Consolidated financial statements and group management report of Bremer Landesbank as of 31 December 2009 in accordance with IFRSs

The Bremer Landesbank Group at a glance

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in EUR m)	Change (in %)
Net interest income	249	254	–5	–2
Risk provisions in the lending business	–141	–22	–119	>100
Net commission income	38	50	–12	–24
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	80	–105	185	>100
Other operating profit/loss	6	9	–3	–33
Administrative expenses	142	136	6	4
Profit/loss from financial investments	–15	–22	7	–32
Profit/loss from investments accounted for using the equity method	4	7	–3	–43
Earnings before taxes	**79**	**35**	**44**	**>100**
Income taxes	21	5	16	>100
Consolidated profit	**58**	**30**	**28**	**93**
Cost-income ratio (CIR)	37.71%	63.24%		
Return on equity (ROE)	9.48%	4.20%		

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in EUR m)	Change (in %)
Reported equity	960	936	24	3
Regulatory equity	1,853	1,999	–146	–7
- thereof core capital	1,556	1,486	70	5
Risk-weighted assets	15,635	14,828	807	5
Reported equity ratio	6.14%	6.31%		
Loans and advances to banks	4,780	5,776	–996	–17
Loans and advances to customers	20,988	20,255	733	4
Risk provisions	–267	–149	–118	79
Financial assets at fair value through profit or loss	1,123	930	193	21
Financial assets	6,442	6,998	–556	–8
Investments accounted for using the equity method	81	88	–7	–8
Other assets	640	410	230	56
Total assets	**33,787**	**34,308**	**–521**	**–2**
Liabilities to banks	10,508	12,206	–1,698	–14
Liabilities to customers	10,236	9,949	287	3
Securitized liabilities	9,244	8,423	821	10
Financial liabilities at fair value through profit or loss	1,267	1,279	–12	–1
Provisions	300	273	27	10
Other liabilities	106	90	16	18
Subordinated capital	1,166	1,152	14	1
Reported equity including non-controlling interests	960	936	24	3
Total liabilities and equity	**33,787**	**34,308**	**–521**	**–2**
Number of employees				
Total	1,006	981	25	4
Current ratings (long-term rating)				
Moody's	AA2	AA2	–	–
Fitch Ratings	A	A	–	–

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1. Group management report

The terms “Bank”, “Bremer Landesbank” and “BLB” are used below interchangeably to refer to the Bremer Landesbank Group. The development of the Group is almost exclusively determined by the parent company. The companies of the Bremer Landesbank Group are included and consolidated in the consolidated financial statements of the NORD/LB Group and are a significant part of the latter.

1. Business and general conditions

Economic situation and financial markets

In 2009, economic growth and trade slumped around the world in the wake of the financial and economic crisis. However, the situation started to stabilize during the year and in many countries there are signs that the recession is coming to an end.

The United States, where the financial crisis had its roots, suffered a 2.5% decrease in gross domestic product (GDP) and cutbacks in employment. The national deficit grew substantially as a result of the support packages. While output dropped considerably in Western and Central Europe, Japan and Russia, the pace of growth merely slowed in China and India.

Early 2009 was shaped by the continued upheavals on the financial markets and intensifying downward pressure on the economy. In this environment, the concerted efforts by governments to contain the crisis impacted the money and capital markets. From the second quarter, observers became more confident that an end to the economic downturn was in sight. Positive economic indicators, government aid for the financial sector and central support packages, on both sides of the Atlantic, triggered a recovery on the financial markets. A renewed appetite for risk, revived by the brighter economic outlook, pushed up equity prices and lowered yields on corporate bonds. Most recently, the obvious deterioration of public finances in most EEA countries has dampened the mood on the capital markets as it is not clear to what extent activity on the equity and bond markets is fueled by the generous economic assistance programs and an ample supply of liquidity. This raises doubts as to whether the recovery on the financial market can survive the end of the support programs (source: Deutsche Bundesbank Monthly Reports).

In its Financial Stability Review for 2009, Deutsche Bundesbank states that the German financial system was under unprecedented pressure in the wake of the international financial market crisis. Extraordinary fiscal and monetary intervention was needed to avert a systemic collapse. The financial markets have since picked up and growth prospects are now noticeably brighter. However, German banks will still have to shoulder further burdens, and the financial and the closely related economic crisis are by no means over.

Following the severe slump in winter 2008/2009, a process of recovery began in spring 2009, bolstered by extensive monetary and fiscal policy measures – according to Deutsche Bundesbank in its Monthly Report for December 2009. The German economy has gradually overcome the sharp downturn of winter 2008/2009, but economic output is still low. While private spending, especially on cars, fed the growth in output in the spring, exports were once again the driving factor in the summer, for the first time in more than a year. The firm, fast and effective response of monetary and fiscal policy was an enabling factor behind the revival in Germany and in many other industrial nations. The labor market has been barely affected, with the fall in employment levels even coming to a halt in the third quarter of 2009.

The region

In its Annual Report for 2009, the Bremen Chamber of Commerce and the Bremerhaven Chamber of Commerce and Industry state that the year brought a mixture of gloom and hope for the economy in Bremen. Overall, companies saw a massive drop in demand and have therefore been reluctant to invest. The number of insolvencies rose sharply during the year and the recession spilled over onto the labor market, with a fall in the number of socially insured employees. However, the extensive use of short-time work prevented a worse outcome. The crisis had its biggest impact on the transportation and logistics industry, on wholesalers and exporters and on temporary staffing agencies, whereas retailers escaped relatively unscathed thanks to private spending. Bremen's excellent position as a tourist destination also had a stabilizing effect. The financial crisis has affected the lending industry to varying degrees, depending on the strategy pursued.

In 2009, the global economic and financial crisis left its mark on the Oldenburg region, according to the Oldenburg Chamber of Commerce and Industry. According to provisional estimates, industry revenue was down some 14% on 2008, and exports fell by more than 30% compared with the prior year. These figures show that the downturn entered the region from abroad. All sectors of industry experienced a squeeze on orders, and the number of insolvencies rose visibly against the prior year. Nevertheless, the Oldenburg region coped better than some other regions thanks to the prominent position of the food and drink sector, which generates much of its revenue within Germany. Tourism also helped to steady the economy, and consumption did not drop despite the recession. The unemployment rate remained stable.

According to the Emden Chamber of Commerce and Industry, the economy collapsed in 2009, but regained a firm footing toward the end of the year, and has thus passed its nadir. Fortunately, the current economic crisis has had less of an impact on the labor market than previous recessions. There are no signs of a credit crunch in the Emden region; at most, terms have been tightened for some companies.

Bremer Landesbank

Since the 2005 reporting period, Bremer Landesbank, as a capital market-oriented enterprise, has published its consolidated financial statements in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code]. For fiscal year 2007, the consolidated financial statements were published in accordance with international accounting standards (IASs/IFRSs) for the first time, including comparative figures for 2006. The basis of consolidation, determined in accordance with IAS 27 and IAS 28, is as follows in the fiscal year:

Parent company:

- Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Subsidiaries and investment funds in which Bremer Landesbank directly or indirectly holds more than 50% of the voting rights or may otherwise control:

- BLB Immobilien GmbH, Bremen
- BLB Leasing GmbH, Oldenburg
- Bremische Grundstücks-GmbH, Bremen
- NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen

The following associates are also accounted for using the equity method:

- DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen
- BREBAU GmbH, Bremen
- Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede
- GSG Oldenburg Bau- und Wohngesellschaft mbH, Oldenburg
- Lazard-Sparkassen Rendite-Plus-Fonds

There were the following changes in the basis of consolidation in fiscal year 2009.

- The following entities were liquidated and are therefore no longer consolidated:
    - A-Bremer Landesbank-Aktienfonds
    - NC-Fonds SP 100 Poolfonds 1

As the parent company, Bremer Landesbank AöR is represented in the management and/or supervisory bodies. Significant interests from the Group's point of view are coordinated by involving the subsidiaries in the planning process.

The Group's parent company, Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – is a corporation under public law incorporated by the Free Hanseatic City of Bremen and the State of Lower Saxony. It is a public lending and Pfandbrief (covered bond) institute and has trustee status. Bremer Landesbank has branches in the two major cities in the metropolitan region of the North-West, with some 300 employees in Oldenburg and over 650 in Bremen. The North-West is the business region allocated to the Bank under an interstate agreement.

Bremer Landesbank is included and fully consolidated in the consolidated financial statements of the NORD/LB Group and is a significant part of the latter. Bremer Landesbank also prepares its own sub-group consolidated financial statements in accordance with international accounting standards.

Following the European Commission's decision in 2001 to abolish the legal obligations of Gewährträgerhaftung (public guarantee under which the owners of savings banks are jointly and severally liable to the banks' creditors) and Anstaltslast (liability assumed by public-sector owner for economic viability of a corporation incorporated under public law), Bremer Landesbank developed a focused business model that was swiftly implemented and is being constantly enhanced. It therefore has a viable concept and is in a position to react quickly and flexibly to heterogeneous developments in the regional market and in international specialty segments.

The rating agencies rate Bremer Landesbank's business model – as a profitable and adequately capitalized regional bank – positively (Moody's financial strength: C; Fitch's individual rating: C). Its long-term ratings (Fitch: A; Moody's: Aa2) give Bremer Landesbank access to the national and international capital markets.

In the reporting period, Bremer Landesbank continued to market itself as a regional bank with specialty operations on an international level while maintaining its function as a Landesbank and central savings bank.

Strict cost management and consistent risk management, as well as a stable earnings structure, are helping Bremer Landesbank to strengthen its long-term capital base year after year.

Its capital market competence and local decision-making authority set Bremer Landesbank apart from the regional competition. Its focus and successful positioning as a regional bank and a public-sector Landesbank show that the Bank is on the right track.

Integrated bank management

Bremer Landesbank's integrated bank management is value and risk based. It fulfills the legal requirements and provides decision-makers with key information for management purposes. The Bank's key control instrument is direct costing, which is structured along the lines of business segments and cost centers. The value and risk-based approach is evidenced by the use of cost of capital and expected loss:

- Cost of capital – In direct costing, the cost of the capital employed to cover unexpected loss and the cost of interest on the capital employed are allocated to the segments before operating expenses.
- Expected loss – The expected loss is allocated to the segments as a risk premium. Bremer Landesbank already meets one of the core requirements of the new consultative document "Strengthening the resilience of the banking sector" (Bank for International Settlements, December 2009) in its internal management.

A key metric in internal segment management is the risk-adjusted return of each segment. This is the net income of a segment less the expected loss and the cost of capital employed. It indicates the value added by each segment. The segments are also managed using the following ratios:

$$\text{RAROC} \quad \frac{\text{Risk-adjusted return}}{\text{Committed core capital}}$$

$$\text{Cost-income ratio} \quad \frac{\text{Administrative expenses}}{\text{Operating income}}$$

Administrative expenses comprise personnel expenses, operating expenditure and depreciation and amortization of property and equipment and intangible assets. Operating income includes interest and service income and net income from financial transactions.

Two key metrics for profitability management at an integrated bank level are the return on equity (ROE) and cost-income ratio (CIR). ROE is defined as follows:

$$\text{ROE} \quad \frac{\text{Operating result after risk provisions and valuation}}{\text{Committed core capital}}$$

Integrated bank management links the following management processes:

- Internal management processes, with user-based direct costing
- Statutory processes, with the ongoing reconciliation of direct costing and income statement
- Regulatory processes, with the consistent disclosure of risk-weighted assets

The management process at Bremer Landesbank commences with a strategy review conducted in the spring by the Management Board and the second management level. In addition to reviewing the Bank's strategy, future areas of business activity for the Bank as a whole and for the business segments are identified in a strategic workshop (the subsidiary controlling process also involves the subsidiaries in the Group's planning and management process).

The strategy workshop defines the top-down targets for the business segments on the basis of the indicators described. The subsequent process of medium-term planning over a five-year horizon is concluded in a closed-door budget meeting in the autumn. Earnings and budget targets are significant input figures in the bank-wide goal definition process.

This independent, established process of corporate control, with its integral element of risk and reward management, including the monitoring of target achievement levels, is being constantly enhanced and the instruments employed are continuously refined.

Business performance

Operating income at Bremer Landesbank once again developed highly satisfactorily during the past year, with the exception of the cyclical fall in net commission income. This very satisfactory result is mainly due to the steady net interest income and a much improved trading profit.

In the fiscal year, Bremer Landesbank strengthened its position as a notable lender in the region and as a leading bank in the North-West of Germany. However, the financial market crisis has since spilled over into the real economy, pushing up risk provision expenses, but to a level that is still within the budget. Bremer Landesbank's stringent risk management has thus proven its worth. With its portfolio allowances, the Bank has accounted in particular for risks which have likely already occurred but which are not yet evident in certain shipping sub-segments.

In 2009, the only significant valuation adjustments to the Bank's own securities were in connection with the bonds issued by Icelandic banks.

Personnel expenses within the Bremer Landesbank Group rose slightly because of collective wage agreements. Other administrative expenses increased as planned, mainly due to higher information technology expenditure and higher consulting expenses for projects. Overall, administrative expenses increased moderately.

Another of Bremer Landesbank's strategic goals is to cooperate more closely with associated banks. Based on the cooperation agreement with associated banks (Verbundvereinbarung) signed in 2006, the implementation of an integrated service concept for the 14 associated savings banks in the region has contributed significantly to strengthening collaboration.

The subsidiaries operating in the real estate sector managed to prevail in the market in the face of a persistently difficult environment by concentrating on certain market segments.

BLB Leasing mainly generates new business through the customer consultants of Bremer Landesbank. This business strategy also proved to be successful in 2009 and once again resulted in the transaction of a considerable volume of new business.

The profit for fiscal year 2009 enabled Bremer Landesbank AöR to both reinforce its capital base by making an allocation to retained earnings and make a reasonable dividend payment to its owners. As before, Bremer Landesbank does not require any government aid.

Below we report on the development of business conducted by the Bremer Landesbank Group in 2009.

2. Results of operations

On the whole, the Bank's results of operations were again highly satisfactory in 2009.

Income statement

	Notes	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Interest income		2,428	3,277	–26
Interest expenses		2,179	3,023	–28
Net interest income	(18)	249	254	–2
Risk provisions in the lending business	(19)	–141	–22	–
Net interest income after risk provisions		**108**	**232**	**–53**
Commission income		59	74	–20
Commission expenses		21	24	–13
Net commission income	(20)	**38**	**50**	**–24**
Trading profit/loss		70	–104	–
Profit/loss from designated financial instruments		2	3	–33
Profit/loss from financial instruments at fair value through profit or loss	**(21)**	**72**	**–101**	**–**
Profit/loss from hedge accounting	(22)	8	–4	–
Profit/loss from financial assets	(23)	–15	–22	–32
Profit/loss from investments accounted for using the equity method	(24)	4	7	–43
Administrative expenses	(25)	142	136	4
Other operating profit/loss	(26)	6	9	–33
Earnings before taxes		**79**	**35**	**–**
Income taxes	(27)	21	5	–
Consolidated profit		**58**	**30**	**93**
thereof: attributable to shareholders of the parent company		58	29	
thereof: attributable to non-controlling interests		–	1	

Net interest income

Net interest income decreased by 2%, from EUR 254m to EUR 249m.

Net interest income from business with customers has risen yet again. The Special Finance segment was once again the main driver, as was business transacted with local corporate customers. Higher liquidity management costs were offset by unexpected maturity transformation profits from the Bank's own investments.

Contrary to previous practice, current income payments from financial instruments at fair value are presented under net interest income and no longer under trading profit/loss.

A steady rise in net income from customer-driven business is expected during the forecast period. Costs of maintaining an adequate supply of liquidity may also affect net interest income in the future, while maturity transformation profits from own investments are not anticipated to match those of the fiscal year. Overall, there is a good chance that net interest income will level out or increase moderately during the forecast period.

Risk provisions in the lending business

As anticipated, risk provisions in the lending business climbed to EUR 141m in 2009 (prior year: EUR 22m).

The financial market crisis has since spilled over into the real economy. As a consequence, specific allowances relating to customer business – especially for ship finance – are far higher than in the prior year but still below budget. Bremer Landesbank's stringent risk management has thus proven its worth.

The Bank recognized portfolio allowances of EUR 55m to cover risks that have presumably occurred but have not yet been identified (prior year: EUR 11m). A stress margin of EUR 10m (prior year: EUR 21m) was again added in light of the special situation in some sub-segments of the shipping sector.

The Bank expects risk provisions in the lending business to remain high in the forecast period due to the economic situation.

Net commission income

Net commission income fell from EUR 50m to EUR 38m and is hence approximately 24% lower than in the prior year. Compared to 2008, a year of vigorous new business, one-time ship finance fees and fees for designing finance arrangements for alternative energies fell significantly. Other commissions from the lending business, including guarantee commissions, and from securities business did not match last year's levels due to the economic conditions. Other contributions to earnings, e.g., from payment transactions, were fairly steady.

In 2010, net commission income is expected to be on a par with the level in 2009. Thereafter, there are good prospects for an increase.

Profit/loss from financial instruments at fair value through profit or loss

The conditions prevailing on the international financial and capital markets were still difficult in 2009, but overall a recovery has set in. In addition to successful activities on the financial markets, this had a positive effect on the Bremer Landesbank Group's trading profit. In 2009, the profit from the measurement of financial instruments at fair value came to approximately EUR 72m, compared with a loss of EUR 101m in 2008.

The volume of credit default swaps for which Bremer Landesbank is the protection seller declined slightly as swaps matured. Bremer Landesbank engaged in such structured credit business to utilize available equity to generate commission income reported in trading profit and to diversify its loan portfolio, notably with regard to regions/countries and rating categories. The Bank only sold protection to prime counterparties and always used recognized standard agreements. Due to the difficulties which arose on the international financial and capital markets over the course of 2007 and the related widening in credit spreads, the Bank has discontinued all new business in this area except for a small number of selected position liquidations and hedges.

The British bank Bradford & Bingley made use of government aid and the British government guaranteed the repayment of the bank's liabilities subject to EU Commission approval. This means that interest payments were not made on some of the bank's subordinated liabilities. Various holders of CDS positions declared this to be a credit event. Positions of some EUR 34m taken by Bremer Landesbank as protection seller were then swapped for securities issued by Bradford & Bingley. The drop in value which occurred for these instruments in the period up to their exchange was ascertained group-wide and presented in the realized trading profit/loss. This reduced the trading profit by EUR 2m in 2009.

There have been no other credit events, for example with recourse to the Bank as protection seller by delivery of the reference assets.

For the above reasons, the profit/loss realized from financial instruments at fair value through profit or loss improved considerably, from –EUR 52m to EUR 16m, while the net valuation effect rose by EUR 106m to EUR 54m. The net valuation effect from credit default swaps continues to have a significant impact on the trading profit/loss. The Bank had built up these positions in recent years as a substitute for lending business; because it intends to hold them to maturity, they are mostly kept in the regulatory banking book. As the market for credit derivatives became inactive in 2008, these financial instruments were mainly measured using a valuation model.

Profit/loss from financial instruments designated at fair value came to some EUR 2m in 2009, against EUR 7m in the prior year. This change is due to a slightly lower net valuation effect from these instruments

It is still very difficult to predict how the international financial markets will develop. The markets are still reacting sensitively to unsettling news. The Bank expects that the uncertainties will persist throughout 2010; however, the global will to overcome the financial crisis will prevent excessive movements. Negative net valuation effects cannot, therefore, be ruled out completely. However, the outlook for successful dealing on the financial markets in 2010 and 2011 is good.

Profit/loss from hedge accounting

At present, Bremer Landesbank employs only micro fair value hedges in fair value hedge accounting to reduce the effects on income of IAS-related balance mismatches. This item includes the net valuation effects from effective hedges. The more effective hedges are, the lower their effects on income. The hedges designated by Bremer Landesbank generated a profit of EUR 8m in 2009, compared with –EUR 4m in 2008. The nominal volume of the hedged underlyings increased considerably in 2009. The negative change in the fair value of the underlyings was more than made up for by the positive change in fair value of the hedging transactions.

The Bank expects that the profit/loss from hedge accounting will remain volatile over the next few years as hedge accounting is more widely used.

Profit/loss from financial assets

The profit/loss from available-for-sale (AFS) securities and equity investments amounts to –EUR 15m, after –EUR 22m in 2008. The result was significantly influenced by an impairment loss of around EUR 12m on Icelandic bank securities.

Profit/loss from investments accounted for using the equity method

The profit/loss from investments accounted for using the equity method stood at EUR 4m, compared with EUR 7m in 2008. Apart from the profit/loss from the investments accounted for using the equity method, the result was influenced by the sale of a special fund accounted for using the equity method.

Administrative expenses

Administrative expenses rose moderately overall, by 4%, from EUR 136m to EUR 142m.

Whereas wages and salaries increased due to collective wage agreements, the cost of pensions and other benefits remained steady. As a result, the personnel expenses of the Bremer Landesbank Group rose slightly, by 1%, to EUR 81m.

By contrast, other administrative expenses rose by approximately EUR 5m, or 10%. While building costs decreased moderately, the expenses for information technology and consulting services rose again, as scheduled. The main reasons for this increase are the forthcoming migration to the Finanz Informatik systems in 2011 and management projects initiated to comply with legal or regulatory changes. On the whole, other administrative expenses were nevertheless below budget.

At EUR 4m, amortization, depreciation and write-downs of intangible assets and property and equipment were on a par with the prior year.

According to the Bank’s forecasts, the increase in personnel expenses resulting from collective wage agreements will continue in the forecast period. Other administrative expenses are expected to increase again in 2010, due to project costs, but will stabilize from 2011 onward.

Other operating profit/loss

Other operating profit/loss amounted to EUR 6m, compared with EUR 9m in 2008. In addition to reversals of provisions, this item also contains expenses and income from buying back own issues.

Earnings before taxes

Earnings before taxes in the Bremer Landesbank Group amounted to EUR 79m for 2009; this represents an increase of EUR 42m against 2008. In light of the steady net interest income, the excellent performance of financial instruments at fair value more than made up for the substantially higher risk provisions and the moderate increase in administrative expenses.

Income taxes

Bremer Landesbank's current income taxes increased by EUR 2m compared with the prior year, to EUR 38m. The tax refunds for preceding years received in 2008 were not matched in 2009.

Deferred taxes, for which income of EUR 31m was recognized in 2008, resulted in income of EUR 17m in 2009, increasing income taxes overall by EUR 16m to EUR 21m. As in the prior year, the pre-tax profit for the year is less than the taxable profit.

Consolidated profit

Consolidated profit amounted to EUR 58m, compared with EUR 30m in 2008.

The basis for appropriation of profits is the profit for the year of the parent in accordance with German accounting regulations (HGB) (EUR 48m; prior year: EUR 78m). As in the prior year, the parent intends to pay a dividend of EUR 28m to the Bank's owners. This is equivalent to a return of 20% on the share capital.

The problems on the international financial and capital markets and their effects on the real economy have also impacted the result of Bremer Landesbank in accordance with the HGB. The Bank was, however, able to absorb these effects without any substantial impairment to its positive results of operations. The Bank expects this to apply in principle for 2010 and 2011 as well.

3. Net assets and financial position

Total assets

As in prior years, the Bank focused on transacting high-yield business. As a result, the low-margin interbank business has been scaled back further. Overall, total assets decreased by 2% to EUR 33.8b (prior year: EUR 34.3b).

Loans and advances to banks

In fiscal year 2009, loans and advances to banks fell substantially, by EUR 1.0b to EUR 4.8b. The level of receivables from money market business and other limited-term loans and advances dropped significantly. Loans and advances payable on demand, which are insignificant at Bremer Landesbank, were at roughly the same level as in the prior year.

Loans and advances to customers

Loans and advances to customers increased by EUR 0.7b to EUR 21.0b. Please see the notes on the development of the business segments in the segment report in the notes for a more detailed analysis of this item.

Risk provisions

The risk provisions of the Bremer Landesbank Group, deducted from the asset side on the face of the balance sheet in accordance with international accounting standards, increased substantially, by EUR 118m to EUR 267m, and now represent 1.04% of total loans and advances (prior year: 0.58%).

Financial instruments at fair value through profit or loss (AFV)

This item comprises the fair values of held-for-trading financial instruments. Instruments with a positive fair value are reported in assets and those with negative fair values in liabilities. Financial instruments with a positive fair value increased in 2009 by EUR 193m to EUR 1,123m, while financial instruments with negative fair values decreased by EUR 12m to EUR 1,267m.

Bremer Landesbank enters into derivative transactions mainly for managing and hedging interest rate and foreign currency risks, but also for generating proprietary trading income. Bremer Landesbank also utilizes available equity to conclude credit derivative transactions to generate commission income reported in trading profit/loss and to diversify its loan portfolio, notably with regard to regions/countries and rating categories. The nominal volume of all the derivatives at the end of 2009 was EUR 64.1b, compared with EUR 53.9b in the prior year, and hence accounted for approximately 1.9 times (prior year: 1.6 times) total assets. In comparison to other institutions in the sector, Bremer Landesbank only engages in such transactions to a relatively minor extent. Almost all counterparties are banks located in OECD member countries and therefore may be assumed to have a sound financial background. For detailed information on volumes, maturities and counterparty classification please refer to the information in the notes to the consolidated financial statements of Bremer Landesbank.

Positive/negative fair values from derivative hedges

In 2009, fair values from hedge derivatives changed as shown in the notes under (33) and (45). The portion of the change in value that relates to the hedged interest rate risk is offset by changes in value for the underlying transactions.

Financial assets/investments accounted for using the equity method

Financial assets decreased from EUR 7.0b in 2008 to EUR 6.4b in 2009. This item mainly comprises available-for-sale securities and investments in non-consolidated entities at fair value. The portfolio of debt securities issued by the public sector was once again increased substantially, whereas those issued by other borrowers were scaled back considerably. The portfolio of money market securities and investments was reduced to zero.

Investments accounted for using the equity method decreased by EUR 7m to EUR 81m in the fiscal year, mainly in connection with the disposal of the special fund NC SP 100 Poolfonds 1.

Securities are either allocated to the Management Board's strategic position or the Financial Markets segment's credit investment portfolio. In 2009 changes in the portfolio resulted from additions and disposals of financial assets as well as from changes in the value of securities still held. Such changes are reflected in the revaluation reserve, shown under equity.

Traditionally, Bremer Landesbank meets its obligations as a public-sector bank and association bank in part through its investment portfolio. For instance, it supports trade and industry by investing in surety banks (e.g., Bürgschaftsbank Bremen, Niedersächsische Bürgschaftsbank), special credit institutions (e.g., Deutsche Factoring Bank) and economic development companies.

The Bank cements its ties with the region through investments in several housing companies, some of which are included in the list of shareholdings in the notes.

DekaBank, which offers a broad range of fund investment opportunities within the association of the German savings bank organization, is another notable investment.

There were no significant purchases or sales of equity investments in 2009.

The primary aim of these investments is to reap strategic and operational benefits; earnings are a secondary goal. In keeping with Bremer Landesbank's strategic focus, the investment volume is therefore expected to remain steady or decline. New equity investments will only be entered into if they generate substantial added value for the Bank and the region.

Property and equipment/investment property/intangible assets

Property and equipment, which covers furniture, fixtures and office equipment and buildings and parts of buildings used for operations, increased by EUR 2m to EUR 27m due to the conversion work on the buildings in Oldenburg, which had not been completed by the balance sheet date. As in the prior year, furniture, fixtures and office equipment accounted for EUR 5m.

Real estate owned by the Group and intended for use by or leased to third parties is reported as "Investment property." Its amount has been reduced by EUR 1m to EUR 64m due to regular depreciation.

Current income tax assets/deferred tax assets/other assets

Potential future income tax relief stemming from temporary differences between figures stated in the statutory IFRS consolidated balance sheet for assets and liabilities and the tax values stated by group companies is reported as deferred tax assets and amounted to EUR 87m in 2009 (prior year: EUR 74m). Furthermore, in the HGB financial statements, current income tax assets of EUR 11m (prior year: EUR 12m) are recognized in "Other assets". This resulted in income tax assets of a total of EUR 98m, against EUR 86m in 2008.

Other assets amounted to EUR 25m as of 31 December 2009 (prior year: EUR 17m). In addition to inventories and capitalized fees for the use of guarantee obligations, this item contains loans and advances to non-consolidated subsidiaries of EUR 13m (prior year: EUR 0m).

Liabilities to banks

Liabilities to banks fell from EUR 12.2b to EUR 10.5b. While liabilities from money market business again decreased substantially, refinancing through other limited-term liabilities and deposits from other banks increased somewhat.

Liabilities to customers

Bank refinancing through liabilities to customers was increased by 3% to EUR 10.2b. While liabilities from money market business decreased substantially in comparison to the prior year, the other liabilities – especially to German customers – were increased significantly. Savings deposits are an insignificant element of Bremer Landesbank's refinancing.

Securitized liabilities

Securitized liabilities at the Bank include *Pfandbriefe*, municipal debt securities and other debt securities and money market instruments such as commercial paper. Their amount increased in 2009 by EUR 0.8b, or 10%, to EUR 9.2b.

A more detailed presentation of the Bank's refinancing via the various issuing programs is provided in the notes on Financial Markets in the segment report in the notes and in the section on financing.

Provisions

Provisions in the Bremer Landesbank Group totaled EUR 300m (prior year: EUR 273m) at the end of 2009 and have hence risen by EUR 27m.

Provisions for pensions and similar obligations account for the largest share, amounting to EUR 259m for the Group, compared with EUR 233m in the prior year.
The present value of the defined benefit obligation is calculated actuarially using specific parameters, such as a group-wide discount rate based on the yield of senior corporate bonds of the same maturity. Other parameters are salary, career and pension trends and employee turnover rates (please also see the overview). The assets invested by the Bremer Landesbank pension fund (plan assets) are offset at fair value (EUR 38m, compared with EUR 39m in 2008) against the present value of the obligation. In addition, the profits or losses resulting from a change in the discount rate are recognized under equity in a separate item. This came to a cumulative EUR 61m (prior year: EUR 74m) on the balance sheet date.

Parameter	Bremer Landesbank	Prior year
Employee turnover (excl. retirement/early retirement)	**1.500%**	**1.500%**
Actuarial interest rate	**5.500 %**	**6.000%**
Pension trend		
Management Board/permanent employees	**2.500%**	**2.500%**
Total benefits	**3.500%**	**3.500%**
Additive benefits	**2.000%**	**2.000%**
Calculated on the basis of:		
collective wage increases	**2.000%**	**2.000%**
premiums based on years of service	**approx. 0.5% p.a.**	**approx. 0.5% p.a.**
individual salary increases (pensionable)	**0.375%**	**0.375%**
increases in statutory pensions	**0.500%**	**0.500%**
increases in ÖLV pensions	**1.000%**	**1.000%**
BVV	**0.000%**	**0.000%**

The pension scheme was redesigned for employees joining Bremer Landesbank after 31 December 2008.

Annually defined pension contributions are credited to beneficiaries' personal pension accounts, which bear interest at a guaranteed rate of 3.25% p.a. until benefits are paid. To cover pension commitments, Bremer Landesbank acquires securities in the amount of the credited pension contribution. The level of the subsequent pension benefits is determined by the higher of the pension account (including guaranteed interest) and the value of the securities at the time benefits are first paid.

In addition, beneficiaries have the option of making their own contribution to their occupational pension by paying in portions of their salaries. The rules on the employer-funded pension scheme will take retroactive effect as of 1 January 2009.

Loan loss provisions amounted to EUR 25m at year-end, compared with EUR 22m at the end of the prior year.

Provisions for uncertain liabilities amounted to EUR 16m at the end of 2009, compared to EUR 18m in 2008. They mainly relate to personnel obligations, such as provisions for early retirement (2009: EUR 10m; 2008: EUR 12m) or long-service awards (2009: EUR 3m, as in the prior year).

Current income tax liabilities/deferred tax liabilities/other liabilities

Potential future income tax burdens stemming from temporary differences between figures stated for assets and liabilities in the statutory IFRS consolidated balance sheet and the tax values stated by group companies are reported as deferred tax liabilities and, as in the prior year, came to EUR 1m. Furthermore, in the HGB financial statements, current income tax liabilities of an unchanged EUR 27m are recognized in "Other liabilities". Hence, as in the prior year, income tax liabilities total EUR 28m.

Other liabilities amounted to EUR 24m as of 31 December 2009 (prior year: EUR 41m). EUR 2m of this figure relates to taxes and social security contributions yet to be paid. As in the prior year, this item also includes EUR 8m in payable employee compensation payments and emoluments and EUR 5m (prior year: EUR 4m) in liabilities relating to outstanding invoices.

Subordinated capital

Subordinated capital in the Bremer Landesbank Group amounted to EUR 1.2b at year-end 2009, compared with EUR 1.1b in the prior year, and thus rose marginally by 1%. This item also includes silent partners' contributions allocated to equity in accordance with the HGB.

Equity

The equity of the Bremer Landesbank Group totaled EUR 960m at the end of 2009, which represents an increase of EUR 24m or 3%. Since converting to international accounting standards at the beginning of 2006, the Group's equity has increased by EUR 97m or 11%.

As, under IFRSs, items affecting the Group's net assets are recognized directly in equity (i.e., changes in the fair value of available-for-sale assets) and not in profit or loss, the change in equity is more significant than under the provisions of the HGB, which was applied for group financial reporting until 2006.

The subscribed capital of the parent is unchanged at EUR 140m; the capital reserves are also unchanged, at EUR 40m.

Retained earnings in the Bremer Landesbank Group rose from EUR 722m at the end of 2008 to EUR 739m. The profit for the prior year less distributions to the sponsors of the parent company is transferred to retained earnings in the current year.

The profit for the year in the Bremer Landesbank Group amounts to EUR 58m in 2009, against EUR 30m in the prior year. As in the prior year, an amount of EUR 28m is earmarked for distribution to the owners of Bremer Landesbank AöR.

The first-time adoption reserve, in which the asset and liability measurement differences between German accounting standards and the first-time adoption of IFRSs are presented as a fixed component, comes to EUR 185m.

Actuarial gains from provisions for pensions now amount to EUR 61m, compared with EUR 74m at the end of the prior year.

The revaluation reserve, which reflects changes in the values of available-for-sale assets, increased by EUR 7m to EUR 41m in 2009. Positive changes in the value of AFS securities were matched by negative changes in the value of investments in non-consolidated entities reported for this category.

At year-end, after appropriation of profit and the impairment losses recognized in the financial statements, the core capital ratio was 9.3% (prior year: 10.4%).

Contingent liabilities and other obligations

The volume of Bremer Landesbank's traditional off-balance sheet business, reported as guarantees, was lower at year-end at EUR 1.4b (prior year: EUR 1.8b).

Irrevocable loan commitments which were not taken up amounted to EUR 2.8b on the balance sheet date (prior year: EUR 3.7b).

There are also other financial obligations of the Bremer Landesbank Group resulting from the facts and circumstances described in the notes to the consolidated financial statements.

Financing

In 2009, bearer and registered debt securities were once again the most important source of medium to long-term refinancing for the Bank.

The gross volume of issues transacted by Bremer Landesbank, including borrower's note loans, rose yet again, to EUR 4.2b (excluding the ECP program and EIB loans), compared with EUR 2.9b in 2008. In light of the financial market crisis, the leap in the Bank's own issuance volume is particularly remarkable in terms of placeability and refinancing security. At the same time, the Bank succeeded in widening its investor base quite significantly. This diversification will have a long-lasting stabilizing effect on the Bank's refinancing.

The volume of debt securities outstanding rose to EUR 18.7b (prior year-end: EUR 17.0b).

The total outstanding volume of refinancing loans raised from the European Investment Bank was EUR 1.0b as of 31 December 2009 (prior year-end: EUR 1.1b).

For refinancing and liquidity management during the year, Bremer Landesbank employed the various instruments offered by the European Central Bank in particular.

The European Commercial Paper Program (ECP program) was only used sporadically in 2009. The Bank had outstanding commercial paper of EUR 45m from this program as of 31 December 2009 (prior year-end: none).

For more details, please see the opportunities and risk section and the business and general conditions section.

Key ratios

The return on equity (ROE) for fiscal year 2009, calculated using the valuation formula defined above, is 9.5%, compared with 4.2% in the prior year.

The cost-income ratio (CIR) is 37.7%; it was 63.2% in 2008.

The risk ratio as of 31 December 2009 stood at 0.57%, after 0.10% in the prior year.

Capital requirements under the SolvV ["Solvabilitätsverordnung": German Solvency Ordinance] total approximately EUR 1.3b (prior year: approximately EUR 1.2b), equivalent to risk assets of approximately EUR 15.6b (prior year: approximately EUR 14.8b). The overall ratio is 11.9%, compared with 13.5% at the prior year-end. The main reasons for the increase in risk assets and the decrease in the overall ratio are rating migrations, leading to a higher shortfall for IRBA exposures. No condensed report in accordance with Sec. 10a KWG ["Kreditwesengesetz": German Banking Act] is required due to the exemption granted under Sec. 10a (10) KWG.

Investing activities

Bremer Landesbank still intends to invest substantially in modernizing and redesigning its buildings, both in Bremen and in Oldenburg. Building work in Oldenburg will be completed in 2010. Planning is underway for the Bremen office.

Other non-financial performance indicators

For Bremer Landesbank, being close to the markets and to the people who live and work in the region is both a privilege and an obligation and is reflected in its social involvement, the sponsoring of the "NordWest Award" prize, and in the fact that the Bremer Landesbank Group, with an average of 1,006 employees (prior year-end: 981), is a major economic factor in the State of Bremen and the North-West region. The Bank offers attractive jobs, as is shown by the employee turnover rate, which, at 0.9% (prior year: 2.0%), is low for the industry, and a relatively high average length of service of 16.9 years (prior year: 17.4 years) for Bremer Landesbank AöR.

Conclusion

Another highly satisfactory result for 2009, in spite of the adverse economic situation, especially in ship finance, validates Bremer Landesbank's alignment as a regional bank with specialty offerings – in the North-West and for the North-West. In close cooperation with the savings banks and its association partners, Bremer Landesbank has firmly positioned and established itself as a leading bank in the region. The Bank is still by far the most significant partner for small and medium-sized businesses in the North-West of Germany. Having clearly focused on its business model at the right time, Bremer Landesbank is well positioned to drive forward its business development in 2010 and 2011 despite the difficult economic environment.

4. Subsequent events

There were no events of special significance for the economic situation of the Bank in the period from the end of fiscal year 2009 up to the preparation of the consolidated financial statements.

As in the prior year, there are no risks to the Bank's ability to continue as a going concern.

5. Opportunities and risks

The risk report of Bremer Landesbank and the Bremer Landesbank sub-group as of 31 December 2009 was drawn up on the basis of IFRS 7, taking into account the national provisions of the HGB and the more specific German Accounting Standards GAS 5 and GAS 5-10.

Application

Reporting covers all entities in the basis of consolidation (IFRSs).

None of the Bremer Landesbank subsidiaries relevant to the Group risk report bears significant risk from the point of view of the Bremer Landesbank as a separate institution or as a sub-group. This is documented twice a year for BLB Leasing GmbH and BLB Immobilien GmbH. In the first quarter of 2009, the last fully consolidated BLB special fund was sold.

Due to their immateriality, Bremer Landesbank does not qualitatively evaluate any risks relating to Bremer Landesbank subsidiaries in the IFRS notes; however, information is provided on significant or specific risks irrespective of materiality.

Integrated bank management – risk strategy

In spite of the emerging stabilization of the markets, the fiscal year was shaped by the effects of the economic crisis. Against this backdrop, Bremer Landesbank benefited from a functioning and sophisticated risk management system.

Bremer Landesbank has appropriate systems and processes for managing risk, all of which are in compliance with the regulatory requirements. Risk management instruments are consistently improved through organizational measures and the adaptation of risk measurement and risk management parameters. Processes are continually monitored by the internal control system.

Responsibility towards its creditors obliges the Bank to pursue a conservative risk policy and stringent risk management for which the Management Board defines the framework. The Management Board also bears overall responsibility for risk management.

A risk-aware corporate culture within the Bank is key to effective risk management. It provides the essential framework for the professional handling of risk and encourages employees to proactively identify and communicate risks and act in a risk-aware manner.

This risk culture is manifested in the risk-aware attitude, skills and professional expertise of the employees and is encouraged by the corporate philosophy and the style of management of the Bank. Clear delegation of authority and of responsibility at Bremer Landesbank plays a major role here. Ensuring that communication functions both horizontally and vertically sensitizes employees to risks in Bremer Landesbank and in their workflows.

The Management Board defines a risk strategy for the entire Bank based on the NORD/LB Group's risk strategy, the business strategy and an integrated strategy and planning process. It is aligned with the MaRisk ["Mindestanforderungen an das Risikomanagement": Minimum Requirements for Risk Management]. The risk strategy is reviewed at least once a year, adjusted if necessary, and presented to and discussed with the Supervisory Board (General Working and Credit Committee). The risk strategy is a guideline for the entire Bremer Landesbank Group. It contains statements on risk policy and on the organization of the risk management process, as well as strategies specific to the main banking risks. On the basis of the status quo and in light of planned business activities, the risk strategy is geared to safeguarding the Bank's risk-bearing capacity for the years to come.

The framework for the design of risk management is specified by the MaRisk on the basis of Sec. 25a KWG.

Integrated bank management – risk-bearing capacity

The risk-bearing capacity model is the methodological basis for monitoring the risk strategy. It compares aggregated risks ("risk potential") with Bremer Landesbank's risk capital.

The model has four levels. The first three (A/B/C cases) are defined internally and act as early warning indicators. The fourth level meets the regulatory requirements of the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is based on regulatory capital, while the internal risk-bearing capacity levels use available capital, i.e., capital above the regulatory minimum requirements. In order to ensure capital adequacy, Bremer Landesbank has stipulated that the capital-risk ratio at each level of the model should not fall below 125%.

The following table shows the strategic allocation of risk capital to the various types of risk. In combination with the primary criterion of the risk strategy, i.e., that the capital-risk ratios determined using the risk-bearing capacity concept should not fall below 125% at all levels, this secondary criterion ensures that actual operations are consistent with the risk policy.

Risk capital allocation

Type of risk	Allocation to risk capital
Credit risk	max. 70%
Investment risk	max. 2%
Market price risk	max. 16%
Liquidity risk	max. 5%
Operational risk	max. 7%

In the fiscal year, NORDL/LB thoroughly analyzed its risk-bearing capacity model in collaboration with Bremer Landesbank. The subsequent revision process, which is still underway, is aimed at improving integrated bank management and meeting the requirements of the revised MaRisk with regard to the extended presentation of multiple-risk stress tests and a more detailed group-wide risk management process.

The NORD/LB Group's future model will still cover several scenarios and furnish proof of capital adequacy and that operations are consistent with the risk strategy. In addition, compliance with the regulatory capital ratio will be integrated into the risk-bearing capacity model as a strict condition for integrated bank management, and the risk situation will be assessed in greater detail with reference to multiple-risk stress scenarios.

The Group plans to introduce the enhanced risk-bearing capacity model both at group level and at the level of the individual banks in 2010.

The Bank's risk-bearing capacity was ensured throughout 2009 despite the effects the financial crisis had on the portfolio. The negative impact of the global financial market and economic crisis, in particular on the ship finance portfolio, is reflected in the increase in credit risk potential. This was the main reason for the lower capital-risk ratio than in the prior year.

Risk potential coverage by available risk capital in the ICAAP

	Risk-bearing capacity			
in EUR m	**31 Dec 2009**		**31 Dec 2008**	
Risk capital	1,853.1	100.0%	1,998.6	100.0%
Credit risk	894.7	48.3%	579.9	29.0%
Investment risk	19.7	1.1%	22.8	1.1%
Market price risk	27.8	1.5%	76.4	3.8%
Liquidity risk	0.1	0.0%	20.0	1.0%
Operational risk	55.1	3.0%	52.4	2.6%
Total risk potential	997.4	53.8%	751.4	37.6%
Excess coverage	**855.7**	**46.2%**	**1,247.2**	**62.4%**
Capital-risk ratio		**185.8%**		**266.0%**

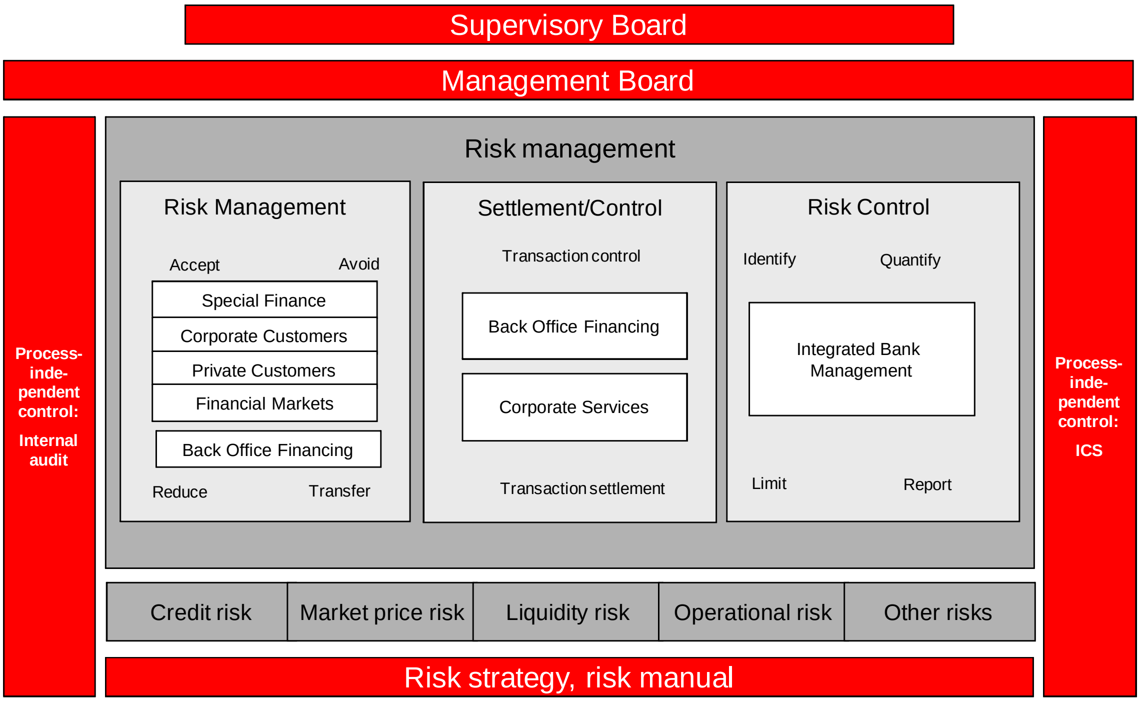
(Figures as of 31 December 2008 adjusted due to changes in methodology)

On the basis of the Bank's risk-bearing capacity and its business and earnings forecasts, in addition to allocation of risk capital to the various risk types, capital is also allocated strategically to the business segments in the form of upper limits for risk-weighted assets (RWA). This is monitored on a monthly basis in the risk report. In this way, risk assets relating to the business segments can be reallocated at an early stage and market activities can be controlled during the year in the context of the overall risk situation.

Integrated bank management – structures

Bremer Landesbank has implemented a risk organization which is consistent with its risk policy and strategy. Its structure ensures well-ordered interaction between all segments involved in the risk management process. In addition, efficient risk management and control processes with clearly defined functions and authorities provide for a smooth workflow – supported by an adequate IT infrastructure and qualified employees.

Risk management system of Bremer Landesbank



At overall bank level, Risk Control is responsible for identifying the various risks, making them measurable, evaluating them and communicating them. To this end it develops methods, implements the essential systems, monitors the entire process of risk management and reports risks. The dynamics of the respective risk types determine risk reporting cycles. Once a month, the Management Board receives a risk report and a report on close watch and problem exposures as well as a report on the development of risk provisions. The risk report addresses the Bank's risk-bearing capacity, risk potential and an analysis of risk structure covering all the types of risk. In the report on individual borrowers drawn up by Back Office Financing for close watch and problem exposures, the development of potentially problematic and defaulted borrowers is closely monitored. This may also reveal short-term or long-term structural changes in this portfolio or related sub-portfolios and areas where measures to mitigate or reduce risk may be undertaken. The General Working and Credit Committee is informed about the risk situation five times a year, and the Supervisory Board is also informed about the status of risks in its twice-yearly meetings.

Active risk management is carried out within a specified framework by the four business segments and Back Office Financing.

The Back Office Financing unit operates independently of the front office units and monitors risk at individual borrower or sub-portfolio level. Administrative activities relating to individual loans are also conducted by Back Office Financing. This unit is also responsible for optimizing and assuring the quality of the entire lending process (front and back office) and bears central responsibility for regulations and reports in accordance with Sec. 13 and Sec. 14 KWG.

Corporate Service is responsible for processing and controlling trade transactions concluded by the front office. Its tasks include checking to ensure that the transactions have been completely and correctly entered and assessing them for deviations from specified standards. The Risk Control unit verifies the market compliance of the transactions.

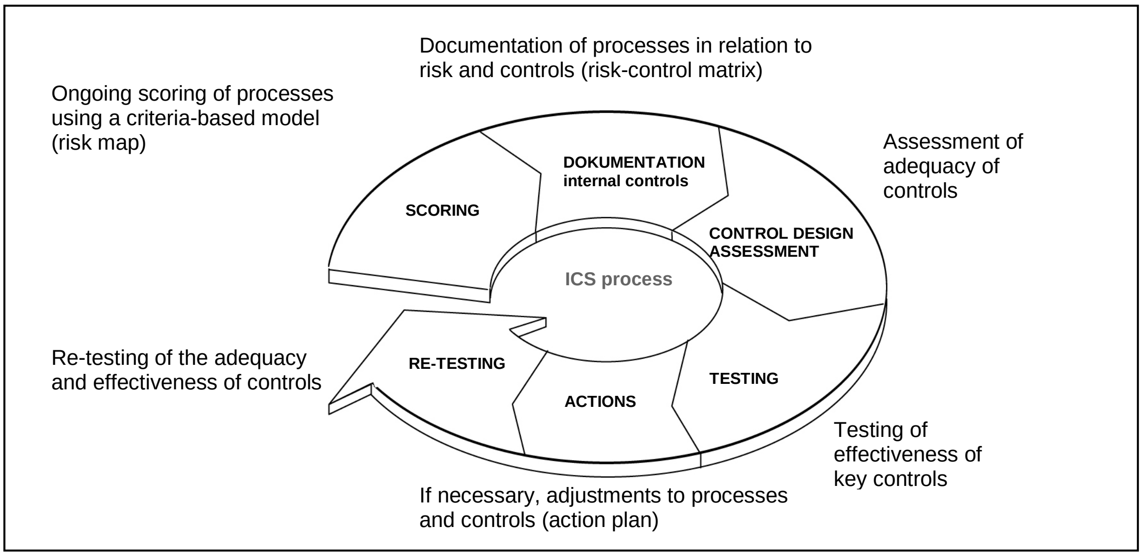
Internal Audit performs the risk-based and process-independent review of the effectiveness and adequacy of all risk management processes. As a Management Board instrument, it forms part of the internal monitoring system. Internal Audit's aims also include helping to ensure the effectiveness, efficiency and propriety of operations. Moreover, it supports the optimization of business processes and management and monitoring procedures. Within the scope of the enhancement of the group-wide monitoring instruments, Bremer Landesbank's internal audit function works closely together with the group internal audit function of NORD/LB and the internal audit functions of NORD/LB Luxembourg and Deutsche Hypo with a uniform audit policy and an evaluation matrix for audit findings.

Integrated bank management – internal control system

In connection with the continuous improvement of the risk organization, the internal control system was enhanced with the aim of creating integrated process and risk-based structures and procedures. All organizational safeguards and controls are assigned to the internal control system (ICS). They allow comprehensive control of all relevant business workflows within Bremer Landesbank. This enhancement is part of the group-wide ICS project.

Functions, authorities and responsibilities are clearly distributed. The functional departments carry out the controls as part of day-to-day business. Organization/IT have overall responsibility for the ICS. They enhance the methods and instruments, assess the adequacy and effectiveness of the controls in cooperation with the functional departments and take action, if necessary.

The six phases of the ICS process (ICS cycle)



In order to ensure the functionality of the ICS, the six phases of the ICS cycle take place on a regular basis:

- Ongoing scoring of processes
- Documentation of processes as regards risks and controls
- Assessment of the adequacy of controls
- Assessment of the effectiveness of controls
- Adjustments to the processes and controls, if necessary
- Re-assessment of the adequacy and effectiveness of controls

A working ICS ensures process security and the reliability of financial data and minimizes fraud. In addition to meeting legal requirements, the ICS secures process knowledge, optimizes workflows and increases the awareness of risks within the organization. In this way, an ICS contributes to the organization's viability.

As the parent company, Bremer Landesbank AöR, is a capital market-oriented corporation within the meaning of Sec. 264d HGB, Bremer Landesbank is obliged in accordance with Sec. 315 (2) No. 5 HGB to describe the main features of its internal control and risk management system relating to the group financial reporting process, which also includes the financial reporting processes of the companies included in the consolidated financial statements.

The internal control and risk management system relating to the group financial reporting process is not defined by law. The Bank understands the internal control and risk management system as a comprehensive system, referring to the definition by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer in Deutschland e.V.": IDW], Düsseldorf, of the accounting-related internal control system (IDW AuS 261 section 19 f) and of the risk management system (IDW AuS 340 section 4). According to the IDW, an internal control system comprises the policies, procedures and measures installed within the organization by management which are aimed at implementing management's decisions

- To secure the effectiveness and efficiency of operations (including the protection of assets and preventing and detecting misappropriations of assets)
- To ensure the propriety and reliability of internal and external financial reporting
- To conform to the legal provisions relevant to the organization

The risk management system includes all organizational arrangements and measures to identify risks and handle the risks involved in business activities.

As regards the financial reporting process, the following structures and processes have been installed at Bremer Landesbank:

The Group Management Board bears the overall responsibility for the internal control and risk management system – also relating to the group financial reporting process at Bremer Landesbank. All companies included in the consolidated financial statements and strategic business segments are included in a specifically defined management and reporting organization.

The policies, structures and procedures, as well as the processes of the internal control and risk management system (including the group accounting-related ICS), are set out in a procedural instruction which is revised at regular intervals in line with current external and internal developments.

Pertaining to the financial reporting process, Bremer Landesbank regards the main features of the internal control and risk management system to be those which may have a significant impact on the group accounts and on the overall picture conveyed by the consolidated financial statements together with the group management report. These include:

- Identification of the main risk fields and control areas relevant to the group financial reporting process
- Cross-segment controls for monitoring the group financial reporting process
- Preventive controls in the finance and accounting functions of the Group and the companies included in the consolidated financial statements and the strategic business segments, as well as in operating processes which generate key information for preparing the financial statements and management report, including functional segregation and pre-defined approval processes in relevant areas
- Measures to ensure the orderly computer-assisted processing of group accounting transactions and data
- Measures to monitor the group accounting-related internal control and risk management system

Integrated bank management – management

The Bank has installed early warning systems specific to the types of risk, which enable the Bank to identify and analyze potential risks at an early stage. This ensures that information relating to risk that is relevant for the Bank's critical success factors is communicated to the right decision-makers. The early warning systems comprise the reports (market price risk, liquidity risk and monthly risk reports) and the methods for early identification of different types of risk.

The risk report system ensures that risks are identified at an early stage and provides the Management Board with the information it requires for managing risk, as well as making additional analyses and interim reports available upon request and supporting the decentralized system of risk management in the business segments.

The risk management process is subject to constant review and enhancement due to the cross-segment functions it fulfills and the constantly changing parameters in the various segments. Adjustments which may become necessary include organizational measures, adjustments to procedures for quantifying risk and the continuous updating of relevant parameters.

The risk quantification procedures within the NORD/LB Group are coordinated with the Risk Control department at NORD/LB, the goal being to apply uniform methods and procedures within the NORD/LB Group.

Newly developed products and business ideas are introduced in a structured process and their effect on risk management is considered from the outset.

The risk manual helps to build a shared understanding of risk in the Bank. It provides an overview of the entire risk management system and is a basis for creating the transparency essential for enhancing risk awareness. Details are specified in procedural instructions, organizational policies and Management Board resolutions. Policies and regulations are regularly updated as part of the ongoing quality control process. Any changes to the risk control and risk management system are presented in the relevant procedural instructions and manuals.

Credit risk

Credit risk – definition

Credit risk is an element of default risk. It describes the risk of loss stemming from a borrower's failure to pay or deterioration in a borrower's credit rating.

In addition to the counterparty-related credit risk, cross-border capital services are subject to country risk, which includes the risk that losses are incurred due to overriding state barriers (transfer risk) despite the individual borrower's ability and willingness to repay.

Counterparty risk is included in the umbrella term of credit risk and describes the risk that an unrealized profit from pending trades cannot be recognized due to the default of a contractual partner (replacement risk) or that the consideration for an advance delivery cannot be provided due to the default of the counterparty in a delivery-versus-payment transaction (settlement risk).

Credit risk – strategy and management

For the Bank, lending business and the associated management of credit risk is a core competence which must be permanently enhanced and extended. The Bank's strategy is to position itself as a reliable regional bank with international specialty operations.

In order to do justice to the specific requirements of each business segment, the Bank has stipulated financing policies for each market segment which are binding guidelines for new lending business in the respective front office. In new lending business, the focus is clearly on concluding agreements with customers with a good credit rating.

Credit risk – structures

For lending business, the structures of Bremer Landesbank guarantee a functional segregation of front and back office units and risk control right through to Management Board level. Independent back office functions are performed by Back Office Financing, functions relating to the independent monitoring of risks at portfolio level and to independent reporting are the responsibility of the Risk Control unit in Integrated Bank Management.

The model of functional segregation in the loan decision process chosen by the Bank is consistent with its strategic alignment as a regional bank with international specialty finance operations in that loan decisions are only taken after a high-quality risk analysis has been conducted as part of the front office vote and a second vote has been cast by the back office, which thus assumes an independent, uniform quality assurance function in terms of assessing risks in the lending business. In addition to preparing the second vote, the back office is responsible for verifying and stipulating rating levels, verifying collateral values, processing and supervising debt rescheduling and work-out cases and risk provisions as well as designing processes and rules for the Bank's lending business.

Decisions are made by the Management Board, the General Working and Credit Committee or its chairman for transactions above a certain volume. As a committee of the Supervisory Board, the General Working and Credit Committee has the task, in regular meetings, of discharging the rights and duties of the Supervisory Board in advising and monitoring management.

Exposures higher than rating categories 1 to 8 are generally supervised more closely; those of rating category 12 and higher are handed over for rescheduling to the Debt Rescheduling group. This group is responsible for deciding on how an exposure is to be monitored in the future or whether it should be terminated and coercive measures implemented.

Credit risk – analysis

The procedural instructions and internal policies contained in the Bank's organizational policies, especially the lending, competency, voting, collateral and rating policies, form the basis of operations in the lending business.

The rating methods developed by the Sparkasse Financial Group, which are tailored to the customer segments and approved by the banking supervisory authorities, are the basis for assessing the default risk at customer level. The procedures cover the assessment of the customer's financial situation and, depending on the customer group, the market conditions, product quality, competitive situation and management, as well as cash flow and forward-looking data.

With the help of these rating methods, the probability of default of borrowers and counterparties is calculated and allocated to a rating category.

Bremer Landesbank master scale

IFD	Rating category	Mean probability of default	Customer category
Very good to good	1 (AAAA)	0.00%	Normal
	1 (AAA)	0.01%	
	1 (AA+)	0.02%	
	1 (AA)	0.03%	
	1 (AA–)	0.04%	
	1 (A+)	0.05%	
	1 (A)	0.07%	
	1 (A–)	0.09%	
	2	0.12%	
	3	0.17%	
	4	0.26%	
Good/satisfactory	5	0.39%	
	6	0.59%	
Still good/adequate	7	0.88%	
	8	1.32%	
Increased risk	9	1.98%	Close watch
	10	2.96%	
High risk	11	4.44%	
	12	6.67%	Debt rescheduling
Very high risk	13	10.00%	
	14	15.00%	
	15	20.00%	
Default (= non-performing loans)	16	100.00%	
	17	100.00%	
	18	100.00%	Work-out

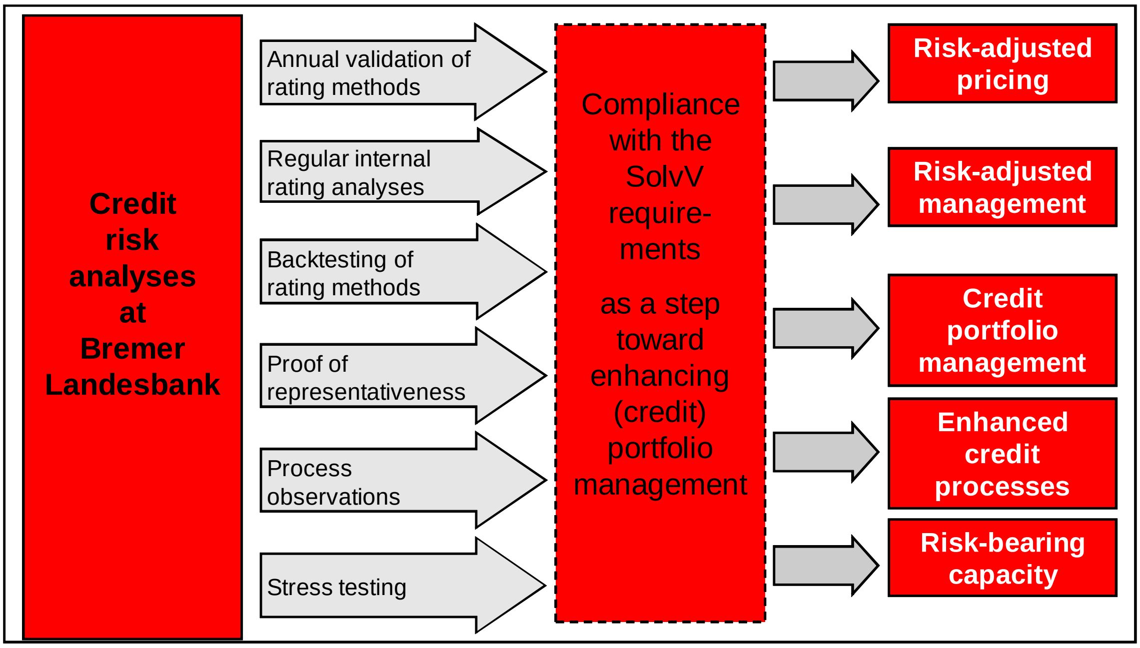
The rating methods are an instrument for active risk management. The accuracy (forecast quality) of the rating methods, each individual rating component and their interaction are regularly examined by the rating service agencies by backtesting and validating using the data pools. These quality controls, which use observed default rates and other factors, not only confirm compliance with minimum standards; they also provide input for enhancements.

The rating methods are validated by the two central rating service agencies of the Sparkasse Financial Group, Sparkassen Rating und Risikosysteme GmbH (S Rating), a subsidiary of the German Savings and Giro Bank Association (DSGV), and Rating Service Unit GmbH & Co, KG (RSU), a joint venture with other *Landesbanken*. The two rating service agencies ensure an internal rating within the meaning of the SolvV (Basel II provisions).

Bremer Landesbank data is pooled at the two rating service agencies. The task of Bremer Landesbank in each case is to prove that the rating modules validated at pool level are adequate for the Bank's internal portfolio (proof of representativeness).

The Bank has fulfilled the requirements relating to the SolvV and has calculated capital charges in accordance with the internal ratings-based approach (foundation IRBA) since 2008.

Rating methods as an instrument for active risk management



The Bank is involved in enhancing the methodology of the RSU rating systems. The focus here is on ship, project and lease financing, a field in which the Bank has exceptional know-how. The Bank is involved in ensuring the quality of the communication of S Rating's system results within the Sparkasse Financial Group.

Bremer Landesbank draws on the economic expertise of NORD/LB for the purpose of calculating country and transfer risk.

The modules Banks, Corporates, Country and Transfer Risk, Leasing and DSGV Standard Rating and DSGV Minor Customer Rating are based on scorecard methods which identify attributes and factors for distinguishing between good and bad borrowers. A sufficient number of relatively homogenous borrowers is required for using scorecards.

Since this requirement is frequently not met in the case of special finance, simulations are primarily used here. In this case, financing arrangements for projects, ships and national properties are valued with the help of cash flow simulation models. The main source of income for the repayment of liabilities is generated by the financed asset. Credit risk is thus determined by fluctuations in income and expenses relating to the asset. In simulations, the asset's cash flow is shown in various scenarios which vary in terms of macroeconomic and industry conditions and simulate the future development of factors such as leases and charter rates. Scenarios in which a borrower must be considered to have defaulted can subsequently be identified from the large number of scenarios.

In addition to quantitative factors, qualitative factors are also considered in the scorecard and simulation methods in the rating modules. Options for revising a rating have also been provided for; these are, however, strictly limited when it comes to enhancing ratings. Warning signals and the background of the enterprise are also considered. A final rating result is only obtained once these aspects have been taken into account.

In 2010, cooperation with NORD/LB, the Landesbanken that are members of the RSU and with the DSGV to improve the rating methods will be continued. The cooperation will focus on estimating volumes subject to default risk and losses given default.

The full evaluation of the borrower or transaction forms the basis for the decision to extend credit, for credit risk management and for the risk-adjusted loan pricing of the expected loss. The probability of default of a borrower or a transaction reflected in the rating results plays a significant role. However, beyond the probability of default, loss given default, terms, amounts at risk as well as other transaction-related risks (including currencies and products) are important.

Credit risk – management

A specific limit is set for each borrower in order to manage risks at transaction level. The significant parameters applied in setting such limits are the borrower's creditworthiness, expressed as a rating, and funds available for making principal repayments.

The risk of the exposure is valued in a rating procedure and in defined lending processes. In portfolio business, any need to take action in operational segments is identified on the basis of the results or warnings generated by the rating methods applied regularly or ad hoc in the event of negative information. Significant declines in ratings or creditworthiness trigger the preparation of a status report or credit-control documents, depending on the rating or credit rating level and the volume of an exposure.

In addition, the Bank ensures that exposures with a higher probability of default are managed by specially qualified employees in separate organizational units. In accordance with credit regulations, higher exposure risks result in specific obligations in terms of processing and management. These exposures are submitted at more regular intervals (twice a year or ad hoc in the case of negative information). Depending on the rating category and the volume of an exposure, the approval process goes as far as the Management Board. The following allocation always applies:

1. Exposures in rating category 9 and above are closely watched. The causes of deterioration in a situation and the exposure strategy are analyzed with a view to costs and benefits. If necessary, collateral should be reinforced, conditions adjusted, reporting obligations of the customer intensified and debt rescheduling consultants or external advisors involved.

2. From rating category 12, exposures are assigned to the Debt Rescheduling group in the back office where they are checked for restructuring capability and desirability. A re-evaluation of the exposure strategy with regard to costs and benefits is required. The rescheduled loan may be secured by further adequate collateral, the terms may be adjusted or a decision to terminate the business relationship made.

3. If acute default risks are identified, the Bank initiates a standard process which ensures the prompt recognition, recording and communication of a specific allowance. These exposures must all be re-rated, with the “SA established” reason for default recorded. The steps mentioned above are triggered by this classification. If considerable or additional new risk provisions are required (from EUR 1.0m in the current year), the full Management Board is informed immediately via the head of the back office.

4. Terminated exposures are processed by the Work-Out group. When exposures are terminated or in the event of insolvency, etc., they have to be re-rated and the reason for default needs to be recorded.

The Bank uses an LEM (Large Exposure Management) limit model for identifying and monitoring risk concentrations at counterparty level. Large exposure limits are set for economic associations which are defined as borrower groups in accordance with Sec. 19 (2) KWG including any indirect commitments. The model allows evaluation of the risk concentration of an exposure, taking into account the Bank’s risk coverage capital and management’s risk preferences, as well as the creditworthiness of the borrower and the collateral provided for the exposure.

The limit model defines limits for every large exposure based on whether an exposure is rated as unproblematic (white area), susceptible to risk concentration (gray area) or very susceptible to risk concentration (black area). The aim is to reduce the exposures in the black area and to obtain a balance between risk and income in the gray area. This provides protection against too high concentration at counterparty level.

Risks at portfolio level are mainly controlled on the basis of risk asset ceilings in the business segments and on the basis of country and industry segment limits. The upper exposure limits are calculated by reference to the risk-bearing capacity of Bremer Landesbank.

Credit risk – collateral

For measuring counterparty default risk, standard bank collateral which has been made available and other risk-mitigation techniques are significant in addition to the credit standing of a borrower or that of a counterparty. In order to reduce counterparty default risk, the Bank accepts domestic and foreign collateral in the form of property and rights. When accepting collateral, it is ensured that cost and benefit are proportionate.

Collateral is assessed both when a loan is granted and during the process of monitoring loans (at least once a year) to identify whether it can be realized at the value presumed given its expected economic development during the (remaining) loan period. For this reason each case is examined to determine whether the stated value appears justified based on the special type of collateral and its legal and economic realizability, taking account of the borrower and the type of loan. Valuations are adjusted accordingly if factors relevant to valuation have changed.

The Bank's credit policies and lending principles specify what basic types of collateral can be accepted and the maximum loan-to-value ratio. Guarantees, collateral similar to guarantees, assignments of claims and other rights, liens on movable property, real estate, claims and other rights and movable property assigned as security are accepted as collateral. Other collateral may also be contracted with a borrower. This collateral will, however, not reduce the unsecured portion of an exposure.

All the relevant collateral is entered in the Collateral Management System (CMS) in order to calculate credit risk mitigation. A realistic estimation of proceeds from collateral or the loss given default as well as the exposure at default and the probability of default enable the loss potential associated with an exposure to be quantified.

Credit risk – securitization transactions

The Bank last entered into securitization transactions as an investor in 2004 and has an insignificant residual portfolio which is measured using the ratings-based approach for securitization transactions.

Securities from securitization transactions held by the Bank as the investor are measured and accounted for in accordance with IAS 39.

Moreover, Bremer Landesbank is taking part in the solidarity-based bailout of Sachsen LB by the Landesbanken led by the German Savings and Giro Bank Association (DSGV) and has extended a loan to the special purpose entity Sealink Funding. The risks involved in this loan are limited. This position is being repaid as scheduled.

Except for traditional Pfandbrief operations and municipal bonds, the Bank has not securitized its own lending business.

Credit risk – measurement

The risk metrics of expected loss and unexpected loss are used to quantify the risk of default (credit risk and investment risk). Expected loss is calculated on the basis of one-year probabilities of default (PD) in conjunction with the loss given default. The risk premium which must be collected in order to cover expected loss is calculated using the CPC (Credit Pricing Calculator) software.

In contrast to expected loss, unexpected loss resulting from risk-bearing transactions, i.e., the risk that actual losses are higher than anticipated, constitutes the actual risk potential for the Bank. Sufficient equity is available to cover unexpected losses.

Unexpected loss is quantified for different confidence levels and a timeframe of one year. In this connection, the Bank introduced a group-wide standard economic credit risk model in 2009. The model is used to estimate the probability of unexpected losses in combination with portfolio effects (concentration and diversification effects due to correlations in the portfolio). The aim is to monitor and limit credit risks at portfolio level, in particular considering counterparty and industry concentrations. The credit risk model is being constantly enhanced.

Credit risk – reporting

Risk Control draws up a monthly risk report for the Management Board which outlines and analyzes all the significant structural features and parameters for managing the loan portfolio. The entire reporting function is based on the CRC data pool operated by Risk Control.

Risk Control has overall responsibility for the methods (rating, scoring and risk modeling), which also ensures that credit risks are adequately addressed in its reports.

Credit risk – development in 2009

Risk reporting follows the management approach in accordance with IFRS 7, with internal and external risk reports based on the same terms, methods and data. Credit exposure is a significant parameter in managing credit risk. This figure reflects the value of all the transactions bearing credit risk concluded with a counterparty.

Credit exposure is calculated based on outstandings (in the case of guarantees, the nominal value, and in the case of securities, the carrying amount) and the credit equivalent resulting from derivatives (including add-ons and after netting). Of the irrevocable loan commitments, 75% are included in the credit exposure; revocable loan commitments and collateral are not taken into account.

The Bank's credit exposure came to approximately EUR 39,010m as of 31 December 2009, a decrease of some 4.7% compared with the end of the prior year.

The following table compares the rating structure of the loan portfolio with the prior year. The classification follows the standard IFD rating scale which was agreed on by the banks, savings banks and associations participating in the Initiative for Germany as a Financial Location ["Initiative Finanzstandort Deutschland": IFD]. It was designed to improve the comparability of the different rating categories used by banks.

The rating categories of the 18-step DSGV rating master scale applied at the Bank may be transposed directly to the IFD categories.

Lending business by rating structure

Risk structure[1) 2)] in EUR m	Loans[3)]	Securities[4)]	Derivatives[5)]	Other[6)]	Total 31 Dec 2009	Total 31 Dec 2008[7)]
	31 Dec 2009					
Very good to good	13,971	6,181	3,672	4,577	**28,401**	**30,858**
Good/satisfactory	3,598	137	82	615	**4,432**	**4,875**
Still good/adequate	2,707	–	24	408	**3,139**	**3,648**
Increased risk	899	–	16	93	**1,008**	**705**
High risk	446	–	4	19	**469**	**307**
Very high risk	891	–	12	18	**921**	**245**
Default (= NPL)	600	8	5	26	**640**	**276**
Total	**23,113**	**6,326**	**3,815**	**5,756**	**39,010**	**40,914**

1) Classification according to the IFD rating categories.
2) Differences between totals are due to rounding.
3) Includes loans taken up, loan commitments, guarantees and other non-derivative off-balance sheet assets; as in the management accounts, 72% of irrevocable loan commitments and 5% of revocable loan commitments are usually included.
4) Includes the Bank's own portfolio of securities issued by third parties (banking book only).
5) Includes derivative financial instruments such as financial swaps, options, futures, forward rate agreements and currency transactions.
6) Includes other products such as transmitted loans and administrative loans.
7) Figures as of 31 December 2008 adjusted due to changes in methodology.

The high proportion of exposures in the "very good" and "good" categories stems from the significance attached to interbank and public-sector business and, at the same time, reflects the Bank's risk policy. However, the risk structure of the loan portfolio deteriorated overall in 2009. The global financial market and economic crisis had a particularly negative impact on the ship finance portfolio. In 2009, the slump in international trade of more than 10% led to decreasing charter rates and ship prices, such that the creditworthiness of many shipyards deteriorated. Bremer Landesbank endeavors to maintain a conservative financing structure and a diversified portfolio in the various sub-markets and ship sizes.

The table below shows the Bank's credit exposure by region.

Lending business by region

Regions in EUR m	Loans	Securities	Derivatives	Other	Total 31 Dec 2009	Total 31 Dec 2008
	31 Dec 2009					
Euro countries	21,725	5,772	2,891	5,585	**35,974**	**37,671**
Rest of Western Europe	370	385	896	153	**1,804**	**1,891**
Eastern Europe	50	9	0	4	**63**	**126**
North America	113	140	27	12	**293**	**336**
Latin America	137	–	–	0	**137**	**132**
Middle East/Africa	100	–	–	1	**101**	**108**
Asia	73	20	–	0	**93**	**96**
Other	545	–	–	–	**545**	**553**
Total	**23,113**	**6,326**	**3,815**	**5,756**	**39,010**	**40,914**

This table shows that country risk is of secondary importance for the Bank. The eurozone is still by far the Bank's most important business region.

Discrepancies between the totals presented above and those of the financial instruments included in the balance sheet are due to differences in valuation and other add-ons.

The percentage of financial institutions and insurance companies contained in the aggregate exposure is relatively high, at 38.25%, but includes institutions with very good to good ratings. The most significant credit risks still relate to Special Finance and Corporate Customers.

Lending business by industry group

Industry groups in EUR m	Loans	Securities	Derivatives	Other	Total	
	31 Dec 2009				31 Dec 2009	31 Dec 2008
Financial institutions/insurance companies	3,938	5,022	3,463	2,501	**14,923**	**15,993**
Service industries/other	7,869	1,249	160	1,298	**10,576**	**11,789**
- thereof real estate and housing	1,074	–	12	136	**1,223**	**1,607**
- thereof public administration	3,171	1,249	124	887	**5,431**	**4,978**
Transport/communications	7,567	9	132	84	**7,793**	**7,988**
- thereof shipping	6,867	0	129	12	**7,008**	**7,282**
- thereof aviation	118	–	0	0	**118**	**148**
Manufacturing	720	–	9	121	**850**	**887**
Energy, water and mining	1,607	–	10	1,489	**3,107**	**2,605**
Trade, maintenance and repairs	919	7	34	116	**1,077**	**1,259**
Agriculture, forestry and fishing	130	–	6	79	**214**	**264**
Construction	362	–	1	68	**431**	**129**
Other	–	40	–	0	**40**	**0**
Total	**23,113**	**6,326**	**3,815**	**5,756**	**39,010**	**40,914**

The Bank recognizes specific allowances for acute default risks if there are objective indications of such risks. The level of risk provisions is based on a present value analysis of expected interest and redemption payments as well as on proceeds from the realization of collateral.

The Bank accounts for the latent default risk of the aggregate unimpaired exposure by establishing portfolio allowances for any impairments which may have already occurred but were not known on the balance sheet date.

Specific allowances and loan loss provisions rose significantly in 2009, which was primarily attributable to the crisis in ship finance (transport/communications: specific allowances in 2009: EUR 49m; prior year: EUR 5m). The specific allowance ratio, expressed as the ratio of specific allowances (2009: EUR 164m; prior year: EUR 97m) to the aggregate exposure (2009: EUR 39,010m; prior year: EUR 40,914m), is 0.41% (prior year: 0.23%). The percentage of non-performing loans (2009: EUR 640m; prior year: EUR 276m) in the aggregate exposure is 1.67% (prior year: 0.67%). Before deducting collateral, 25.6% of non-performing loans are covered by specific allowances (prior year: 35.1%).

The employment and income situation in merchant shipping was excellent until late summer in 2008. A drastic slump in freight rates has occurred since then. Charter rates in all the primary sub-segments have declined significantly and are in some cases far below the average level of the past 15 years. As a result, falling freight and charter rates have a negative impact on the value of vessels and on their collateral values. In view of this aggravated general environment, the incurred loss potential for the ship finance portfolio was covered by an additional portfolio allowance of EUR 10.3m for the container and bulk shipping and the multi-purpose segments.

Risk provision requirement by industry group

Bremer Landesbank in EUR k	Impaired credit exposures[1) 2)]		Specific allow-ances		Loan loss pro-visions		Net allocations/ reversals of spe-cific allowances/ provisions	
	2009	2008	2009	2008	2009	2008	2009	2008
Financial institutions/ insurance companies	15,405	2,515	6,851	1,144	148	0	5,855	14
Service industries/other	139,586	134,391	64,056	59,304	1,819	1,014	5,557	–2,984
Transport/communications	123,262	7,547	48,815	5,161	3,334	23	46,965	2,045
Manufacturing	24,858	10,352	12,062	7,862	3,242	2,903	4,539	3,470
Energy, water and mining	345	1,053	60	532	1,050	0	579	4
Trade, maintenance and repairs	24,236	18,669	14,059	11,240	893	1,173	2,538	–4,681
Agriculture, forestry and fishing	5,456	4,612	2,614	2,292	2,273	2,837	–242	–1,829
Construction	24,267	17,708	15,050	9,353	8,469	9,357	4,809	–5,775
Other	–	0	–	0	0	0	–	–208
Total	**357,416**	**196,848**	**163,568**	**96,888**	**21,229**	**17,308**	**70,601**	**–9,944**

[1)] Exposure of non-performing loans prior to allowances, with impairments.
[2)] Figures as of 31 December 2008 adjusted due to changes in methodology.

Risk provision requirement by region

Bremer Landesbank in EUR k	Impaired credit exposures		Specific allow-ances		Loan loss provisions		Net allocations/ reversals of specific allowances/provisions	
	2009	2008	2009	2008	2009	2008	2009	2008
Euro countries	354,140	195,529	161,769	96,298	21,166	16,410	70,227	–8,534
Rest of Western Europe	426	704	388	352	–0	771	–736	–59
Eastern Europe	66	66	–	–	63	126	–63	64
North America	2,783	–	1,411	–	–	–	1,411	–1,161
Latin America	–	549	–	238	–	–	–238	0
Middle East/Africa	–	–	–	–	–	–	–	0
Asia	–	–	–	–	–	–	–	–46
Other	–	–	–	–	–	–	–	–208
Total	**357,416**	**196,848**	**163,568**	**96,888**	**21,229**	**17,308**	**70,601**	**–9,944**

The following tables show past due, unimpaired exposures. In line with the definition in the New Basel Capital Accord (Basel II), Bremer Landesbank's exposures become past due when agreed interest or principal repayments are overdue for 90 days or more.

Past due exposures by industry group

Bremer Landesbank in EUR k	Past due unimpaired[1] credit exposures[2) 3)]		Portfolio allowances		Net allocations/reversals of portfolio allowances	
	2009	2008	2009	2008	2009	2008
Financial institutions/ insurance companies	8,380	22,476	829	282	547	–2,708
Service industries/other	19,594	34,699	18,858	21,459	–2,601	47
Transport/communications	233,646	1,369	76,302	25,588	50,714	16,074
Manufacturing	1,778	324	2,858	1,581	1,277	–1,372
Energy, water and mining	12,468	1,889	2,215	2,408	–193	–701
Trade, maintenance and repairs	548	13,182	3,028	2,966	62	–3,451
Agriculture, forestry and fishing	2,715	3,140	956	1,315	–359	–824
Construction	3,371	1,644	2,227	697	1,530	22
Other	–	–	–	–	0	0
Total	**282,500**	**78,723**	**107,273**	**56,296**	**50,977**	**7,087**

1) The term "impaired" refers to specific and flat-rate specific allowances only. Portfolio allowances are not included.
2) Unimpaired exposures in risk categories 16, 17 and 18, including EAD.
3) Figures as of 31 December 2008 adjusted due to changes in methodology.

Past due exposures by region

Bremer Landesbank in EUR k	Past due, unimpaired exposures		Portfolio allowances		Net allocations/reversals of portfolio allowances	
	2009	2008	2009	2008	2009	2008
Euro countries	272,435	56,444	102,501	53,609	48,892	5,802
Rest of Western Europe	9,773	22,279	1,339	359	980	-68
Eastern Europe	–	–	16	19	–3	–119
North America	–	–	1,398	957	441	480
Latin America	293	–	330	95	235	–45
Middle East/Africa	–	–	167	187	–20	85
Asia	–	–	619	191	428	169
Other	–	–	902	878	24	783
Total	**282,500**	**78,723**	**107,273**	**56,296**	**50,977**	**7,087**

A breakdown by age structure shows the following past due, unimpaired loans and advances to customers in risk categories 16 to 18. These exposures are subject to close watch in accordance with their credit rating.

Past due, unimpaired exposures

Risk-bearing financial instruments and collateral	Past due ≤ 90 days		Past due >90 days, ≤ 180 days		Past due >180 days		Total		Fair value of collateral for past due, unimpaired financial instruments	
in EUR m	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Loans and advances to customers	209	22	19	25	54	32	283	79	186	48

The past due or impaired financial assets at the Bank are primarily secured by standard collateral and other credit enhancements valued on the basis of lending principles. The following table shows impaired financial assets on the reporting dates.

It is evident that the carrying amount after impairment is largely covered by the fair value of the collateral.

Risk-bearing financial instruments and collateral	Amount before impairment		Amount of impairment		Carrying amount after impairment		Fair value of collateral for impaired instruments	
in EUR m	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Loans and advances to customers	357	197	160	97	197	100	179	96
Loans and advances to banks	26	–	3	–	22	–	–	–

In the fiscal year, Bremer Landesbank renegotiated the terms for financial assets of a total carrying amount of EUR 42m which would have otherwise been past due or impaired.

The Bank did not acquire any assets in the fiscal year in connection with the realization of collateral held and other credit enhancements as a result of the default of borrowers.

Credit risk – outlook

The Bank will continue to enhance its credit risk control system in 2010. In this context, the risk parameters and the credit risk model will be validated. The credit risk analyses with a focus on stress testing, which will need to be intensified in the wake of the financial crisis, as well as the risk concentration analyses at counterparty and loan portfolio level will provide further input for efficient credit risk management at the Bank.

In 2010 and 2011, the Bank expects further burdens in the form of risk provisions for the lending business, in particular for ship finance.

Investment risk

Investment risk – definition

Investment risk is an element of credit risk. It describes the risk of loss stemming from the provision of equity to third parties.

Investment risk – strategy and management

The Bank fulfills its special responsibility toward the north-western region of Germany with its equity investments. Shares in regional companies thus constitute a focus of investment portfolio activities, in addition to equity investments within the framework of the Sparkasse Financial Association. With its equity investments, the Bank contributes equally toward fulfilling its public mandate and strengthening the regional economy.

The subsidiaries are integrated in the corporate strategy and participate in the group-wide risk management process as defined in Sec. 25a KWG.

Investees are consistently controlled and managed by evaluating and analyzing regular reports and by exercising influence in their governing bodies (shareholder meetings and supervisory, administrative or advisory boards).

Investment risk – structures

Credit risks relating to equity investments are managed by the Management Board Support/Corporate Development/Investments unit and monitored by Risk Control.

Investment risk – measurement

Apart from a few exceptions, the Bank's equity investments undergo a rating process along the lines of the credit process. The only exceptions are if Bremer Landesbank's share in the carrying amount of strategic investments not involving loans does not exceed EUR 1,000k in accordance with Sec. 19 (2) KWG. Risk potential is quantified on the basis of the carrying amount of the equity investment and the probability of default in accordance with credit risk measurement methods.

Investment risk – reporting

Risk management is conducted in a systematic, ongoing process and comprises the identification, analysis, evaluation, documentation and communication of any risks which may arise. Credit risks associated with equity investments are communicated in the monthly general risk report. In addition to this report, the Management Board is informed at least twice a year about the key issues relating to equity investments in the form of an investment report.

Investment risk – development in 2009

The investment portfolio has been subject to a critical review over the last few years. The Bank has since disposed of some of its equity investments and continued this process in 2009.

Investment risk – outlook

Optimization of the investment portfolio will be continued in 2010.

Market price risk

Market price risk – definition

Market price risk describes the potential loss arising from changes in market parameters. The Bank divides market price risk into interest rate risk, credit spread risk in the banking book, currency risk, equity price and fund price risk, volatility risk and commodity risk. Commodity risk currently has no relevance for Bremer Landesbank.

Interest rate risk occurs when the value of a position or a portfolio reacts sensitively to changes in one or more interest rates or in entire yield curves and when such changes may subsequently impair the position. Interest rate risk comprises the components of general and specific interest rate risk (issuer-related interest rate risk and credit spread risk). The latter arises from changes to the interest rate spread charged for issuers (of securities) or reference debtors (for credit derivatives) which is added to the risk-free interest rate when marking a position to market.

Currency risks (or exchange rate risks) arise when the value of a position or a portfolio reacts sensitively to changes in one or more exchange rates and such changes may subsequently impair the position.

Equity price risks occur when the value of a position or a portfolio reacts sensitively to changes in one or more share prices or indices and such changes may subsequently impair the position. Fund price risks occur when the value of a position or portfolio reacts sensitively to changes in one or more fund prices.

Volatility risks are allocated to the risk categories of interest rate risk, equity price risk and exchange rate risk, depending on the type of option product in question.

The Bank has no unsettled commodity positions on its books.

Market price risk – strategy and management

The Bank's activities aimed at the management of market price risk focus on selected markets, customers and product segments. Its positioning on the money, foreign exchange and capital markets is primarily geared toward the needs of customers. The Bank also conducts proprietary trading activities and holds strategic investments subject to market price risk.

With regard to interest rate risk, the Bank aims to transform maturities and participate in general market developments, within the scope of its risk limits. Also, significant credit spread risks result from strategic investments in securities refinanced with matching maturities and credit derivatives. However, a buy-and-hold strategy is chiefly pursued for these positions. The transactions are therefore generally presented in the banking book. Fund risks, equity price and exchange risks were of lesser strategic significance in 2009.

Market price risk – structures

Open market price risk positions in Financial Markets are managed by the trading desks and Asset/Liability Management, which also centrally plans and manages market price risks relating to deposit and lending business for terms of more than 12 months. Money Market Trading manages interest rate risk for maturities up to 12 months, Foreign Exchange Trading is responsible for foreign currency of all maturities.

Asset/Liability Management presents the current situation in the Treasury Committee and proposes action to be undertaken. The Treasury Committee votes on the further strategic treasury activities. This committee, which meets fortnightly, is an advisor to the Management Board and has members from Financial Markets and Integrated Bank Management. Measures are implemented by Asset/Liability Management in accordance with the Management Board's resolutions and within the risk limit for the strategic treasury activities (Treasury).

The Corporate Service and the Financial Markets Head Office groups provide services. In accordance with the MaRisk, Risk Control is functionally and organizationally independent of the units that manage market price risk. Risk Control monitors, limits and reports on market price risks and is responsible for measurement methodology.

Market price risk – measurement

Value-at-risk (VaR) methods are employed to manage and monitor market price risk for all portfolios.

Value-at-risk is calculated in a variance-covariance approach, applying a one-tailed confidence interval of 95% and a holding period of one trading day. The analysis is based on historical changes in risk factors over the previous 12 months. The models take account of direct and indirect correlations between risk factors, types of risk, currencies and sub-portfolios.

Limits derived from the loss limits specified by the Management Board for each trading desk are stipulated for value-at-risk. Any trading desk losses are immediately deducted from the loss limits, thereby reducing value-at-risk limits in accordance with the principle of self-absorption. The limits specified are broken down into structure limits for the various risk categories for Financial Markets and for strategic positions.

Banking book credit spread risks are currently not managed using a value-at-risk method; they are calculated in a scenario analysis and limited separately. Due to the market distortions triggered by the financial market crisis and the resulting squeeze on market liquidity for securities trading, modeling banking book positions using a value-at-risk approach inevitably leads to extremely volatile risk values. Management of the portfolio, which is geared to a buy-and-hold strategy, is therefore more stable when based on scenario analyses.

Daily value-at-risk calculations are verified by Risk Control with the help of backtesting analyses which compare the daily fluctuations in trading desk results with the previous day's value-at-risk forecasts.

The effects of stress scenarios on trading desk and treasury positions are calculated at the same time as the value-at-risk figures. Group-wide stress parameters are defined for each risk.

Forecast models and parameters used for quantifying market risk are regularly reviewed and adapted to current market developments if necessary.

Market price risk – reporting

In compliance with MaRisk requirements, Risk Control, which operates independently of the departments responsible for the positions, reports daily on market price risks to the Management Board. The report on credit spread risks in the banking book is included in the daily market price risk report. The Management Board is informed in detail about market price risks and the earnings position in monthly reports; the General Working and Credit Committee (AAKA) is informed five times a year. In the 2009 reporting period, average utilization of the risk limit in Financial Markets was 29%; in Treasury it was 9%.

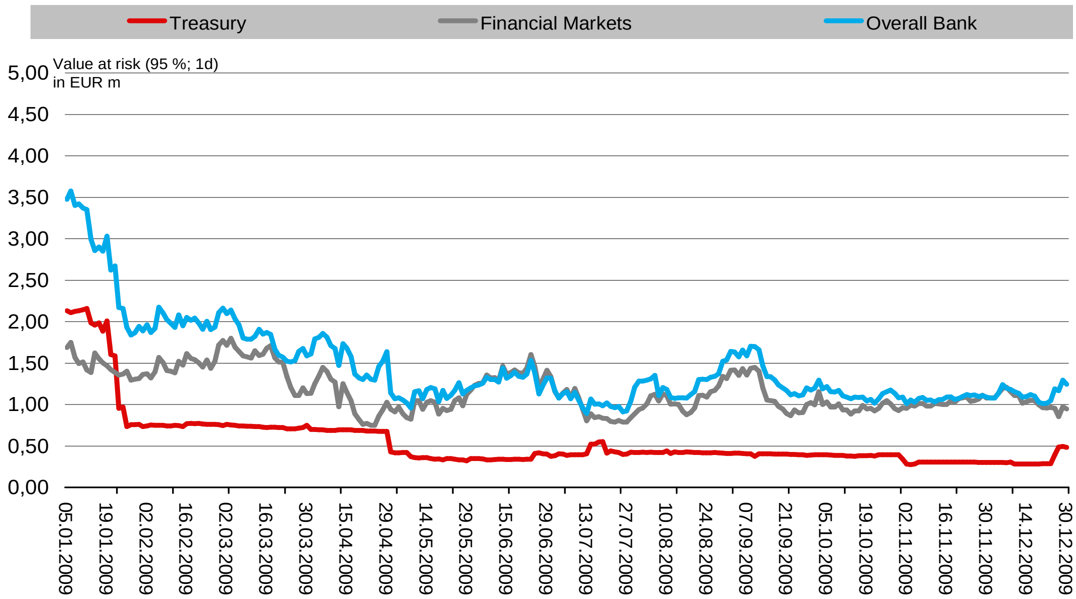
Market price risk – development in 2009

The following table shows the Bank's market price risk in the fiscal year and the prior year (credit spread risks in the banking book are not included in this overview):

Market risks – overview:

Market price risk in EUR k	Maximum		Average		Minimum		Year-end	
	2009	2008	2009	2008	2009	2008	2009	2008
Interest rate risk (VaR)	3,189	3,319	1,494	2,696	1,019	1,859	1,285	2,908
Currency risk (VaR)	218	193	66	52	16	5	28	52
Equity price and fund price risk (VaR)	1,364	1,591	186	1,073	95	787	164	1,318
Total	**3,575**	**4,390**	**1,456**	**3,348**	**892**	**2,044**	**1,244**	**3,416**

The progress of value-at-risk at the Bank in 2009 is shown in the following chart. Again, this chart does not include banking book credit spread risks.

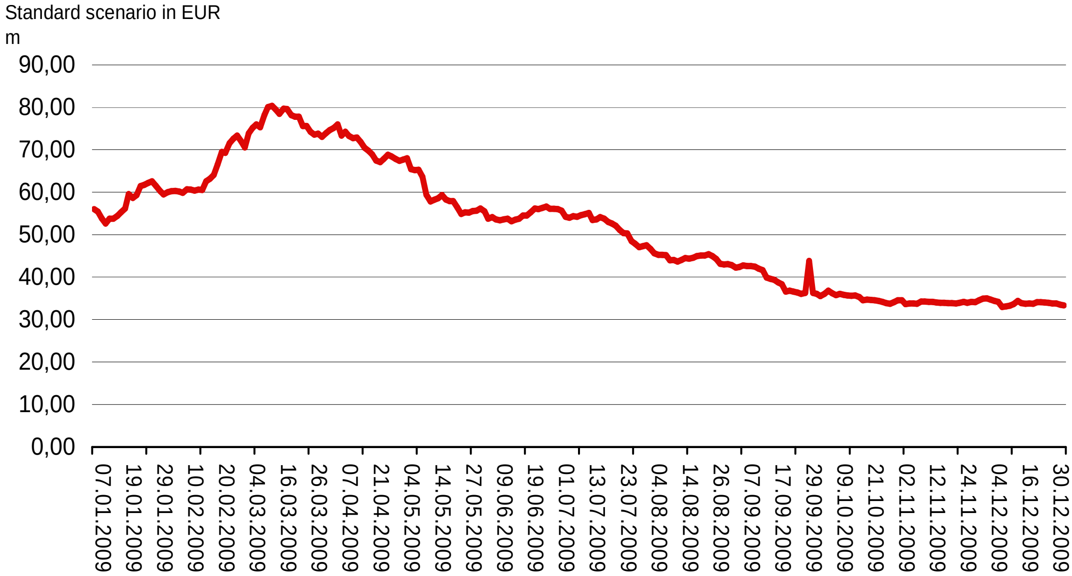


The average utilization of the market price risk limit for the overall Bank was 15% (maximum 40% and minimum 9%). As of 31 December 2009, the value-at-risk (confidence level of 95% and a holding period of one day) at the Bank amounted to EUR 1.24m.

In fiscal year 2009, the stress tests performed at overall Bank level showed a maximum risk of EUR 22m and an average of EUR 9.6m, with a minimum of EUR 3.3m. As of 31 December 2009, the stress test value of the Bank as a whole was EUR 12.4m.

In view of the financial market crisis, market price risk for the Bank has risen distinctly since mid-2007 due to a change in credit spreads in the credit investment portfolio, amounting to EUR 33m on 31 December 2009 based on the scenario approach. In March 2009, the risk peaked and declined continuously over the last nine months, accompanied by an easing and stabilization of the markets. A separate risk limit used in the management process is in place for this position. In fortnightly meetings, the Credit Investment Board and the Management Board continued to scrutinize market and risk developments; the entire portfolio was closely and regularly examined in order to reduce individual positions where necessary.

Development of the credit spread risk in 2009



The interest rate shock according to Basel II is calculated monthly. This interest rate shock, in line with the requirements of a Federal Financial Supervisory Authority (BaFin) circular, constitutes a parallel shift in the yield curve by 130 basis points (BP) upwards and 190 BP downwards for the 2009 reporting period. BaFin reviews the parallel shift at least once a year and adjusts the amount of the interest rate shock in the event of significant deviations.

In fiscal year 2009, the average interest rate risk in relation to liable equity was 0.63%. The results show that the Bank is far from being classified as an “outlier bank”. In accordance with the MaRisk, components of equity which are available to the Bank without any time restrictions may no longer be included in calculating the present value of interest rate risk. The Bank has devised a solution to implement this change which is being introduced as part of the new risk-bearing capacity concept.

Market price risk – outlook

In 2010, the Bank and NORD/LB are planning to jointly enhance the VaR model for banking book credit spread risks, in particular with regard to modeling less liquid positions.

In addition, the Bank will test and enhance the market price risk model, reviewing to what extent a change in the basic method (e.g., to historical simulation) might make sense.

Liquidity risk

Liquidity risk – definition

Liquidity risks are risks which arise from disruptions to the liquidity of individual market segments, unexpected events in lending or deposit business or a deterioration in the Bank's own refinancing conditions. A distinction is made between traditional liquidity risk, refinancing risk and market liquidity risk.

Traditional liquidity risk is the risk that the Bank needs to raise liquidity due to unexpected events in its lending or deposit business or that the Bank potentially suffers losses resulting from disruptions in money market liquidity induced by external parties. The focus here is short-term (less than one year).

Refinancing risk constitutes potential losses of earnings resulting for the Bank from the worsening of the Bank's own refinancing conditions on the money or capital markets. The most significant cause is a change in the estimation of the Bank's credit rating by other market participants. The entire range of maturity terms is taken into account.

Market liquidity risk describes potential losses to be borne by the Bank if transactions need to be concluded at conditions which are not in line with the fair market value due to a lack of liquidity in individual market segments. Market liquidity risk is currently dealt with as part of market risk.

Liquidity risk – strategy and management

Ensuring liquidity at all times is an operational, strategic and regulatory requirement for the Bank. While traditional liquidity risk is principally avoided by maintaining sufficient liquid assets (especially central bank-eligible securities), refinancing risk stems from a structural transformation of liquidity maturities. Risks in both cases are contained using suitable limits. The factors of securing sufficient liquidity, risk-bearing capacity and utilization of the opportunity to contribute to earnings from the “liquidity spread” profit source typical for banking business are taken into account when measuring liquidity risk limits. Liquidity risk limits provide the Bank's business segments with the operational framework essential for reaching targets.

The Bank's liquidity policy sets forth the principles of liquidity management and hence also the strategic framework for ensuring sufficient liquidity. This notably involves the specification of goals and responsibilities for liquidity management in different scenarios. The liquidity policy is revised once a year.

The measurement, management and monitoring of liquidity risk are recorded in the risk manual. The LRC (liquidity risk control) manual is the framework for Bremer Landesbank's liquidity risk management. It defines the objectives of risk management, the organizational, methodical and technical structure of liquidity risk control, as well as its integration in integrated bank management.

The liquidity contingency plan governs activities and management in crisis situations. The aim of this plan is to preserve the solvency of the Bank should an extreme, unforeseen market situation arise.

Liquidity risk – structures

Money Market Trading, Asset/Liability Management and Risk Control are involved in the Bank's liquidity risk management process.

Money Market Trading and Asset/Liability Management are responsible for managing liquidity risk positions and for the profits and losses resulting from changes in the liquidity situation. The forward liquidity exposure is the basis of asset/liability management and is presented in the Treasury Committee. Refinancing risk is also reported to this committee; proposals for strategic treasury activities are also discussed if necessary.

Risk Control plays a key role in the installation and development of internal procedures for measuring, limiting and monitoring liquidity risk. This group also calculates refinancing and traditional liquidity risks and monitors compliance with limits.
The Regulatory Reporting function calculates and monitors the utilization of the LiqV ["Liquiditätsverordnung": German Liquidity Ordinance] ratios and performs service and control functions.

In the event of a liquidity crisis, the Liquidity Management Action Committee will take over liquidity management in close consultation with the Management Board.

The main tasks of the Liquidity Risk Working Group established in September 2008 are to optimize liquidity management and clarify related issues promptly, with an emphasis on the fast-acting management of new business and funding activities.

Liquidity risk – measurement

The Bank employs the following instruments to manage traditional liquidity risk:

In accordance with the LiqV, the Bank is deemed to have sufficient liquidity if the cash and cash equivalents it has available within the next 30 days at least cover its anticipated liquidity outflows during this period. A comparison of cash and cash equivalents and payment obligations results in the liquidity ratio, which must be at least one. This requirement was met throughout fiscal year 2009.

The Bank performs liquidity stress tests (LSTs) on a daily basis to simulate the impact of unexpected events on the Bank's liquidity. This allows the Bank to plan ahead and prepare itself for emergencies with the aim of preventing liquidity bottlenecks. The Bank's forward liquidity exposures are observed in one dynamic and three static scenarios over a period of up to one year. Specific assumptions about the cash flows the Bank has at its disposal in the event of a crisis are simulated in the different scenarios.

Cash flows from various products as well as new business and refinancing potential are simulated using current case scenarios (CC scenarios). The CC scenarios show the impact of expected events on the Bank's liquidity and allow the Bank to plan ahead and to adjust new business in the light of current liquidity and a restricted refinancing market and to prevent a liquidity squeeze.

In order to limit traditional liquidity risk, Bremer Landesbank has introduced a limit system which, via a traffic light system, triggers the required management activities based on the number of days of liquidity surplus.

The Bank analyzes refinancing risk by determining the present value cost of closing a liquidity mismatch on the liabilities side over the course of all maturities in all terms and currencies assuming a defined increase in liquidity spreads (spread parameters). The present value refinancing risk is compared to the risk capital allocated by the Management Board and limited. In addition, the liquidity mismatch per maturity band on the liabilities side (forward liquidity exposure) is restricted by volume structure limits.

Refinancing with *Pfandbriefe* is very significant for the Bank. Statutory requirements of the PfandBG ["Pfandbriefgesetz": German Covered Bond Act] are fully met for all the Bank's issues.

The PfandBG sets high standards for the quality of loans to be taken to cover *Pfandbriefe*. An external trustee has to verify that the provision of cover for loans and advances is formally compliant with the law. The Bank is also required to publish the key figures on the structure of the cover funds every three months.

In view of the emergent trend toward covered refinancing on the relevant capital markets, Bremer Landesbank has reacted by formulating a funding and collateral management strategy.

Market liquidity risk is dealt with as part of market risk. The aim is to restrict the market liquidity risk by chiefly operating on liquid markets.

The risks which stem from the concentration of liquidity gaps in terms of amounts and maturities are reduced implicitly by implementing volume structure limits. Under the formulated funding strategy, risk concentrations in the refinancing structure are considered as part of the liquidity policy. The aims of the funding strategy are to secure a refinancing structure with largely matching maturities and currencies, optimize funding costs and ensure appropriate diversification of the funding base.

Liquidity risk – reporting

Reporting on the liquidity risk situation takes the form of the weekly liquidity status report, which is discussed every two weeks by the Treasury Committee and the Liquidity Working Group alternately.

Furthermore, the Management Board is notified of the liquidity situation in the monthly general risk report and the General Working and Credit Committee receives information five times a year. In addition, the risk report informs the Management Board about the risks related to *Pfandbrief* operations.

The liquidity ratio is reported to Money Market Trading every day to support operative management, whereas reporting to the Bundesbank takes places monthly. The results of the liquidity stress test are also provided daily to the liquidity management units, Money Market Trading and Asset/Liability Management, those of the liquidity status report are communicated to the management units in Financial Markets every two weeks. The forward liquidity exposure is presented and discussed fortnightly by the Treasury Committee.

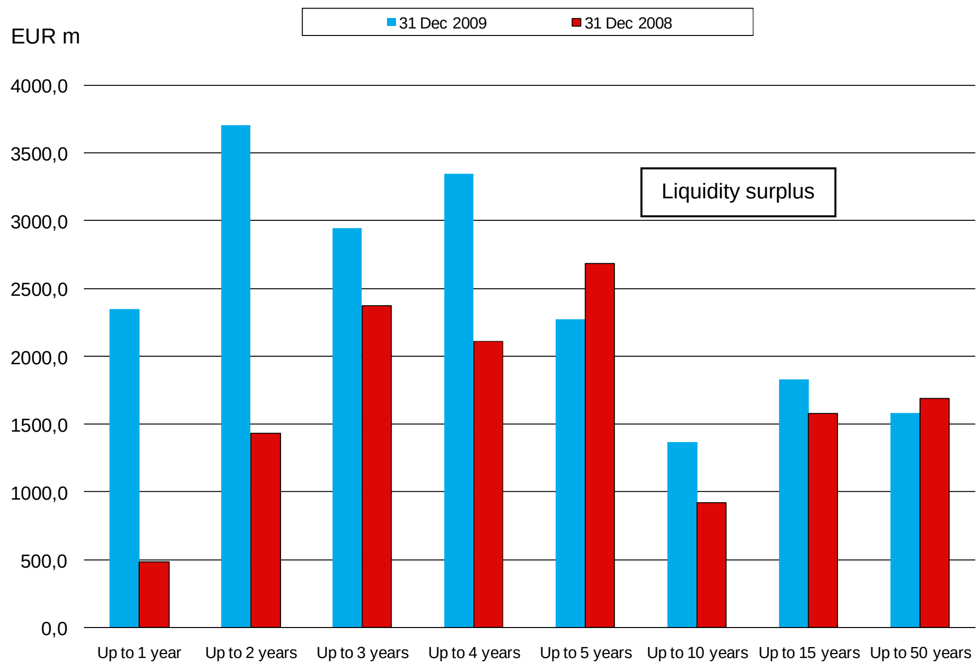
Liquidity risk – development in 2009

The effects of the financial market crisis can still be observed on the money and capital markets and are evident in the change in refinancing options on the money and capital markets compared to the period before the crisis.

The Bank nevertheless still had sufficient access to money and capital markets in 2009. Close observation of the markets and active liquidity management ensured that the Bank had a sufficient supply of liquidity in fiscal year 2009. In addition, the Bank continuously expanded its liquidity surplus in 2009.

The forward liquidity exposure used for internal management of refinancing risk is as follows as of the balance sheet date:

Accumulated forward liquidity exposure



Overall, the Bank's forward liquidity exposure as of 31 December 2009 shows that accumulated exposures have improved significantly. In particular, the strategic liquidity surplus increased in the maturity band of up to one and two years compared to the prior year-end.

Liquidity limits employed for management purposes were maintained at all times in the previous fiscal year.

During the course of the year the liquidity ratio in accordance with Principle II/LiqV far exceeded the minimum of 1.00 required by regulatory law; the liquidity ratio as of 31 December 2009 was 1.81.

The scenario analyses performed as part of the liquidity stress tests showed that the Bank's liquidity situation is also not at risk from unexpected events (green light status throughout the year under review, which means that there were more than 180 days with a positive liquidity balance).

Liquidity risk – outlook

The management of liquidity risk, which extends beyond the requirements of regulatory law, ensures that the Bank is always in a position to meet its payment obligations in due time.

Bremer Landesbank constantly enhances its liquidity risk management system in the light of changing demands.

As a result of the financial crisis, the regulatory and legal requirements were tightened in fiscal year 2009. The Bank addressed these more exacting demands by expanding its liquidity management and control system as part of a project. The Bank systematically enhances its liquidity risk management methods and models, closely coordinated with the group-wide liquidity risk management projects.

Developments in 2010 are targeted toward opportunities in liquidity management again after having focused on risk prevention in the wake of the crisis.

Operational risk

Operational risk – definition

Operational risk is defined as the risk of losses incurred as a result of inadequate or failed internal processes, employees and technology or as a result of external events. Besides covering legal risk, this definition implicitly includes reputational risks as consequential or secondary risks; strategic risk and business risk are not included.

Operational risk – strategy and management

The guidelines for handling operational risk are set out in the Bank's risk strategy. The Bank's operational risk strategy is to a large extent one of prevention, reflected in an internal control system, contingency plans for time-critical processes and activities and in the conclusion of insurance policies.

Continuity management at the Bank is regulated in a procedural instruction on the basis of which the central and local contingency plans are regularly updated.

Internal and external training is carried out in order to ensure that employees have the requisite knowledge and professional qualifications to address changing requirements. Targeted personnel development in line with requirements is the responsibility of the managers. Human Resources Management advises and supports the departments in their personnel development activities.

In the IT department, procedural instructions, alternative capacities and backups ensure that the IT infrastructure is adequately stable. Security and contingency plans supplement safeguards in place to prevent loss or damage resulting from the failure or the manipulation of systems and information.

The Bank has adequate insurance coverage. Insurance coverage is regularly reviewed.

Any instances of crime are dealt with in close cooperation with the criminal prosecution authorities. The Bank's Anti-Money Laundering unit is responsible for continually improving the prevention of internal and external fraud. As part of a proper business organization in accordance with Sec. 25c KWG, its functions include maintaining appropriate internal safeguards to prevent fraud. To this end, a comprehensive fraud prevention organization was developed and approved by the Management Board in December. In addition to the internal policies and security systems which have already been introduced, its finalization is scheduled for the first quarter of 2010.

To protect the Bank against legal risks, the Legal unit is called in when legal action is taken and agreements are to be concluded which are not based on the approved standard form contracts.

The quality of external suppliers and service providers is ensured by specifying a catalogue of prices and services or concluding service level agreements with subsequent checks on compliance.

Natural disasters and terrorist attacks are defined as force majeure. These risks are taken into account in contingency and continuity management.

Operational risk – structures

The Management Board, Risk Control and all the other units are involved in the process of managing operational risk at the Bank. The Management Board stipulates the basic framework for addressing operational risk, based on the risk situation at overall bank level. Risk Control is responsible for the central monitoring of operational risk and the independent reporting of any such risks. Responsibility for managing operational risk within the general framework specified is local and lies with the individual units or companies.

Defining and developing the methods, procedures and concepts employed as well as the continuous enhancement of these methods, procedures and concepts is the responsibility of Risk Control.

Operational risk – measurement

The Bank has been collecting data on loss events resulting from operational risks since 2003 and has classified these events by cause and effect. The loss data collected is entered in the DakOR data consortium initiated by the German Association of Public Sector Banks (VÖB).

The data on past losses is supplemented with future components using the self-assessment carried out at the Bank on an annual basis. Expert estimates provide a detailed insight into the risk situation of the individual functional departments and allow any required steps to be taken. Self-assessment is carried out using a list of generic questions concerning both qualitative and quantitative issues.

Operational risk – reporting

The results from the loss database and self-assessments are analyzed and communicated to the responsible units. Losses and self-assessment results as well as risks are presented in a monthly report. A VaR method has been used to determine risks since 2008.

Operational risk – development in 2009

Net losses as a percentage of total losses (excluding losses relating to lending)

Loss database	Share 31 Dec 2009	Share 31 Dec 2009
External events	14.0%	1.4%
Internal processes	6.2%	1.6%
Employees	79.8%	96.3%
Technology	0.0%	0.7%

The loss events that have occurred are considered to be insignificant.

Given the self-assessment results and entries in the loss database, the Bank does not consider it highly likely that operational risk could cause losses that would jeopardize the Bank's ability to exist as a going concern. The Bank maintains its point of view that claims to payments in a bankruptcy procedure which have been asserted through a court by the insolvency administrator (total of approximately EUR 18.2m plus interest) are unjustified. In any case, these claims are not sufficient to threaten the Bank's ability to exist as a going concern.

The standardized approach continued to be used for operational risk capital charges in 2009.

Operational risk – outlook

The Bank has met the regulatory requirements with the methods and procedures in place to manage operational risk. Work to improve the methods is currently being carried out in collaboration with NORD/LB.

Other risks

Other risks not included in credit, investment, market price, liquidity and operational risk are of secondary importance for the Bank.

Summary and outlook

The Bank has a conservative risk policy. It has taken measures to mitigate all significant risks. The loss potential is in reasonable proportion to the Bank's risk-bearing capacity. The risk management systems have proven their effectiveness in the liquidity and credit crisis which has taken hold of the markets. The findings gleaned are being used to enhance the risk management systems used for all risk types.

The capital-risk ratios are high. Risks were covered at all times during the period under review. Bremer Landesbank does not believe there to be any risks to its ability to continue as a going concern. Nonetheless, the shipping crisis is reflected in the development of the Bank's overall ratios.

In 2009, the Bank complied with the current regulatory provisions governing equity and liquidity. The implementation requirements from the revised version of the MaRisk have been analyzed and are being introduced according to plan. Implementation will be completed during 2010 with the introduction of the fundamentally revised risk-bearing capacity plan and the subsequent documentation.

After the abolition of Gewährträgerhaftung (public guarantee under which the owners of savings banks are jointly and severally liable to the banks' creditors), the Bank was awarded satisfactory external ratings (Moody's - AA2; Fitch – A). Continuous enhancement of the risk management systems and processes and their stringent application should also further improve the Bank's rating.

The aim is to continue to improve the management of the loan portfolio in terms of risks and returns. This is being carried out in line with the Bank's strategic alignment as a regional bank with international specialty operations.

6. Outlook

Economic situation and financial markets

World economic activity has started to recover and is increasingly indicating a return to growth. Global inflation rates are positive again as the negative underlying effects stemming from the development of commodity prices are now reversing. Although the short-term prospects for the global economy appear to be favorable, the strength of the upswing still remains uncertain. To a large extent, the risks for the international economic outlook are balanced according to the European Central Bank in its Monthly Report for February 2010.

In its Monthly Report for December, Deutsche Bundesbank wrote that the economic prospects for the German economy have become appreciably brighter in the last few months. Following the severe slump in winter 2008/2009, a process of recovery which began in spring 2009, bolstered by extensive monetary and fiscal policy measures, is expected to continue over the next two years, albeit at a somewhat slower pace. While the effects of government stabilization measures are gradually diminishing, endogenous market forces are gaining weight. In accordance with this basic scenario, real GDP is set to increase by 1.6% in 2010 and 1.2% in 2011 following a contraction of 4.9% in 2009. To date, the employment market's response to the economic downturn has been extremely subdued. No abrupt decrease in employment figures is anticipated in the next two years either, a sustained adjustment being more likely. The number of registered unemployed may increase from 3.4 million in the fiscal year to 3.8 million in 2010 and 4.2 million in 2011. The price climate remains favorable; consumer prices will only increase moderately in the next couple of years, by 0.9% in 2010 and 1.0% in 2011.

It is still very difficult to predict how the international financial markets will develop. The markets are still reacting sensitively to unsettling news. The Bank expects that the uncertainties will persist throughout 2010; however, the global will to overcome the financial crisis will prevent excessive movements.

The region

According to the Bremen Chamber of Commerce and the Bremerhaven Chamber of Commerce and Industry, the international upswing in the export economy means that Bremen has a good chance of emerging strengthened from the financial and economic crisis. The prospects for 2010 have improved and the economic stimulus programs are making an impact. Foreign trade is generating growth again and only private spending will contribute less to growth as a result of rising unemployment. Overall, Bremen's GDP will continue to grow.

The Oldenburg Chamber of Commerce and Industry sees many signs that the worst of the recession is over and that a slight recovery will occur in 2010. However, the upswing is not yet in view. The economic stimulus packages will continue to have an impact in the first half of 2010 and exports will pick up; however, revenue and order backlog will remain low. This will affect the employment market and also spending. 2010 will be a year of major challenges for the economy; in the mid term, however, the strengths of the Oldenburg region – strong mid-market enterprises and a healthy economic structure – give cause for optimism.

In the view of the Emden Chamber of Commerce and Industry, the economy in East Frisia and Papenburg has started to come out of recession. Enterprises are now assessing their business situation and prospects for the future as mainly positive, although this evaluation does not apply across the board. Businesses see the greatest risks in the development of the domestic market and the best opportunities in the recovery of export business. Overall, negative effects are, however, expected in the employment market. For the economic development of the region in the future, it is still vital that progress be made with public works activities, such as the A22 coastal expressway, road connections within East Frisia and the extension of the Dortmund-Ems Canal.

The housing market and thus economic activity in the housing industry continues to hinge to a large extent on demographic trends, immigration patterns and changes in peoples' expectations of housing standards. Overall, it is to be expected that "problem groups" will continue to grow (e.g., households with immigrant backgrounds, households living on low incomes or in borderline poverty in some regions), while certain market niches offer good prospects: urban living in the cities of Bremen and Oldenburg, as well as in places such as Vechta, Cloppenburg and in the Ems region, lifestyle housing in tourist areas, serviced housing for the elderly and certain types of owner-occupied housing.

Bremer Landesbank

Having clearly focused on its business model at the right time, Bremer Landesbank is well positioned to drive forward its business development in 2010 and 2011 despite the difficult economic environment, in particular in the shipping segment. Although the capital markets stabilized in 2009, they are still shaped by uncertainty. This is likely to continue in coming years. The continuously improving cooperation with associated savings banks and Landesbanken, short lines of decision and a fast response create a promising environment for further sound earnings growth in the Bank's core segments.

The economic measures taken by the government and the expansion of business in future industries should help boost business. The recognition of the North-West as a metropolitan region could encourage further growth of the regional economy, in particular of small and medium-sized enterprises, as will extensive public works projects involving roads, railways and waterways and other major projects such as those in the port industry.

Competition in lending business is set to increase further. Major banks have now also turned their attention to small and medium-sized enterprises, which have often been neglected in the past. However, given the competitive edge offered by its short lines of decision, local capital market and foreign business expertise and extensive range of products and services, Bremer Landesbank remains confident that it will not only be able to stand its ground in this low-risk, high-income business but even grow its market share. The Bank is well equipped to address any negative repercussions of the economic downturn.

The Bank's subsidiaries operating in real estate business anticipate that income will be stable medium to long term and that it will rise steadily in the long term.

The subsidiary operating in leasing business assumes that volumes of new business and income will match those of 2009. A decisive factor in this case is how the economic power of businesses in the region develops; this lays the foundation for activities as an investment financer. However, the current economic development leads to considerable uncertainty surrounding forecasts for the development of capital investment. Nevertheless, BLB Leasing believes that it is well equipped to rise to the business and regulatory challenges.

Integrated bank management

The main elements of Bremer Landesbank's value and risk-based management will be retained in the coming year; Integrated Bank Management is responsible for its ongoing enhancement. In addition to a user-based optimization and harmonization of reporting, monthly reporting will be expanded to include significant elements of the quarterly direct costing.

Results of operations, net assets and financial position

Bremer Landesbank expects consolidated profit in 2010 to remain under pressure from the economic situation and to increase steadily in subsequent years. In spite of the recessionary effects which usually set in with some delay in the lending business, the Bank assumes that it will be in a position to reinforce its capital base and pay an adequate dividend in the coming years. According to the Bank's forecasts, it will not need to make use of any state aid.

A steady rise in net income from customer-driven business is expected during the forecast period. Costs of maintaining an adequate supply of liquidity may also affect net interest income in the future, while maturity transformation profits from own investments are not anticipated to match those of the fiscal year. Overall, there is a good chance that net interest income will level out or increase moderately during the forecast period.

The Bank expects risk provisions in the lending business to remain high in the forecast period due to the economic situation.

It is still very difficult to predict how the international financial markets will develop. The markets are still reacting sensitively to unsettling news. The Bank expects that the uncertainties will persist throughout 2010; however, the global will to overcome the financial crisis will prevent excessive movements. Negative net valuation effects cannot, therefore, be ruled out completely. However, the outlook for successful dealing on the financial markets in 2010 and 2011 is good.

According to the Bank's forecasts, the increase in personnel expenses resulting from collective wage agreements will continue in the forecast period. Other administrative expenses are expected to increase again in 2010, due to project costs, but will stabilize from 2011 onward.

After the highly satisfactory result for 2009, the return on equity is expected to be lower in 2010 for cyclical reasons, but will improve again in subsequent years. The cost-income ratio will be higher than in 2009 in the coming two years. The risk ratio will rise again in line with the economy in 2010 and is likely to drop again slightly in 2011. According to the Bank's forecasts, risk assets will further increase in the forecast period.

The problems on the international financial and capital markets and their effects on the real economy have also impacted the result of the Bremer Landesbank Group in accordance with the HGB. The Bank was, however, able to absorb these effects without any substantial impairment to its highly satisfactory results of operations. The Bank expects this to apply in principle for 2010 and 2011 as well.

Disclaimer – forward-looking statements

This report contains forward-looking statements concerning the development of business and earnings at Bremer Landesbank which are based on current plans, estimations, forecasts and expectations. These statements entail risks and uncertainties since there are numerous factors which influence Bremer Landesbank's business, many of which are beyond its control. These notably include economic developments, the state of financial markets worldwide and potential loan losses. Actual results and developments may therefore differ considerably from the assumptions made in the report. They are thus only valid at the time of publication. Bremer Landesbank assumes no obligation to update forward-looking statements in the light of more recent information or unexpected events.

2. Consolidated income statement

Income statement

	Notes	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Interest income		2,428	3,277	–26
Interest expenses		2,179	3,023	–28
Net interest income	(18)	249	254	–2
Risk provisions in the lending business	(19)	–141	–22	–
Net interest income after risk provisions		**108**	**232**	**–53**
Commission income		59	74	–20
Commission expenses		21	24	–13
Net commission income	(20)	**38**	**50**	**–24**
Trading profit/loss		70	–104	–
Profit/loss from designated financial instruments		2	3	–33
Profit/loss from financial instruments at fair value through profit or loss	**(21)**	**72**	**–101**	**–**
Profit/loss from hedge accounting	(22)	8	–4	–
Profit/loss from financial assets	(23)	–15	–22	–32
Profit/loss from investments accounted for using the equity method	(24)	4	7	–43
Administrative expenses	(25)	142	136	4
Other operating profit/loss	(26)	6	9	–33
Earnings before taxes		**79**	**35**	**–**
Income taxes	(27)	21	5	–
Consolidated profit		**58**	**30**	**93**
thereof: attributable to shareholders of the parent company		58	29	
thereof: attributable to non–controlling interests		–	1	

Statement of comprehensive income

Bremer Landesbank's total comprehensive income for the period comprises other comprehensive income and the income reported in the income statement.

	Notes	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Consolidated profit in the income statement		**58**	**30**	**93**
Change from AFS financial instruments		13	–24	–
Changes in value of investments accounted for using the equity method recognized directly in equity		0	–1	–
Actuarial gains/losses on defined benefit obligation		–18	28	–
Deferred taxes	(27)	–3	–17	–82
Other comprehensive income		**–8**	**–14**	**–43**
Total comprehensive income for the period		**50**	**16**	**–**
thereof: attributable to shareholders of the parent company		50	15	
thereof: attributable to non-controlling interests		0	1	

The prior-year figures have been restated for some items; see Note (2).

3. Consolidated balance sheet

Assets

	Notes	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Cash reserve	(28)	145	122	19
Loans and advances to banks	(29)	4,780	5,776	–17
Loans and advances to customers	(30)	20,988	20,255	–
Risk provisions	(31)	–267	–149	79
Financial assets at fair value through profit or loss	(32)	1,123	930	21
Positive fair values from hedge accounting derivatives	(33)	279	93	–
Financial assets	(34)	6,442	6,998	–8
Investments accounted for using the equity method	(35)	81	88	–8
Property and equipment	(36)	27	25	8
Investment property	(37)	64	65	–2
Intangible assets	(38)	2	2	–
Current income tax assets	(39)	11	12	–8
Deferred income taxes	(39)	87	74	18
Other assets	(40)	25	17	47
Total assets		**33,787**	**34,308**	**–2**

Liabilities and equity

	Notes	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Liabilities to banks	(41)	10,508	12,206	–14
Liabilities to customers	(42)	10,236	9,949	3
Securitized liabilities	(43)	9,244	8,423	10
Financial liabilities at fair value through profit or loss	(44)	1,267	1,279	–1
Negative fair values from hedge accounting derivatives	(45)	54	21	–
Provisions	(46)	300	273	10
Current income tax liabilities	(47)	27	27	–
Deferred income taxes	(47)	1	1	–
Other liabilities	(48)	24	41	–41
Subordinated capital	(49)	1,166	1,152	1
Equity		960	936	3
Subscribed capital		140	140	–
Capital reserves		40	40	–
Retained earnings		739	722	2
Revaluation reserve		41	34	21
Equity attributable to BLB shareholders		960	936	3
Non-controlling interests		–	–	–
Total liabilities and equity		**33,787**	**34,308**	**–2**

The prior-year figures have been restated for some items; see Note (2).

4. Statement of changes in equity

Changes in equity:

in EUR m	Notes	Sub-scribed capital	Capital reserves	Retained earnings	Re-valuation reserve	Equity before minority interests	Minority interests	Consol-idated equity
Equity as of 1 Jan 2008		**140**	**40**	**705**	**47**	**932**	**1**	**933**
Adjustments in accordance with IAS 8								
Change in the measurement method for equity investments	(29	0	0	0	–2	–2	0	–2
Adjustment to the fair values of equity investments	(2)	0	0	0	22	22	0	22
Restated equity as of 1 Jan 2008		**140**	**40**	**705**	**67**	**952**	**1**	**953**
Change in the fair value of AFS finan-cial instruments	(2)	0	0	0	–24	–24	0	**–24**
Profit/loss from investments accounted for using the equity method	(24)	0	0	–1	0	**–1**	0	**–1**
Change in actuarial gains/losses		0	0	28	0	**28**	0	**28**
Deferred taxes on changes in value recognized directly in equity	(27)	0	0	–9	–8	**–17**	0	**–17**
Other comprehensive income		**0**	**0**	**18**	**–32**	**–14**	**0**	**–14**
Consolidated profit		0	0	29	0	**29**	1	**30**
Total comprehensive income for the period		**0**	**0**	**47**	**–32**	**15**	**1**	**16**
Distributions		0	0	–28	0	**–28**	–1	**–29**
Change in the basis of consolidation		0	0	–2	–1	**–3**	–1	**–4**
Equity as of 31 Dec 2008		**140**	**40**	**722**	**34**	**936**	**0**	**936**

in EUR m	Notes	Sub-scribed capital	Capital re-serves	Retained earnings	Revalua-tion reserve	Equity before minority interests	Minority interests	Con-soli-dated equity
Equity as of 1 Jan 2009		**140**	**40**	**722**	**34**	**936**	**0**	**936**
Change in the fair value of AFS finan-cial instruments		0	0	0	13	**13**	0	**13**
Profit/loss from investments accounted for using the equity method	(24)	0	0	0	0	**0**	0	**0**
Change in actuarial gains/losses		0	0	–18	0	**–18**	0	**–18**
Deferred taxes on changes in value recognized directly in equity	(27)	0	0	6	–9	**–3**	0	**–3**
Other comprehensive income		**0**	**0**	**–12**	**4**	**–8**	**0**	**–8**
Consolidated profit		0	0	58	0	**58**	0	**58**
Total comprehensive income for the period		**0**	**0**	**46**	**4**	**50**	**0**	**50**
Distributions		0	0	–28	0	**–28**	0	**–28**
Change in the basis of consolidation		0	0	–1	3	**2**	0	**2**
Equity as of 31 Dec 2008		**140**	**40**	**739**	**41**	**960**	**0**	**960**

The prior-year figures have been restated for some items; see Note (2).

5. Cash flow statement

in EUR m	2009	2008
Consolidated profit	**58**	**30**
Adjustment for non-cash items		
Amortization, depreciation, impairment and write-ups of property and equipment, intangible assets and financial assets	16	35
Change in provisions	15	21
Gains/losses from the disposal of financial assets, property and equipment and intangible assets	4	–16
Change in non-cash items	89	116
Other adjustments (net)	–188	–340
Sub-total	**–6**	**–154**
Change in assets and liabilities from operating activities after adjustment for non-cash items		
Loans and advances to banks and customers	203	–982
Trading assets	167	70
Other assets from operating activities	–8	14
Liabilities to banks and customers	–1,450	–309
Securitized liabilities	807	995
Other liabilities from operating activities	–421	–9
Interest and dividends received	2,306	3,215
Interest paid	–2,021	–2,854
Income tax paid	–35	–52
Cash flow from operating activities	**–458**	**–66**
Cash receipts from the disposal of		
Financial assets	1,129	526
Property and equipment and intangible assets	0	0
Cash payments for the acquisition of		
Financial assets	–641	–1,007
Property and equipment and intangible assets	–6	–3
Cash receipts from the disposal of consolidated companies and other business units	84	580
Cash payments for the acquisition of consolidated companies and other business units	0	0
Cash flow from investing activities	**566**	**96**
Cash receipts from equity contributions	0	30
Cash payments to shareholders and non-controlling interests (dividends and other payments)	–28	–64
Change in cash and cash equivalents from other capital	0	0
Interest paid for subordinated capital	–57	–64
Cash flow from financing activities	**–85**	**–98**
Cash and cash equivalents at the end of the prior year	**122**	**190**
Cash flow from operating activities	–458	–66
Cash flow from investing activities	566	96
Cash flow from financing activities	–85	–98
Cash and cash equivalents at the end of the period	**145**	**122**

6. Notes to the consolidated financial statements

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, Oldenburg (Bremer Landesbank) (Domshof 26, 28195 Bremen) has its registered office in Bremen (local court of Bremen; HRA no. 22159) and has branches in Bremen and Oldenburg. Norddeutsche Landesbank Girozentrale, Hanover, holds 92.5% of the share capital and the Free Hanseatic City of Bremen 7.5%.

Accounting policies

(1) Basis of preparation of the consolidated financial statements

The consolidated financial statements of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, Oldenburg (Bremer Landesbank) as of 31 December 2009 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). The standards published and adopted by the European Union as of the date of preparing the financial statements were applied. The national provisions of the HGB ["Handelsgesetzbuch": German Commercial Code] were also observed in accordance with Sec. 315a HGB.

The consolidated financial statements as of 31 December 2009 comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes. The segment report is contained in the notes (Note (17)). Risk reporting in accordance with IFRS 7 is chiefly contained in a separate report on the opportunities and risks relating to future development as part of the group management report.

Assets are measured at amortized or depreciated cost, apart from the financial instruments in accordance with IAS 39, which are measured at fair value. Recognition and measurement were performed on a going concern basis. Income and expenses are cut off pro rata temporis. They are recognized and reported in the period to which they are attributable. Significant accounting policies are described below.

Estimates and judgments by management required under IFRS accounting are made in accordance with the respective standard, are continuously reviewed and are based on experience and other factors, including expectations as to future events which appear reasonable under prevailing circumstances. Where estimates were required on a larger scale, the assumptions made are presented. The estimates and judgments themselves and the underlying judgment factors and estimation methods are reviewed regularly and compared with actual events. Provided that a change refers to a single period only, changes in estimates are only taken into account for this period; if a change refers to the current and the following reporting periods, it is considered in this and in the following periods.

The reporting currency for the consolidated financial statements is the euro. Amounts are all stated rounded in millions of euros (EUR m), unless otherwise indicated.

These consolidated financial statements will be authorized for issue by the Management Board on 16 March 2010, reviewed by the Supervisory Board and are expected to be approved by the Supervisory Board meeting on 9 April 2010.

(2) Restatement of the prior-year figures

	2009			2008		
	Prior to re-statement (in EUR m)	Adjustment (in EUR m)	After re-statement (in EUR m)	Prior to restatement (in EUR m)	Adjustment (in EUR m)	After re-statement (in EUR m)
Interest income	1,367	1,061	2,428	1,671	1,606	3,277
Interest expenses	1,125	1,054	2,179	1,439	1,584	3,023
Net interest income	242	7	249	232	22	254
Profit/loss from financial instru-ments at fair value	79	–7	72	–79	–22	–101

Current interest payments from financial instruments at fair value were recognized in net interest income for the first time as of 31 December 2009 (previously in trading profit/loss). They are reported exercising an option in accordance with IFRS 7 taking into account the consistency principle and a related change in accounting method, which must also be considered pursuant to IAS 8. This amendment is permitted as BLB's net interest income will provide more reliable and relevant information within the meaning of IAS 8.14(b) if all interest income and expenses are recognized in the same main line item of the income statement.

	31 Dec 2009			31 Dec 2008		
	Prior to re-statement (in EUR m)	Adjustment (in EUR m)	After re-statement (in EUR m)	Prior to restatement (in EUR m)	Adjustment (in EUR m)	After re-statement (in EUR m)
Financial assets	6,429	13	6,442	6,967	31	6,998
Revaluation reserve	28	13	41	3	31	34
Equity	947	13	960	905	31	936

In the consolidated financial statements as of 31 December 2008, two financial assets in the AFS category (investments in entities) were not recognized at fair value. In addition, for the first time the adjusted beta factor was used to determine the capitalized earnings value instead of the raw beta factor as part of an integrated approach within the NORD/LB Group. To smooth out the volatility of the valuation of equity investments over the course of time, raw beta, which represents the historical beta of an entity, was replaced by adjusted beta, which is an estimate of the future development of the beta factor.

The adjustment of EUR 31m as of 31 December 2008 is distributed as follows: at the beginning of fiscal year 2008, financial assets not recognized at fair value of EUR 22m minus EUR 2m had to be adjusted due to the first-time use of adjusted beta for measurement of the investment. As of 31 December 2008, another EUR 11m was adjusted due to the use of adjusted beta. The adjustment amounts for the balance sheet date and the prior-year balance sheet date are shown in the table above.

Figures were not presented in three columns in the consolidated balance sheet as required by IAS 1 (revised) as there were no significant effects on the reference period.

(3) Applied IFRSs

Bremer Landesbank only applies IFRSs endorsed by the EU.

Bremer Landesbank's consolidated financial statements as of 31 December 2009 are thus based on the IASB Framework and the following IFRSs:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IFRIC 4	Determining whether an Arrangement Contains a Lease
IFRIC 9	Reassessment of Embedded Derivatives
SIC 10	Government Assistance – No Specific Relation to Operating Activities
SIC 12	Consolidation – Special Purpose Entities
SIC 15	Operating Leases – Incentives
SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IFRS 2, 4 and 6, IAS 11, 26, 29, 31, 33, 34 and 41 as well as IFRIC 1, 2, 5, 6, 7, 8, 10, 11, 12, 13, 16 and SIC 7, 13, 29, 31 and 32 were not applied since they are not relevant to the Group or their application was not mandatory for the financial statements as of 31 December 2009.

Pursuant to IAS 39, financial instruments may be reclassified from the categories HFT and AFS to the LAR category under certain conditions. This option was not exercised within the Bremer Landesbank Group.

We did not apply the following standards which do not have to be implemented until after 31 December 2009:

- **IFRS 3 (Revised 2008) Business Combinations and IAS 27 (Revised 2008) Consolidated and Separate Financial Statements**
  The revised standards were published in January 2008 and are mandatory for fiscal years beginning on or after 1 July 2009. IFRS 3 (revised 2008) introduces a number of changes in accounting for business combinations which affect the amount of goodwill recognized and the results of future business combinations at the time of acquisition and thereafter. IAS 27 (revised 2008) requires that changes in the ownership structure of subsidiaries be treated as equity transactions.

- **IAS 24 (Revised 2009) Related Party Disclosures**
  IAS 24 was published in November 2009 and is effective for fiscal years beginning on or after 1 January 2011. The revised version grants state-controlled entities certain exemptions as regards the disclosures which must be published. Certain disclosures do not have to be made if their preparation involves high costs or they are of little informative value for the addressees.
  In addition, the definition of related parties was fundamentally revised.

- **IAS 32 Classification of Rights Issues**
  This amendment to IAS 32 was published in October 2009 and is effective in fiscal years beginning on or after 1 February 2010. This amendment includes a revised definition of a financial liability which allows specific rights issues to be classified as financial instruments. This applies if these rights are granted pro rata to current owners of non-derivative equity instruments of the same class in order to acquire a fixed number of equity instruments at a fixed price in any currency.

- **IAS 39 Eligible Hedged Items**
  This amendment to IAS 39 was published in July 2008 and is effective retrospectively in fiscal years beginning on or after 1 July 2009. It clarifies that it is possible to designate only a portion of the changes in the fair value or the cash flow variability of a financial instrument as a hedged item. This also includes designation of inflation as a risk or a portion of a financial instrument in specific cases.

Furthermore, we chose not to apply early the following revised standards, the application of which is mandatory for the fiscal year from 1 January 2010:

- Improvements to IFRSs
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distribution of Non-cash Assets to Owners*
- IFRIC 18 *Transfers of Assets from Customers*

The following EU endorsements have not yet been completed:

- Amendment to IFRS 1 – *Additional Exemptions for First-time Adopters*
- Amendment to IFRS 2 – *Group Cash-settled Share-based Payment Transactions*
- Improvement to IFRSs 2009
- IFRS 9 Financial instruments: Classification and Measurement
  IFRS 9 was published in November 2009 and is mandatory for fiscal years beginning on or after 1 January 2013. The standard will gradually replace the current IAS 39 in three phases. The first phase, now published, includes the rules for classifying and measuring financial assets. There are now only two options for classifying financial assets under IFRS 9; measurement at amortized cost and measurement at fair value. In the future, classification will be based on the business model of the reporting entity and the contractually agreed cash flows from the asset. Moreover, the rules for embedded derivatives and reclassification have been modified.
- Amendment to IFRS 1 – *Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters*
- IAS 24 *Related Party Disclosures* (Revised 2009)
- Amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The first-time adoption of these regulations in subsequent periods is not expected to have significant effects on recognition and measurement with the exception of IFRS 9.

(4) Consolidation principles

Bremer Landesbank’s consolidated financial statements, prepared in accordance with uniform group accounting policies, comprise the financial statements of the parent company and of the companies controlled by the parent company, including special purpose entities (subsidiaries). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition method is applied for acquisition accounting. All assets and liabilities of subsidiaries are recognized at fair value, taking deferred taxes into account, on the date on which control was acquired. Shares in the equity of subsidiaries which are not attributable to the parent company are reported as non-controlling interests under consolidated equity.

Intercompany receivables and liabilities, expenses and income are eliminated. Intercompany profits and losses are also eliminated during consolidation.

The profits/losses of subsidiaries acquired or disposed of during the course of the year are included in the income statement from the date of acquisition or until the date of disposal.

Associates are valued using the equity method and are reported as investments accounted for using the equity method. The cost of these investments accounted for using the equity method and the differences are determined on the date on which a significant influence is acquired. The rules applied are the same as those applied for subsidiaries. Adjustments to the carrying amount of such investments are recognized in profit or loss or under equity on the basis of uniform group accounting policies. Losses in excess of the carrying amount are not recognized, unless the Group has entered into legal or constructive obligations or makes payments on behalf of the investment accounted for using the equity method.

If a group company transacts business with an associate, profits and losses are eliminated in proportion to the Group's share in the respective entity.

An entity is deconsolidated on the date on which control or significant influence ceases to exist.

(5) Basis of consolidation

In addition to Bremer Landesbank as the parent company, the following subsidiaries and investment funds in which Bremer Landesbank directly or indirectly holds more than 50% of the voting rights or may otherwise control are consolidated:

- BLB Immobilien GmbH
- BLB Leasing GmbH
- Bremische Grundstücks-GmbH
- NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG

The following associates are reported using the equity method:

- DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG
- BREBAU GmbH
- Ammerländer Wohnungsbau-Gesellschaft mbH
- GSG Oldenburg Bau- und Wohngesellschaft mbH
- Lazard-Sparkassen Rendite-Plus-Fonds

The following subsidiaries are currently undergoing liquidation, were liquidated or disposed of and are therefore no longer consolidated:

Liquidation:

- A-Bremer Landesbank-Aktienfonds
- NC-Fonds SP 100 Poolfonds 1

In February 2009, A-Bremer Landesbank-Aktienfonds left the basis of consolidation after the fund was dissolved. This resulted in a loss on deconsolidation of EUR 3m, which is recognized under other operating profit/loss.

NC SP 100 Poolfonds 1, Hanover, which was accounted for using the equity method, was dissolved and the fund deconsolidated. An insignificant contribution to earnings arose on deconsolidation.

The associate Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede, was accounted for using the equity method with a different balance sheet date as the entity does not prepare its financial statements until after the reporting company.

Subsidiaries, investment funds, joint ventures and associates as well as equity investments are shown in the list of shareholdings (Note (75)).

(6) Currency translation

Monetary assets and liabilities in foreign currencies and non-monetary items measured at fair value were translated using the ECB reference rates as of 31 December 2009. Non-monetary items measured at cost are recognized using historical rates. Expenses and income in foreign currencies are translated using market exchange rates. Currency differences relating to monetary items are reflected in the income statement; such differences relating to non-monetary items are recognized either through profit or loss or under equity depending on how profit or losses of such items are reported.

There are no consolidated foreign subsidiaries whose functional currency is not the euro.

(7) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments at Bremer Landesbank are reported accordingly in the balance sheet. In accordance with IAS 39 they are allocated to the holding categories and measured depending on their classification.

Financial instruments include financial guarantees as defined in IAS 39.

Addition and disposal of financial instruments

A financial asset or a financial liability is recognized in the balance sheet when the Group becomes a party to a contract in accordance with the contractual provisions of the financial instrument. In regular way purchases or sales of financial assets, the trade date and the settlement date usually differ. Such regular way purchases or sales can be accounted for using either trade date accounting or settlement date accounting. Trade date accounting is used for the recognition and disposal of all financial assets within the Group.

The derecognition rules of IAS 39 are based on both the concept of risk and rewards and the concept of control. However, the evaluation of the risks and rewards of ownership precedes the evaluation of the transfer of control for all derecognition transactions.

The continuing involvement approach is employed when risks and rewards are only partly transferred and control is retained. In this case, a financial asset is recognized to the extent of the Group's continuing involvement using special accounting policies. The extent of continuing involvement is determined by the extent to which the Group continues to bear the risk of changes in the value of the asset transferred.

A financial liability (or a part of a financial liability) is derecognized when the liability has been extinguished, i.e., when the obligations specified in the contract have been discharged or canceled or have expired. The repurchase of the Bank's own debt instruments is also included in the derecognition of financial liabilities. Differences between the carrying amount of a liability (including premiums and discounts) and the purchase price on repurchase are recognized in profit or loss; a new financial liability whose cost is equivalent to the amount of sales proceeds will arise upon resale at a later date. Differences between this new cost and the amount repaid are spread over the remaining term of the debt instrument in accordance with the effective interest method.

Classification of financial assets and liabilities and their measurement

Financial assets and financial liabilities are initially recognized at fair value. The gross method is used for financial guarantees reported in the consolidated financial statements. For financial instruments in the categories loans and receivables (LAR), held to maturity (HTM), available for sale (AFS) and other liabilities (OL), transaction costs are included in the cost if they are directly attributable. They are added to the nominal value or the amount repayable as part of allocation of premiums and discounts using the effective interest method. Transaction costs for financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (AFV) are recognized immediately in profit or loss.

Subsequent measurement of financial assets and financial liabilities is contingent on the IAS 39 category to which the assets or liabilities were classified on the date of acquisition.

Loans and receivables (LAR)

Non-derivative financial assets with fixed or determinable payments which are not listed in an active market are allocated to this category provided they have not been classified as financial assets at fair value through profit or loss (AFV) or as available for sale (AFS). The LAR category is the largest in the Group as it comprises the entire traditional credit and lending business. Subsequent measurement is at amortized cost using the effective interest method. Premiums and discounts are recognized in profit or loss over the term. Loans and receivables are tested for impairment on each balance sheet date and whenever there are indications of potential impairment, and written down if necessary (cf. Notes (31) Risk provisions and (23) Profit/loss from financial assets). In the event of impairment, this impairment is recognized in profit or loss when accounting for amortized cost. Reversals of impairment losses are recognized in profit or loss. Impairment losses can be reversed up to the amount of the amortized cost which would have been recognized on the date of measurement had impairment losses not been charged.

Held to maturity (HTM)

Non-derivative financial assets with fixed or determinable payments and a fixed term are classified in this category if they are intended and able to be held until maturity. Financial instruments may be classified as held to maturity if they are not classified as financial assets at fair value through profit or loss (AFV), as available for sale (AFS) or as loans and receivables (LAR). Subsequent measurement is at amortized cost using the effective interest method. The HTM category is currently not used in the consolidated financial statements.

Financial assets or financial liabilities at fair value through profit or loss (AFV)
This category comprises two sub-categories:

Held for trading (HFT)
This sub-category comprises financial instruments (trading assets and trading liabilities) acquired with the intention of generating profits from short-term purchases and sales and contains all the derivatives which are not hedging instruments for the purposes of hedge accounting. Trading assets mainly comprise money market securities, bonds and debt securities and derivatives with a positive fair value. Trading liabilities mainly comprise derivatives with a negative fair value. Trading assets and trading liabilities are recognized at fair value through profit or loss upon subsequent measurement. Premiums and discounts are not separately amortized at constant effective interest rates.

Designated at fair value through profit or loss (DFV)
Any financial instrument can be allocated to this sub-category, known as the fair value option, provided that certain requirements are met. Exercising the fair value option eliminates or significantly reduces the recognition and measurement mismatches which stem from different measurement methods (e.g., from accounting for economic hedging relationships without the restrictive requirements of hedge accounting). Allocation to this category also means that hybrid (combined) products do not need to be separated. Information on the nature and scope of application of the fair value option in the Group is provided in Note (58). Financial instruments for which the fair value option is exercised are reported in the respective balance sheet items and are measured at fair value through profit or loss upon subsequent measurement. There is no amortization at constant effective interest rates in net interest income.

Available for sale (AFS)
All non-derivative financial assets which have not been assigned to any of the above categories are allocated to this category. It primarily comprises bonds and debt securities, shares and equity investments. Subsequent measurement is at fair value; if the fair value of financial investments in equity instruments, such as certain shares or equity investments that do not have a quoted price in an active market (and the related derivatives), is not reliably measurable, such assets are measured at cost. The profit/loss from measurement at fair value is recognized under equity in a separate equity item (revaluation reserve). In the event of the sale of the financial asset, the accumulated fair value adjustments recognized in the revaluation reserve are reversed to the income statement. In the case of rating-induced impairments, the difference between amortized cost and current fair value is accounted for in the income statement. Reversals of impairment losses on debt instruments are reported through profit or loss. Reversals of impairment losses on equity instruments are recognized under equity unless such instruments are measured at cost. Differences between the cost and amount repayable are amortized through profit or loss using the effective interest method.

Available-for-sale financial assets are tested on each balance sheet date to identify any objective indications of impairment of an asset or a group of assets. In the case of equity instruments classified as available for sale, a significant or permanent decline in the fair value of the investment below its cost is an objective indication of impairment. Impairment of debt instruments classified as available for sale is determined on the basis of the same criteria applied for loans.

Other liabilities (OL)
This category notably includes liabilities to banks and to customers, securitized liabilities and subordinated capital, except where such liabilities have been designated at fair value through profit and loss under the fair value option. Subsequent measurement is at amortized cost using the effective interest method.

The carrying amounts and net results for each measurement category can be found in Notes (51) and (52).

Measurement of fair value
In the context of the financial market crisis, the IASB, other standard setters and expert panels started to discuss the fair value measurement hierarchy in 2007. Since the fourth quarter of 2008, these discussions have intensified as regards appropriate measurement models for financial instruments in inactive markets and the definition of an inactive market.

Since then, the five-level fair value hierarchy proposed by the IDW from IAS 39 comprising active market (levels 1 to 2), inactive market (levels 3 to 5) by analogy to the US GAAP provisions has been implemented with the features and terms defined in SFAS 157 of mark-to-market, mark-to-matrix and mark-to-model.

In March 2009, the IASB published an amendment to IFRS 7, which chiefly relates to disclosure requirements in connection with the fair value measurement of financial instruments. In accordance with the new requirements, the Bremer Landesbank Group used the hierarchy and the terminology (Level 1, Level 2 and Level 3) stipulated in IFRS 7 for the first time in the fiscal year.

The level is determined by the inputs used for measurement and reflects the significance of the variables used in the measurement of fair value. The terminology which the Bremer Landesbank Group used in the past is very similar to the newly introduced terminology under IFRS 7. Only the mark-to-matrix procedure which has been used for measurement purposes since the 2008 financial statements has to be split into Level 2 or Level 3 depending on the inputs.

Under the fair value hierarchy used in fiscal year 2009, a financial instrument is categorized as Level 1 if it is traded in an active market and publicly quoted market prices or prices effectively traded in the OTC market are employed to measure their fair value. If no market prices or prices effectively traded in the OTC market are available, prices quoted by dealers are used for Level 1 measurement. If price sources other than stock exchange prices are used, such sources are quotes by banks or other market makers.

In the event that no price quotes are available in active markets, fair value is measured using recognized valuation methods or models or using external pricing services, provided that valuation is carried out either fully or in part using spread curves (Level 2).

For measuring financial instruments, these methods include valuation models which are established on the market under normal market conditions (e.g., discounted cash flow method) whose calculations are always based on inputs available on the market. Factors which market players would have considered in setting prices are considered in the valuation process. Wherever possible, the relevant inputs are taken from the markets on which the instruments were issued or acquired.

Valuation models are employed primarily for OTC derivatives and for securities in inactive markets. Various inputs are used in the models, for example market prices and other market quotations such as volatility and market liquidity. A standard market method is always applied whenever estimates are required, also in the case of option pricing models.

Market data used in risk control are applied for these Level 2 measurements. For discounted cash flow methods, all cash flows are discounted using the risk-free yield curve adjusted by the counterparty's credit spread. Spreads are determined on the basis of comparable financial instruments (e.g., comparable in terms of the respective market segment and the issuer's credit rating).

During 2008, some sections of the money and capital markets ceased to function, which resulted in uncertainty among market participants, illiquidity of some of the markets and declining investment activity in secondary market products. This meant that there were no longer any viable prices available for some financial instruments on the market, quotations in some cases were intended to discourage investment and some transactions were conducted at fire-sale conditions.

Since the 2008 financial statements, a fair value measurement in accordance with the mark-to-matrix procedure which was established in 2008 on the basis of cash flows has been used for financial instruments for which there is no active market and no market prices can be drawn on for measurement.

The financial instruments within the Bremer Landesbank Group that should be measured in this way are identified individually with a subsequent a division into active and inactive markets. Any changes in the assessment of the market are continuously taken into account when measuring the instruments.

The valuation model for financial instruments in inactive markets is based on term-specific interest rates, the credit rating of the respective issuer and an adequate return on committed equity. The ratings of the respective counterparties are also used as inputs in the procedure.

As the internal ratings from the internal ratings-based approach used by Bremer Landesbank are used in the procedure, the financial instruments are allocated to Level 3.
Financial instruments are allocated to Level 3 regardless of the fact that the internal data for regulatory approval were calibrated using data from published ratings which form the basis for price decisions made by market players. This is done because there is a fair value measurement in accordance with the Level 3 procedure for financial instruments for which an active market no longer exists and observable market data can no longer be used in full for their measurement.

As compared and opposed to Level 2 measurement, under this method both bank-specific models are used and data included which are not observable in the markets. The proportion of such inputs is kept as low as possible and the inclusion of market-specific data is preferred, i.e., basic signals from the market which may be observed on the balance sheet date are included in the method.

The Group's CDS papers and securities for which the market is considered inactive are measured using the Level 3 procedure. In addition, other interest-bearing securities which are measured using an internal ratings-based approach are allocated to Level 3.

All valuation models applied within the Group are reviewed at regular intervals.

Further disclosures on the fair value hierarchy and the fair values of financial instruments are provided in Notes (50) and (54).

Amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets*
The Group did not opt to reclassify financial assets on the basis of the relevant amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets*.

Financial assets

Equity investments and investments in affiliates are recognized at fair value. Fair value is the present value of the future net cash flows to the owners incidental to ownership of the entity (future earnings value). The net earnings of the owners, which are discounted in order to calculate the capitalized earnings value, chiefly stem from the distributions of the net cash flows generated by the entity.

The calculation of the net realizable value of the equity investment is therefore based on a forecast of earnings development in 2009 and a detailed plan for 2010 and, if applicable, a medium-term plan for up to four subsequent years (planning phase I). The entity is generally assumed to have a perpetual life for subsequent years beyond the planning horizon. For this purpose, a perpetual annuity is calculated to reflect the sustainable situation of the investee (planning phase II). These expected future earnings are discounted to the balance sheet date taking planned distributions into account.

The discount rate used is derived from a capital market model and represents the return on an alternative investment that adequately matches the investment in the investee in terms of maturity and risk. The discount rate comprises the components of risk-free interest rate as well as the risk premium based on the risk relating to future net cash flows. The risk premium is the product of an average market risk premium and the beta factor, which expresses the specific risk structure of the entity being valued. As a relative measurement, the beta factor describes the extent to which the return on the relevant security held in the investee reflects the changes in the return on the market portfolio.

To value equity investments in unlisted companies, groups of comparable listed instruments are formed (peer groups) and the beta factor is calculated for each position in relation to the respective national index. The beta factor of the peer group so calculated is used as a key multiplier to determine the capitalization rate.

Raw beta is the historical beta factor of a company derived from a linear regression of the share return against the return on the market portfolio. As an alternative to using raw beta, adjusted beta is an estimation of the future development of the beta factor. Adjusted beta (adjusted beta = raw beta x 0.67 + 0.33) was used as part of a standard approach within the NORD/LB Group for the first time in 2009 in order to smooth out the volatility of the valuation over the course of time. The change in method led to an increase of EUR 13m in the carrying amount of the equity investments and investments in affiliates recognized under financial assets.

Hybrid (combined) products

Hybrid (combined) products comprise two components – one or more embedded derivative financial instruments (e.g., swaps, futures or caps) and a host contract (e.g., financial instruments or leases). These two components are the subject of a single contract relating to the hybrid (combined) product, i.e., they constitute a legal unit and may not be negotiated separately as they are combined in a single contract.

In accordance with IAS 39, an embedded derivative should be separated from the host contract and accounted for as a derivative if, and only if, all of the following criteria are fulfilled:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

- A separate derivative with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument

- The hybrid (combined) product is not measured at fair value with changes in fair value recognized profit or loss (AFV category)

The Group measures and recognizes financial instruments that must be separated – other than those allocated to the AFV category – separately. The host contract is accounted for in accordance with the rules of the category to which the financial instrument is allocated, the embedded derivative is accounted for at fair value through profit or loss as a trading asset or trading liability.

Hedge accounting

Hedge accounting is the accounting and balance sheet presentation of hedging relationships. In this context, hedging relationships are established between underlying and hedging transactions. The aim is to avoid fluctuations in annual profit and equity resulting from differing valuations of underlying and hedging transactions.

Three basic forms of hedges are distinguished, each needing to be handled differently in terms of hedge accounting. Fair value hedge accounting involves hedging (portions of) assets or liabilities and firm commitments against changes in fair value. In particular, the Group's issues and lending transactions as well as its interest-bearing securities are subject to such fair value risk. Only individual transactions are hedged. Interest rate swaps are used to hedge these risks.

The two other basic forms, cash flow hedge accounting and the hedging of net investments in a foreign operation, are currently not employed in the Group.

Only hedging relationships which meet the restrictive requirements of IAS 39 may be accounted for using the hedge accounting rules. Hedge accounting requirements, in particular proof of the effectiveness of hedges, must be met for each hedging relationship on each balance sheet date. The regression method is applied in the Group for prospective tests of effectiveness. The modified dollar offset method is used for retrospective effectiveness tests. This method accounts for the problem related to the law of small numbers that arises even when there are marginal changes in the value of the underlying and hedge transactions.

In accordance with the rules of fair value hedge accounting, derivative financial instruments used to hedge fair values are accounted for as positive or negative fair values from hedge accounting derivatives (Note (33) and Note (45) Positive/negative fair values from hedge accounting derivatives). Changes in value are recognized in profit or loss (Note (22) Profit/loss from hedge accounting derivatives). Changes in fair value resulting from the hedged risk for hedged assets or hedged liabilities are also recognized through profit or loss in profit/loss from hedge accounting.

When applying hedge accounting for financial instruments classified as available for sale, the portion of the change in value attributable to hedged risks is recognized under profit/loss from hedge accounting, while the portion of the change in value which is not attributable to the hedged risk is accounted for in the revaluation reserve.

In micro hedge accounting, financial instruments measured at amortized cost are adjusted in the balance sheet by the change in fair value attributable to the hedged risk (hedge adjustment).

A hedge is terminated when the underlying or hedging transaction expires, is sold or exercised or when the hedge accounting requirements are no longer met; cf. Note (56) for underlyings in effective hedges).

Securities sale and repurchase agreements and securities lending

The transfer of securities under genuine securities sale and repurchase agreements (repo transactions) does not result in derecognition since the transferring company retains substantially all the risks and rewards incidental to ownership of the transferred asset. The asset transferred must hence still be accounted for by the transferor and measured according to its category. The payment received is carried as a financial liability (in liabilities to banks or to customers, depending on the counterparty). Interest payments agreed are reported as interest expenses in accordance with the respective term.

Reverse repo transactions are accounted for accordingly as loans and advances to banks or to customers and are allocated to the loans and receivables category. Securities for sale and repurchase which underlie the cash transaction are not reported in the balance sheet. Interest resulting from this transaction is reported as interest income in accordance with the respective term.

The accounting principles for genuine repurchase transactions also apply to securities lending transactions. Securities lent are reported as security portfolios and measured in accordance with IAS 39, while borrowed securities are not recognized.

Cash collateral pledged for security lending transactions is reported under loans and advances; collateral received is recognized as a liability.

With regard to the extent and the volume of securities sale and repurchase agreements and securities lending transactions, please see Note (60).

Reporting “day one profits and losses“

If no observable market data is used for the valuation models, financial instruments are recognized at their transaction price. Any profit determined on the trade date through application of the valuation model is cut off. On subsequent measurement of such a financial instrument, a gain or loss is only recognized to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price (fair value) (IAS 39.AG76A).

(8) Risk provisions

Risk provisions in the lending business cover all the identifiable credit risks by establishing specific allowances. In addition, for groups of financial assets with comparable default risk characteristics, portfolio allowances are recognized for risks which have occurred but have not yet been identified by the respective group units. Such allowances are determined for portfolios on the basis of historical probabilities of default. Industries were selected as a classification and reporting criterion when creating groups. Portfolio allowances are calculated on the basis of individual transactions. Ratings or the related probabilities of default and loss given default constitute the basis for calculating specific allowances at portfolio level. “Expected loss” in terms of the Basel II requirements is applied as a metric for calculating portfolio allowances. The loss identification period (LIP) is also applied. This is the time period between the occurrence of a default event and the date on which it is identified or becomes known.

Given the current market situation, when calculating portfolio allowances for the shipping portfolio, the probabilities of default and losses given default resulting from ship stress tests are used. Stress was simulated in a stress test of the “ship finance” rating application. In view of this aggravated general environment, the incurred loss potential for the ship finance portfolio was covered by an additional portfolio allowance for the container and bulk shipping and the multi-purpose segments.

All loans and advances which are not subject to specific allowances for impairment are included in a portfolio analysis.

An allowance for impairment needs to be recognized when observable criteria show that it is likely that not all the interest and repayment commitments or other obligations will be able to be fulfilled in due time. Such criteria include default on interest and capital payments or at least 90 days' arrears of such payments and considerable financial difficulties on the part of the debtor.

Risk provisions relate to loans and advances to banks and to customers. The amount of allowances for impairment is the difference between the carrying amount and present value of anticipated future cash flows. No separate impairment is recognized for financial instruments in the AFV category, including the HFT category, as they are measured at fair value through profit or loss; this means that impairments are included in the profit/loss for the period.

Risk provisions as a separate item in the income statement also comprise expenses or income resulting from the recognition or reversal of loan loss provisions, for example those recognized for off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments).

Canceled loans and advances for which no specific allowance was made are written off directly after the collateral has been realized. Loans and advances at risk of default of up to EUR 10,000k are all written off directly. Recoveries on written-off loans and advances are recognized in profit or loss. A loan or advance is only derecognized if economic aspects indicate that default is certain. Prior cancellation is not a mandatory requirement.

Any remaining balance of loans and advances for which a risk provision has been recognized is offset against existing risk provisions after the realization of collateral (i.e., the provision is utilized).

No risk provisions are recognized for losses which have not yet occurred.

(9) Property and equipment

Property and equipment is recognized at cost on the date of addition. Upon subsequent measurement, depletable property and equipment is reported less straight-line depreciation over its economic life. The underlying depreciation method reflects the wear and tear. Impairment losses are charged at the amount by which the carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use. If reasons for impairment no longer exist, write-ups (reversals of impairment losses) are carried out, but not in excess of depreciated cost. Depreciation and impairment losses are recognized in administrative expenses. There were no reversals of impairment losses in this fiscal year.

Property and equipment is depreciated over the following periods:

	Useful life in years
Land and buildings	25 to 50
Furniture, fixtures and office equipment	3 to 15

Before 1 January 2009, the option of immediate recognition as an expense was used for borrowing costs which were directly attributable to the acquisition, construction or production of a qualified asset. From 1 January 2009, borrowing costs are capitalized pursuant to IAS 23 (revised 2007).

Government grants are immediately deducted from the cost of the respective asset. No government grants were received in the fiscal year.

(10) Leases

Under IAS 17, leases must be classified as either finance leases or operating leases at the inception of the lease. If significant risks and rewards incidental to ownership are transferred to the lessee, the lease is classified as a finance lease and the lease asset is accounted for by the lessee. If significant risks and rewards incidental to ownership are not transferred to the lessee, the lease is classified as an operating lease and the lease asset is accounted for by the lessor.

Finance leases

As the lessor, Bremer Landesbank recognizes, at the inception of the lease, a receivable in the amount of the lessee's payment obligations under the lease. The receivable is reported at the net investment (difference between the gross investment in the lease and unearned finance income) and is shown in loans and advances to banks or customers. Any incidental costs are spread over the term of the lease.

Lease payments under a finance lease are split into a principal component and an interest component. The principal component is deducted from loans and advances (lessor) or liabilities (lessee) in the balance sheet. The interest component is accounted for as interest income (lessor) or interest expense (lessee) in the income statement.

Contracts concluded by Bremer Landesbank as a finance lessor are of minor significance. No contracts were concluded with Bremer Landesbank as a finance lessee.

Operating leases

For operating leases, the Bremer Landesbank Group reports lease payments made as expenditure in other administrative expenses. Initial direct costs (such as costs for appraisers) are expensed immediately.

Agreements concluded by Bremer Landesbank as an operating lessee are of minor significance. There are no contracts with Bremer Landesbank as an operating lessor.

(11) Investment property

Investment property is land and buildings or parts of buildings held to generate rental income and/or for the purpose of capital appreciation. Property in which 20% of the leased floor space is utilized by third parties is examined to determine whether the part used by third parties can be separated. If this is not the case, then the entire property is reported in property and equipment.

Under the cost model, investment property is measured at cost on the date of acquisition; transaction costs are included in the initial measurement. Subsequent expenditure is recognized in the carrying amounts of assets to the extent that it contributes toward significantly improving the asset and hence toward enhancing the future economic benefit from the asset.

Before 1 January 2009, the option of immediate recognition as expenses was used for borrowing costs which could be directly allocated to the acquisition, construction or production of a qualified asset. From 1 January 2009, borrowing costs are capitalized pursuant to IAS 23 (revised 2007). Government grants are deducted directly from the cost of the respective asset.

Straight-line depreciation is included in subsequent measurement of investment property. Impairment losses are charged at the amount by which the carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use. When the reasons for impairment cease to apply, impairment losses are reversed up to a maximum of depreciated cost. Depreciation and impairment losses/reversals of impairment losses are reported in administrative expenses.

Investment property is depreciated over the following periods:

	Useful life in years
Investment property	25 to 50

The capitalization of earnings method is applied for measuring the fair value of investment property. Fair value is also substantiated on the basis of market data. Valuation is carried out by a bank appraiser.

(12) Intangible assets

Intangible assets mainly comprise purchased software. Purchased intangible assets are recognized at cost.

Intangible assets with a finite useful life are amortized straight-line over their economic lives. For intangible assets with a finite useful life, impairment losses are charged at the amount by which the carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use. If the reasons for applied impairment no longer apply, impairment losses are reversed up to a maximum of amortized cost. Amortization and impairment losses are reported in administrative expenses.

Intangible assets with a finite useful life are amortized straight-line in administrative expenses over the following periods:

	Useful life in years
Software	3 to 5

There are no intangible assets with an indefinite useful life.

(13) Provisions for pensions and similar obligations

The Bremer Landesbank Group pension scheme is a defined benefit plan. Employees acquire entitlements to pensions in which benefits are fixed and dependent on factors such as anticipated wage and salary increases, age, length of service and a pension trend forecast. The financial reporting regulations of IAS 19 governing defined benefit plans are applied for this pension scheme.

Provisions for future health insurance benefits (EUR 4m; prior year: EUR 4m) are also shown in provisions for pensions. This provision is calculated based on the average amount of health insurance benefits paid in the past few years and the assumption of a dynamic cost trend. A change in the cost trend of +1% would increase provisions for health insurance benefit obligations by EUR 1m. Effects on service and interest cost, on the other hand, would be insignificant.

In order to satisfy entitlements to pensions under defined benefit plans, part of the cover fund was transferred to Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen (pension fund), in 2005. The fair value of the plan assets is deducted when recognizing provisions for pensions.

The components of the provisions for pensions recognized in profit or loss comprise service and interest costs incurred on the present value of the obligation. The expected net return on plan assets reduces the pension expenses. In addition, past service costs may have to be recognized in profit or loss. Interest cost and the expected return on plan assets are included in net interest income. Service cost and any past service cost are reported in administrative expenses.

The Bremer Landesbank Group recognizes the full amount of actuarial gains and losses under equity so that pension expenses are not reduced or increased by the amortization of actuarial gains or losses which have not yet been recognized in profit or loss.

Pension obligations from defined benefit plans are calculated by independent actuaries as of the balance sheet date in accordance with the projected unit credit method. For calculation purposes, the discount rate for first-class industrial bonds and anticipated future salary and pension increases are taken into account in addition to biometric assumptions.

Valuation assumptions are shown in the following schedule:

	31 Dec 2009	31 Dec 2008
Actuarial interest rate	5.5%	6.0%
Expected long-term return on plan assets	3.7%	3.8%
Salary trend		
Pension obligations	2.4%	2.4%
Health insurance benefits	4.5%	4.5%
Pension trend		
Pension obligations (contingent on the pension scheme)	1.0 – 3.5%	2.0%. 2.5%. 3.5%
Health insurance benefits	4.5%	4.5%

The 2005 G Heubeck mortality tables were applied for calculating the defined benefit obligation. The morbidity rate was set at 50% of the standard Heubeck rates.

(14) Other provisions

Other provisions are recognized in accordance with IAS 37 and IAS 19 for uncertain liabilities to third parties and anticipated losses from pending transactions if utilization is probable and the amount can be reliably determined. Provisions are measured using the best estimate. This is based on management's assessment in light of empirical values and, if necessary, expert reports or opinions. Risks and uncertainties are taken into account. Future events are only considered if there are sufficient objective indications that they will occur. Provisions are discounted.

A contingent liability is recognized if utilization is unlikely or if the amount of the obligation cannot be reliably estimated.

(15) Income taxes

Current income tax assets and liabilities were calculated at currently valid tax rates in the amount expected to be paid to or refunded by the respective tax authority.

Deferred tax assets and liabilities are calculated on the basis of the difference between the carrying amount of an asset or a liability in the balance sheet and its tax base. Deferred tax assets and liabilities are expected to lead to increased or reduced income taxes in future periods due to temporary differences. They were measured on the basis of tax rates expected to be valid in the period in which an asset is realized or a liability is settled. Company-specific tax rates (and tax regulations) which have been enacted or substantially enacted by the balance sheet date are applied.

Deferred tax assets for the carryforward of unused tax losses and unused tax credits are only recognized to the extent that it is probable that taxable future income will be available against which unused tax losses and unused tax credits can be utilized.

Current income tax assets and liabilities as well as deferred tax assets and liabilities are offset if the relevant requirements are met. They are not discounted. Depending on the treatment of the underlying items, deferred tax assets and liabilities are reported either through profit or loss or in equity.

Income tax assets and liabilities are shown separately in the balance sheet. They are broken down into current and deferred income tax assets and liabilities for the reporting period in the corresponding notes.

Income tax expense and income is recognized in the income taxes item in the consolidated income statement. The breakdown into current and deferred income tax assets and liabilities for the reporting period is shown in the corresponding notes. Current and deferred income tax assets and liabilities are shown as asset and liability items in the balance sheet, with the carrying amount of any deferred tax assets being tested for impairment on each balance sheet date.

(16) Subordinated capital

The subordinated capital item comprises securitized and unsecuritized subordinated liabilities, participation certificate capital and silent partner contributions. The vast majority of silent partner contributions must be classified as debt in accordance with IAS 32 due to contractual cancellation provisions; under the HGB silent partner contributions always constitute equity. For regulatory purposes under the KWG, they are recognized as liable equity.

Subordinated capital is recognized at amortized cost. Premiums and discounts are distributed over the term in accordance with the effective interest method and are recognized through profit or loss in net interest income. Accrued interest not yet due is allocated directly to the corresponding item in subordinated capital.

Segment reporting

(17) Classification by business segment (primary reporting format)

31 Dec 2009 in EUR m	Corporate Customers	Special Finance	Private Customers	Financial Markets	All other segments	Reconciliation	Total Group
Net interest income	57	143	30	37	2	–20	249
Risk provisions in the lending business	–13	–106	–7	–9	0	–6	–141
Net interest income after risk provisions	**44**	**37**	**23**	**28**	**2**	**–26**	**108**
Net commission income	9	19	8	5	1	–4	38
Profit/loss from financial instruments at fair value through profit or loss	2	6	1	91	–27	–1	72
Profit/loss from hedge accounting	0	0	0	0	0	8	8
Profit/loss from financial assets	0	0	0	8	3	–26	–15
Profit/loss from investments accounted for using the equity method	0	0	0	0	0	4	4
Total income	**55**	**62**	**32**	**132**	**–21**	**–45**	**215**
Administrative expenses	25	24	27	17	40	9	142
Other operating profit/loss	0	0	0	0	0	6	6
Earnings before taxes	**30**	**38**	**5**	**115**	**–61**	**–48**	**79**
Segment assets	3,963	11,347	1,929	14,350	1,974	224	33,787
Segment liabilities	1,552	3,764	1,298	14,790	27	11,396	32,827
CIR [1]	37%	15%	70%	13%	–	–	38%
RAROC [2] ROE [3]	17%	5%	5%	54%	–	–	9%

[1] General and administrative expenses/total income excluding profit/loss from financial assets.
[2] Earnings before taxes/committed core capital.
[3]. Operating result after risk provisions and valuation/committed core capital.

31 Dec 2008 in EUR m	Corporate Customers	Special Finance	Private Customers	Financial Markets	All other segments	Reconciliation	Total Group
Net interest income	51	126	26	62	3	–14	254
Risk provisions in the lending business	10	–21	–2	–2	0	–8	–22
Net interest income after risk provisions	**61**	**105**	**24**	**60**	**3**	**–22**	**232**
Net commission income	8	21	10	16	2	–7	50
Profit/loss from financial instruments at fair value through profit or loss	2	8	1	–68	–14	–30	–101
Profit/loss from hedge accounting	0	0	0	0	0	–4	–4
Profit/loss from financial assets	0	0	0	–81	29	30	–22
Profit/loss from investments accounted for using the equity method	0	0	0	0	0	7	7
Total income	**71**	**134**	**35**	**–73**	**20**	**–25**	**162**
Administrative expenses	27	27	28	23	29	2	136
Other operating profit/loss	0	0	0	0	5	4	9
Earnings before taxes	**44**	**107**	**7**	**–96**	**–4**	**–23**	**35**
Segment assets	3,961	10,217	2,063	16,380	2,009	–322	34,308
Segment liabilities	1,483	3,350	1,307	15,950	119	11,163	33,372
CIR [1)]	45%	17%	75%	236%	–	–	63%
RAROC [2)] ROE [3)]	18%	15%	7%	–6%	–	–	4%

[1)] General and administrative expenses/total income excluding profit/loss from financial assets.
[2)] Earnings before taxes/committed core capital.
[3).] Operating result after risk provisions and valuation/committed core capital.

Information on the business segments

The following segment information is based on the management approach, which requires segment information to be presented on the basis of the management accounts, i.e., the information used regularly by the chief operating decision-maker to make decisions on the allocation of resources to the segments and to assess their performance. In the BLB Group, the Management Board functions as the chief operating decision-maker.

The segment report follows the organizational structure of the Group underlying the management reporting systems. The financial performance of the segments is assessed on this basis and decisions are made on the allocation of resources to the segments.

The segment report provides information on the Group's business segments and is in compliance with the Bank's business model. The segments are defined as customer or product groups in alignment with the Group's organizational structures. In view of the fact that the Bank's business activities are mainly conducted within the region, the criteria for geographical segmentation are not met.

In addition to figures relating to the income statement, the segment report also shows allocable segment assets and liabilities and the cost-income ratio and risk-adjusted return on capital/return on equity. The cost-income ratio is defined as the ratio of administrative expenses to the total income excluding profit/loss from financial assets.

RAROC in the business segments is calculated as the ratio of earnings before taxes to committed core capital. ROE at group level is calculated as the ratio of earnings before taxes to committed core capital.

The revaluation reserve is included in the profit/loss from financial assets of the individual segments (the prior-year figures have been restated accordingly). The reconciliation is presented separately together with an adjustment.

There has been no change in the number of segments in the Group. The following segments are analyzed in the segment report by business segment.

Corporate Customers

The Corporate Customers segment comprises business conducted by the Bank with small and medium-sized corporate customers in the North-West of Germany and is a reliable and innovative financial services partner. This is underpinned by the excellent results regularly achieved in external customer satisfaction surveys.

In 2008, the segment worked hard on optimizing its processes in order to offer its customers high-quality services. In 2009, the focus was on intensifying relationships with existing customers and enhancing its presence by visiting customers more frequently. The Bank benefited from the uncertainties surrounding the development of a number of competitors and acquired new customers.

Despite the difficult economic environment in 2009, income from business with corporate customers improved. The segment had a strong first half of the year, with substantial growth in lending volume. However, in the second half of the year, many companies postponed investment projects due to the uncertain economic outlook, leading to waning demand for capital investment loans.

In spite of high levels of scheduled repayments, the financing volume was steady at EUR 4.1b.

Corporate customers of Bremer Landesbank at no time suffered from the much publicized credit crunch. Bremer Landesbank endeavors to be a reliable partner to its customers, even in difficult times. Many of its customers, especially those for whom it is the principal banker, rewarded this loyalty with greater demand for cross-selling products, resulting in an encouraging development of net commission income and trading profit. Overall, the Bank was able to achieve its earnings targets in the face of adverse conditions.

The Bank is cautiously optimistic about the segment's performance in 2010. It is imperative that the emerging economic recovery quickly stimulates investment activity.

Assuming that this will be the case, the Corporate Customers segment expects to maintain its financing volume in 2010. Loans to customers will be used to extend banking business with customers in order to improve cross-selling.

Overall, the Corporate Customers segment aims to be the leader in corporate customer business in the region and underpin this with growing market share. Traditionally, Bremer Landesbank has a reputation in the region of being a steady and reliable partner. The Bank was able to boost its image of trust during the financial market crisis. This is a good foundation for acquiring new customers and acting as principal bank for more major companies.

Special Finance

The Special Finance segment at Bremer Landesbank covers ship finance, refinancing of companies that lease movable assets, community interest properties and renewable energies, with the sub-segments wind, biogas and photovoltaics.

Bremer Landesbank's Special Finance segment developed well overall in 2009, but the performance of the sub-segments varied. The earnings target was reached once again. Renewable energies, in particular, made use of market opportunities and grew faster than budgeted. The financial and economic crisis had a noticeable effect on the ship finance segment. Risk provisions increased significantly, but were within budget.

The financing volume in the shipping segments totaled approximately EUR 5.5b (prior year: EUR 5.4b). In the ship finance business, Bremer Landesbank has only engaged selectively in limited new business since the onset of the shipping crisis. Although many customers canceled substantial order volumes in 2009, there are still deliveries of contracted vessels scheduled until mid-2011. With its sustainable financing structures and long-established relationships with direct customers, the Bank is as ever in a strong position and expects a moderate but perceptible market recovery in the medium term. In the long term, globalization and the accompanying rise in global trading will fuel demand for modern tonnage.

In the refinancing of companies that lease movable assets, Bremer Landesbank grew its market share in spite of the economic downturn, thus reinforcing its position as a leading financer of medium-sized leasing companies in 2009 and strengthening its earnings situation. At year-end, it financed a volume of EUR 2.0b (prior year: EUR 1.9b). Bremer Landesbank has acted as the competence center for the NORD/LB Group in this sub-segment since 2008, and, with a broad customer base, is a reliable partner for leasing companies with bank functions.

Bremer Landesbank’s volume of finance for community interest properties amounted to around EUR 982m (prior year: EUR 961m) on the balance sheet date. Bremer Landesbank specializes in the financing of nursing homes and is the competence center for the NORD/LB Group in this field. Demographic trends and the growing need for in-patient nursing highlight the strategic importance of this area.

In the fiscal year, Bremer Landesbank enjoyed notable growth in its renewable energy segment, with the finance volume rising to some EUR 2.5b (prior year: EUR 2.3b) as of year-end. The development of new business reflects customers’ greater structuring and financing needs in the wake of the revision of the EEG [“Erneuerbare-Energien-Gesetz”: German Renewable Energy Act] in 2008. Wind power, biogas and photovoltaics, the core segments, are still benefiting from a positive regulatory environment. Within the NORD/LB Group, Bremer Landesbank is the competence center for biogas and photovoltaics in Germany. It also supports experienced customers in selected ventures in other European countries.

With its emphasis on shipping, lease refinancing, community interest properties and renewable energies, as well as its consistent focus on long-term, reliable customer relationships, Bremer Landesbank’s Special Finance segment considers itself to be well positioned in a field dominated by mid-cap companies.

Private Customers

This segment covers all the business Bremer Landesbank transacts with private customers. It comprises the private customer service and private banking with offices in Oldenburg and Bremen. The reorganization of the segment, which commenced in 2008, turned the segment’s focus to its core competencies and established a basis for providing target groups with even better service. In addition to the relevant sales desks, the Private Customers segment has its own asset management and financing management units. These two competence centers ensure that customers have access to excellent financial service products. The total volume of business managed was around EUR 4b at year-end 2009.

Activities focus on consistently improving customer satisfaction, with sizeable investments being made in training employees, setting high standards for competent and reliable customer service. This uncompromising customer focus meant that the customer bases at the two branches in Bremen and Oldenburg were once again significantly increased, by more than 1,000 customers in 2009.

In 2009, the Bank strengthened its leading position in private banking, thereby demonstrating its ability to uphold the exacting level of its customer service for many years, even in turbulent times.

Private Customers performed well in asset management in 2009 despite the difficult market conditions. Its prizewinning investment process (SIP®) was enhanced significantly last year and offers customers considerable added value with its integrated, state-of-the-art quantitative forecast system.

The finance business was temporarily hampered in its competitiveness by the large refinancing premiums charged. However, the significant price distortions relaxed somewhat in the second half of the year. The general deterioration in the economy also called for higher risk provisions in the private customer business.

It is still difficult to predict the prospects for fiscal year 2010. The lack of confidence in the economic recovery and the uncertainty rife on the international capital markets will continue to unsettle private investors as the year progresses, prompting a reluctance to invest. The Private Customers segment will stay true to its focus on its target customers and will continue to train its employees. Customers will also be offered more advice and assistance with energy-efficiency initiatives. As the first point of call for the company owner's private banking matters, the Private Customers segment helps the Bank to position itself as the entrepreneur's bank. This underpins the Bank's position as regional leader in the market for exacting private customers in a thriving market in the North-West of Germany.

Financial Markets

The Financial Markets segment provides access to the national and international money and capital markets for private and institutional customer groups of Bremer Landesbank as well as the Bank's proprietary business. The segment also engages in refinancing business with associated savings banks in the region and syndicated loan finance for savings bank customers. Another focus of business with associated banks is public-sector refinancing. Refinancing carried out by Bremer Landesbank both during the year and for a period longer than one year are also part of the Financial Markets segment. Detailed information is provided in the section on financing in the management report.

With the volume of business generated in the customer and counterparty portfolio, the Financial Markets segment contributes significantly to positions relevant to the Bank's balance sheet.

The volume of interbank business was scaled back in fiscal year 2009.

Loans and advances to regional authorities and other municipal customers rose slightly compared to year-end 2008.

The long-term lending volume for the 14 associated savings banks was down due to the lower demand for refinancing.

The persisting tensions on the money and capital markets shaped market activities in a highly volatile environment in 2009.

The management and sales activities of the trading and sales desks went well, with the trading desk focusing on liquidity and interest risk management and securing liquidity for the Bank.

The segment's sales desks recorded a high volume of trade and unabated demand for consulting services for all money, currency and derivative products. This had a positive knock-on effect on the segment's trading profit.

Bremer Landesbank's business with associated banks was successfully continued in 2009 and included comprehensive support services for the associated savings banks. Despite the testing economic environment with strong competitive structures, earnings again remained stable.

In the syndicated transactions business with corporate customers of the associated savings banks, sales activities again focused on traditional financing as well as interest and currency management and international documentary business.

Following the withdrawal of competitors and the realignment of the business models of a number of *Landesbanken* on the one hand, and the Bank's excellent standing on the *Pfandbrief* (covered bond) market on the other, the competitive situation shifted in favor of Bremer Landesbank in the fiscal year. The Bank was able to increase its loans and advances to municipal corporations and local authority associations by more than 6% to over EUR 4b. In view of the all-time low interest rates, this growth was primarily in long-term capital investment loans.

Reconciliation of the segment results to the consolidated financial statements

The "All other segments" column comprises the results of all staff departments, Strategic Measures, measures in the Management Board portfolio, as well as the consolidation of subsidiaries. The items reconciling the management accounts to the overall group figures in the income statement are shown in the reconciliation.

Net interest income generated by the individual segments was calculated using the market interest rate method and includes the net interest income from lending and deposit business. The Group's net interest income is calculated as actual interest income less interest expenses. A difference of EUR 20m arises on comparison with the imputed results, which is reflected in the reconciliation.

The net commission income is spread between the segments. The EUR 4m difference compared to the consolidated profit stems from the different treatment of guarantee commissions and from the different allocation of custody account fees and commissions for LBS guarantees in direct costing and the income statement.

The reconciliation result from the item profit/loss from financial instruments at fair value through profit or loss came to EUR 1m in the fiscal year due to various almost fully offsetting effects. The profit/loss from hedge accounting is not allocated to a business segment and is shown in the reconciliation column.

The reconciliation to consolidated profit in the item profit/loss from financial assets stems from the adjustment of the revaluation reserve.

The profit/loss from investments accounted for using the equity method of EUR 4m is not allocated to the segments and is shown in the reconciliation column.

Administrative expenses in the business segments comprise their primary personnel and material expenses as well as cost allocations. Reconciliation to consolidated profit is required due to social security and expenses for pensions and other benefits which are not allocated to the segments.

Other operating profit/loss is not allocated to the individual segments.

The difference between the sum of segment assets/liabilities and the consolidated assets/liabilities is mainly due to the fact that averages are used for the segments whereas the group figures are based on figures at the balance sheet date.

Refinancing funds are not presented for the business segments; they are included in segment liabilities in the reconciliation.

Notes to the consolidated income statement

(18) Net interest income

In addition to interest income and interest expenses contained in the item, the interest income and expenses items include pro rata amortization of premiums and discounts resulting from financial instruments. Payments to silent partners are reported as interest expenses due to the fact that, under certain circumstances, silent participations are classified as debt under IAS 32.

Current interest payments from financial instruments at fair value were recognized in net interest income for the first time as of 31 December 2009 (previously in trading profit/loss). They are reported exercising an option in accordance with IFRS 7 taking into account the consistency principle and a related change in accounting method, which must be considered pursuant to IAS 8.

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Interest income from			
Lending and money market business	1,014	1,225	–17
Fixed-income securities and government-inscribed debt	185	328	–44
Interest income from leasing transactions	0	1	–
Current income			
From shares and other variable-yield securities	1	1	–
From equity investments	6	6	–
From derivatives	1,061	1,606	–34
Interest income from hedge accounting derivatives	160	109	47
Expected return on plan assets	1	1	–
Interest income	**2,428**	**3,277**	**–26**
Interest expenses for			
Lending and money market business	636	879	–28
Securitized liabilities	292	358	–18
Subordinated capital	64	65	–2
Interest expenses from hedge derivatives	118	121	–2
Interest expenses for provisions and liabilities	16	16	–
Current expenses for derivatives	1,053	1,584	–34
Interest expenses	**2,179**	**3,023**	**–28**
Total	**249**	**254**	**–2**

Interest income from lending and money market business contains interest income from the unwinding of impaired assets in the amount of EUR 6m (prior year: EUR 6m).

Net interest income from hedging derivatives relates to swap transactions. Total interest income relating to financial assets which are not measured at fair value through profit or loss amounted to EUR 1,211m (prior year: EUR 1,559m). Total interest expenses for financial assets which are not measured at fair value through profit or loss came to EUR 1,008m (prior year: EUR 1,318m).

(19) Risk provisions in the lending business

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Income from risk provisions in the lending business			
Reversal of specific allowances on loans and advances	8	38	–86
Reversal of portfolio allowances on loans and advances	–	3	–
Reversal of loan loss provisions	4	11	–60
Recoveries on loans and advances previously written off	2	8	–33
Income from risk provisions in the lending business	**14**	**60**	**–77**
Expenses for risk provisions in the lending business			
Allocation to specific allowances on loans and advances	91	58	–
Allocation to portfolio allowances	55	11	–
Allocation to loan loss provisions	7	10	–30
Direct write-offs of loans and advances	2	3	–33
Expenses for risk provisions in the lending business	**155**	**82**	**89**
Total	**–141**	**–22**	**–**

(20) Net commission income

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Commission income			
Commission income from banking business			
Lending and guarantee business	15	17	–12
Security and custodian business	7	10	–30
Account management and payment transactions	9	10	–10
Trust business	14	15	–7
Brokerage business	1	2	–50
Other standard bank commissions	12	18	–33
Commission income from non-banking business	1	2	–50
Total commission income	**59**	**74**	**–20**
Commission expenses			
Commission expenses from banking business			
Security and custodian business	2	3	–33
Trust business	14	15	–7
Brokerage business	1	1	–
Account management and payment transactions	1	1	–
Lending and guarantee business	3	4	–25
Total commission expenses	**21**	**24**	**–13**
Total	**38**	**50**	**–24**

(21) Profit/loss from financial instruments at fair value through profit or loss

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Trading profit/loss			
Realized profit/loss			
From debt securities and other fixed-income securities	2	3	–33
From derivatives	14	–55	–
Total realized profit/loss	**16**	**–52**	**–**
Net valuation effect			
From derivatives	33	–27	–
Foreign exchange profit/loss	14	–33	–
Other profit/loss	7	8	–13
Total net valuation effect	**54**	**–52**	**–**
Total trading profit/loss	**70**	**–104**	**–**
Profit/loss from the use of the fair value option			
Net valuation effect			
Debt securities and other fixed-income securities	–	3	–
Securitized liabilities	2		
Total profit/loss from designated financial instruments (fair value option)	**2**	**3**	**–33**
Total	**72**	**–101**	**–**

The realized profit/loss represents the profit/loss on financial instruments which expired or were prematurely terminated during the fiscal year; the net valuation effect refers to financial instruments existing on the balance sheet date. Realized and valued trading profit/loss mainly comprises the effects of the financial market crisis in the fiscal years presented.

The foreign exchange profit/loss includes all the income realized from disposals and the valuation of all the Bank's foreign currency positions in the current fiscal year. Currency translation profit/loss is also reported as part of foreign exchange profit/loss and comes to –EUR 161m as of 31 December 2009 (prior year: EUR 177m) .

Other profit/loss primarily relates to premium payments from credit default swaps.

The reported profit/loss from designated financial instruments is the net valuation effect.

(22) Profit/loss from hedge accounting

Profit/loss from hedge accounting includes the net valuation effects from effective micro fair value hedges which meet the hedge accounting criteria of IAS 39.

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Profit/loss from micro fair value hedges			
From hedged underlying transactions	–32	–89	–64
From derivatives employed as hedging instruments	40	85	–53
Total	**8**	**–4**	**–**

(23) Profit/loss from financial assets

The item profit/loss from financial assets reports profits/losses from the disposal and valuation of securities in the financial asset portfolio (available-for-sale securities), equity investments and associates that are not accounted for using the equity method, and investments in non-consolidated subsidiaries.

The profit/loss from available-for-sale financial assets comprises the following:

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Profit/loss from the disposal of			
Debt securities and other fixed-income securities	5	0	–
Shares and other variable-yield securities	–9	9	–
Net impairment of debt securities	–11	–31	–65
Total profit/loss from disposals	**–15**	**–22**	**–32**
Profit/loss from investments in entities	0	0	–
Total	**–15**	**–22**	**–32**

Of the profit/loss from financial assets, EUR 4m (prior year: EUR 6m) relates to the reversal of the revaluation reserve to profit and loss.

(24) Profit/loss from investments accounted for using the equity method

This item comprises profit/loss from associates which are accounted for using the equity method.

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Investments in associates			
Income	6	10	–40
Expenses	2	3	–33
Total	**4**	**7**	**–43**

(25) Administrative expenses

The Group's administrative expenses comprise personnel expenses, operating expenditure (other administrative expenses) and amortization, depreciation and impairment of property and equipment, investment property and intangible assets.

The expenses break down as follows:

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Personnel expenses			
Wages and salaries	66	65	**2**
Social security	10	10	**–**
Pension and other benefit costs (thereof service cost of EUR 4m (prior year: EUR 4m))	5	5	**–**
Total personnel expenses	**81**	**80**	**1**
Other administrative expenses			
IT and communication costs	29	25	**16**
Premises costs	7	8	**–13**
Marketing, communication and entertainment costs	6	6	**–**
Person-related operating expenditure	3	3	**-**
Legal, audit, appraisal and consulting fees	6	4	**50**
Dues and contributions	2	2	**-**
Expenses for furniture, fixtures and office equipment	1	1	**–**
Other administrative expenses	2	2	**–**
Total other administrative expenses	**56**	**51**	**10**
Amortization, depreciation and impairment losses			
Property and equipment	3	3	**–**
Intangible assets	1	1	**–**
Investment property	1	1	**–**
Total amortization, depreciation and impairment losses	**5**	**5**	**–**
Total	**142**	**136**	**4**

(26) Other operating profit/loss

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Other operating income			
From rental and lease income	7	6	17
From cost reimbursements	1	1	–
From the disposal of assets	–	–	–
From the redemption of issued debt securities	1	3	–67
Other income	6	3	100
Total other operating income	**15**	**13**	**15**
Other operating expenses			
For rental and lease expenses	1	1	–
For the redemption of issued debt securities	3	–	–
Other expenses	5	3	67
Total other operating expenses	**9**	**4**	**–**
Total	**6**	**9**	**–33**

Other income includes income from the reversal of provisions of EUR 1m. Other expenses chiefly include expenses for losses of EUR 1m and EUR 3m from the sale of the A-BLB fund.

(27) Income taxes

The Group's income taxes break down as follows:

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
Current income taxes	38	36	6
Deferred taxes	–17	–31	–45
Total income tax expense	**21**	**5**	**–**

The following tax reconciliation statement shows the correlation between IFRS earnings before taxes and reported income tax expense.

	1 Jan – 31 Dec 2009 (in EUR m)	1 Jan – 31 Dec 2008 (in EUR m)	Change (in %)
IFRS earnings before taxes	79	35	–
Anticipated income tax expense	25	11	–
Effects of reconciliation:			
Effects of differing tax rates/deductibility of trade tax	–1	0	–
Taxes from prior years reported in the fiscal year	–1	–3	–67
Effects of changes in tax rates	2	0	–
Non-deductible business expenses	–5	–1	–
Effects of tax-free income	1	–1	–
Effect of permanent accounting-related effects	2	0	–
Other effects	–2	–1	100
Reported income tax expense	**21**	**5**	**–**

Anticipated income tax expense in the tax reconciliation statement is calculated on the basis of the corporate income tax rate of 15% which was valid in Germany in 2009 plus a solidarity surcharge of 5.5% and the average trade tax rate of approximately 15.6%. This leads to a domestic income tax rate of 31.5% (prior year: 31.5%) which is used to measure deferred taxes as of the balance sheet date.

Notes to the consolidated balance sheet

(28) Cash reserve

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Cash on hand	4	4	0
Balances at central banks	141	118	19
Total	**145**	**122**	**19**

The balances at central banks of EUR 141m (prior year: EUR 118m) relate to balances at Deutsche Bundesbank. The required minimum reserve was maintained at all times in the fiscal year and amounted to EUR 92m on 31 December 2009 (prior year: EUR 109m).

(29) Loans and advances to banks

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Loans and advances from money market business			
German banks	506	622	–19
Foreign banks	28	182	–85
Total loans and advances from money market business	**534**	**804**	**–34**
Other loans and advances			
German banks			–
Payable on demand	71	62	15
Limited term	3,775	4,304	–12
Foreign banks			–
Payable on demand	53	46	15
Limited term	347	560	–38
Total other loans and advances	**4,246**	**4,972**	**–15**
Total	**4,780**	**5,776**	**–17**

Of the loans and advances to German banks, EUR 3,457m (prior year: EUR 3,635m) are loans and advances to associated savings banks. Of the total amount, EUR 3,276m (prior year: EUR 3,749m) are loans and advances which will only be realized or settled after a period of more than 12 months.

(30) Loans and advances to customers

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Loans and advances from money market business			
German customers	111	146	–24
Foreign customers	7	4	75
Total loans and advances from money market business	**118**	**150**	**–21**
Other loans and advances			
German customers			
Payable on demand	669	572	17
Limited term	17,998	17,502	3
Foreign customers			
Payable on demand	54	28	93
Limited term	2,149	2,003	7
Total other loans and advances	**20,870**	**20,105**	**4**
Total	**20,988**	**20,255**	**4**

Of the total amount, EUR 17,318m (prior year: EUR 16,881m) are loans and advances which will only be realized or settled after a period of more than 12 months.

(31) Risk provisions

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Risk provisions for loans and advances to banks			
Portfolio allowances on loans and advances	1	0	–
Total risk provisions for loans and advances to banks	**1**	**0**	**–**
Risk provisions for loans and advances to customers			
German customers	160	92	74
Foreign customers	3	5	–40
Portfolio allowances on loans and advances	103	52	98
Total risk provisions for loans and advances to customers	**266**	**149**	79
Total	**267**	**149**	**79**

The risk provisions and loan loss provisions deducted from loans and advances to banks and loans and advances to customers developed as follows:

	Specific allowances		Portfolio allowances		Loan loss provisions		Total	
in EUR m	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
1 Jan	**97**	**106**	**52**	**44**	**22**	**24**	**171**	**174**
Changes through profit or loss								
Allocations	90	58	55	11	7	10	**152**	**79**
Reversals	8	38	–	3	4	11	**12**	**52**
Unwinding	–6	–6	–	–	–	–	**–6**	**–6**
Changes in equity								
Utilizations	13	23	–	–	–	5	**13**	**28**
Reclassifications	3	–	–3	–	–	4	–	**4**
31 Dec	**163**	**97**	**104**	**52**	**25**	**22**	**292**	**171**

The total amount of loans for which no interest payments are received was EUR 26m as of 31 December 2009 (prior year: EUR 22m). Specific allowances were made for loans with a total volume of EUR 353m (prior year: EUR 259m).
Outstanding interest due on these loans amounted to EUR 1m as of 31 December 2009 (prior year: EUR 1m). In the fiscal year direct write-offs of loans and advances amounted to EUR 2m (prior year: EUR 3m). Recoveries on loans and advances previously written off amounted to EUR 2m (prior year: EUR 8m).

(32) Financial assets at fair value through profit or loss

This item contains trading assets (held for trading - HFT) and financial instruments designated at fair value. The trading activities of the Group comprise trading in debt securities and other fixed-income securities, shares and other variable-yield securities, registered securities and derivative financial instruments which are not used in hedge accounting.

Of the debt securities and other fixed-income securities and shares and other variable-yield securities in the trading book, EUR 90m (prior year: EUR 88m) are marketable and EUR 80m (prior year: EUR 81m) are listed.

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Trading assets			
Debt securities and other fixed-income securities			
Money market securities			
Issued by the public sector	10	–	–
Issued by other borrowers	54	–	–
Bonds and debt securities issued by other borrowers	–	–	–
Total debt securities and other fixed-income securities	64	–	–
Positive fair values from derivatives in connection with:			
Interest rate risk	794	638	24
Currency risk	169	192	–12
Credit derivatives	6	12	–50
Total positive fair values from derivatives	969	842	15
Total trading assets	**1,033**	**842**	**23**
Financial assets designated at fair value			
Debt securities and other fixed-income securities	90	88	2
Total financial assets designated at fair value	**90**	**88**	**2**
Total	**1,123**	**930**	**21**

Of the total amount, EUR 847m (prior year: EUR 753m) are financial assets which will only be realized or settled after a period of more than 12 months.

(33) Positive fair values from hedge accounting derivatives

This item comprises positive fair values of hedging instruments in effective fair value hedges.

	31 Dec 2009 in EUR m	31 Dec 2008 in EUR m	Change in %
Positive fair values from micro fair value hedge derivatives in connection with:			
Interest rate risk	**279**	**93**	**–**

Of the total amount, EUR 208m (prior year: EUR 91m) are hedging instruments which will only be realized or settled after a period of more than 12 months. Interest rate swaps are used as hedging instruments.

(34) Financial assets

The financial assets balance sheet item includes all the debt securities and other fixed-income securities, shares and other variable-yield securities, investments in affiliates, investments in associates (not accounted for using the equity method) which are not held for trading and are classified as available for sale (AFS) as well as loans and other equity investments classified as loans and receivables (LAR).

Equity investments are allocated to the AFS category. A silent participation in DekaBank Deutsche Girozentrale (carrying amount: EUR 14m) is allocated to the LAR category.

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Financial assets in the LAR category	**22**	**14**	**57**
Available-for-sale financial assets (AFS)			
Debt securities and other fixed-income securities			
Issued by the public sector	1,277	930	37
Issued by other borrowers	4,963	5,683	–13
Money market securities	–	102	–
Total debt securities and other fixed-income securities	6,240	6,715	–7
Shares and other variable-yield securities			
Investment certificates	–	30	–
Investments in non-consolidated entities	180	239	
Other financial assets in the AFS category	–	1	–
Total available-for-sale financial assets (AFS)	**6,420**	**6,984**	**–8**
Total	**6,442**	**6,998**	**–8**

Of the total amount, EUR 5,598m (EUR 5,683m) are available-for-sale financial assets (AFS) which will only be realized or settled after a period of more than 12 months. The LAR financial assets have a term of more than 12 months.

(35) Investments accounted for using the equity method

This item comprises investments in associates within the meaning of IAS 28 accounted for using the equity method.
Investments accounted for in accordance with the equity method break down as follows:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Associates			
Banks	10	10	–
Other companies	71	78	–9
Total	**81**	**88**	**–8**

Investments accounted for using the equity method have a term of more than 12 months.

	Associates
1 Jan	**73**
Additions	25
Disposals	–8
Impairment losses	–5
Write-ups	5
Changes in equity	–2
31 Dec 2008	**88**
1 Jan	**88**
Additions	0
Disposals	–7
Impairment losses	–1
Write-ups	4
Changes in equity	–3
31 Dec 2009	**81**

The following table summarizes financial information on associates accounted for using the equity method in proportion to the shareholding:

	DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG	BREBAU GmbH	Ammerländer Wohnungsbau-Gesellschaft mbH [1)]	Lazard-Sparkassen Rendite-Plus-Fonds	GSG OLDENBURG Bau- und Wohngesellschaft mbH
Share as of 31 Dec 2009	16.50%	30.00%	32.26%	46.54%	22.22%
	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m
Assets	92	54	23	24	50
Liabilities	81	28	11	0	35
Equity	10	20	12	24	14
Total income	6	14	3	0	10
Profit/loss for the period	2	3	1	0	1

1) Figures as of 31 December 2008

(36) Property and equipment

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Land and buildings	17	19	–11
Furniture, fixtures and office equipment	5	5	–
Assets under construction	5	1	–
Total	**27**	**25**	**8**

The building housing the branch in Oldenburg is undergoing comprehensive reconstruction and extension work. Funds amounting to EUR 13m have been budgeted for work to be performed until completion of the project, EUR 6m of which has already been spent.

(37) Investment property

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Investment property	64	65	–2
Total	**64**	**65**	**–2**

The fair value of investment property amounts to EUR 86m. Renting out this property earned EUR 7m in the fiscal year (prior year: EUR 7m). Direct operating expenses (including repairs and maintenance) excluding depreciation amounted to EUR 1m (prior year: EUR 1m). The decrease in rental income and related expenses is due to the disposal of investment property in the prior year. Apart from the standard maintenance and repair obligations there are no exceptional contractual obligations nor are there any restrictions on saleability.

The development of cost and accumulated depreciation for property and equipment and investment property breaks down as follows:

in EUR m	Land and buildings	Furniture, fixtures and office equipment	Prepayments/assets under construction	Total	Investment property
Historical cost as of 1 Jan 2008	**65**	**29**	**1**	**95**	**77**
Additions	–	1	–	1	–
Disposals	–	–2	–	–2	–
Total as of 31 Dec 2008	**65**	**28**	**1**	**94**	**78**
Accumulated depreciation as of 1 Jan 2008	**–44**	**–23**	**–**	**–67**	**–11**
Depreciation	–2	–2	–	–4	–1
Disposals	–	2	–	2	–
Total as of 31 Dec 2008	**–46**	**–23**	**0**	**–69**	**–12**
Closing balance as of 31 Dec 2008	**19**	**5**	**1**	**25**	**65**
Historical cost as of 1 Jan 2009	**65**	**28**	**1**	**94**	**78**
Additions	–	2	4	6	–
Disposals	–	–1	–	–1	–
Total as of 31 Dec 2009	**65**	**29**	**5**	**99**	**78**
Accumulated depreciation as of 1 Jan 2009	**–46**	**–23**		**–69**	**–12**
Depreciation	–2	–1	–	–3	–1
Disposals	–	–	–	–1	–1
Total as of 31 Dec 2009	**–48**	**–24**		**–73**	**–14**
Closing balance as of 31 Dec 2009	**17**	**5**	**5**	**27**	**64**

(38) Intangible assets

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Software			
Purchased	2	2	–
Total	**2**	**2**	**–**

Intangible assets relate to system and application software. The remaining useful life of intangible assets is between 5 and 35 months.

Intangible assets developed as follows:

in EUR m	Software Purchased
Historical cost as of 1 January 2008	**9**
Additions	2
Disposals	–
Total as of 31 December 2008	**11**
Accumulated amortization as of 1 January 2008	**–8**
Amortization	–1
Disposals	–
Total as of 31 December 2008	**–9**
Closing balance as of 31 December 2008	**2**
Historical cost as of 1 January 2009	**11**
Additions	1
Disposals	–
Total as of 31 December 2009	**12**
Accumulated amortization as of 1 January 2009	**–9**
Amortization	–1
Disposals	–
Total as of 31 December 2009	**–10**
Closing balance as of 31 December 2009	**2**

(39) Current income tax assets and deferred income taxes

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Current income tax assets	11	12	–8
Deferred tax assets	87	74	18
Total	**98**	**86**	**14**

Deferred tax assets show potential income tax relief from temporary differences in the carrying amounts of assets and liabilities in the IFRS consolidated balance sheet and their tax base in accordance with the tax regulations governing group entities. No deferred tax assets were offset directly against equity as of 31 December 2009.

Deferred income tax assets were recognized in connection with the following balance sheet items and unused tax losses:

	31 Dec 2009 in EUR m	31 Dec 2008 in EUR m	Change in %
Loans and advances to banks	1	1	0
Risk provisions	22	5	–
Financial assets	16	9	78
Property and equipment	18	16	13
Intangible assets	1	1	0
Liabilities to banks	5	1	–
Liabilities to customers	12	6	100
Securitized liabilities	11	5	–
Financial liabilities at fair value through profit or loss	225	124	81
Negative fair values from hedge accounting derivatives	17	7	–
Provisions	64	65	–2
Subordinated capital	6	1	–
Tax loss carryforwards and other deferred tax assets	11	12	–8
Total	**409**	**253**	**62**
Netting	322	179	80
Total	**87**	**74**	**18**

Income tax assets from deferred taxes will be realized after more than 12 months.

(40) Other assets

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Inventories	1	3	–67
Tax refund claims resulting from other taxes	–	1	–
Other assets	24	13	85
Total	**25**	**17**	**47**

Other assets chiefly include receivables of EUR 13m from non-consolidated subsidiaries, as well as collateral from third parties from guarantee obligations pursuant to IAS 37.53 of EUR 6m (prior year: EUR 4m).

All the amounts recognized in other assets will be realized within the next 12 months.

(41) Liabilities to banks

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Deposits from other banks			
German banks	851	16	–
Foreign banks	–	–	–
Total deposits from other banks	**851**	**16**	**–**
Liabilities from money market business			
German banks	1,366	4,579	–70
Foreign banks	144	169	–15
Total liabilities from money market business	**1,510**	**4,748**	**–68**
Other liabilities			
German banks			
Payable on demand	304	160	90
Limited term	6,771	6,179	10
Foreign banks			
Payable on demand	5	12	–58
Limited term	1,067	1,091	–2
Total other liabilities	**8,147**	**7,442**	**9**
Total	**10,508**	**12,206**	**–14**

Of the total amount, EUR 6,935m (prior year: EUR 6,586m) are liabilities to banks which will probably only be realized or settled after more than 12 months.

Of the liabilities to German banks, EUR 739m (prior year: EUR 691m) relates to associated savings banks.

(42) Liabilities to customers

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Savings deposits			
With an agreed period of notice of three months			
German customers	203	136	49
Foreign customers	14	9	56
With an agreed period of notice of more than three months			
German customers	8	31	–74
Foreign customers	2	2	–
Total savings deposits	**227**	**178**	**28**
Liabilities from money market business			
German customers	1,598	2,396	**–33**
Foreign customers	70	180	**–61**
Total liabilities from money market business	**1,668**	**2,576**	**–35**
Other liabilities			
German customers			
Payable on demand	1,761	1,404	25
Limited term	6,478	5,741	13
Foreign customers			
Payable on demand	102	50	–
Total other liabilities	**8,341**	**7,195**	**16**
Total	**10,236**	**9,949**	**3**

Of the total amount, EUR 5,794m (prior year: EUR 5,208m) are liabilities to customers which will probably only be realized or settled after more than 12 months.

(43) Securitized liabilities

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Issued debt securities			
Pfandbriefe	783	740	6
Municipal debt securities	2,698	2,919	–8
Other debt securities	5,666	4,764	19
Total issued debt securities	**9,147**	**8,423**	**9**
Money market securities			
Commercial paper	45	–	–
Other money market securities	52	–	–
Total money market securities	**97**	**–**	**–**
Total	**9,244**	**8,423**	**10**

Of the total amount, EUR 7,451m (prior year: EUR 6,662m) are securitized liabilities which will probably only be realized or settled after more than 12 months.

In accordance with IAS 39, the debt securities issued and held by the Group itself of a nominal amount of EUR 117m (prior year. EUR 138m) were directly deducted from debt securities issued.

The following list contains the significant debt securities issued in 2009 with an issue volume of EUR 50m and higher.

Security abbreviation	Nominal	Currency	Maturity	Interest rate
BREM.LB.KR.A.OLD.OPF.58	59,000,000.00	EUR	15 Jun 2012	2.375
BREM.LB.KR.A.OLD.OPF 61	77,500,000.00	EUR	1 Jul 2013	2.750
BREM.LB.KR.A.OLD.OPF 68	66,000,000.00	EUR	21 Dec 2012	2.375
BREM.LB.KR.A.OLD.IS.48	70,970,000.00	EUR	23 Jan 2012	3.750
BREM.LB.KR.A.OLD.IS.49	55,500,000.00	EUR	21 Jan 2011	3.500
BREM.LB.KR.A.OLD.IS.54	75,000,000.00	EUR	17 Feb 2011	3.250
BREM.LB.KR.A.OLD.IS.62	60,000,000.00	EUR	31 Mar 2011	3.000
BREM.LB.KR.A.OLD.IS.64	70,300,000.00	EUR	15 Apr 2011	3.000
BREM.LB.KR.A.OLD.IS.71	52,215,000.00	EUR	25 Jun 2012	3.250
BREM.LB.KR.A.OLD.IS.85	95,000,000.00	EUR	14 Oct 2014	3.300
BREM.LB.KR.A.OLD.IS.86	100,000,000.00	EUR	29 Apr 2014	3.250
BREM.LB.KR.A.OLD.IS.88	56,500,000.00	EUR	13 Nov 2013	3.000

(44) Financial liabilities at fair value through profit or loss

This item comprises the trading liabilities (held for trading – HFT) as well as the financial liabilities designated at fair value through profit or loss.

Trading liabilities are negative fair values resulting from derivative financial instruments which were not used in hedge accounting.

Securitized liabilities were designated at fair value.

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Trading liabilities			
Negative fair values from derivatives in connection with:			
Interest rate risk	916	683	34
Currency risk	240	430	–44
Equity price and other price risks	–	–	–
Credit derivatives	109	164	–34
Total trading liabilities	**1,265**	**1,277**	–1
Financial liabilities designated at fair value (DFV)			
Securitized liabilities	2	2	–
Total	**1,267**	**1,279**	**–1**

Of the total amount, EUR 1,069m (prior year: EUR 1,029m) are financial instruments at fair value which will only be realized or settled after more than 12 months.

(45) Negative fair values from hedge accounting derivatives

This item comprises negative fair values of hedging instruments in effective micro fair value hedges.

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Negative fair values from micro fair value hedge derivatives in connection with:			
Interest rate risk	**54**	**21**	**–**

Of the total amount, EUR 34m (prior year: EUR 21m) are hedging instruments which will be realized or settled after more than 12 months.

Interest rate swaps are used as hedging instruments.

(46) Provisions

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Provisions for pensions and similar obligations	259	233	11
Other provisions			
Loan loss provisions	25	22	14
Provisions for uncertain liabilities	16	18	–11
Total	**300**	**273**	**10**

Of the loan loss provisions, EUR 4m (prior year: EUR 4m) relates to portfolio allowances.

EUR 6m (prior year: EUR 4m) of loan loss provisions is matched by collateral from third parties recognized on the asset side.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations break down as follows:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Present value of defined benefit obligation	297	272	9
Less fair value of plan assets	38	39	–3
Total	**259**	**233**	**11**

The present value of the defined benefit obligation is reconciled between the opening and the closing balance, taking into account the effects of the following items:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Opening balance	**272**	**295**	–8
Current service cost	4	4	–
Interest cost	16	16	–
Actuarial gains/losses from the obligation	19	–30	–
Benefits paid	–14	–13	8
Closing balance	**297**	**272**	9

The present value of the obligation is funded in the amount of EUR 293m (prior year: EUR 268m) and unfunded in the amount of EUR 4m (prior year: EUR 4m).

The actuarial gains recognized in retained earnings break down as follows:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Actuarial gains	89	107	–17
Adjustment for deferred taxes	–28	–33	–15
Total	**61**	**74**	**–18**

The fair value of plan assets developed as follows:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Opening balance	**39**	**42**	–7
Expected return on plan assets	1	2	–50
Actuarial gains/losses from plan assets	1	–2	–
Employer contributions	10	10	–
Benefits paid	–13	–13	–
Closing balance	**38**	**39**	**–3**

Plan assets and expected returns by type of asset break down as follows:

	Anticipated return 2010	Composition of plan assets	
		31 Dec 2009	31 Dec 2008
Equity instruments	7.0%	2%	2%
Debt instruments	3.6%	77%	81%
Other assets	3.9%	21%	17%
	3.7%	**100%**	**100%**

The cover funds of Bremer Landesbank's pension fund are reported as plan assets. Funds which are not required for current pension payments have been invested in annuity bonds and equities under an asset management agreement. Plan assets are measured at fair value.

The Group expects payments to employees and allocations to plan assets of EUR 9m in 2010. In the fiscal year, the actual return on plan assets amounted to EUR 3m (prior year: loss of EUR 1m). The expected return on plan assets for 2010 is EUR 1m based on an estimated average return of 3.7%.

The history of the present value of the defined benefit obligation and the fair value of plan assets are shown in the following table:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	31 Dec 2007 (in EUR m)	31 Dec 2006 (in EUR m)
Present value of defined benefit obligation	297	272	295	342
Fair value of plan assets	38	39	42	42

Experience adjustments to plan assets and the volume of obligations break down as follows:

(+ = income; – = expense)	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Differences between return on plan assets and actual income	1	–2	–
Experience adjustments to pension obligations	0	9	–

The assumptions on the development of costs in the medical sector affect the amounts shown for health insurance benefits. A change in the assumed development of healthcare costs by 1 percentage point would have had the following effects for the Group:

	Increase by 1 percentage point		Decrease by 1 percentage point	
in EUR m	**31 Dec 2009**	**31 Dec 2008**	**31 Dec 2009**	**31 Dec 2008**
Effect on the obligation at year-end	1	1	–1	–1
Effect on total current service and interest cost for the fiscal year	0	0	0	0

Other provisions

In the fiscal year, other provisions changed as follows:

in EUR m	Loan loss provisions	Provisions for uncertain liabilities: Provisions for personnel obligations	Provisions for uncertain liabilities: Other provisions for other uncertain liabilities	Total
Opening balance	**22**	**17**	**1**	**40**
Utilizations	0	–6	0	–6
Reversals	–4	0	0	–4
Allocations	7	3	1	11
Reclassifications	0	0	0	0
Closing balance	**25**	**14**	**2**	**41**

Other provisions comprise loan loss provisions, provisions for personnel obligations and other provisions for uncertain liabilities. The Bank has not recognized any provisions for restructuring or pending losses.

Provisions for personnel comprise provisions for early retirement of EUR 10m (prior year: EUR 12m) and provisions for long-service awards of EUR 3m (prior year: EUR 3m).

None of the provisions is expected to be utilized within 12 months.

Provisions for guarantee obligations were measured taking into account the rights of recourse to the guarantee borrower of EUR 6m (prior year: EUR 4m). No further reimbursements are expected.

(47) Current income tax liabilities and deferred income taxes

Income tax liabilities break down as follows:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Current income tax liabilities	27	27	–
Deferred tax liabilities	1	1	–
Total	**28**	**28**	**–**

Deferred tax liabilities show potential income tax charges from temporary differences in the carrying amount of assets and liabilities in the IFRS consolidated balance sheet and their tax base in accordance with the tax regulations governing group entities. No deferred tax liabilities were offset directly against equity as of 31 December 2009.

Deferred tax liabilities relate to the following balance sheet items:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Loans and advances to customers	5	6	**–17**
Financial assets at fair value through profit or loss	172	73	–
Positive fair values from hedge accounting derivatives	86	29	–
Financial assets	12	18	–33
Property and equipment	0	1	–
Investment property	2	2	0
Other assets	2	1	100
Liabilities to banks	3	3	0
Provisions	28	35	–20
Other liabilities	13	10	30
Equity (special funds)	0	2	–
Total	**323**	**180**	**79**
Netting	322	179	80
Total	**1**	**1**	**0**

Income tax liabilities from deferred taxes will be settled after more than 12 months.

(48) Other liabilities

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Liabilities from outstanding invoices	5	4	25
Liabilities from contributions	1	1	–
Liabilities from short-term employee remuneration	8	8	–
Liabilities from payable taxes and social security contributions	2	6	–67
Other liabilities	8	22	–64
Total	**24**	**41**	–41

Accrued liabilities for short-term employee remuneration will be paid to group employees during the first six months of 2010.

The decrease in other liabilities chiefly stems from the absence of liabilities to non-consolidated subsidiaries of EUR 7m. All the amounts recognized in other liabilities will be realized within the next 12 months.

(49) Subordinated capital

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Subordinated liabilities	504	493	2
Silent participations	662	659	0
Total	**1,166**	**1,152**	**1**

Items reported in subordinated capital exclusively comprise liable capital in accordance with the Basel Accord. Subordination relates to the order in which payments due to creditors would be satisfied in the event of insolvency or liquidation. In such cases, subordinated liabilities would not be repaid until the claims of all senior creditors had been satisfied.

Interest expenses for subordinated liabilities amounted to EUR 27m (prior year: EUR 26m). Accrued interest not yet due is reported in subordinated capital under subordinated liabilities.

Due to their contractual form and economic substance, silent participations constitute debt in accordance with IAS 32.

Interest expenses for silent participations amounted to EUR 37m (prior year: EUR 38m).

EUR 150m (prior year: EUR 150m) of subordinated liabilities bears interest at fixed rates and EUR 350m (prior year: EUR 350m) bears interest at variable rates.

At the end of 2009, the following significant subordinated liabilities were outstanding:

Nominal amount in EUR m	Maturity	Interest rate
200	28 Jun 2030	Variable
85	21 Mar 2031	Variable
65	5 Apr 2041	Variable
150	15 Dec 2015	4.875
500		

Of the total amount, EUR 500m (prior year: EUR 500m) are subordinated liabilities which will only be realized or settled after a period of more than 12 months.

Notes to the statement of comprehensive income

in EUR m	1 Jan – 31 Dec 2009 Amount before tax	Effect of income taxes	Amount after tax	1 Jan – 31 Dec 2008 Amount before tax	Effect of income taxes	Amount after tax
Consolidated profit in the income statement	**79**	**–21**	**58**	**35**	**–5**	**30**
Change from AFS financial instruments	13	–9	4	–24	–8	–32
Changes in value of investments accounted for using the equity method recognized directly in equity	0	0	0	–1	0	–1
Actuarial gains/losses on defined benefit obligation	–18	6	–12	28	–9	19
Other comprehensive income	**–5**	**–3**	**–8**	**3**	**–17**	**–14**
Total comprehensive income for the period	**74**	**–24**	**50**	**38**	**–22**	**16**
thereof: attributable to shareholders of the parent company			50			15
thereof: attributable to non-controlling interests			0			1

The prior-year figures have been restated for some items; see Note (2).

Notes on equity

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Equity			
Subscribed capital	140	140	–
Capital reserves	40	40	–
Retained earnings	739	722	2
Revaluation reserve	41	34	21
Equity before minority interests	960	936	3
Total equity	**960**	**936**	**3**

The capital reserves contain the amounts made available through an advance special distribution of EUR 40m to the guarantors on the condition that the same amount be made available to the Bremer Landesbank in a capital increase.

Retained earnings include amounts allocated to the reserves from the profits of prior years and the current year. This item also reports actuarial gains from pension provisions and the profits/losses from investments accounted for using the equity method, which are recognized directly in equity.

The revaluation reserve includes the amounts resulting from the recognition in equity of valuation differences relating to available-for-sale financial assets. Related deferred taxes are deducted.

Bremer Landesbank's shareholders are as follows:

	Share in %
Norddeutsche Landesbank Girozentrale, Hannover, Braunschweig, Magdeburg	92.5
Federal State of Bremen	7.5
Total[1)]	**100**

[1)] By contract, Bremer Landesbank's share capital is not divided into a specific number of shares or nominal amounts.

Capital management aims to achieve compliance with legal minimum requirements and a balance between risk potential and risk capital in order to ensure that the Bank is able to act at all times (cf. opportunities and risk section, risk-bearing capacity).

On the basis of this risk-bearing capacity concept, the risk potential of each type of risk is aggregated on a monthly basis and compared with the Bank's risk capital. This comparison is carried out in three steps with varying degrees of probability of occurrence. The levels of risk coverage ascertained in steps shows the extent to which the Bank is in a position to address with different negative scenarios. Available capital, i.e., capital which exceeds 8%, is the risk capital and is adjusted by including forecast operating income, income from the comparison of expected and actual impairments and from reserves not yet included in equity in accordance with Sec. 340 f and g HGB. A certain percentage is allocated to each of the three steps (10%, 50% and 100%).

Risk capital	**31 Dec 2009 (in EUR m)**	**31 Dec 2008 (in EUR m)**
Available capital (after increase and shortfall)	650	853
Thereof		
Adverse case risk capital (10%)	65	85
Bad case risk capital (50%)	325	426
Crucial case risk capital (100%)	650	853

In addition, under the ICAAP (Internal Capital Adequacy Assessment Process; second pillar of Basel II), a capital-risk ratio is calculated based on eligible capital excluding unused tier three capital in accordance with the SolvV.

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in (EUR m)	Change (in %)
Subscribed capital	140	140	–
Reserves, minority interests	1,419	1,349	5
Other	–3	–3	–
Total core capital	**1,556**	**1,486**	**5**
Prudential reserves pursuant to Sec. 340f HGB	50	49	–2
Subordinated liabilities	500	500	–
Supplementary capital	**550**	**549**	**–**
Deductions	–253	–37	–
Tier three capital	0	0	–
Capital excluding unused tier three capital	**1,853**	**1,999**	**–7**

External capital requirements were met throughout the fiscal year.

NORD/LB is obliged to offer its shares in Bremer Landesbank to the Free Hanseatic City of Bremen at the business value if Lower Saxony and the Association of the Savings Banks of Lower Saxony (SVN) dispose of their majority in the share capital and their owners' rights relating to NORD/LB, hence relinquishing their indirect authority to make decisions concerning Bremer Landesbank. The Free Hanseatic City of Bremen also has a permanent, unconditional put option vis-à-vis NORD/LB whereby the City can sell its shares in Bremer Landesbank to NORD/LB.

There are no other preferential rights and restrictions in accordance with IAS 1.76.

Notes to the cash flow statement

The cash flow statement shows the change in cash and cash equivalents in the fiscal year based on the cash flows from operating, investing and financing activities.

Cash and cash equivalents are defined as the cash reserve (cash on hand, balances at central banks and public-sector debt instruments and bills of exchange eligible for refinancing with central banks).

The cash flow statement is prepared using the indirect method. Cash flow from operating activities is determined on the basis of the consolidated profit for the year, deducting or adding the non-cash expenses and income of that year. In addition, all cash expenses and income that do not relate to operating activities are eliminated. These payments are included in cash flow from investing or financing activities.

In accordance with the recommendations of the IASB, payments from loans and advances to banks and customers, trading book securities, liabilities to banks and customers and securitized liabilities are recognized in cash flow from operating activities.

In 2009, interest paid totaled EUR 2,078m (prior year: EUR 2,918m).

Information contained in the cash flow statement is of limited significance for banks. The cash flow statement neither replaces the liquidity or financial plan and nor is it used as a control instrument.

Please see the comments in the risk report regarding the Bremer Landesbank Group's liquidity risk management.

Other disclosures

Notes on financial instruments

(50) Fair value hierarchy

The following table shows the application of the fair value hierarchy of the financial assets and liabilities recognized at fair value through profit or loss or directly in equity:

	31 Dec 2009		
	Level 1	**Level 2**	**Level 3**
(in EUR m)	**(Mark-to-market)**	**(Mark-to-matrix)**	**(Mark-to-model)**
Trading assets	50	980	2
Financial assets designated at fair value	83	8	0
Positive fair values from hedge accounting derivatives	0	279	0
Financial assets at fair value	5,105	300	999
Assets	**5,238**	**1,567**	**1,001**
Trading liabilities	1	1,193	72
Financial liabilities designated at fair value	0	2	0
Negative fair values from hedge accounting derivatives	0	54	0
Held-for-sale financial liabilities at fair value	0	0	0
Liabilities	**1**	**1,249**	**72**

In the case of mark-to-model valuation (Level 3), the fair values depend on the assumptions made, i.e., changes in the assumptions may lead to changes in fair value. Significant effects of such changes in value attributable to changes in assumptions are reviewed for the fair values recognized in the financial statements using a sensitivity analysis.

- During the analysis of sensitivity on Level 3 of the securities model, the internal rating is upgraded by one rating category and downgraded by one rating category, respectively. The sensitivity of the shift is indicated by the mean value of the two calculations and amounts to EUR 9.0m for the securities.

- During the analysis of sensitivity on Level 3 of the CDS model, the internal rating is upgraded by one rating category and downgraded by one rating category, respectively. The sensitivity of the shift is indicated by mean value of the two calculations and amounts to EUR 8.1m for the CDS model.

- During the analysis of sensitivity on Level 3 of the financial assets model the revaluation reserve changes by +EUR 9.6m and -EUR 8.6m when adjusted beta varies by –0.1 and +0.1, respectively.

Transfers within the fair value hierarchy break down as follows:

31 Dec 2009 **in EUR m**	**From Level 1 to Level 2**	**From Level 2 to Level 3**	**From Level 2 to Level 1**	**From Level 2 to Level 3**	**From Level 3 to Level 1**	**From Level 3 to Level 2**
Trading assets	0	0	0	0	0	2
Financial assets designated at fair value	8	0	0	0	0	0
Positive fair values from hedge accounting derivatives	0	0	0	0	0	0
Financial assets at fair value	0	5	160	0	1,097	0
Held-for-sale financial assets at fair value	0	0	0	0	0	0
Assets	**8**	**5**	**160**	**0**	**1,097**	**2**
Trading liabilities	0	0	0	6	0	29
Financial liabilities designated at fair value	0	0	0	0	0	0
Negative fair values from hedge accounting derivatives	0	0	0	0	0	0
Held-for-sale financial liabilities at fair value	0	0	0	0	0	0
Liabilities	**0**	**0**	**0**	**6**	**0**	**29**

As of the balance sheet date in 2009, instrument-related price information for securities was rated as more reliable than on the prior-year balance sheet date, which meant that issuer-based valuation (Level 2) and, in particular, model valuation was not required to such a large extent. This is attributable to the general easing of the markets and led to a corresponding shift of securities from Levels 3 and 2 to Level 1.

Under the conditions of increased volatility in the CDS market, the aforementioned general easing of the market had such a sustained impact on individual CDS securities that a shift from Level 3 to Level 2 was possible.

The development of financial assets and liabilities on Level 3 of the fair value hierarchy breaks down as follows:

(in EUR m)	Trading assets	Financial assets at fair value	Total assets	Trading liabilities
Opening balance as of 1 Jan 2009	**8**	**2,044**	**2,052**	**–139**
P&L effect [1)]	–3	–15	**–18**	29
Effect of revaluation reserve	0	–13	**–13**	0
Purchases	0	76	**76**	0
Sales	0	–1	**–1**	2
Redemptions	–1	0	**–1**	13
Shift up from Levels 1 and 2	0	5	**5**	–6
Shift down to Levels 1 and 2	–2	–1,097	**–1,099**	29
Closing balance as of 31 Dec 2009	**2**	**999**	**1,001**	**–72**

[1)] The P&L effects do not include any current profits and losses!

(51) Carrying amounts by measurement category

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Asset items			
Loans and receivables (LAR)	25,526	25,896	–1
Available-for-sale assets (AFS)			–8
Debt securities and other fixed-income securities	6,240	6,715	–7
Shares and other variable-yield securities	–	30	–
Investments in non-consolidated entities	181	238	–24
Other financial assets in the AFS category	–	1	–
Held-for-trading financial assets (HFT)	1033	842	23
Financial assets designated at fair value through profit or loss	90	88	2
Positive fair values from hedges	279	93	–
Total asset items	**33,349**	**33,903**	**–2**
Liability items			
Other liabilities	31,154	31,730	–2
Held-for-trading financial liabilities (HFT)	1,265	1,277	–1
Financial liabilities designated at fair value through profit or loss	2	2	–
Negative fair values from hedges	54	21	–
Total liability items	**32,475**	**33,030**	**–2**

The cash reserve is not included as a financial instrument as it is not allocated to any measurement category.

(52) Profit/loss by measurement category

The following contributions to profit and loss stem from the individual measurement categories:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Loans and receivables (LAR)	–141	–22	–
Other liabilities	–2	2	–
Available-for-sale assets (AFS)			
Debt securities and other fixed-income securities	–6	–30	–
Shares and other variable-yield securities	–9	–	–
Held-for-trading financial instruments	69	–86	–
Financial instruments designated at fair value through profit or loss	2	7	–71

The profit/loss of the measurement categories of held-for-trading financial instruments (HFT) and financial instruments designated at fair value through profit or loss (DFV) include the net interest and commission income from the respective transactions.
The profit/loss from hedge accounting is not included in this profit/loss since hedge accounting is not allocated to any of the categories.

(53) Impairment losses/reversals of impairment losses by measurement category

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Available-for-sale assets (AFS)			
Profit/loss from impairment of financial assets			
Debt securities and other fixed-income securities	–11	–31	–65
Total available-for-sale assets	**–11**	**–31**	–65
Loans and receivables (LAR)			
Profit/loss from specific allowances in the lending business	–83	–20	–
Profit/loss from portfolio allowances in the lending business	–55	–8	–
Allocations to/reversals of loan loss provisions	–3	1	–
Profit/loss from direct write-offs of loans and advances/recoveries on loans and advances written off in the lending business	0	5	–
Total LAR financial assets	**–141**	**–22**	**–**
Total	**–152**	**–53**	**–**

(54) Fair values of financial instruments

The fair values of financial instruments recognized in the balance sheet at amortized cost or at their hedge fair value are compared with the carrying amounts in the following table.

in EUR m	31 Dec 2009 Fair value	31 Dec 2009 Carrying amount	31 Dec 2009 Difference	31 Dec 2008 Fair value	31 Dec 2008 Carrying amount	31 Dec 2008 Difference
Assets						
Cash reserve	145	145	0	122	122	0
Loans and advances to banks (net of risk provisions)	4,672	4,776	–104	5,862	5,776	86
Loans and advances to customers (net of risk provisions)	20,797	20,725	72	20,505	20,106	399
Subtotal loans and advances to banks/customers (net of risk provisions)	25,469	25,501	–32	26,367	25,882	485
Financial assets at fair value through profit or loss	1,123	1,123	0	930	930	0
Positive fair values from hedge accounting derivatives	279	279	0	93	93	0
Financial assets not recognized at fair value	22	22	0	14	14	0
Financial assets at fair value	6,404	6,404	0	6,953	6,953	0
Other assets not at fair value (financial instruments only)	13	13	0	1	1	0
Total	**33,455**	**33,487**	**–32**	**34,480**	**33,995**	**485**
Liabilities						
Liabilities to banks	10,371	10,508	–137	12,187	12,206	–19
Liabilities to customers	9,986	10,236	–250	10,110	9,949	161
Securitized liabilities	9,374	9,244	130	8,423	8,423	0
Financial liabilities at fair value through profit or loss	1,267	1,267	0	1,279	1,279	0
Negative fair values from hedge accounting derivatives	54	54	0	21	21	0
Other liabilities at fair value (financial instruments only)	0	0	0	7	7	0
Subordinated capital	1,225	1,166	59	1,172	1,152	20
Total	**32,277**	**32,475**	**–198**	**33,199**	**33,037**	**162**
Fair values of loan commitments and financial guarantees	36	0	36	12	0	12

Investments in entities of EUR 16m (prior year: EUR 48m) which cannot be reliably measured are carried at amortized cost. The Group does not plan any changes in relation to these shares.

(55) Derivative financial instruments

The Bremer Landesbank Group employs derivative financial instruments for hedging purposes in asset/liability management. It also trades in derivative financial instruments.

Derivative financial instruments in foreign currencies are chiefly concluded as forward exchange contracts, currency swaps, cross-currency interest rate swaps and currency options. Interest rate derivatives primarily comprise interest rate swaps, forward rate agreements as well as interest rate futures and interest rate options; in a few cases, forward contracts for fixed-income securities are also entered into. Equity derivative agreements are mainly concluded as equity options and equity index futures.

Nominal values are the gross volume of all purchases and sales. This value is a reference figure for calculating mutual compensation payments; it does not refer to loans and advances and liabilities which can be recognized in the balance sheet. The fair values of the individual contracts were measured on the basis of recognized valuation models without taking into account any netting agreements.

Derivative financial instruments break down as follows:

	Nominal values		Positive fair values		Negative fair values	
in EUR m	**31 Dec 2009**	**31 Dec 2008**	**31 Dec 2009**	**31 Dec 2008**	**31 Dec 2009**	**31 Dec 2008**
Interest rate risk	**53,956**	**43,024**	**1,073**	**731**	**970**	**704**
Interest rate swaps	51,470	40,927	1,057	715	952	688
FRAs	35	160	0	1	0	0
Interest rate options	**205**	**156**	**1**	**2**	**7**	**6**
Purchases	20	28	1	2	0	0
Sales	185	128	0	0	7	6
Caps, floors	1,451	1,501	15	13	10	9
Stock exchange contracts	674	280	0	0	1	1
Other forward interest rate transactions	121	0	0	0	0	0
Currency risk	**6,596**	**6,842**	169	**192**	239	**430**
Forward exchange contracts	844	5,555	10	152	39	223
Currency swaps/cross-currency swaps	5,476	688	152	14	193	182
Currency options	**276**	**599**	**7**	**26**	**7**	**25**
Purchases	115	302	7	26	0	0
Sales	123	297	0	0	7	25
Other exchange contracts	38	0	0	0	0	0
Equity price and other price risks	**4**	**3**	**0**	**0**	0	**0**
Equity forward contracts	0	0	0	0	0	0
Equity options	**2**	**2**	**0**	**0**	0	**0**
Purchases	2	2	0	0	0	0
Sales	0	0	0	0	0	0
Stock exchange contracts	2	1	0	0	0	0
Credit derivatives	**3,493**	**4,001**	**6**	**12**	109	**164**
Protection buyer	212	257	0	12	0	0
Protection seller	3,281	3,744	6	0	109	164
Total	**64,049**	**53,870**	**1,248**	**935**	**1,318**	**1,298**

The period between the balance sheet date and the contractual due date of the receivable or liability is the residual term to maturity.

	Interest rate risk		Currency risk		Equity price and other price risks		Credit derivatives	
	2009	2008	2009	2008	2009	2008	2009	2008
Residual maturities								
Up to 3 months	6,661	4,131	1,913	1,667	2	1	50	85
More than 3 months up to 1 year	13,815	9,057	2,328	2,498	2	0	25	254
More than 1 year up to 5 years	20,054	17,151	1,764	2,440	0	2	1,564	956
More than 5 years	13,427	12,685	591	237	0	0	1,854	2,706
Total	**53,957**	**43,024**	**6,596**	**6,842**	**4**	**3**	**3,493**	**4,001**

The following table shows the positive and negative fair values of derivative transactions broken down by counterparty.

	Nominal values		Positive fair values		Negative fair values	
Nominal values in EUR m	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Banks in the OECD	58,638	48,095	1,112	779	1,266	1,183
Public institutions in the OECD	10	9	1	1	0	0
Other counterparties (including stock exchange contracts)	5,402	5,766	136	155	53	115
Total	**64,050**	**53,870**	**1,249**	**935**	**1,319**	**1,298**

(56) Underlying transactions in effective hedges

IAS 39 allows the use of hedge accounting to (partially) eliminate economically unjustified profit and loss distortions resulting from different methods of measuring derivatives and non-derivatives in hedges. Hedged financial assets and liabilities are still reported together with unhedged transactions in the respective balance sheet items since the hedging transaction has no effect on the nature and function of the underlying contract. However, the carrying amount of financial instruments (OL category) which would otherwise be recognized at amortized cost is adjusted by the change in fair value attributable to the hedged risk.

The following table therefore lists the total amounts of financial assets and liabilities which are part of an effective hedge for information purposes:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Assets			
Financial assets	876	313	–
Other assets (financial instruments only)	0	0	0
Total	**876**	**313**	**–**

Liabilities			
Liabilities to banks	676	307	–
Liabilities to customers	1,514	828	83
Securitized liabilities	2,045	456	–
Subordinated capital	388	240	62
Total	**4,623**	**1,831**	**–**

(57) Residual maturities of financial liabilities

As of 31 December 2009:

in EUR m	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total 2009
Liabilities to banks	1,376	754	1,443	2,895	4,039	10,508
Liabilities to customers	2,678	1,056	708	2,724	3,070	10,236
Securitized liabilities	132	186	1,474	6,815	636	9,244
Financial liabilities at fair value through profit or loss (excluding derivatives)	0	0	2	0	0	2
Subordinated capital	37	0	251	237	641	1,166
Other liabilities (financial instruments only)	0	0	0	0	0	0
Irrevocable loan commitments	259	37	136	888	1,493	2,813
Financial guarantees	1,024	40	73	203	72	1,412
Total	**5,506**	**2,073**	**4,087**	**13,762**	**9,951**	**35,381**

As of 31 December 2008:

in EUR m	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total 2008
Liabilities to banks	2,099	2,471	1,050	2,302	4,284	12,206
Liabilities to customers	2,300	1,579	862	2,277	2,931	9,949
Securitized liabilities	174	132	1,451	4,264	2,402	8,423
Financial liabilities at fair value through profit or loss (excluding derivatives)	0	0	0	2	0	2
Subordinated capital	0	0	0	659	493	1,152
Other liabilities (financial instruments only)	0	7	0	0	0	7
Irrevocable loan commitments	301	151	66	1,219	1,923	3,660
Financial guarantees	1,307	25	58	291	75	1,756
Total	**6,181**	**4,365**	**3,487**	**11,014**	**12,108**	**37,155**

Residual maturity is defined as the period between the balance sheet date and the contractual due date.

(58) Disclosures on the fair value option

The Bremer Landesbank Group applies the fair value option in order to avoid accounting mismatches. Securities designated at fair are hedged against interest rate risk with interest rate swaps.

If they had not been designated at fair value, the securities would have had to be allocated to the AFS category and measured at fair value with changes recognized directly in equity, while interest rate swaps are measured at fair value through profit or loss in any case.

In order to reduce complexity, the fair value option is also used for designating hybrid (combined) products involving embedded derivatives that would have to be separated.
Balance sheet items designated under the fair value option are shown below:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Assets			
Debt securities and other fixed-income securities	90	88	2
Liabilities			
Securitized liabilities[1)]	2	2	0

[1)] The nominal value of securitized liabilities is EUR 2m.

There were no changes in the fair value of securitized liabilities resulting from changes in credit risk. There is no appreciable difference between carrying amount and the amount repayable of the securitized liabilities. The net valuation effect from designated debt securities and other fixed-income securities decreased by EUR 1m on the prior year.

(59) The BLB Group as a protection seller

Assets pledged as collateral to third parties:

	31 Dec 2009 in EUR m	31 Dec 2008 in EUR m
Loans and advances to customers	3,692	3,210
Financial assets	26	32
Total	**3,718**	**3,242**

Transactions were conducted in accordance with standard terms for loan transactions.

(60) Genuine securities sale and repurchase agreements

	31 Dec 2009 in EUR m	31 Dec 2008 in EUR m
Securities sold under sale and repurchase agreements:		
Nominal value	0	50
Carrying amount	0	51
Related liabilities to banks	0	51

Significant risks and rewards incidental to the financial assets sold under sale and repurchase agreements are borne by the pledgor. The securities are therefore not derecognized and continue to be accounted for by the Bremer Landesbank Group.

Regulations for securities sold under sale and repurchase agreements are laid down in a standard German master agreement.

Other notes

(61) Equity management

Equity is managed by the parent company for the Group. The aim is to ensure adequate equity in terms of quantity and of quality, to achieve a reasonable return on equity at group level and to comply with the regulatory capital adequacy requirements. Significant capital metrics for equity management are

- Reported equity
- Regulatory core capital
- Regulatory capital

For most of these capital metrics, target capital ratios are specified for the Group. The numerator is the respective capital metric and the denominator is risk-weighted assets in accordance with the SolvV. Regulatory minimum capital ratios, which must be maintained at all times, are also in place (regulatory core capital: 4.0%; regulatory capital: 8.0%). Target ratios for regulatory core capital and regulatory capital in this case far exceed the regulatory minimum capital ratios. The actual development of capital metrics and the related capital ratios is regularly determined and reported to the management and supervisory bodies of the Bank. Where required, budgets and forecasts are prepared for these capital metrics and capital ratios. If they indicate that the defined target capital ratios are at risk, alternative or additional adjustments are made to risk-weighted assets or – in agreement with the owners of the Bank – procurement measures are taken for individual capital metrics.

In 2008 and 2009, the Bank maintained the regulatory minimum capital ratios at group level at all times. The regulatory core capital ratio and the regulatory capital ratio (= overall ratio) at the end of each year are reported in Note (62).

(62) Regulatory data

The following regulatory data for the Group were calculated in accordance with the SolvV.

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Risk-weighted assets*	**15,635**	**14,828**	5
Capital requirements for credit risk	1,138	1,079	5
Capital requirements for market risk	58	55	5
Capital requirements for operational risk	55	52	6
Capital requirements under the SolvV	1,251	1,186	5

The following overview shows the composition of regulatory capital for the Group in accordance with Sec. 10 in conjunction with Sec. 10a KWG.

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Paid-in capital	140	140	0
Contributions from silent partners	608	608	0
Other reserves	481	431	12
Special item for general banking risks pursuant to Sec. 340g HGB	330	310	6
Other components (intangible assets)	–3	–3	0
Core capital	**1,556**	**1,486**	5
Non-current subordinated liabilities	500	500	0
Sec. 340f KWG	50	49	2
Supplementary capital	**550**	**549**	0
Deduction from core and supplementary capital	253	37	–
Modified available equity	**1,853**	**1,999**	–7
Tier three capital	–	–	0
Eligible capital pursuant to Sec. 10 KWG	**1,853**	**1,999**	–7

Core capital (overall) for solvency purposes after the deductions of EUR 126m pursuant to the KWG amounts to EUR 1,430m.

	31 Dec 2009 (in %)	31 Dec 2008 (in %)	Change (in %)
Overall ratio according to Sec. 2 (6) SolvV	11.85	13.48	–12
Core capital ratio (before appropriation of profit)	9.15	9.90	–8
Core capital ratio (after appropriation of profit)	9.28	10.38	–11

(63) Foreign currency volume

The Bremer Landesbank Group reports the following assets and liabilities in foreign currencies as of 31 December 2009.

in EUR m	USD	GBP	JPY	Other	Total
Loans and advances to banks	76	2	7	68	153
Loans and advances to customers	3,359	39	298	315	4,011
Financial assets at fair value	204	1	16	17	238
Financial assets	5	0	0	18	23
Total assets	**3,644**	**42**	**321**	**418**	**4,425**
Liabilities to banks	647	368	0	62	1,077
Liabilities to customers	394	2	0	14	410
Securitized liabilities	0	0	38	61	99
Financial liabilities at fair value	168	126	8	21	323
Total liabilities	**1,209**	**496**	**46**	**158**	**1,909**

The open balance sheet items are matched by corresponding forward exchange contracts or currency swaps with matching maturities.

(64) Non-current assets and liabilities (realized in more than 12 months)

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Assets			
Loans and advances to banks	3,276	3,749	–13
Loans and advances to customers	17,318	16,881	3
Trading assets	847	665	27
Positive fair values from hedge accounting derivatives	208	91	–
Loans and receivables (LAR) financial assets	14	14	0
Available-for-sale (AFS) financial assets	5,598	5,683	–1
Investments accounted for using the equity method	81	88	–8
Total	**27,342**	**27,171**	**1**
Liabilities			
Liabilities to banks	6,935	6,586	5
Liabilities to customers	5,794	5,208	11
Securitized liabilities	7,451	6,662	12
Financial liabilities at fair value through profit or loss			
Trading liabilities	1,069	1,027	4
Securitized liabilities designated at fair value	0	2	–
Negative fair values from hedge accounting derivatives	34	21	62
Subordinated capital	878	1,152	–24
Total	**22,161**	**20,660**	**7**

(65) Contingent liabilities and other obligations

Contingent liabilities are obligations arising from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control.

This also includes current obligations arising from past events which are not recognized as liabilities because it is not probable that an outflow of resources will be required to settle these obligations or because the amount of the obligations cannot be measured with sufficient reliability.

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Contingent liabilities			
Guarantees	423	452	–6
Other obligations			
Irrevocable loan commitments	2.813	3.660	–23
Financial guarantees	989	1.304	–24
Total	**4.225**	**5.416**	**–22**

Of the total amount, EUR 1m (prior year: EUR 1m) relates to associates.

(66) Leases

The Bremer Landesbank Group is a lessor in connection with finance leases.

These leases covered movable assets (e.g., motor vehicles, machines and IT equipment) on the balance sheet date.

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Outstanding lease payments	15	18	–17
+ Guaranteed residual values	5	4	25
= Minimum lease payments	20	22	–9
+ Non-guaranteed residual values	–	–	0
= Gross investment	20	22	–9
- Unearned finance income	2	3	–33
= Net investment	18	19	–5
- Present value of non-guaranteed residual values	–	–	0
= Present value of minimum lease payments	18	19	–5

Minimum lease payments comprise the total lease payments due from the lessee under the lease plus the guaranteed residual value.

Unearned finance income is the interest implicit in the lease between the balance sheet date and the expiry of the lease.

The above average resale value of the financed capital goods allows greater scope for assuming credit risk. Nonetheless, credit risk is already limited by defining target customers, capital goods and contract configurations. However, the approval of Bremer Landesbank's corporate accounts manager who deals with the customer over a sustained period remains an important element of the loan decision.

With this approach, there was only an insignificant volume of defaults in the fiscal year, such that no accumulated allowances were recognized for uncollectible outstanding minimum lease payments.

Gross investments and present values of the minimum lease payments relating to non-cancelable finance leases break down as follows:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Gross investments			
Up to 1 year	6	6	0
More than 1 year and up to 5 years	13	15	–13
More than 5 years	1	1	0
Total	**20**	**22**	**–9**
Present value of minimum lease payments			
Up to 1 year	5	5	0
More than 1 year and up to 5 years	12	13	–8
More than 5 years	1	1	0
Total	**18**	**19**	**–5**

Agreements concluded by the Bremer Landesbank Group as an operating lessee are of little significance.

(67) Other financial obligations

The following significant other financial obligations exist:
As guarantors, Bremer Landesbank and the other partners of DekaBank Deutsche Girozentrale are jointly liable for the latter.
An obligation to contribute to M CAP Finance Deutsche Mezzanine Fonds Zweite GmbH & Co. KG, Leipzig, amounts to EUR 4m (prior year: EUR 13m).
Another obligation to make additional contributions and additional joint liability for other shareholders relating to Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, amounts to EUR 3m.
Contributions to the security reserve of the Landesbanken and girobanks were re-calculated on the basis of risk principles, resulting in obligations to make additional contributions of EUR 35m. These additional contributions can be called in when support is required.
In connection with the redemption of shares in FinanzIT GmbH, the withdrawing shareholders NORD/LB, Bremer Landesbank and Landesbank Saar have undertaken to cover the company's risks from the period up to their withdrawal jointly with the remaining FinanzIT shareholders provided these risks actually occur and are not covered by provisions already established.
Securities amounting to EUR 26m (prior year: EUR 32m) were deposited as collateral for transactions on forward markets.

(68) Subordinated assets

Assets are subordinated if they may only be settled after the claims of other creditors have been satisfied in the event of the debtor's liquidation or insolvency. The following subordinated assets are included in the balance sheet:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Loans and advances to banks	54	27	100
Loans and advances to customers	0	0	0
Financial assets	0	0	0
Total	**54**	**27**	**100**

(69) Trust activities

Trust activities break down as follows:

	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	Change (in %)
Trust assets	101	107	–6
Loans and advances to banks	45	51	–12
Financial assets	47	47	0
Other trust assets	9	9	0
Trust liabilities	**101**	**107**	**–6**
Liabilities to banks	45	51	–12
Other trust liabilities	56	56	0

(70) Events after the balance sheet date

The Management Board and Supervisory Board of Bremer Landesbank will propose to the Owners' Meeting of Bremer Landesbank to pay a dividend of EUR 28m (prior year: EUR 28m).

Companies and individuals linked to the Group

(71) Number of employees

The Group's average headcount in the fiscal year broke down as follows:

	Male 2009	Female 2009	Total 2009	Male 2008	Female 2008	Total 2008
Bremer Landesbank Anstalt des öffentlichen Rechts	477	478	955	468	460	928
Other	17	34	51	36	17	53
Group[1)]	**494**	**512**	**1.006**	**504**	**477**	**981**

[1)] The headcount of entities recognized as investments accounted for using the equity method was 247 in fiscal year 2008.

Breakdown of headcount by levels of authority:

	2009	2008
Management Board	4	4
Executives	98	85
Other	904	892
Total	**1,006**	**981**

(72) Related party relationships

Related party transactions are concluded at arm's length terms in the ordinary course of business. The volume of such transactions is shown below.

Related party transactions

The following transactions were conducted by Bremer Landesbank with related parties: NORD/LB is the direct and ultimate parent company of Bremer Landesbank.

31 Dec 2009 **in EUR k**	**Share-holders**	**Subsidiaries**	**Associates**	**Other related parties**
Outstanding loans and advances				
To banks	280,516	–	10,873	–
To customers	–	3,498	137,397	23,153
Other outstanding assets	–	–	–	–
Total assets	**280,516**	**3,498**	**148,270**	**23,153**
Outstanding liabilities				
To banks	299,644	–	5,835	
To customers	–	5,410	80,998	11,969
Other outstanding liabilities	–	–	–	–
Total liabilities	**299,644**	**5,410**	**86,833**	**11,969**
Guarantees received	36		4,787	–
Guarantees granted	3,908	27	–	–

1 Jan - 31 Dec 2009 **in EUR k**	**Share-holders**	**Subsidiaries**	**Associates**	**Other related parties**
Interest expenses	7,987	16	1,901	474
Interest income	8,293	173	6,961	0
Commission expenses		–	–	–
Commission income	0	–	170	–
Other expenses and income	–	–	–	–
Total contributions to profit and loss	**306**	**157**	**5,230**	**–474**

As of the balance sheet date, there were no impairment losses on loans and advances to associates (prior year: EUR 0m):

31 Dec 2008 in EUR k	Share- holders	Subsidiaries	Associates	Other related parties
Outstanding loans and advances				
To banks	539,679	–	7,439	–
To customers	–	–	145,367	38,688
Other outstanding assets	–	–	–	–
Total assets	**539,679**	**–**	**152,806**	**38,688**
Outstanding liabilities				
To banks	382,781	–	9,624	–
To customers	–	3,104	48,021	2,269
Other outstanding liabilities	–	–	–	–
Total liabilities	**382,781**	**3,104**	**57,645**	**2,269**
Guarantees received	112	–	5,158	–
Guarantees granted	15,934	27	–	–

1 Jan - 31 Dec 2008 in EUR k	Share- holders	Subsidiaries	Associates	Other related parties
Interest expenses	12,277	158	1,785	138
Interest income	13,602	0	5,947	–
Commission expenses	4,784	–	0	–
Commission income	0	–	2,684	–
Other expenses and income	–	–	–	–
Total contributions to profit and loss	**–3,459**	**–158**	**6,846**	**–138**

Transactions with affiliates

Call money and time deposits receivable

The following call money and time deposits were deposited within the respective utilization quotas:

	Number of transactions	Volume in EUR m
Call money		
Norddeutsche Landesbank	5	486

Loan receivables

PIKAN Verwaltung GmbH & Co. Vermietungs-KG

There is one loan of EUR 3m.

Syndicated loans

Norddeutsche Landesbank

NORD/LB participated with other syndicate partners in 124 long-term loans and ship loans granted by us, contributing a total volume of EUR 513m.

The Bank participated in seven syndicated loans under the lead management of NORD/LB, contributing EUR 39m.

Pass-through loans

Norddeutsche Landesbank (Landestreuhandstelle)

There are loans totaling EUR 43,832k.

Securities positions

Norddeutsche Landesbank

NORD/LB purchased securities of EUR 110m from Bremer Landesbank and sold securities of EUR 364m to Bremer Landesbank.

Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH

The Bremer Landesbank pension fund acquired Bremer Landesbank securities of a nominal value of EUR 1m and securities issued by third parties of a nominal value of EUR 15m. It redeemed Bremer Landesbank securities of EUR 8m and securities issued by third parties of a nominal value of EUR 11m.

Current account liabilities

The following average annual current account liabilities were calculated based on amounts at the end of each quarter:

Counterparty	Amount in EUR m
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH	2
Bremer Landesbank Consulting GmbH	1

	Number of transactions	Volume in EUR m
Call money		
Norddeutsche Landesbank	129	22,149
Norddeutsche Landesbank Luxembourg S.A.	20	2,330
BLB I Beteiligungs-GmbH	6	1
Time deposits		
Norddeutsche Landesbank	2	203
Schiffsbetriebs-Gesellschaft Bremen mbH	13	4
BLB I Beteiligungs-GmbH	3	3

Liabilities relating to borrowed funds, credits and loans

Norddeutsche Landesbank

There are six loan accounts totaling EUR 20m.

Öffentliche Versicherung Braunschweig

There is one loan of EUR 20m.

Guarantees

Norddeutsche Landesbank

NORD/LB has liability discharges dating back to prior years relating to various exposures of EUR 4m.

The Bank assumed liability discharges of EUR 44m in relation to NORD/LB. The Bank has also issued guarantees of EUR 36k on behalf of NORD/LB for the latter's customers.

Currency transactions

	Number of transactions	Currency	Volume in EUR m
Norddeutsche Landesbank			
Spot purchase:	188	EUR	13,999
Spot sale:	184	EUR	13,422
Forward purchase:	6	EUR	464
Forward sale:	13	EUR	1,085
Call money – loan:	18	USD	418
Call money – deposit:	43	USD	1,023
Norddeutsche Landesbank Luxembourg S.A.			
Spot purchase:	1	EUR	67
Spot sale:	1	EUR	67
Call money – loan:	57	USD	1,117
	2	CHF	45
	1	AUD	4
	1	NZD	2
	1	CAD	2
Call money – deposit:	78	USD	1,695
	5	CHF	61
	1	JPY	90

Derivative transactions

	Number of transactions	Currency	Volume in EUR m
Norddeutsche Landesbank			
Asset swap	4	EUR	175
	10	USD	304
Liability swap	8	EUR	257
	34	USD	453
Total	**56**		**1,189**

Other transactions

Norddeutsche Landesbank

In 2009, Bremer Landesbank paid allocated NORD/IT development costs of EUR 6m.

Bremer Landesbank reimbursed Norddeutsche Landesbank EUR 2k for costs of sharing a trade fair stand.

PIKAN Verwaltung GmbH & Co. Vermietungs-KG

In 2009, the Bank received interest of EUR 167k and repayments of EUR 198k on its shareholder loan.

Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH

Bremer Landesbank transferred EUR 1.5m to the pension fund's cover fund in 2009.

Relationships with other related parties

Remuneration of EUR 52k was paid to persons in key positions (for the management board and supervisory board of NORD/LB).

Please see the section "Remuneration of and loans to governing bodies" for overall remuneration and loans to the Management Board and Supervisory Board.

All transactions were concluded on arm's length terms in the ordinary course of business.

(73) List of mandates

Members of the Bremer Landesbank Group exercised the following mandates in accordance with Sec. 340a (4) No. 1 HGB as of 31 December 2009. Banks are considered to be large corporations for the purposes of this disclosure.

Members of the Management Board of Bremer Landesbank	Company
Dr. Stephan-Andreas Kaulvers	NORD Holding Unternehmensbeteiligungsgesellschaft mbH, Hanover DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen BREMER LAGERHAUS-GESELLSCHAFT – Aktiengesellschaft von 1877, Bremen GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen DekaBank Deutsche Girozentrale, Frankfurt am Main EWE Aktiengesellschaft, Oldenburg Norddeutsche Landesbank Luxembourg S.A., Luxembourg LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover
Fritz Lütke-Uhlenbrock (until 31 March 2009)	DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen (until 30 June 2009) SLOMAN NEPTUN Schiffahrts-Aktiengesellschaft, Bremen BREBAU GmbH, Bremen (until 20 April 2009) GSG OLDENBURG Bau- und Wohnungsgesellschaft, Oldenburg (until 31 March 2009)
Heinrich Engelken	BREBAU GmbH, Bremen (since 20 April 2009) GSG Oldenburg Bau- und Wohnungsgesellschaft, Oldenburg (since 1 April 2009)
Dr. Guido Brune	BREBAU GmbH, Bremen (since 20 April 2009) DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen (since 1 July 2009)
Employees of Bremer Landesbank	
Mathias Barghoorn	GSG OLDENBURG Bau- und Wohngesellschaft, Oldenburg Bremer Toto und Lotto GmbH, Bremen
Harald Groppel	GSG OLDENBURG Bau- und Wohngesellschaft, Oldenburg

(74) Remuneration of and loans to governing bodies

	Fiscal year 2009 in EUR m	Fiscal year 2008 in EUR m
Remuneration of active members of governing bodies		
Payments due in the short term	2	2
Payments due in the long term	2	6
Remuneration of former members of governing bodies and their dependants		
Post-employment benefits	2	2
Termination benefits	0	0

A total of EUR 3m (prior year: EUR 2m) was granted to members of governing bodies in advance payments, loans and contingent liabilities.

	2009 in EUR m	2008 in EUR m
Total remuneration of governing bodies		
Management Board	2	2
Supervisory Board	0	0
Advisory Board	0	0
Total remuneration of former members of governing bodies and their dependants		
Management Board	2	2
Supervisory Board	0	0
Advisory Board	0	0

Provisions for pensions to former members of governing bodies and their dependants amounted to EUR 18m (prior year: EUR 15m).

(75) **List of shareholdings** pursuant to Sec. 313 (2) and Sec. 340a (4) No. 2 HGB
List of companies and investment funds in the basis of consolidation

Company name and registered office	Shares (%) indirect	Shares (%) direct	Equity[1] in EUR k	Profit/ loss in EUR k
Companies included in the consolidated financial statements				
Subsidiaries				
BLB Immobilien GmbH, Bremen	–	100[2]	–	–
BLB Leasing GmbH, Oldenburg	–	100[2]	–	–
Bremische Grundstücks-GmbH, Bremen	–	100	–	–
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	90	10	–	–
Companies included in the consolidated financial statements using the equity method				
Associates				
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–	–	–
BREBAU GmbH, Bremen	30	–	–	–
DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen		16.50	–	–
GSG OLDENBURG Bau- und Wohngesellschaft mbH, Oldenburg	–	22.22	–	–
Investment funds				
Lazard-Sparkassen Rendite-Plus-Fonds, Frankfurt am Main	–	46.54	–	–
Companies not included in the consolidated financial statements				
BGG Oldenburg GmbH & Co, KG, Bremen	100	–	4,851[4]	483[4]
BLB Consulting GmbH, Bremen	100	–	1,918[4]	440[4]
BLBI Beteiligungs-GmbH, Bremen	100	–	22[4]	2[4]
Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen	–	49	[3]	[3]
Bremer Toto und Lotto GmbH, Bremen	–	33.33	4,105	575
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100	–	671[4]	885[4]
Bremische Grundstücks-GmbH & Co., Wohnanlagen Gross-Bonn, Bremen	100	–	100[4]	107[4]
Deutsch-Indonesische Tabak Handelsgesellschaft mbH & Co. Kommanditgesellschaft, Bremen	–	25	–)	3–
Deutsch-Indonesische Tabak Handelsgesellschaft mit beschränkter Haftung, Bremen	–	24.53	159	4
GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen	–	7.75	265,933	28,776
Gewobau Gesellschaft für Wohnungsbau Vechta mbH, Vechta	–	20.46	8,666	1,020
Öffentliche Versicherung Bremen, Bremen	–	20	5,410	60
PIKAN Verwaltung GmbH & Co, Vermietungs-KG, Munich	–	100	0	–18
Schiffsbetriebs-Gesellschaft Bremen mbH, Bremen	–	100	1,085	24
Stifterinstitut Bremen GmbH, Bremen	–	20	82	4
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen	–	100	40,672	3,563
WLO Wirtschaftsförderungsgesellschaft für den Landkreis Oldenburg mbH, Wildeshausen	–	23.84	41	0

Notes:
1) Equity as defined in Secs. 266 and 272 HGB; figures in parentheses denote unpaid contributions.
2) Domination and profit and loss transfer agreement concluded with the company.
3) No information provided in accordance with Sec. 286 (3) Sentence 2 HGB.
4) Figures are from the most recent, but as yet unapproved, financial statements for 2009.

Bremer Landesbank exercises a significant influence as defined in IAS 28.37 (d) over DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. although the Bremer Landesbank sub-group holds less than 20% of the voting rights. Bremer Landesbank appoints one or more supervisory board members of the aforementioned company and, together with NORD/LB, safeguards its interests in the supervisory bodies for the Group as a whole.

(76) Group auditor's fees

	Fiscal year 2009 in EUR m	Fiscal year 2008 in EUR m
The following fees were recognized as expenses in the fiscal year:	**0.8**	**1.2**
Audit	0.5	0.9
Audit-related services	0.3	0.3
Tax services	0	0
Other services	0	0

Audit fees include income of EUR 340k from the reversal of unused provisions

Bremen, 16 March 2010

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –
The Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Eckhard Fiene

7. Responsibility statement

We confirm that, to the best of our knowledge and in accordance with the applicable financial reporting framework, the consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group and that the group management report gives a true and fair view of the development of business, including the operating result and the state of the Group, and also describes the principal opportunities and risks relating to the expected future development of the Group.

Bremen, 16 March 2010

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –
The Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Eckhard Fiene

8. Audit opinion

“We have audited the consolidated financial statements prepared by Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, comprising the balance sheet, the income statement, the statement of comprehensive income, the cash flow statement and the notes to the consolidated financial statements (including the statement of changes in equity and segment report), together with the group management report for the fiscal year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the group 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 consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks relating to future development."

Hamburg, 19 March 2010
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frank Bühring	Lutz Meyer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

9. Supervisory Board report

The Bank's Management Board regularly informed the Supervisory Board and the General Working and Credit Committee set up by the Supervisory Board about the performance and situation of Bremer Landesbank AöR and the Bremer Landesbank Group. In the three meetings of the Supervisory Board and the five meetings of the General Working and Credit Committee, fundamental issues relating to business strategy and operations were discussed in detail. The bodies adopted resolutions on the transactions and other matters presented to them which, according to the statutes and the rules issued within the framework of the statutes, require a decision by these bodies.

The financial statements and the consolidated financial statements of Bremer Landesbank for fiscal year 2009 were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg. They comply with legal requirements. The auditors issued unqualified audit opinions on the financial statements and the consolidated financial statements. The auditors also attended the Supervisory Board's financial statements meeting on 9 April 2010 and reported on the results of the audit.

The Supervisory Board approved the results of the audit conducted by the auditors and did not raise any objections on the basis of its own review. In its meeting of 9 April 2010, the Supervisory Board approved the group management report and consolidated financial statements as of 31 December 2009, which have thus been endorsed.
The Supervisory Board approves the Management Board's proposal for the appropriation of Bremer Landesbank AöR's profit for the year. The Supervisory Board proposes to the Owners' Meeting that the Management Board be exonerated.

On 12 October 2009, longstanding Supervisory Board member Mr. Klaus Busch died at the age of 61. We came to know Mr. Busch as an amiable and dedicated man who devoted many years to furthering the interests of Bremer Landesbank and its employees. The members of the Bank's Supervisory Board extend their sincere condolences to his family and will always cherish his memory with the greatest respect. Ms. Annette Düring succeeds him on the Bremer Landesbank Supervisory Board.

The Supervisory Board would like to thank the Bank's Management Board for the constructive working relationship based on mutual trust and expresses its thanks for the work performed in 2009 by the Management Board and by all of the Bank's employees.

Bremen, 9 April 2010

The Chairman of the Supervisory Board

Mayoress Karoline Linnert

10. Owners' Meeting report

The Owners' Meeting convened three times during the reporting period in order to discharge its duties under the law and the Bank's statutes.

On 9 April 2010, it approved the proposal of the Supervisory Board on the appropriation of the profit for 2009 and exonerated the Management Board of the Bank. The owners likewise exonerated the Supervisory Board.

The Owners' Meeting was greatly saddened by the news of the death of the Supervisory Board member Mr. Klaus Busch. Our thoughts are with his family.

The Owners' Meeting wishes to thank the Supervisory Board, the Management Board and employees of the Bank for their work in 2009.

Bremen, 9 April 2010

Owners' Meeting

Dr. Gunter Dunkel

11. Corporate governance report

Declaration of compliance with the German Corporate Governance Code by Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

The German Corporate Governance Code was adopted in 2002 by a government commission appointed by the German Federal Ministry of Justice. The current version was last amended on 18 June 2009. The Code aims to make the rules for governing companies in Germany more transparent. It includes nationally and internationally recognized standards of good corporate governance, in particular in relation to the management and organization of a company, control mechanisms and the cooperation between the management board and supervisory board.

The Corporate Governance Code is designed for listed companies and is not therefore legally binding for banks incorporated under public law. However, together with its Management Board, Bremer Landesbank is particularly concerned with positioning itself as a reliable partner and fostering the confidence of investors, customers, employees and the general public through transparency. For this reason, the Bank has decided to voluntarily commit itself to observing the principles of the Code as far as is possible and appropriate for its legal form and ownership structure and disclose its corporate governance system.

General

Bremer Landesbank is a corporation under public law incorporated by the Free Hanseatic City of Bremen and the State of Lower Saxony. It is a public lending and *Pfandbrief* (covered bond) institution. Bremer Landesbank has its registered office in Bremen and has branches in Bremen and Oldenburg.

The Bank’s governing bodies are the Management Board, the Supervisory Board and the Owners’ Meeting. While the Management Board manages the Bank’s business, the Supervisory Board and its committees (General Working and Credit Committee, Audit Committee and Donations Committee) appoint, advise and monitor the Management Board. The Owners’ Meeting is responsible for making decisions on fundamental issues.

Management Board

The Management Board manages the Bank’s business in accordance with the legal requirements, the Bank’s statutes and the policies and principles adopted by the Supervisory Board and Owners’ Meeting for the Bank’s business and its own rules of procedure. It is bound by the Bank's interests and committed to increasing the Bank’s sustainable value.

In particular, the Management Board ensures that effective risk management systems are established to recognize any risks to the Bank’s ability to continue as a going concern at an early stage. The risk management system must conform to the respective regulatory requirements of the KWG and the German Federal Financial Authority [“Bundesanstalt für Finanzdienstleistungsaufsicht”: BaFin]. Moreover, the Bank’s risk management system must be compatible with the group-wide risk management and credit risk monitoring systems established by its parent and owner Norddeutsche Landesbank – Girozentrale –.

The Management Board is composed of the chairman, deputy chairman, if one has been appointed, and other members and deputy members. The chairman of the Management Board manages the allocation of functions in consultation with the other members of the Management Board. The Supervisory Board must be informed of the allocation of functions. Each member of the Management Board must be allocated at least one separate area of business for which he or she independently decides on matters in the ordinary course of business subject to the authority granted and can delegate his or her decision-making powers to employees. At the same time, a member of the Management Board must be appointed as a deputy. For specific transactions, the Management Board can transfer its decision-making authority to a member of the Management Board or allow the participation of a further member of the Management Board, generally the deputy.

The Management Board regularly meets once a week. The chairman of the Management Board can convene special meetings; he is obliged to convene a meeting if requested by a member of the Management Board, provided that the reasons are stated. Minutes are taken of the meetings if the Management Board regards this as necessary in the interests of proper management.

The Management Board discusses the Bank's strategy with the Supervisory Board and its committees and regularly reports on the status of strategy implementation. Based on its specific information and reporting duties, the Management Board also reports on significant matters of the Bank, especially regarding the intended business policy and other fundamental issues of corporate planning, the Bank's profitability and, in particular, equity, the course of business and the Bank's situation. In addition, it reports on transactions which may have a significant impact on profitability, the Bank's liquidity as well as its net assets, financial position and results of operations and on the Bank's risk situation and compensation systems. Moreover, the Management Board reports to the Supervisory Board immediately when there is good cause, particularly if risks are involved, and this is of special significance for the Bank's situation, and involves the Supervisory Board in fundamental decisions.

The remuneration of members of the Management Board is determined by the General Working and Credit Committee set up by the Supervisory Board. The remuneration comprises fixed and variable components and is reviewed on a regular basis.

Supervisory Board

The Supervisory Board advises the Management Board and monitors its management. It decides on the appointment and removal of members of the Management Board, the general policies for the Bank's operations, the corporate planning proposal made to the Owners' Meeting, the rules of procedure for the Management Board, policies governing the employment for staff, the appointment and engagement of the auditor, the approval of the financial statements, the acquisition and sale of equity investments within the meaning of Sec. 271 HGB, as well as the establishment and dissolution of branches. The Supervisory Board may determine that further transactions and measures which are of particular significance for the Bank require its approval.

The Supervisory Board has 18 members, including 12 owner representatives and 6 employee representatives, who are directly elected by the Bank's employees in accordance with the provisions of the Bremen Staff Representation Act. The term of office is four years. The Finance Senator of the Free Hanseatic City of Bremen is the chairman of the Supervisory Board. Every two years, the deputy chair alternates between the Lower Saxony Finance Minister and the chairman of the Lower Saxony Saving and Giro Bank Association (DSGV).

The General Working and Credit Committee, the Audit Committee and the Donations Committee were formed to support the Supervisory Board.

The General Working and Credit Committee has eight members. It is chaired by the chairman of the management board of Norddeutsche Landesbank – Girozentrale –. The Committee includes another three members for Norddeutsche Landesbank – Girozentrale –, the Finance Senator of the Free Hanseatic City of Bremen and three employee representatives. In regular meetings, the General Working and Credit Committee monitors, in particular, the Management Board’s ongoing management in accordance with the Supervisory Board's instructions and prepares the Supervisory Board meetings. The General Working and Credit Committee is also responsible for specifying the employment conditions for the Management Board.

The Audit Committee comprises three to four members and, in each case, at least one representative of the owners, one of the Bank’s employees who sits on the Supervisory Board and is elected by the Supervisory Board on the employee representatives’ nomination and up to two further members to be elected by the Supervisory Board. At least one member of the Audit Committee must be independent and have specialist knowledge of accounting or auditing. The Audit Committee reports to the Supervisory Board on the findings of the audit of the financial statements on the basis of the auditors’ reports. The Audit Committee is also responsible for monitoring the financial reporting process and the effectiveness of the internal control system, the internal audit system and the risk management system, monitoring the audit of the annual and the consolidated financial statements, reviewing and monitoring auditor independence and the additional services provided to the Bank by the auditors.

The Donations Committee comprises the chairman of the Supervisory Board, a member elected from within the Supervisory Board from the business area of the Bank as well as a member nominated by the chairman of General Working and Credit Committee. It advises the Management Board on the Bank's sponsorship through donations within the scope assigned to it by the Owner’s Meeting.

Owners’ Meeting

The owners of Bremer Landesbank are NORD/LB Norddeutsche Landesbank – Girozentrale (92.5%) and the Federal State of Bremen (7.5%). Each owner may appoint up to three representatives to the Owners’ Meeting. Voting rights are in proportion to the owners’ shares in capital. The representatives of each owner may only cast block votes.

The Owners’ Meeting decides on the general principles of business policy, changes to the statutes, the amount and changes to share capital, changes in ownership, the raising and setting of the amount and conditions of other liable equity, the conclusion, amendment and termination of profit and loss transfer and domination agreements, the exoneration of the Management Board, approval for branches, the corporate planning for the following fiscal year and the multiple-year forecast, the determination of remuneration for members of the Supervisory Board, committees and advisory boards as well as all other matters which are assigned to the Owners’ Meeting by the statutes.

Conflicts of interests

The members of the Management Board are bound by a comprehensive non-compete agreement during their work for the Bank.

The members of the Supervisory Board have the function of advising and monitoring the Management Board. Members of the Supervisory Board are not bound by orders or instructions.

Members of governing bodies and employees may not demand or accept any inducements or other benefits from third parties for themselves or others or grant any unjustified advantages to third parties in connection with their work. Moreover, no member of a governing body may pursue personal interests in his/her decisions or use any business opportunities open to the Company for themselves. Potential conflicts of interests must be reported to the Supervisory Board immediately.

All transactions between the Company on the one hand and the Management Board, the Supervisory Board and its committees, related parties or enterprises in which the member has personal interests on the other hand must be conducted on arm's length terms.

The assumption of sideline activities, in particular membership of governing bodies or advisory boards of other companies, requires the approval of the entire Management Board. The Management Board regularly informs the Supervisory Board of the sideline activities of its members.

Consultant agreements and other service and work agreements of a member of the Supervisory Board require the Supervisory Board's approval.

The members of the Management Board must apply the diligence of a prudent and conscientious manager in their management activities. If members of the Management Board are in breach of their duties, they must compensate the Bank for the resulting loss. This applies accordingly to the due diligence and responsibility of members of the Supervisory Board.

12. Facts and figures

Established
26 April 1983

Predecessor institutions:
Staatliche Kreditanstalt
Oldenburg-Bremen (founded 1883)
Bremer Landesbank (founded 1933)

Legal basis
State treaty concluded between the Free Hanseatic City of Bremen and Lower Saxony
as amended on 17 May 2002
Statutes dated 1 May 1983
(last amended on 26 November 2008, with effect as of 1 January 2009)

Functions
Commercial bank
Landesbank
Central savings bank

Legal form
Corporation under
public law

Owners
NORD/LB Norddeutsche Landesbank Girozentrale (NORD/LB) (92.5%)
Free Hanseatic City of Bremen (7.5%)

Governing bodies
Management Board
Supervisory Board
Owners' Meeting

Registered office
Bremen

Branches
Bremen
Oldenburg

Memberships
Deutscher Sparkassen- und Giroverband e.V.
Bundesverband öffentlicher Banken e.V.
Hanseatischer Sparkassen- und Giroverband

May also be used by **customers of Bremer Landesbank** and its associated savings banks:

NORD/LB
Subsidiaries, equity investments branches and representative offices:

Bank DnB NORD, Helsinki, Finland
Bank DnB NORD A/S, Copenhagen, Denmark
NORD/LB Project Holding Ltd., London, UK
Norddeutsche Landesbank Girozentrale – London Branch, London, UK
NORD/LB Norddeutsche Landesbank Luxembourg S.A., Luxembourg
NORD/LB COVERED FINANCE BANK, Luxembourg
NORD/LB Moskau, Moscow, Russia
NORD/LB Norddeutsche Landesbank – Representative Office, Mumbai, India
Norddeutsche Landesbank Girozentrale – New York Branch, New York, USA
NORD/LB Paris, Paris, France
NORD/LB Beijing, Beijing, China
DnB NORD Banka AG, Riga, Latvia
Norddeutsche Landesbank Girozentrale – Shanghai Branch, Shanghai, China
Norddeutsche Landesbank Girozentrale – Singapore Branch, Singapore
DnB NORD Bank, Tallin, Estonia
AB DnB NORD Bankas, Vilnius, Lithuania
Bank DnB NORD Polska AG S.A., Warsaw, Poland
SKANDIFINANZ BANK AG, Zurich, Switzerland

Bremer Landesbank governing bodies

Management Board

Dr. Stephan-Andreas Kaulvers
Chairman

Fritz Lütke-Uhlenbrock
(until 31 March 2009)
(Deputy Chairman)

Dr. Guido Brune

Heinrich Engelken
(Deputy Chairman since 1 April 2009)

Eckhard Fiene
(since 1 April 2009)

General manager

Eckhard Fiene
(until 31 March 2009)

Allocation of functions within the Management Board

Dr. Stephan-Andreas Kaulvers
Bank Management:
Integrated Bank Management
Communication and Marketing
Personnel Management
Internal Audit
Management Board Staff Department

Heinrich Engelken
Risk Control:
Back Office Financing
Compliance
Anti-Money Laundering
Risk Control
Corporate Service

Dr. Guido Brune
Sales:
Corporate Customers
Special Finance
Organization/IT
BLB Leasing GmbH
BLB Immobilien GmbH

Eckhard Fiene
Sales:
Financial Markets
Private Customers

Members of the Supervisory Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

Karoline Linnert (Chairwoman)
Mayoress
Finance Senator of the
Free Hanseatic City of Bremen

Hermann Bröring
District Administrator of the Emsland
District, Meppen

Dr. Claas Brons
Y. & B. Brons General Manager
Emden

Dr. Wolfgang Däubler (retired professor)
German and European labor law,
civil law and commercial law
Bremen University

Klaus Busch (until 12 October 2009)
Deputy General Manager of the
ver.di trade union
State of Bremen region

Annette Düring (since 12 October 2009)
Chairman of the German Trade Union
Association for the Bremen/Elbe-Weser region

Dr. Gunter Dunkel
Chairman of the Management Board of
NORD/LB Norddeutsche Landesbank
Girozentrale

Heinz Feldmann
Chairman of the Management Board of
Sparkasse Leer/Wittmund**Lars-Peer Finke**
Qualified banker
Bremer Landesbank

Thomas Mang (Deputy Chairman)
President of the Association of Savings
Banks Lower Saxony

Martin Grapentin
Chairman of the Management Board of
Landessparkasse zu Oldenburg

Elke Heinig
Qualified banker
Bremer Landesbank

Cora Hermenau
State Secretary of the
Lower Saxony Ministry of Finance

Andreas Klarmann
Qualified banker
Bremer Landesbank

Hartmut Möllring
Lower Saxony Minister of Finance

Dr. Johannes-Jörg Riegler
Member of the Management Board of
NORD/LB Norddeutsche Landesbank Gi-
rozentrale

Jürgen Scheller
Qualified banker
Bremer Landesbank

Lutz Stratmann
Lower Saxony Minister of
Science and Culture

Doris Wesjohann
Member of the Management Board of
Lohmann & Co. AG, Visbek

Members of the Owners' Meeting of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

For Norddeutsche Landesbank Girozentrale

Dr. Gunter Dunkel
Chairman of the Management Board
Norddeutsche Landesbank
Girozentrale

Thomas Mang
President of the Association of Savings Banks Lower Saxony, Hanover

Hartmut Möllring
Lower Saxony Finance Minister

For the Free Hanseatic City of Bremen

Mayoress Karoline Linnert
Finance Senator of the
Free Hanseatic City of Bremen

Jan Pörksen
Director of the Senate for the Finance Senator of the
Free Hanseatic City of Bremen

Bernhard Günthert
Senate Councilor to the Finance Senator of the
Free Hanseatic City of Bremen

Members of the Advisory Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

Mayoress Karoline Linnert
(Chairwoman)
Finance Senator of the
Free Hanseatic City of Bremen

Thomas Mang
(Deputy Chairman)
President of the Association of Savings Banks Lower Saxony

Detthold Aden
Chairman of the Management Board of BLG Logistics Group AG & Co. KG

Sven Ambrosy
District Administrator of the Friesland District

Kai-Uwe Bielefeld
District Administrator of the Cuxhaven District

Rolf Brandstrup
Chairman of the Management Board of Sparkasse Wilhelmshaven

Claus Brüggemann
Chairman of the Management Board of Städtische Sparkasse Bremerhaven

Leenert Cornelius
Ovelgönne

Günter Distelrath
Director of the Association of
Savings Banks Lower Saxony

Hans Eveslage
District Administrator of the Cloppenburg District

Dr. Matthias Fonger
General Manager and
Chief Counsel of the
Bremen Chamber of Commerce

Ralf Finke
Chairman of the Management Board of Diepholz County Kreissparkasse

Dr. Karl F. Harms
President of the Oldenburg
Chamber of Commerce and Industry

Dr. Peter Hasskamp
Attorney

Dr. Hans Peter Kolzen
President of the Stade Chamber of Commerce and Industry for the Elbe-Weser Region

Wolfgang Lamot
Chairman of the Management Board of Sparkasse Rotenburg-Bremervörde

Horst-Günter Lucke
President of the Oldenburg Landschaft Association

Bernd Meerpohl
Member of the Management Board of Big Dutchman Aktiengesellschaft, Vechta

Dieter Mützelburg
Senate Councilor to the Finance Senator, Bremen

Dr. Götz Pätzold
Chairman of the Management Board of Kreissparkasse Wesermünde-Hadeln

Thomas Schneider
Assistant Secretary at the Lower Saxony Ministry of Finance

Friedrich Scholten
President of the Chamber of Agriculture Lower Saxony

Henning Schultz
District Administrator of the Wittmund District

Dietmar Schütz
President of the German Federal Association for Renewable Energies

Prof. Dr. Gerd Schwandner
First Mayor of the City of Oldenburg

Dr. Carl-Ulfert Stegmann
Norden

Gerd Stötzel
District Administrator of the Diepholz District

Michael Teiser
Mayor and Municipal Treasurer of the City of Bremerhaven

Bernd Wagemann
Chairman of the Management Board of Kreissparkasse Syke

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

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Tel.: 0049 441 237-01, Fax: 0049 441 237-1333

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