**FINANCIAL PAGES**
**2011**

# Report from Bremen

Die Sparkasse **Bremen**
Finanzdienstleistung

**General Information**

Board of Managing Directors

Dr. Tim Nesemann
Chairman of the Board of Managing Directors

Joachim Döpp
Thomas Fürst
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 431 savings banks operating in Germany, six 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 186 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 2011

## GENERAL ENVIRONMENT
### DEVELOPMENT PROGRESSING WELL

Economic development in Germany proved to be quite substantial in 2011, despite inconsistencies in the global economy and the fact that the situation for some of our European neighbouring countries was dramatic.

The global economy temporarily maintained its course of recovery at the beginning of the year – even if the pace of this recovery differed greatly in the various regions. Emerging markets continued to show high growth rates, notably the markets in Asia, such as China and India, since they had survived the recession without any serious damage. Industrial countries on the other hand had to regain lost ground. Japan, and also Germany, both of which had had to absorb considerable losses during the recession due to their focus on exports, recovered fastest. However, in the case of Japan, this development was abruptly suspended by a combination of natural disasters and the consequences of these disasters in the spring of 2011. Real growth in the USA was in the range of a mere 1.7 %, and this was only achieved thanks to a strong economic backup. In addition to a poor competitive capacity, crisis states in the eurozone suffered from considerable national debt and emerging doubts about their financial viability, with Greece, caught up in a cycle of recession and a rising need to economise while debts continued to rise steadily, being affected most. By contrast, signals from Portugal are positive and so are those from Ireland. Signals from Italy point to a need to adjust the current deficit, which for all that appears to be controllable.

After Germany had exceeded the 3 % Maastricht Treaty limit in the two previous years, the country was able to reduce its government financing deficit to around 1 % of GDP thanks to its relatively positive economic development. GDP reached its pre-crisis level in the spring of 2011, and even progressed to slightly exceed this level. The trend subsequently flattened noticeably during the course of the year, in particular in the fourth quarter. According to estimations by the Federal Statistical Office, the rise in GDP will probably be at 3 % for the whole of Germany. Capacity utilisation normalised, bringing about renewed investment in the maintenance and expansion of production capacities. Investment activities, some of which were extremely dynamic, replaced exporting as the driving force behind the German economy in 2011. Although exporting, at a real growth rate of 8.2 %, also developed well, imports likewise increased considerably, by 7.2 %, to result in only a moderate rise in net exports. Private consumption rose by 1.5 % in real terms, thus remaining slightly behind the general economic trend – even so, it was positive to note that it had even recovered somewhat following years of stagnation. This is probably also due to a renewed increase in average working times, the good labour market situation, which saw another drop in the unemployment rate to 7.1 %, and the resulting rises in job security and incomes. The slowdown in economic development which became apparent during the course of the year is also due to increasing insecurity resulting from the national debt crisis since it became clear in summer that Greece could not be financed in the long term in spite of more bail-out packages. Fears that government bonds may possibly fail, giving rise to a repeated need for banks to be recapitalised, ultimately resulted in share-price losses in mid-2011, particularly for bank shares, and in consequence in a slump on the stock markets. The situation was a strong reminder of the onset of the financial market and economic crisis three years previously. Assets were once again parked at the European Central Bank.

The outlook for 2012 is uncertain given the weakening economy and the lingering crisis in the eurozone. Forecasts based on various scenarios suggest that there will neither be a rapid, convincing solution to the national debt crisis nor will it escalate with disastrous consequences. Against this background, Germany is generally expected to see economic growth in the range of 0.1 % to 0.5 %, i.e. the trend of the first six months will probably stagnate, but will gain some momentum in the second six-month period. The profile for the course of the year would in this case be somewhat more favourable than financial data for the full year suggests at present.

The economic development in Bremen was similar, as are expectations for the economy in Bremen. The rise in economic output earlier in the year – of as much as 4.1 % in real terms in spring – was not maintained as the year progressed. Bremen companies nevertheless showed themselves to be generally willing to invest. The number of companies going out of business continued to decrease. The number of employees in jobs subject to social security contributions rose by around 3 %. The driving force in this case was industry, with double-digit real growth rates in sales and employment, and in the sector for port economics and logistics. In the period up to September alone, the volume of traffic handled in Bremen's ports increased by 18 % to more than 60 million tons, and the handling of motor cars rose by around 30 % to approximately the same level as in the record year of 2008. Retailing and the building sector reported a trend which was that for all that satisfactory. The commercial construction and housing construction sectors both benefited from the low level of interest rates; the renovation of energy systems continued to generate impulses for the finishing trades. The solution to the European national debt crisis is of considerable significance for Bremen as a business location with strong foreign trade relations. A tightened pact, brakes on national debt in all the Euro countries, more stable financial markets and an improvement in the coordination of European economic policies are vital key tasks that need to be addressed without any delay.

## GOOD MARKET POSITION REINFORCED

Die Sparkasse Bremen has by far the best market positions in Bremen, in business with private customers as well as in business conducted with corporate customers. Despite this market leadership, Die Sparkasse Bremen has managed to reinforce an already strong market position even more – in business with private customers and even somewhat more clearly in corporate customer business. On the one hand, this reinforcement is based on the project that was almost completed in 2011, a project in which we are consistently focusing our sales structure on the needs of our customers, and on the other hand it is due to the high quality of our consulting services. FOCUS MONEY distinguished us for the third time in sequence in the »CityContest 2011« as the »Winner of the Bremen bank test«. In Bremen and in 250 other cities, test buyers visited several financial institutions in order to closely examine – incognito – their specialised knowledge and consulting skills on the spot. The award once again shows that the consulting skills of Die Sparkasse Bremen are above-average thanks to the excellent professional training and advanced professional training provided to its employees and to an integral approach to consulting which is tailored to the needs of its customers. The award is also praise and recognition for our employees.

## INVESTMENTS IN THE FUTURE

Internal projects, management optimisation and an improved reconciliation of work and family life are examples of investments in the future made by Die Sparkasse Bremen. Processes in the Market Service division were further standardised in 2011 and adapted to match the technical possibilities offered by the IT systems maintained by Finanz Informatik GmbH & Co. KG. A comparable project is scheduled for the Credit Service division. With the regular optimisation of the management and the continuous improvement to the reconciliation of work and family life, we wish to ensure that Die Sparkasse Bremen continues to prove to be an attractive employer, for employees working for us today and for new applicants.

# DEVELOPMENT OF BUSINESS

## BALANCE SHEET TOTAL SLIGHTLY DOWN

2011 was also characterised by a tense general economic situation due to the intensification of the European national debt crisis and the global financial market and economic crisis of the previous years. The overall economic trend nevertheless continued on the path of economic recovery commenced in the previous year. New legal requirements, consumer protection measures that had to be implemented, considerable destructive competition and declining financial markets in the second six-month period all had a perceivable negative impact on the business activities of Die Sparkasse Bremen. Against the background of a market environment that remains difficult, Die Sparkasse Bremen looks back on a satisfactory accounting period, having proved its worth with demand-oriented services and attractive products.

The balance sheet total decreased by 0.6 % to € 10.5 billion.

In a reporting date comparison, the volume of loans and advances to customers and loans and advances to banks on the asset side were raised. In contrast, the portfolio of securities was reduced.

In a reporting date review, this development corresponds in particular with an increase in the portfolio of customer deposits on the equities and liabilities side. Liabilities to banks were on the other hand reduced.

Developments in detail:

## LENDING BUSINESS

| DEVELOPMENT OF LENDING BUSINESS (IN € MILLION) | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Loans and advances to customers** | **8,322.9** | **8,166.2** | **8,099.1** | **8,077.4** | **7,770.1** |
| of which: | | | | | |
| **Bills of exchange** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Short, medium and long-term receivables from customers** | **7,836.6** | **7,703.9** | **7,626.3** | **7,578.9** | **7,317.0** |
| of which: | | | | | |
| Promissory notes acquired | 75.7 | 103.3 | 77.1 | 229.5 | 151.7 |
| **Loans on a trust basis** | **17.7** | **18.6** | **18.1** | **18.4** | **18.8** |
| **Guarantees and endorsement liabilities** | **467.8** | **442.9** | **454.7** | **480.1** | **434.3** |
| **Loans and advances to banks** | **1,197.1** | **890.6** | **1,064.2** | **1,648.7** | **1,955.5** |

Aggregated receivables from customers (including promissory notes acquired, loans on a trust basis and guarantees and endorsement liabilities) amounted to € 8.3 billion on 31 December 2011, hence once again slightly exceeding those of the previous year.

| DEVELOPMENT OF LENDING BUSINESS WITH CORPORATE AND PRIVATE CUSTOMERS (IN € MILLION) | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Corporate customers*)** | **5,298.1** | **5,175.0** | **5,038.5** | **4,838.7** | **4,634.2** |
| **Private customers*)** | **2,597.5** | **2,582.6** | **2,601.9** | **2,631.1** | **2,699.7** |

* On the basis of regulatory reported data

At € 5.3 billion, lending business with corporate customers again exceeded that of the previous year. While declines against those of the previous year were reported for lending business for housing, this was offset with further increases in other lending business. This development in the portfolio for business with corporate customers is an excellent result for Die Sparkasse Bremen against the current background of strong competition for corporate customers with a good credit rating.

Loans to private customers slightly exceeded those of the previous year, at € 2.6 billion. The reason for this increase over the previous year is primarily the positive development in lending business for private housing, not least as a result of the establishment of a local real-estate centre. In other lending business, S-Privatkredit, a joint product brokered by the savings bank organisation, had the opposite effect, and this results in a shift in portfolio business and commission business.

Loans and advances to banks rose by 34.4 % to € 1.2 billion on the balance sheet reporting date. This increase mainly results from the interim reduction in the securities portfolio and the resulting available liquidity.

## INVESTMENT BUSINESS

| DEVELOPMENT OF INVESTMENT BUSINESS (IN € MILLION) | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Liabilities to customers and securitised liabilities** | **6,927.6** | **6,787.1** | **7,282.5** | **7,173.5** | **7,335.9** |
| of which: | | | | | |
| Savings deposits | 2,884.3 | 2,967.3 | 3,139.8 | 3,314.9 | 3,674.2 |
| Savings bank certificates | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt securities | 419.7 | 451.8 | 382.2 | 475.3 | 441.6 |
| Deposits due on demand | 2,650.1 | 2,476.9 | 2,873.7 | 2,095.3 | 2,168.2 |
| Time deposits | 973.5 | 891.1 | 886.8 | 1,288.0 | 1,051.9 |
| **Liabilities to banks** | **2,622.4** | **2,844.6** | **2,541.5** | **2,599.2** | **2,924.4** |

The aggregate of liabilities to customers and securitised liabilities rose in the period up to year-end by 2.1 % to € 6.9 billion.

While the portfolio of savings deposits continued to decline against that of the previous year, the portfolio of time deposits developed positively and had risen considerably on the balance sheet reporting date. Moreover, following a decline in the previous year, the portfolio of deposits due on demand also rose and currently remains on a high level in a comparison covering several years.

The development in the portfolio for call money and term deposits in particular was more positive than we had forecast. On the whole, we still consider the main reason for these portfolio developments to be the continuing low level of interest rates and the resulting fundamental reluctance to make any long-term investments.

We still see the declining yet nevertheless continued positive development in the registered bonds issued by Die Sparkasse shown in a reporting date comparison to be evidence for the great interest shown in the high-yield debt securities of Die Sparkasse, which offer a good start to investing in variable-yield securities with a first-class credit rating.

Liabilities to banks were reduced in the year under report, by 7.8 % to € 2.6 billion on the balance sheet reporting date.

## BUSINESS WITH SERVICES

Commission income remains a vital earnings component. We reported positive developments for commissions, notably in giro transactions and lending business. In contrast, commissions, particularly in business with securities, but also commissions generated in insurance business, were in decline as a result of marked consumer caution concerning private pension schemes. Against the background of this problematic general environment, we nevertheless achieved a good result for Die Sparkasse Bremen, with net commission income, at € 55.8 million, reaching the same level as last year.

| DEVELOPMENT OF BUSINESS WITH SECURITIES SERVICES (SALES IN € MILLION) | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Shares and investment certificates** | **474.8** | **559.3** | **630.7** | **984.8** | **922.4** |
| **Fixed-interest securities** | **396.1** | **262.3** | **376.2** | **307.8** | **204.2** |
| **Own security issues [1])** | **302.1** | **244.0** | **271.3** | **182.0** | **162.4** |

[1]) Since 2009 including mortgage bond issues

In spite of a problematic general environment on money markets and capital markets, we considerably raised our turnover with fixed-interest securities over that of the previous year by 51.0 %, hence achieving an excellent result.

The mortgage bond issue, commenced in 2009, had in previous years already lead to a clear increase in our own security issues. This positive trend was significantly reinforced again in 2011. We raised turnover generated with our own issues by 23.8 %.

We once again had to report declining turnover with shares and investment certificates. We believe that this sustained trend is due to the persistening problematic general environment on money markets and capital markets. This situation is giving rise to fundamental consumer caution.

## OWN-ACCOUNT INVESTMENTS IN SECURITIES

2011 was characterised by events relating to the European national debt crisis, which proved to be an ever-increasing burden on the economy. The earthquake and explosion of a nuclear power plant in Japan only had a short-term impact on European and USA markets. Confidence in a sustained economic upswing characterised the close of the first six-month period, even though early indicators had shown that growth was already levelling off.

Surprisingly strong growth in the first half-year and a temporary easing of the European national debt crisis prompted the ECB to raise the prime interest rate by 25 basis points in April and in July. These two increases were reversed again during the course of the year.

At the end of June the European national debt crisis escalated to become a system crisis which has shed new light on the »Euro government bond« investment category, which had until then been considered to be secure. While German Federal bonds proved to be a safe haven, the government bonds of the other eurozone countries suffered price losses, some of them drastic. Following Portugal's acceptance of aid from the rescue package in May and the approval of a second bailout package for Greece in July, Italy is now increasingly becoming the focus of the European national debt crisis. Another financial system cornerstone hit the headlines in August when rating agency S&P downgraded the USA .

The stock markets moved in a relatively tight range until summer with respect to the optimistic forecasts for growth. It was only when the European national debt crisis worsened, worries about growth in China intensified and early economic indicators from the USA were clouded over - all of this simultaneously - that the lateral movement on the stock market came to an end with a clear adjustment of up to 30 per cent. Accompanied by considerable market fluctuations, the German stock market nevertheless recovered some of its losses. After the DAX marked its annual high at 7,600 points in May and bottomed at 4,965 points in September, it closed the year at 5,898 points. This is equivalent to a negative development of 15 %.

Narrowing spreads in corporate securities prompted us to dispose of some of our stocks of corporate securities in special funds, in addition to other items.

Given the price movements on the stock market, some of them panicky, we intentionally realised losses by disposing of shares and certificates in the investment portfolio and in own-account trading in summer.

The opposite effect was achieved with the realisation of share price gains in the bond portfolio generated on the basis of the current interest-rate estimation.

As in the previous year, maturities in the investment portfolio and the liquidity resulting from the disposal of special funds were used to repay liabilities that had become due payable.

## PARTICIPATING INTERESTS AND SHARES IN AFFILIATED COMPANIES

With development differing in individual cases, our participating interests and shares in affiliated companies were raised by altogether € 21.5 million, to € 236.7 million.

Increases mainly resulted from the takeover of shares in neue leben Holding AG, the assumption of a participating interest in nwf Windpark Ostfriesland Beteiligungs GmbH within the Group and – in net terms – from capital called in or repaid for participating interests in several private equity funds and umbrella funds. The savings bank also participated directly and indirectly in Deka Erwerbsgesellschaft mbH & Co. KG and Deka Anteilseigner GmbH.

Although there were other determining factors, reductions mainly resulted from repayments of capital to Heptagon Capital Beteiligungsgesellschaft der Freien Sparkassen mbH & Co. KG i. L., in addition to HanseProjekt GmbH and nordwest finanzvermögensberatung Gesellschaft der Sparkasse in Bremen mbH. There was also an adjustment to the value recognised for the participating interest in Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG.

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

## INVESTMENTS IN FIXED ASSETS

Material expenses continue to cover investments in our future projects, which, at € 97.0 million, again show themselves to be decreasing in a comparison with the previous year. This positive development mainly results from our completed and current activities to optimise costs and processes. These activities have already resulted in sustainable cost effects and will see more tangible cost reductions in the years to come. Costs resulting from comprehensive cooperation with our service providers are also reflected in our material costs. These services predominantly relate to back office activities in lending and deposit business as well as in the areas of finances and controlling.

## HUMAN RESOURCES AND SOCIAL ISSUES

On 31 December 2011 Die Sparkasse Bremen had 1,507 employees (1.6 % fewer than in the previous year), which is equivalent to 1,305 employees extrapolated on a full-time basis. Die Sparkasse Bremen employs 479 part-time and temporary employees. The number of apprentices, at 101, was at the same level as that of the previous year (100). With the proportion of trainees at 7.5 % of bank-related employees, we made a considerable contribution to creating opportunities for professional training in Bremen.

In 2011 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 bank seminars and external seminars ensures that our employees meet these expectations. This is reflected in their high level of training: more than 85 % 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 labour agreement for private and public-sector banks and is made up of fixed and variable income components. For variable components, we reached an agreement with the staff council concerning a profit-sharing model measured on the basis of the results of Die Sparkasse Bremen, its market position and its productivity which will apply uniformly for all the employees. We meet current regulatory requirements, notably requirements relating to the remuneration systems of institutions which have been in force since October 2010.

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, and we were recertified in 2010. In 2011, we further enhanced the attraction of Die Sparkasse Bremen as an employer 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 as well as with a number of events around this issue.

## ASSETS POSITION

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

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Loans and advances to banks** | 1,197.1 | 890.6 | 1,064.2 | 1,648.7 | 1,955.5 |
| **Loans and advances to customers** | 7,836.6 | 7,703.9 | 7,626.3 | 7,578.9 | 7,317.0 |
| **Securities** | 918.3 | 1,402.0 | 1,616.4 | 1,081.4 | 1,343.0 |
| **Liabilities to banks** | 2,622.4 | 2,844.6 | 2,541.5 | 2,599.2 | 2,924.4 |
| **Liabilities to customers** | 6,507.9 | 6,335.3 | 6,900.3 | 6,698.2 | 6,894.3 |

Loans and advances to banks increased against those of the previous year by € 306.5 million or 34.4 %, which means that the proportion of loans and advances to banks in the balance sheet total rose from 8.4 % to 11.4 %. Loans and advances to customers rose over those of the previous year by € 132.7 million, or 1.7 %, and account for 74.4 % of the balance sheet total. Holdings of investments in securities decreased against those of the previous year by € 483.7 million or 34.5 %. This was primarily determined by the reduction in risk items in the securities portfolio due to the negative trend on the capital markets in the latter six months of the year. The proportion of securities in the balance sheet total thus decreased from 13.2 % to 8.7 %. The resulting available liquidity led to an increase in the portfolio of loans and advances to banks. It was also used to repay liabilities to banks. The portfolio of liabilities to banks decreased by € 222.2 million, or 7.8 %, and contributes 24.9 % to the balance sheet total. Liabilities to customers showed a contrary development, rising by € 172.6 million, or 2.7 %, over those of the previous year. In relation to the balance sheet total, the proportion of liabilities to customers rose from 59.7 % to 61.8 %.

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.

The core capital of Die Sparkasse Bremen amounted to € 556 million on 31 December 2011. This is equivalent to a capital ratio of 7.4 %. Capital resources amounted to € 761.0 million. The resulting ratio between equity capital and weighted risk assets was 10.2 %, thus constituting an adequate basis for the continued development of business.

## FINANCES

We consciously maintained our liquidity position at its comfortable level in 2011 and also reinforced it. Our liquidity for the coming years is more than sufficient, and it also ensures that the new legal liquidity requirements under Basel III will be met.

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. This liquidity ratio once again averaged above the required legal minimum standard, and in 2011 it also far exceeded the average for the previous year.

Our credit balance with the German Federal Bank for the purpose of complying with minimum reserve regulations averaged € 107.3 million.

The aggregated amount of cash reserves, loans and advances to banks and debt securities and other fixed-interest securities was € 1.8 billion on the balance sheet reporting date.

This comfortable liquidity position as well as our comprehensive liquidity management and liquidity control measures will also ensure our liquidity in future and guarantee that we meet the ever-increasing legal requirements.

## EARNINGS

The development of Die Sparkasse Bremen earnings was also influenced by the persistently tense general economic situation in 2011. In contrast, sustained economic recovery resulted in a positive development of earnings in business with customers. However, the intensified European national debt crisis, persistent consequences of the financial market and economic crisis in the past few years and in particular the negative trend on capital markets in the second half-year period had a negative effect on business activities and hence also on the development of earnings. Despite this problematic market environment, Die Sparkasse Bremen achieved a profit for the year which was almost equal to that of the previous year.

Net interest income increased over that of the previous year by 8.7 % or € 20.4 million, to € 252.5 million. Business with customers, in particular with corporate customers and with private housing loans, developed especially well, better than had been expected. The increase in liabilities to customers resulted in a rise in interest expenses over those of the previous year. While interest income was reduced by € 22.5 million to € 448.8 million, we reported a rise in interest expenses (including the balanced

**DEVELOPMENT OF BUSINESS WITH SECURITIES SERVICES (SALES IN € MILLION)**

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Net interest income [1])** | 252.5 | 232.1 | 202.9 | 212.4 | 208.3 |
| **Net commission income** | 55.8 | 55.8 | 59.1 | 59.8 | 59.1 |
| **Net income from financial and investment banking transactions** | −10.1 | −0.8 | 2.1 | −2.1 | 3.6 |
| Staff expenses | 92.6 | 89.9 | 114.8 | 124.3 | 106.4 |
| Material expenses [2]) | 97.0 | 98.2 | 104.8 | 112.9 | 105.7 |
| **Administrative expenses [2])** | 189.6 | 188.1 | 219.6 | 237.2 | 212.1 |
| **Result of evaluation** | −69.5 | −55.2 | −38.2 | −48.6 | −65.3 |
| **Profit on extraordinary activities** | −5.1 | −6.4 | 0.0 | 0.0 | 0.0 |
| **Earnings-related taxes** | 5.1 | 6.4 | 2.4 | −1.9 | 0.3 |
| **Profit for the year** | 21.9 | 23.0 | 12.7 | 2.2 | 10.5 |
| **Dividends** | 0.6 | 0.6 | 0.0 | 0.0 | 0.4 |
| **Allocation to reserves** | 21.3 | 22.4 | 12.7 | 2.2 | 10.1 |

[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

net interest income resulting from derivatives) of € 2.2 million, to € 196.3 million. As in previous years, net interest income includes income and expenses from a reduction in interest rate swaps, undertaken from the point of view of risk mitigation, which served the purpose of controlling the interest-rate book. Against the background of a problematic general environment due to the tense general economic situation and the persistently low level of interest rates on money markets and capital markets, this result is outstanding for Die Sparkasse Bremen.

Commission income remains a vital earnings component. We reported positive developments for commissions, notably in giro transactions and lending business. In contrast, commissions, particularly in business with securities, but also commissions generated in insurance business, were in decline as a result of marked consumer caution towards private pension schemes. Against the background of this problematic general environment, we nevertheless achieved a good result for Die Sparkasse Bremen, with net commission income, at € 55.8 million, reaching the same level as last year.

The negative development of earnings in net income from financial and investment banking transactions is closely related to the negative trend on money markets and capital markets in the latter six months of the year. In consequence of this development, we accepted losses when we closed risk items in the portfolio of securities, hence limiting more price risks.

Staff expenses were raised over those of the previous year by 3.0 %, or € 2.7 million, to € 92.6 million. This development in expenditure mainly results from additional costs for pension payments due to the fact that the valuation income for provisions for pensions did not meet expectations.

Material costs are again decreasing in a comparison with costs for the previous year, having dropped by 1,2 %, or € 1.2 million, to € 97.0 million. This positive development mainly results from our completed and our current activities to optimise costs and processes. These activities have already resulted in sustainable cost effects. Costs resulting from comprehensive cooperation with our service providers are also reflected in our material costs. These services predominantly relate to back office activities in lending and deposit business as well as costs in the areas of finances and controlling.

The cost-income ratio was thus reduced to 67.5 % in the reporting period (previous year 69.4 %).

Varying developments are reflected in the result of evaluation for 2011.

We had expected earnings in the credit division to equal those of the previous year, in spite of a rising credit volume due to the positive forecasts for the economy. This fundamentally positive estimation was even exceeded. The reason for the improvement in the evaluation result for lending business is the positive economic development and in particular, structural improvements in the credit portfolio.

We reported a negative trend in securities – owing to distortions on the money markets and capital markets in the period after mid-year 2011 – and in our participating interests. These developments necessitated additional valuation measures.

The profit on extraordinary activities for 2011 is also the result of the effects of changes relating to the provisions of the German Accounting Law Modernisation Act, which had to be implemented for the first time in the previous year. These changes are to be taken into account over a period of several years.

Earnings-related tax expenses amounted to € 5.1 million.

The profit for the year was reduced by € 1.1 million in a comparison with that of the previous year, to € 21.9 million, of which € 0.6 million are to be paid out to the Finanzholding der Sparkasse in Bremen and € 21.3 million allocated to retained earnings for the purpose of further reinforcing capital.

Return on equity before taxes derived from this development amounted to 4.8 % (previous year 5.4 %).

## GENERAL STATEMENT ON THE DEVELOPMENT OF BUSINESS

Against the background of the general economic environment, considerable destructive competition and an increase in legal requirements, which once again saw banks facing exceptional challenges in 2011, business at Die Sparkasse Bremen developed most positively in the previous accounting period. With an orderly financial and assets situation, the earnings potential of Die Sparkasse Bremen is satisfactory. Requirements for Die Sparkasse Bremen to remain an efficient partner for its customers in terms of any financial or lending concern are hence all met.

## SUPPLEMENTARY REPORT

There were no occurrences of any special significance subsequent to closure of the 2011 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 thus always taken and controlled on observation of two aspects of risk strategy: on the one hand there must be a sufficient amount of reserves available for the assumption of risk and on the other hand adequate earnings must be anticipated.

The active management of risks and portfolios in lending business is a central element in ensuring sustained success and the continued existence of the bank, particularly in view of the current general economic framework.

Die Sparkasse Bremen gets an overview of its risks as part of its regular risk inventory. At present the risk management system distinguishes four types of risk resulting from banking and business activities. These include counterparty risk (including investment risk), market price risk (including the risk of changes in interest rates and credit spread risk), liquidity risk and operational risks. Risks resulting from fluctuations in earnings which may be caused by changes in business volumes or in margins are taken into account as significant sub-components of other types of risk.

## OVERALL BANK MANAGEMENT

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

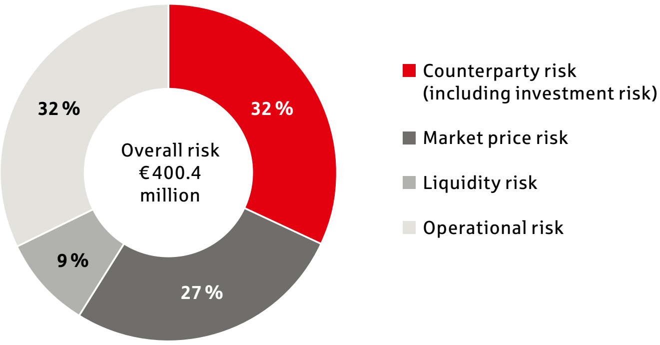
The Board of Managing Directors bears overall responsibility for the regular monitoring of all the risks, and it reviews the risk strategy at least once a year. This strategy is the guideline to be followed by all the bank divisions and in addition to the current risk situation, it is regularly discussed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

The Chairman of the Board of Managing Directors, among other responsibilities, is in charge of strategic planning and overall bank 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. The Internal Auditing Division is in particular also involved in the planning processes. Responsibility for strategic planning activities lies with the Overall Bank Management Unit, in which strategic planning is reviewed every year and resolved by the Board of Managing Directors.

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.

**ALLOCATION OF RISKS AT DIE SPARKASSE BREMEN AS AT 31.12.2011**




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. 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 areas. This risk management system ensures that all the organisational requirements pertaining to Section 25 a of the German Banking Act (KWG) are met, for example MaRisk provisions and other regulatory requirements.

Responsibility for risk processes lies with Die Sparkasse Bremen through its Overall Bank Management and Credit Management units, which are answerable to the back office directors. 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 or tailored to the different addressees and in addition to the daily risk reports, monthly reports on the development of all the risks are always made in the Group Board of Managing Directors or in the committees responsible, thus enabling risk to be identified and managed at an early stage as well as supporting local risk management in the various divisions.

The core elements of risk reporting are 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 the risk management system is to be able to ensure that the bank is always able to bear the risks that are 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 economic potential to cover risk. 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, at a probability rate of 99.9 %, would not be exceeded. When aggregating the different types of risk, risk-mitigating correlations are not additionally taken into account.

Regular risk-measurement activities are supplemented with an ongoing analysis and individual analyses of individual stress tests, scenarios and concentration risks. This makes it possible to better assess the conceivable effects of rare yet at the same time potentially serious events and market disruptions for Die Sparkasse Bremen. With the help of these stress tests it is possible 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

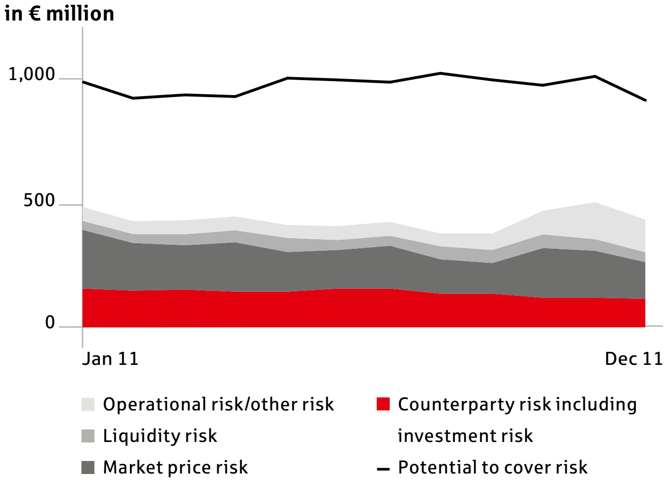
An effective risk management and controlling system is employed for any risks which may significantly influence the assets, financial or earnings position of the bank.

Against the background of current developments on money markets and capital markets, supplementary analyses were carried out on selected portfolios and items in additions to the regular review of the limits, particularly with a view to country risks in the European area. In this context, suitable strategies for action were defined.

Risks relating to the future development of the bank which could put its future existence at risk are identified with the risk inventory system, monitored with a comprehensive risk early warning system and supervised in regular analyses of stress tests. At present there is no evidence of risks which would put the existence of the bank at risk. In 2011 a risk-bearing capacity was given at all times in both steering committees. This also included the results of all the individual stress tests.

Furthermore, the available potential to cover all risks remained stable in 2011.

### ACTUAL RISKS




On an annual average, the aggregate of all the cash-value risks was significantly less than the potential to cover all risk and the figure decreased during the course of the year. Targeted measures significantly reduced the risk in August, in particular measures undertaken as part of controlling the interest-rate book. A new risk aspect was incorporated in operational and other risks in the last quarter, to result in an increase in this item. The rise in the liquidity risk due to changes to spreads was countered with tight control measures. The amount of risk capital effectively employed was maintained at a consistent level during the course of the year and is reflected in the stable risk situation.

As per 31 December 2011 the ratio between recognised equity capital and the aggregated amount for weighted risk-bearing assets and risks resulting from market risk positions, at an overall ratio of 10.2 %, also clearly exceeded the minimum of 8 % stipulated by the bank supervisory authorities.

| Solvency coefficient | 31.12.2011 | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| Overall ratio | 10.2 % | 9.9 % | 10.3 % |

New requirements in terms of core capital requirements under Basel III can be met. At the same time, a selective restructuring of specific own-fund items may need to be carried out in order to ensure sustainable regulatory recognition.

The real economy recovered strongly in 2010 in the wake of the financial market and economic crisis, and this positive trend was continued in 2011 as well (to a weaker extent). Economic recovery was primarily made possible with bailout packages and the provision of cheap money by the central banks (ECB interest rate currently at 1 %). The national debt problem was again accentuated, with a focus on the Euro states. The financial problems are no longer limited to the peripheral states; they are gradually spreading to the key countries in the eurozone as well. We are currently going through a crisis of confidence, which is affecting the European states direct and showing itself on financial markets. 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 our own securities while maintaining the liquidity situation and the risk-bearing capacity of Die Sparkasse Bremen stable.

In 2011, the third amendment to the minimum requirements for risk management (MaRisk) was conclusively implemented at Die Sparkasse Bremen in compliance with regulatory deadlines and parts of the risk management system were accordingly updated. Examples of the most important steps in this connection are the optimisation of the entire stress test system , which was supplemented with inverse stress tests used for analyses to identify scenarios which could possibly put the existence of the Sparkasse at risk.

A project was drawn up in 2011 in preparation for the new regulatory requirements specified in Basel III. These requirements mainly aim at reinforcing the equity resources and the liquidity of credit institutions. Although no final versions of the new guidelines and directives had been published by the end of the year, it is has already become clear that adjustments will need to be made to the business strategy, the risk management system and the reporting system of Die Sparkasse Bremen by the probable date on which these guidelines and procedures enter into force, namely 1 January 2013.

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

## COUNTERPARTY DEFAULT RISK

Die Sparkasse Bremen understands counterparty default risk to be the risk of a decline in the value of a loan according to Section 19 Paragraph 1 of the German Banking Act (KWG) if a business partner defaults or if the credit rating of a business partner deteriorates with 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 the counterparty default risk throughout Die Sparkasse Bremen. This value-at-risk (VaR) procedure applied on the basis of a credit portfolio review (CPR) 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.

The assumption of counterparty default risks and the handling of these risks is defined in the credit risk strategy, which includes the strategic and business policy aims specified in the strategy. Important business policy specifications concerning the structural and operational organisation of lending business are laid down in organisational guidelines for lending business.

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 and monitored in terms of yield and risk in the market-independent credit management unit and in the credit risk control committee.

Information on the significant structural features of the loan portfolio is given in the quarterly credit risk report. This report was improved and expanded within the scope of regular reporting in 2011 in order to facilitate an optimised information strategy. In addition to the management and the credit risk control committee, the main recipient of the report is the Credit Committee as a Supervisory Board committee.

Die Sparkasse Bremen employs different rating procedures for corporate and private customers and for trading partners as a significant instrument for assessing creditworthiness in lending business in order to ensure that risks are adequately estimated. This involves using Savings Bank Financial Group methods in order to determine the individual credit rating of each customer. In standardised private and corporate customer business and in individual business, the customer scoring, customer compact rating, standard rating and real-estate business rating methods are used. For special customer segments in corporate customer and trading business, the bank, corporates, leasing and project financing modules are used; since the beginning of 2011 the ship financing module has also been included. External ratings were also used in trading business. Suitable risk classification methods and precise instruments are thus available for private and corporate customer business and for trading business.

Decision-making authority for the approval of a credit is regulated in a graduated procedure according to the credit volume and the risk content. Risk-based credit decisions are thus taken at an adequate authorisation level, on the basis of detailed risk assessments by the market division. An additional risk assessment in the form of a vote taken independently of the market division becomes essential when certain criteria arise. Credits as of a specified amount must be approved by the Credit Committee in accordance with the statutes or the rules of procedure for the Board of Managing Directors.

In order to identify risks resulting from its lending and trading business, Die Sparkasse Bremen operates early warning systems which are improved with a view to the market developments.

We put employees with special know-how in a unit which is independent of the market division to supervise credit exposures identified by the risk early warning system (intensive consulting) or credit exposures requiring debt readjustment (debt readjustment) and for cases of problem loans (liquidation).

Loan loss provisions are sufficient to cover counterparty default risks. The adequacy of risk provisioning is regularly reviewed and adjusted if necessary. The market-independent Credit Management unit is responsible in this case.

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

## 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. Credit spread risks were also quantified as a significant risk component of market price risk and integrated in the risk management process.

The Board of Managing Directors stipulated risk limits for Die Sparkasse Bremen market price risks. Compliance with these limits is monitored by Risk Controlling on every stock-exchange trading day. Future potential losses are limited by a risk limit with which the overall risk of items bearing market price risks is measured in accordance with the value-at-risk method (VaR). The VaR (confidence level of 99.9 % and a holding period of 250 days) for all the market price risk items was below the defined risk limit in 2011 and went down considerably during the course of the year. The reduction of term transformations in the latter six months of the year was instrumental in lowering risk.

Daily back-testing is carried out on the trading portfolio and other significant portfolios in order to check the VaR risk model. In 2011 credit spreads risks (relevant for the interest rate book, investment portfolio and the overall portfolio) were taken into account for the first time when testing was carried out. The results of back testing, also when seen retrospectively for 2011, show that the model used and the corresponding parameters are appropriate.

Extreme market fluctuations for the trading division are also simulated with the help of regularly-conducted stress tests.

At the beginning of the year, the risk management system PMS (Portfolio Management System) by replaced with the SCD (SimCorp Dimension) system. SCD has already been in use for some time as a portfolio management system for all the trading transactions. The scope of functions of the SCD system was extended by risk measurement requirements. Besides cutting costs, an additional advantage is that the level of complexity and the number of interfaces are reduced.

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.

We apply an active strategy for controlling the interest-rate book, which is adjusted by the Treasury Commission within defined limits in accordance with the current interest-rate estimation.

## LIQUIDITY RISK

On the one hand, we understand liquidity risk to be the risk that payments which are due cannot be met or cannot be fully met. On the other hand the term also refers to the liquidity term transformation risk, which is the risk of a loss resulting from adjusting the internal refinancing curve through liquidity term transformation within a specific period.

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 dispositive 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 current 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. 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 thus controlled by the Treasury Division. Furthermore, the effects of rating migrations in general and shortages of liquidity on trading transactions in particular are simulated.

In addition to this, the majority of conceptional principles for optimally managing liquidity risk from the point of view of regulatory and economic aspects were implemented in the project for updating and expanding the system of liquidity management in 2011. The liquidity schedule, for example, in which expected probable inflows of funds are compared with expected probable outflows of funds meant that another MaRisk requirement was met. Moreover, the current contingency plan for the efficient management of liquidity risk, even in negative market situations, already fully meets the supplementary regulatory requirements.

| Liquidity regulation | 31.12.2011 | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| Overall ratio | 1.54 | 1.29 | 2.15 |

As additional support of the entire system of liquidity management, the implementation of the liquidity risk control component as a supplement to the established »Integrated Interest-Rate Book Controlling Plus« was commenced as part of the implementation procedure of Finanz Informatik GmbH & Co. KG and covers several years.

The liquidity index according to the Liquidity Regulation regularly exceeded the required minimum standard in 2011, thus reflecting our stable liquidity situation.

The overall ratio performed according to plan, since improved control instruments meant that an economically optimised system of liquidity management was operated in 2011.

## 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 databank as well as the methods applied for an annual inventory of risks and of the risk map, which is carried out every two years. A central performance management system is also in place and regular risk monitoring is carried out in the Organisation and Information Technology 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 activities 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.

The loss event database serves to systematically record losses incurred as a result of operational risk and to record follow-up measures. In 2011, as in previous years, actual losses resulting from operational risk were considerably lower than the amount reserved for verifying the risk-bearing capacity of the bank. The total for cases of loss rose above that of the previous year due to cases of liability relating to consulting. 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 2011. As part of the project activities relating to Basel III, an evaluation of the advanced measurement approach for calculating operational risks has been scheduled for 2012.

The bank 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) is integrated in 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 for 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 against 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 the 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 the generally anticipated overall economic development, our operative planning, our medium-term earnings projection and yearlong experience. However, any statement on future occurrences in itself bears the risk of developments effectively being quite different, particularly in times of a highly volatile general framework.

We expect the general economic environment to remain essentially negative, particularly in 2012, but also in 2013, as a result of the impact of the persisting European national debt crisis.

Despite the ongoing difficult market environment, we presume that on the asset side, the volume of business conducted with customers, project and contract business conducted with corporate customers and housing business with private customers, will continue to grow in the years to come. 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.

On the passive side, we see chances to increase our business activities – particularly business with wealthy private customers – and we expect customer deposits to increase. This increase, together with the predicted rising market interest rates, will result in a temporary decline in margins.

In terms of earnings we expect the development of our net interest income to be essentially positive, particularly since we have gradually expanded our portfolios of business with corporate and private customers and because interest rates on money markets and capital markets are rising moderately.

We also expect our net commission income to develop positively in the current and the following year, generated in particular by business with insurances and securities as well as by lending activities with corporate customers.

We see other potential opportunities in addition to these expected developments, provided that the measures for a gradual, sustainable improvement in earnings, notably those defined in our strategy process, and the scheduled process standardisation and optimisation measures have a better effect than anticipated. Additional risks may essentially occur if economic development proves to be weaker than anticipated and if the associated forecast for the general environment does not come into being. However, we do make sure that we respond with regular scenario analyses to risks relating to interest and commission income which arise through deviations from an anticipated general environment. We thus stabilise the informative value of our projected data.

We generally see administrative expenses in 2011 at virtually the same level as last year, but we presume that in 2012 they will tend to decrease. We believe that there will be a general rise in staff expenses in the following years, in particular due to projected pay scale increases and a performance-linked increase in variable salaries. For material expenses in the coming years we expect further positive effects based on our ongoing cost and process optimisation activities. We thus generally presume that these expenses will continue to decrease.

We expect the cost-income ratio to be further reduced.

For the result of evaluation in lending business we expect that the need for loan loss provisioning will be slightly raised or remain constant in the coming two years, in association with the targeted concentration on positive credit ratings in business with corporate customers and provided that the slowdown of the German economy is only temporary.

After additional valuation measures had become necessary for securities in the year ended due to the negative trend on money markets and capital markets, we presume, on taking account of an investment policy based on projected interest rate and market developments, that valuation results for securities will tend to be balanced in the current year and in 2013. Die Sparkasse Bremen will continue to ensure that the risk structure of its direct and special fund investments is always balanced.

Based on the aforesaid developments, we expect net annual earnings to to rise in the overall result in the coming two years. Return on equity will consequently also develop positively in the following years.

## FINAL STATEMENT

We have prepared a report on relationships with affiliated companies in accordance with Section 312 of the German Companies Act (AktG). This report closes with the following statement: »In accordance with Section 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 2011 reporting period.

**Bremen, March 2012**

**The Board of Managing Directors**

# DIE SPARKASSE BREMEN AG

## ANNUAL ACCOUNTS

## ANNUAL BALANCE SHEET AS AT 31 DECEMBER 2011

| ASSETS | € | € | € | € | Previous year € thousand |
|---|---|---|---|---|---|
| **1. Cash reserve** | | | | | |
| a) Cash on hand | | | 39,612,232.70 | | 57,431 |
| b) Credit balance at Deutsche Bundesbank | | | 164,989,092.70 | | 184,424 |
| | | | | **204,601,325.40** | **241,855** |
| **2. Debt instruments of public authorities and bills of exchange authorised for refinancing at Deutsche Bundesbank** | | | | | |
| a) Treasury bills and non-interest bearing treasury certificates and similar public-sector debt instruments | | | –.– | | – |
| b) Bills of exchange | | | –.– | | – |
| | | | | **–.–** | **–** |
| **3. Loans and advances to banks** | | | | | |
| a) Due on demand | | | 269,900,233.33 | | 32,535 |
| b) Other receivables | | | 927,241,002.54 | | 858,063 |
| | | | | **1,197,141,235.87** | **890,598** |
| **4. Loans and advances to customers** | | | | **7,836,570,873.80** | **7,703,885** |
| *Of which:* | | | | | |
| *secured by mortgage liens* | *3,293,755,960.93* | | | | *3,280,328* |
| *public sector loans* | *142,108,574.90* | | | | *135,655* |
| **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 | | –.– | –.– | | – |
| *Of which:* | | | | | |
| *eligible to serve as collateral with Deutsche Bundesbank* | –.– | | | | – |
| b) Bonds and debt securities | | | | | |
| ba) Issued by public-sector borrowers | | 17,894,476.22 | | | 19,283 |
| *Of which:* | | | | | |
| *eligible to serve as collateral with Deutsche Bundesbank* | *17,894,476.22* | | | | *19,283* |
| bb) Issued by other borrowers | | 391,206,422.18 | 409,100,898.40 | | 748,488 |
| *Of which:* | | | | | |
| *eligible to serve as collateral with Deutsche Bundesbank* | *322,992,716.31* | | | | *690,815* |
| c) Debt securities issued by the institution itself | | | –.– | | – |
| *Nominal amount* | –.– | | | | – |
| | | | | **409,100,898.40** | **767,771** |
| **6. Shares and other variable-yield securities** | | | | **497,802,990.91** | **608,305** |
| **6a. Trading portfolio** | | | | **11,439,651.68** | **25,882** |
| **7. Participating interests** | | | | **138,781,057.96** | **117,293** |
| *Of which:* | | | | | |
| *in banks* | *1,028.19* | | | | *1* |
| *in financial institutions* | *3,337,083.63* | | | | *3,337* |
| **8. Shares in affiliated companies** | | | | **97,952,604.56** | **97,910** |
| *Of which:* | | | | | |
| *in banks* | *12,914,254.76* | | | | *12,968* |
| *in financial institutions* | –.– | | | | – |
| **9. Assets held in trust** | | | | **18,458,194.84** | **19,403** |
| *Of which:* | | | | | |
| *loans on a trust basis* | *17,693,174.36* | | | | *18,590* |
| **10. Intangible assets** | | | | | |
| a) Internally produced industrial property rights and similar rights and assets | | | –.– | | – |
| b) Licenses acquired for consideration, industrial property rights and similar rights and assets and licenses for such rights and assets | | | 866,615.14 | | 2,150 |
| c) Goodwill | | | –.– | | – |
| d) Advance payments | | | –.– | | – |
| | | | | **866,615.14** | **2,150** |
| **11. Property and equipment** | | | | **86,501,952.64** | **91,700** |
| **12. Other assets** | | | | **35,091,426.82** | **32,686** |
| **13. Prepaid expenses** | | | | **3,856,180.01** | **4,260** |
| **Total assets** | | | | **10,538,165,008.03** | **10,603,698** |

## EQUITY AND LIABILITIES

| | | € | € | € | € | Previous year €thousand |
|---|---|---|---|---|---|---|
| **1.** | **Liabilities to banks** | | | | | |
| | a) Due on demand | | | 109,272,382.56 | | 144,746 |
| | b) With an agreed term or notice period | | | 2,513,149,332.69 | | 2,699,863 |
| | | | | | **2,622,421,715.25** | **2,844,609** |
| **2.** | **Liabilities to customers** | | | | | |
| | a) Savings deposits | | | | | |
| | aa) With an agreed period of notice of three months | | 2,655,927,821.05 | | | 2,696,304 |
| | ab) With an agreed period of notice of more than three months | | 228,336,202.56 | 2,884,264,023.61 | | 270,971 |
| | b) Other liabilities | | | | | |
| | ba) Due on demand | | 2,650,149,383.00 | | | 2,476,917 |
| | bb) With an agreed term or notice period | | 973,473,031.38 | 3,623,622,414.38 | | 891,104 |
| | | | | | **6,507,886,437.99** | **6,335,296** |
| **3.** | **Securitised liabilities** | | | | | |
| | a) Issued debt securities | | | 257,991,543.18 | | 274,487 |
| | b) Other securitised liabilities | | | –.– | | – |
| | *Of which:* | | | | | |
| | *money-market instruments issued by* | –.– | | | | – |
| | *the institution itself and promissory notes in circulation* | –.– | | | | – |
| | | | | | **257,991,543.18** | **274,487** |
| **3a.** | **Trading portfolio** | | | | **–.–** | **–** |
| **4.** | **Liabilities held in trust** | | | | **18,458,194.84** | **19,403** |
| | *Of which:* | | | | | |
| | *loans on a trust basis* | *17,693,174.36* | | | | *18,590* |
| **5.** | **Other liabilities** | | | | **27,719,532.86** | **28,032** |
| **6.** | **Prepaid expenses** | | | | **5,296,430.95** | **5,107** |
| **7.** | **Provisions** | | | | | |
| | a) Provisions for pensions and similar obligations | | | 255,853,242.00 | | 244,427 |
| | b) Tax provisions | | | 992,043.08 | | 3,748 |
| | c) Other provisions | | | 39,039,089.53 | | 46,812 |
| | | | | | **295,884,374.61** | **294,987** |
| **8.** | **Subordinated liabilities** | | | | **161,699,045.48** | **177,334** |
| **9.** | **Participatory capital** | | | | **57,000,000.00** | **62,000** |
| | *Of which:* | | | | | |
| | *due within two years* | *35,000,000.00* | | | | *40,000* |
| **10.** | **Funds for general banking risks** | | | | **–.–** | – |
| **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 | | 102,746,160.04 | 102,746,160.04 | | 69,419 |
| | d) Accumulated profits | | | 11,019,613.15 | | 22,982 |
| | | | | | **583,807,732.87** | **562,443** |
| | **Total equity and liabilities** | | | | **10,538,165,008.03** | **10,603,698** |
| **1.** | **Contingent liabilities** | | | | | |
| | a) Contingent liabilities under rediscounted and settled bills of exchange | | | –.– | | – |
| | b) Liabilities from guarantees and indemnity agreements | | | 467,768,462.24 | | 442,932 |
| | c) Liability from the provision of collateral for third-party debts | | | –.– | | – |
| | | | | | **467,768,462.24** | **442,932** |
| **2.** | **Other obligations** | | | | | |
| | a) Obligation to repurchase from sales with an | | | | | – |
| | option to repurchase | | | –.– | | – |
| | b) Placement and underwriting obligations | | | –.– | | 421,617 |
| | c) Irrevocable credit commitments | | | 354,396,018.34 | | **421,617** |
| | | | | | **354,396,018.34** | |

## INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

| | € | € | € | € | Previous year € thousand |
|---|---|---|---|---|---|
| **1. Interest income from** | | | | | |
| a) Lending and money market transactions | | 413,336,598.94 | | | 379,726 |
| b) Fixed-interest securities and book entry securities | | 18,322,257.22 | 431,658,856.16 | | 21,848 |
| **2. Interest expense** | | | 196,311,144.33 | | 194,115 |
| | | | | **+235,347,711.83** | **+207,459** |
| **3. Current income from** | | | | | |
| a) Shares and other variable-yield securities | | | 6,952,233.98 | | 17,316 |
| b) Participating interests | | | 2,157,536.75 | | 2,552 |
| c) Shares in affiliated companies | | | 974,853.94 | | 1,637 |
| | | | | **10,084,624.67** | **21,505** |
| **4. Income from profit pooling, profit transfer and partial profit transfer agreements** | | | | **7,063,888.15** | **3,181** |
| **5. Commission income** | | | 61,004,284.68 | | 62,119 |
| **6. Commission expense** | | | 5,160,426.75 | | 6,318 |
| | | | | **+55,843,857.93** | **+55,801** |
| **7. Net income or net expenditure relating to the trading portfolio** | | | | **−10,101,283.05** | **−765** |
| **8. Other operating income** | | | | **20,804,472.52** | **16,618** |
| **9. General administrative expenses** | | | | | |
| a) Staff expenses | | | | | |
| aa) Wages and salaries | | 74,416,943.00 | | | 73,489 |
| ab) Social contributions and expenditure on pension schemes and other benefits | | 18,143,185.43 | 92,560,128.43 | | 16,434 |
| *Of which: for pension schemes* | *6,269,705.21* | | | | *4,505* |
| b) Other administrative expenses | | | 88,537,990.99 | | 88,686 |
| | | | | **181,098,119.42** | **178,609** |
| **10. Amortisation and write-downs of tangible and intangible assets** | | | | **8,465,898.26** | **9,558** |
| **11. Other operating expenses** | | | | **25,924,800.15** | **22,818** |
| **12. Write-downs of and value adjustments to claims and certain securities and allocations to provisions for lending business** | | | 34,429,807.17 | | 43,516 |
| **13. Income from write-ups of claims and certain securities and reversal of provisions for lending business** | | | –.– | | – |
| | | | | **−34,429,807.17** | **−43,516** |
| **14. Depreciation of and provisions against participating interests, shares in affiliated companies and securities treated as fixed assets** | | | 35,106,161.95 | | 11,650 |
| **15. Income from write-ups of participating interests, shares in affiliated companies and securities treated as fixed assets** | | | –.– | | – |
| | | | | **−35,106,161.95** | **−11,650** |
| **16. Expenses on assumption of losses** | | | | **1,497,669.19** | **1,485** |
| **17. Allocations to or transfers from the funds for general banking risks** | | | | **–.–** | **–** |
| **18. Profit on ordinary activities** | | | | **+32,520,815.91** | **+36,163** |
| **19. Extraordinary income** | | | –.– | | 44 |
| **20. Extraordinary expenses** | | | 5,064,603.00 | | 6,395 |
| **21. Profit on extraordinary activities** | | | | **−5,064,603.00** | **6,351** |
| **22. Taxes on income and earnings** | | | 5,139,737.35 | | 6,350 |
| **23. Other taxes** | | | 396,862.41 | | 480 |
| | | | | **5,536,599.76** | **6,830** |
| **24. Profit for the year** | | | | **21,919,613.15** | **22,982** |
| **25. Profit/loss brought forward from the previous year** | | | | **–.–** | **–** |
| **26. Withdrawals from capital reserves** | | | | **–.–** | **–** |
| **27. Transfers 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 retained earnings | | | –.– | **–.–** | **–** |
| **28. Transfers 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 retained earnings | | | 10,900,000.00 | | **–** |
| | | | | **10,900,000.00** | |
| **29. Unappropriated retained earnings** | | | | **11,019,613.15** | **22,982** |

# NOTES

## I. ACCOUNTING AND VALUATION METHODS

We have prepared our annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch), the German Companies Act (Aktiengesetz), the German Bank Accounting Regulation (RechKredV) and our statutes. In accordance with Section 340 i of the German Commercial Code in conjunction with Section 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 Section 9 of the German Bank Accounting Regulation (RechKredV) for specific balance sheet items and sub-items was shown in the notes to the financial statement. Proportionate interest was not allocated to the various residual maturity periods in accordance with the option provided for in Section 11 of the German Bank Accounting Regulation (RechKredV).

### _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.

In connection with the financial market crisis, the same method was used for investment shares which are in some cases not written down on the basis of lower redemption prices provided that these prices do 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.

### _TRADING PORTFOLIO

The financial instruments in the trading portfolio are valued at fair value less a deduction for risk (value-at-risk). In accordance with IDW RS BFA 2 this value is deducted in a single amount from the larger of the respective »trading portfolio« balance sheet items (assets or liabilities).

In the course of the accounting period, Die Sparkasse did not change the criteria defined in the institutes for the inclusion of financial instruments in the trading portfolio.

Die Sparkasse Bremen applies the value-at-risk deductions calculated for the system of internal risk control for the risk deductions that are to be taken into account. In this case a holding period of 63 trading days, an observation period of 250 trading days and a confidence level of 99.9 % were assumed. The resulting absolute amount for the deduction for risk is € 66 million.

Die Sparkasse Bremen does not report its current and deferred income and its current and prepaid expenses resulting from trading portfolios in the net income or net expenditure of the trading portfolio, but in the corresponding items of the income statement, since this complies with the system of internal management.

### _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.

### _PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

These were all valued at acquisition cost and consumable assets were depreciated by applying the straight-line or declining-balance method of depreciation.

On exercising options from the first-time application of the German Accounting Law Modernisation Act, a small proportion of tangible assets was still depreciated at the highest rates permissible under fiscal law in accordance with the declining-balance method, provided that these assets were added in 2009.

Until the 2007 accounting period, fixed assets of minor value were fully amortised in the year of their acquisition. In the 2008 and 2009 accounting periods, Die Sparkasse applied permissible tax regulations in accordance with an amendment to Section 6 Paragraphs 2 and 2a of the German Income Tax Act (EstG) (creation of compound items relating to a specific year involving a consistent reversal in recognition of profit or loss over a period of five years). Since the 2010 accounting period, assets of minor value up to a value of EUR 410.00 (excluding input tax) were fully amortised in the year of their acquisition due to their insignificance for Die Sparkasse Bremen.

## OTHER ASSETS

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

## LIABILITIES

Liabilities were valued at their settlement 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 were recognised at their settlement amount required on the basis of prudent business judgement and discounted in the case of a remaining term of more than one year. The discount rate applied was based on the matching maturity interest rate published by the Deutsche Bundesbank in accordance with the German regulations on discounting provisions.

The utilisation of the option under Article 67 Paragraph 1 Clause 2 of the introductory law of the German Commercial Code (EGHGB) resulted in excessive allocations for some provisions in the total amount of € 0.1 million as at 31 December 2011. Since these excessive allocations will probably need to be allocated again by 31 December 2024 the provisions were retained unchanged.

Provisions for pensions and similar obligations were calculated on an updated basis (2005 G Heubeck mortality tables) on application of the projected unit credit method. They were discounted at a fixed rate on exercising the option under Section 253 Paragraph 2 Clause 2 of the German Commercial Code at the average market rate of interest of the past seven years resulting from an assumed remaining term of 15 years as published by the Deutsche Bundesbank.

The discount rate is 5.14 %. Furthermore, a salary increase of 2.5 %, an increase in pensions of 1.5 % and an increase in the assessment basis under social security legislation of 1.0 % p.a. were applied as a basis.

In exercising the option under Article 67 Paragraph 1 Clause 1 of the introductory law of the German Commercial Code (EGHGB), the addition to provisions for pensions resulting from the revaluation of provisions for pensions and similar obligations will have accumulated to not less than one fifteenth in each accounting period by 31 December 2024. As at 31 December 2011 the amount still to be transferred was € 65.6 million and was in this case ascertained as at 31 December 2011.

## CURRENCY TRANSLATION

Currency was translated in accordance with the provisions of Section 340 h of the German Commercial Code in conjunction with Section 256 a of the German Commercial Code and IDW RS BFA 4. Assets in foreign currencies which are treated as fixed assets are translated into euros at their purchase rate.

The remaining balance sheet stocks in foreign currencies and the spot exchange transactions and forward transactions that have not been concluded and were in total not allocated to the trading portfolio are considered to be separately covered transactions (special cover) according to Section 340 h of the German Commercial Code.

In this case the special cover is based on a cover according to the amount of the transactions included, without taking account of congruent maturities. Special-cover transactions are valued at their spot or forward rate, with both rates being based on the reference quotation of the European Central Bank.

The exchange-rate gains and losses calculated on the basis of the translation of transactions with a special cover are reported in other operating income (Item 8) or other operating expenses (Item 11) of the income statement.

## VALUATION UNITS

The respective hedge transactions are designed in such a manner that the risk-relevant parameters of underlying transactions are completely reversed as at the balance-sheet reporting date and during the term of the underlying transaction (critical terms match). Derivative transactions for third account and reversed hedge transactions concluded with banks with reliable credit ratings are in each case combined in a micro valuation unit.

Pending transactions with a nominal value of € 304.7 million are included as underlying transactions in valuation units in accordance with Section 254 Clause 1 of the German Commercial Code. These valuation units are in each case also micro valuation units. These transactions are hedged against interest rate and foreign currency risks with derivative financial instruments. The risk of changes in interest rates is hedged for € 243.6 million and foreign currency risks are hedged for € 61.1 million.

## BANKING BOOK VALUATION

The recoverability of the banking book was ascertained according to IEW ERS 3 (draft) on the basis of a present-value approach. Interest-bearing assets and liabilities, including derivatives, were all subjected to an overall view in terms of the general risk of changes in interest rates. Product-related yield curves were used as a basis for the yield curve.

## 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. 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) – include receivables with residual terms to maturity of**

| | | |
|---|---|---|
| – less than three months | 459,976 | |
| – more than three months but less than one year | 365,116 | |
| – more than one year but less than five years | 80,137 | |
| – more than five years | 327 | |

**Item 3 contains:**

| | | |
|---|---|---|
| – Receivables from affiliated companies (previous year 9,198) | | 5,634 |
| – Receivables from companies in which an equity investment exists (previous year 223) | | 174 |
| – Receivables from the bank's own Girozentrale | | 197 |
| – Subordinated receivables (previous year –) | | – |

**On 4. Loans and advances to customers**

**Loans and advances to customers include receivables**

| | | |
|---|---|---|
| – with an indefinite term | 821,914 | |

**and receivables with residual terms to maturity of**

| | | |
|---|---|---|
| – less than three months | 516,187 | |
| – more than three months but less than one year | 475,930 | |
| – more than one year but less than five years | 1,847,065 | |
| – more than five years | 4,169,255 | |

**Item 4 contains:**

| | | |
|---|---|---|
| – Receivables from affiliated companies (previous year 27,115) | | 23,095 |
| – Receivables from companies in which an equity investment exists (previous year 207,118) | | 168,750 |
| – Subordinated receivables (previous year 6,508) | | 6,508 |
| – of which from affiliated companies (previous year 1,508) | 1,508 | |
| – of which 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 become due payable in the following year** | 117,287 | |

**Item 5 contains:**

| | | |
|---|---|---|
| – Marketable and listed securities | | 374,463 |
| – Marketable and unlisted securities | | 34,638 |
| – Investment securities (previous year 614,518) | | 331,017 |
| – Securities not measured according to the lower of cost or market value (previous year 149,120) | | 111,140 |
| – Current value of these securities | | 104,892 |
| – Securities including a subordination agreement (previous year 5,456) | | 5,456 |

**On 6. Shares and other variable-yield securities**

**Item 6 contains:**

| | | |
|---|---|---|
| – Marketable and listed securities | | – |
| – Marketable and unlisted securities | | 11,812 |
| – Investment securities (previous year 608,305) | | 497,803 |
| – Securities not measured according to the lower of cost or market value (previous year 270,125) | | 269,243 |
| – Current value of these securities | | 253,503 |
| – Securities including a subordination agreement (previous year –) | | – |
| – Special fund shares | | 357,401 |

**Share certificates for special funds may only be transferred with the approval of the unit trust company in accordance with Section 92 of the German Investment Act (InvG). As at the end of a fund transaction year, the companies always pay out the interest and dividends arising for the account of the special fund and not interest and dividends used for the purpose of covering costs, with interim payouts also being made. The realised gains available for distribution as at the end of the fund transaction year are fully retained by the companies.**

Investment assets at a proportion of more than 10 %:

| Funds | Carrying amount 31.12.2011 | Market value 31.12.2011 | Differ-ence | Distribution 2011 | Daily Return possible | Application NWP |
|---|---|---|---|---|---|---|
| **Annuity funds** | | | | | | |
| IP Opti Flex 2009 | 5,000 | 5,070 | –70 | 0 | Yes | Yes |
| Lupus Alpha L/s Duration | 1,961 | 1,961 | 0 | 51 | Yes | Yes |
| HI Bremen 3 | 171,249 | 160,310 | 10,939 | 1,248 | Yes | No [1] |
| HI Bremen 7 | 23,575 | 23,575 | 0 | 0 | Yes | Yes |
| HI Bremen 10 | 64,584 | 65,406 | –822 | 1,628 | Yes | Yes |
| **Mixed funds** | | | | | | |
| Bremen Individualdepot | 9,851 | 9,851 | 0 | 0 | Yes | Yes |
| IP Weser-Multi-Strategy | 17,528 | 17,528 | 0 | 0 | Yes | Yes |
| IP Weser-Opportunity | 17,810 | 17,810 | 0 | 0 | Yes | Yes |
| HI Bremen 9 | 97,994 | 93,193 | 4,801 | 0 | Yes | No [1] |

[1] Concerning application of the lower of cost or market, we refer to information contained in the accounting policies for securities.

## On 6a Trading portfolio

**Item 6a is to be itemised as follows:**

| | |
|---|---|
| – Derivative financial instruments | – |
| – Receivables | – |
| – Debt securities and other fixed-interest securities | 11,506 |
| – Shares and other variable-yield securities | – |
| – Other assets | – |
| **– Sub-total** | **11,506** |
| – Risk deduction | 66 |
| **– Total** | **11,440** |

## On 7. Equity investments

**Item 7 does not contain any marketable 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:**

| | |
|---|---|
| – Receivables from customers | 17,693 |
| – Other assets | 765 |

## On 10. and 11. Tangible and intangible assets

| Development of tangible and intangible assets. | Intangible assets | Tangible assets |
|---|---|---|
| Acquisition costs at the beginning of the year | 20,569 | 250,557 |
| Additions | 204 | 2,598 |
| Disposals | 5,287 | 5,639 |
| Accumulated depreciation | 14,619 | 161,014 |
| Balance-sheet values at the end of the year | 867 | 86,502 |
| Depreciation in the accounting period | 1,367 | 7,098 |

| Item 11 Tangible assets contains: | |
|---|---|
| – Land and buildings used as part of savings bank activities | 54,499 |
| – Operating and office equipment | 10,820 |
| – Collective items for fixed assets of minor value | 163 |

## On 12. Other assets

| Item 12 contains: | |
|---|---|
| – Financial assets (previous year 86) | 87 |

| Notable individual items: | |
|---|---|
| – Receivables from affiliated companies | 8,511 |
| – subordinated assets (silent participations) | 7,000 |
| – Option premiums paid | 4,729 |

## On 13. Deferred income

| Item 13 contains: | |
|---|---|
| – Discounts on liabilities (previous year 438) | 572 |
| – Premiums on receivables (previous year 1,571) | 1,248 |

## _ EQUITY AND LIABILITIES

### On 1. Liabilities to banks

**Liabilities to banks with an agreed term or notice period – Sub-item b) – include liabilities with a residual term of**

| | | |
|---|---|---|
| – less than three months | 503,197 | |
| – more than three months but less than one year | 217,570 | |
| – more than one year but less than five years | 749,653 | |
| – more than five years | 990,032 | |
| **Item 1 contains:** | | |
| – Liabilities to affiliated companies (previous year 5,486) | | 9,718 |
| – Liabilities to companies with which an equity investment exists (previous year 17,482) | | 37,641 |
| – Liabilities to the bank's own Girozentrale | | 14,373 |

**For liabilities contained in this item assets to the amount of € 1,044.5 were pledged as collateral.**

### On 2. Liabilities to customers

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

| | | |
|---|---|---|
| – less than three months | 70,919 | |
| – more than three months but less than one year | 135,309 | |
| – more than one year but less than five years | 22,108 | |
| – more than five years | – | |

**The other liabilities to customers with an agreed term or notice period – sub-items b) bb) – include liabilities with a residual term of**

| | | |
|---|---|---|
| – less than three months | 286,205 | |
| – more than three months but less than one year | 145,207 | |
| – more than one year but less than five years | 224,600 | |
| – more than five years | 300,700 | |
| **Item 2 contains:** | | |
| – Liabilities to affiliated companies (previous year 35,437) | | 39,705 |
| – Liabilities to companies in which an equity investment exists (previous year 23,774) | | 22,996 |

### On 3. Securitised liabilities

| | | |
|---|---|---|
| **Of the debt securities issued, the following become due payable in the following year:** | 131,468 | |
| **Item 3 contains:** | | |
| – Liabilities to affiliated companies (previous year 503) | | 1,655 |
| – Liabilities to companies in which an equity investment exists (previous year 15,744) | | 15,744 |

### On 4. Liabilities held in trust

| | |
|---|---|
| **Liabilities held in trust are:** | |
| – Liabilities to banks | 17,448 |
| – Liabilities to customers | 1,010 |

### On 5. Other liabilities

| | |
|---|---|
| **Notable individual items:** | |
| – Repayment obligations resulting from closed-end real-estate funds | 5,313 |
| – Option premiums received | 4,860 |
| – Liabilities to affiliated companies | 4,776 |
| – Capital gains tax withheld from our customers | 4,496 |

**For margin obligations resulting from EUREX transactions contained in this item, securities to the amount of € 5.0 million were pledged as collateral.**

## On 6. Deferred income

| | |
|---|---|
| **Item 6 contains discounts on receivables (previous year 4,538):** | 4,677 |

## On 8. Subordinated liabilities

| | |
|---|---|
| **Item 8 contains:** | |
| – Liabilities to affiliated companies (previous year 1,021) | 1,021 |
| – Liabilities to companies in which an equity investment exists (previous year 214) | 214 |
| **interest expenses to the following amount were incurred for liabilities included in this item in 2011:** | 8,206 |

**The portfolio covers bearer debt securities and registered debt securities with fixed interest rates and terms for the period from 2013 to 2021. No early repayment or converson to capital or any other form of debt has been provided for.**

## On 9. Participatory capital

**The portfolio covers 8 registered participatory certificates. In the 2011 accounting period no registered participatory certificates were issued**

## On 11. Equity

**Share capital amounts to € 370 million and consists of 370,000 no-par value denominated shares. The shares are all held by the Finanzholding der Sparkasse in Bremen. Subscribed capital includes a silent participation to the amount of € 13 million with a residual term of 6 years and 6 months and a silent participation investment to the amount of € 40 million with a residual term of 5 years.**

**In accordance with a resolution passed at the Annual General Meeting of 25 May 2011, the accumulated profits for 2010, in the amount of € 22.4 million, were appropriated to other retained earnings.**

**The Board of Managing Directors proposes to the Annual General Meeting that € 10.4 million of the unappropriated retained earnings for 2011 in the amount of € 11.0 million be allocated to retained earnings and € 0.6 million be paid out to the Finanzholding der Sparkasse in Bremen.**

## On contingent liabilities (first item below the line)

**Contingent liabilities are subject to organisational credit assessment, decision and monitoring processes. Approval for granting and monitoring credits is contingent on the amount of the individual risk involved. Depending on the volume and the credit rating of borrowers, relevant credit authorities are defined to ensure that risk-based credit decisions are always taken at an adequate level. Obligations resulting from contingent liabilities to third parties which were entered into for the benefit of borrowers are not to be carried as liabilities, since the underlying liabilities will in all probability be met by the borrowers so a claim is not expected to be enforced.**

## On other obligations (second item below the line)

**Irrevocable credit commitments mainly include loans which have been partly made available and not yet fully paid out. Irrevocable credit commitments are subject to organisational assessment, decision and monitoring processes. No significant default risks can be recognised.**

## III. OTHER BALANCE SHEET DISCLOSURES

### FOREIGN CURRENCY DUE AND FOREIGN CURRENCY OWING

Assets and liabilities denominated in foreign currencies total an equivalent of € 367.3 million and € 362.5 million respectively.

### DEFERRED TAXES

Deferred tax liabilities on the basis of taxable temporary differences mainly result from differences in reporting participating interests in business partnerships in the commercial and tax balance sheet. These are compensated with deferred tax assets due to deductible temporary differences resulting from different methods of recognising receivables, securities and provisions in the commercial and tax balance sheet. The aggregated resulting surplus deferred tax assets were not reported upon exercising the option in Section 274 Paragraph 1 Clause 2 of the German Commercial Code.

### OTHER FINANCIAL OBLIGATIONS

Obligations arising from leasing, licensing and maintenance agreements for the coming financial years currently total € 6.4 million p.a.

In the participating interest section, unpaid call-in obligations and obligations to make additional contributions currently amount to € 44.0 million.

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 SECTION 160 PARAGRAPH 1 NO. 8 OF THE GERMAN COMPANIES ACT

The following was announced to the AG: »The Finanzholding der 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 reporting date for the annual accounts were concluded in order to secure them against the risk of changes in interest rates.

Transactions relating to foreign currencies are primarily trade deals 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.

| Remaining term including | NOMINAL VALUES less than one year €m. | more than one year less than five years €m. | more than five years €m. | Total €m. | of which Trading portfolio €m. | MARKET VALUES positive €m. | negative €m. |
|---|---|---|---|---|---|---|---|
| **Interest-rate related transactions** | | | | | | | |
| OTC products | 288.0 | 1,262.7 | 1,630.5 | 3,181.2 | 0.0 | 43.4 | 256.5 |
| Stock-exchange transactions | – | – | – | – | – | – | – |
| **Currency-related transactions** | | | | | | | |
| OTC products | 647.9 | 64.0 | 46.2 | 758.1 | 0.0 | 20.1 | 19.3 |
| Stock-exchange transactions | – | – | – | – | – | – | – |
| **Transactions bearing other risks** | | | | | | | |
| OTC products | 25.0 | 99.5 | – | 124.5 | 0.0 | 123.1 | – |
| Stock-exchange transactions | – | – | 5.4 | 5.4 | 0.0 | 4.4 | – |
| **Total** | | | | **4,069.2** | 0.0 | | |

### 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 on the date 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 is a mortgage bond bank. Regular transparency requirements as laid down in Section 28 of the German Mortgage Bond Act (PfandBG) are met through publication on our website at www.sparkasse-bremen.de erfüllt.

| | 2011<br>€ million | 2010<br>€ million |
|---|---|---|
| **Section 28 Paragraph 1 No. 1 of the German Covered Bond Act** | | |
| Mortgage bonds in circulation | | |
| Nominal value | 150.1 | 85.1 |
| Present value | 173.5 | 90.3 |
| Risk-adjusted present value [1] Stress test + 250 BP | 137.6 | 73.2 |
| Risk-adjusted present value [1] Stress test – 250 BP | 219.2 | 112.3 |
| Guarantee fund | | |
| Nominal value | 333.4 | 234.0 |
| Present value | 381.2 | 259.8 |
| Risk-adjusted present value [1] Stress test + 250 BP | 335.4 | 226.2 |
| Risk-adjusted present value [1] Stress test – 250 BP | 425.5 | 299.2 |
| Excess coverage | | |
| Nominal value | 183.3 | 148.9 |
| Present value | 207.7 | 169.5 |
| Risk-adjusted present value [1] Stress test + 250 BP | 197.8 | 153.0 |
| Risk-adjusted present value [1] Stress test – 250 BP | 206.3 | 186.9 |
| **Section 28 Paragraph 1 No. 2 of the German Mortgage Bond Act** | | |
| Term structure of the mortgage bonds in circulation | | |
| Less than one year | 0.0 | 0.0 |
| More than one year but less than two years | 0.0 | 0.0 |
| More than two years but less than three years | 0.0 | 0.0 |
| More than three years but less than four years | 0.0 | 0.0 |
| More than four years but less than five years | 0.0 | 0.0 |
| More than five years but less than ten years | 63.0 | 58.0 |
| From ten years | 87.1 | 27.1 |
| Guarantee fund fixed interest period | | |
| Less than one year | 15.0 | 7.1 |
| More than one year but less than two years | 21.4 | 8.6 |
| More than two years but less than three years | 36.7 | 12.5 |
| More than three years but less than four years | 25.1 | 26.5 |
| More than four years but less than five years | 16.8 | 14.3 |
| More than five years but less than ten years | 172.6 | 136.7 |
| From ten years | 45.8 | 28.3 |

**Section 28 Paragraph 1 No. 3 of the German Mortgage Bond Act**
There are no derivatives in the guarantee fund.

| | 2011<br>€ million | 2010<br>€ million |
|---|---|---|
| **Section 28 Paragraph 1 No. 4 of the German Mortgage Bond Act** | | |
| The guarantee fund contains other covering assets according to § 19 Paragraph 1 No. 2 of the German Mortgage Bond Act: | 10.0 | 10.0 |
| of which covering assets according to Section 4 Paragraph 1 of the German Mortgage Bond Act | 10.0 | 10.0 |

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

| | 2011<br>in € million | 2010<br>in € million |
|---|---|---|
| **Section 28 Paragraph 2 No. 1 of the German Mortgage Bond Act** | | |
| a.) Total amount of the guarantee fund applied at its nominal value according to volume class | | |
| Loan cover | | |
| – less than € 300,000 | 291.1 | 205.4 |
| – more than € 300,000 but less than € 5 million | 26.0 | 12.2 |
| – more than € 5 million | 6.3 | 6.4 |
| Surplus cover | | |
| – less than € 300,000 | 0.0 | 0.0 |
| – more than € 300,000 but less than € 5 million | 0.0 | 0.0 |
| – more than € 5 million | 10.0 | 10.0 |
| b.) Total amount of receivables applied as security by states in which the property serving as security is located [1] | | |
| Federal Republic of Germany | 323.4 | 224.0 |

| c.) Total amount of receivables applied as security by type of use [1] | 2011<br>in € million | residential property<br>2010<br>in € million | 2011<br>in € million | commercial property<br>2010<br>in € million |
|---|---|---|---|---|
| Apartments | 49.2 | 30.9 | | |
| Single-family houses | 192.6 | 148.3 | | |
| Multiple-family houses | 45.8 | 31.4 | | |
| Office buildings | | | 5.9 | 0.3 |
| Commercial buildings | | | 0.0 | 0.0 |
| Industrial buildings | | | 8.6 | 7.8 |
| Other buildings used for commercial purposes | | | 21.3 | 5.3 |
| New buildings in progress, not yet productive | | | 0.0 | 0.0 |
| Building sites | | | 0.0 | 0.0 |

| | 2011<br>in € million | 2010<br>in € million |
|---|---|---|
| **Section 28 Paragraph 2 No. 2 of the German Mortgage Bond Act** | | |
| Total of payments in arrears by at least 90 days [1] | 0.0 | 0.0 |

| | 2011<br>Number | Residential properties<br>2010<br>Number | 2011<br>Number | Commercial properties<br>2010<br>Number |
|---|---|---|---|---|
| **Section 28 Paragraph 2 No. 3 of the German Mortgage Bond Act** | | | | |
| a.) Number of pending foreclosure suits and compulsory administration suits as at 31. 12. 2011 | 0 | 0 | 0 | 0 |
| Number of foreclosures executed in the accounting period | 0 | 0 | 0 | 0 |
| b.) Assumption of land in the accounting period | 0 | 0 | 0 | 0 |

| | 2011<br>in € million | 2010<br>in € million | 2011<br>in € million | 2010<br>in € million |
|---|---|---|---|---|
| c.) Interest in arrears | 0,0 | 0,0 | 0,0 | 0,0 |

[1] No property as security outside Germany

## IV. EXPLANATORY NOTES TO THE STATEMENT OF INCOME

### On 1. a) Interest income

This item includes around 10 % of income relating to other periods most of which relates to control measures in the interest-rate book.

### On 2. Interest expense

This item includes € 42,000 from the reversal of accruals.

### 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 € 4.185 million from the reversal of accruals, € 6.438 million in reimbursements of administrative expenses through subsidiaries and € 2.428 million in ordinary income from land and buildings.

Income from currency conversions in the amount of € 982,000 was reported.

### On 11. Other operating expenses

This item includes € 17.327 million in expenses accrued on interest for provisions and € 7,000 in expenses for currency conversions.

### On 21. Profit on extraordinary activities

This item exclusively includes expenses resulting from conversion to comply with the provisions of the German Accounting Law Modernisation Act.

## 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 2011 in % | Equity 2010 in € 000 | Income 2010 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 | 44,547 | 4,793 |
| LBS Landesbausparkasse Bremen AG, Bremen | 25.0 | 37,081 | 2,366 |
| nwu nordwest Unternehmensbeteiligungsgesellschaft der Sparkasse Bremen mbH, Bremen | 100.0 | 30,000 [2] | 0 [1] |
| Öffentliche Versicherung Bremen, Bremen | 20.0 | 6,020 | 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] |
| nwb nordwest Beteiligungsgesellschaft der Sparkasse Bremen mbH, Bremen | 100.0 | 147 [2] | -2 [2] |
| 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] 2011 equity and income

[3] Recognised profits/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** | |
| BREBAU GmbH, Bremen | 48.8 |
| Öffentliche Versicherung Bremen, Bremen | 20.0 |
| Wincor Nixdorf Portavis GmbH, Hamburg | 11.0 |
| Bürgschaftsbank Bremen GmbH, Bremen | 10.7 |
| neue leben Pensionsverwaltung AG, Hamburg | 8.0 |
| neue leben Holding AG, Hamburg | 7.8 |

Die Sparkasse Bremen AG, Bremen, is a full subsidiary of the Finanzholding der Sparkasse in Bremen, Bremen. The Finanzholding der 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 € 0.7 million for the audit of the annual financial statements and € 0.2 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 NordCap GmbH & Co. KG |
| Dipl.-Kfm. Holger U. Birkigt (until 25 May 2011) | 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) |
| Dipl.-Kfm. Otto Lamotte | Managing Director of HENRY LAMOTTE OILS GmbH |
| Janina Marahrens-Hashagen (from 25 May 2011) | Managing partner of H. Marahrens-Schilderwerk, Siebdruckerei, Stempel 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

| | |
|---|---|
| Dr. rer. nat. Tim Nesemann | Chairman of the Board of Managing Directors |
| Joachim Döpp | |
| Thomas Fürst | |
| Dr. rer. pol. Heiko Staroßom | |

Loans granted to members of the Board of Managing Directors amounted to € 0.1 million on the balance sheet reporting date.

## EMOLUMENTS

Members of the Board of Managing Directors received € 2.0 million in remuneration, of which € 1.5 million was paid in fixed remuneration and € 0.5 million in variable remuneration.
Former members of the Board of Management and their dependants received € 1.6 million; pension obligations for this group of people amount to € 18.2 million, of which an amount of € 3.1 million will have been accumulated by 31 December 2024 in exercising the option pertaining to Article 67 Paragraph 1 Clause 1 of the introductory law of the German Commercial Code (EGHGB).

## 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:

### DR. TIM NESEMANN

| | | |
|---|---|---|
| BREMER LAGERHAUS-GESELLSCHAFT – Aktiengesellschaft von 1877 – | SB | (from 1 April 2011) |
| DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. | SB | (from 1 July 2011) |
| Freie Internationale Sparkasse S.A. | SB, Chairman | |
| GEWOBA Aktiengesellschaft Wohnen und Bauen | SB | |
| NRS Norddeutsche Retail-Service AG | SB | |

### THOMAS FÜRST

| | | |
|---|---|---|
| Bremer Toto-Lotto GmbH | SB | |
| Diakonische Behindertenhilfe gemeinnützige GmbH | SB, Chairman | |
| Freie Internationale Sparkasse S.A. | SB | |
| LBS Landesbausparkasse Bremen AG | SB, Vice Chairman | |
| neue leben Holding AG | SB | |
| neue leben Pensionskasse AG | SB | |
| neue leben Pensionsverwaltung AG | SB | |
| neue leben Unfallversicherung AG | SB | |
| Sparkassen Kreditpartner GmbH | SB | (from 1 June 2011) |

### JOACHIM DÖPP

| | | |
|---|---|---|
| Öffentliche Versicherung Bremen | SB, deputy member | |

### DR. HEIKO STAROßOM

| | | |
|---|---|---|
| BREBAU GmbH | SB, Chairman | (until 3 April 2011) |
| | SB, Vice Chairman | (from 4 April 2011) |
| Öffentliche Versicherung Bremen | SB | |

## HOLM DIEZ

| | | |
|---|---|---|
| LBS Landesbausparkasse Bremen AG | SB | |

## NIELS RASMUSSEN

| | | |
|---|---|---|
| Wincor Nixdorf Portavis GmbH | SB | (until 30 September 2011) |

## THORSTEN ROTH

| | | |
|---|---|---|
| Freie Internationale Sparkasse S.A. | SB | |

## BERNHARD RUSCHKE

| | | |
|---|---|---|
| Wincor Nixdorf Portavis GmbH | SB | (from 2 December 2011) |

# EMPLOYEES

| | |
|---|---|
| Annual average employment: | |
| Full-time employees | 950 [1] |
| Part-time and temporary end-of-month employees | 467 [1] |
| | **1,417** |
| Apprentices | 84 |
| Total | **1,501** |

[1] of which commercial employees

| | |
|---|---|
| – Full-time employees | 0 |
| – Part-time and temporary end-of-month employees | 58 |

Bremen, 6 March 2012

Die Sparkasse Bremen AG
The Board of Managing Directors

Dr. Nesemann    Döpp    Fürst    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 2011 to 31 December 2011. 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 Section 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 position 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, 23 April 2012

**Audit Office of the**

**HANSEATISCHER SPARKASSEN- UND GIROVERBAND (HANSEATIC SAVINGS BANK AND GIROBANK ASSOCIATION)**

Jacobs
Chartered Accountant

Seitz
Chartered Accountant

**For further information please contact**

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Dealing/Money Market
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Günter Spanjer, Assistant Vice President – Ext. 3687

**Document Collection**
Thomas Gädje, Assistant Vice President – Ext. 2183

**International Payments**
Thomas Markwitz, Assistant Vice President – Ext. 2181