customers or financially strong regions, Stadtsparkasse has a different service strategy: we take the time to have long conversations

with our customers and try to understand where they are in life at any given point, so that we can provide each customer with the best possible and individually customized all-round financial solution. Instead of selling specially advertised products which have high returns and a short life, Stadtsparkasse München takes more interest in its customers' long-term

***Germans trust
Sparkassen more than
any other banks.***

satisfaction – even though this might mean achieving lower returns at first. In the end though, this approach pays off. Among the general population the Sparkassen have a positive image: A survey conducted by Forsa Institute and a study undertaken by Link Institute on behalf of the trade magazine "Horizont" both prove that Germans trust Sparkassen more than any other banks. In a study by icon Economic and Financial Research, the Sparkassen received the best results in the category "Fair and objective customer service". The Sparkassen, whose logo is the red "S", also achieved the best

results when study participants were asked which financial institutions had become more trustworthy during the financial crisis.

Sparkassen are good for competition

Sparkassen are essential. Germans want economically independent Sparkassen with de-centralized business models adjusted to the needs of German citizens and of local businesses. Surveys also show that 85 percent of Germans fear that the Sparkassen will not be able to continue in this line of business if, for example, they are sold to private investors, which is something that private banks have been campaigning for for quite a while.

People rightly fear that this might entail grave disadvantages, such as a reduction of the number of branch offices and ATMs, which are numerous throughout Germany. There would also be additional disadvantages as far as banking fees are concerned: Bank customers in other European countries are already paying much more banking fees at this point because there does not seem to be active competition in the banking sector, especially due to the absence of regional banks with nationwide representation,

Prof. Dr. Michael Bordt SJ: Ethics and entrepreneurship

Prof. Bordt, you are a member of the Society of Jesus and you advise economic leaders. How do you manage to combine ethical and moral principles with corporate thinking and acting?

It would be wrong to assume that corporate action is opposed to ethics and morals on principle. This would be absurd! Our economy's backbone consists of small and medium-sized enterprises and those usually have a high degree of responsibility. But even large corporations try to act more and more responsibly. We Jesuits know from our own experience how difficult this can be. The Society of Jesus has been active worldwide for more than 450 years. Those cases discussed in the media, cases of spectacular and awful entrepreneurial action, are unfortunate exceptions, which of course – especially in the banking sector – discredit an entire economic sector.

Especially when talking about Stadtparkasse, however, it is important to distinguish between the activities of large banks acting on a worldwide scale and the purpose and mission of a Sparkasse. It is not my goal at all to somehow make businessmen more moral or bring more ethical dealings into corporations but instead I wish to help executives in finding ways to live the life they want to live even though there are increased requirements, more responsibility and high levels of pressure in the workplace. Over the centuries, the Society of Jesus has developed excellent executive instruments to deal with exactly those issues.

Those who are forced to permanently act against their own personal values in their jobs face a dilemma. Do you know a way out?

First you have to ascertain whether your own personal values are correct. Maybe you have to make a few adjustments because you hold the wrong values. But if your values are correct, the only solution is to stay true to them and to find out how you can make them work in your work environment. Often we have more room to manoeuvre in this respect than we are aware of. If we do not pay close attention to how we really feel inside about our values, we risk becoming a torn personality full of inner conflict; and this is the surest way to chronic illness and ongoing dissatisfaction, maybe even depression.

*Interview with Prof. Dr. Michael Bordt SJ,
President of the Munich School for Philosophy*

like the German Sparkassen. Whereas a current account with a credit card costs 89 euros on average in Germany, in Italy, where saving banks such as Sparkassen were privatized, it is more than 250 euros, that is, about three times the sum Sparkassen customers in Germany have to pay.

Fair terms

Stadtparkasse München offers valuable, secure banking products on fair terms. The prices are calculated with care and they are transparent and in keeping with market conditions. Every day, the experts working for our bank determine realistic investment and financing rates.

Stadtparkasse takes great care not to advertise bait deals in order to entice customers away from other banking institutes. Bonus payments or special interest rates for new customers first have to be earned – or alternatively, saved elsewhere. But why should longstanding, good customers be rewarded for their loyalty with worse terms? From the point of view of an honourable businessman, putting regular customers at a



Jörg Oedekoven: Proper business dealings

“For me personally, reliability is most important. Banks should have proper business dealings. What I mean by that is that I think they should give loans to people who really produce things. These transactions on the financial markets which many banks do instead nowadays, have nothing to do with a real bank in my opinion. And if people save money, they should get something out of it. Respectable people should be rewarded.”

Jörg Oedekoven, 67 years old, retired civil servant



Angelica Barthel: Trust and security

“I moved to Germany a few years ago. Back then I asked some acquaintances which bank was trustworthy. They recommended Stadtsparkasse München. At my bank, there is always someone for me to turn to, but I also often use online banking. The most important thing for me in this respect is security. And I trust Stadtsparkasse München completely.”

Angelica Barthel, 37 years old, assistant costume designer



disadvantage is not an option. The decisive factors for Stadtsparkasse München in this respect are again the personal requirements of their individual customers.

Stadtsparkasse always adapts its product and service portfolio to the current market situation, for example by offering low interest rates for building loans. Because of these advantageous interest rates, the number of Munich citizens being able to purchase their own homes and at the same time invest their assets in a secure and lasting way has risen by 30 percent compared to the year before.

In close cooperation with consumer protection

Stadtsparkasse München's service strategy with its strong emphasis on the customer's situation in life and his or her personal needs ensures that the customer only purchases such financial products

that suit him or her in regard to assets, return expectations, risk tolerance and investment objective.

A crucial prerequisite for advising a customer “correctly” is having comprehensive information about any and all costs and risks of an investment product. Last year Stadtsparkasse München, together with consumer protection representatives, instituted a “round table” in order to further improve its customer orientation and to receive impulses for the continuous improvement of customer satisfaction.

One of the consumer advocates' main demands has already been put into action by Stadtsparkasse München: as one of the first Sparkassen in Germany it has introduced standardized product information sheets, which are designed to help customers to get even more information about the financial products on offer. Thereby

Stadtsparkasse is already complying with a regulation scheduled for future introduction by the Federal Ministry of Food, Agriculture and Consumer Protection. The information sheets contain details about the relevant characteristics as well as opportunities and risks of a given investment product and therefore make it easier to compare different products.

Debt prevention

As a public bank Stadtsparkasse München is also active in the area of debt prevention. It supports the activities of debt counselling agencies in Munich by financial donations on the one hand and regular exchange of experiences on the other hand. It also supports young adults attending Munich schools by organising a four-week project seminar in collaboration with Caritas Debt Counselling, which sensitizes the students in their dealings

Werner Uhrig: A good feeling

“I expect my banking business to be conducted swiftly and reliably. I tend to make investment decisions alone but sometimes I ask an investment expert in my bank for a second opinion. After all the hassle many banks were involved in, I simply feel better about a smaller regional bank than about those large banks. I have always been a customer at a Sparkasse or a Volksbank.”

Werner Uhrig, 42 years old, interior decorator



Jennifer Baum: Custom-made service

“I value individual service and personal contact. If I have a question, I want somebody to take the time and take care of my enquiries. Of course it is important for my contact person to be competent. If the all-around consultation package is good, I am also interested in investing in offers providing family coverage, such as insurances or pension schemes.”

Jennifer Baum, 33 years old, architect, and her daughter Clara, 1 year old



with money and teaches them about the dangers of sliding into debt. Among other things, the seminar teaches the students how to plan their monthly receipts and expenditures realistically and how taking out a loan can bring with it various financial and legal consequences.

Profit distribution and trade tax for Munich

Stadtsparkasse München, “Munich’s bank”, earns its money in Munich. This is why it also supports Munich’s people. With the positive development of its investment income, Stadtsparkasse has also extended its social commitment for the city: Donations and sponsoring, dividend payouts from the bank’s five foundations and the distribution of the bank’s profits to the city of Munich amount to 11,6 million euros in total, 30 percent

more than in 2008, which benefits all Munich citizens.

Measured by its balance sheet total Stadtsparkasse München is not among the city’s largest corporations; however, it is as a trade tax payer. In the business year 2009 Stadtsparkasse paid 16,8 million euros into Munich’s treasury. Altogether, Sparkassen in Germany have paid about 20 billion euros in taxes since the year 2000, whereas private banks have only contributed about 0,8 billion euros to state financing in the same time span. And while other financial institutions sack employees and cut jobs, Stadtsparkasse has actually hired more employees in 2009 to support sales and customer service. Altogether, at the turn of the year Stadtsparkasse had 104 banking employees and 22 employees in training more than the year before.

The characteristics of a “good bank”

- It does not play with its customers’ money.
- It supports regional economy and society.
- It offers jobs and apprenticeship positions.
- It supports local authorities by paying trade tax.
- It advises its customers according to their specific needs.
- It calculates fair prices without subsidizing single products.
- It is active in the field of debt prevention.
- It represents traditional values like reliability and trustworthiness.

3, The bank for all eventualities.

The Sparkassen Financial Group is a strong association. Together with their associated partners the Sparkassen are able to offer the whole range of financial services and products – comprehensive and diverse like the famous Swiss Army Knife.



50 million customers trust Sparkassen.

Altogether the Sparkassen Financial Group consists of about 600 companies which work together in close collaboration. Apart from the Sparkassen themselves, there are a number of specialised suppliers like the Landesbausparkassen (State building societies), the Deutsche Leasing, the DekaBank or the Landesbanken (State banks). This decentralized association is the leading German all-around provider of financial services and products.

In Germany there are 431 Sparkassen with a dense network of about 15.700 branch offices. They make sure that there is a nationwide coverage of financial services for all parts of the German population. Sparkassen have around 250.000 employees in total. The balance sheet total of all Sparkassen combined is about 1.073,3 billion euros. If the Sparkassen association was one single financial institution, it would be among Germany's largest banks.

The conclusion that 50 million customers cannot be wrong emphasizes the special success of the Sparkassen business model. This large number of customers also underlines the fact that people and companies in Germany have a lot of faith in the Sparkassen group.

Stadtsparkasse München and all other Sparkassen are convinced that only a sustainable business policy can guarantee long-term economic success and the continuing trust of the customers, without which the credit services sector cannot survive. The core of the Sparkassen business strategy is therefore the building up of long-term business relations instead of quick one-off deals.

Sparkassen have supported people for 200 years – Stadtsparkasse München for example was founded in 1824. As a fair financial partner for all sectors of society,

Stadtsparkasse München is dependable and predictable. This is what sets it apart from other financial institutions and investors. For instance, it is not at all the style of a Sparkasse to sell a loan, which is being duly paid back, to third parties and thereby to force the customer into business relations with unwanted business partners.

Sustainable business practice ensures success.

Having fair business relations for Sparkassen also includes the following maxim: Nobody should be excluded from modern financial services. This is why every citizen is entitled to get an account with Sparkassen – whether they have their own income or property or not and even if they have lost their credit standing. With the so-called “Jedermannkonto” – a current account without an overdraft facility – Sparkassen act fairly and fulfil their public duty to provide all sectors of the population with basic financial services. Stadtsparkasse München is now introducing the new so-called “P-Konto”, an account which protects assets to the minimum amount needed to exist from garnishment.

As universal banks, Sparkassen conduct all the normal banking activities with private customers, companies – especially small and medium-sized enterprises and craft industries –, local authorities and institutions. They are subject to the regional principle according to which the business area of a Sparkasse generally corresponds with the geographic area of the respective municipal authority. Stadtsparkasse München's business district is the Bavarian state capital.

Other important pillars of Sparkassen's work are their orientation towards the public welfare and their regional ties – Stadtsparkasse München belongs to the city of Munich, that is, to all Munich citizens. The local responsibility of the board of the directors and the cooperation with the associated partners of Sparkassen Financial Group are two more important distinguishing marks of Sparkassen, which give them their strength.

Customer deposits made by German citizens at a bank belonging to Sparkassen Financial Group are fully secured – without limitation. Thereby Sparkassen Financial Group offers more security than required by legal provisions, which only stipulate that deposits have to be secured up to 50.000 euros.

The reasons this unlimited security is possible is that in a hypothetical worst

Associated partners

Versicherungskammer Bayern

Insurances and provisions for all eventualities

LBS Bayerische Landesbausparkasse

Home loan and building financing

Sparkassen-Immobilien- Vermittlungs-Gesellschaft

Real estate brokers active throughout Bavaria

DekaBank

Investment funds and fund management

BayernLB

Financing cooperations etc.

Deutsche Leasing

*Leasing services for cars, fixed assets and computer systems,
Service provider for vehicle fleet management and support
for complex IT projects*

S-Partner Kapital AG

Direct and dormant shareholdings

Bayern Mezzanine

Participation certificate capital for companies

BayTech Venture Capital

*Venture capital for start-up companies in selected
technology sectors*

S Country Desk

International network for foreign business transactions

Bayern Consult

Consulting plc

Deutsche Factoring Bank

Factoring of receivables

case scenario all 431 Sparkassen, seven Landesbanken and ten Landesbausparkassen would step in for each other. Because of this institutional arrangement all customer deposits are fully secured, even those of commercial investors. This is why no customer of one the associated institutions has ever lost a deposit, no investors have ever had to be indemnified and no associated institution has ever defaulted on a liability or filed for insolvency.

Sparkassen Financial Group is active in all areas of social life. Sparkassen, their associated partners and their foundations actively contribute to improving the quality of life in their respective regions. Stadtparkasse München and its five foundations alone have supported more than 280 projects by contributing 5,6 million euros. A further 6 million euros in profits were distributed to the state capital of Munich for charitable purposes.

Sparkassen are the real direct banks. They have the densest network of all financial institutions in Germany. It is the Sparkassen vision to improve chances for “prosperity for all”.



5, We love being sticklers for detail.

We always conduct our business with the greatest care possible because even moderate goals can lead to record results.



Once again, we achieved strong results against a generally negative background

In 2009 Stadtsparkasse München achieved the best operating results in its history – even though the general economic framework conditions were mainly negative. We were able to increase customer deposits as well as loans.

We believe this success is due to the trust our customers place in our committed and competent employees as well as to our strict cost management and reasonable risk-taking policy. Even though making profits is not our top priority, it is still important for us to achieve good operational results in order to be able to increase our own equity and prevent a credit crunch.

Declining economic performance – not only in Germany

The global financial crisis, which began in 2007 and sharply intensified in 2008, continued to have negative effects on economic framework conditions. The winter of 2008/2009 saw the peak of the global real economic recession to date. In almost all industrial nations the gross domestic product (GDP) declined. The corresponding development in emerging markets was a marked reduction in growth rates.

These overall conditions had particularly negative consequences for the German national economy, which is primarily export-based. Production capacity in many companies remained unused and this in turn led to a decrease in corporate investments and investment planning. On a calendar-adjusted basis therefore the

German GDP decreased by 4,9 percent in the year 2009, according to a statement issued by the German Federal Statistical Office.

However, in spring 2009 global economic activity began to stabilize. Businesses reported that the economic outlook began to improve in the second quarter of 2009 and the GDP continued to recover as the year progressed, even accelerating somewhat in the third quarter.

Private consumption remained stable. Despite the negative economic development most private households were able to retain their previous income levels in the last year. One contributing factor in this respect was that energy prices declined markedly compared to 2008's peak prices.

Labour market remains stable

Up to now, the effects of recession on the labour market have remained slight. Even though Germany's GDP decreased even more significantly than that of other industrial nations, the labour market remained relatively stable and few jobs were lost. The hope that the economic situation would recover soon led many companies to keep most of their staff during the difficult times.



This is why the Bavarian labour market showed remarkable resilience during the crisis year of 2009. According to data published by the German Federal Employment Agency in Nuremberg, 309.353 people in Bavaria were without a job in December; the unemployment rate was 4,6 percent. In the Munich region, the unemployment rate at the end of 2009 was 4,9 percent, compared to 4,3 percent the year before. Unemployment rates in Munich, as well as in Bavaria, continue to range way below the German national average.

Helpful economic stimulus packages

Various economic stimulus packages contributed to stabilize the situation. Those packages started to gather pace in the second half of 2009 and had such positive and sustainable effects that the public debt incurred to finance those packages was justified.

Altogether, economic indicators about state deficits in Germany are relatively sound compared to those of other countries. The European states of Greece, Iceland and Ireland as well as economic heavyweight nations like the United States or the United Kingdom had state deficits amounting to two-digit percent rates of their GDP.

Low inflation makes low key interest rate possible

The fact that production and service capacities were not tapped to their full potential in 2009 led to intense price competition. In addition, energy prices in the summer of 2008 were extremely high, so prices in the summer of 2009 seemed to slump in comparison. Therefore prices in the Consumer Price Index market basket of goods and services, which indicate the current rate of inflation, increased only very slightly by 0,4 percent, according to the Federal Statistical Office.

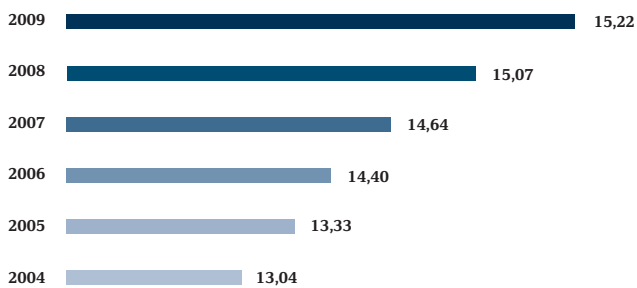
Those stable prices made it possible for the European Central Bank (ECB) to combat the financial crisis and the recession by gradually lowering the key interest rate to 1,00 percent.

Financial crisis: tension relief but no all-clear signals so far

When the crisis in the financial markets intensified – especially after Lehman Brothers filed for insolvency on 15 September 2008 – central banks and governments worldwide began to take extensive emergency measures. Together with the corresponding guarantees, the supporting initiatives started to have the intended effects from the second quarter of 2009. In

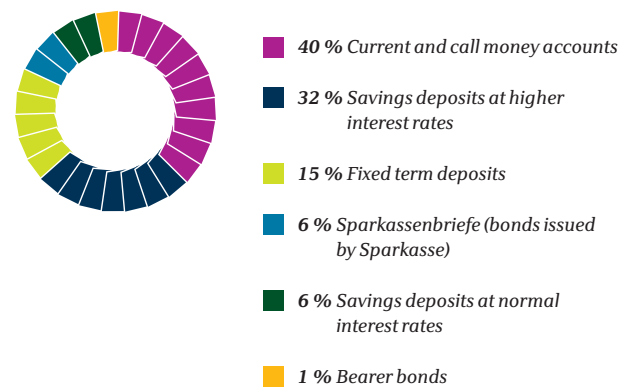
Development of the balance sheet total

IN BILLION EURO



Structure of customer deposits

IN PERCENT / BUSINESS YEAR 2009



relation to the gross domestic income, the supporting measures taken by the Federal Republic of Germany range on an average level. The amounts spent on supporting measures by other countries, for example the United Kingdom, were significantly higher in relation to their GDP.

The great efforts undertaken by different states led to a market relaxation in the money, share and bond markets. These supporting measures helped to contain the crisis and to strengthen not only banks but also, for example, insurance companies, which do not normally profit from state protective measures. After the immediate crisis is over, the biggest challenge is for governments to withdraw from implicitly supporting the banking sector with tax money. Altogether therefore, the situation in the financial sector remains tense.

Subdued business prospects for Bavaria's banks

Every three months, the German Central Bank undertakes a cross-institutional survey about the economic situation in the Bavarian financial sector. Towards the end of the last quarter of 2009, Bavarian financial institutions thought their business outlook had improved again. However, this was not due to improved consumer business but mainly to exter-

nal supporting measures and the advantageous overall situation on the capital markets. "So far, we have not seen an economic recovery stemming from internal factors", the Central Bank summarizes in its report on Germany's business prospects.

As far as business prospects were concerned, institutions in the commercial loan sector lost some momentum in the fourth quarter compared to the end of the third quarter. Also, in the estimation of the survey undertaken by the German Central Bank, the development in the building loan and home financing sectors remained weak.

Stadtsparkasse München's situation, however, was very different.

Positive business development for Stadtsparkasse München

In the reporting period our balance sheet total increased by 1,0 percent to 15,1 billion euros. The growth drivers were loans to corporate and private customers which increased by 224 million euros to 8,8 billion euros as well as customer deposits, including securities issued by Stadtsparkasse München. Those increased by 254 million euros to 12,7 billion euros, which we consider to be a clear sign of our customers' faith in us, especially against the

background of the general crisis affecting the financial markets.

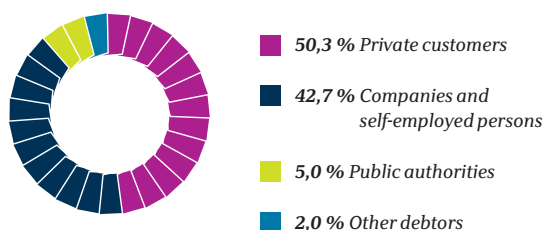
In a study by icon Economic and Financial Research, Sparkassen received the best results in the category "Fair and objective customer service". Also, in answer to the question which banks gained most trust during the financial crisis, Sparkassen, the banks with the red "S" logo, emerged the winners. New customer deposits were primarily invested in secure savings deposits, where we were able to increase business by 10,9 percent. Savings deposits were mainly invested in special financial instruments with higher interest rates. In order to be able to offer our customers another secure form of investment, we issued additional Pfandbriefe (German covered bonds) in the amount of 20 million euros last year.

Heightened interest in real estate and old age provision

Building loans were the main growth drivers in the loan sector – in the private as well as the business sectors. For one thing, real property in good districts of Munich is an investment which holds its value especially well. For another thing, because of the low interest rates financing is cheap at the moment – especially when considering rising rent levels in the Munich city area. Altogether, we have granted build-

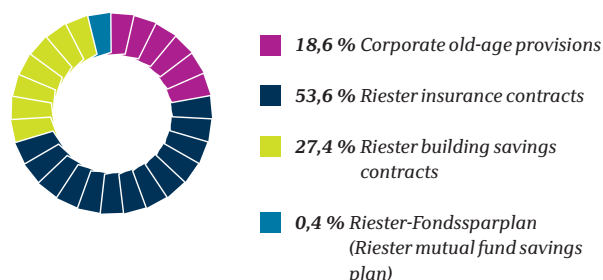
Loan structure

IN PERCENT / BUSINESS YEAR 2009



Structure of brokered provision contracts

IN PERCENT / BUSINESS YEAR 2009



ing loans to the overall amount of over a billion euros in 2009, increasing our loan volume from the year before by 32 percent.

In spite of the positive market developments, many investors have not regained their former trust in shares. The trade volume of dividend-bearing securities in 2009 was 22,5 percent lower than in 2008. On the other hand, more and more Munich citizens are recognizing the importance of additional old age pension schemes and consequently they took out more than 30 percent more insurance policies than in the year before. Private old age pension schemes and state-subsidized schemes (Riester and Rürup contracts) were especially popular.

The heightened interest in real property was also reflected, in addition to the home financing sector, in real estate brokering and in buildings savings contracts. Our subsidiary company S-ImmobilienService der Stadtsparkasse München GmbH brokered more than one and a half times as many objects in 2009 than in 2008, and, up by 8 percent, 10.700 new buildings savings contracts, which are flexible savings and financing instruments, were signed by our customers. An additional incentive in this respect was also the relatively new possibility of applying for Riester funding for real estate property which is lived in by the owner.

Old age provision contracts high in demand

High demand for residential real estate

SHAREHOLDINGS

AS OF DECEMBER 31, 2009

SUBSIDIARIES

S-VersicherungsService der Stadtsparkasse München GmbH

S-ImmobilienService der Stadtsparkasse München GmbH

Shareholdings in companies of S-Finanzgruppe

Via Sparkassenverband Bayern, the association of Bavarian savings banks:

- BayernLB Holding AG mit LBS Bayerische Landesbausparkasse
- Versicherungskammer Bayern
- DekaBank

Sparkassen-Immobilien-Vermittlungs-GmbH & Co KG

Deutsche Sparkassen Leasing AG & Co. KG

S-Partner Kapital AG

S Broker AG & Co. KG

SIZ Informatik-Zentrum der Sparkassenorganisation GmbH

SZB ServiceZentrum Bayern der S-Finanzgruppe GmbH & Co. KG (Zentrale Zahlungsverkehrsgesellschaft bayerischer Sparkassen – beteiligt an der DSGF)

Bayern Card-Services Beteiligungs GmbH & Co. KG

S Country Desk GmbH

IZB SOFT Verwaltungs-GmbH & Co. KG (beteiligt u. a. an der Finanz Informatik GmbH & Co. KG)

Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG

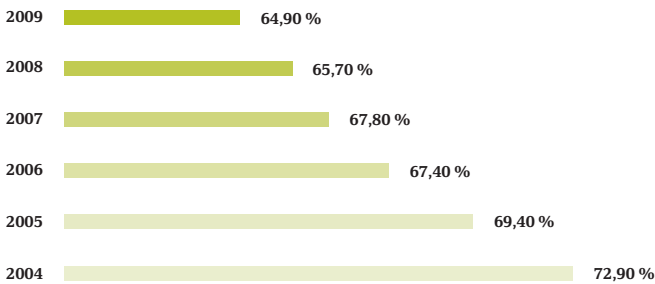
FURTHER SHAREHOLDINGS

MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG

Versicherungs- und Beteiligungsgesellschaft bayerischer und rheinland-pfälzischer Sparkassen mbH & Co. KG (beteiligt an der Versicherungskammer Bayern)

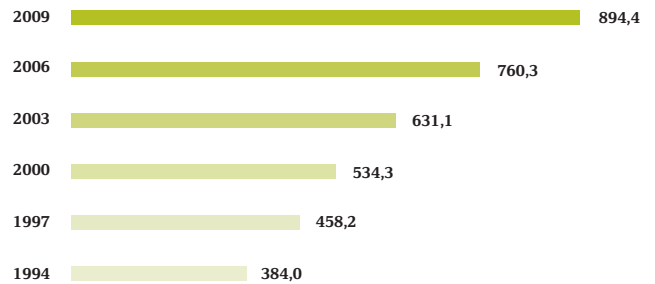
Development of the cost-income-ratio in percent

IN PERCENT



Equity

INTERNALLY INCREASED
IN MILLION EUROS



Positive development of results continues

Because of the growth in customer business and of changes in the yield curve, our interest surplus increased, including the returns from our own investments and securities. On the other hand, the provision surplus decreased slightly – mainly due to the general downturn in the securities' trade volume. A slight increase in personnel expenses – new employees were hired – was compensated by a reduction in material costs.

We were able to further improve our cost-income-ratio. It decreased by one percentage point above plan to 64,9 percent.

The Bavarian Sparkassen furnished equity to Sparkassenverband Bayern, the Bavarian association of savings banks, which holds shares in financial institutions belonging to the Sparkasse association in trust. Due to the development of Bayern LB, a further depreciation of our share in this equity in the amount of 20 million euros became necessary. However, we absorbed this depreciation completely by means of our operating results.

Altogether the positive development of our business results of the past years continued into the business year 2009. Our operating results after depreciation

(and before changes in the provision reserves) increased significantly – in spite of the above mentioned depreciation due to Bayern LB – and reached a new record value.

Increased equity and social commitment for Munich

As in the previous years, due to the positive business results in 2009 we were able to internally increase our equity by 6 percent to 900 million euros as of the balance sheet closing date of 31 December 2009.

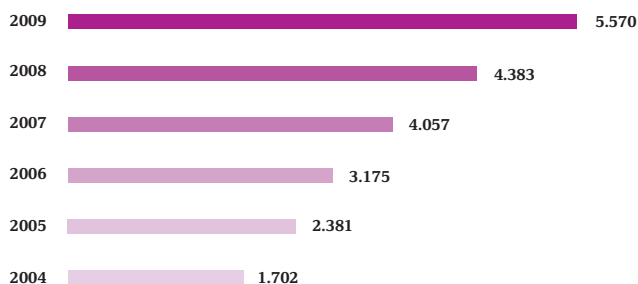
In addition to our social commitment of donations, sponsoring and distributions of foundation capital in the total amount of 5,6 million euros, we transferred 6,0 million euros of our balance sheet profits to the state capital of Munich for charitable purposes – 50 percent more than in the business year of 2008. Our contingency fund, which reflects our balance sheet equity, amounts to about 894 million euros after this profit distribution.

This equity base gives us sufficient cover to extend our business. The liquidity of our institution is and always has been ensured by means of a tactical and well-balanced liquidity provision. We only enter into risks that are necessary for a successful business development and that are expected to contribute to this de-

6 million euros distributed in profits to the state capital of Munich

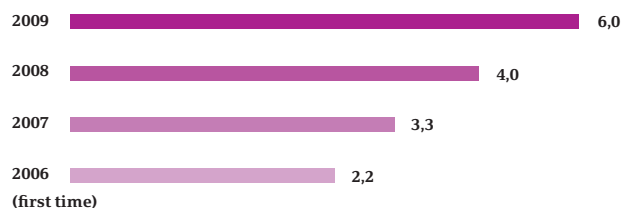
Social commitment for Munich

INCREASED YEAR BY YEAR
IN THOUSAND EUROS



Distribution of profits to the city of Munich

IN MILLION EUROS



velopment in a positive way. All in all, our risk situation is considered to be favourable. It is not possible to identify any risks in our business activity which would have a material effect on the assets, income, and financial situation of our institution.

Bleak outlook for the global economy and Germany*

According to ifo Institute, the overall global economic climate has brightened in all the important economic regions. It is expected that the global economy will continue to recover. However, ifo Institute expects growth rates to remain small.

Apart from the weakened international financial markets, whose operational capabilities in important market sectors remain impaired, there is a crisis in the real estate markets of important industrial nations. Economic experts expect a slight recovery for Germany and an increase of the GDP by 1,6 percent in the current year. Against the backdrop of a global economic recovery, the Bavarian State Ministry of Economic Affairs, Infrastructure, Transport and Technology expects Bavarian businesses to achieve above-average gains since they tend to be export-based and are strong in the markets for highly innovative products and commodities. The Bavarian state capital and metropolitan area of Munich is one

of Bavaria's locations with the strongest economic infrastructure.

The perspectives for the commodity and labour markets are expected to lead to a modest increase in consumer prices – according to a prognosis by the German Central Bank to increases of 0,9 percent in 2010 and 1,0 percent in 2011.

Sound outlook for Stadtparkasse*

According to our business strategy “Munich's bank”, our private and corporate customers remain the centre of our business activities. We intend to increase our balance sheet total significantly until 2011. The goal in this respect is to achieve profitable growth rates in selected customer segments, products and markets. Always taking care to adhere to our credit risk strategy, we aim to increase our loan volume in the private and corporate banking sector in a risk-sensitive way. We also expect customer deposits to increase in volume until 2011, based on increases in demand deposits and savings deposits. Altogether we anticipate a solid interest surplus and rising interest levels in the forecast period. In addition to the developments in the customer banking sector, we also strive to further improve returns from our own investments.

Increases in pay rates and our plan to hire more staff – especially in the sales departments – will lead to rising personnel expenses in the forecast period. Altogether, we expect administrative expenses to increase in the next few years. We aim to counterbalance this with sustainable cost management and cost reductions – especially in material costs.

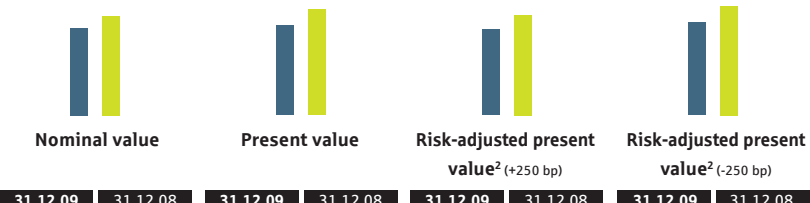
For 2010 and 2011, we anticipate similar operating results before depreciation than in the business year of 2009; in the case of advantageous developments, even moderately increased results. We have already taken into account the indirect negative effects of the financial crisis which are known at this point – however, further strains on our operating results could ensue. On the basis of our medium-term financial planning we are certain that we will be able to maintain our liquidity at all times in the forecast period until 2011. All in all, Stadtparkasse München's business prospects will remain sound.

**All forecasts and financial planning are based on the information available at the time when this report was written. Especially in light of the economic crisis resulting from the crisis in the financial markets, there may be risks and uncertainties in connection with the statements made in this report. Therefore it is possible that the actual results and developments will differ significantly from the results and developments currently expected.*

Issuance of Pfandbriefe according to the ÖPG, the German act on publically covered bonds

Issues until 18.07.2005

Information about the aggregate amount



	Nominal value		Present value		Risk-adjusted present value ² (+250 bp)		Risk-adjusted present value ² (-250 bp)	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
● Aggregate volume of the Pfandbrief in circulation (in million €)	150.00	150.00	155.38	152.57	148.52	142.64	160.50	163.47
● Overall cover pool ¹ (in million €)	171.26	164.41	182.07	173.22	173.34	161.71	188.95	185.93
Over-collateralisation (in %)	14.17	9.61	17.18	13.54	16.71	13.37	17.73	13.74

¹ The cover pool does not include derivatives. ² according to the statistic procedure specified in the PfandBarwertV, a process for calculating the present value of covered bonds

Information about the term structure


	RLM* ≤ 1 year		1 year < RLM ≤ 2 years		2 years < RLM ≤ 3 years		3 years < RLM ≤ 4 years	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Term structure of the circulation of the Pfandbrief (in million €)	0.00	0.00	150.00	0.00	0.00	150.00	0.00	0.00
Term structure of the fixed interest rate periods of the cover pool (in million €)	0.00	0.00	73.34	0.00	97.92	74.48	0.00	89.93

	4 years < RLM ≤ 5 years		5 years < RLM ≤ 10 years		RLM > 10 years	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Term structure of the circulation of the Pfandbrief (in million €)	0.00	0.00	0.00	0.00	0.00	0.00
Term structure of the fixed interest rate periods of the cover pool (in million €)	0.00	0.00	0.00	0.00	0.00	0.00

*RLM = remaining life to maturity

Structure of the cover pool

Assets included in the cover pool according to countries and debtor categories (in million €)



	Federal authorities		Regional authorities		Local authorities		Other debtors	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Federal Republic of Germany	4.00	4.00	25.00	0.00	77.26	105.41	65.00	55.00
Other countries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
→ Aggregate volume of assets in the cover pool	31.12.09				31.12.08			
	171.26				164.41			

Overview of the assets in arrears

Assets in arrears according to countries and debtor categories (in million €)

	Federal authorities		Regional authorities		Local authorities		Other debtors	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Federal Republic of Germany	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other countries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
→ Overall volume of assets due for more than 90 days	31.12.09				31.12.08			
	0.00				0.00			

Issuance of Pfandbriefe according to the PfandBG, the German act on covered bonds

Issues from 19.07.2005

Information about the aggregate amount

	Nominal value		Present value		Risk-adjusted present (+250 bp)		Risk-adjusted present (-250 bp)	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
● Aggregate volume of the Pfandbrief in circulation (in million €)	270.00	250.00	289.34	263.99	267.95	239.21	311.19	292.22
● Overall cover pool ¹ (in million €)	357.75	333.84	374.51	340.38	340.38	302.22	411.92	385.05
Over-collateralisation (in %)	32.50	33.53	29.44	28.94	27.03	26.34	32.37	31.77
Secured over-collateralisation according § 4 PfandBG (in %)			3.86	3.79				

¹ The cover pool does not include derivatives. ² according to the statistic procedure specified in the PfandBarwertV, a process for calculating the present value of covered bonds

Information about the term structure

	RLM* ≤ 1 year		1 year < RLM ≤ 2 years		2 years < RLM ≤ 3 years		3 years < RLM ≤ 4 years	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Term structure of the circulation of the Pfandbrief (in million €)	0.00	0.00	0.00	0.00	20.00	0.00	250.00	0.00
Term structure of the fixed interest rate periods of the cover pool (in million €)	0.00	0.00	0.00	0.00	75.75	0.00	83.00	51.84
	4 years < RLM ≤ 5 years		5 years < RLM ≤ 10 years		RLM > 10 years			
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08		
Term structure of the circulation of the Pfandbrief (in million €)	0.00	250.00	0.00	0.00	0.00	0.00		
Term structure of the fixed interest rate periods of the cover pool (in million €)	40.00	83.00	159.00	199.00	0.00	0.00		

*RLM = remaining life to maturity

Structure of the cover pool

	Federal authorities		Regional authorities		Local authorities		Other debtors	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Federal Republic of Germany	10.00	10.00	0.00	0.00	50.25	51.84	297.50	272.00
Other countries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
→ Aggregate volume of assets in the cover pool	31.12.09				31.12.08			
	357.75				333.84			

Overview of the assets in arrears

	Federal authorities		Regional authorities		Local authorities		Other debtors	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Federal Republic of Germany	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other countries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
→ Overall volume of assets due for more than 90 days	31.12.09				31.12.08			
	0.00				0.00			

Balance sheet at 31 December 2009

				31.12.2009	31.12.2008
ASSETS (amounts in thousands of euros)*					
1.	Cash reserve				
	a) Cash in hand		81713		73979
	b) Balance with Deutsche Bundesbank		434505		325144
				516218	399124
2.	Debts of public bodies and bills of exchange which are admitted for refinancing at the Deutsche Bundesbank				
	a) Treasury bills and non-interest-bearing treasury bonds as well as related debts of public bodies		—		—
	b) Bills of exchange		—		—
				—	—
3.	Debts receivable from credit institutions				
	a) payable daily		35301		27787
	b) other debts receivable		1542785		1641426
				1578085	1669212
4.	Debts receivable from customers			8796802	8572716
	thereof: secured by mortgages	5262919			(5004208)
	loans to local authorities	621625			(613124)
5.	Bonds and other securities with a fixed interest rate				
	a) Money market securities				
	aa) by public issuers		—		—
	thereof: eligible as collateral at the Deutsche Bundesbank	—			—
	ab) by other issuers		—		396530
	thereof: eligible as collateral at the Deutsche Bundesbank	—			(396530)
				—	396530
	b) Loans and bonds				
	ba) by public issuers		251002		127552
	thereof: eligible as collateral at the Deutsche Bundesbank	251002			(127552)
	bb) by other issuers		2388698		2187062
	thereof: eligible as collateral at the Deutsche Bundesbank		2639700		2314614
		2370581			(2168928)
	c) Own bonds		4496		5552
				2644196	2716696
	Nominal amount	4375			(5467)
6.	Shares and other non-fixed-interest securities			1082983	1081581
7.	Investments			170660	183712
	thereof: in credit institutions	308			(308)
	in financial services institutions	5555			(4665)
8.	Interests in group undertakings			526	526
	thereof: in credit institutions	—			—
	in financial services institutions	—			—
9.	Trust assets			1198	339
	thereof: loans on a trust basis	1198			(339)
10.	Equalisation claims against public authorities including bonds resulting from the conversion of those claims			—	—
11.	Intangible assets			842	1024
12.	Tangible fixed assets			162884	166201
13.	Other assets			260711	262.700
14.	Accruals and prepayments			7204	13514
TOTAL				15222310	15067344

* In order to facilitate representation, the balance sheet figures were rounded to thousand euro units. Sums calculated by adding rounded single figures may vary slightly from the total sums displayed here.

				31.12.2009	31.12.2008
LIABILITIES (amounts in thousands of euros)*					
1. Liabilities to credit institutions					
a) payable daily			161538		311999
b) subject to an agreed term or period of notice			1168008		1119540
				1329546	1431539
2. Liabilities to customers					
a) savings deposits					
aa) subject to an agreed period of notice of three months		4643188			4.168.407
ab) subject to an agreed period of notice of more than three months		43207			56.818
			4686395		4225225
b) other deposits (liabilities)					
ba) payable daily		4818532			3474345
bb) subject to an agreed term or period of notice		2579886			4078646
			7398418		7552991
				12084814	11778216
3. Debt securities in issue					
a) bonds issued			591437		643.947
b) other debt securities in issue			—		—
				591437	643947
<i>thereof: money market securities</i>	—				—
<i>acceptances and promissory notes in circulation</i>	—				—
4. Trust liabilities				1198	339
<i>thereof: trust loans</i>	1198				(339)
5. Other liabilities				22416	72517
6. Accruals and deferred income				10407	12455
7. Provisions and reserves					
a) for pensions and related obligations			155684		150878
b) for taxes			11326		—
c) other			114959		126118
				281969	276996
8. Special items including a reserve element				—	—
9. Subordinated liabilities				129	186
10. Profit participating rights capital				—	—
<i>thereof: payable within two years</i>	—				—
11. Fund for usual risks of banking business					
a) subscribed capital			—		—
b) capital reserve			—		—
c) revenue reserve					
ca) contingency reserve		860471			811363
cb) other reserves		—			—
			860471		811363
d) net profit for the year			39923		39787
				900394	851150
TOTAL				15222310	15067344
1. Contingent liabilities					
a) from bills sold and cleared			—		—
b) from guarantees and performance bonds			147712		162388
c) collateral provided for third party liabilities			1812		951
				149524	163339
2. Other obligations					
a) repurchase obligations arising from security sale agreements			—		—
b) obligations arising from placements and underwritings			—		—
c) unqualified loan commitments			547262		539333
				547262	539333

* In order to facilitate representation, the balance sheet figures were rounded to thousand euro units.
Sums calculated by adding rounded single figures may vary slightly from the total sums displayed here.

Income statement 2009*

			1.1. - 31.12.2009	1.1.-31.12.2008
(amounts in thousands of euros)				
1. Interest income from				
a) lending and money market transactions	594214			646693
b) fixed-interest bearing securities and debt register claims	94587			87849
		688801		734542
2. Interest expenses		425617		518208
			263184	216334
3. Current income from				
a) shares and other securities which do not bear a fixed interest rate		21519		(45053)
b) investments		1356		(6398)
c) interests in group undertakings		—		—
			22875	51451
4. Income from profit pools and profit transfer agreements			6152	4753
5. Commissions receivable		80273		(85234)
6. Commissions payable		5903		(6226)
			74370	79009
7. Net financial income or expenses			3017	5773
8. Other operational income			56071	47832
9. Transfers from special tax-allowable reserves			—	—
			425670	405152
10. General administrative expenses				
a) Staff costs				
aa) Wages and salaries	121765			(115990)
ab) social insurance contributions and expenses for pensions and benefits	55998			(52518)
		177762		(168509)
<i>thereof: for pensions</i>	32208			(30233)
b) other administrative expenses		81170		(84199)
			258932	252708
11. Depreciation and amortisation of intangible and tangible fixed assets			23860	13395
12. Other operational expenses			21648	20549
13. Provisions for bad and doubtful debts and depreciation of specific securities		14455		—
14. Reversal of provisions for bad and doubtful debts and appreciation of specific securities		—		(504)
			14455	504
15. Depreciation and amortisation of investments, interests in group undertakings and securities recorded as fixed assets		12341		(41404)
16. Appreciation of investments, interests in group undertakings and securities recorded as fixed assets		—		—
			12341	41404
17. Expenses arising from the transfer of losses			—	—
18. Transfers to special tax-allowable reserves			—	—
19. Profit or loss on ordinary activities			94433	77599
20. Extraordinary income		—		—
21. Extraordinary expenses		—		—
22. Extraordinary profit or loss			—	—
23. Taxes on income and profit		40450		(23792)
24. Other taxes not shown under item 12		760		(770)
			41210	24562
25. Profit for the year			53223	53037
26. Profit/loss brought forward from previous year			—	—
			53223	53037
27. Withdrawals from revenue reserves				
a) from contingency reserve		—		—
b) from other reserves		—		—
			—	—
			53223	53037
28. Allocations to revenue reserves				
a) to contingency reserve		13300		(13250)
b) to other reserves		—		—
			13300	13250
NET PROFIT OF THE YEAR			39923	39787

* In order to facilitate representation, the income statement figures were rounded to thousand euro units. Sums calculated by adding rounded single figures may vary slightly from the total sums displayed here.

