Financial Pages of
Die Sparkasse Bremen AG

Die Sparkasse **Bremen**
Finanzdienstleistung

Report from Bremen

Annual Report
09

General Information

Board of Managing Directors

Jürgen Oltmann
Chairman of the Board of Managing Directors (until 31 January 2009)

Dr. Tim Nesemann
Chairman of the Board of Managing Directors (from 1 February 2009)
Deputy Chairman of the Board of Managing Directors (until 31 January 2009)
Thomas Fürst
Klaus Schöniger
Dr. Heiko Staroßom

Head of International Division

Prof. Dr. iur. Christoph Graf v. Bernstorff,
Executive Vice President

Membership

Member of Berlin/Bremen Stock Exchange, Association of German
Independent Savings Banks (organized under civil law),
Hanseatic Savings Banks Association, German Savings Banks Association

DIE SPARKASSE BREMEN AG

REGIONAL COMMERCIAL
AND FOREIGN TRADE BANK

OUR BANK

Of the 438 savings banks operating in Germany, seven are known as »independent« savings banks. Die Sparkasse Bremen is one of the largest of these independent institutions. Independent savings banks differ from communal savings banks in that they are not subject to German public law. Die Sparkasse Bremen is a bank under civil law. This has various advantages for our bank. First of all, our bank is not subject to any direct government influence. For example, it is not obliged to finance public borrowing. Secondly, our bank's activities are not restricted to the Bremen area. Die Sparkasse Bremen was established by citizens of Bremen in 1825.

»Die Sparkasse Bremen-Gruppe« took on a new structure with the spinning off of banking operations to Die Sparkasse Bremen AG with retroactive economic effect as of 1 January 2004. The economic association, for over 179 years as Die Sparkasse in Bremen a trusted Sparkasse business institution, remains intact and is today doing business as Finanzholding der Sparkasse in Bremen. It holds all shares in the new Die Sparkasse Bremen AG.

Though our bank was named »Sparkasse« (savings bank) and this name has been retained ever since, this banking institution is authorized to provide a complete range of banking and related financial services. It is therefore correct to describe Die Sparkasse Bremen as a privately organized universal bank. This means that our bank is a commercial and savings bank offering all kinds of banking transactions (including commercial banking business) in the city and area of Bremen and all over Germany.

All of our bank's liabilities are covered by the reserve funds, which are held in accordance with section 10 of the German Banking Act. Having been established by Bremen citizens 184 years ago, our bank is today the oldest financial institution in the Bremen market. Uniquely, it is managed by people, which enables it to cope with any specific Bremen issues which may arise. This is also the reason why we are the bank accounting for about two thirds of the domestic market and a large part of the international banking market in Bremen.

Our bank continues to provide financial assistance not only to its personal and corporate customers but also to many charitable, sporting, cultural and educational organizations, with the aim of helping as many people and organizations as possible in the northern part of Germany.

Through its activities, Die Sparkasse Bremen thus performs a major financing role in the City of Bremen. This special place in the Bremen community has been acquired and maintained only through a proven capacity to respond quickly, decisively and creatively to the constantly changing needs of Bremen's entrepreneurs and individuals. This, coupled with an impressive range of services (provided through a dense network of more than 60 branch offices all over Bremen), has enabled our bank to have the highest rate of market penetration of all the financial institutions operating in Bremen. Our bank enjoys a high standing in the international markets and a reputation that has opened many doors to the bank's customers, allowing them to profit from trading and financing arrangements that would otherwise be unattainable.

A focal point of our bank's international success of has been the satisfaction of our customers' specific requirements. Our correspondent banks have played an integral part in our international activities. These are located in most countries of the world, and Die Sparkasse Bremen attaches great importance to the relationships which have been established with these institutions over many years. Bremen, as a seaport, is closely involved in importing and exporting. Our bank therefore supplies all kinds of international banking activities, including international trade financing, document collections, international payment services and foreign exchange dealing.

CITY OF BREMEN

The Free Hanseatic City of Bremen, located on the lower reaches of the River Weser, is an autonomous State of the Federal Republic of Germany, and the country's second largest seaport. Bremen's significance as a major port and trading centre stretches back to the Middle Ages. It was one of the principal cities of the Hanseatic League, and retained its special importance in later centuries. For instance, it was in Bremen that the United States opened its first consulate in Europe. To this day the trading houses in Bremen, rooted in tradition and yet forward-looking as they are, cultivate business contacts with all the major countries engaged in international trade.

Bremen's international outlook is also attested by the representative offices it maintains in Tokyo, Seoul, Taipeh, Manila, Jakarta, Kuala Lumpur, and Singapore, its twinning with the town of Dalian in the People's Republic of China.

At the same time, Bremen is a major industrial centre. Numerous world-famous firms in the aerospace and motor industries, iron and steel production, electrical engineering, shipbuilding, and the food, drink and tobacco industry have their registered offices in Bremen. Universities and research institutes operating in a wide variety of scientific disciplines cooperate with local business enterprises. What is more, Bremen has a comparatively low cost level, a well-developed transport infrastructure and a plentiful supply of well-trained and highly motivated labour. This makes Bremen an attractive location for setting up new enterprises of all kinds.Through its activities, Die Sparkasse Bremen thus performs a major financing role in the City of Bremen. This special place in the Bremen community has been acquired and maintained only through a proven capacity to respond quickly, decisively and creatively to the constantly changing needs of Bremen's entrepreneurs and individuals. This, coupled with an impressive range of services (provided through a dense network of more than 60 branch offices all over Bremen), has enabled our bank to have the highest rate of market penetration of all the financial institutions operating in Bremen. Our bank enjoys a high standing in the international markets and a reputation that has opened many doors to the bank's customers, allowing them to profit from trading and financing arrangements that would otherwise be unattainable.

DIE SPARKASSE BREMEN AG

ANNUAL REPORT 2009

GENERAL ENVIRONMENT
HAS THE FINANCIAL MARKET AND ECONOMIC CRISIS PEAKED?

2009 was an exceptional year, given the financial market and economic crisis triggered in 2007 and considerably intensified during the course of 2008. The crisis peaked early in 2009 to result in a recession for the global real economy, with world trade being most heavily hit. According to estimations by the Organisation for Economic Cooperation and Development, the world trade volume in 2009 declined by 12.5% against that of the previous year. The German economy is extremely export-oriented and suffered considerably in the face of this development. Germany's real exports dropped by 14.7% and strongly impacted the 5% decline in the gross domestic product (GDP). Industries and companies focussing on the domestic market were affected less, with private consumption contributing significantly here.

Initial indications of economic recovery have been gaining momentum since the spring of 2009. Marked reductions in the base rate and exceptional monetary policy measures undertaken by the European Central Bank as well as economic stimulus packages launched by governments involving excess expenditure or reduced revenues to the volume of altogether € 80 billion, of which just over 50 % took effect in 2009, contributed to this development. This will, however, see an alarming rise in the volume of national debt in years to come.

The extremely positive earnings situation of German enterprises prior to the financial market and economic crisis obviously served as a buffer when it came to coping with the severe setback. With unemployment at 8.2 %, the labour market nevertheless proved to be surprisingly robust. The effects of the crisis have so far remained limited. The short-time work model developed its full effect. The real test will, however, come in 2010, when the relevant provisions expire.

Moderate economic recovery is expected to continue in 2010. GDP growth of 1.5 to 2% generally appears to be feasible, with the driving force being the anticipated rise in exports, particularly to emerging markets in Asia and to China.

The development of the economy in Bremen was similar and so are expectations. A survey conducted by the Bremen Chamber of Commerce showed that although there were differences in the situation of various industries, the overall picture was an encouraging one. While the bottom line shows that the current business situation is still not satisfactory, the trend is an upward one, particularly in the areas of industry, exports, transport and services, albeit to a lesser extent in the construction industry and retailing. Positive signals should, however, not be allowed to distort a view for risk, since the financial market and economic crisis does not seem to have reached the labour market in Bremen yet. A dreaded further increase in the number of companies going out of business, involving a rise in losses of receivables is probably still in store.

SAVINGS BANKS SECURE CREDIT SUPPLY

The general public is currently vehemently discussing the alleged credit crunch. Although there may be credit crunches in isolated cases, the locally organised savings banks in Germany - including die Sparkasse Bremen - have managed to come through the financial market and economic crisis without any direct losses, managing to secure credit financing in 2009 too, particularly for their middle-market corporate customers. They were able to gain further market shares in lending business in 2009 while performing this task - a task that is also vital for the economy.

MORTGAGE BONDS – IN GREAT DEMAND

Our internal projects also constitute an investment in the future, beyond the scope of our successful sales and outsourcing activities, with the amendment to the German Mortgage Bond Act in line with the abolition of the mortgage bond privilege prompting us to launch our mortgage bond project. Once a mortgage bond capacity had been established for die Sparkasse Bremen, we issued our first mortgage bonds in 2009. The bonds are popular among institutional investors due to their high degree of granularity and will contribute to reducing our refinancing costs in the long run.

Furthermore, in addition to cost reductions, our internal projects served to further enhance the quality of our services and to comply with rising regulatory and legislative requirements.

DEVELOPMENT OF BUSINESS
BALANCE SHEET TOTAL SLIGHTLY INCREASED

The ongoing effects of the financial market and economic crisis played a key role in 2009. Die Sparkasse Bremen once again held its own in a difficult environment and looks back on a satisfactory accounting period. The balance sheet total was slightly raised by 0.3 % to € 10.9 billion.

Loans and advances to customers increased, while loans and advances to banks decreased.

We used these funds and our liquidity position, which we had intentionally maintained at a comfortable level, to once again invest in our portfolio of securities - in direct investments as well as in investments in funds - in 2009.

In terms of liabilities, customer deposits showed a rising trend towards the end of the year, while liabilities to banks were once again reduced.

LENDING BUSINESS

DEVELOPMENT OF LENDING BUSINESS (IN € MILLION)

	2009	2008	2007	2006	2005
Loans and advances to customers	8,099.1	8,077.4	7,770.1	7,723.3	7,829.3
of which:					
Bills of exchange	0.0	0.0	0.0	0.0	20.7
Short, medium and long-term receivables from customers	7,626.3	7,578.9	7,317.0	7,335.4	7,419.0
of which					
Promissory notes acquired	77.1	229.5	151.7	262.8	262.4
Loans on a trust basis	18.1	18.4	18.8	18.6	19.2
Guarantees and endorsement liabilities	454.7	480.1	434.3	373.3	370.4
Loans and advances to banks	1,064.2	1,648.7	1,955.5	1,127.2	998.5

Aggregated receivables from customers (including promissory notes acquired, loans on a trust basis, guarantees and endorsement liabilities) amounted to € 8.1 billion on 31 December 2009.

DEVELOPMENT OF LENDING BUSINESS WITH CORPORATE AND PRIVATE CUSTOMERS (IN € MILLION)

	2009	2008	2007	2006	2005
Corporate customers*)	5,038.5	4,838.7	4,634.2	4,477.9	4,447.5
Private customers*)	2,601.9	2,631.1	2,699.7	2,773.7	2,918.7

* On the basis of regulatory reported data

Credit business with corporate customers increased once again, by 4.1 % to € 5 billion. This increase is again due to a positive development in investment loans.

Loans to private customers were at the same level as those of the previous year, at € 2.6 billion.

Loans and advances to banks had fallen 35.5 % to € 1.1 billion on the balance sheet date. As in the previous year, savings deposits due payable at banks were not prolonged; instead they were used for investments in the portfolio of securities.

INVESTMENT BUSINESS

DEVELOPMENT OF INVESTMENT BUSINESS (IN € MILLION)

	2009	2008	2007	2006	2005
Liabilities to customers and securitised liabilities	**7,282.5**	**7,173.5**	**7,335.9**	**6,965.4**	**6,736.0**
of which:					
Savings deposits	3,139.8	3,314.9	3,674.2	3,798.4	3,824.8
Savings bank certificates	0.0	0.0	0.0	11.1	20.7
Debt securities	382.2	475.3	441.6	436.9	509.7
Deposits due on demand	2,873.7	2,095.3	2,168.2	1,844.6	1,645.8
Time deposits	886.8	1,288.0	1,051.9	874.4	735.0
Liabilities to banks	**2,541.5**	**2,599.2**	**2,924.4**	**3,004.9**	**3,160.1**

The amount of liabilities to customers and securitised liabilities was raised in the period up to year-end by 1.5 % to € 7.3 billion. The portfolio of savings deposits, business conducted with our own issues and the acceptance of time deposits were reduced against those of the previous year. In contrast, the portfolio of deposits due on demand increased. We consider this development in the portfolio to be mainly due to the low interest rates that prevailed throughout the ongoing financial market and economic crisis and the resulting fundamental reluctance to invest.

Liabilities to banks were reduced in the year under report, by 2.2 % to € 2.5 billion.

BUSINESS WITH SERVICES

In 2009, commission income earned also reflected the trust that our customers have in our service expertise. We reported declining commission in business with securities as a result of the continuing effects of the financial market and economic crisis. The change in our account model also resulted in declining commissions for giro transactions. We were thus not quite able to achieve the record level of the previous year, but our yield, at € 59.1 million, was nevertheless excellent.

DEVELOPMENT OF SERVICES BUSINESS WITH SECURITIES (IN € MILLION)

	2009	2008	2007	2006	2005
Shares and investment certificates	**630.7**	**984.8**	**922.4**	**677.2**	**463.2**
Fixed-interest securities	**376.2**	**307.8**	**204.2**	**146.0**	**198.9**
Own security issues1)	**271.3**	**182.0**	**162.4**	**208.5**	**206.8**

[1] 2009 including mortgage bond issues

While we reported a 22.2 % rise in turnover for business with fixed-interest securities, turnover for shares and investment certificates declined by 40 %. We were able to report a considerable rise of 49.1 % in turnover relating to the sale of our own security issues. This rise was mainly due to the first-time issue of mortgage bonds.

We used the accounting period ended to enquire about the investment goals and risk profiles of our customers and to update these in order to be able to guarantee a consulting service that does justice to investments and to investors.

OWN-ACCOUNT INVESTMENTS IN SECURITIES

The stock markets saw 2009 commencing with cautious optimism. Prices seemed to have stabilised at the end of 2008 after considerable share price losses. The plunge in prices in the first two months of 2009 was all the more dramatic; the German share index dropped by around 25 % to just over 3,600 points. It then started climbing again, to more than 6,000 points at year-end.

Worries about a recession prompted the European Central Bank to undertake exceptional monetary policy measures and to provide the banking sector with sufficient liquidity through tenders, in addition to reducing base rates. The situation on the Interbank money market eased rapidly. The unusually high risk and liquidity premiums that had predominated here were successively revoked. Since the summer of 2009 developments on the money markets have gradually returned to normal.

Die Sparkasse Bremen benefited from this development; the portfolio of investments and the liquidity reserve were significantly increased through the purchase of additional financial and industrial bonds bearing high credit standing bonuses.

In addition to these activities to restructure the own-account investments of die Sparkasse Bremen, selected asset categories in investment funds were increased in 2009, in order to be able to selectively take advantage of earnings prospects. In previous years risk mitigation measures had resulted in considerable reductions in the portfolio of fund exposures.

PARTICIPATING INTERESTS AND SHARES IN AFFILIATED COMPANIES

Our participating interests and shares in affiliated companies were reduced slightly overall to € 217.6 million, with development differing in each case. Reductions exceeded increases by € 8.8 million.

Increases resulted from a capital increase by Deutsche Sparkassen Leasing AG & Co. KG and the increase of our participating interest in center.tv – Heimatfernsehen für Bremen und Bremerhaven GmbH. Capital was also called in within the framework of our participating interests in private equity funds and umbrella funds.

Reductions resulted from the repayment of capital reserves of nwb nordwest Beteiligungsgesellschaft der Sparkasse Bremen mbH and nordwest finanzvermögensberatung Gesellschaft der Sparkasse in Bremen mbH, the partial disposal of our participating interest in Freie Internationale Sparkasse S. A. within the framework of a participation model for their managers and executive staff members as well as from the capital repayments of a private equity fund.

Changes in participating interests were undertaken in terms of strategic and earnings aspects in compliance with our investment strategy. We have concluded profit surrender agreements with most of our subsidiaries.

INVESTMENTS IN FIXED ASSETS

Investments in our future projects are notably reflected in material expenses. Development is essentially characterised by last year's punctual transfer of significant IT applications to Finanz Informatik GmbH & Co. KG, which operates as the computer centre of the Association of Savings Banks and by related cost effects. The transfer of IT applications as well as related process modifications and optimisations will result in more cost reductions in subsequent years. Besides, the cost of comprehensive cooperation with our service providers is reflected in our material costs. These services are predominantly services relating to back office activities in lending and in deposit business as well as in the areas of finances and controlling.

HUMAN RESOURCES AND SOCIAL ISSUES

On 31 December 2009 die Sparkasse Bremen had 1,543 employees (3.9 % fewer than in the previous year), which is equivalent to 1,304 employees extrapolated on a full-time basis. Die Sparkasse Bremen employs 469 part-time and temporary employees. The number of apprentices, at 99, was once again raised over that of the previous year (95).

In 2009 new or foreseeable legal regulations again made considerable demands on our employees, both in terms of consulting services for our customers and in the area of administration. Our offer of professional training and advanced professional training measures in the form of internal company seminars and external seminars ensures that our employees meet these expectations. This is reflected in their high level of training: more than 83 % of our employees are qualified bankers, of which more than 50 % also have additional qualifications as specialised savings bank clerks/ bank officers, graduated savings bank business managers or bank business managers; approximately another 10 % have gained a degree at a university of applied science or a full university.

Our remuneration system is aligned to the collective agreement for private and public-sector banks and is made up of fixed and variable income components. We meet currently valid regulatory requirements.

At the end of 2009 or early in 2010 we cancelled our pension schemes as we wished to newly regulate our company pension plans more in keeping with the times.

We were awarded the »workandfamily« certification for family-conscious enterprises as early as in 2007, subsequent to an audit conducted by the German Hertie Foundation. We continued to enhance the attraction of die Sparkasse Bremen as an employer during the year ended with our efforts to improve reconciliation between work and family life, particularly in the areas of part-time work, parental leave and support for those taking care of relatives.

ASSETS POSITION

DEVELOPMENT OF SELECTED BALANCE SHEET ITEMS (IN € MILLION)

	2009	2008	2007	2006	2005
Loans and advances to banks	1,064.2	1,648.7	1,955.5	1,127.2	998.5
Loans and advances to customers	7,626.3	7,578.9	7,317.0	7,335.4	7,419.0
Securities	1,616.4	1,081.4	1,343.0	1,862.6	1,871.3
Liabilities to banks	2,541.5	2,599.2	2,924.4	3,004.9	3,160.1
Liabilities to customers	6,900.3	6,698.2	6,894.3	6,528.4	6,226.3

Loans and advances to banks were reduced against those of the previous year by € 584.5 million or 35.5 %, which meant that the proportion of loans and advances to banks in the balance sheet total dropped from 15.2 % to 9.8 %. Loans and advances to customers rose over those of the previous year by € 47.4 million, or 0.6 %, and account for 70.3 % of the balance sheet total. Liquidity that became available as a result of the reduction in loans and advances to banks was mainly used to build up the stock of investments in securities, which has increased overall by € 535 million, or 49.5 %. This meant that the proportion of securities in the balance sheet total increased from 10 % to 14.9 %. Available liquidity was also used to repay further liabilities to banks. The portfolio was reduced by € 57.7 million, or 2.2 %. Liabilities to customers showed a contrary development and rose by € 202.1 million, or 3 %, over those of the previous year, which meant that the proportion of liabilities to customers in the balance sheet total rose from 61.9 % to 63.8 %.

The core capital of die Sparkasse Bremen amounted to € 511 million on 31 December 2009. This is equivalent to a capital ratio of 6.9 %. Capital resources amounted to € 755.3 million. The resulting ratio between equity capital and weighted risk assets was 10.3 %, thus constituting an adequate basis for the continued development of business.

Against the background of secured repayment, we valued some of the securities in direct investments and investments in funds in fixed assets in accordance with the mitigated principle of the lower of cost or market.

FINANCES

Our liquidity position, which was already comfortable in 2008, was consciously maintained at this level in 2009; it is also more than sufficient for the following years.

A significant indicator of willingness to pay in the short term is the liquidity ratio in accordance with the German Liquidity Regulation, which shows material liquidity. On average, this liquidity ratio clearly exceeded that of the legally required minimum standard.

Our annual standing credit balance at the German Federal Bank for the purpose of complying with minimum reserve regulations averaged € 125.1 million.

The aggregated amount of cash reserves, loans and advances to banks and debt securities and other fixed-interest securities was € 2.3 billion on the balance sheet reporting date.

This comfortable liquidity position as well as the instruments for liquidity management, which we supplemented in 2009, will also ensure our liquidity in future.

EARNINGS

DEVELOPMENT OF SELECTED BALANCE-SHEET ITEMS (IN € MILLION)

	2009	2008	2007	2006	2005
Net interest income [1]	202.9	212.4	208.3	221.0	239.2
Net commission income	59.1	59.8	59.1	55.8	55.8
Net income from financial and investment banking transactions	2.1	-2.1	3.6	1.3	2.2
Staff expenses	114.8	124.3	106.4	119.3	113.8
Materials expenses [2]	104.8	112.9	105.7	95.1	79.0
Administrative expenses [2]	219.6	237.2	212.1	214.4	192.8
Result of evaluation	-38.2	-48.6	-65.3	-66.1	-92.0
Earnings-related taxes	2.4	-1.9	0.3	-1.2	6.8
Profit for the year	12.7	2.2	10.5	15.1	13.7
Dividends	0.0	0.0	0.4	0.5	1.1
Allocation to reserves	12.7	2.2	10.1	14.6	12.6

[1] Including current income from securities and participating interests as well as income from profit pooling, profit transfer and partial profit transfer agreements
[2] Including depreciation

Earnings are shown on the basis of commercial figures. Interim planning and controlling is conducted in accordance with economic principles. Both approaches are at all times mutually compliant. While the economic approach to the system employed by the German savings bank and giro association complies with the inter-company comparison and the exchange of know-how of the major savings banks, the method of commercial reporting we apply also enables us to conduct comparisons with private-sector banks.

The development of earnings in 2009 was again significantly affected by the impact of the global financial market and economic crisis. Despite a negative environment, we were – as we had forecast – pleased to achieve a profit for the year that exceeded that of the previous year and was also slightly above projections.

As expected, net interest income decreased against that of the previous year by 4.5 %, or € 9.5 million. However, at € 202.9 million, it far exceeds the planned income figure. This is mainly due to income realised from term transformations. A reduction in liabilities to banks and low interest rates furthermore reduced interest expenses. While interest income decreased by € 122.9 million to € 467 million, we also reported a reduction in interest expenses (including the balanced net interest income resulting from derivatives) of € 113.4 million, to € 264.1 million. This is a satisfactory result, particularly when one considers that the dramatic course of the persistent financial market and economic crisis lead to distortions on money markets and capital markets. As in previous years, net interest income includes income and expenses from a reduction in interest rate swaps which served the purpose of controlling the interest-rate book.

Commission income earned also reflected the trust that our customers have in our service expertise in 2009. We reported declining commission in business with securities as a result of the continuing effects of the financial market and economic crisis. The change in our account model also resulted in declining commissions for giro transactions. We were thus not quite able to achieve the record level of the previous year, but our yield, at € 59.1 million, was nevertheless excellent.

Despite the ongoing financial market and economic crisis, we were able to counteract the negative development of the previous year for net income from financial and investment banking transactions and achieve a positive contribution to income in 2009.

Staff expenses were reduced against those of the previous year by 7.6 % or € 9.5 million, to € 114.8 million. This is mainly due to a drop in the number of staff as a result of natural fluctuation as well as to the fact that the anticipated results of collective bargaining agreements for private and public-sector banks relating to wage and salary increases and pension payments were lower than had been expected in 2009. At the end of 2009 or early in 2010 we cancelled our pension schemes as we wished to newly regulate our company pension plans more in keeping with the times. At the same time we initiated measures to stabilise our staff expenses.

Materials expenses were reduced against those of the previous year by 7.1 % or € 8.1 million, to € 104.8 million. This development is mainly the result of a non-recurring cost effect from the previous year in connection with the outsourcing of IT applications carried out in 2008.

Administrative expenses in general have thus developed positively, as expected.

In the year under report the cost-income ratio was 80.7 % (previous year 82.7 %).

In spite of persistent negative effects from the financial market and economic crisis, we were able to report a generally positive development for the result of evaluation in 2009.

Signs of recovery on capital markets were reflected in the securities division. Our system of active risk management, which had in previous years prompted us to reduce our risk items particularly in our special funds portfolio, also paid off here.

The result of evaluation in the lending division showed a positive development against that of the previous year and was only slightly ahead of projections, despite a negative general economic environment.

Risk provisions in the investment division are characterised by revaluations in the investment portfolio.

Return on equity before taxes derived from the development of earnings amounted to 2.9 % (previous year 0.1 %).

Earnings-related tax expenses amounted to € 2.4 million.

The profit for the year increased over that of the previous year by € 10.5 million, to € 12.7 million. This profit is to be allocated to retained earnings in order to further reinforce capital.

SUPPLEMENTARY REPORT

There were no occurrences of any special significance that needed to be reported on subsequent to closure of the 2009 accounting period.

RISK REPORT

The success of banking operations is to a great extent contingent on risks taken. Consciously taking risks and controlling these risks hence has a direct effect on the measure of success achieved and is essential for generating an adequate yield.

Risks are always taken and controlled on observation of two aspects of risk strategy: the first aspect is that there must be sufficient legal capital available; secondly, an adequate yield must be expected.

Given the current general economic framework, active risk and portfolio management in lending business is a central element in ensuring sustained success and the continued existence of the company.

In its system of risk management, die Sparkasse Bremen distinguishes four type of risk in banking and business activities. These include the risk of a borrower defaulting (including investment risk), market price risk (including the risk of changes in interest rates), liquidity risk and operational risk. Risks resulting from fluctuations in earnings which may be caused by changes in business volumes or in margins (business risks) are taken into account in other types of risk as significant sub-components.

OVERALL BANK MANAGEMENT

The overall bank and risk management approach of die Sparkasse Bremen, which is aligned to the requirements of the business model, is based on the following principles.

The Board of Managing Directors bears overall responsibility for the regular monitoring of all the risks and reviews the risk strategy at least once a year. This strategy is the guideline to be followed by all the divisions and in addition to the current risk situation, it is regularly discussed with the Supervisory Board.

In this case the Chairman of the Board of Managing Directors, among other responsibilities, is in charge of strategic planning, overall bank management and risk management.

Die Sparkasse Bremen has an institutionalised procedure in place, in which all the significant organisational units of the savings bank are integrated for the purpose of strategic and operative planning. Responsibility for the coordination of all the strategic planning activities lies with the Corporate Development and Management Unit. Strategic planning is reviewed every year here and is resolved by the Board of Managing Directors.

On the basis of the strategic planning foundation, these results are broken down for the individual divisions, further detailed by these divisions and then verified. In 2009, the content of this overall process was worked through and further substantiated by the divisions involved in order to be able to use the extended possibilities resulting from IT migration for an integrative, higher-quality system of overall bank management covering all the aspects of such management. Monthly target/actual comparisons in the Overall Bank Management Committee ensure that deviations in operative planning are identified early and in good time and that necessary counter-control measures are initiated.

The Overall Bank Management Committee also conducts preparatory work for decisions to be taken on fundamental issues such as strategy, risk guarantee funds and risk limits. Here the activities of the Overall Bank Management Committee are based on the results produced by the Treasury and Credit Risk Control committees.

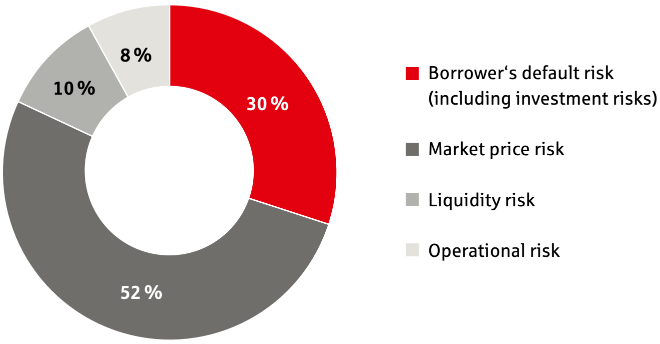
The integrated risk management system regulates the structural and procedural framework for controlling and monitoring risks. It constitutes a significant component of overall bank management, which also includes the outsourced divisions.

At die Sparkasse Bremen, risk processes are the responsibility of the Corporate Development and Control or Credit Management units. They are responsible for the methods relating to all the issues relevant to risk, the monitoring of risk and the reporting system, with the development of methods and the drawing up of reports being carried out by the Risk Control department at NRS Norddeutsche Retail-Service AG upon agreement with and on the instructions of die Sparkasse Bremen. Depending on the dynamics of individual risk types, monthly reports that are custom-made for the different addressees are always made on the development of all the risks in the Group Board of Managing Directors or in the committees responsible, thus enabling risk to be recognised and managed at an early stage and supporting local risk management in the various divisions.

The core element of risk reporting is the monthly risk reports and the quarterly credit risk reports, in which statements relevant to management concerning the development of available risk cover potential, risk capacity, the development of the loan portfolio and the scope and development of risk provisions are summarised.

The fundamental aim of our risk management system is to be able to secure the ongoing financial viability of risks taken. The concept for regularly monitoring the guarantee fund and risk exposures ensures that the risk-bearing capacity of the bank is guaranteed at all times on the basis of an economic and an income statement-related control cycle. Business aspects are focussed on here and external risk-bearing capacity requirements are taken into account as stringent constraints. The limit system is aligned towards the potential to cover risk in economic terms. To this purpose the overall risk determined across all the types of risk is regularly compared with available value-based reported capital on consideration of withdrawable silent reserves. Overall risk constitutes aggregated, unexpected losses incurred in a given year, which under normal market conditions and at a probability rate of 99.9 %, would not be exceeded. When aggregating the different types of risk, risk-mitigating correlations are not taken into account beyond this scope.

ALLOCATION OF RISKS AT DIE SPARKASSE BREMEN AS AT 31 DECEMBER 2009



We supplement our regular risk-measurement activities with the ongoing analysis of individual stress tests, scenarios and concentration risks in individual cases. This helps us to better asses the possible effects of rare and at the same time potentially serious events and market disruptions for die Sparkasse Bremen. With the help of these stress tests we are able to determine the necessity to derive control measures at full bank and sub-portfolio levels at an early stage.

In its endeavour to achieve an optimal control system for profitability, risk and liquidity, die Sparkasse Bremen permanently develops and improves its instruments relevant to control.

SUMMARISED PRESENTATION OF THE RISK SITUATION

An effective risk management and controlling system is employed for any risks which may significantly influence the assets, financial or earnings position of the bank.

In view of the current money market and capital market developments, supplementary individual analyses were carried out on selected exposures, portfolios and items.

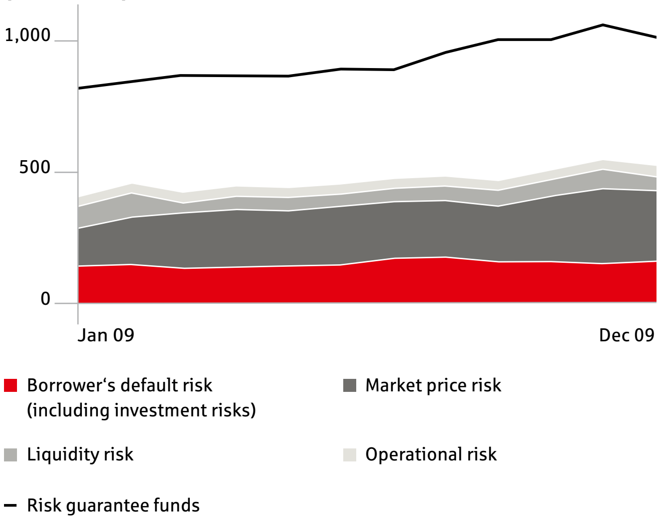
Risks relating to the future development of the bank which could put its future existence at risk are monitored with a comprehensive early warning system and supervised with regular stress test analyses. Risks were not discernible, even after the risk Inventory had been conducted. In 2009 a risk-bearing capacity was given at all times in both steering committees. This also included the results of all the individual stress tests.

The available potential to cover all risks has also once again risen considerably subsequent to declines in the previous year.

On an annual average, the aggregate of all the cash-value risks was significantly less than the risk guarantee funds available. In order to back up the scheduled extension of the interest-rate risk, risk capital was also slightly raised at the end of the year.

ACTUAL RISKS

(in € Million)



The ratio between recognised equity capital and the sum of weighted risk-bearing assets and risks resulting from market risk items (previously Principle I) also clearly exceeded the minimum of 8.0 % stipulated by the bank regulatory authorities at a total of 10.3 % as at 31 December 2009.

Solvency coefficient (previously Principle I)	31.12.2009	31.12.2008	31.12.2007
Overall ratio	10.3 %	10.9 %	10.9 %

In the course of the financial market and economic crisis, financing conditions on money and capital markets have improved perceptibly after a phase of stabilisation in the period up to mid-year 2009. However, other risks and negative effects for the financial system or in consequence for the real economy cannot be ruled out for 2010 either. We have taken account of this situation by continuing to pursue a cautious risk policy. At the same time, chances that presented themselves on capital markets were taken up through restructuring the portfolio of own own securities while maintaining a stable liquidity situation and the risk-bearing capacity of die Sparkasse Bremen.

The minimum requirements for risk management (MaRisk) were reviewed in a reaction of the bank regulatory authorities to the financial market and economic crisis. The revised MaRisk requirements entered into force on 14 August 2009.

The amendment to MaRisk also in some cases necessitated an updating of the risk management system of die Sparkasse Bremen. After examining the new regulatory requirements, a corresponding project serving the purpose of meeting the new requirements was launched in October 2009. The preparation and implementation of fundamental decisions had been concluded by the end of 2009. In compliance with regulatory deadlines, the system is to be further improved during the course of 2010.

The following presents more information on the risk management and controlling systems as well as on the risk situation of individual types of risk.

COUNTERPARTY DEFAULT RISK

We understand counterparty default risk to be the risk of a decline in the value of a loan or a financial instrument if a business partner defaults or if the credit rating of a business partner deteriorates and the resulting risk that capital made available will not be repaid or will only be partly repaid.

In order to quantify economic credit risk at portfolio level, methods and procedures developed by the savings bank financial group are implemented to enable an integrated review of counterparty default risk throughout die Sparkasse Bremen. This value-at-risk (VaR) procedure applied on the basis of a credit portfolio review enables a portfolio-oriented calculation to be carried out followed by a corresponding ascertainment of the utilisation of risk guarantee funds within the scope of inspecting borrower's default risks at full-bank level. This ensures that a suitable quantifying approach in alignment with market price risks is in place for the purpose of calculating counterparty default risk.

In support of the strategic alignment of die Sparkasse Bremen and in order to secure its existence in the long term, lending business is controlled in terms of yield and risk in the credit management unit and in the credit risk control committee. The current concept for limiting and controlling borrower's default risks was also revised at the end of the year. The quota system currently in place for certain business divisions (e.g. loans for wind energy plants, photovoltaic plants and ships) was expanded here. Moreover, new rating and volume related ceilings for project financing and special systems for measuring concentrations were implemented. This information and other information on the significant structural features of the loan portfolio is given in a quarterly credit risk report. The reports are intended for the management and for the Credit Committee and the Credit Risk Control Committee.

For many years now, die Sparkasse Bremen has been employing different rating procedures for corporate and for private customers as a significant instrument for assessing creditworthiness in lending business in order to ensure that risks are adequately estimated. This involves employing different Savings Bank Financial Group methods in order to determine the individual credit rating of each customer. In addition to the current customer scoring, standard rating and real-estate business rating methods and the rating method for special customer segments in business with corporate customers (project financing, leasing, banks and corporates), another element, a system of customer compact rating, was implemented for customers with no current account in 2009. We thus have suitable credit rating assessment methods in place for our standard customer segments and for most of our special customer segments.

Decision-making authority for the approval of individual credits is graduated according to credit volume and risk content. In the case of certain criteria, additional risk assessment in the form of a vote taken independently of the market division becomes obligatory. The Credit Committee of die Sparkasse Bremen decides on whether or not to take up significant risks, since this committee, as the top loan approval body, is part of the Supervisory Board.

We put employees with special know-how in a unit which is independent of the market division to supervise credit exposures which are at risk (intensive consulting) or credit exposures requiring debt readjustment (debt readjustment).

Investment risk, as a special form of counterparty default risk, is monitored and controlled with the help of an independent participation controlling and reporting system which is applied at regular intervals.

Die Sparkasse Bremen operates several early warning systems in order to identify risks in lending business and trading transactions conducted with customers in good time. The application used for lending business conducted with customers is the IntensPro application. In the course of the financial market and economic crisis this was supplemented with the implementation of a new, market data-based early warning system in the trading division in 2009.

Die Sparkasse Bremen has set up a project for the further development of the active credit portfolio management system already anchored in the system of credit management. The aim here is to use traditional and derivative risk transfer instruments to reduce concentrations of borrower's default risk and to invest the resulting released risk capital in risk assets again in order to generate profits. This means that not only capital employed, but notably also the scope for business with corporate customers can be optimised and increased while at the same time limiting individual risks and portfolio risks. In the project, the methods of measuring risk concentration, for defining potential for reducing borrower's default risk, for investments relating to overall business and for monitoring the performance of a portfolio are being refined, the catalogue of risk protection instruments is being completed and the organisation of the management is being adapted to the optimised control possibilities.

MARKET PRICE RISK

We consider market price risk to be the risk of impairment to financial instruments due to fluctuations in market parameters such as interest rates, share prices and foreign currencies.

The Board of Managing Directors stipulated risk limits for die Sparkasse Bremen market price risks. Compliance with these risk limits is monitored by the risk control department on every stock-exchange trading day. Future potential losses are limited by a risk limit with which the overall risk of items which carry market price risks is measured in accordance with the value-at-risk method (VaR). The VaR (confidence level of 99.9 % and holding period of 250 days) of all the market price risk items was below the allocated risk limit in 2009 and recovered again somewhat in the fourth quarter due to measures implemented to increase term transformation.

Daily back-testing is carried out on the trading portfolio in order to check the VaR risk model. The results of back testing, also retrospectively for 2009, show that the model used and the corresponding parameters are appropriate.

Extreme fluctuations on the commercial market are also simulated with the help of regularly-conducted stress tests.

The interest-rate book of die Sparkasse Bremen is separately controlled and monitored due to its significance. This is carried out in an institutional procedure by the Treasury Committee, with the support of the Treasury and Risk Control divisions. The Treasury Committee also resolves on the in-house interest-rate estimation and on measures to control market-price risk within the specified limits.

In a standard introduction procedure conducted by Finanz Informatik GmbH & Co. KG, the standard software package »Integrated Interest Rate Book Controls Plus« was put into use at die Sparkasse Bremen. This application system combines the present value approach to interest rate book controlling and the periodic statement of income method of controlling.

We apply a semi-active strategy for controlling the interest-rate book. The strategy focuses on a benchmark (moving 10-year average) and permits an active present-value control of the interest-rate book by the Treasury Committee within a target corridor.

LIQUIDITY RISK

We understand liquidity risk to be the risk that payment obligations due payable cannot be met or cannot be fully met.

These risks are controlled by die Sparkasse Bremen both within the framework of liquidity planning and management and through compliance with the liquidity index in accordance with the German Liquidity Regulation.

Furthermore, liquidity at risk is calculated and compared with a liquidity schedule (liquidity ladder) once a month in order to enhance the transparency of the short-term liquidity risk and the current liquidity situation at die Sparkasse Bremen. The diversification of the capital structure is also analysed on a quarterly basis.

Insofar as they may be relevant to assessing the situation or the future development of die Sparkasse Bremen, risks resulting from fluctuations in payment flows are implicitly dealt with in the respective types of risk. Thus any fluctuations in payment flows relating to financial instruments bearing variable interest rates are included in the system of interest-rate book management, while varying payments through customer disposals in short-term liquidity management are controlled by the Treasury Division. Furthermore, the general effects of rating migrations and shortages of liquidity on trading transactions in particular are simulated.

In addition to this, a project for updating and expanding the system of liquidity management was launched in 2009 to optimally handle dispositive and structural liquidity risk from the point of view of regulatory and economic aspects. Moreover, in addition to an extended liquidity risk strategy and a distinctively increased number of stress tests, the current contingency plan for an efficient management of liquidity risk even in difficult market situations was revised. The supplementary regulatory requirements have already all been taken into account.

In further backing up the entire system of liquidity management, the requirements for implementing an extended standard application will also be intensively examined in 2010 in order to be able to continue to benefit from available potential for improvement of the management, also from an economic point of view.

The liquidity index according to the Liquidity Regulation was more than double the required minimum standard at the end of 2009, thus reflecting our stable liquidity situation.

Liquidity regulation (previously Principle II)	31.12.2009	31.12.2008	31.12.2007
Overall ratio	2.15	2.13	1.75

OPERATIONAL RISK

We refer to operational risk as the risk of incurring losses as a result of the inadequacy or the failure of internal procedures, of employees, of the internal infrastructure or as a result of external influences.

For the management of operational risk, die Sparkasse Bremen uses the concepts and software developed in the German Association of Savings Banks and Giro Banks (Deutsche Sparkassen- und Giroverband) in cooperation with many savings banks. In addition to the general basic concepts, this includes a loss event database as well as the methods applied for an annual inventory of risks and of the risk map carried out every two years. A central performance management system is also in place and regular risk monitoring is carried out in the Corporate Development and Control unit, in which all the significant outsourcing measures are integrated for the purpose of controlling current service relationships and outsourced bank-related and dp functions. The system is continuously improved in the sense of a modern service provider management system. This service management system is supplemented with an annual risk analysis covering significant outsourcing which is carried out within the scope of the regular investment control system.

Operational risks are identified and assessed in the risk inventory and in the risk map on the basis of structurally prepared scenarios. As a supplementary assessment of operational risk, an analysis of special risks from out-house divisions is carried out within the scope of a focused risk map in order to further improve service provider management under risk aspects too.

The loss event database serves to systematically record losses incurred as a result of operational risk and to record follow-up measures. As in previous years, in 2009 actual losses resulting from operational risk were clearly below the amount reserved for verifying the risk-bearing capacity of the bank. According to all the information available, the risk inventory did not reveal any operational risks for die Sparkasse Bremen and its subordinated companies that would put their existence at risk in 2009.

The divisions are responsible for the valuation and control of the results determined with all the methods. They decide on the implementation of limiting and improvement measures, while at the same time taking account of cost and efficiency aspects. If a management decision involves the initiation of a measure, this measure (if it is sufficiently significant) will be integrated into the planning process at die Sparkasse Bremen.

Legal risks, as a part of operational risk, are reduced in a thorough examination of the basic contractual principles and the use of widely used, legally certified standard contracts.

Information and reliable processes are central resources in ensuring the success of business conducted in the area of financial services. Die Sparkasse Bremen makes good use of the technical possibilities available for processing information in order to ensure that its business processes are highly efficient. The aim of the contingency and safety architecture is thus to comprehensively protect die Sparkasse Bremen and its customers in terms of all the relevant risks with a combination of organisational, staff-related, technical and structural measures. This serves to secure the availability, integrity, confidentiality and binding nature of information and processes and to limit the magnitude of potential losses.

Contingency tests carried out and the emergency manuals and security guidelines available all define this ambitious aim and requirements for security management at die Sparkasse Bremen, its subsidiaries and its external service providers.

FORECAST REPORT

In the following we report on the expected development of die Sparkasse Bremen in the current and the coming accounting period. Our forecast is based on our current expectations and assumptions, which are in turn based on generally anticipated overall economic development, our operative planning, our medium-term earnings projection and yearlong experience.

We presume that the general economic situation will remain tense in 2010 and 2011. We expect to see initial signs of economic recovery as the global financial market and economic crisis persists. Sustainable development here nevertheless involves uncertainty, in particular concerning monetary stability in the euro area. As in the previous year, we took account of this expectation in a somewhat conservative planning approach. However, any statement on future occurrences in itself bears the risk of developments effectively being quite different.

Despite the fact that the general economic environment is still expected to be negative, we nevertheless presume that the volume of lending business transacted with customers will increase moderately, particularly in the case of corporate customers and private customers, with the launch of the new real-estate centre. We believe that any considerable chance for growth will be diminished by the aggravated risk situation we expect to see in the medium term. We will essentially continue to maintain stringent control over risk aspects relating to lending business as we have done in the past in order to guarantee the effective control and monitoring of the result of our evaluation.

In the current year, we plan to maintain the strategy commenced in 2009 of using available liquidity particularly for reducing expensive long-term liabilities to banks.

In deposit business we see a slight decline in the volume of customer deposits, particularly in the case of call money and fixed deposits. This assessment is based on the assumption that the economic growth anticipated will initially be financed more from deposits.

Given these scheduled or expected developments in volumes and portfolios and the measures already undertaken in 2009 with a medium-term effect on investments in securities, we expect interest income to perform positively, despite the fact that interest rates are still expected to remain low.

For net commission income we see further potential for growth this year and in the following year, particularly as a result of a positive development in commission income from securities due to initial indications of economic recovery and a related end to consumer caution.

We see potential additional chances beyond these expected developments, provided that the establishment of our implemented and scheduled sales measures (real-estate centre and asset management services) turns out to be better than expected. Additional risks may essentially occur if economic development proves to be weaker than anticipated and if the resulting forecast for the general environment does not come into being. However, we do make sure that we respond to risks relating to interest and commission income that arise in the event of deviations from an anticipated general environment with regular scenario analyses. We thus stabilise the informative value of our projected data.

We expect to see more cuts in administrative expenses in the years to come, one of the reasons being cost cutting projects that have already been scheduled. In addition to a continued decrease in staff expenses, which we mainly expect to see on the basis of a natural fluctuation due to process optimisations that are to be implemented, process improvements relating to the outsourcing of IT applications that we implemented in 2008 will also have a positive effect on materials expenses, as will cost-cutting effects from cooperation with our service providers. We also expect the measures we initiated in 2009, including those to newly regulate our company pension plan, to result in a sustainable reduction in staff expenses.

The cost-income ratio will be at around 78 % in 2010.

Concerning the result of evaluation in lending business, we presume that in the long term the effects of the financial market and economic crisis will weaken perceptibly. On the basis of the ongoing negative economic environment and a conservative estimation, we expect the result to exceed that of the previous year in 2010 and 2011. In our opinion, no notable encumbrances are to be expected from the result of evaluation of business with securities in the coming few years. The reduction of our risk items for investments in special funds in a system of risk-related management that we implemented in previous years will notably have a sustained positive effect here. Die Sparkasse Bremen will continue to ensure that its direct and special fund investments always show a balanced risk structure.

On the basis of the aforesaid developments, we expect our profit for the year in 2010 to match that of the previous year. We presume that the profit for the year will rise in 2011. Return on equity will consequently also stabilise in the following years.

FINAL STATEMENT

We have prepared a report on relationships with affiliated companies in accordance with § 312 of the German Companies Act (AktG). This report closes with the following statement: »In accordance with § 3 of the German Companies Act we, the Board of Managing Directors of Die Sparkasse Bremen AG, Bremen, declare that, in accordance with circumstances known to us at the time of conducting a legal transaction or implementing a measure or refraining from conducting such a legal transaction or implementing such a measure, the institute received adequate consideration for each legal transaction conducted with an associated company or for each legal transaction conducted on behalf of or in the interest of such a company and that we were not disadvantaged by the implementation or non-implementation of such a measure in the 2009 reporting period.

Bremen, March 2010

The Board of Managing Directors

DIE SPARKASSE BREMEN AG

ANNUAL ACCOUNTS

ANNUAL BALANCE SHEET AS AT 31 DECEMBER 2009

ASSETS	€	€	€	€	Previous year €thousand
1. Cash reserve					
a) Cash on hand			71,982,061.91		73,291
b) Balances with central banks			104,205,103.55		36,910
Of which: with »Deutsche Bundesbank«	*104,205,103.55*				*36,910*
				176,187,165.46	**110,201**
2. Debt instruments of public authorities and bills of exchange authorised for refinancing at central banks					
a) Treasury bills and non-interest bearing treasury certificates and similar public-sector debt instruments			–.–		–
Of which: eligible for refinancing at »Deutsche Bundesbank«	–.–				–
b) Bills of exchange			–.–		–
Of which: eligible for refinancing at »Deutsche Bundesbank«	–.–				–
				–.–	**–**
3. Loans and advances to banks					
a) due on demand			396,166,237.24		579,256
b) other receivables			668,021,319.55		1,069,485
				1,064,187,556.79	**1,648,741**
4. Loans and advances to customers				**7,626,303,506.00**	**7,578,904**
Of which:					
secured by mortgage liens	*3,210,476,584.71*				*2,856,402*
public sector loans	*149,498,456.21*				*231,220*
5. Debt securities and other fixed-interest securities					
a) Money-market instruments					
aa) issued by public-sector borrowers		–.–			–
Of which:					
eligible to serve as collateral with »Deutsche Bundesbank«	–.–				–
ab) issued by other borrowers		–.–	–.–		30,825
Of which:					
eligible to serve as collateral with »Deutsche Bundesbank«	–.–				*30,825*
b) Bonds and debt securities					
ba) issued by public-sector borrowers		87,707,237.99			75,877
Of which:					
eligible to serve as collateral with »Deutsche Bundesbank«	*87,707,237.99*				*75,877*
bb) issued by other borrowers		959,394,676.77	1,047,101,914.76		640,121
Of which:					
eligible to serve as collateral with »Deutsche Bundesbank«	*916,796,172.07*				*594,824*
c) Debt securities issued by the institute itself			17,789,005.86		18,245
Nominal amount	*17,662,000.00*				*18,156*
				1,064,890,920.62	**765,068**
6. Shares and other variable-yield securities				**551,555,186.40**	**316,363**
7. Participating Interests				**119,871,033.48**	**121,420**
Of which:					
in banks	*6,276,044.42*				*10,344*
in financial institutions	*3,337,083.63*				–
8. Shares in affiliated companies				**97,734,259.43**	**104,961**
Of which:					
in banks	*12,792,146.26*				*12,861*
in financial institutions	–.–				–
9. Assets held in trust				**18,937,331.75**	**19,187**
Of which:					
loans on a trust basis	*18,123,994.19*				*18,374*
10. Equalisation claims against the public sector including debt securities from their exchange				**–.–**	**–**
11. Intangible assets				**4,299,839.45**	**6,348**
12. Property and equipment				**98,484,778.04**	**105,422**
13. Other assets				**23,457,332.74**	**38,456**
14. Prepaid expenses				**4,092,571.51**	**2,305**
Total assets				**10,850,001,481.67**	**10,817,376**

EQUITY AND LIABILITIES	€	€	€	€	Previous year €thousand
1. Liabilities to banks					
a) due on demand			102,722,187.91		58,324
b) with an agreed term or notice period			2,438,799,191.35		2,540,859
				2,541,521,379.26	**2,599,183**
2. Liabilities to customers					
a) Savings deposits					
aa) with an agreed period of notice of three months		2,730,906,418.91			2,415,452
ab) with an agreed period of notice of more than three months		408,913,943.80	3,139,820,362.71		899,496
b) Other receivables					
ba) due on demand		2,873,711,325.63			2,095,288
bb) with an agreed term or notice period		886,777,131.48	3,760,488,457.11		1,287,976
				6,900,308,819.82	**6,698,212**
3. Securitised liabilities					
a) Issued debt securities			217,727,996.56		347,735
b) Other securitised liabilities			–.–		–
Of which:					
money-market instruments	–.–				–
issued by the institution itself and promissory notes in circulation	–.–				–
				217,727,996.56	**347,735**
4. Liabilities held in trust				**18,937,331.75**	**19,187**
Of which:					
loans on a trust basis	*18,123,994.19*				*18,374*
5. Other liabilities				**32,381,529.91**	**50,883**
6. Deferred income				**5,754,801.89**	**6,847**
7. Provisions					
a) Provisions for pensions and similar obligations			241,050,817.00		248,846
b) Tax provisions			1,608,615.00		1,596
c) Other provisions			49,750,686.96		43,352
				292,410,118.96	**293,794**
8. Special account with reserve characteristics				**–.–**	**–**
9. Subordinated liabilities				**164,498,729.20**	**127,587**
10. Participatory capital				**137,000,000.00**	**147,226**
Of which:					
due within two years	*80,000,000.00*				*85,226*
11. Equity					
a) Issued capital					
aa) Issued capital		370,000,000.00			370,000
ab) Silent participations		53,000,000.00	423,000,000.00		53,000
b) Capital reserves			47,041,959.68		47,042
c) Retained earnings					
ca) Legal reserve		–.–			–
cb) Reserve for the bank's own shares		–.–			–
cc) Statutory reserves		–.–			–
cd) Other retained earnings		56,679,671.66	56,679,671.66		54,524
d) Accumulated profits			12,739,142.98		2,156
				539,460,774.32	**526,722**
Total equity and liabilities				**10,850,001,481.67**	**10,817,376**
1. Contingent liabilities					
a) Contingent liabilities under rediscounted and settled bills of exchange			–.–		–
b) Liabilities from guarantees and indemnity agreements			454,705,921.17		480,056
c) Liability from the provision of collateral for third-party debts			–.–		–
				454,705,921.17	**480,056**
2. Other obligations					
a) Obligation to repurchase from sales with an option to repurchase			–.–		–
b) Placement and underwriting obligations			–.–		–
c) Irrevocable credit commitments			314,201,435.01		442,487
				314,201,435.01	**442,487**

INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2009

	€	€	€	€	Previous year €thousand
1. Interest income from					
a) Lending and money market transactions		416,595,850.27			513,329
b) Fixed-interest securities and book entry securities		26,966,279.15	443,562,129.42		35,689
2. Interest expense			264,057,479.23		377,450
				+179,504,650.19	**+171,568**
3. Current income from					
a) Shares and other variable-yield securities			18,830,097.57		27,905
b) Participating interests			1,513,384.64		3,450
c) Shares in affiliated companies			2,092,486.57		5,187
				22,435,968.78	**36,542**
4. Income from profit pooling, profit transfer and partial profit transfer agreements				**1,004,250.85**	**4,270**
5. Commission income			65,416,171.31		65,902
6. Commission expense			6,271,829.03		6,123
				+59,144,342.28	**+59,779**
7. Net income or net expenditure from financial and investment banking transactions				**+2,133,043.29**	**-2,087**
8. Other operating income				**22,489,988.01**	**24,308**
9. Income from the reversal of special account with reserve characteristics				**–.–**	**–**
10. General administrative expenses					
a) Staff expenses					
aa) Wages and salaries		80,267,257.40			78,171
ab) Social contributions and expenditure on pension schemes and other benefits		34,559,955.58	114,827,212.98		46,084
Of which: for pension schemes	*22,054,131.08*				*33,853*
b) Other administrative expenses			94,533,737.59		102,194
				209,360,950.57	**226,449**
11. Amortisation and write-downs of tangible and intangible assets				**10,272,578.43**	**10,685**
12. Other operating expenses				**11,606,458.08**	**6,425**
13. Write-downs of and value adjustments to claims and certain securities and allocations to provisions for lending business			34,482,356.05		4,955
14. Income from write-ups of claims and certain securities and reversal of provisions for lending business			–.–		–
				-34,482,356.05	**-4,955**
15. Write-downs of and value adjustments to participating interests, shares in affiliated companies and securities treated as fixed assets			3,735,765.19		43,667
16. Income from write-ups of participating interests, shares in affiliated companies and securities treated as fixed assets			–.–		–
				-3,735,765.19	**-43,667**
17. Expenses on assumption of losses				**1,500,218.43**	**1,446**
18. Allocations to special accounts with reserve characteristics				–.–	**–**
19. Profit (loss) on ordinary activities				**+15,753,916.65**	**+753**
20. Extraordinary income			–.–		–
21. Extraordinary expenses			–.–		–
22. Profit (loss) on extraordinary activities				**–.–**	**–**
23. Taxes on income and earnings			2,408,534.67		-1,935
24. Other taxes			606,239.00		532
				3,014,773.67	**-1,403**
25. Profit (loss) for the year				**12,739,142.98**	**2,156**
26. Profit/loss brought forward from the previous year				**–.–**	**–**
27. Withdrawals from capital reserves				**–.–**	**–**
28. Transfer from retained earnings					
a) from the legal reserve			–.–		–
b) from the reserve for the bank's own shares			–.–		–
c) from statutory reserves			–.–		–
d) from other revenue reserves			–.–	**–.–**	–
29. Transfer to retained earnings					
a) to the legal reserve			–.–		–
b) to the reserve for the bank's own shares			–.–		–
c) to statutory reserves			–.–		–
d) to other revenue reserves			–.–	**–.–**	–
30. Unappropriated retained earnings				**12,739,142.98**	**2,156**

NOTES

I. ACCOUNTING POLICIES

We have prepared our annual accounts in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch), the German Companies Act, accounting regulations for financial institutions and our statutes. In accordance with § 340 i of the German Commercial Code in conjunction with § 296 Paragraph 2 of the German Commercial Code, no sub-consolidated accounts were prepared, since the subsidiaries are of secondary significance for the presentation of the net assets, the financial position and the results of operations of the Group, both individually and collectively.

A breakdown of maturities on the basis of residual terms in accordance with § 9 of German accounting regulations for financial institutions and financial service institutions (RechKredV) for specific balance sheet items and sub-items is shown in the notes to the financial statements. Proportionate interest was not allocated to the various residual maturity periods in accordance with the option provided for in § 11 of the German accounting regulations for financial institutions and financial service institutions.

LOANS AND ADVANCES TO CUSTOMERS AND BANKS

Balance sheet items were reported at their nominal value. Specific loan loss provisions and reserves were established in order to take account of discernible risks in lending business. General provisions cover latent risks in the portfolio of receivables. The requirement to reverse write-downs was observed on evaluating credits. Bills of exchange were reported at their current value.

SECURITIES

Investment securities were closely examined by the savings bank and were found not to be subject to permanent impairment; in some cases these securities were measured at the mitigated principle of the lower of cost or market. This applies for securities for which repayment at nominal value has been agreed and whose stock exchange price or market price fell short of the carrying amount on the balance sheet reporting date or whose carrying amount fell short of the redemption price. As in the previous year, the redemption price of fixed-interest securities for which the mitigated principle of the lower of cost or market was applied was used as an upper value limit.

The same method was used for investment shares which are in some cases not written down on the basis of low redemption prices provided that these prices did not result from permanent impairment to the relevant investments.

The other securities were all measured on application of the strict principle of the lower of cost or market. The requirement to reverse write-downs and the principle of amortised cost were observed for all the other securities.

SHARES IN AFFILIATED COMPANIES AND PARTICIPATING INTERESTS

Shares in affiliated companies and participating interests were all recognised at acquisition cost or, in the event of special circumstances, at lower values. The requirement to reverse write-downs was observed in this case.

An indirect investment with a carrying amount of € 41.8 million was not written down to the amount of € 3.3. million off the lower fair value of € 38.5 million on the reporting date of 31 December 2009 in accordance with § 253 Paragraph 2 Clause 3 of the German Commercial Code since impairment in this case is not considered to be permanent.

This estimation that impairment is not to be considered to be permanent here is based on the fact that a shift in the valuation-relevant planning horizon of indirectly associated companies of one year into the future will have the effect of raising value on the assumption of no other changes in the valuation parameters and in underlying corporate planning. The fair value of the indirect participating interest is thus likely to match its carrying amount again by 31 December 2010.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

These were all measured at acquisition cost and consumable assets were depreciated by applying the straight-line or declining-balance method of depreciation. Until the 2007 accounting period, fixed assets of minor value were fully amortised in the year of their acquisition. As of the 2008 accounting period, the savings bank applies permissible tax regulations in accordance with a new rule under § 6 Paragraphs 2 and 2a of the German Income Tax Act (EStG).

OTHER ASSETS

Impairments or discernible risks relating to other assets were taken into account with corresponding valuation adjustments.

LIABILITIES

Liabilities were valued at their repayment amount. Discounts were carried as assets and premiums as liabilities. They were accrued in accordance with their terms to maturity.

PROVISIONS

Discernible risks and contingent liabilities were all accounted for on the basis of prudent business judgement.

Provisions for pensions and similar obligations were calculated on the basis of the updated 2005 G Heubeck mortality tables and actuarial principles at the interest rate permissible in accordance with fiscal law.

Provisions for pensions for the employees of subsidiaries were transferred to the respective companies following a conceptional reclassification of contractual clauses.

CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies and pending transactions were translated at ECB reference exchange rates or end-of-year forward rates.

Positive conversion differences resulting from standard covered transactions were reported as earnings on the profit-and-loss account insofar as these differences only offset a temporarily-effective expense in the transactions serving as security. Permanent valuation gains were not recognised.

No »special collateral« valuation was applied.

Foreign currency options concerning a single currency were combined by the savings bank within the framework of trading activities and risk management. Valuation gains were offset up to the amount of corresponding impairments in recognition of profit or loss. The attributable value was calculated on the basis of an option price model here. No permanent gains were recognised. Valuation is carried out according to the provisions of § 340 h of the German Commercial Code on approval of the Banking Committee (BFA) of the Institute of Auditors in Germany (IDW).

DERIVATIVES

Derivative financial instruments were at all times valued individually in accordance with the principle of imparity and the realisation principle. Interest rate swaps were predominantly employed to control the risk of changes in interest rates. For this reason no valuation was undertaken in this respect. Pending forward exchange contracts, pending currency options and agreements on limiting interest rates were reported in accordance with statement BFA 2/1995. Structured products were handled in accordance with IDW RS HFA 22 and IDW RS BFA 1.

II. EXPLANATORY NOTES TO THE BALANCE SHEET

(IN € THOUSAND UNLESS OTHERWISE INDICATED)

ASSETS

On 3. Loans and advances to banks

Other loans and advances to banks – sub-item b) - cover receivables with residual terms to maturity of

– less than three months	425,655	
– more than 3 months but less than 1 year	139,187	
– more than 1 year but less than 5 years	85,348	
– more than 5 years	385	
Item 3 covers:		
– Receivables from affiliated companies (previous year 1,425)		7,662
– Receivables from companies in which an equity investment exists (previous year 29,797)		250
– Receivables from the bank's own central giro institution		1,004
– Subordinated receivables (previous year –)		–

On 4. Loans and advances to customers

Loans and advances to customers include receivables

– with an indefinite term	824,378	
and receivables with residual terms of		
– less than three months	327,616	
– more than 3 months but less than 1 year	453,561	
– more than 1 year but less than 5 years	1,799,308	
– more than 5 years	4,215,208	
Item 4 covers:		
– Receivables from affiliated companies (previous year 34,991)		29,610
– Receivables from companies in which an equity investment exists (previous year 287,384)		252,092
– Subordinated receivables (previous year 31,608)		31,608
– including receivables from affiliated companies (previous year 1,608)	1,608	
– including receivables from companies in which an equity investment exists (previous year –)	–	

On 5. Debt securities and other fixed-interest securities

Of the debt securities and other fixed-interest securities the following amount will become due in the coming year	278,055	
Item 5 covers:		
– Marketable securities and listed securities		1,019,989
– Marketable securities and unlisted securities		44,902
– Investment securities (previous year 567,791)		740,869
– Securities not evaluated at the lower of cost or market value (previous year 320,692)		249,111
– Current value of these securities		242,005
– Subordinated securities (previous year 5,965)		6,067

On 6. Shares and other variable-yield securities

Item 6 covers:		
– Marketable securities and listed securities		7,456
– Marketable securities and unlisted securities		29,223
– Investment securities (previous year 301,193)		536,441
– Securities not evaluated at the lower of cost or market value (previous year 151,646)		254,968
– Current value of these securities		232,542
– Subordinated securities (previous year –)	–	
– Shares in special funds		483,573

In accordance with § 92 InvG (German Investment Act), investment certificates in special funds may only be transferred on the agreement of the investment company. The companies always pay out interest and dividends resulting for the special fund account at the end of a fund business year and not interest and dividends used for covering costs, with interim payouts being made.
Share price gains realised and available for distribution as per end of the fund business year are generally accumulated by the companies.

On 7. Participating Interests

Item 7 covers:

– Marketable securities and listed securities	23
– Marketable securities and unlisted securities	–

On 8. Shares in affiliated companies

Item 8 does not include any marketable securities.

On 9. Assets held in trust

Assets held in trust are

– loans and advances to customers	18,124
– other assets	813

On 11. and 12. Tangible and intangible assets

Development of intangible assets and tangible assets:	**Intangible assets**	**Tangible assets**
Acquisition cost at beginning of the year	30,818	257,512
Additions	385	1,806
Disposals	1,354	6,548
Accumulated depreciation	25,549	154,285
Balance sheet values at year-end	4,300	98,485
Depreciation in the accounting period	2,301	7,971

Item 12 on tangible assets includes:

– Land and buildings utilised within the scope of savings bank activities	61,329
– Operating and office equipment	12,945
– Compound item for fixed assets of minor value	388

On 13. Other assets

Item 13 covers:

– Financial assets (previous year 81)	83

Exceptional individual items:

– Claims for tax refunds	3,547
– Receivables from affiliated companies	4,011
– Subordinated assets (silent participations)	7,000

On 14. Prepaid expenses

Item 14 covers:

– Discount on liabilities (previous year: 876)	543
– Premiums on receivables (previous year –)	1,802

_EQUITY AND LIABILITIES

On 1. Liabilities to banks

Liabilities to banks with an agreed term or notice period – sub-item b) – include liabilities with residual terms of

– less than three months	181,936	
– more than 3 months but less than 1 year	674,819	
– more than 1 year but less than 5 years	609,587	
– more than 5 years	926,226	

Item 1 covers:

– Liabilities to affiliated companies (previous year 11,727)		4,857
– Liabilities to companies in which an equity investment exists (previous year 12,234)		32,350
– Liabilities to the bank's own giro institution		14,684

Assets amounting to € 910.4 million were transferred as security for liabilities included under this Item.

On 2. Liabilities to customers

Savings deposits with an agreed notice period of more than three months – Sub-items a) ab) – include liabilities with residual terms of

– less than three months	133,098	
– more than 3 months but less than 1 year	177,211	
– more than 1 year but less than 5 years	89,197	
– more than 5 years	9,408	

Other liabilities to customers with an agreed term or notice period – Sub-items b) bb) – include liabilities with residual terms of

– less than three months	302,255	
– more than 3 months but less than 1 year	69,403	
– more than 1 year but less than 5 years	172,291	
– more than five years	322,686	

Item 2 covers:

– Liabilities to affiliated companies (previous year: 48,112)		30,733
– Liabilities to companies in which the bank has shareholdings (previous year 43,579)		37,016

On 3. Securitised liabilities

The following amount will become due in the coming year for issued debt securities	78,014	

Item 3 covers:

– Liabilities to affiliated companies (previous year 2,514)		1,285
– Liabilities to companies in which the bank has shareholdings (previous year 15,815)		15,744

On 4. Liabilities held in trust

Liabilities held in trust are:

– Liabilities to banks		17,261
– Liabilities to customers		1,676

On 5. Other liabilities

Exceptional individual items:

– Customers' flat withholding tax retained		8,360
– Repayment obligations from closed-end real-estate investment funds		5,025
– Trade payables		2,023

Securities valued at € 5 million were transferred as security for margin liabilities resulting from EUREX transactions included under this item.

On 6. Deferred income

Item 6 includes discounts on liabilities (previous year 6,556):	5,476

On 9. Subordinated liabilities

Item 9 covers:	
– Liabilities to affiliated companies (previous year –)	1,021
– Liabilities to companies in which an equity investment exists (previous year –)	214
In 2009 the following interest expenses were recognised for liabilities recognised under this item:	6,637

The portfolio refers to bearer and registered debentures denominated in euros bearing fixed interest rates and with maturity dates from 2011to 2019. Provision has not been made for premature repayment or for conversion into capital or into any other form of debt.

On 10. Participatory capital

The portfolio refers to 14 registered participation certificates. In the 2009 accounting period no new registered participation certificates were issued

On 11. Equity

The registered capital amounts to € 370 million and comprises 370,000 no-par value denominated shares. The shares are all held by the financial holding of die Sparkasse in Bremen. Subscribed capital includes a silent participation to the amount of € 13 million with a residual term of three years and a silent participation to the amount of € 40 million with a residual term of seven years.

In accordance with a resolution passed at the Annual General Meeting of 28 May 2009, the accumulated profits for 2008, to the amount of € 2.2 million, were appropriated to other retained earnings.

The Board of Managing Directors proposes to the Annual General Meeting that the accumulated profits for 2009, to the total amount of € 12.7 million, be appropriated to retained earnings.

III. OTHER DISCLOSURES CONCERNING THE BALANCE SHEET

FOREIGN CURRENCY DUE AND FOREIGN CURRENCY OWING

Assets and liabilities denominated in foreign currencies total an equivalent of € 201.7 million and € 194.6 million respectively.

OTHER FIANANCIAL OBLIGATIONS

Obligations arising from leasing, licensing and maintenance agreements for the coming financial years currently total € 8.8 million p.a.

Participating interests currently contain unpaid call-in obligations and obligations to make additional contributions to the amount of € 21 million.

On the basis of a declaration revoked on 6 April 2000 in accordance with § 5 Paragraph 10 of the statute on a deposit protection fund of the Bundesverband deutscher Banken e. V. (German Association of Banks) in Cologne, die Sparkasse Bremen AG, Bremen, is obliged to release this participating interest from losses sustained in measures implemented until that time in accordance with § 2 Paragraph 2 of statute on a deposit protection fund.

Under special declarations, general partners appointed by die Sparkasse Bremen for five projects financed for real-estate limited partnerships are to be released from personal liability for payments due by them to die Sparkasse Bremen.

Concerning the outsourcing of activities, die Sparkasse Bremen has committed itself for a limited period to enabling a subsidiary to settle equalisation payments in the event of operation-related dismissals as they would need to be met for employees of the savings bank in the event of operation-related dismissals. This applies for as long as die Sparkasse Bremen is a majority partner of the respective subsidiary.

INFORMATION ON THE NOTES IN ACCORDANCE WITH §160 PARAGRAPH 1 NO. 8 OF THE GERMAN COMPANIES ACT

The following was announced to the AG: »The financial holding of die Sparkasse in Bremen, Am Brill 1–3 in 28195 Bremen, has notified us in accordance with § 20 Paragraphs 1 and 4 of the German Companies Act (AktG) that it holds 100 % of the shares in our company.«

FUTURES TRANSACTIONS

The majority of interest-rate related transactions (interest-rate swaps) as at the balance sheet reporting were concluded for the purpose of security against the risk of changes in interest rates.

Transactions relating to foreign currencies are primarily trading transactions with customers which were virtually fully insured against changes in exchange-rates.

Transactions bearing other risks are credit derivatives and structured products for which the issuer has a right of cancellation.

Residual term	Less than 1 year EUR m.	More than 1 year Less than 5 years EUR m.	More than 5 years EUR m.	Total EUR m.	Current values EUR m.	Book values EUR m.	Balance-sheet items
Interest-rate related transactions							
OTC products	248.0	1,123.3	1,650.0	3,021.3	-83.8	1.8 / 1.9	A13 / P5
Stock-exchange transactions	–	–	–	–	–	–	–
Currency-related transactions							
OTC products	400.4	29.9	–	430.3	-0.4	1.0 /1.1	A13/P5
Stock-exchange transactions	–	–	–	–	–	–	–
Transactions bearing other risks							
OTC products	–	114.8	–	114.8	114.5	114.8	A3/A5/P3
Stock-exchange transactions	–	25.0	5.4	30.4	28.6	30.2	A5
Total			**3,596.8**				

Interest-rate swaps

The current value is the balance of the present values of the cash flows on the two swap sides calculated with the help of zero-bond yields. Cash flows on the variable side are calculated on the basis of implied forward rates.

Forward exchange contracts

The current value results from the current forward rate (spot price on the balance-sheet date +/- the swap rate for the residual period as at the balance-sheet date).

Currency options

The Garmann-Kohlhagen model is used to calculate current values.

Caps / Floors

With the help of the modified Black model, the current value is calculated as the total of theoretical prices discounted with the zero bond yields of each individual caplet at the point in time of evaluation.

Credit derivatives

These are primarily existing security provider items reported off-balance sheet as contingent liabilities from guarantees and indemnity agreements.

Structured products bearing a right of cancellation

Structured products bearing cancellation rights acquired by the savings bank are handled in accordance with general valuation principles.

MORTGAGE BONDS

Die Sparkasse Bremen AG issued mortgage bonds for the first time in the reporting period. Regular transparency requirements as laid down in § 28 of the German Covered Bond Act (PfandBG) are met through publication on our website at www.sparkasse-bremen.de.

	2009 in € m.
§ 28 Paragraph 1 No. 1 of the German Covered Bond Act	
Mortgage bonds in circulation	
Nominal value	53.0
Present value	53.8
Risk cash asset [1] Stress test + 250 BP	43.8
Risk cash asset [1] Stress test - 250 BP	66.6
Guarantee fund	
Nominal value	119.3
Present value	132.2
Risk cash asset [1] Stress test + 250 BP	114.6
Risk cash asset [1] Stress test - 250 BP	153.7
Excess coverage	
Nominal value	66.3
Present value	78.4
Risk cash asset [1] Stress test + 250 BP	70.8
Risk cash asset [1] Stress test - 250 BP	87.1
§ 28 Paragraph 1 No. 2 of the German Covered Bond Act	
Term structure of the mortgage bonds in circulation	
Less than 1 year	0.0
More than 1 year but less than 2 years	0.0
More than 2 years but less than 3 years	0.0
More than 3 years but less than 4 years	0.0
More than 4 years but less than 5 years	0.0
More than 5 years but less than 10 years	43.0
From 10 years	10.0
Guarantee fund fixed interest period	
Less than 1 year	2.5
More than 1 year but less than 2 years	3.4
More than 2 years but less than 3 years	5.8
More than 3 years but less than 4 years	6.6
More than 4 years but less than 5 years	10.5
More than 5 years but less than 10 years	76.5
From 10 years	14.0
§ 28 Paragraph 1 No. 3 of the German Covered Bond Act	
There are no derivatives in the guarantee fund.	
§ 28 Paragraph 1 No. 4 of the German Covered Bond Act	
The guarantee fund contains other covering assets according to § 19 Paragraph 1 No. 2 of the German Covered Bond Act:	5.3
of which covering assets according to § 4 Paragraph 1 of the German Covered Bond Act	5.3

[1] Static method according to the German mortgage bond net present value directive (PfandBarwertV)

	2009 in € m.
§ 28 Paragraph 2 No. 1 of the German Covered Bond Act	
a.) Total amount of the guarantee fund applied at its nominal value according to volume class	
Loan cover	
– less than € 300,000	109.5
– more than € 300,000 but less than € 5 million	4.5
– more than € 5 million	0.0
Surplus cover	
– less than € 300,000	0.0
– more than € 300,000 but less than € 5 million	0.0
– more than € 5 million	5.3
b.) Total amount of receivables applied as security by states [1]	
Federal Republic of Germany	114.0

c.) Total amount of receivables applies as security by type of use [1]	residential land and buildings 2009 in € m.	commercial land and buildings 2009 in € m.
Apartments	8.7	
Single-family houses	83.3	
Multiple-family houses	15.9	
Office building		0.0
Commercial building		0.0
Industrial building		2.6
Other building used for commercial purposes		3.3
New buildings in progress, not yet productive		0.0
Building sites		0.2

	2009 in € m.
§ 28 Paragraph 2 No. 2 of the German Covered Bond Act	
Total of payments in arrears by at least 90 days [1]	0.0

§ 28 Paragraph 2 No. 3 of the German Covered Bond Act	Residential land and buildings l 2009 Number	Commercial and and buildings 2009 Number
a.) Number of pending foreclosure suits and compulsory administration suits as at 31 December 2009	0	0
Number of foreclosures executed in the accounting period	0	0
b.) Assumption of land and buildings in the accounting period	0	0

	2009 in € m.	2009 in € m.
c.) Interest in arrears	0.0	0.0

[1] No land as security outside Germany

IV. EXPLANATORY NOTES TO THE STATEMENT OF INCOME

On 1. a) Interest income

This item includes around 4 % of income relating to other periods mainly resulting from control measures in the interest-rate book.

On 5. Commission income

We received income as commission for the negotiation of life insurances and property insurances, building society savings products and shares in investment funds for services performed for third parties within the scope of our Allfinance offer.

On 8. Other operating income

This item includes € 9.6 million from the reversal of accruals, € 6.5 million in reimbursements of administrative expenses through subsidiaries and € 2.7 million in ordinary income from land and buildings.

On 12. Other operating expenses

This item includes € 3 million in depreciation on silent participations and € 1.4 million in compensation for expenses.

V. OTHER INFORMATION

EQUITY HOLDING

Equity holding as of not less than 20 % in other companies, insofar as not insignificant.	**Shares in capital End of 2009 in %**	**Equity 2008 in € 000**	**Income 2008 in € 000 [3]**
Name and registered office of the company			
nwk nordwest Kapitalbeteiligungsgesellschaft der Sparkasse Bremen mbH, Bremen	100.0	71,500 [2]	0 [1]
BREBAU GmbH, Bremen	48.8	59,721	2,774
LBS Landesbausparkasse Bremen AG, Bremen	25.0	35,288	2,288
Bankhaus Carl F. Plump & Co. GmbH & Co. KG, Bremen	49.0	12,782	0
nwu nordwest Unternehmensbeteiligungsgesellschaft der Sparkasse Bremen mbH, Bremen	100.0	12,000 [2]	0 [1]
nwb nordwest Beteiligungsgesellschaft der Sparkasse Bremen mbH, Bremen	100.0	156 [2]	16 [2]
Öffentliche Versicherung Bremen, Bremen	20.0	5,410	60
nwi nordwest international Servicegesellschaft mbH, Bremen	100.0	1,000 [2]	0 [1]
nwd nordwest-data Servicegesellschaft der Sparkasse in Bremen mbH, Bremen	100.0	385 [2]	0 [1]
s mobile finanzberatung Gesellschaft der Sparkasse Bremen mbH, Bremen	100.0	125 [2]	0 [1]
nwm nordwest-media Servicegesellschaft der Sparkasse in Bremen mbH, Bremen	100.0	100 [2]	0 [1]
KV Kapitalbeteiligungs- und Vermögensverwaltungs-GmbH, Bremen	100.0	51 [2]	0 [1]
S-Consult Hanseatische Unternehmensberatung-GmbH, Bremen	100.0	51 [2]	0 [1]
Bremer Schoss Grundstücksverwaltungsgesellschaft mbH, Bremen	100.0	42 [2]	0 [1]
nws nordwest-service & catering Gesellschaft der Sparkasse in Bremen mbH, Bremen	100.0	25 [2]	0 [1]

Please note:

[1] Profit surrender contracts have been concluded with these companies

[2] 2009 equity and income

[3] Recognised profit/loss for the year of the respective enterprise

Sparkasse Bremen AG participating interest in major corporate entities and banks and insurance companies that exceed five percent of the voting rights.	**Shares in capital in %**
Name and registered office of the company	
Bankhaus Carl F. Plump & Co. GmbH & Co. KG, Bremen	49.0
BREBAU GmbH, Bremen	48.8
Öffentliche Versicherung Bremen, Bremen	20.0
Bürgschaftsbank Bremen GmbH, Bremen	11.1
Wincor Nixdorf Portavis GmbH, Hamburg	11.0
neue leben Pensionsverwaltung AG, Hamburg	6.1

Die Sparkasse Bremen AG, Bremen, is a full subsidiary of the financial holding of Sparkasse in Bremen, Bremen. The financial holding of the Sparkasse in Bremen, Bremen, prepares consolidated financial statements in which die Sparkasse Bremen AG, Bremen is included. The consolidated financial statements are published in the electronic federal register.

Total amount of fees paid to the legal auditor

Expenses for the accounting period include € 1 million for the audit of the annual financial statements and € 0.1 million for other certification services.

GOVERNING BODIES

SUPERVISORY BOARD

Dipl.-Bw. Gerhard Harder, Chairman	Retired Chairman of the Board of Managing Directors of swb AG
Dipl.-Kfm. Klaus Ziegler, Vice Chairman	Managing Partner of HASECO ZÖGER GmbH & Co. KG
Dipl.-Kfm. Holger U. Birkigt	Managing Partner of BIRKIGT INT'L CONSULTING & Media GmbH
Dipl.-Kfm. Joachim M. Clostermann	Tax consultant and chartered accountant with Clostermann & Jasper Partnerschaft Wirtschaftsprüfungs-/Steuerberatungsgesellschaft
Alexander Künzel	Chairman of the Board of Managing Directors of Bremer Heimstiftung (foundation)
Otto Lamotte	Managing Director of HENRY LAMOTTE OILS GmbH
Heiko Oerter	Die Sparkasse Bremen AG employee
Hans-Joachim Schur	Die Sparkasse Bremen AG employee
Volker Stange	Die Sparkasse Bremen AG employee

Loans granted to members of the Supervisory Board amounted to € 1.4 million on the balance sheet reporting date.

EMOLUMENTS

Members of the Supervisory Board received € 0.2 million in remuneration for the performance of their duties on the Supervisory Board and in the committees.

BOARD OF MANAGING DIRECTORS

Jürgen Oltmann	Chairman of the Board of Managing Directors (until 31 January 2009)
Dr. rer. nat. Tim Nesemann	Chairman of the Board of Managing Directors (from 1 February 2009) Vice Chairman of the Board of Managing Directors (until 31 January 2009)
Thomas Fürst	Deputy member of the Board of Managing Directors (from 1 February 2009)
Klaus Schöniger	
Dr. rer. pol. Heiko Staroßom	

Loans granted to members of the Board of Managing Directors amounted to € 0.3 million on the balance sheet reporting date.

EMOLUMENTS

Members of the Board of Managing Directors received € 1.9 million in remuneration, of which € 1.5 million was paid in fixed remuneration and € 0.4 million in variable remuneration.
Former members of the Board of Managing Directors and their dependants received € 1.1 million; pension reserves for this group of people amount to € 12.4 million.

MANDATES

The following legal representatives and other employees of the Sparkasse held mandates in the supervisory bodies required by law for major corporate entities or in the supervisory bodies of banks and insurance companies:

JÜRGEN OLTMANN

Bankhaus Carl F. Plump & Co. GmbH & Co. KG	Supervisory Board, Vice Chairman	(until 31 January 2009)
BREBAU GmbH	Supervisory Board, Chairman	(until 19 April 2009)
BREMER LAGERHAUS GESELLSCHAFT -Aktiengesellschaft von 1877-	Supervisory Board	
DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG	Supervisory Board, Vice Chairman	
NRS Norddeutsche Retail-Service AG	Supervisory Board	(until 1 April 2009)

DR. TIM NESEMANN

Bankhaus Carl F. Plump & Co. GmbH & Co. KG	KGSupervisory Board, Vice Chairman	(from 1 February 2009)
Freie Internationale Sparkasse S.A.	Supervisory Board, Chairman	
GEWOBA Aktiengesellschaft Wohnen und Bauen	Supervisory Board	
NRS Norddeutsche Retail-Service AG	Supervisory Board	(from 2 April 2009)

THOMAS FÜRST

Bremer Toto-Lotto GmbH	Supervisory Board	(from 26 February 2009)
Diakonische Behindertenhilfe gemeinnützige GmbH	Supervisory Board, Chairman	
Freie Internationale Sparkasse S.A.	Supervisory Board	(from 1 August 2009)

KLAUS SCHÖNIGER

BREBAU GmbH	Supervisory Board, Chairman	(from 20 April 2009)
Freie Internationale Sparkasse S.A.	Supervisory Board	
LBS Landesbausparkasse Bremen AG	Supervisory Board, Vice Chairman	
neue leben Holding AG	Supervisory Board	
neue leben Pensionskasse AG	Supervisory Board	
neue leben Pensionsverwaltung AG	Supervisory Board	
Öffentliche Versicherung Bremen	Supervisory Board, deputy member	
S Broker AG & Co. KG	Supervisory Board	

DR. HEIKO STAROßOM

Öffentliche Versicherung Bremen	Supervisory Board	

HOLM DIEZ

LBS Landesbausparkasse Bremen AG	Supervisory Board	(from 26 March 2009)

RALF PASLACK

ErSol Solar Energy AG	Supervisory Board	(until 23 July 2009)

BERNHARD RUSCHKE

Wincor Nixdorf Portavis GmbH	Supervisory Board	

EMPLOYEES

Annual average employment:	
Full-time employees	1,002 [1]
Part-time and temporary end-of-month employees	457 [1]
	1,459
Apprentices	83
Total	**1,542**

[1] of which commercial employees

– Full-time employees	0
– part-time and temporary end-of-month employees	68

Bremen, 24 February 2010

Die Sparkasse Bremen AG
The Board of Managing Directors

Dr. Nesemann   Fürst   Schöniger   Dr. Staroßom

AUDITOR'S CERTIFICATE REPORT

We have audited the annual financial statements prepared by Die Sparkasse Bremen AG, Bremen, comprising the balance sheet, the Income statement and the notes to the consolidated financial statements, together with the accounts and the management report, for the accounting period from 01 January 2009 to 31 December 2009. The accounts and the preparation of the annual financial statements and the management report in accordance with German commercial law and supplementary provisions of the Statues is the responsibility of the legal representatives of the Sparkasse. Our responsibility is to express an opinion on the annual financial statements, including the accounts and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (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 postion and results of operations in the annual financial statements in accordance with (German) 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 accounts, annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles applied and significant estimates made by the 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 based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the statutes and give a true and fair view of the net assets, financial position and results of operations of the Sparkasse in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the position of the Sparkasse and suitably presents the chances and risks of future development.

Hamburg, 22 April 2010

Audit Office of the

HANSEATISCHER SPARKASSEN- UND GIROVERBAND

Bolte
Chartered Accountant

For further information please contact

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International Payments
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