
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 422 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 187 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 58 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 of-

ices 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 58 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 2012

GENERAL ENVIRONMENT

GROWTH LEADER IN EUROPE

In 2012, Germany was one of the leading economies in Europe, despite the fact that the economy weakened during the course of the year and that overall economic growth was low.

Economic recovery flattened worldwide but was nevertheless relatively sound. Emerging markets, such as China, did not report the same peak values as in previous years. The USA raised economic growth slightly, with the gross domestic product increasing by 2.2 %. After the natural disasters and the consequences of these disasters in the spring of 2011, even Japan reported a positive figure in the same amount (2.2 %). Economic development in Europe was not as good, and this applied even more to the eurozone. The economic output fell by 0.2 % and 0.4 % respectively, as a result of the continued contraction of economies such as those in Greece, Italy, Portugal and Cyprus. These crisis-ridden countries continue to experience persisting recessions – despite some improved indicators such as the current account balance of payments and unit labour costs. Hopes that implemented measures will bear fruit, that the trend will be sustained and that a competitive capacity and the power to grow will be recovered are based on completely different levels. In France, low growth at a similar level to Germany helped to avoid a recession for the time being, but »La Grande Nation« did have to accept being downgraded by rating agencies Standard & Poor's and Moody's.

Germany, which reported a 3.1 % growth in its gross domestic product in 2011, was likewise not able to match the good results of the previous year. The economy did grow somewhat (0.9 %),

but naturally this rate of growth was by no means sufficient for Europe or the eurozone to earn a surplus. Exports, consumption and housing construction contributed most to stabilising the trend. In contrast, classical corporate expenditure, such as investing in equipment and commercial buildings, lagged behind and proved to be the Achilles' heel of the German economy. The volume of investments has not benefited from the exceptionally low interest rates as much as expected. This is due to uncertainty about how the euro crisis will continue to develop and consolidation in the European partner states. The »wait-and-see« attitudes in the inventory investment cycle were further confirmation that companies are not expecting demand to pick up quickly. The cautious estimation nevertheless ensured that no serious setbacks need to be expected if the economy continues to weaken.

The economic trend in Bremen was similar, with development mainly being backed up by exports. Calculations carried out by the Bremen Chamber of Commerce show that Bremen moved to top position among the German federal states, with exports growing by 20 % in 2012, as anticipated. Exports from Bremen had reached the figure for the previous year as early as in October 2012. While German exports in general mainly go to countries outside the European Union, most of the products exported from Bremen remain within Europe, followed by exports to America and Asia. This naturally benefits the development of the labour market. On an annual average, the rate of unemployment was 10.2 %, which was 0.3 percentage points below the figure for the previous year.

TOP MARKET POSITION MAINTAINED

Die Sparkasse Bremen has by far the best market positions in Bremen in terms of business with private and with corporate customers, and the bank has been successful in maintaining its market leadership at this high level. On the one hand, this is due to our sales structure, with which we consistently focus on the needs of our customers, and on the other hand to the high quality of our consulting service. FOCUS MONEY once again distinguished us as the test winner for Bremen in the »City-Contest 2013«. The consulting service for private customers offered by seven banks in Bremen was tested. As a result we were rated »Outstanding« in 2013. The tests are carried out in a total of 300 cities. Furthermore, the German TÜV (Tech-

nical Inspection Authority) confirmed the TÜV certificate for consulting quality, which we had already received last year, as part of a process of recertification. This shows that we are consistently working on the question of consulting quality and that we put the philosophy of an integral approach towards consulting, tailored to the needs of customers, into practice at the bank. The renewed awards show that the consulting skills of die Sparkasse Bremen are outstanding, thanks to the excellent professional training and advanced professional training provided to its employees and to an integral approach to consulting tailored to the needs of its customers. The certificate is also praise, recognition and incentive for our employees.

DEVELOPMENT OF BUSINESS

INCREASE IN EARNINGS UNDER UNFAVOURABLE GENERAL CONDITIONS

2012 was characterised by the persistent national debt crisis in Europe and a resulting crisis of confidence in the eurozone. The general economic development in Germany also slowed down during the year in the wake of the cooling of the global economy as a result of the European national debt crisis. New legal requirements, considerable destructive competition, ongoing uncertainty on financial markets and the crisis in the shipping industry were more negative factors which strongly characterised the business activities of die Sparkasse. Against the background of this persistently unfavourable general environment, die Sparkasse Bremen looks back on a more than satisfactory accounting period. The bank won through with

services tailored to the needs of its customers and attractive products, achieving a clear increase in its profit for the year in the amount of € 15.9 million, to € 37.8 million.

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

	2012	2011	2010	2009	2008
Loans and advances to customers	8,457.0	8,322.1	8,165.4	8,099.1	8,077.4
of which:					
Short, medium and long-term receivables from customers	7,985.4	7,836.6	7,703.9	7,626.3	7,578.9
of which:					
Promissory notes acquired	69.2	75.7	103.3	77.1	229.5
Loans on a trust basis	10.9	17.7	18.6	18.1	18.4
Guarantees and endorsement liabilities	460.7	467.8	442.9	454.7	480.1
Loans and advances to banks	580.3	1,197.1	890.6	1,064.2	1,648.7

Aggregated receivables from customers (including promissory notes acquired, loans on a trust basis and guarantees and endorse-

ment liabilities) amounted to € 8.5 billion on 31 December 2012, hence once again slightly exceeding those of the previous year.

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

	2012	2011	2010	2009	2008
Corporate customers*)	5,407.7	5,298.1	5,175.0	5,038.5	4,838.7
Private customers*)	2,600.4	2,597.5	2,582.6	2,601.9	2,631.1

* On the basis of regulatory reported data

The positive trend of the past few years was continued in business with corporate customers. At € 5.4 billion, lending business with corporate customers again exceeded that of the previous year. While lending business for commercial housing declined slightly against figures for the previous year, this decline was largely offset with further increases in other lending business – notably in the areas of wind energy and commercial real-estate loans. This sustained, positive trend in existing 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 were at the same level as those of the previous year, at € 2.6 billion. The customer-oriented establishment of the real-estate centre stabilised new business generated in lending business for private housing at a high level.

Loans and advances to banks fell by 51.5 % to € 0.6 billion on the balance sheet reporting date. Against the background of a continuing low level of interest rates, due payable savings deposits at banks were replaced with liquid security items bearing variable interest rates.

INVESTMENT BUSINESS

DEVELOPMENT OF INVESTMENT BUSINESS (IN € MILLION)

	2012	2011	2010	2009	2008
Liabilities to customers and securitised liabilities	7,224.6	6,927.6	6,787.1	7,282.5	7,173.5
of which:					
Savings deposits	2,984.1	2,884.3	2,967.3	3,139.8	3,314.9
Debt securities	303.8	419.7	451.8	382.2	475.3
Deposits due on demand	3,001.1	2,650.1	2,476.9	2,873.7	2,095.3
Time deposits	934.6	973.5	891.1	886.8	1,288.0
Liabilities to banks	2,568.2	2,622.4	2,844.6	2,541.5	2,599.2

The amount of liabilities to customers and securitised liabilities was raised by 4.3 % to € 7.2 billion in the period up to year-end.

While a reporting date comparison showed that the trend for registered bonds issued by die Sparkasse Bremen and the portfolio of time deposits was in decline, the portfolio of deposits due on demand showed a positive development and had increased considerably on the reporting date.

The development of the portfolio of savings deposits was particularly positive. A reporting date comparison showed that we counteracted the continuing decrease and again reported an increase in the portfolio.

The registered bonds issued by die Sparkasse Bremen offer a good start to investing in fixed-interest securities with a first-class credit rating. Just like developments in the portfolio of investment business, we believe that the declining trend in the area of our own issues, influenced by expansion to our product range but nevertheless stable, is generally the result of the continuing low level of interest rates and the consequence of a fundamental reluctance to make any long-term investments.

Liabilities to banks were slightly reduced in the year under report, by 2.1 % to € 2.6 billion on the balance sheet reporting date.

BUSINESS WITH SERVICES

Commission income remains a vital earnings component. While we were able to record positive developments in business with securities and other commission as well as in giro transactions, commission income in business with pensions and building-society savings declined. Against the background of an unfavourable general environment and the ongoing, clearly perceivable consumer caution, we achieved commission income in excess of that of the previous year in the amount of

€ 56.9 million, which is a more than satisfactory result for die Sparkasse Bremen.

The investment committee we set up for the first time in 2012 does not only rely on external sources. Instead it takes independent decisions here in our bank concerning the business of our customers and our own business with the help of our internal, binding assessment of the future development of interest rates and developments on the stock exchange.

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

	2012	2011	2010	2009	2008
Shares and investment certificates	380.7	474.8	559.3	630.7	984.8
Fixed-interest securities	241.9	396.1	262.3	376.2	307.8
Own security issues ¹⁾	200.9	302.1	244.0	271.3	182.0

¹⁾ Since 2009 including mortgage bond issues

In the reporting period we had declining sales in the area of shares and investment certificates and fixed-interest securities. This was mainly due to the persistently uncertain general environment on the money markets and capital markets, the continu-

ing low level of interest rates and the resulting consumer caution.

Declines in sales of our own security issues were closely linked to the expansion of our product range and the resulting shifts in sales revenues generated with deposit business.

OWN-ACCOUNT INVESTMENTS IN SECURITIES

Additional interest charges for euro government bonds from European peripheral states peaked, but then fell again noticeably in autumn, following the announcement of the European Central Bank that it intended to undertake unlimited purchases of government bonds. The Bank of Japan ramped up its bond purchase program and so did the Bank of England. The European measures were accompanied by resolutions passed by the FED Reserve on the sale of asset-backed securities and a zero interest-rate policy by mid-May 2015.

Relevant performance expectations were a huge challenge for all the participants on the market, against the background of considerable market volatility, historically low interest rates and welcoming credit markets.

Of all the investment forms, German shares performed best, with growth of around 30% in 2012. While German Federal bonds only provided an increase of around 3%, holders of corporate bonds achieved considerable returns. Yield

improvements for corporate bonds were clearly reduced in all the market segments. Investors holding bank bonds and bonds from peripheral European countries achieved good yields, and investors in the »high-yield« and »emerging market« segments were also pleased with the good performances.

In order to benefit from rates of returns in special asset categories, stocks in our special fund and in selected public funds were increased.

Securities in our investment portfolio which had become due payable and expiring term monies were invested in variable interest-rate securities with a sound credit rating in order to increase the liquidity reserve.

The persistent national debt crisis on the emerging markets prompted us to sell the stock of securities from peripheral European states in the directly held portfolio. Insignificant stocks of securities from these countries were held only in funds.

PARTICIPATING INTERESTS AND SHARES IN AFFILIATED COMPANIES

With development differing in individual cases, our participating interests and shares in affiliated companies were decreased by a total of € 8.3 million, to € 228.5 million.

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. We also undertook adjustments to values, particularly those recognised for the participating interest in S-Finanzgruppe mbH & Co. KG, the holding company for the shares in Landesbank Berlin.

INVESTMENTS IN FIXED ASSETS

Material costs, at € 95.3 million, are again decreasing in comparison with costs for the previous year. This positive development is the result of substantial investments in the future that we have made in past years. Our intensive system of cost management enabled us to effectively counteract rises in costs incurred due to comprehensive measures in the area of planning and projects implemented due to new legal and regulatory requirements. Our current activities aiming at optimising costs as well as processes

have already resulted in sustainable effects in past years and will also bring about perceivable cost reductions in coming years. The cost of comprehensive cooperation with our service providers is also reflected in our material costs. In addition to services in the field of information technology, these services predominantly relate to back office activities in lending, deposit and securities service business as well as in the areas of finances and controlling.

HUMAN RESOURCES AND SOCIAL ISSUES

On 31 December 2012 die Sparkasse Bremen had 1,515 employees (0.5 % more than in the previous year), which is equivalent to 1,316 employees extrapolated on a full-time basis. Die Sparkasse Bremen employs 489 part-time and temporary employees. The number of apprentices, at 103, was at the same level as that of the previous year (101). With the proportion of trainees at 7.6 % of bank-related employees, we made a considerable contribution to creating opportunities for professional training in Bremen.

In 2012, 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 87 % of our employees are qualified bankers, of which just under 50 % also have additional qualifications as specialised savings bank clerks/ bank officers, graduated savings bank business managers or bank business managers; approximately another eighth of these people 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. In terms of the variable components, we had 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. This agreement will apply uniformly for all the employees. In 2012, we modified the remuneration system for the basic annual salaries paid to non-tariff employees. This was again agreed on mutually with the staff council. The job evaluation following the HayGroup analytical evaluation method carried out on the basis of internal job descriptions is now relevant in this case. We continue to meet current regulatory requirements, notably requirements relating to valid remuneration regulations for institutions.

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 2012, we further enhanced the attraction of die Sparkasse Bremen as an employer with many investments in the area of reconciliation between work and family life, particularly concerning childcare, support for those taking care of relatives and intensified health management. In a representative internal survey, 80 % of the employees said that die Sparkasse Bremen was a very good employer.

ASSETS POSITION

DEVELOPMENT OF SELECTED BALANCE SHEET ITEMS (IN € MILLION)

	2012	2011	2010	2009	2008
Loans and advances to banks	580.3	1,197.1	890.6	1,064.2	1,648.7
Loans and advances to customers	7,985.4	7,836.6	7,703.9	7,626.3	7,578.9
Securities	1,760.3	918.3	1,402.0	1,616.4	1,081.4
Liabilities to banks	2,568.2	2,622.4	2,844.6	2,541.5	2,599.2
Liabilities to customers	6,919.7	6,507.9	6,335.3	6,900.3	6,698.2

We allocated an amount of € 40 million to the fund for general banking risks for the first time in the reporting period. This did not result in any significant changes to the balance sheet structure against that of the previous year.

Loans and advances to banks were reduced against those of the previous year by € 616.8 million or 51.5 %, which meant that the proportion of loans and advances to banks in the balance sheet total decreased from 11.4 % to 5.4 %. Loans and advances to customers rose over those of the previous year by € 148.8 million, or 1.9 %, to account for 73.7 % of the balance sheet total. Liquidity which became available as a result of the reduction in loans and advances to banks was mainly used to build up the stock of investments in securities, which has increased overall against that of the previous year by € 842.0 million, or 91.7 %. The share of securities in the balance sheet total was thus virtually doubled. The portfolio of liabilities to banks decreased by

€ 54.2 million, or 2.1 %, and contributes 23.7 % to the balance sheet total. Liabilities to customers showed a contrary development, rising by € 411.8 million, or 6.3 %, over those of the previous year. The proportion of liabilities to customers rose from 61.8 % to 63.9 % in relation to the balance sheet total.

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 € 578.5 million on 31 December 2012. This is equivalent to a capital ratio of 7.6 %. Capital resources amounted to € 776.2 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 2012 and also reinforced it. Our liquidity is more than sufficient for the coming years, and it also ensures that the foreseeable 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 2012 it also far exceeded the average for the previous year.

Our standing credit balance at Deutsche Bundesbank means that we met the minimum reserve regulations at all times in the reporting period.

The aggregated amount of cash reserves, loans and advances to banks and debt securities and other fixed-interest securities was € 1.7 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 foreseeable, ever-increasing legal requirements.

EARNINGS

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

	2012	2011	2010	2009	2008
Net interest income ¹⁾	231.9	252.5	232.1	202.9	212.4
Net commission income	56.9	55.8	55.8	59.1	59.8
Net income from financial and investment banking transactions	-3.4	-10.1	-0.8	2.1	-2.1
Staff expenses	96.8	92.6	89.9	114.8	124.3
Material expenses ²⁾	95.3	97.0	98.2	104.8	112.9
Administrative expenses ²⁾	192.1	189.6	188.1	219.6	237.2
Result of evaluation ³⁾	-31.1	-69.5	-55.2	-38.2	-48.6
Profit on extraordinary activities	-5.1	-5.1	-6.4	0.0	0.0
Earnings-related taxes	6.4	5.1	6.4	2.4	-1.9
Profit for the year	37.8	21.9	23.0	12.7	2.2
Dividends	0.6	0.6	0.6	0.0	0.0
Allocation to reserves	37.2	21.3	22.4	12.7	2.2

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

³⁾ Including a transfer to the funds for general banking risks

In 2012 the unfavourable general economic environment also influenced the development of earnings of die Sparkasse Bremen. The impact of the European national debt crisis, the slowdown in economic development during the course of the year and not least the continuing low level of interest rates characterised and had a marked negative impact on business activities and hence also on the development of earnings. The profit for the year achieved by die Sparkasse Bremen clearly exceeded that of the previous year, in spite of this unfavourable market environment.

Net interest income fell below that of the previous year by 8.2 % or € 20.6 million, to € 231.9 million. On the asset side, business with customers developed positively, in particular in the area of project financing and private housing loans. In contrast, lower margins in investment business, as a result of historically low market interest rates, and considerable destructive competition had a significant adverse impact on deposit business. While the income flowing into net interest income was reduced by € 24.1 million to € 424.7 million, we also reported a reduction in interest expenses (including the balanced net interest income resulting from derivatives) of € 3.5 million to € 192.9 million. To a lesser extent than in the previous year, net interest income includes income and expenses from a reduction in interest rate swaps, undertaken from the point of view of risk mitigation and serving the purpose of controlling the interest-rate book. Against the background of an unfavourable general environment due to the

tense general economic situation and the historically low level of interest rates on money markets and capital markets, this result is satisfactory for die Sparkasse Bremen.

In compliance with IDW RS BFA 3 specifications, we carried out a loss-free valuation of the interest-rate related transactions in the banking book in the reporting period, and ascertained a positive result for the recoverability of our banking book.

Commission income remains a vital earnings component. We achieved earnings in excess of those of the previous year, at € 56.9 million - a more than satisfactory result for die Sparkasse Bremen.

The negative contribution to income of net income from financial and investment banking transactions is closely related to the persistently problematic general environment on money markets and capital markets.

Staff expenses were raised over those of the previous year by 4.5 %, or € 4.2 million, to € 96.8 million. The reasons for this development in expenses is primarily pay scale increases as part of the current wage, salary and pension payments and changes in variable remuneration components.

Material costs are again decreasing in comparison with costs for the previous year, having dropped by 1,8 %, or € 1.7 million, to € 95.3 million.

The cost-income ratio was increased to 72.7 % in the reporting period (previous year 67.5 %).

In spite of a persistently unfavourable general environment for the whole of the economy, and irrespective of the conver-

sion of silent provision reserves to the fund for general banking risks in the amount of € 40 million, we reported a far better overall development in the result of the evaluation in 2012.

From a conservative viewpoint we had predicted a slightly raised to stable level for risk provisions in lending business. This fundamentally cautious estimation was exceeded. We significantly improved the result of valuation in lending business, despite an increase in risk provisions in ship financing. The main reasons for this development are our sustainable structured improvements in the loan portfolio and increased cancellations of the loans for which specific loan loss provisions had been established in the previous years.

After making the valuation measures more stringent in the previous year, we reported a positive development in securities and achieved a positive contribution to income.

We registered a need for additional valuation in the area of investments due to the negative developments.

The profit on extraordinary activities for 2012 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 2010. These changes are to be taken into account over a period of several years.

Earnings-related tax expenses amounted to € 6.4 million.

The profit for the year increased considerably over that of the previous year by € 15.9 million, to € 37.8 million, of which € 0.6 million are to be paid out to the financial holding of the Sparkasse in Bremen and € 37.2 million allocated to retained earnings for the purpose of further reinforcing equity capital.

The return on equity before taxes derived from the development of earnings increased to 7.6 % (previous year 4.8 %).

GENERAL STATEMENT ON THE DEVELOPMENT OF BUSINESS

Against the background of the unfavourable general economic environment, considerable destructive competition and an increase in legal and regulatory requirements, which once again saw banks facing exceptional challenges in 2012, business at die Sparkasse Bremen developed most positively in the previous ac-

counting 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 concern are hence all met.

SUPPLEMENTARY REPORT

There were no occurrences of any special significance that needed to be reported subsequent to closure of the 2012 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 five types of significant risk resulting from banking and business activities. These include counterparty risk (including investment risk and placement risk), market price risk (including the risk of changes in interest rates and credit spread risk), liquidity risk, operational risk and equity risk. 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.

Among other responsibilities, the Chairman of the Board of Managing Directors is in charge of strategic planning and overall bank management. The Monitoring Director is responsible for risk controlling.

Die Sparkasse Bremen has an institutionalised procedure in place in which all the significant organisational units of the savings bank are integrated for the purpose of strategic and operative planning. Responsibility for strategic planning activities lies with the Overall Bank Management Unit. Strategic planning is reviewed annually, resolved by the Board of Managing Directors and presented to the Supervisory Board for acknowledgement.

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 countermeasures are initiated.

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

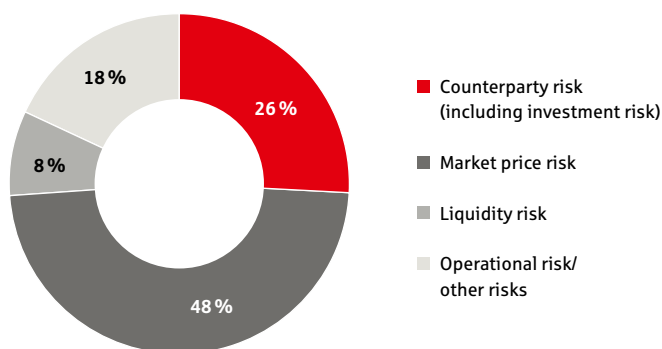
The integrated risk management system regulates the structural and procedural framework for controlling and monitoring risks. It constitutes a significant component of overall bank management, which also includes the outsourced areas. This risk management system ensures that all the organisational requirements pertaining to Section 25a of the German Banking Act (KWG) are met, for example MaRisk provisions and other regulatory requirements.

At die Sparkasse Bremen, risk processes are the responsibility of the Risk Control or the Credit Management unit. These units are answerable to the back office directors, who 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 instruction 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 potential for covering risk, risk capacity utilisation, the development of the loan portfolio and the scope and development of risk provisions are summarised. Over and above this, die Sparkasse Bremen operates an early warning system for identifying country risks and risks with trading partners.

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 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. Overall risk constitutes aggregated, unexpected losses incurred in a given year, which, at a probability rate of 99.9%, will not be exceeded. When aggregating the different types of risk, risk-mitigating correlations are not additionally taken into account.

ALLOCATION OF RISKS AT DIE SPARKASSE BREMEN
AS AT 31.12.2012



Regular risk-measurement activities are supplemented with an ongoing analysis and individual analysis of individual stress tests, inverse 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.

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 and limitations 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 and summarised in an electronic loan manual.

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. 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.

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

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, project financing and ship financing modules are used. Additional external ratings were used in trading business. Suitable instruments for risk classification 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 evaluation 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 Credit Management unit, which is independent of the market unit, 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).

Risk provisions for counterparty default risks are sufficient. 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.

is monitored by Risk Controlling on every stock-exchange trading day. Future potential losses are limited with 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 2012 and rose during the course of the year. The gradual increase in term transformations during the year gave rise to this expansion of risk.

Daily back-testing is carried out on the trading portfolio and other significant portfolios in order to check the VaR risk model. The results of back testing, also when seen retrospectively for 2012, 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 regular stress tests.

The interest-rate book of die Sparkasse Bremen is separately controlled and monitored due to its significance. This is carried

out by the Treasury Committee in an institutional procedure, with the support of the Treasury and Risk Control divisions. The Investment Committee specifies the internal interest rate forecast. In the Treasury Committee the spreads and measures for controlling market price risks within the limits are specified.

We apply an active strategy for controlling the interest-rate book, which is adjusted by the Treasury Committee 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 payment obligations due payable cannot be met or cannot be fully met. On the other hand, the term also covers the liquidity term transformation risk. This is the risk of the occurrence 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 situation or the future development of the bank, 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 are controlled by the Treasury Divisions as part of the system of short-term liquidity management. Furthermore, the effects of rating migrations in general and shortages of liquidity in trading transactions are in particular simulated. To supplement this, an analysis is made available with the monthly liquidity schedule in which expected probable inflows of funds are compared with expected probable outflows

of funds. Moreover, the current contingency plan for the efficient management of liquidity risk, even in negative market situations, already fully meets the supplementary regulatory requirements.

In order to supplement the existent contingency plan, an early warning system for the daily monitoring of liquidity risk was set up in 2012. Furthermore, as part of the inverse stress test which is to be carried out every year, liquidity risk was taken into account for the first time in the reporting period.

As additional support of the entire system of liquidity management, the implementation activities commenced in conjunction with the liquidity risk control component as a supplement to the established »Integrated Interest-Rate Book Controlling Plus« were continued as part of the Finanz Informatik GmbH & Co. KG implementation process covering several years.

The liquidity index according to the Liquidity Regulation regularly exceeded the required minimum standard in 2012, thus reflecting our stable liquidity situation.

Liquidity regulation	31.12.2012	31.12.2011	31.12.2010
Overall ratio	2.21	1.54	1.29

The overall ratio performed according to plan, since improved control instruments meant that an economically optimised system of liquidity management was operated in 2012.

Under its refinancing strategy, die Sparkasse Bremen primarily makes use of money market instruments, the issuing of registered bonds, bonded loans and Pfandbriefe for the purpose of controlling liquidity risk.

OPERATIONAL RISK

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

For the management of operational risk, die Sparkasse Bremen uses the concepts and software developed in the German Association of Savings Banks and Giro Banks (Deutsche Sparkassen- und Giroverband) in cooperation with many savings banks. In addition to the general basic concepts, this includes a loss event database as well as the methods applied for an annual inventory of risks and for the risk map, which are to be carried out every two years. Over and above this, die Sparkasse Bremen operates an indicator-based early warning system in order to identify operational risks in good time. 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. In the reporting period, the performance management system was comprehensively revised and a central services management function was established. A quarterly risk analysis covering significant outsourcing activities is carried out within the scope of the regular investment control system. Furthermore, the most important service organisations were integrated in the risk inventory and early warning systems.

Operational risks are identified and assessed in the risk inventory system 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 2012, as in previous years, actual losses resulting from operational risk were considerably lower than the calculated amount reserved for verifying the risk-bearing capacity of the bank in accordance with the basic indicator approach. The total amount for cases of loss rose considerably over that of the previous year, mainly due to a single case of loss. According to all the information available, in 2012 the risk inventory did not reveal any operational risks for die Sparkasse Bremen and its subordinated companies that would put their existence at risk.

EQUITY RISK

For die Sparkasse Bremen, equity risk is the risk of not being able to secure an adequate amount of regulatory and business capital.

The management of regulatory and business capital is based on internal targets. This involves changes to regulatory and internal requirements being analysed and required measures becoming rooted or implemented in an annual planning process.

As part of the project activities relating to Basel III, the introduction of the advanced measurement approach for calculating operational risks was reviewed in 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. In 2012, IT and information security were further improved as part of the project on »Safer IT operation«.

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.

Since the end of 2012, the central unit for fraud prevention has been supported by the central OpRisk Controlling division as part of the implementation of Section 25c KWG provisions.

Significant outsourced processes for lending and deposit business in the back office divisions and the Finance and Controlling division will be performed by other service organisations as of 1 July 2013 and reintegrated by die Sparkasse Bremen. In this context, die Sparkasse Bremen initiated a corresponding project and carried out risk evaluation in the reporting period.

This process ends in a schedule of required regulatory and business capital.. The Treasury Committee of die Sparkasse Bremen coordinates the covering of the resulting need and implementation of the required issuance measures.

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 be essentially negative in 2013 and 2014, as a result of the impact of the persisting European national debt crisis. However, indications are uncertain, especially for 2013. The aim should possibly be to overcome an interim period of weakness, the same as prior to the end of last year. Should the uncertainty be replaced with a gradual easing of the crisis perception, a process of recovery and catching up would be conceivable. The forecasts issued by various institutions, with expected growth of 0.8 to 1.0 % for 2013, did not diverge greatly until the Federal Government lowered its forecast to 0.4 %.

Despite a difficult market environment, we presume that on the asset side, the volumes of business conducted with customers, project and contract business 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. The focus on better credit ratings will result in lower gross margins. Despite low interest rates, we thus nevertheless presume that lending margins will stagnate or increase slightly.

We expect that considerable destructive competition will persist for deposit business, but we still see opportunities for expanding business activities, and we expect the volume of business with customers to grow, in particular also in investment and liquidity management business with high net worth private and corporate customers. However, the prediction of sustained low interest rates will continue to have a fundamentally negative effect on deposit margins.

Due to the prolonged low level of interest rates, we presume that in terms of earnings, the trend for our interest income will be virtually constant in the current and the following year, despite an increase in the portfolios of business with corporate and private customers.

We expect contributions from our net commission income to increase in the coming years. In addition to building society savings and insurance business, we believe that business with

securities will be the main driver due to the introduction of our own asset management system and to the lending business conducted with corporate customers.

Besides these expected developments, other potential opportunities will arise, provided that the measures for a gradual, sustainable improvement in earnings, notably those defined in our strategy process, and the scheduled cost and process optimisation measures have a better effect than anticipated. Basically, additional risks may 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, with regular scenario analyses, we do make sure that we respond in good time 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 presume that the trend in administrative expenses will see decreases in the coming two years, although in principle we do expect staff expenses to increase. The main reason for this expectation is the predicted pay scale increases for wage, salary and pension payments. In contrast, we presume that the trend for material costs will continue to decrease in the coming years. We expect to see a continuation of the positive effects of our ongoing cost and process optimisation activities and intended new structures in our cooperation with service providers.

We expect the cost-income ratio to be steadily improved.

We expect the two following years to have positive effects on the result of lending business evaluation, due to sustainable structural optimisations in the loan portfolio, and in particular due to the fact that we will continue to endeavour to concentrate on good credit ratings in business with corporate customers. Because there may be more negative effects in the area of ship financing, we can, however, not rule out the possibility of risk provision amounts in excess of those of the previous year.

In our opinion, no notable encumbrances are to be expected from the result of evaluation of securities in the current year or next year. Against the background of an investment policy based on interest-rate and market developments, we thus presume that evaluation results for this segment are likely to be balanced. Die Sparkasse Bremen will continue to ensure that the risk structure of its direct and special fund investments is always balanced.

We expect decreased net annual earnings for the current year due to the aforesaid developments and the anticipated general macro-economic environment. We presume that the profit for the year will rise again in 2014. The return on equity trend will be stable in the coming 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 2012 reporting period.«

Bremen, March 2013
The Board of Managing Directors

DIE SPARKASSE BREMEN AG

ANNUAL ACCOUNTS

ANNUAL BALANCE SHEET AS AT 31 DECEMBER 2012

ASSETS	€	€	€	€	Previous year T€
1. Cash reserve					
a) Cash on hand			67,405,151.53		39,612
b) Credit balance at the Deutsche Bundesbank			<u>79,376,327.57</u>		164,989
				146,781,479.10	204,601
2. Debt instruments of public authorities and bills of exchange authorised for refinancing at the Deutsche Bundesbank					
a) Treasury bills and non-interest bearing treasury certificates and similar public-sector debt instruments			--		-
b) Bills of exchange			<u>--</u>		-
				--	-
3. Loans and advances to banks					
a) Due on demand			144,173,511.14		269,900
b) Other receivables			<u>436,144,496.96</u>		927,241
				580,318,008.10	1,197,141
4. Loans and advances to customers					
<i>Of which:</i>					
<i>secured by mortgage liens</i>	3,307,680,552.11				3,293,756
<i>public sector loans</i>	147,270,783.82				142,109
5. Debt securities and other fixed-interest securities					
a) Money-market instruments					
aa) Issued by public-sector borrowers		--			-
<i>Of which: eligible to serve as collateral with the Deutsche Bundesbank</i>	--				-
ab) Issued by other borrowers		<u>--</u>	--		-
<i>Of which: eligible to serve as collateral with the Deutsche Bundesbank</i>	--				-
b) Bonds and debt securities					
ba) Issued by public-sector borrowers		537,316,124.25			17,895
<i>Of which: eligible to serve as collateral with the Deutsche Bundesbank</i>	537,316,124.25				17,895
bb) Issued by other borrowers		<u>430,960,092.53</u>	968,276,216.78		391,206
<i>Of which: eligible to serve as collateral with the Deutsche Bundesbank</i>	396,038,600.35				322,993
c) Debt securities issued by the institution itself			<u>--</u>		-
<i>Nominal amount</i>	--				-
				968,276,216.78	409,101
6. Shares and other variable-yield securities					
6a. Trading portfolio					
					11,440
7. Participating interests					
<i>Of which:</i>					
<i>in banks</i>	1,028.19				1
<i>in financial institutions</i>	3,929,833.63				3,337
8. Shares in affiliated companies					
<i>Of which:</i>					
<i>in banks</i>	12,887,455.46				12,914
<i>in financial institutions</i>	--				-
9. Assets held in trust					
<i>Of which:</i>					
<i>loans on a trust basis</i>	10,943,994.99				17,693
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			424,483.52		867
c) Goodwill			--		-
d) Advance payments			<u>--</u>		-
				424,483.52	867
11. Property and equipment					
					86,502
12. Other assets					
					35,091
13. Prepaid expenses					
					3,856
Total assets					
				10,832,358,994.67	10,538,165

EQUITY AND LIABILITIES	€	€	€	€	Previous year T€
1. Liabilities to banks					
a) Due on demand			161,010,628.03		109,273
b) With an agreed term or notice period			<u>2,407,238,565.94</u>		2,513,149
				2,568,249,193.97	2,622,422
2. Liabilities to customers					
a) Savings deposits					
aa) With an agreed period of notice of three months		2,832,395,945.93			2,655,928
ab) With an agreed period of notice of more than three months		<u>151,663,584.95</u>	2,984,059,530.88		228,336
b) Other liabilities					
ba) Due on demand		3,001,066,426.04			2,650,149
bb) With an agreed term or notice period		<u>934,616,623.39</u>	<u>3,935,683,049.43</u>		973,473
				6,919,742,580.31	6,507,886
3. Securitised liabilities					
a) Issued debt securities			139,518,078.26		257,992
b) Other securitised liabilities			<u>--</u>		--
<i>Of which:</i>					
<i>money-market instruments</i>	--				--
<i>issued by the institution itself and promissory notes in circulation</i>	--				--
				139,518,078.26	257,992
3a. Trading portfolio				--	--
4. Liabilities held in trust				11,709,015.47	18,458
<i>Of which:</i>					
<i>loans on a trust basis</i>	10,943,994.99				17,693
5. Other liabilities				29,357,588.24	27,720
6. Deferred income				4,506,848.30	5,296
7. Provisions					
a) Provisions for pensions and similar obligations			267,076,574.00		255,853
b) Tax provisions			3,408,786.19		992
c) Other provisions			<u>41,401,808.29</u>		39,039
				311,887,168.48	295,884
8. Subordinated liabilities				164,308,462.67	161,699
9. Participatory capital				22,000,000.00	57,000
<i>Of which:</i>					
<i>due within two years</i>	--				35,000
10. Funds for general banking risks				40,000,000.00	--
11. Equity					
a) Issued capital					
aa) Issued capital		370,000,000.00			370,000
ab) Silent participations		<u>53,000,000.00</u>	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		<u>132,110,773.19</u>	132,110,773.19		102,746
d) Accumulated profits			<u>18,927,326.10</u>		11,020
				621,080,058.97	583,808
Total equity and liabilities				10,832,358,994.67	10,538,165
1. Contingent liabilities					
a) Contingent liabilities under rediscounted and settled bills of exchange			--		--
b) Liabilities from guarantees and indemnity agreements			460,655,868.66		467,768
c) Liability from the provision of collateral for third-party debts			<u>--</u>		--
				460,655,868.66	467,768
2. Other obligations					
a) Obligation to repurchase from sales with an option to repurchase			--		--
b) Placement and underwriting obligations			--		--
c) Irrevocable credit commitments			<u>386,587,146.25</u>		354,396
				386,587,146.25	354,396

INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012

	€	€	€	€	Previous year T€
1. Interest income from					
a) Lending and money market transactions		379,767,313.82			413,337
b) Fixed-interest securities and book entry securities		<u>11,198,075.68</u>	390,965,389.50		18,322
2. Interest expense			<u>192,856,361.65</u>	+ 198,109,027.85	196,311
					+ 235,348
3. Current income from					
a) Shares and other variable-yield securities			23,631,320.06		6,952
b) Participating interests			3,292,202.04		2,158
c) Shares in affiliated companies			<u>1,294,563.20</u>		975
				28,218,085.30	10,085
4. Income from profit pooling, profit transfer and partial profit transfer agreements				5,541,692.20	7,064
5. Commission income			61,629,309.61		61,004
6. Commission expense			<u>4,695,023.00</u>		5,160
				+ 56,934,286.61	+ 55,844
7. Net income or net expenditure relating to the trading portfolio				- 3,364,550.74	- 10,101
8. Other operating income				23,122,024.65	20,804
9. General administrative expenses					
a) Staff expenses					
aa) Wages and salaries		77,422,773.87			74,417
ab) Social contributions and expenditure on pension schemes and other benefits		<u>19,380,516.52</u>	96,803,290.39		18,143
Of which:					
for pension schemes	7,105,434.88				6,270
b) Other administrative expenses			<u>88,186,285.91</u>		88,538
				184,989,576.30	181,098
10. Amortisation and write-downs of tangible and intangible assets				7,154,945.68	8,466
11. Other operating expenses				32,089,558.78	25,925
12. Write-downs of and value adjustments to claims and certain securities and allocations to provisions for lending business				--	34,430
13. Income from write-ups of claims and certain securities and reversal of provisions for lending business			<u>19,189,188.68</u>	+ 19,189,188.68	-
					- 34,430
14. Depreciation of and provisions against participating interests, shares in affiliated companies and securities treated as fixed assets			10,302,051.56		35,106
15. Income from write-ups of participating interests, shares in affiliated companies and securities treated as fixed assets			<u>--</u>	- 10,302,051.56	- 35,106
				3,569,044.97	1,498
16. Expenses on assumption of losses				- 40,000,000.00	-
17. Allocations to or transfers from the fund for general banking risks				+ 49,644,577.26	+ 32,521
18. Profit on ordinary activities					-
19. Extraordinary income				--	-
20. Extraordinary expenses			<u>5,064,603.00</u>		5,065
21. Profit on extraordinary activities				- 5,064,603.00	5,065
22. Taxes on income and earnings			6,390,033.81		5,139
23. Other taxes			<u>362,614.35</u>		397
				6,752,648.16	5,536
24. Profit for the year				37,827,326.10	21,920
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			<u>--</u>	--	-
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			<u>18,900,000.00</u>		10,900
				18,900,000.00	10,900
29. Unappropriated retained earnings				18,927,326.10	11,020

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 Regulation on Accounting Principles Relating to Financial Institutions and Financial Services Institutions (RechKredV) and our statutes. In accordance with Section 340i 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, financial position and results of operations of the Group, both individually and collectively.

A breakdown of maturities on the basis of remaining 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 remaining maturity periods in accordance with the option provided for in Section 11 of the German Regulation on Accounting Principles Relating to Financial Institutions and Financial Services Institutions.

— LOANS AND ADVANCES TO CUSTOMERS AND BANKS

Balance sheet items were reported at their nominal value. Non-interest bearing and low-interest bearing receivables were discounted at an average refinancing rate. Specific loan loss provisions 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 for 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

We had no trading item in the portfolio at the end of the year. Financial instruments in the trading portfolio are always 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).

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

For the risk deductions to be taken into account, die Sparkasse Bremen applies the value-at-risk deductions calculated for the system of internal risk control. In this case a holding period of 10 trading days, an observation period of 250 trading days and a confidence level of 99.9 % were assumed.

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.

In the 2008 and 2009 accounting periods, die Sparkasse Bremen 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) for fixed assets of minor value. 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.

— REGISTERED BONDS ISSUED BY DIE SPARKASSE BREMEN

The registered bonds re-acquired prematurely at the request of customers, which have until now been recognised in Item 6a Trading Portfolio, were deducted from the respective balance sheet item on the liabilities side.

— 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 2012. The provisions were retained unchanged as these excessive allocations will probably need to be allocated again by 31 December 2024.

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. Upon exercising the option under Section 253 Paragraph 2 Clause 2 of the German Commercial Code, they were discounted 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 5.05 %. 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 1.3 % 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 2012 the amount which still needed to be transferred was € 60.6 million

— CURRENCY TRANSLATION

Assets in foreign currencies which are treated as fixed assets are translated into euros at their purchase rate. Currency was

translated in accordance with the provisions of Section 340h of the German Commercial Code in conjunction with Section 256a of the German Commercial Code and IDW RS BFA 4.

Most of the balance sheet stocks in foreign currencies and nearly all of the spot exchange, forward and option transactions that have not been concluded and were not fully allocated to the trading portfolio are considered to be separately covered transactions (special cover) under Section 340h 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 currency of the remaining balance sheet stocks and transactions was translated in accordance with the provisions of Section 256a of the German Commercial Code.

The exchange-rate gains and losses calculated on the basis of translation 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 € 300.5 million are included as underlying transactions in valuation units in accordance with Section 254 Clause 1 of the German Commercial Code. Each of these valuation units is a micro valuation unit. These transactions are hedged against interest rate risks with derivative financial instruments.

— LOSS-FREE VALUATION OF INTEREST-RELATED TRANSACTIONS IN THE BANKING BOOK (INTEREST BOOK)

The recoverability of the banking book was ascertained on the basis of a present-value approach in accordance with IDW RS BFA 3. An overall analysis was conducted on all the interest-bearing assets and liabilities including the derivatives for the purpose of the general risk of changes in interest rates. Expected administrative expenses and risk costs up to the date of full settlement were all taken into account. Product-related yield curves were used as a basis for the interest-rate structure curve. There was no excess liability and it was not necessary to establish a provision.

— 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 remaining terms of

– less than 3 months	170,533
– more than 3 months but less than 1 year	227,424
– more than 1 year but less than 5 years	15,577
– more than 5 years	297

Item 3 contains:

– Receivables from affiliated companies (previous year 5,634)	4,464
– Receivables from companies in which an equity investment exists (previous year 174)	147
– Receivables from the bank's own central giro institution	2,026
– Subordinated receivables (previous year –)	–

On 4. Loans and advances to customers

Loans and advances to customers include receivables

– with an indefinite term	893,772
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and receivables with remaining terms of

– less than three months	500,305
– more than 3 months but less than 1 year	450,921
– more than 1 year but less than 5 years	1,890,926
– more than 5 years	4,244,457

Item 4 contains:

– Receivables from affiliated companies (previous year 23,095)	41,227
– Receivables from companies in which an equity investment exists (previous year 168,750)	115,077
– Subordinated receivables (previous year 6,058)	5,608
– including receivables from affiliated companies (previous year 1,058)	608
– including receivables from companies in which an equity investment exists (previous year: –)	–

On 5. Debt securities and other fixed-interest securities

The following amount of debt securities and other fixed-interest securities will become due payable in the coming year

55,084

Item 5 contains:

– Marketable securities and listed securities	948,928
– Marketable securities and unlisted securities	19,348
– Investment securities (previous year 331,017)	252,140
– Securities not evaluated at the lower of cost or market value (previous year 111,140)	36,222
– Current value of these securities	35,602
– Subordinated securities (previous year 5,456)	5,456

On 6. Shares and other variable-yield securities

Item 6 contains:

– Marketable securities and listed securities	49,665
– Marketable securities and unlisted securities	99,164
– Investment securities (previous year 497,803)	791,975
– Securities not evaluated at the lower of cost or market value (previous year 269,243)	174,449
– Current value of these securities	168,438
– Subordinated securities (previous year –)	–
– Special fund shares	414,496

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

Investment asset pool with a share of more than 10%:

Funds	Carrying amount 31.12.2012	Market value 31.12.2012	Difference	Distributed 2012	Daily return possible	Application NWP
Share funds						
BremenKapital Aktien	7,995	7,995	-	-	Yes	Yes
IP Weser-Opportunity	18,581	18,581	-	65	Yes	Yes
Mixed funds						
Bremen Individualdepot	10,035	10,206	-171	-	Yes	Yes
BremenKapital Dynamik	9,994	9,994	-	-	Yes	Yes
BremenKapital Ertrag	9,996	9,996	-	-	Yes	Yes
BremenKapital Ertrag Plus	9,996	9,996	-	-	Yes	Yes
BremenKapital Wachstum	9,996	9,996	-	-	Yes	Yes
BremenKapital Zertifikate	7,995	7,995	-	-	Yes	Yes
HI Bremen 3	174,449	168,438	6,011	3,288	Yes	No ¹
HI Bremen 7	75,662	75,662	-	3,842	Yes	Yes
HI Bremen 9	98,302	98,302	-	5,620	Yes	Yes
HI Bremen 10	66,084	69,979	-3,895	1,500	Yes	Yes
IP Weser-Multi-Strategy	18,063	18,063	-	385	Yes	Yes
IP Opti Flex 2009	5,000	5,236	-236	-	Yes	Yes
Lupus alpha Commodity Inv.	10,052	10,198	-146	88	Yes	Yes
- of which in HI Bremen 9	10,052	10,198	-146	88	Yes	Yes
Bond funds						
BremenKapital Renten Off.	3,998	3,998	-	-	Yes	Yes
DB Advisors Invest Gl. Corp.HY1	6,570	6,570	-	-	Yes	Yes
Fisch CB Hybrid Intern. Fund	19,493	20,393	-900	-	Yes	Yes
- of which in HI Bremen 9	9,537	9,818	-281	-	Yes	Yes
Lupus alpha LS Dur. Corp. Invest	29,160	29,160	-	1,025	Yes	Yes

¹ For application of the principle of the lower of cost or market we refer to the information on accounting policies in the securities section.

On 6a. Trading portfolio

Item 6a is to be broken down as follows:

- Derivative financial instruments	-
- Receivables	-
- Debt securities and other fixed-interest securities	-
- Shares and other variable-yield securities	-
- Other assets	-
- Sub-total	-
- Deduction for risk	-
- Total	-

On 7. Participating interests

Item 7 does not contain any marketable securities.

On 8. Shares in affiliated companies

Item 8 does not contain any marketable securities.

On 9. Assets held in trust

Assets held in trust are:

- loans and advances to customers	10,944
- Other assets	765

– On 10. and 11. Tangible and intangible assets

Development of intangible assets and tangible assets

	Intangible assets	Tangible assets
Acquisition cost at beginning of the year	15,486	247,516
Additions	314	1,337
Disposals	73	2,129
<u>Accumulated depreciation</u>	<u>15,303</u>	<u>165,516</u>
Balance sheet values at year-end	424	81,208
Depreciation in the accounting period	756	6,399

Item 11 on tangible assets includes:

– Land and buildings utilised within the scope of savings bank activities	49,505
– Operating and office equipment	9,723
– Compound item for fixed assets of minor value	51

On 12. Other assets

Item 12 contains:

– Financial assets (previous year 87)	83
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Exceptional individual items:

– Receivables from affiliated companies	7,367
– Subordinated assets (silent participations)	8,500
– Option premiums paid	3,529

On 13. Deferred income

Item 13 contains:

– Discounts on liabilities (previous year 572)	376
– Premiums on receivables (previous year 1,248)	1,205

– EQUITY AND LIABILITIES

On 1. Liabilities to banks

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

– less than 3 months	263,980
– more than 3 months but less than 1 year	82,075
– more than 1 year but less than 5 years	1,004,292
– more than 5 years	992,004

Item 1 contains:

– Liabilities to affiliated companies (previous year 9,718)	7,517
– Liabilities to companies in which an equity investment exists (previous year 37,641)	5,983
– Liabilities to the bank's own giro institution	14,252

Assets amounting to € 1,184.1 million were pledged as collateral for liabilities included under this item.

On 2. Liabilities to customers

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

– less than 3 months	49,968
– more than 3 months but less than 1 year	67,907
– more than 1 year but less than 5 years	30,936
– more than 5 years	2,853

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

– less than three months	216,683
– more than 3 months but less than 1 year	204,499
– more than 1 year but less than 5 years	266,836
– more than 5 years	232,625

Item 2 contains:

– Liabilities to affiliated companies (previous year 39,705)	38,545
– Liabilities to companies in which an equity investment exists (previous year 22,996)	19,557

On 3. Securitised liabilities

The following amount will become due in the coming year for issued debt securities 65,749

Item 3 contains:

– Liabilities to affiliated companies (previous year 1,655)	1,352
– Liabilities to companies in which an equity investment exists (previous year 15,744)	15,400

On 4. Liabilities held in trust

Liabilities held in trust are:

– Liabilities to banks	10,944
– Liabilities to customers	765

On 5. Other liabilities

Exceptional individual items:

– Repayment obligations from closed-end real-estate investment funds	5,464
– Option premiums received	3,588
– Liabilities to affiliated companies	6,024
– Customers' flat withholding tax retained	4,745

Securities amounting to more than € 10.0 million were transferred as security for margin obligations resulting from EUREX transactions contained in this item.

On 6. Deferred income

Item 6 contains discounts on liabilities (previous year 4,677):

4,015

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

In 2012 the following interest expenses were incurred for liabilities recognised under this item:

7,602

The portfolio refers to bearer and registered debentures denominated in euros bearing fixed interest rates and with maturity dates from 2013 to 2022. Provision has not been made for premature repayment or for conversion into capital or into any other form of debt.

On 9. Participatory capital

The portfolio refers to 3 registered participation certificates.

In the 2012 accounting period no new registered participation certificates were issued.

On 10. Funds for general banking risks

In connection with the conversion of silent provision reserves, we allocated a first-time amount of € 40 million to the fund for general banking risks in accordance with Section 340g of the German Commercial Code.

On 11. Equity

The registered capital of the bank amounts to € 370 million and comprises 370,000 no-par value denominated shares. The shares are all held by the financial holding of die Sparkasse in Bremen. Subscribed capital includes a silent participation in the amount of € 13 million with a remaining term of 5 years and 6 months and a silent participation in the amount of € 40 million with a remaining term of 4 years.

In accordance with a resolution passed at the Annual General Meeting of 23 May 2012, the accumulated profits for 2011, in the amount of € 10.5 million, were appropriated to other retained earnings.

The Board of Managing Directors proposes to the Annual General Meeting that € 18.3 million of the unappropriated retained earnings for 2012 in the amount of € 18.9 million be allocated to retained earnings and € 0.6 million be paid out to the financial holding of die 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 € 337.3 million and € 339.7 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 total surplus of deferred tax assets which resulted was 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 € 6.0 million p.a.

In the participating interest section, unpaid call-in obligations and obligations to make additional contributions currently amount to € 37.9 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 financial holding of die Sparkasse in Bremen, Am Brill 1–3 in 28195 Bremen, has notified us in accordance with Section 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 with virtually full insurance coverage 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	NOMINAL VALUES			Total € m.	of which Trading portfolio € m.	MARKET VALUES		
	Less than 1 year including € m.	More than 1 year but less than 5 years € m.	More than 5 years € m.			Positive € m.	Negative € m.	
Interest-rate related transactions								
OTC products	222.9	2,185.2	2,854.8	5,262.9	0.0	102.6	343.4	
Stock-exchange transactions	–	–	–	–	–	–	–	
Currency-related transactions								
OTC products	670.2	63.6	34.4	768.2	0.0	9.1	7.3	
Stock-exchange transactions	–	–	–	–	–	–	–	
Geschäfte mit sonstigen Risiken								
OTC products	89.5	9.8	–	99.3	0.0	99.8	–	
Stock-exchange transactions	–	–	5.4	5.4	0.0	4.8	–	
Total				6,135.8	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 remaining 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 (Pfandbrief) bank. Regular transparency requirements as laid down in Section 28 of the German Covered Bond Act (Pfandbriefgesetz) are met through publication on our website at www.sparkasse-bremen.de.

	2012	2011
	in € million	in € million
Section 28 Paragraph 1 No. 1 of the German Pfandbrief Act		
Mortgage bonds in circulation		
Nominal value	180.1	150.1
Present value	217.3	173.5
Risk-adjusted present value ¹⁾ Stress test + 250 BP	174.4	137.6
Risk-adjusted present value ¹⁾ Stress test - 250 BP	251.4	219.2
Guarantee fund		
Nominal value	473.3	333.4
Present value	561.6	381.2
Risk-adjusted present value ¹⁾ Stress test + 250 BP	496.0	335.4
Risk-adjusted present value ¹⁾ Stress test + 250 BP	595.2	425.5
Excess coverage		
Nominal value	293.2	183.3
Present value	344.3	207.7
Risk-adjusted present value ¹⁾ Stress test + 250 BP	321.6	197.8
Risk-adjusted present value ¹⁾ Stress test + 250 BP	343.8	206.3
Section 28 Paragraph 1 No. 2 of the German Pfandbrief 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	93.0	63.0
From ten years	87.1	87.1
Guarantee fund fixed interest period		
Less than one year	28.0	15.0
More than one year but less than two years	47.5	21.4
More than two years but less than three years	32.4	36.7
More than three years but less than four years	29.8	25.1
More than four years but less than five years	70.4	16.8
More than five years but less than ten years	222.0	172.6
From ten years	43.2	45.8
Section 28 Paragraph 1 No. 3 of the German Pfandbrief Act		
There are no derivatives in the guarantee fund.		
	2012	2011
	in € million	in € million
Section 28 Paragraph 1 No. 4 of the German Pfandbrief Act		
The guarantee fund contains other covering assets according to Section 19 Paragraph 1 No. 2 of the German Pfandbrief Act:		
of which covering assets according to Section 4 Paragraph 1 of the German Pfandbrief Act	10.0	10.0
	10.0	10.0

¹⁾ Static method according to the German Pfandbrief net present value regulation (PfandBarwertV)

IV. EXPLANATORY NOTES TO THE STATEMENT OF INCOME

On 1. a) Interest income

This item includes around 5 % of income relating to other periods, around half of which relates to control measures in the interest-rate book.

On 2. Interest expense

This item includes € 30,000 from the change to the discounting of long-term provisions.

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 € 4.557 million in income from the reversal of accruals, € 5.357 million in reimbursements of administrative expenses and € 3.730 million in interest income from tax refunds.

Income from currency conversions in the amount of € 1.141 million was reported.

On 11. Other operating expenses

This item includes € 21.446 million in expenses from the change to the discounting of long-term provisions and € 3,000 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.

	2012		2011	
	in € million		in € million	
Section 28 Paragraph 2 No. 1 of the German Pfandbrief Act				
a.) Total amount of the guarantee fund applied at its nominal value according to volume class				
Loan cover				
– less than € 300,000	379.2		291.1	
– more than € 300,000 but less than € 5 million	65.0		26.0	
– more than € 5 million	19.1		6.3	
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	463.3		323.4	
c.) Total amount of receivables applied as security by type of use ¹⁾				
	Residential land and buildings		Commercial land and buildings	
	2012	2011	2012	2011
	in € million	in € million	in € million	in € million
Apartments	64.5	49.2		
Single-family houses	247.7	192.6		
Multiple-family houses	81.2	45.8		
Office buildings			5.9	5.9
Commercial buildings			2.3	0.0
Industrial buildings			24.1	8.6
Other buildings used for commercial purposes			37.6	21.3
New buildings in progress, not yet productive			0.0	0.0
Building sites			0.0	0.0
	2012		2011	
	in € million		in € million	
Section 28 Paragraph 2 No. 2 of the German Pfandbrief Act				
Total of payments in arrears by at least 90 days ¹⁾		0.0		0.0
	Residential properties		Commercial properties	
	2012	2011	2012	2011
	Number	Number	Number	Number
Section 28 Paragraph 2 No. 3 of the German Pfandbrief Act				
a.) Number of pending foreclosure suits and compulsory administration suits as at 31.12.2012	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
	2012		2011	
	in € million		in € million	
c.) Interest in arrears	0,0	0,0	0,0	0,0

¹⁾ No land as security outside Germany

V. OTHER INFORMATION

ANTEILSBESITZ

Equity holding as of not less than 20 % in other companies, insofar as not insignificant:

	Shares in capital End of 2012 in %	Equity 2011 in € 000	Income 2011 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	48,964	5,271
LBS Landesbausparkasse Bremen AG, Bremen	25.0	36,443	1,728
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	144 ²	-4 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 2012 equity and income

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

Sparkasse Bremen 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
Bürgschaftsbank Bremen GmbH, Bremen	10.7
neue leben Pensionsverwaltung AG, Hamburg	8.0
neue leben Holding AG, Hamburg	7.8
Wincor Nixdorf Portavis GmbH, Hamburg	7.0

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

Total amount of fees paid to the legal auditor

Expenses for the accounting period include € 0.8 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,
Vorsitzender

Dipl.-Kfm. Klaus Ziegler,
stv. Vorsitzender

Dipl.-Kfm. Joachim M. Clostermann

Björn Drenkwitz (from 23.05.2012)

Alexander Künzel

Dipl.-Kfm. Otto Lamotte

Dipl.-Kffr. Janina Marahrens-Hashagen

Heiko Oerter

Hans-Joachim Schur (until 23.05.2012)

Volker Stange

Retired Chairman of the Board of Managing Directors of swb AG

Managing Partner of NordCap GmbH & Co. KG

Tax consultant and chartered accountant with Clostermann & Jasper Partnerschaft
Wirtschaftsprüfungs-/Steuerberatungsgesellschaft

Die Sparkasse Bremen AG employee

Chairman of the Board of Managing Directors of Bremer Heimstiftung (foundation)

Managing Director of HENRY LAMOTTE OILS GmbH

Managing partner of

H. Marahrens-Schilderwerk, Siebdruckerei, Stempel GmbH

Die Sparkasse Bremen AG employee

Die Sparkasse Bremen AG employee

Die Sparkasse Bremen AG employee

Loans granted to the members of the Supervisory Board amounted to € 1.2 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 Supervisory Board committees.

BOARD OF MANAGING DIRECTORS

Dr. rer. nat. Tim Nesemann

Joachim Döpp

Thomas Fürst

Dr. rer. pol. Heiko Staroßom

Chairman of the Board of Managing Directors

Loans granted to the members of the Board of Managing Directors amounted to € 0.4 million on the balance sheet reporting date.

EMOLUMENTS

Members of the Board of Managing Directors received € 2.1 million in remuneration, of which € 1.5 million was paid in fixed remuneration and € 0.6 million in variable remuneration. Former members of the Board of Managing Directors and their dependants received € 1.5 million; pension obligations for this group of people amount to € 17.8 million, of which an amount of € 2.8 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

— DR. TIM NESEMANN

BREMER LAGERHAUS-GESELLSCHAFT

– Aktiengesellschaft von 1877 –

DEUTSCHE FACTORING BANK

Deutsche Factoring GmbH & Co.

Freie Internationale Sparkasse S.A.

GEWOBA Aktiengesellschaft

Wohnen und Bauen

NRS Norddeutsche Retail-Service AG

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

SB

SB

SB, Chairman

SB

SB

— THOMAS FÜRST

Bremer Toto-Lotto GmbH

Diakonische Behindertenhilfe

gemeinnützige GmbH

Freie Internationale Sparkasse S.A.

LBS Landesbausparkasse Bremen AG

neue leben Holding AG

neue leben Pensionskasse AG

neue leben Pensionsverwaltung AG

neue leben Unfallversicherung AG

Sparkassen Kreditpartner GmbH

SB

SB, Chairman

SB

SB, Vice Chairman

SB

SB

SB

SB

SB

— JOACHIM DÖPP

Öffentliche Versicherung Bremen

SB, deputy member

— DR. HEIKO STAROBOM

BREBAU GmbH

Öffentliche Versicherung Bremen

SB, Vice Chairman

SB

— HOLM DIEZ

LBS Landesbausparkasse Bremen AG

SB

— THORSTEN ROTH

Freie Internationale Sparkasse S.A.

SB

— BERNHARD RUSCHKE

Wincor Nixdorf Portavis GmbH

SB

EMPLOYEES

Annual average employment:	
Full-time employees	941 ¹
Part-time and temporary end-of-month employees	474 ¹
	1,415
Apprentices	88
Total	1,503
¹ of which commercial employees	
– Full-time employees	0
– Part-time and temporary end-of-month employees	55

Bremen, 13 March 2013

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 1 January 2012 to 31 December 2012. 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 Statutes are 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, 22 April 2013

Audit Office of the

**HANSEATISCHEN SPARKASSEN-
UND GIROVERBANDES**

Prinz
Chartered Accountant

Jacobs
Chartered Accountant

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Bernd Kloppenborg, Vice President – Ext. 2188

Heiko Hirsig, Assistant Vice President – Ext. 3384

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Dealing/Money Market

Bernd Etmer, Vice President – Ext. 3310

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