BREMER LANDESBANK

2010 reports and financial statements

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Bremer Landesbank management report

1. Business and general conditions

Economic situation and financial markets

The economic recovery, which kicked in in the second quarter of 2009, continued worldwide in 2010. In spite of the ongoing financial crisis, the global economy grew at a rate of 4.8%, according to the International Monetary Fund (IMF), while world trade was up 11.5%.

However, growth was spread unevenly. The average increase in gross domestic product (GDP) of 2.2% witnessed in the industrial nations was outpaced by 7.1% growth in the emerging economies.

China took on a leading role, expanding by 10.3% in 2010 despite numerous restrictive measures by its central bank. With growth of just under 9%, India took a top place in Asia. In South America, Brazil was a frontrunner, with its GDP up some 8%.

Germany put in a positive performance in Europe, its output expanding by 3.6%. The picture in the United States was less positive: the 2.5% rise in GDP was driven by new national borrowing in excess of 10% of GDP and extremely loose Federal Reserve interest rate and monetary policies. Structural reforms, such as those adopted in the eurozone, were still not on the agenda in the US.

In the course of 2010, the sovereign debt crises in Greece, Ireland, Spain and Portugal were a prominent side-effect of the ongoing global financial crisis. In response to aggressive speculation against the eurozone's deficit-ridden countries, political representatives of the eurozone and the IMF were forced to initiate a bailout scheme with a volume of EUR 750b (EFSF) in May 2010. The European Central Bank (ECB) decided to buy up government bonds issued by high-deficit countries in order to put a stop to their speculative pricing with negative systemic consequences. It has currently purchased EUR 76.5b worth of bonds. The ECB "sterilizes" the liquidity effects caused by its bond purchases.

The reforms underway in the European deficit nations were radical and effective, exceeding their goals as early as 2010. Greece slashed its new borrowing by 36.5% compared with 2009. Portugal undercut its deficit target, forecast at 7.3% of GDP. According to the IMF, Spain also surpassed the defined targets by the EU.

The consequences of the European deficit crisis were largely contained within the countries concerned. Overall, risk aversion subsided worldwide in light of the surprisingly buoyant global economy. Equity markets in the industrial nationals were up and down, but climbed overall. Some commodity prices rose considerably. Rising inflation led to appreciable increases in returns on the capital markets in the second half of 2010. However, the central banks in the major industrial nations – the US, the eurozone and Japan – did not raise their low base rates.

After a faltering start due to the harsh winter conditions early in 2010, the German economic recovery took off, fueled by the high proportion of manufacturing and processing industry in the economy as a whole compared with other industrial countries. Exports climbed by 14.2% in 2010, while investment activity in Germany grew by 9.4%. Construction expenditure was up 2.8%, and, to the great surprise of experts, even private spending rose (by 0.5%) on the back of a substantial improvement in the labor market. In 2010, unemployment fell from 8.1% to 7.5%, its lowest level since 1992. The economy was unaffected by the end of the economic stimulus programs in 2010.

At the end of 2010, the German IFO Business Climate Index, an early indicator of the economic trend, stood at an all-time high of 109.8 points, closing the year 2010 with another bright economic outlook.

The region

The Bremen Chamber of Commerce and the Bremerhaven Chamber of Industry and Commerce were pleased with 2010. The upturn gained in depth and reach, but, in contrast to other *Länder*, there was no notable change in the employment situation.

In the course of the year, companies' business outlook improved all round, with nearly one in two companies expecting business to pick up. Apart from the export sector, the service industry, including transportation and logistics, as well as the credit sector, were particularly optimistic. Industry confidence was widespread. Between January and November 2010, order intake was up 24.1% year on year. Retail and construction were less enthusiastic, especially the construction sector being impacted by the end of the economic stimulus programs. The tourism sector was robust in 2010.

The upturn in the Oldenburg region became firmer and more widely entrenched in 2010. The Chamber of Industry and Commerce Climate Index, which measures the current mood and the outlook, climbed in the fourth quarter of 2010 from 124.4 to 136.3 points, its highest ever score. Industry, construction, transportation, services and trade are all very satisfied with the current situation. Business in the run-up to Christmas 2010 was a highlight for retailers. Revenue in the food industry, the strongest sector in the Oldenburg region, rose significantly in the first half of 2010 compared with the equivalent prior-year period, up 9.3% to EUR 3.7b.

The economy in the East Frisia and Papenburg districts looks back on an excellent year. The economic climate indicator mapping the situation and expectations of businesses notched up 124 of a maximum 200 points, its second highest figure within the last 10 years. Two years ago, in the midst of the economic crisis, the indicator stood at only 69 points. Companies' willingness to invest remains stable: more than one third anticipate an increase in capital expenditure, while only one in 10 are expecting lower investments. Businesses' expectations are having a positive impact on the labor market. The number of businesses expecting to expand their workforce rose by the end of the year.

Bremer Landesbank

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 700 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 strictly follow its business model of operating as a regional bank with specialty operations on an international level while maintaining its function as a *Landesbank* and central savings bank.

Continued customer-driven revenue growth, stringent cost management and consistent risk management are all helping Bremer Landesbank to strengthen its capital base year after year.

Its capital market competence and local decision-making authority set Bremer Landesbank apart from the regional competition. Its success as a regional bank and a public-sector *Landesbank* show that the Bank is following the right strategy and is successfully positioned.

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.

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:

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

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

Administrative expenses comprise personnel expenses, other administrative expenses and depreciation and amortization of property and equipment and intangible assets. Operating income includes interest and service income and net income from trading book positions.

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:

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

Committed core capital is defined as 7% of risk-weighted assets.

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 the 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 fall. 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

On the whole, operating income at Bremer Landesbank again developed well during the past year. The main source of income – net interest income – increased strongly yet again, driven by business with customers. Net commission income recovered from the crisis-induced decline in the prior year and is now rising. Net income from trading book positions was slightly lower than in the prior year, but the two figures are not comparable because the provisions of the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act] were applied for the first time in the fiscal year.

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. Fortunately, the negative impact of the financial market crisis did not affect the Bank's risk provisions as much as had been feared. Bremer Landesbank's stringent risk management thus proved its worth. No impairments had to be recognized on the Bank's own securities in the fiscal year.

General and administrative expenses rose as expected in 2010. While expenses for wages and salaries increased slightly in line with the rise in headcount, the increase in IT costs and the project to migrate to Finanz Informatik systems were responsible for the anticipated increase in other administrative expenses.

Another of Bremer Landesbank's strategic goals is to cooperate more closely with associated banks. Based on the cooperation agreement (*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 profit for fiscal year 2010 will enable Bremer Landesbank to both further strengthen its liable capital and make a reasonable dividend payment to its owners. As before, Bremer Landesbank does not require any government aid.

Below we report on the business performance of Bremer Landesbank in 2010.

2. Results of operations

On the whole, the Bank's results of operations were again encouraging in 2010.

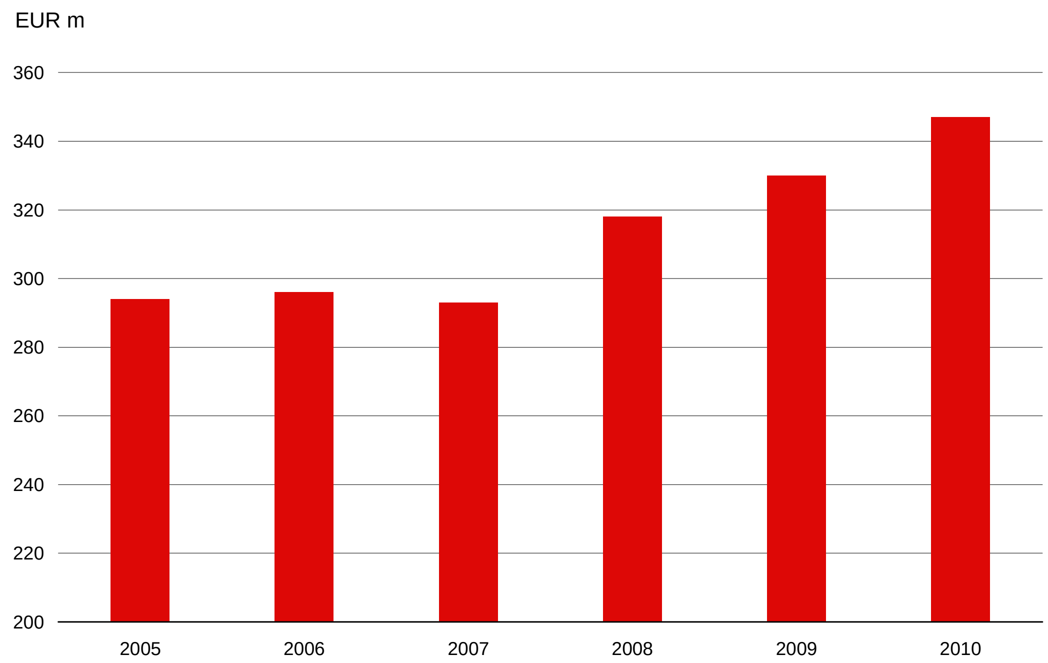
Net interest income

For the Bank, net interest income is the balance of interest income and interest expense, including current income from investment securities, equity investments and shares in affiliates, as well as income from profit transfer agreements.

Net interest income rose 5.2% from EUR 330.2m to EUR 347.2m. It did not decrease as forecast thanks to the speedy recovery of the German economy. The Special Finance segment was once again one of the main drivers of customer business, as was business transacted with regional corporate customers. The burden on net interest income from maintaining adequate liquidity was reduced significantly.

In the years to come, the Bank forecasts a steady, high level of net interest income.

Net interest income



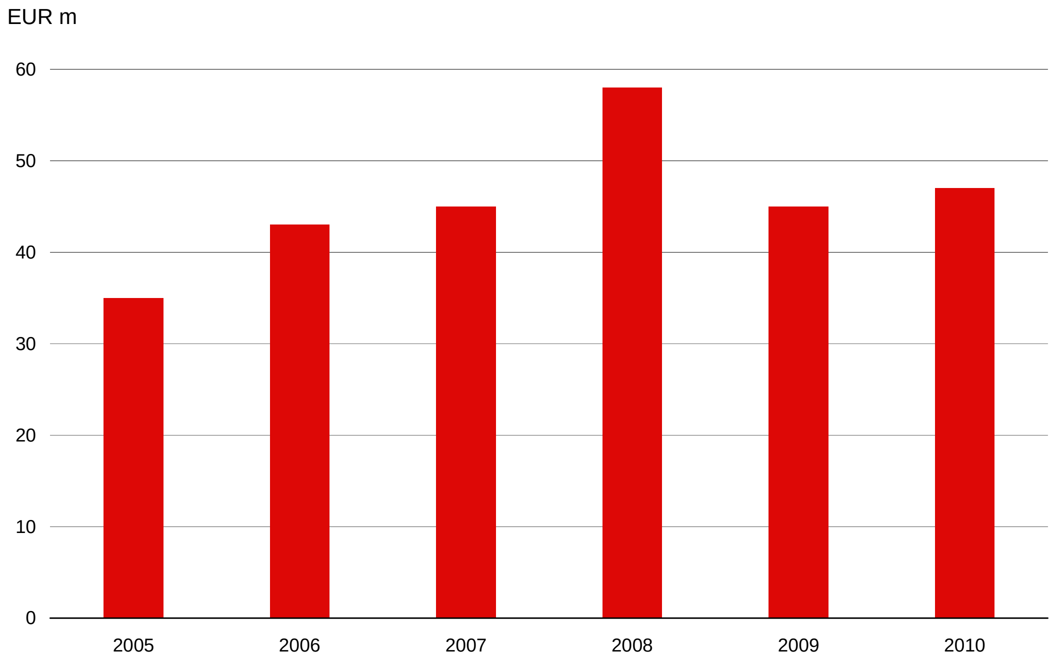
Net commission income

Net commission income rose from EUR 44.6m to EUR 47.0m and is hence approximately 5.4% higher than last year's low, crisis-induced figure. The forecast stabilization was thus achieved.

While certain types of commission from lending business, including one-time fees for ship finance and guarantee commissions, were still declining in the wake of the economic crisis, fees for designing finance arrangements for renewable energies improved significantly on the prior year. Securities business, international payment transactions and brokerage commissions also rose. Other earnings contributions, such as income from payment and direct debit transactions and the sale of foreign notes and coins or precious metals were relatively stable.

In 2011 and 2012, it should be possible to maintain net commission income at the level reached in 2010.

Net commission income



Net income from trading book positions

The net income from trading book positions of EUR 19.8m for 2010 is not directly comparable with the prior-year figure of EUR 23.4m.

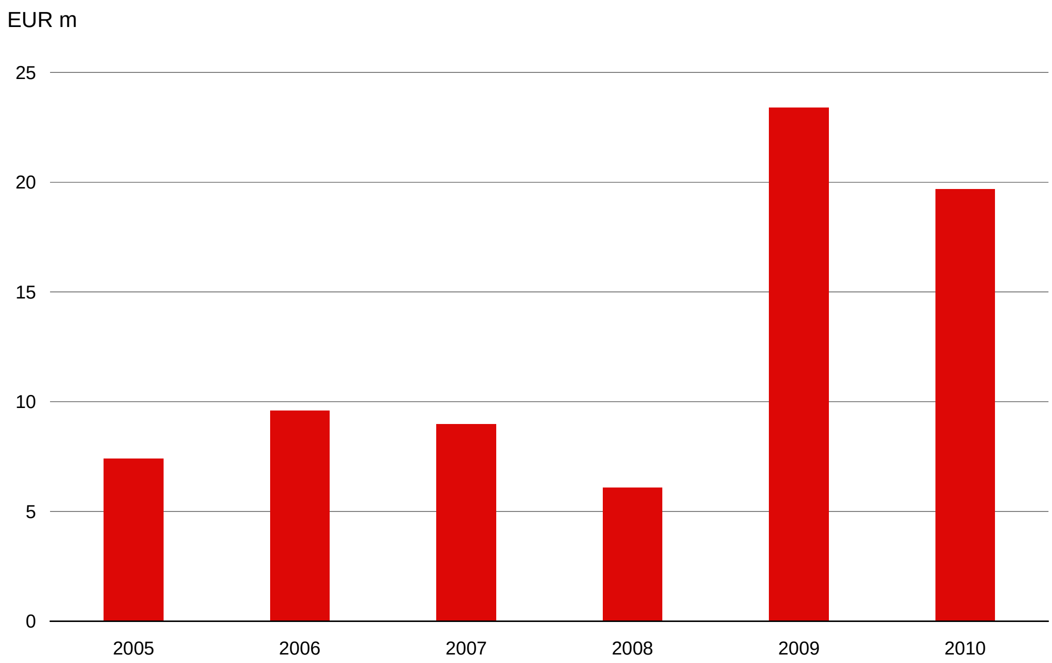
The BilMoG introduced fair value accounting for banks' trading book positions. In order to reduce the associated volatilities and avoid distributions of unrealized gains from the measurement of trading book positions, fair value accounting was combined with a risk adjustment (upward or downward) and a safety margin that is barred from distribution. Effects from the conversion to fair value accounting are presented in the Bank's extraordinary result alongside other conversion effects.

The acute crisis on the financial and capital markets has eased further, but the uncertainty surrounding the financing of the exorbitantly high sovereign debt of a number of countries led to sharp swings on the markets. Bremer Landesbank was again able to exploit the fluctuations on the money and capital markets to its benefit in the fiscal year. In spite of the risk adjustment and safety margin, net income from trading book positions is therefore clearly positive.

The marginal loss and current profit from trading book positions almost offset each other, whereas the net valuation effect from foreign exchange and interest rate derivatives is clearly positive.

The introduction of fair value accounting for banks' trading book positions under the BilMoG will tend to increase the volatility of net income from trading book positions. Nevertheless, the outlook for successful dealing on the financial markets in 2011 and 2012 is good.

Net income from trading book positions



Other operating income/expenses (net)

Other operating income/expenses (net) of approximately EUR 0.5m is not comparable with the 2009 figure of EUR 5.9m due to the conversion to the BilMoG and other special factors.

Other operating expenses amount to EUR 16.7m (prior year: EUR 3.1m). Interest rate effects of some EUR 12.8m in the pension provisions are now reported in this item. Interest rate effects from other personnel and other provisions of EUR 1.5m are also now stated under other operating expenses.

Other operating income rose from EUR 9.0m to EUR 17.2m and includes income of EUR 7.2m from the sale of canceled, impaired debt securities from Icelandic banks. Impairment losses of approximately EUR 3.9m were reversed for the rest of these securities. Further changes are due to the reversal of personnel-related provisions.

Administrative expenses

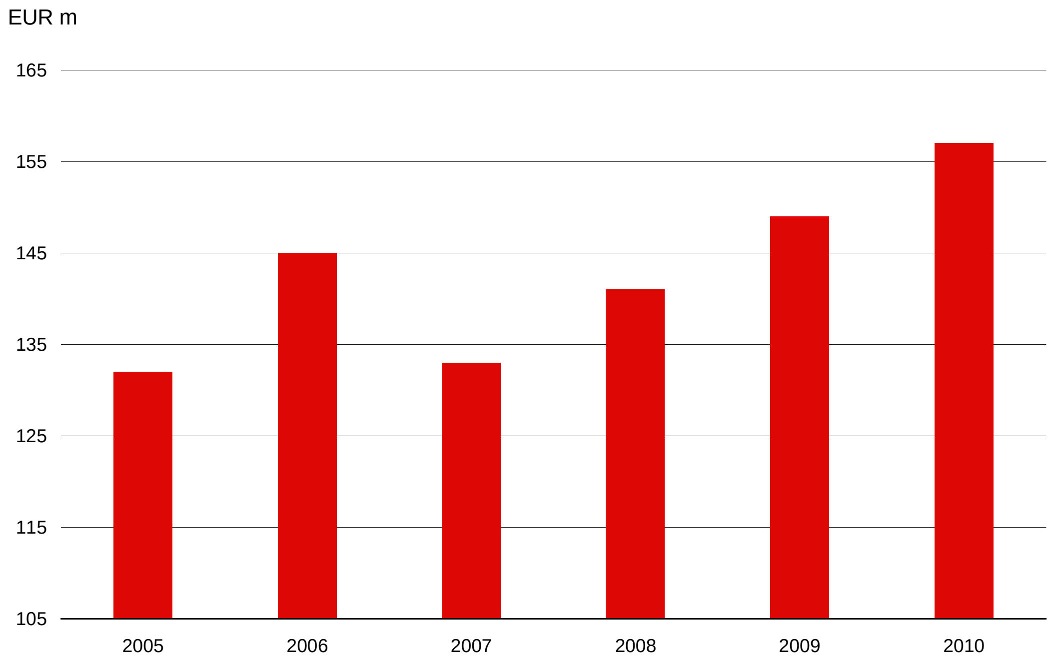
General and administrative expenses rose by EUR 8.5m, or 5.7%, from EUR 148.9m to EUR 157.4m.

While expenses for wages, salaries and social security increased as forecast in line with collective wage agreements and a scheduled increase in headcount, pension and benefit costs decreased significantly due to a change in accounting policy. Interest rate effects of some EUR 12.8m in the pension provisions are now reported in other operating expenses. Higher social security and benefit costs were offset by a decrease, for tax reasons, in the allocation to the pension fund. Overall, personnel expenses are within budget.

Other administrative expenses rose again, by around EUR 8.9m, or 15.6%. While building costs decreased moderately, the expenses for information technology and consulting services rose again, as scheduled. The main reasons for this increase are project expenses for the forthcoming migration to Finanz Informatik systems in 2011 and management projects initiated to comply with legal or regulatory changes. On the whole, other administrative expenses were nevertheless just below budget.

Personnel expenses will increase slightly in 2011. Other administrative expenses are expected to increase again in 2011, due to migration costs, but will consolidate from 2012 onward.

Administrative expenses



Amortization, depreciation and impairment

Amortization, depreciation and impairment of intangible assets and property and equipment increased by EUR 0.1m to EUR 4.0m.

The net valuation effect in the lending and securities business and from Bremer Landesbank's equity investments led to a net expense of EUR 15.5m. This figure is not comparable with the net expense of EUR 128.4m reported in 2009 for the following reasons:

In 2010, the Bank reclassified hidden reserves pursuant to Sec. 340f HGB ["Handelsgesetz-buch": German Commercial Code] to the fund for general banking risks pursuant to Sec. 340g HGB in order to enhance regulatory core capital. There were no such reclassifications in 2009.

Fortunately, the negative impact of the financial market crisis did not affect the Bank's risk provisions as much as had been feared. Expenses for risk provisions relating to customer business – especially in ship finance – were below budget. Bremer Landesbank's stringent risk management thus once again proved its worth.

No significant impairments had to be recognized on the Bank's own securities in the fiscal year, gains were realized on the sale of an inflation-linked bond.

Disposals of small-scale equity investments did not have any appreciable effect in the fiscal year (prior year: -EUR 0.7m). However, the carrying amounts of equity investments had to be adjusted upward by a total of EUR 9.3m (prior year: down EUR 5.5m).

The level of risk provisions in 2011 and 2012 is expected to remain shaped by the gradually lessening impact of the financial market crisis on the real economy.

Fund for general banking risks

In 2010, the Bank allocated EUR 110.0m to the fund for general banking risks pursuant to Sec. 340g HGB (prior year: EUR 0.0m), which is part of the regulatory core capital.

Additionally, in accordance with the BilMoG, 10% of the net income from trading book positions (EUR 2.2m) was allocated for the first time to a separate sub-item which is barred from distribution in accordance with Sec. 340g HGB.

Profit/loss from ordinary activities

The profit from ordinary activities in 2010 is EUR 127.7m, compared with EUR 122.9m in the prior year, representing an increase of 3.9%.

Extraordinary result

The net expense from the first-time application of the BilMoG amounts to some EUR 4.6m. The conversion to fair value accounting of trading book positions generated income of EUR 2.1m. This was offset by conversion effects on the expense side of EUR 6.7m from discounting and application of standard parameters under international accounting standards for the valuation of pension and other personnel-related provisions.

Tax expense

Bremer Landesbank's tax expense was EUR 1.6m higher than in the prior year, rising to EUR 39.5m, which reflects the increase in taxable income.

Interest expense for silent participations

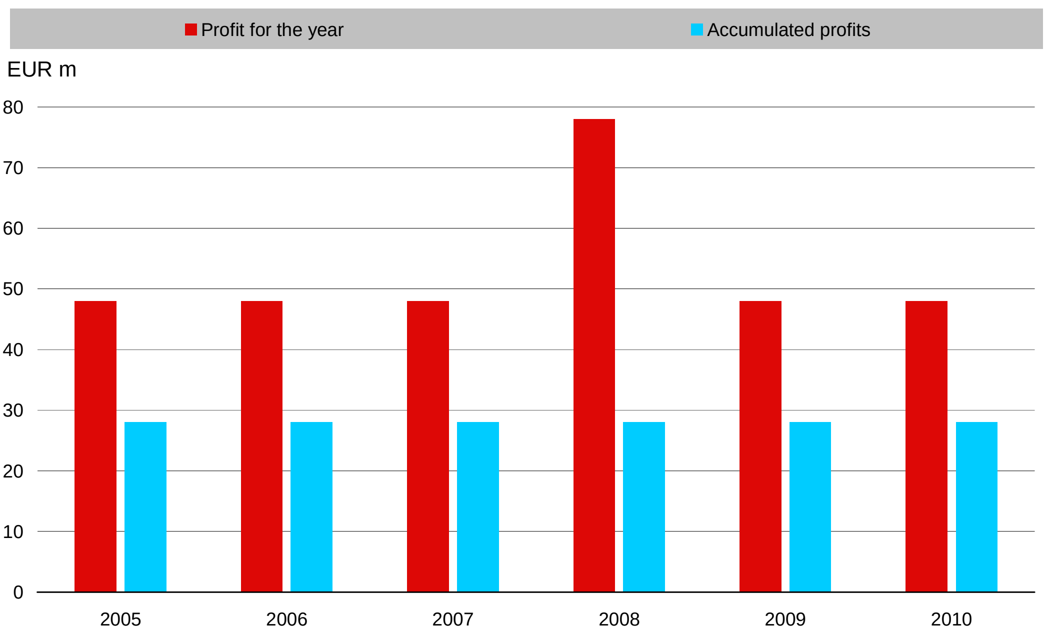
Interest expense for silent participations comes to EUR 35.6m, compared with EUR 37.0m in the prior year. The decrease is due to changes in terms and conditions.

Profit for the year and appropriation of profit

The Bank's profit for the year is unchanged at EUR 48.0m. As before EUR 20m is earmarked for allocation to retained earnings. Accumulated profits of EUR 28.0m earmarked for distribution to the Bank's owners thus remain at the same level as in the prior year, equivalent to a return of 20.0% on share capital.

The Bank expects profit to remain steady or rise in 2011 and 2012. It also expects that it will have the opportunity to strengthen its capital base and pay a reasonable dividend.

Profit for the year and accumulated profits

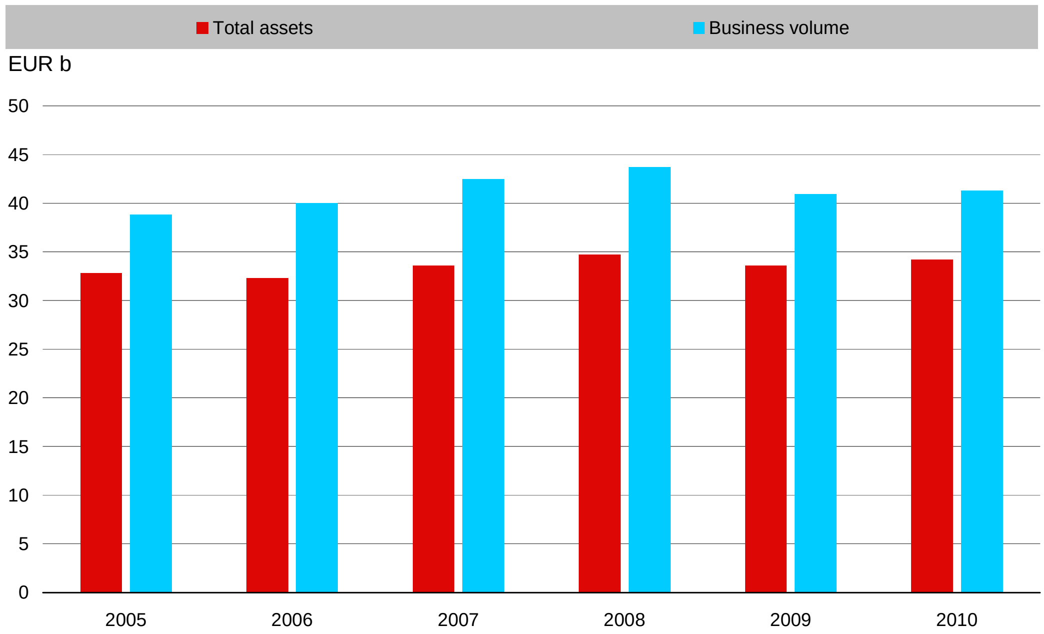


3. Net assets and financial position

Total assets and business volume

As in prior years, the Bank focused on transacting high-yield business. As the liquidity crisis eased, interbank business returned to normal. Overall, total assets increased by 2.0% to EUR 34.2b (prior year: EUR 33.6b). Business volume increased by EUR 0.4b, or 1.0%, to EUR 41.3b.

Total assets and business volume



Loans and advances to banks

In connection with the normalization of interbank business in fiscal year 2010, loans and advances to banks were expanded by EUR 0.7b to EUR 5.5b, especially those payable on demand.

Loans and advances to customers

Loans and advances to customers increased – thanks to a marginal rise in new business and the disbursement of committed funds in Special Finance – by some EUR 1.1b to EUR 21.8b. Loans and advances to customers account for 63.7% of total assets (prior year: 61.8%). Please see the notes on the development of the business segments for a more detailed analysis of this balance sheet item.

Debt securities and shares

Debt securities and other fixed-income securities decreased further, by EUR 0.9b, to EUR 5.6b, in the fiscal year, mainly as a result of securities maturing but also due to sales. At EUR 16.7m, shares and other variable-yield securities (prior year: EUR 24.0m) have become insignificant.

Trading book positions

Under the new BilMoG provisions, banks are obliged to account for trading book positions at fair value. As of the balance sheet date, Bremer Landesbank had trading book positions with positive fair values of EUR 534.2m.

Equity investments and shares in affiliates

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 named in the list of shareholdings in the notes.

DekaBank, which offers a broad range of fund investment opportunities within the German savings bank organization, is another notable investment. As various *Landesbanken* will presumably be compelled to sell their shares in DekaBank when streamlining their business models, the share held by the *Landesbanken* in DekaBank is likely to decrease. Bremer Landesbank is liaising with NORD/LB in negotiations on this matter, but no final decision has yet been reached.

There were no significant acquisitions or sales of equity investments in 2010.

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.

Liabilities to banks

As interbank business returned to normal, liabilities to banks were expanded significantly, by EUR 1.1b, to EUR 11.6b, compared with EUR 10.5b in the prior year. Registered mortgage *Pfandbriefe* and public registered securities were again issued to refinance the Bank.

Liabilities to customers

Bank refinancing through liabilities to customers decreased slightly to EUR 10.1b, against EUR 10.2b in 2009. Other liabilities with an agreed term increased marginally (up EUR 233.5m to EUR 4.5b), whereas deposits payable on demand were unchanged at EUR 2.2b. Savings deposits decreased by EUR 14.8m to EUR 212.7m.

Securitized liabilities

Securitized liabilities are one of the Bank's major sources of finance and decreased by 3.6% to EUR 9.0b, compared with EUR 9.3b in the prior year. A differentiated presentation of refinancing at the Bank via the various issuing programs is shown in the notes on financial markets and in the financing section.

Trading book positions

Under the new BilMoG provisions, banks have to account for trading book positions at fair value. As of the balance sheet date, Bremer Landesbank had trading book positions with negative fair values of EUR 428.8m.

Provisions

Bremer Landesbank's provisions rose by EUR 28.1m to EUR 257.2m in the fiscal year. The BilMoG fundamentally changes the rules for measuring provisions.

The provisions for fiscal year 2010 were measured at the settlement value deemed necessary according to prudent business judgment. In contrast to the previous legal requirements, future price and cost increases were taken into consideration in calculating the settlement value. Furthermore, provisions with a residual term of more than one year were discounted at the average market interest rate of the last seven years in line with their residual term. The discount rate used is determined by Deutsche Bundesbank in accordance with the RückAbzinsVO ["Rückstellungsabzinsungsverordnung": Provision Discounting Ordinance] and published once a month.

Provisions for pensions and similar obligations, which are based on actuarial reports, increased by a total of EUR 15.9m to EUR 165.8m.

Instead of discounting each obligation at the specific discount rate, determined on the basis of the residual term (see above), provisions for current pensions and future entitlements to pensions can be discounted at the average market interest rate for an assumed residual term of 15 years (Sec. 253 (2) Sentence 2 HGB). In its financial statements as of 31 December 2010, Bremer Landesbank made use of this simplification (see the notes to the financial statements).

Due to the change in the measurement of pension provisions under the BilMoG, Bremer Landesbank's provisions for pensions need to be increased by making a total allocation of EUR 93.2m. At least one-fifteenth of the allocation amount resulting from the remeasurement of the pension provisions has to be accrued in each fiscal year until 31 December 2024 (Art. 67 (1) EGHGB ["Einführungsgesetz zum Handelsgesetzbuch": Introductory Law of the German Commercial Code]. Therefore one-fifteenth (EUR 6.2m) of the total allocation calculated as of 1 January 2010 was allocated to the pension provisions in fiscal year 2010.

Further information on the pension provisions can be found in the notes to the financial statements.

Tax provisions increased year on year by EUR 4.3m, to EUR 31.8m, mainly because taxable income was much higher than forecast.

The other provisions rose by EUR 8.0m to EUR 59.6m. Large portions of the other provisions are related to personnel expenses, such as early retirement obligations (up EUR 3.5m), bonuses or allowances (up EUR 0.5m), and loan loss provisions (up EUR 4.8m). Minor effects resulted from the conversion to the new accounting treatment for provisions under commercial law.

Subordinated liabilities

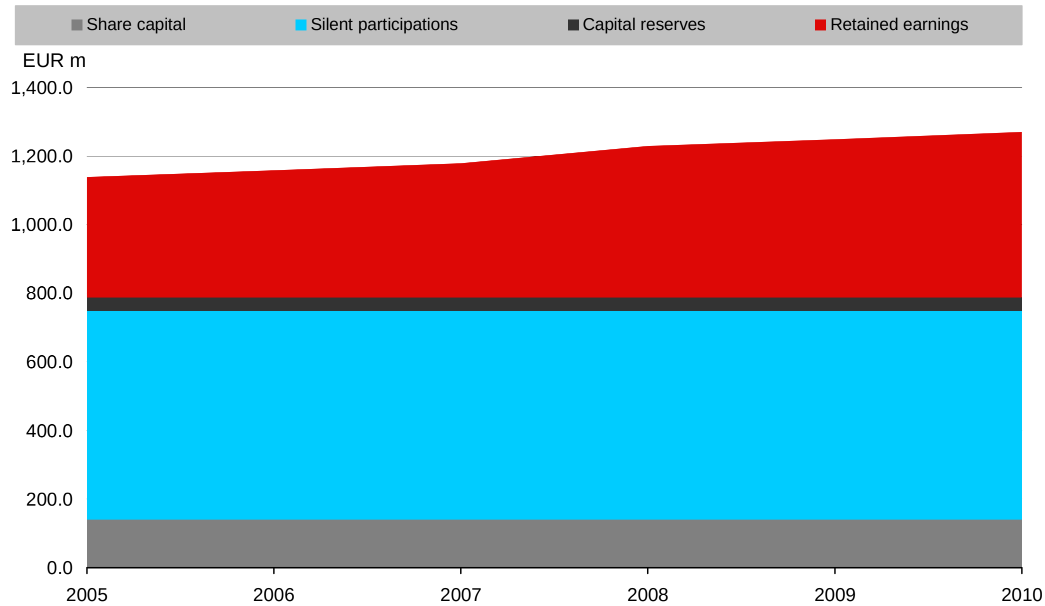
Subordinated liabilities remained unchanged at EUR 500.0m at the end of the year.

Equity

Reported equity amounts to EUR 1,298.7m, compared with EUR 1,276.9m in the prior year. Share capital is unchanged at EUR 140.0m and silent participations continue to account for EUR 607.9m, of which EUR 480.0m is held indirectly by the State of Bremen, while another EUR 40.0m remains as capital reserves. After allocating EUR 10.0m each to the reserves required by the statutes and other retained earnings, total retained earnings now come to EUR 482.8m. As in the prior year, accumulated profits earmarked for distribution to the Bank's owners stand at EUR 28.0m.

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: 9.5%). As before, Bremer Landesbank does not, therefore, require any government aid.

Components of equity



Contingent liabilities

Guarantees amount to EUR 4.2b (prior year: EUR 4.5b).

While contingent liabilities from traditional off-balance sheet business remained more or less unchanged, the volume of credit default swaps (CDSs) for which Bremer Landesbank is the protection seller decreased as swaps matured. Bremer Landesbank engaged in such structured credit business to utilize available equity to generate commission income and to diversify its loan portfolio, notably with regard to regions/countries and rating categories. The Bank only ever sold protection to prime counterparties and always used recognized standard agreements. Due to the difficulties which have arisen on the international financial and capital markets since 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.

Late in the fall, Ireland was forced to accept the EU's bailout package as it was clearly no longer able to shoulder the financial burdens of its support for various national banks alone. As a result, a credit event was declared for Anglo Irish Bank. Bremer Landesbank holds various CDSs of EUR 40m as a protection seller. The Bank received a credit event notice for a portion of EUR 10m in the fiscal year, i.e., the Bank is to receive securities of the issuer Anglo Irish Bank in return for payment of the nominal amount. The securities, which the Bank intends to hold until maturity, will be accounted for as non-current assets upon receipt. The Bank did not consider them to be permanently impaired as of the balance sheet date.

There were no other credit events, for example with recourse to the Bank as protection seller requiring delivery of the reference assets. All the notices issued in connection with the credit event for Anglo Irish Bank have now been received.

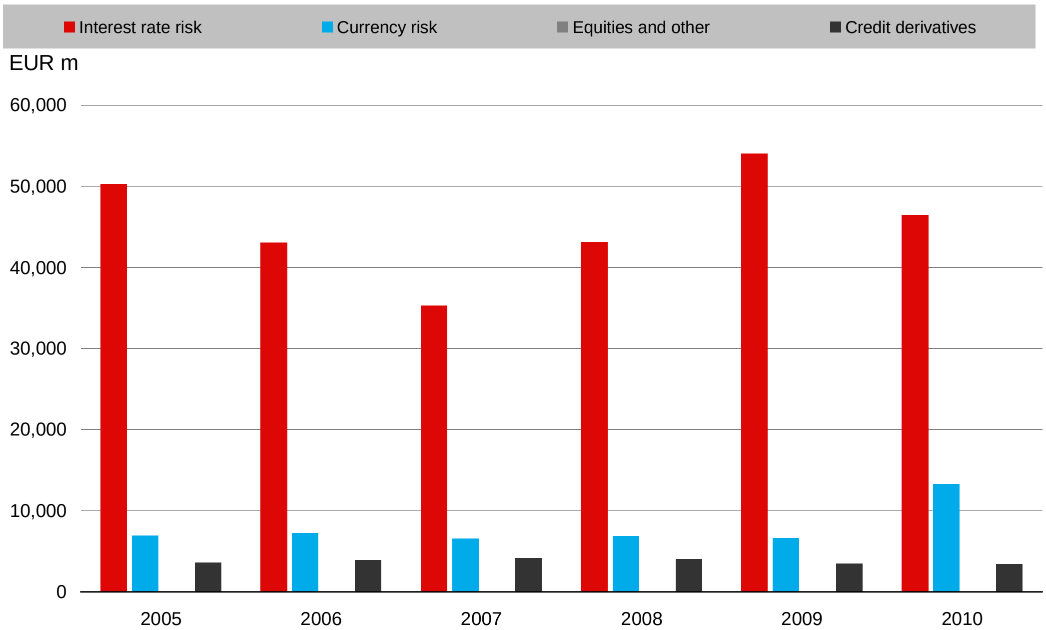
Other obligations

Irrevocable loan commitments which were not taken up were unchanged at EUR 2.8b on the balance sheet date.

Off-balance sheet financial instruments

Bremer Landesbank enters into derivative transactions mainly for managing and hedging interest rate and foreign currency risks, but also for generating proprietary trading income. The nominal volume at year-end 2010 amounted to EUR 63.1b, compared with EUR 64.1b in the prior year, i.e., approximately 1.8 times (prior year: 1.9 times) total assets. In comparison to other institutes 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 financial statements of Bremer Landesbank.

Derivative volume



Financing

In 2010, bearer and registered debt securities were once again the most important source of medium to long-term refinancing for the Bank.

Due to lower refinancing requirements, the gross volume of issues transacted by Bremer Landesbank, including borrower's note loans, amounted to EUR 1.8b (excluding the ECP program and EIB loans), compared with EUR 4.2b in 2009.

The volume of debt securities outstanding fell to EUR 17.4b (prior year-end: EUR 18.7b).

The total outstanding volume of refinancing loans raised from the European Investment Bank was approximately EUR 1.1b as of 31 December 2010 (prior year-end: EUR 1.0b).

In connection with refinancing and liquidity management during the year, Bremer Landesbank employed the various instruments of the European Central Bank in particular, in addition to the interbank and repo market.

The European Commercial Paper Program (ECP program) was used extensively in the second half of 2010 in the currencies EUR and USD. As of 31 December 2010, the outstanding volume had an equivalent value of EUR 0.566b (prior year-end: EUR 0.045b).

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

Key ratios

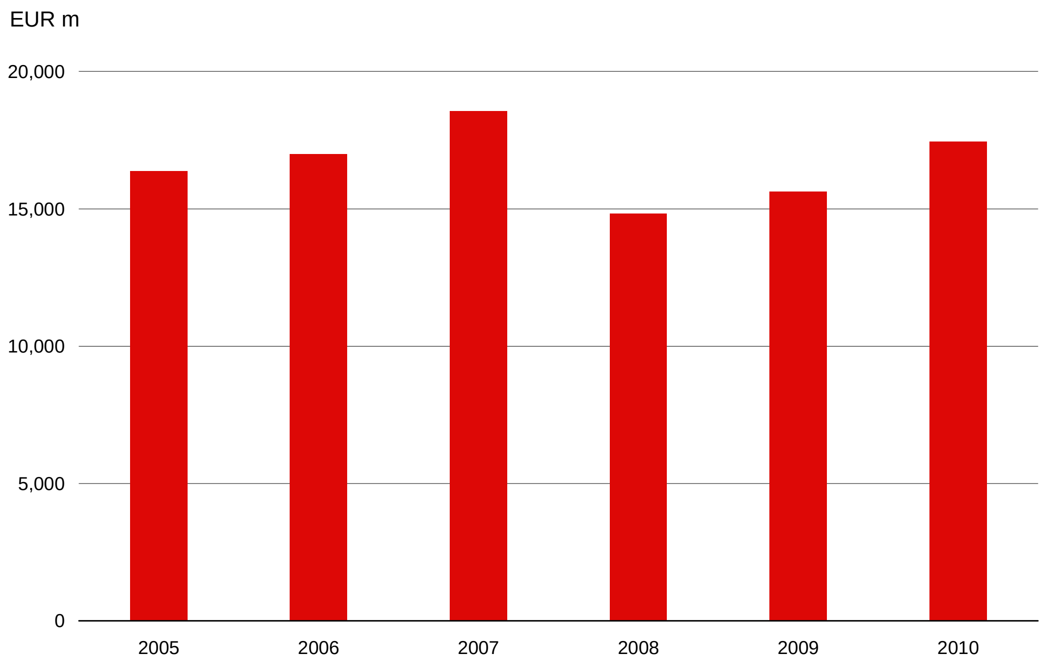
The return on equity (ROE) for fiscal year 2010, calculated using the formula defined above, is 17.0%, compared with 14.0% in the prior year. The increase is primarily attributable to the higher operating result after risk provisions and valuation.

At 38.9%, the cost-income ratio (CIR) is at more or less the same level as in 2009 (37.8%). In 2010, Bremer Landesbank's operating income thus evolved in line with its administrative expenses, as in the prior year.

As of 31 December 2010, the risk ratio (defined as the ratio of risk provisions in the lending business excluding changes in the fund for general banking risks pursuant to Sec. 340f HGB to risk assets) is 0.34% (prior year: 0.51%). This decrease is mainly due to the risk provision expenses being lower than expected.

Capital requirements under the SolvV ["Solvabilitätsverordnung": German Solvency Ordinance] total approximately EUR 1.4b (prior year: approximately EUR 1.3b), equivalent to risk assets of approximately EUR 17.4b (prior year: approximately EUR 15.6b). The overall ratio is 11.0%, compared with 11.9% 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.

Exposures/risk assets (until 2007 according to Principle I, since 2008 according to Basel II)



Investing activities

Bremer Landesbank still intends to invest substantially in modernizing and redesigning its buildings. Building work in Oldenburg neared completion in 2010. Bremen is still at the planning stage, the architecture competition for the protected building will commence shortly.

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", and in the fact that Bremer Landesbank, with its 1,028 employees (prior year: 971), 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 2.0% (prior year: 0.9%), is low for the industry, and a relatively high average length of service of 16.1 years (prior year: 16.9 years).

As the leading regional bank in the North-West, Bremer Landesbank is committed to setting a good example, not least as a family-friendly employer, enabling a better work-family balance for its employees. Its efforts were rewarded in the summer with the berufundfamilie [work and family] audit certificate issued by berufundfamilie gGmbH from Berlin.

These are just some of Bremer Landesbank's efforts to make its activities economically, socially and ecologically sustainable. In 2011, it will publish its first separate sustainability report. The Bank will step up its sustainability management activities in the years to come.

Information on the business segments

A differentiated analysis of the customer segments in the commercial lending business shows diverging developments.

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.

Sales activities were expanded further in 2010. In a highly varied market environment, the business segment clearly surpassed its income forecast. The first quarter was still marked by the preceding economic crisis, but the signs of economic recovery grew stronger in the course of the year. As customers' business activities increased, working capital facilities were drawn on to a larger extent in the second half of the year, an encouraging development. Investment activity in the region was quiet for most of the year, but the reinforcement of the "Public Subsidies" department produced encouraging increases in volumes for long-term finance. In spite of the rise in lending volume, risk costs were far lower than anticipated.

At the same time, the increase in cross-border trade led to improved earnings in international business. A promising niche product was futures trading in agricultural commodities; the launch of an electronic trading platform in 2011 will lay the foundations for further growth.

The results of operations are expected develop well in 2011, assuming that the economic forecasts hold true and trigger growing demand for credit. A healthy risk structure will allow the business segment to support its customers' large-scale investment projects in the future.

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 economic crisis, which will help it to acquire new customers and become a 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 continued to develop well in 2010. 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.

In the ship finance business, Bremer Landesbank has only engaged selectively in limited new business since the onset of the shipping crisis. The growth in volume is due in particular to deliveries of vessels contracted in prior years. Bremer Landesbank's crisis management proved to be cautious and robust. 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 which will have a positive effect on charter rates and ship values. 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 2010 and expanding its earnings situation further. Bremer Landesbank has acted as the competence center for the NORD/LB Group in this sub-segment since 2008, and, with a broader customer base, is a reliable partner for leasing companies with bank functions.

In terms of community interest properties, 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. 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 relationships with mostly midmarket companies, Bremer Landesbank's Special Finance segment considers itself to be well positioned.

Financial Markets

The Financial Markets segment provides access to the national and international financial 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.

In 2010, bearer and registered debt securities were once again the most important source of medium to long-term refinancing for the Bank.

Due to lower refinancing requirements, the gross volume of issues transacted by Bremer Landesbank, including borrower’s note loans, amounted to EUR 1.8b (excluding the ECP program and EIB loans), compared with EUR 4.2b in 2009. The volume of debt securities outstanding fell to EUR 17.4b (prior year-end: EUR 18.7b). The total outstanding volume of refinancing loans raised from the European Investment Bank was approximately EUR 1.1b as of 31 December 2010 (prior year-end: EUR 1.0b). In connection with refinancing and liquidity management during the year, Bremer Landesbank employed the various instruments of the European Central Bank in particular, in addition to the interbank and repo market. The ECP program was used extensively in the second half of 2010 in the currencies EUR and USD. As of 31 December 2010, the outstanding volume had an equivalent value of EUR 0.566b (prior year-end: EUR 0.045b).

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 increased in fiscal year 2010 as part of ongoing liquidity management. Loans and advances to regional authorities and other municipal customers are just below the prior-year level. The long-term volume of lending to the 14 associated savings banks was roughly on a par with the prior-year level given the still low demand for refinancing.

The 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.

Bremer Landesbank’s business with associated banks was successfully continued in 2010 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.

In the municipal customer business, support for the associated savings banks in implementing the German Savings and Giro Bank Association’s (DSGV) “Municipal Debt Diagnosis” initiative was at the heart of sales activities.

Private Customers

This segment covers all the business Bremer Landesbank transacts with private customers. It comprises the private customer service and private banking business units. In addition to the relevant sales desks, the Private Customers segment has its own asset and portfolio management and financing management units.

A cornerstone of the Bank's success in this business segment is its stringent adherence to an integrated advisory approach. In private banking, this is supported by the financial planning wealth concept. In 2010, the Bank extended its leading position in private banking further.

Another key contributor to income is the SIP® investment process designed by Asset and Portfolio Management, which is used in asset management, the SIP® family of funds and in the advisory process.

The financing business benefited from an improved refinancing situation in 2010 compared with 2009, boosting both standard and customized new financing business against the prior year.

Overall, the business segment achieved its income target in the face of difficult conditions.

Activities focus on consistently improving customer satisfaction.

This sustainable customer focus is reflected in continual, steady net customer growth. The customer base in both Bremen and Oldenburg was expanded significantly once again, also with the help of "entrepreneur banking". Working in close consultation with the Special Finance and Corporate Customers segments, business relationships between customers and Bremer Landesbank were intensified further.

It is very difficult to predict the prospects for fiscal year 2011. The effects of the financial market crisis will stay noticeable in 2011. Private customer confidence has been shaken by bad news about the euro crisis and sovereign debt and the aversion to investment risk remains high. What is more, new regulatory requirements, such as the German Law to Improve Investor Protection, will mean added burdens.

The Bank's attention is focused on growing its market share in private banking and improving the quality of its advisory processes. Business performance in the medium term will hinge on customer behavior, the changing competition and developments on the interest and capital markets.

As the first port 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 customers in a thriving market in the North-West of Germany.

Conclusion

Another excellent result for 2010, 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 benefit from the emerging economic upturn and drive forward its business development in 2011 and 2012.

4. Subsequent events

There were no events of special significance for the economic situation of the Bank between the end of fiscal year 2010 and the preparation of the financial statements that have not been accounted for appropriately.

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

5. Outlook

Economic situation and financial markets

Following the marked upswing in the global economy in 2010, the economic outlook for 2011 is bright, with growth in excess of 4% forecast. As in 2010, the emerging economies, accounting for some 50% of global output, will be the key drivers. Fiscally sound industrial nations and commodity-producing countries will take second place, with a share of approximately 20%. Understocked warehouses, growing international investment plans and rising private spending triggered by higher employment rates are the robust cyclical forces behind the current upswing.

After nearly two years of recovery, scarcities are starting to become apparent on commodity and labor markets in important parts of the global economy; these are appreciably increasing the risk of inflation and prompting a rethinking of interest rate policies in the industrial nations.

In its monthly report for January 2011, the Bundesbank writes that the strong rise in orders received by German industry in November has considerably brightened the outlook for the first quarter of 2011 and beyond.

The German economic recovery is fueled by the high contribution of production to economic output in international terms. The attractive offerings of German companies are matched by unabated high demand for exports and firming domestic demand. The expiry of the German government's economic stimulus programs was weathered well by the economy as a whole. The construction sector is benefiting from growing private demand, while public contracts are steady. The upward trend on the German labor market has been boosted by the recovery. According to the Federal Employment Agency, the German labor market proved to be very robust in the crisis. The current seasonally adjusted unemployment and employment figures are even better than before the recession.

After 3.6% growth in 2010, the German government is expecting 2.3% GDP growth in 2011, whereas economic experts are forecasting 2.2%.

Public budgets are on the road to fiscal recovery. New debt raised by the public sector was only EUR 44b, a huge contrast to the EUR 80b originally forecast for 2010. The continued economic expansion will have a positive knock-on effect on public coffers in 2011.

As in earlier years, the financial markets remained nervous at the beginning of the year, in spite of the good economic situation. However, this edginess is expected to ease over the course of 2011. 2011 will probably mark a turnaround in the ECB’s interest rate policy. Success stories from reforms adopted by deficit-ridden countries, robust growth of around 2% and rising endogenous and exogenous inflationary pressure will create a demanding environment for the ECB with its commitment to stability. Stocks are currently undervalued in the face of the nervous financial markets, making them an attractive form of investment.

The region

According to a survey by the Bremen Chamber of Commerce, one in three companies is expecting business to pick up in 2011. This is the best score since the fourth quarter of 1999.

Export business was a mainstay of the economy in Bremen and Bremerhaven in 2010 and will continue to be so in 2011. 45% of the companies surveyed are anticipating a rise in exports in 2011, while domestic demand is only gradually improving. The service sector is very optimistic about 2011, with nearly one in two companies expecting an improvement. Businesses are gearing up their investment planning: 27% of companies are planning to become more active. After a quiet, but steady, year 2010 on the labor market in Bremen, the outlook is good for 2011. According to a survey by the Chamber of Commerce, 15% of companies are planning to hire new staff and 10% are expected to reduce staffing. Bremen is set for a year of solid growth in 2011.

According to the Oldenburg Chamber of Industry and Commerce, the economy in the region was gathering pace at the beginning of the year. The order situation in industry is still good and 50% of companies are expecting a better year in 2011 than in 2010. Exports remain the cornerstone of business. 48% of the companies surveyed are anticipating revenue growth. Higher energy and commodity prices are the key risks. The upward trend in the construction industry will continue in 2011. The order backlog has grown. Retailers and wholesalers are optimistic about the current year. The transportation section is set to profit from the expansion of overall demand in 2011, while the agricultural sector will be given a boost by the hike in agricultural commodity prices.

Overall, all signs point toward robust growth in 2011.

The East Frisia and Papenburg Chamber of Industry and Commerce reports that businesses in its region are confident about their prospects for the year ahead. Its economic survey revealed that the majority of companies are expecting a steady or improved business situation. Companies across the board have positive expectations about their export business. Domestic demand has also been revived by the good development of the labor market. Companies’ willingness to invest remains stable: more than one third anticipate an increase in capital expenditure, while only one in 10 are expecting lower investments. Businesses’ expectations are reflected in the improving regional labor market. The number of businesses expecting to expand their workforce in 2011 had risen by the end of the year.

Bremer Landesbank

Having clearly focused on its business model at the right time, Bremer Landesbank is well positioned to benefit from the emerging economic upturn and drive forward its business development in 2011 and 2012. The acute crisis on the financial and capital markets has eased further, but the uncertainty surrounding the financing of the exorbitantly high sovereign debt of a number of countries led to sharp swings on the markets which are likely to continue in coming years. 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 local advisors, short lines of decision, local capital market and foreign business expertise and an 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 sustainably strengthened cooperation with associated savings banks and *Landesbanken*, short lines of decision and quick response times create a promising environment for further sound earnings growth in the Bank's core segments.

Integrated bank management

The Integrated Bank Management unit is responsible for the ongoing enhancement of value and risk-based management. The Bank's reporting function was thoroughly revised, as planned, in 2010. The main goal for 2011 is to improve transparency and consistency between the management processes that are relevant for decision-making.

Results of operations, net assets and financial position

The Bank expects profit to remain steady or rise in 2011 and 2012. 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 further strengthen 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.

In the years to come, the Bank forecasts a steady, high level of net interest income. In 2011 and 2012, net commission income is forecast to remain stable at the level reached in 2010. The introduction of fair value accounting for banks' trading book positions under the BilMoG will tend to increase the volatility of net income from trading book positions. Nevertheless, the outlook for successful dealing on the financial markets in 2011 and 2012 is good. Personnel expenses will increase slightly in 2011. Other administrative expenses are expected to increase again in 2011, due to project costs, but will stabilize from 2012 onward. The level of risk provisions in 2011 and 2012 is expected to remain shaped by the gradually lessening impact of the financial market crisis on the real economy. Overall, the profit from ordinary activities in 2011 and 2012 is expected to match that earned in 2010.

Following the encouraging result in 2010, the return on equity is forecast to dip slightly in the period under review before returning to its original level. The cost-income ratio will be slightly higher in 2011 than in 2010, but is set to decline somewhat in 2012. The risk ratio will probably rise again in line with the economy in 2011 and is likely to drop again in 2012. According to the Bank's forecasts, risk assets will increase further in the forecast period.

The Bank expects profit to remain steady or rise in 2011 and 2012. It also expects that it will have the opportunity to strengthen its capital base and pay a reasonable dividend.

The problems on the international financial and capital markets and their negative effects also impacted the results 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 be the case in 2011 and 2012 as well.

6. Opportunities and risks

Integrated bank management

Bremer Landesbank defines risk from an operational perspective as the possibility of direct or indirect financial losses arising when actual results from ordinary activities are unexpectedly lower than forecast. This implies that expected losses are not a risk in the narrower sense as they have already been accounted for. An adequate amount of equity must be available at all times to absorb unexpected financial losses. It is Bremer Landesbank's stated aim to earn a reasonable return on equity by taking a responsible approach to risk. Bremer Landesbank has developed a comprehensive framework in support of this objective.

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.

Addressing risks is a long-term process, and not a one-off event, and is thus an integral part of Bremer Landesbank's business processes. The actual effectiveness of risk management depends on whether the processes are fully embraced in a risk-based corporate culture – by all employees and not just by management. This requires an open culture of risk awareness that fosters a conscious approach to risk. A risk-based corporate culture is mirrored in the attitudes, skills and professional competence of employees and is significantly influenced by the corporate philosophy and leadership style. The clear delegation of competencies and responsibilities within Bremer Landesbank, an open style of communication and transparency are vital elements of a strong culture of risk awareness. Ensuring that communication functions both horizontally and vertically sensitizes employees to risks in Bremer Landesbank and in their workflows.

The framework for the design of risk management is specified by the MaRisk ["Mindestanforderungen an das Risikomanagement": Minimum Requirements for Risk Management] on the basis of Sec. 25a KWG. The MaRisk require management to define a sustainable business strategy and a consistent risk strategy. 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. The risk strategy is aligned with the MaRisk. The risk strategy captures all significant risk types and, using a risk-bearing capacity model, Bremer Landesbank's risk capital is allocated to these significant risk types. The risk strategy is a guideline for the entire Bremer Landesbank Group and 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 risk strategy is provided to and discussed with the Supervisory Board of Bremer Landesbank.

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.

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.

At overall bank level, the risk control function is responsible for identifying the various risks, making them measurable, evaluating them and communicating them. Its tasks are split between the Market Price Risk Control unit and the Integrated Bank and Credit Risk Control unit. These units develop the methods, implement the essential systems, monitor the entire process of risk management and report on risks. The dynamics of the respective risk type determine risk reporting cycles. As part of risk reporting, monthly reports are made to the Management Report on the risk-bearing capacity, on close watch and problem exposures, on the development of risk provisions and on the monitoring of concentration risks in borrower groups. The risk-bearing capacity report comprises the Bank's risk-bearing capacity 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 (or more frequent) meetings.

Risk management is carried out actively within the 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 reviewing 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 Market Price 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. As part of efforts to enhance 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 Hypothekenbank with a uniform audit policy and largely standardized audit methods.

A working internal control system (ICS) as part of the internal monitoring system 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, creating integrated process and risk-based structures and procedures. All organizational safeguards and controls are assigned to the ICS. They allow comprehensive control of all relevant business workflows within Bremer Landesbank.

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.

Internal control and risk management system in relation to the financial reporting process

As a capital market-oriented corporation within the meaning of Sec. 264d HGB, Bremer Landesbank is required by Sec. 289 (5) HGB to describe the main features of its internal control and risk management system relating to the financial reporting process.

The internal control and risk management system relating to the 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 IDW ["Institut der Wirtschaftsprüfer in Deutschland e.V.": Institute of Public Auditors in Germany], Düsseldorf, of the accounting-related internal control system (IDW AuS 261 section 19 et seq.) 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

Bremer Landesbank considers information to be significant for the purposes of Sec. 289 (5) HGB when its omission could affect the economic decisions made by users on the basis of the financial statements and other elements of the financial reporting. Whether information is significant is determined by reference to the issue at hand and depends on the nature and scope of the issue. When deciding whether an issue is significant, Bremer Landesbank considers its significance in relation to the financial statements.

Functions of the accounting-related internal control and risk management system

Bremer Landesbank has exacting standards of quality when it comes to the correct presentation of transactions in its financial reporting. Ensuring proper financial reporting is a function of the internal control system.

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

Organization of the accounting-related internal control and risk management system

The Management Board is responsible for preparing the financial statements and the management report. It has clearly defined responsibilities for individual components and work steps in financial reporting in organizational policies and delegated these to specific organizational units.

Bremer Landesbank prepares its financial statements in accordance with the provisions of the HGB. The provisions specific to banks of Sec. 340 HGB and those of the RechKredV ["Verordnung über die Rechnungslegung der Kreditinstitute": German Bank Accounting Directive], the German Accounting Standards (GAS) and supplementary provisions in the statutes are also observed.

Integrated Bank Management is primarily responsible for managing and implementing the preparation of the financial statements and the financial reporting. It performs the following key functions:

- Monitoring changes in the law
- Preparing and updating financial statement instructions
- Compiling the financial statements and management report
- Providing specific disclosures for the notes to the financial statements
- Providing the information to be disclosed about market price, credit, liquidity and operational risk

The following work is delegated to other units within the financial reporting process:

- Proper entry and processing of financial reporting data/transactions in the IT applications
- Calculation of personnel and pension provisions and supply of related disclosures for the notes to the financial statements
- Draft of decision documents for specific allowances on German and foreign loans
- Provision of relevant information for the notes to the financial statements and the management report

The Supervisory Board oversees the Management Board. In the financial reporting process the Supervisory Board approves the financial statements of Bremer Landesbank. The Audit Committee, elected by the Supervisory Board, has the following functions:

- Advising on and monitoring the financial reporting, internal control system, risk management and control, internal audit (with a right to obtain information)
- Considering questions of auditor independence

Bremer Landesbank's Internal Audit department also has a process-independent monitoring function. On behalf of the Management Board it conducts audits in all parts of the organization, reporting directly to the Management Board. Apart from assessing the propriety and functional reliability of the processes and systems, it evaluates in particular the effectiveness and adequacy of the internal control system and of risk management in general.

Before being approved, the financial statements and management report must be audited by the auditor engaged by the Supervisory Board.

The policies, structures and procedures, as well as the processes of the internal control and risk management system (including the accounting-related ICS), are set out in a procedural instructtion 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 accounts and on the overall picture conveyed by the financial statements together with the management report. These include:

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

Components of the accounting-related internal control and risk management system

As one component of the accounting-related internal control and risk management system, Bremer Landesbank's control environment provides the framework within which existing regulations are introduced and applied at Bremer Landesbank. It is shaped by attitudes, awareness of problems and management's conduct in relation to the internal control system. The control environment has a substantial effect on employees' awareness of the significance of control. A favorable control environment is a prerequisite for an effective internal control system.

Accounting policies and other rules ensure that transactions are properly accounted for; the former are subject to ongoing review and adjusted if need be. Bremer Landesbank uses the SAP system for its accounting entries. It also makes use of customized data processing tools whose design is separately monitored. The Bank prepares its financial statements on the basis of this data and the information provided by the relevant units.

Appropriate instructions in the policies mitigate the risk of non-compliant preparation of the financial statements. Generally accepted measurement methods are used. These methods and the underlying parameters are regularly checked and modified if necessary.

The clear segregation of incompatible activities is a guiding principle behind the design of the processes. The principle of dual control is very important in this context. All entries made are double-checked when processing transactions, applying either a technical and/or organizational dual control.

The financial reporting process for the financial statements comprises functional transaction support, data entry and processing, reporting and publication of the elements of the financial reporting. The entire financial reporting process is supported by IT applications – both standard programs and customized software. Based on Bremer Landesbank's IT strategy and risk strategy, policies and procedures exist governing program development and change, data backups and access rights, to ensure the propriety of the financial reporting.

Process-integrated controls include programmed plausibility checks and automatic and manual reconciliations, with the Bank regularly reconciling the general ledger and subledgers. All entries made are double-checked by a second person.

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

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-bearing capacity reports) and the methods for early identification of different types of risk.

The risk reporting 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 local risk management in the business segments.

The risk management process is subject to constant review and enhancement due to its cross-segment functions 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 Bremer Landesbank are coordinated with the risk control department at NORD/LB, the goal being to apply uniform methods and procedures within the NORD/LB Group.

New products, new markets, new sales channels, new services and variants thereof (NPP = new product process) are launched in a structured process which considers the impact on the risk profile and risk management. Each product has its own risk and return profile. The risk profile is determined by the risks defined in line with the risk strategy.

The main aim of the new product process is to identify, analyze and evaluate all potential risks for Bremer Landesbank prior to commencing business. It entails documentation of the new business activities, their treatment within the overall operating process, the decisions to comm.-ence business and any related restrictions. An independent central registry has been set up in the Integrated Bank and Credit Risk Control unit.

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.

Bremer Landesbank's overall risk profile reflects the risks that are relevant to the Bank. For further differentiation, the risks are split into significant and insignificant risks. Bremer Landesbank's overall risk profile is reviewed at least once a year and as required (risk inventory) and is modified if necessary. MaRisk AT 4.1 paragraph 1 states that, on the basis of Bremer Landesbank's overall risk profile, Bremer Landesbank's significant risks have to be covered at all times by available risk capital so that Bremer Landesbank has sufficient capacity to bear all risks.

In the fiscal year, Bremer Landesbank's risk-bearing capacity model was fundamentally revised in collaboration with the NORD/LB Group. Apart from further improving integrated bank management, the revision focused in particular on implementing the requirements of the second revision of the MaRisk with regard to the extended presentation of multiple-risk stress tests and a more detailed group-wide risk management process. The model is the methodological basis for Integrated Bank and Credit Risk Control's monitoring of the risk strategy.

The risk-bearing capacity model comprises the three perspectives: "going concern", "capital adequacy (economic)" and "capital adequacy (regulatory)". The two capital adequacy perspectives are subdivided into "status quo" and "under stress".

The first perspective is the going concern case, which acts as an early warning indicator. It compares the risk potential with free regulatory capital. Effects on risk capital are taken into accounting on a rolling basis.

The "economic capital adequacy" and "regulatory capital adequacy" perspectives use higher confidence levels to calculate risk potentials. Risks are measured on the basis of serious events of the kind that occur statistically about once every 1,000 years. The banking supervisory requirement of a confidence level of 99.9% is thus transferred to the Internal Capital Adequacy Assessment Process (ICAAP) to facilitate comparison. On the capital side, both the economic and the regulatory capital adequacy tests include all the equity and equity-related components which the bank supervisory regulations attribute to capital. In the economic perspective, effects on risk capital are also taken into consideration on a rolling basis. Bremer Landesbank conservatively determines that, under normal circumstances, risk potentials may account for no more than 80% of the available economic risk capital. Part of the total available risk capital is thus reserved as a buffer to absorb risks in stress situations.

Risk concentrations, both within a single risk and across risks, are taken into consideration when calculating the risk-bearing capacity. Concentrations within a single risk mainly involve credit risk, Bremer Landesbank's most significant risk. These are integrated into the risk-bearing capacity model via the internal credit risk model. The requirements of the MaRisk regarding risk concentrations across risks are taken into account in the economic capital adequacy perspective in the form of stress tests. The stress tests reflect Bremer Landesbank's key business and risk types, selecting the industries, segments, regions and customers which have a significant influence on the risk situation of Bremer Landesbank. The results are reported regularly in the context of the risk-bearing capacity reports.

Strategic limits are derived from the risk-bearing capacity based on the going concern case and the risk capital allocation specified in the risk strategy. The internal targets on risk appetite and allocation of risk capital set forth in the risk strategy are monitored on a monthly basis as part of risk reporting.

Risk potential coverage by available risk capital in the ICAAP

	Risk-bearing capacity			
in EUR m	**31 Dec 2010**		**31 Dec 2009**	
Risk capital	1,912.8	100.0%	1,853.1	100.0%
Credit risk	942.7	49.3%	894.7	48.3%
Investment risk	28.1	1.5%	19.7	1.1%
Market price risk	67.3	3.5%	27.8	1.5%
Liquidity risk	49.5	2.6%	0.1	0.0%
Operational risk	42.3	2.2%	55.1	3.0%
Total risk potential	**1,129.9**	**59.1%**	**997.4**	**53.8%**
Capital surplus	**782.9**	**40.9%**	**855.7**	**46.2%**
Capital-risk ratio		**169.3%**		**185.8%**

As of 31 December 2010, the capital-risk ratio was 169.3%, far higher than the internally defined minimum ratio of 125%. The year-on-year decrease is due to methodological changes in measuring risk potentials of market price and liquidity risks under the risk-bearing capacity concept. It is also attributable to higher risk potentials from credit risks due to increased probabilities of default on ship financing arrangements.

On the basis of the Bank's risk-bearing capacity and its business and earnings forecasts, capital is also allocated to business segments in the form of ceilings for risk-weighted assets (RWA). This is monitored on a monthly basis in the risk-bearing capacity 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.

Credit risk

Counterparty risk (including country risk) is made up of credit risk and investment risk. In international transactions, country risk (transfer risk) occurs alongside the primary counterparty risk. Country risk is the risk of losses due to overriding state barriers (despite the individual borrower's ability and willingness to repay).

Credit risk breaks down into traditional credit risk and counterparty risk from trading.

Traditional credit risk is the risk of loss resulting from a borrower's failure to pay or deterioration in a borrower's credit rating.

Counterparty risk from trading is the risk of loss from trading activities stemming from a borrower's or counterparty's failure to pay or deterioration in a borrower's or counterparty's credit rating. It breaks down into credit risk from trading, replacement, settlement and issuer risk.

Credit risk from trading is the risk of loss stemming from a borrower's failure to pay or deterioration in a borrower's credit rating. It is equivalent to the traditional credit risk and occurs in money trading, in money market or treasury activities.

Replacement risk is the risk that the counterparty is unable to meet the terms of a pending contract with a positive present value and that this contract has to be replaced, potentially at a loss.

Settlement risk comprises pre-settlement and actual settlement risk. Pre-settlement risk is the risk that, at settlement of a contract, the counterparty fails to provide consideration for a contract on which the Bank has already made advance delivery or, when performance is mutually offset, no compensation payment is made. Pre-settlement risk can be prevented by acquiring the transaction value from the counterparty in advance under good value or on a reciprocal basis or if sufficient cover exists. Actual settlement risk is the risk of a transaction not being mutually settled on or after the contractual settlement date.

Issuer risk is the risk of loss stemming from an issuer's or reference entity's (credit derivatives) failure to pay or deterioration in an issuer's or reference entity's credit rating.

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.

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 Integrated Bank and Credit 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.

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
	1 (AAAA)	0.00%	
	1 (AAA)	0.01%	
	1 (AA+)	0.02%	
	1 (AA)	0.03%	
	1 (AA–)	0.04%	
Very good to good	1 (A+)	0.05%	
	1 (A)	0.07%	
	1 (A–)	0.09%	Normal
	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%	
	10	2.96%	Close watch
High risk	11	4.44%	
	12	6.67%	
	13	10.00%	
Very high risk	14	15.00%	Debt rescheduling
	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 company founded with other *Landesbanken*. The two rating service agencies ensure an internal rating within the meaning of the SolvV. In a structured process, the banking supervisory authorities are regularly informed of changes to and enhancements of the rating methods and other IRBA systems.

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.

The Bank is involved in enhancing the methodology of the RSU rating systems. The focus here is on ship, project and lease finance, 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, 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 2011, 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.

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 further strengthened, conditions adjusted, reporting obligetions 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 reevaluation 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 new or additional 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 borrower group level. Large exposure limits are set for economic associations which at least comprise 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 available risk 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 on the basis of an exposure which 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 return in the gray area. This provides protection against excessive concentrations 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.

For measuring credit risk, standard 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 credit 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.

The Bank was last active as an investor in securitization transactions in 2004; as of year-end it no longer had any holdings, having repaid the insignificant remaining amount early. Except for traditional *Pfandbrief* operations and municipal bonds, the Bank has not securitized its own lending business.

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.

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.

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, validating it for the first time in 2010. 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.

Integrated Bank and Credit Risk Control draws up a monthly risk-bearing capacity 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 Integrated Bank and Credit Risk Control. In 2011, the KRC data pool will be superseded by an SAP data warehouse. As part of efforts to enhance the risk-bearing capacity concept, the risk-bearing capacity report will no longer be issued in its current form. In the future, credit risk will be discussed in a separate credit portfolio report providing detailed information on credit risk to the Management Board once a quarter.

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

The Bank's risk reporting follows the management approach. Internal and external risk reports are therefore 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). Irrevocable and revocable loan commitments are included in the credit exposure on a transaction-specific basis; collateral is not taken into account.

The Bank's credit exposure came to approximately EUR 39,423m as of 31 December 2010, a decrease of some 1.0% 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 ["Initiative Finanzstandort Deutschland": Initiative for Germany as a Financial Location] rating scale which was agreed on by the banks, savings banks and associations participating in the 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 2010			31 Dec 2010	31 Dec 2009
Very good to good	14,205	5,455	3,537	4,322	**27,518**	**28,401**
Good/satisfactory	3,449	57	196	515	**4,216**	**4,432**
Still good/adequate	3,118	-	63	382	**3,563**	**3,139**
Increased risk	1,036	37	71	87	**1,232**	**1,008**
High risk	898	-	16	36	**950**	**469**
Very high risk	1,161	-	13	15	**1,189**	**921**
Default (= NPL)	719	-	8	27	**755**	**640**
Total	**24,586**	**5,549**	**3,904**	**5,383**	**39,423**	**39,010**

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, the irrevocable loan commitments and the revocable loan commitments are included on a pro rata basis.
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.

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 further overall in 2010. The global financial market and economic crisis had a particularly negative impact on the ship finance portfolio. The slump in world trade in recent years was mirrored in falling charter rates and ship prices. Following the global economic recovery in 2010, rates and values have improved in some shipping markets. However, due to the rating systems in place, the deterioration in the creditworthiness of many shipping companies still has an impact. As the portfolio is widely diversified, with exposures in the various sub-markets and vessel sizes, the increase in risk provisions was lower than forecast. Should the market recovery continue in 2011, the risk potential should diminish again. The Bank has recognized reserves in accordance with Sec. 340f and g HGB to cover potential further defaults.

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 2010	Total 31 Dec 2009
	31 Dec 2010					
Euro countries	23,125	5,060	3,030	5,377	**36,594**	**35,974**
Rest of Western Europe	472	328	848	1	**1,649**	**1,804**
Eastern Europe	51	-	0	4	**55**	**63**
North America	108	141	26	0	**275**	**293**
Latin America	130	-	-	0	**130**	**137**
Middle East/Africa	110	-	-	1	**110**	**101**
Asia	64	20	0	0	**84**	**93**
Other	526	-	0	-	**526**	**545**
Total	**24,586**	**5,549**	**3,904**	**5,383**	**39,423**	**39,010**

Exposure in selected countries[1) in EUR m	Aggregate exposure 31 Dec 2010	Aggregate exposure 31 Dec 2009
Portugal	**226**	**227**
- thereof sovereign exposure[2)	-	-
- thereof financial institutions/insurance companies	225	225
Ireland	**385**	**423**
- thereof sovereign exposure[2)	**-**	**-**
- thereof financial institutions/insurance companies	366	423
Italy	**866**	**865**
- thereof sovereign exposure[2)	73	69
- thereof financial institutions/insurance companies	792	795
Greece	**57**	**67**
- thereof sovereign exposure[2)	56	60
- thereof financial institutions/insurance companies	1	0
Spain	**584**	**627**
- thereof sovereign exposure[2)	-	-
- thereof financial institutions/insurance companies	582	600
Total	**2,118**	**2,209**
- thereof sovereign exposure [2)	**129**	**129**
- thereof financial institutions/insurance companies	**1,966**	**2,043**

[1) Allocated according to economic criteria in line with management accounts.
[2) Contains exposures to sovereigns, regional governments and local authorities.

The tables show that country risk is of secondary importance for the Bank. The eurozone is still by far the Bank's most important business region. The aggregate exposure to the PIIGS states, which were particularly hard hit by the euro crisis, is EUR 2.1b. Direct exposures to sovereigns, regional governments and local authorities are of less importance.

Discrepancies between the aggregate exposure presented above by region 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 39%, but includes institutions with very good to good ratings. The most significant credit risks still stem from Special Finance and Corporate Customers activities.

Lending business by industry group

Industry groups in EUR m	Loans	Securities	Derivatives	Other	Total	
	31 Dec 2010				31 Dec 2010	31 Dec 2009
Financial institutions/insurance companies	5,209	4,160	3,395	2,418	**15,182**	**14,923**
Service industries/other	7,859	1,384	167	712	**10,122**	**10,575**
- thereof real estate and housing	1,017	-	13	156	**1,186**	**1,223**
- thereof public administration	3,702	1,384	132	63	**5,281**	**5,431**
Transport/communications	7,618	-	117	120	**7,855**	**7,793**
- thereof shipping	6,938	-	113	52	**7,103**	**7,008**
- thereof aviation	93	-	0	-	**94**	**118**
Manufacturing	712	-	33	155	**900**	**850**
Energy, water and mining	1,728	-	10	1,639	**3,377**	**3,107**
Trade, maintenance and repairs	1,012	5	179	149	**1,346**	**1,077**
Agriculture, forestry and fishing	136	-	2	114	**252**	**214**
Construction	312	-	1	76	**389**	**431**
Other	-	-	-	0	**0**	**40**
Total	**24,586**	**5,549**	**3,904**	**5,383**	**39,423**	**39,010**

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.

Specific allowances and loan loss provisions rose significantly yet again in 2010, above all because of the crisis in ship finance. The specific allowance ratio, expressed as the ratio of specific allowances to the aggregate exposure, is 0.53% (prior year: 0.42%). The percentage of non-performing loans in the aggregate exposure is 1.69% (prior year: 1.64%). Before deducting collateral, 31.7% of non-performing loans are covered by specific allowances (prior year: 25.6%).

Freight rates, which had been falling fast since late summer 2008, reached their lowest level in the first half of 2010. However, they started to pick up in some important sub-markets later on in 2010. At the end of 2010, charter rates were in many cases still far lower than the average of the last 15 years. Low freight and charter rates have a negative impact on the value of vessels and on their collateral values.

Risk provision requirement by industry group

Industry groups in EUR k	Impaired credit exposures[1)		Specific allowances		Loan loss provisions		Net allocations/reversals of specific allowances/ provisions	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial institutions/ insurance companies	3,517	15,405	8,316	6,851	2	148	1,319	5,855
Service industries/other	116,336	139,586	59,048	64,057	1,970	1,819	-4,857	5,557
Transport/communications	362,178	123,262	92,697	48,815	4,641	3,334	45,189	46,965
Manufacturing	18,056	24,858	7,999	12,062	1,530	3,242	-5,775	4,539
Energy, water and mining	6,955	345	2,959	60	2,183	1,050	4,032	579
Trade, maintenance and repairs	20,461	24,236	14,398	14,059	323	893	-231	2,538
Agriculture, forestry and fishing	4,328	5,456	4,075	2,614	0	2,273	- 812	-242
Construction	35,808	24,267	21,375	15,050	10,058	8,470	7,913	4,809
Other	-	-	-	-	-	-	-	-
Total	**567,640**	**357,416**	**210,867**	**163,568**	**20,707**	**21,229**	**46,777**	**70,601**

1) Exposure of non-performing loans prior to allowances, with impairments.

Risk provision requirement by region

Regions in EUR k	Impaired credit exposures		Specific allowances		Loan loss provisions		Net allocations/reversals of specific allowances/ provisions	
	2010	2009	2010	2009	2010	2009	2010	2009
Euro countries	547,339	354,140	204,357	161,769	20,641	21,166	42,063	70,227
Rest of Western Europe	19,338	426	5,834	388	-	-	5,446	-736
Eastern Europe	66	66	-	-	66	63	3	-63
North America	896	2,783	676	1,411	-	-	- 735	1,411
Latin America	-	-	-	-	-	-	-	-238
Middle East/Africa	-	-	-	-	-	-	-	-
Asia	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	**567,640**	**357,416**	**210,867**	**163,568**	**20,707**	**21,229**	**46,777**	**70,601**

The following tables show the past due, unimpaired exposures. All exposures which are at least one day in arrears are listed as past due.

Past due exposures by industry group

Industry groups in EUR k	Past due, unimpaired[1)] credit exposures[2)] 2010	2009[3)]
Financial institutions/insurance companies	128,716	35,235
Service industries/other	66,966	135,693
Transport/communications	283,515	684,524
Manufacturing	16,602	13,165
Energy, water and mining	42,225	41,281
Trade, maintenance and repairs	54,628	33,463
Agriculture, forestry and fishing	9,321	1,344
Construction	20,137	11,933
Other	-	-
Total	**622,110**	**956,638**

[1)] The term “impaired” refers to specific and flat-rate specific allowances only. Portfolio allowances are not included.
[2)] Unimpaired exposures past due > 0 days, here again EAD.
[3)] Restated prior-year figures as in 2010 the entire portfolio was considered and not just exposures rated 16-18.

Past due exposures by region

Regions in EUR k	Past due, unimpaired credit exposures 2010	2009
Euro countries	588,705	889,704
Rest of Western Europe	17,952	44,312
Eastern Europe	12,780	5,405
North America	1	-
Latin America	0	17,071
Middle East/Africa	345	-
Asia	-	146
Other	2,327	-
Total	**622,110**	**956,638**

Broken down by days past due, past due, unimpaired exposures to customers are as follows.

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	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Loans and advances to customers	591	798	6.	64	24	95	622	957	510	742

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	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Loans and advances to customers	568	357	205	160	362	197	314	179
Loans and advances to banks	26	26	6	3	20	22	0	0

In the fiscal year, Bremer Landesbank did not renegotiate the terms for any financial assets 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.

The Bank will continue to enhance its credit risk control system in 2011. In this context, the risk parameters and the credit risk model will be validated, as is done every year. The credit risk analyses with a focus on stress testing, which will need to be intensified further, 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.

The Bank expects risk provisions in the lending business, especially for ship finance, to decrease in 2011.

Investment risk

Investment risk is the risk of loss resulting from making equity available to third parties. Investment risk also includes the risk of loss from other financial obligations (e.g., *Gewährträgerhaftung* (public guarantee under which the owners of savings banks are jointly and severally liable to the banks' creditors), letters of comfort, profit and loss transfer agreements) except where it is covered by the other risk types.

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.

Significant 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).

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

Apart from a few exceptions, the Bank's equity investments undergo a rating process along the lines of the lending 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.

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 risk-bearing capacity 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.

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 2010.

Optimization of the investment portfolio will be continued in 2011.

Market price risk

Market price risk describes the potential loss arising from changes in market parameters. Market price risk comprises interest rate, currency, equity price, fund price, volatility, credit spread and commodity risk.

Interest rate risk comprises the components of general (including credit spread risk in the trading book) and specific interest rate risk.

General interest rate risk occurs when the value of a position or a portfolio reacts to changes in one or more interest rates or in entire yield curves and when such changes may subsequently impair the position. This risk also includes the credit spread risk of the trading book.

In line with the regulatory definition, specific interest rate risk includes potential changes in value resulting from rating migrations or the default of issuers (for securities) or reference entities (for credit derivatives). For Bremer Landesbank, specific interest rate risk is the same as issuer risk.

Currency (or exchange rate) risk is the risk that the value of a position may react to changes in one or more exchange rates and that such changes subsequently impair the position.

Equity price risk is the risk that the value of a position may react to changes in one or more equity prices or indices and that such changes subsequently impair the position.

Fund price risk is the risk that the value of a position may react to changes in one or more fund prices and that such changes subsequently impair the position.

Volatility risk is the risk that the value of an option may react to potential changes in value resulting from market movements of the volatilities used to price the option and that such changes subsequently impair the position. 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.

As with the trading book, credit spread risk in the banking book describes potential changes in value arising from changes in the credit spread applicable to the issuer, borrower or reference entity used to mark a position to market. In order to avoid duplicating risks, changes in ratings due to changes in credit quality can be neglected when determining credit spread risks in the banking book as such changes are covered by the issuer risk.

Commodity risk is the risk of a loss in value of a position (including indices and derivatives) because of a change in the price of the underlying commodity (e.g., oil, wheat). Commodity risk currently has no relevance for Bremer Landesbank because it does not have any open positions in this area.

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 and supporting bank management. 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 rate risks were of lesser strategic significance in 2010.

In accordance with the trading strategy, trading activities focus on interest rate risk, resulting in a conscious concentration of risk in this area. The main products are interest rate derivatives and fixed-income securities (bank bonds, *Pfandbriefe*, public sector bonds). The risk concentrations are minimized by means of limits for the various risk categories.

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 strategic investment situation to 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 strategic treasury activities (Treasury).

The Credit Investments unit presents to the Credit Investment Board the Bank's investments in securities refinanced with matching maturities and in credit derivatives and its investments in the banking book and proposes strategies for managing the risks inherent in the portfolio. The Board usually meets once a fortnight. It advises the Management Board on management activities and presents the economic impact of such activities. The members of the Management Board responsible for risk and the front office, and representatives from Financial Markets, Back Office Financing and Integrated Bank Management sit on the Credit Investment Board. The Credit Investments unit implements the measures resolved by the Management Board.

The Corporate Service and the Financial Markets Head Office groups provide services. In accordance with the MaRisk, Market Price Risk Control is independent of the market price risk management units in functional and organizational terms. Market Price Risk Control monitors, limits and reports on market price risks and is responsible for measurement methodology.

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 (interest rates, exchange rates, securities prices, volatilities, etc.) 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 Market Price 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.

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

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.

In compliance with MaRisk requirements, Market Price 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 is informed five times a year. In the 2010 reporting period, average utilization of the risk limit in Financial Markets was 16%; in Treasury it was 23%.

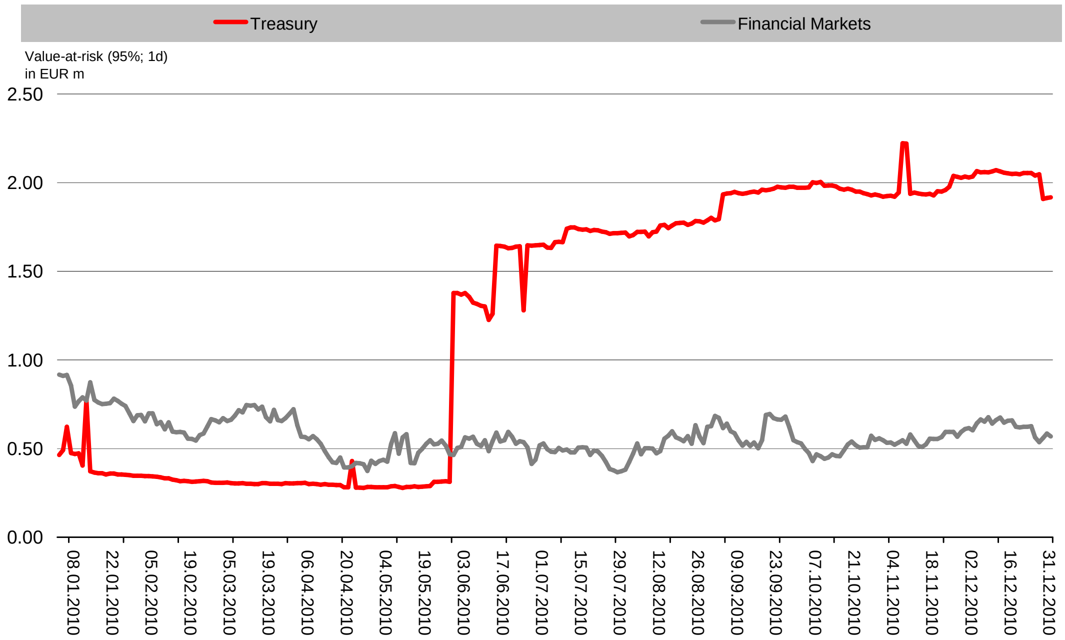
The following table shows the Bank’s market price risk in the fiscal year and the prior year (credit spread risks in the banking book are not included in this overview):

Market price risks – overview:

Market price risk in EUR k)	**Maximum**		**Average**		**Minimum**		**Year-end**	
	1 Jan 2010 - 31 Dec 2010	1 Jan 2009 - 31 Dec 2009	1 Jan 2010 - 31 Dec 2010	1 Jan 2009 - 31 Dec 2009	1 Jan 2010 - 31 Dec 2010	1 Jan 2009 - 31 Dec 2009	31 Dec 2010	31 Dec 2009
Interest rate risk (VaR)	2,959	3,189	1,838	1,495	653	1,019	2,666	1,285
Currrency risk (VaR)	224	218	80	66	18	16	165	28
Equity price and fund price risk (VaR)	164	1,364	109	185	83	95	99	164
Total	**2,673**	**3,575**	**1,617**	**1,457**	**554**	**892**	**2,412**	**1,244**

The progress of value-at-risk at the Bank in 2010 is shown in the following chart. Again, this chart does not include banking book credit spread risks.

Market price risk value-at-risk

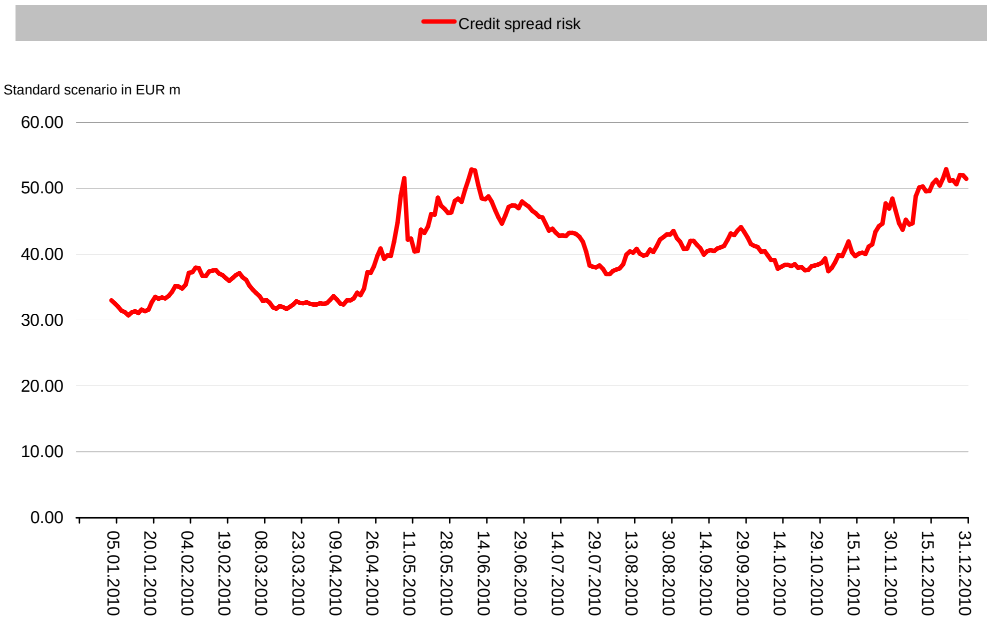


The average utilization of the market price risk limit for the overall Bank was 22% (maximum 36% and minimum 7%). As of 31 December 2010, the value-at-risk (confidence level of 95% and a holding period of one day) at the Bank amounted to EUR 2.41m.

In fiscal year 2010, the stress tests performed for the Bank as a whole showed a maximum risk of EUR 35m and an average of EUR 21m, with a minimum of EUR 0.5m. As of 31 December 2010, the stress tested value for the Bank as a whole was EUR 28.9m.

The risk utilization ratios in 2010 were significantly impacted by the application of the new provisions of the MaRisk relating to market price risks in the banking book (BTR 2.3 (7)) in May 2010. In accordance with the MaRisk, components of equity which are available to the Bank without any time restrictions may not be included in calculating the present value of interest rate risk. This means that such (modeled) components of equity no longer have a risk-mitigating effect, leading to a substantial increase in the reported risk. Nevertheless, limit utilization remains moderate.

During the financial market crisis, the market price risk for the Bank due to the change in credit spreads in the credit investment portfolio increased significantly from mid-2007 and came to EUR 51m on 31 December 2010 based on the scenario approach. The risk was lower than in the prior year (maximum risk in 2009: EUR 80m; in 2010: EUR 53m). 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.



When revising the risk-bearing capacity concept, the Bank will critically review whether credit spread risks in the banking book are appropriately and uniformly accounted for, especially in terms of delineation between credit and market price risks. The Bank and the NORD/LB Group are working on jointly enhancing the VaR model for banking book credit spread risks, in particular with regard to modeling less liquid positions.

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 2010 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 2010, the average interest rate risk in relation to liable equity was 3.11%. The results show that the Bank is far from being classified as an “outlier bank”. Components of equity which are available to the Bank without any time restrictions are not used to calculate the present value of interest rate risk.

Bremer Landesbank uses the standardized approach to calculate the capital charge for market price risks in accordance with the SolvV. The Regulatory Reporting/Financial Reporting Systems unit reports the month-end figure to the Bundesbank once a month.

At the end of 2010, the Bank launched a project to review and enhance the market price risk model. The core aim of the project is to review of the variance-covariance approach. In the interests of standard group management, the Bank is examining whether a switch to historical simulation may be useful.

Liquidity risk

Liquidity risks are risks which may arise from disruptions to the liquidity of individual market segments, unexpected events in lending, deposit or issue business or a deterioration in the Bank's own refinancing conditions. Bremer Landesbank defines placement risk as part of liquidity risk. Placement risk is the risk that the Bank's own issues cannot be placed on the market at the desired conditions.

Liquidity risk breaks down into traditional liquidity risk, refinancing risk and market liquidity risk.

Traditional liquidity risk is the risk that payment obligations cannot be met in due time. Such risks may arise due to a general disruption in the liquidity of the money markets affecting individual banks or the entire financial market. Market disruptions can also mean that collateral from significant asset classes can no longer be realized. Alternatively, unexpected events in the Bank's own lending, deposit or issue business can lead to liquidity shortages. Bremer Landesbank's focus is on the next 12 months.

Refinancing risk constitutes potential losses of earnings resulting 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 Bank's focus is on the entire period.

Market liquidity risk describes potential losses to be borne 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 risks result primarily from securities positions in the trading and banking books.

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 of 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 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.

A global group liquidity policy was drawn up as part of enhancing group risk management which, consistent with Bremer Landesbank's liquidity policy, lays down the framework for group-wide liquidity management. This notably involves the specification of goals and responsibilities for liquidity management in different scenarios. Both the liquidity policy and the global group liquidity policy are updated annually.

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. As part of enhancing group-wide liquidity management, group-wide contingency management has also been extended in line with the regulatory requirements. This relates in particular to the emergency processes, the legal allocation of responsibilities and ensuring group-wide liquidity.

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

Money Market and Foreign Exchange 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.

Market Price Risk Control is responsible for 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/Financial Reporting Systems unit calculates and monitors the utilization of the liquidity ratio in accordance with the LiqV ["Liquiditätsverordnung": German Liquidity Ordinance] and performs service and control functions.

The main tasks of the Liquidity Management Working Group are to optimize liquidity management and clarify related issues promptly, with an emphasis on the fast-acting management of new business and funding activities. The enhancements developed in the project are implemented in day-to-day management by the Working Group.

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 2010.

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. An important innovation in the fiscal year was the addition of the currency dimension to the LST. Liquidity positions in USD were identified as material; they are currently reported on a monthly basis.

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.

Bremer Landesbank has implemented a limit system to mitigate traditional liquidity risk. A traffic light system (number of days of liquidity surplus) triggers the necessary management measures.

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 refinancing risk expressed in terms of present value is limited by the allocated risk capital. In addition, to avoid concentrations in specific maturities, 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 ["*Pfandbrief*gesetz": 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 emerging trend toward covered refinancing on the relevant capital markets, Bremer Landesbank has reacted by formulating a funding and collateral management strategy. Enhancement activities in 2011 will include the further implementation of this strategy.

Market liquidity risk is included in market price 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 by 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.

Reporting on the liquidity risk situation takes the form of the monthly liquidity status report, which is discussed by the Treasury Committee and the Liquidity Working Group.

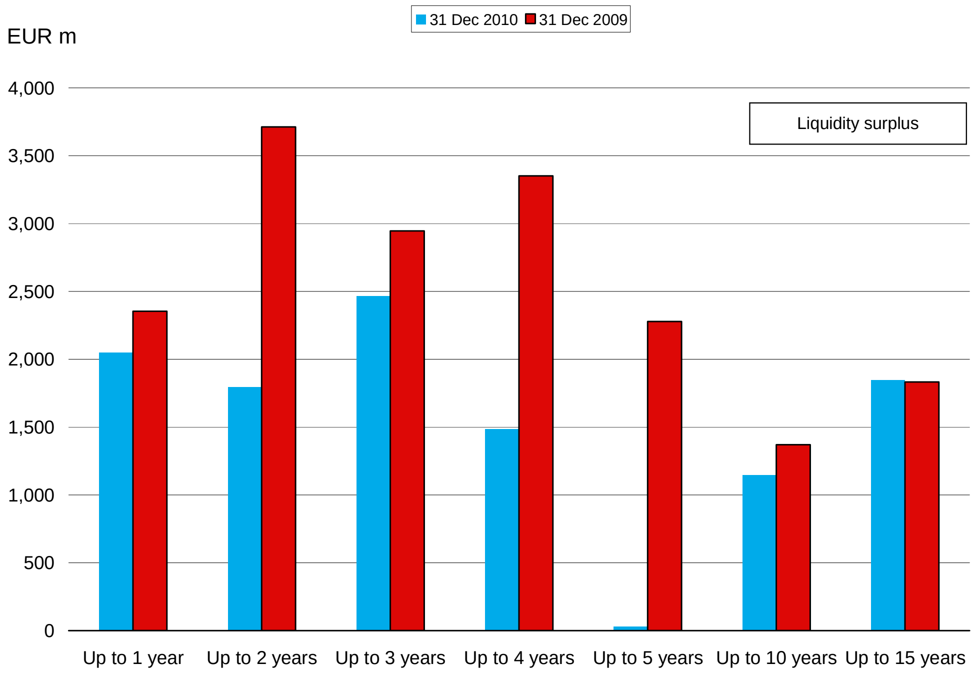
The Management Board receives a monthly report in connection with risk reporting. In addition, the risk-bearing capacity report informs the Management Board about the risks related to *Pfandbrief* operations.

In addition to the monthly report to the Bundesbank, the liquidity ratio is calculated daily and used in money trading to support operational management. The results of the liquidity stress test are also provided daily to the liquidity management units (Money Market and Foreign Exchange Trading and Asset/Liability Management), those of the liquidity status report are communicated to the management units in Financial Markets once a month. The forward liquidity exposure is presented and discussed fortnightly by the Treasury Committee.

The effects of the financial market crisis can still be observed on the money and capital markets, albeit in a more varied form than in 2009. The Bank continued to have sufficient access to the money and capital markets, evident in the fact that it was able to refinance at comparatively good terms on these markets. Close observation of the markets and active liquidity management ensured that the Bank had a sufficient supply of liquidity at all times in fiscal year 2010.

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 2010 shows that the liquidity situation remains comfortable. Except for a few, minor short-term liquidity mismatches, the Bank had a liquidity surplus throughout the reporting period.

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

During the course of the year, the liquidity ratio in accordance with the LiqV far exceeded the minimum of 1.00 required by regulatory law; the liquidity ratio as of 31 December 2010 was 1.52.

The dynamic 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).

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 context of changing demands.

As a result of the financial crisis, the regulatory and legal requirements were tightened in fiscal year 2010. The Bank addressed these more exacting demands by expanding its liquidity management and control system as part of a project. The Bank is systematically enhancing its liquidity risk management methods and models in close consultation with the NORD/LB Group.

The developments in 2011 will focus on implementing the new and extensive regulatory requirements, especially relating to the establishment and management of the liquidity reserve. The foreseeable developments prompted by Basel III will be taken into consideration at an early stage.

Operational risk

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. This definition includes legal and reputational risks as consequential risks. It does not include business and strategic risks.

Legal risk is the risk of loss caused by failure to comply fully or partly with the legal framework defined by laws and court rulings. Legal risk exists only in respect of the Bank’s relationships with third parties.

Bremer Landesbank understands compliance risk and outsourcing risk to be part of operational risk.

Compliance risk is the risk of penalties imposed by courts or authorities or disciplinary measures resulting from non-compliant procedures, processes, etc. (due to failure to comply with laws, regulations, rules of conduct and standards) within the Bank.

Outsourcing risk is the risk resulting from the outsourcing of activities and processes.

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. The entire Business Continuity Management (BCM) complex will be enhanced in an ongoing project to run until mid-2012.

Human Resources Management analyzes and manages bottleneck risk, exit risk, the risk of insufficient and inadequate staffing, adjustment risk and motivation risk in an integrated personnel risk management process. 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 the 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.

The Bank is required under Sec. 25a and Sec. 25c KWG to establish appropriate business and customer-related safeguards and controls in order to prevent fraud to the detriment of the Bank and its subsidiaries. The Management Board considers any attempt at fraudulent, dishonest or other criminal acts to be a serious and intolerable offense (“zero tolerance”). The Bank does everything in its powers to prevent fraud or at least identify such acts as early as possible and to keep such risks to a minimum. Any instances of crime are dealt with in close cooperation with the criminal prosecution authorities. In addition to its established policies and procedures, the Bank has conducted a detailed risk analysis and developed and implemented a comprehensive fraud prevention organization. One element of this fraud prevention organization is the creation of a fraud management position that is being filled by the Bank’s anti-money laundering officer. The anti-money laundering/fraud management function is part of the Compliance unit and reports directly to the member of the Management Board responsible for risk.

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 organizations is assured by signing service level agreements or detailed service specifications and through regular checks. A process to assess service providers in terms of risk significance has been installed to implement the requirements of the MaRisk relating to outsourcing. An office responsible for quality and risk management has been appointed for each significant outsourced activity. An individual contingency plan has also been drafted for each such activity.

The Bank’s Management Board, Integrated Bank and Credit Risk Control and all other units are involved in the process of managing operational risk. The Management Board stipulates the basic framework for addressing operational risk, based on the risk situation at overall bank level. Integrated Bank and Credit 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 Integrated Bank and Credit Risk Control. All enhancements are made in close consultation with the NORD/LB Group.

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 historical losses is supplemented with future components using the risk 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. The first step in the risk assessment process is completion of a catalog of qualitative questions. In a second step, a scenario is calculated to quantify operational risk for areas with significant operational risk.

The results from the loss database and risk assessment are analyzed and any necessary measures are initiated by the units concerned. Losses and risk assessment results as well as risks are presented in a monthly report. A VaR method has been used to determine risks since 2008. In 2010, the VaR method was harmonized within the NORD/LB Group and an allocation model was introduced group-wide.

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

Loss database	Share 31 Dec 2010	Share 31 Dec 2009
External events	48.0%	14.0%
Internal processes	0.0%	6.2%
Employees	51.8%	79.8%
Technology	0.2%	0.0%

The losses arising in 2010 are deemed insignificant overall. All reported losses (including credit risk cases) came to approximately EUR 4.6m (gross) in 2010 (2009: approximately EUR 2.0m).

Given the risk 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 still considers claims to payments totaling approximately EUR 26.1m plus interest asserted by the administrators in two insolvency proceedings to be unjustified. In one case, all but approximately EUR 37k of the claim was rejected in the first instance; the administrator has lodged an appeal.

The claims do not pose a threat to the existence of the Bank in any case.

The standardized approach continued to be used for operational risk capital charges in 2010.

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 consultation with the NORD/LB Group.

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 adopts 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 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 2010, the Bank complied with the current regulatory provisions governing equity and liquidity.

The requirements from the third revision of the MaRisk have been analyzed and will be implemented in due course in consultation with the NORD/LB Group. The Bank is also driving ahead its enhancement of the existing risk management systems in the direction of an integrated risk-return analysis.

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.

It is the Bank's aim 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.

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.

Supervisory Board report

The Bank's Management Board regularly informed the Supervisory Board and its General Working and Credit Committee about the Bank's performance and situation. In the three meetings of the Supervisory Board and the five meetings of the General Working and Credit Committee, fundamental issues relating to business policy 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 under these statutes, require a decision by these bodies.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, audited the financial statements of Bremer Landesbank for fiscal year 2010. They comply with the legal requirements. The auditors issued an unqualified audit opinion on the financial statements. The auditors also attended the Supervisory Board's financial statements meeting on 8 April 2011 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 on 8 April 2011, the Supervisory Board approved the management report and the financial statements as of 31 December 2010, which have thus been endorsed.

The Supervisory Board proposes to the Owners' Meeting that the Management Board be exonerated and the profit of Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale – for fiscal year 2010 of EUR 48m be appropriated as follows:

1. Allocation to retained earnings: EUR 20m

2. Distribution to owners: EUR 28m

The amount distributed to the owners is equivalent to a dividend of 20% on the share capital.

The allocation to retained earnings has been accounted for in the accompanying financial statements.

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 2010 by the Management Board and by all of the Bank's employees.

Bremen, 8 April 2011

The Chairman of the Supervisory Board

Mayoress Karoline Linnert

Owners' Meeting report

The Owners' Meeting convened twice during the reporting period in order to discharge its duties under the law and the Bank's statutes.

On 8 April 2011, it approved the proposal of the Supervisory Board on the appropriation of the profit for 2010 and exonerated the Management Board of the Bank. The owners likewise exonerated the Supervisory Board.

The Owners' Meeting wishes to thank the Supervisory Board, the Management Board and employees of the Bank for their work in 2010.

Bremen, 8 April 2011

Owners' Meeting

Dr. Gunter Dunkel

Balance sheet as of 31 December 2010

Assets

EUR k					31 Dec 2009
1. Cash reserve				**74,112**	**145,103**
a) Cash on hand			3,808		3,677
b) Balances at central banks			70,304		141,426
thereof: at Deutsche Bundesbank	70,304				(141,426)
2. Public-sector debt instruments and bills of exchange eligible for refinancing with central banks				**0**	**0**
a) Treasury bills and treasury discount notes as well as similar public-sector debt instruments			0		0
thereof: eligible for refinancing with Deutsche Bundesbank	0				(0)
b) Bills of exchange			0		0
thereof: eligible for refinancing with Deutsche Bundesbank	0				(0)
3. Loans and advances to banks				**5,521,963**	**4,791,798**
a) Mortgage loans			0		0
b) Public-sector loans			3,534,361		3,610,957
c) Other loans and advances			1,987,602		1,180,841
thereof: payable on demand	760,000				(164,044)
against securities	0				(0)
4. Loans and advances to customers				**21,812,337**	**20,743,426**
a) Mortgage loans			1,530,849		1,507,496
b) Public-sector loans			5,130,419		5,268,077
c) Other loans and advances			15,151,069		13,967,853
thereof: against securities	0				(0)
5. Debt securities and other fixed-income securities				**5,550,522**	**6,484,835**
a) Money market securities			0		0
b) Bonds and debt securities			5,539,652		6,368,167
ba) issued by the public sector		1,383,776			1,258,489
thereof: eligible as collateral with Deutsche Bundesbank	1,363,625				(1,238,338)
bb) issued by other borrowers		4,155,876			5,109,678
thereof: eligible as collateral with Deutsche Bundesbank	4,057,546				(5,038,035)
c) Own debt securities			10,870		116,668
Nominal value	10,064				(113,253)
6. Shares and other variable-yield securities				**16,730**	**23,956**
6a. Trading book positions				**534,212**	**-**
7. Equity investments				**152,342**	**150,990**
thereof: in banks	4,723				(4,723)
in financial services institutions	8				(8)
8. Shares in affiliates				**80,929**	**73,015**
thereof: in banks	0				(0)
in financial services institutions	511				(0)
9. Trust assets				**96,472**	**101,204**
thereof: trust loans	40,965				(45,697)
10. Equalization claims on the public sector including debt securities resulting from their conversion				**0**	**0**
11. Intangible assets				**1,977**	**1,935**
a) Internally generated industrial rights and similar rights and assets				0	0
b) Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets			1,977		1,935
c) Goodwill				0	0
d) Prepayments				0	0
12. Property and equipment				**34,806**	**29,567**
13. Other assets				**338,753**	**1,003,172**
14. Prepaid expenses				**12,939**	**20,402**
a) From issuing and loan business			12,357		13,135
b) Other			582		7,267
Total assets				**34,228,094**	**33,569,403**

Liabilities and equity

EUR k					31 Dec 2009
1. Liabilities to banks				**11,574,307**	**10,489,021**
a) Issued registered mortgage *Pfandbriefe*			486,580		323,317
b) Issued public registered securities			984,214		1,173,219
c) Other liabilities			10,103,513		8,992,485
thereof: payable on demand	772,963				(1,005,351)
public *Pfandbriefe* surrendered to the lender to secure loans raised	237,178				(262,395)
2. Liabilities to customers				**10,096,202**	**10,202,461**
a) Issued registered mortgage *Pfandbriefe*			310,854		502,814
b) Issued public registered securities			2,872,172		3,034,362
c) Savings deposits			212,655		227,473
ca) with an agreed period of notice of three months		199,066			(219,812)
cb) with an agreed period of notice of more than three months		13,588			(7,661)
d) Other liabilities			6,700,521		6,437,812
thereof: payable on demand	2,180,895				(2,151,657)
3. Securitized liabilities				**8,984,583**	**9,322,307**
a) Debt securities issued			8,984,583		9,322,307
aa) Mortgage *Pfandbriefe*		694,310			(782,840)
ab) Public *Pfandbriefe*		2,264,964			(2,688,260)
ac) Other debt securities		6,025,309			(5,851,207)
b) Other securitized liabilities			0		0
thereof: money market securities	0				(0)
own acceptances and promissory notes outstanding	0				(0)
3a. Trading book positions				**428,800**	**-**
4. Trust liabilities				**96,472**	**101,204**
thereof: trust loans	40,965				(45,697)
5. Other liabilities				**535,051**	**1,089,154**
6. Deferred income				**14,567**	**29,248**
a) From issuing and loan business			14,521		17,637
b) Other			46		11,611
7. Provisions				**257,240**	**229,104**
a) Provisions for pensions and similar obligations			165,845		149,986
b) Tax provisions			31,827		27,525
c) Other provisions			59,568		51,593
8. Subordinated liabilities				**500,000**	**500,000**
9. Participation certificate capital				**0**	**0**
10. Fund for general banking risks				**442,195**	**330,000**
thereof: for trading book positions				2,195	-
11. Equity				**1,298,677**	**1,276,904**
a) Subscribed capital			747,904		747,904
aa) Share capital		140,000			(140,000)
ab) Other capital contribution		607,904			(607,904)
b) Capital reserves			40,000		40,000
c) Retained earnings			482,773		461,000
ca) Legal reserves		0			0
cb) Reserves required by the statutes		204,000			(194,000)
cc) Other retained earnings		278,773			(267,000)
d) Accumulated profits			28,000		28,000
Total liabilities and equity				**34,228,094**	**33,569,403**

Contingent liabilities and other obligations

EUR k				31 Dec 2009
1. Contingent liabilities			**4,207,020**	**4,476,110**
a) Acceptances and endorsements		0		0
b) Guarantees		4,207,020		4,476,110
c) Assets pledged as collateral for third-party liabilities		0		0
2. Other obligations			**2,820,804**	**2,812,951**
a) Commitments arising out of sale and repurchase transactions		0		0
b) Placement and underwriting commitments		0		0
c) Irrevocable loan commitments		2,820,804		2,812,951

Income statement

for the period from 1 January to 31 December 2010

EUR k					31 Dec 2009
1. Interest income from					
a) Lending and money market business		1,057,038			1,067,075
b) Fixed-income securities and government-inscribed debt		115,066	1,172,104		187,387
2. Interest expenses			**831,411**		**942,561**
				340,693	**311,901**
3. Current income from				**3,676**	**16,383**
a) Shares and other variable-yield securities			529		8,841
b) Equity investments			2,986		6,143
c) Shares in affiliates			161		1,399
4. Income from profit pooling and profit and loss transfer agreements				**2,877**	**1,901**
5. Commission income			**55,466**		**52,544**
6. Commission expenses			**8,458**		**7,966**
				47,008	**44,578**
7. Net income from trading book positions				**19,757**	**23,433**
thereof: allocations to the fund for general banking risks				**2,195**	**-**
8. Other operating income				**17,197**	**9,021**
9. General and administrative expenses				**157,355**	**148,887**
a) Personnel expenses					
aa) Wages and salaries		71,611			(63,883)
ab) Social security, pension and other benefit costs		19,956	91,567		91,961
thereof: for old-age pensions	7,600				(17,623)
b) Other administrative expenses			65,788		56,926
10. Amortization, depreciation and impairment of intangible assets and property and equipment				**3,958**	**3,847**
11. Other operating expenses				**16,728**	**3,144**
12. Allocations to the fund for general banking risks				**110,000**	**0**
13. Impairment of and allowances on loans and advances and certain securities as well as allocations to loan loss provisions				**24,115**	**108,416**
14. Impairment of and allowances on equity investments, shares in affiliates and investment securities				**0**	**20,005**
15. Income from write-ups of equity investments, shares in affiliates and investment securities				**8,649**	**0**
16. Expenses from loss absorption				**0**	**0**
17. Profit/loss from ordinary activities				**127,701**	**122,918**
18. Extraordinary income			1,198,643		0
19. Extraordinary expenses			1,203,228		0
20. Extraordinary result				**-4,585**	**0**
21. Income taxes			**39,992**		**37,911**
22. Other taxes not disclosed in item 11			**-444**		**-24**
				39,548	**37,887**
23. Profits transferred under profit pooling and profit and loss transfer agreements				**35,568**	**37,031**
24. Profit for the year				**48,000**	**48,000**
25. Profit carryforward from the prior year				**0**	**0**
26. Allocations to retained earnings				**20,000**	**20,000**
a) To the legal reserve			0		0
b) To the reserve for treasury shares			0		0
c) To the reserves required by the statutes			10,000		10,000
d) To other retained earnings			10,000		10,000
27. Advance distribution				**0**	**0**
28. Accumulated profits				**28,000**	**28,000**

Notes

I. General information on the accounting and valuation methods and the basis of currency translation into euros

1. Basis of preparation of the financial statements

The annual financial statements of Bremer Landesbank as of 31 December 2010 were prepared in accordance with the provisions of the HGB [“Handelsgesetzbuch”: German Commercial Code] as amended by the BilMoG [“Bilanzrechtsmodernisierungsgesetz: German Accounting Law Modernization Act] and the RechKredV [“Verordnung über die Rechnungslegung von Kreditinstituten“: Bank Accounting Directive].

The format of the balance sheet and income statement is based on the RechKredV. The comparative figures for 2009 are the figures published and audited in the prior year and have not been restated in accordance with the BilMoG. The balance sheet was prepared in accordance with Sec. 268 (1) HGB assuming a partial appropriation of the profit for the year.

The BilMoG modified the special recognition provisions of the RechKredV previously applicable to real estate lending banks, extending them to all *Pfandbrief* banks. Bremer Landesbank is a *Pfandbrief* bank within the meaning of Sec. 1 (1) PfandBG [“*Pfandbrief*gesetz”: German Covered Bond Act] as it issues covered bonds (*Pfandbriefe*, mortgage *Pfandbriefe*, ship *Pfandbriefe* and public *Pfandbriefe*) against acquired mortgages, ship mortgages and public-sector loans. The new recognition provisions were applied for the first time in the financial statements as of 31 December 2010. The changes relate to the classification of the balance sheet items “Loans and advances to banks”, “Loans and advances to customers”, “Securitized liabilities”, “Prepaid expenses” and “Deferred income”.

2. Accounting policies applied – banking book

Loans and advances to customers and banks are accounted for at nominal value. If the nominal amounts of mortgage loans and other loans and advances differ from the amounts paid out and such differences represent interest, they are recognized at their full value in accordance with Sec. 340e (2) HGB. Such differences are recorded as prepaid expenses or deferred income and released systematically.

Low-interest or interest-free loans and advances are carried at present value, adjusting for specific and general allowances if necessary.

Specific allowances and provisions are recognized to cover identifiable risks in the lending business. Risks relating to contingent liabilities are assessed on a case-by-case basis applying the principles used for specific allowances. The accounting for country risks includes checking compliance with country limits (rating procedure for country and transfer risks). Specific allowances are calculated on a case-by-case basis. Provisions for country risks are calculated using consistent principles. Reasonable general allowances are made for other general credit risks. The general allowance continues to be calculated in accordance with the Banking Technical Committee (BFA) pronouncement 1/1990 and the Federal Ministry of Finance pronouncement of 10 January 1994.

Securities in the liquidity reserve are valued at the strict lower of cost or market. Investment securities are valued at acquisition cost except when they are permanently impaired. Investment securities are, as a rule, held to maturity. The issuers of such securities pose no identifiable credit risk and no acute deterioration in their credit rating is expected in the future. Custody accounts are used to keep banking book securities and liquidity reserve securities separate.

Option premiums and futures margin payments on transactions not yet due and proportionate accrued interest on interest rate swaps are shown under other assets or under other liabilities. Amounts not yet amortized from interest rate caps, floors and collars and up-front payments from interest rate swaps not yet amortized are included in prepaid expenses or deferred income.

Credit default swaps for which the Bank acts as protection seller are accounted for in the same way as contingent assets and liabilities from guarantees. Provisions are recognized if a claim under the CDS is expected. Income components resulting from CDSs for which the Bank is the protection seller are reported as commission income.

Equity investments and shares in affiliates are recognized at acquisition cost or at lower net realizable value if they are permanently impaired. The net realizable value is determined on the basis of the present value of the future net cash flows to the owners from their share in 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 2010 and a detailed budget for 2011 and, if applicable, a medium-term forecast 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 long-term 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 measure, 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. Since 2009, adjusted beta (adjusted beta = raw beta x 0.67 + 0.33) has been used to smooth out the volatility of the valuation over the course of time.

Non-current assets with a limited life are depreciated at the maximum rates allowed for tax purposes. Assets costing between EUR 150 and EUR 1,000 are recognized in a collective item and depreciated over 5 years at a rate of 20% p.a. In the fiscal year, such depreciation totaled EUR 0.6m (prior year: EUR 0.3m). Low-value assets costing less than EUR 150 are fully expensed in the year of acquisition.

Liabilities to customers and banks are recognized at their settlement value. Differences between the amount borrowed and the settlement value that represent interest are shown as prepaid expenses or deferred income and released systematically.

Zero bonds are stated at the issue price plus interest accruing based on the yield upon issue.

Provisions are made following the principle of prudence for uncertain liabilities and potential losses from pending transactions, as well as for contingent liabilities and other obligations.

The principle of prudence enshrined in German commercial law (proof that the banking book is valued at its net realizable value) must be applied for all financial instruments in the banking book by recognizing a provision pursuant to Sec. 249 HGB ("provision for potential losses") for any net obligation from the valuation of the entire interest position. A net obligation exists when the value of Bremer Landesbank's obligation exceeds the value of its claim to consideration. To provide evidence of valuation at net realizable value, Bremer Landesbank uses the present value approach. Thus, the accounting and valuation of such transactions are outside the scope of Sec. 254 HGB as revised by the BilMoG.

Bremer Landesbank uses the present value method for the calculations required for this test of provisions, i.e., it compares the total interest-induced present values (discounted using the swap curve) of all interest-bearing transactions with the total carrying amounts of all interest-bearing transactions. Administrative expenses are taken into account in calculating present values by discounting the administrative expenses attributable to the banking book over the total maturity. Risk costs are not taken into consideration because the present value calculation only allows for interest-induced price changes. As of 31 December 2010, the present value calculated was positive and thus no provision was required.

3. Hedge accounting

Bremer Landesbank applies hedge accounting to economic hedges in the following cases:

- Interest rate hedges of fixed-income securities in the liquidity reserve and banking book in the form of interest rate swaps for individual transactions
- Interest rate hedges of borrower's note loans in the form of interest rate swaps for individual transactions

In addition to the foregoing hedging relationships for which hedge accounting is applied, the following economic hedges are accounted for as follows:

- Currency hedges in the banking book: the economic hedge is accounted for by translating foreign currency assets, foreign currency liabilities and pending currency transactions in accordance with Sec. 256a HGB in conjunction with Sec. 340h HGB (see "Currency translation principles").
- Hedges of the general interest rate risk in the banking book as part of asset/liability management (integrated bank management): the economic hedge is accounted for by including all interest-bearing banking book assets and liabilities and all interest rate derivatives of the banking book in determining the provision required to value interest rate risks in the banking book at the net realizable value.

When hedge accounting is applied, Bremer Landesbank uses the "frozen value method", i.e., changes in the value of underlying and hedging transactions that offset each other are not recognized. In order to apply hedge accounting, a conscious and documented decision to enter into the underlying and hedging transaction in each case is required in addition to the risk management decision.

All of Bremer Landesbank's hedges are effective micro-hedges, i.e., hedges in which the cash flow-determining parameters of the underlying and hedging transaction are a perfect match. When the hedge is first accounted for and during its term, a back office function checks that the cash-flow determining parameters of the underlying and hedging transaction match. For these reasons, any changes in the value of the underlying and hedging transaction arising between the recognition of the hedge and the balance sheet date offset each other completely. For all of its hedges, Bremer Landesbank retrospectively tests ineffectiveness using the critical terms match method. For the above reasons, Bremer Landesbank expects that all future changes in value over the full maturity of a hedge will offset each other completely, i.e., it also prospectively tests the effectiveness of all of its hedges using the critical terms match method.

4. Accounting policies applied – trading book positions

In accordance with Sec. 340e (3) Sentence 1 HGB, trading book positions are valued at their risk-adjusted fair value. The change in fair value compared with the last balance sheet date or compared with cost – the net valuation effect – is recorded in "Net income or net expense from trading book positions". In addition to the risk adjustment, income and expenses from the allocation to and reversal of the special item "Fund for general banking risks" are included in this item in accordance with Sec. 340e (4) HGB. See the chapter "Calculation of fair values" for more information on the calculation of fair values.

Current income (interest income and dividends) from financial instruments in the trading book and interest costs for refinancing trading activities are reported in net expense or net income from trading book positions.

The risk adjustment and VaR are determined for the trading book positions as defined in accordance with German commercial law applying the parameters stipulated by the banking supervisory authorities. Bremer Landesbank is not required to calculate a VaR in accordance with the SolvV. For internal management purposes (daily market price reports), the internal VaR is applied to trading book positions and deducted from the trading assets for the risk adjustment pursuant to Sec. 340e (3) Sentence 1 HGB. The VaR parameters used (and thus also relevant for accounting in accordance with German commercial law) are:

- Use of a VaR on the basis of the variance-covariance method which, in addition to factoring in the individual risk types contains premiums for risks from non-linear products (add-ons). This method is also used for Bremer Landesbank's internal market price risk management.
- Supplementary information: types of risk considered by Bremer Landesbank:
    - General interest rate risk
    - Specific interest rate risk (issuer-specific risk)
    - Currency risk
    - Equity price risk
    - Option price risk
- Confidence level: 99%
- Holding period: 10 days
- Observation period: 1 year

5. Accounting policies applied – internal transactions

Bremer Landesbank uses internal transactions to transfer market price risks from the banking book to the trading book, where they are managed centrally by means of trading limits. As such internal transactions fulfill all the requirements for inclusion in the trading book for regulatory purposes in accordance with Sec. 1a (7) KWG, they also qualify as part of the trading book for accounting purposes as the trading book has to be identical for both regulatory and accounting purposes. Accordingly, under commercial law, internal trades are valued and recognized at (risk-adjusted) fair value through profit or loss in the same way as external trades.

In the banking book, the recognition and valuation provisions for external transactions also apply to internal transactions. For example, internal interest rate derivatives in the banking book are included in offsetting asset and liability positions to determine the provision for interest rate risks in the banking book. For more information on accounting for derivative transactions in the banking book, please see the comments in the chapter "Accounting and valuation methods applied – banking book".

In order to avoid a biased presentation of net assets due to the fair value accounting for internal derivatives in the trading book, Bremer Landesbank offsets the trading assets resulting from the fair value accounting for internal transactions against the trading liabilities from the fair value accounting for external transactions (and vice versa). As of 31 December 2010, trading assets resulting from internal transactions of EUR 525.9m were deducted from external trading liabilities, and trading liabilities from internal transactions of EUR 800.8m were deducted from external trading assets.

6. Calculation of fair values

Fair values must be calculated for accounting purposes (valuation of primary and derivative financial instruments in the trading book at fair value) and for disclosure purposes (disclosure of fair value of derivative financial instruments in the banking book). Fair values for both purposes are calculated in the same way, as follows:

For financial instruments traded in an active market the fair value is the market price, i.e., without any adjustments or present value calculations. If publicly listed market prices are available, these are used. If not, alternative price sources are used (e.g., quotes by market makers). Examples of financial instruments traded in an active market are, in the case of Bremer Landesbank, exchange-traded securities, exchange-traded options and futures.

In all other cases, the fair value is determined by applying generally accepted valuation methods. The generally accepted valuation methods applied by Bremer Landesbank for OTC derivatives include the following:

Valuation method	**Scope**	**Key input parameters**
Discounted cash flow method	Illiquid interest-bearing securities	Swap curves, credit information
	Credit default swaps	Swap curves, credit spreads, credit information, if applicable
	Interest rate swaps, FRAs	Swap curves
	Forward transactions in securities	Contract data, actual securities forward prices, swap curves
	Interest rate/currency swaps Forward exchange contracts	Swap curves in the swapped currencies; basis swap spreads; exchange rate
Hull & White model for options	Bermudan swaptions	Volatility of the underlying market price; risk-free interest rate
Black-Scholes model	Foreign exchange options	Exchange rates Volatility of the underlying market price; risk-free interest rate
	OTC equity options	Volatility of the underlying market price
Black-76 model	Caps and floors Swaptions Bond options	Exchange rates Volatility of the underlying market price; risk-free interest rate

The key input parameters could be reliably determined for all of Bremer Landesbank's OTC derivatives; there were no cases in which the fair value could not be determined.

7. Currency translation principles

The acquisition process itself should have no effect on profit or loss. The different methods applied for subsequent valuation of foreign exchange in the trading book (Sec. 340e (3) and (4) HGB) and that in the non-trading book (Sec. 340h in conjunction with Sec. 256a HGB) call for a strict separation of foreign exchange positions.

In the banking book, the criterion of special coverage pursuant to Sec. 340h HGB has consequences for the recognition of revenue. Special coverage requires identical currencies, i.e., special coverage only ever exists in a specific currency in the amount in which positions or transactions in that currency offset each other. Currency risks resulting from the banking book are transferred to the trading desk in the form of trading reports. The trading desk refinances such transactions in the same currency using appropriate instruments. Short-term net foreign currency short or long positions on the foreign currency clearing account are eliminated on a daily basis.

Profits or losses from currency translation in the banking book have the following effects on profit or loss:

- Income from the translation of specially covered transactions must be recognized in profit or loss in accordance with Sec. 340h HGB.
- In accordance with Sec. 256a Sentence 2 HGB, income from the translation of foreign currency positions with a residual term of one year or less must also be recognized in profit or loss.

Foreign currency transactions which are not specially covered, which have a residual term of more than one year and which are neither allocated to the trading book nor included in a currency risk hedge for the purposes of Sec. 254 HGB are valued in accordance with the imparity principle.

German generally accepted accounting principles require the forward rate on the balance sheet date to be used to translate forward transactions in the banking book. If forward exchange contracts are used to hedge interest-bearing balance sheet items, under German generally accepted accounting principles, the forward rate is split and its two elements (spot rate and swap rate) are considered separately in calculating profit or loss. Swap amounts are cut off pro rata temporis. Positive or negative spot rate differences are netted within the same currency and reported under “Other assets” or “Other liabilities”. Valuation of the residual position determines whether losses can be expected on the balance sheet date when the position is closed at maturity and whether provisions have to be recognized.

The euro acquisition cost of assets and liabilities is calculated as the acquisition cost in the foreign currency translated into euros on the acquisition date (acquisition has no effect on profit or loss). All foreign currency assets and liabilities are valued on the balance sheet date (subsequent valuation) in the respective currency in accordance with the general principles. In accordance with Sec. 256a HGB, the value thus obtained is translated into euros using the mean spot exchange rate of the balance sheet date. Outstanding spot transactions in foreign currencies are also translated at the mean spot exchange rate. Assets (EUR 5,131.2m) and liabilities (EUR 2,043.1m) denominated in foreign currency were translated at the mean spot exchange rates as of 31 December 2010.

Foreign currency transactions in the trading book are accounted for and valued using the rules applicable to the trading book. The profit or loss from currency translation is reported in "Net income from trading book positions".

8. Information on the pension provisions

Pension obligations were calculated using actuarial methods applying the projected unit credit method. The provisions for pensions and similar obligations were discounted using the average market interest rate of the last 7 years for the assumed residual term of 15 years, as published by Deutsche Bundesbank (Sec. 253 (2) Sentence 2 HGB). As of 31 December 2010, this interest rate was 5.15%.

When determining the provisions for pensions and similar obligations as of 31 December 2010, the following valuation parameters were also used:

Parameter	
Employee turnover (excl. retirement/early retirement)	**1.500%**
Pension trend:	
Management Board/permanent employees p.a.	**2.500%**
Total benefits p.a.	**3.500%**
Add-on benefits p.a.	**2.000%**
Defined contribution benefits p.a.	**1.000%**
Salary trend:	
Collective wage increases p.a.	**2.000%**
Individual salary increases (pensionable) p.a.	**0.375%**

The "2005 G Mortality Tables" by Klaus Heubeck were used as the biometric basis for calculation. The assumed pensionable age was the earliest possible pensionable age under the German pension reform announced in the *Bundesgesetzblatt* [German Federal Law Gazette] (Vol. I, p. 554) on 30 April 2007.

The allocation amount remaining as a result of the change in the valuation of pension obligations totaled EUR 87,009k as of 31 December 2010 (Art. 67 (2) EGHGB ["Einführungsgesetz zum Handelsgesetzbuch": Introductory Law of the German Commercial Code]). Indirect benefit obligations in accordance with Art. 28 (2) EGHGB amount to EUR 18,636k.

9. Deferred taxes

Deferred taxes were calculated using the current corporate income tax rate in Germany of 15% with the solidarity surcharge of 5.5% and an average trade tax rate of approximately 15.13%. Deferred taxes were therefore determined using a domestic income tax rate of 30.96%.

Deferred tax liabilities on differences in carrying amounts between the statutory accounts and the tax accounts resulting from deductions under Sec. 6b EStG ["Einkommensteuergesetz": German Income Tax Act] and the transfer of equity investments at their carrying amount, allowed for tax purposes, were offset against deferred tax assets from differences in carrying amounts of pension provisions and other provisions.

The net deferred tax assets remaining after offsetting of deferred tax assets and liabilities are not recognized in the balance sheet, exercising the option in Sec. 274 (1) Sentence 2 HGB.

II. Notes on the items of the balance sheet and income statement

The following explanatory notes on the items of the balance sheet and the income statement are in the order as presented in the financial statements:

1. Balance sheet

Balance sheet – assets

EUR k		31 Dec 2010	31 Dec 2009
Item 3:	**Loans and advances to banks**		
	Loans and advances to affiliates	282,367	44,490
	Loans and advances to other investees and investors	23,018	10,900
	Subordinated loans and advances	35,415	54,295
	Loans and advances to associated savings banks	3,451,399	3,457,223
	Loans and advances designated as coverage for issued debt securities in accordance with Sec. 28 PfandBG	1,650,226	1,583,030
	Old loans and advances designated as coverage for issued debt securities	1,107,825	1,383,027
Item 4:	**Loans and advances to customers**		
	Loans and advances to affiliates	54,409	50,652
	Loans and advances to other investees and investors	147,041	153,866
Item 5:	**Debt securities and other fixed-income securities**		
	b) Bonds and debt securities		
	ba) Issued by the public sector		
	Marketable and listed	1,383,776	1,258,489
	bb) Issued by other borrowers		
	Marketable and listed	3,974,834	4,901,721
	Marketable and unlisted	181,042	207,731
	Of affiliates	237,007	236,964
	Of other investees and investors	551,052	550,995
	c) Own debt securities		
	Marketable and listed	10,870	113,397
	Marketable and unlisted	-	3,270
	Omitted write-downs to the fair value		
	Carrying amount	3,300,112	3,617,700
	Fair value	3,246,096	3,546,400
	Hidden reserves		
	Carrying amount	989,552	101,237
	Fair value	1,045,948	102,608

EUR k		31 Dec 2010	31 Dec 2009
	Loans and advances designated as coverage for issued debt securities in accordance with Sec. 28 PfandBG	185,000	340,000
	Old loans and advances designated as coverage for issued debt securities	347,500	347,500
Item 6:	**Shares and other variable-yield securities**		
	Hidden reserves		
	Carrying amount	8	8
	Fair value	11	10
Item 6a):	**Trading book positions**		
	Derivative financial instruments	442,343	-
	Debt securities and other fixed-income securities	93,950	-
	Less risk adjustment	-2,081	-
Item 7:	**Equity investments**		
	Marketable and listed shares	2,794	2,794
	Marketable and unlisted shares	-	-
Item 9:	**Trust assets**		
	Loans and advances to customers	40,965	45,697
	Equity investments	46,559	46,559
	Property and equipment	8,948	8,948
Item 12:	**Property and equipment**		
	Used in the Bank's own activities		
	– Land and buildings	24,719	21,969
	– Furniture, fixtures and office equipment	6,775	4,029
Item 13:	**Other assets**		
	Accrued interest for financial swaps	316,064	927,738
	Other claims against foreign banks	8,350	957
	Claims to tax refunds	7,408	10,453
	Premiums for option transactions	257	5,178

Statement of changes in non-current assets

EUR k	Cost	Additions	Disposals	Re-classifi-cations	Accumu-lated amorti-zation, depre-ciation and impairment	Net carrying amount 31 Dec 2010	Net carrying amount 31 Dec 2009	Amorti-zation, depre-ciation and impairment in the fiscal year	Write-ups in the fiscal year
		--------------------------Changes----------------							
Equity investments	155,104	51	61	1	2,753	152,342	150,990	1	1,354
Shares in affiliates	81,407	-	24	-1	452	80,930	73,015	-	7,915
Investment securities	4,694,686	-	339,429	-	-	4,355,257	4,608,380	-	-
Intangible assets	11,283	1,241	-	-	10,547	1,977	1,935	1,200	-
Property and equipment	103,853	8,050	331	-	76,766	34,806	29,567	2,758	-

The asset items shown are classified by residual terms to maturity as follows:

Loans and advances to banks as of 31 December 2010

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Loans and advances to banks						
a) Public-sector loans	3,534,361	151,930	171,924	161,217	1,487,024	1,562,266
b) Other loans and advances	1,987,602	760,001	592,814	435,240	181,067	18,480
Total	**5,521,963**	**911,931**	**764,738**	**596,457**	**1,668,091**	**1,580,746**

Loans and advances to banks as of 31 December 2009

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Loans and advances to banks						
a) Public-sector loans	3,610,957	238,505	149,555	157,700	1,238,191	1,827,006
b) Other loans and advances	1,180,841	164,044	601,936	192,103	190,975	31,783
Total	**4,791,798**	**402,549**	**751,491**	**349,803**	**1,429,166**	**1,858,789**

Loans and advances to customers as of 31 December 2010

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Loans and advances to customers						
a) Mortgage loans	1,530,849	-	35,876	67,456	352,887	1,074,630
b) Public-sector loans	5,130,419	2,101,339	67,456	528,608	1,550,414	882,602
c) Other loans and advances	15,151,069	931,784	1,060,873	1,519,589	5,005,818	6,633,005
Total	**21,812,337**	**3,033,123**	**1,164,205**	**2,115,653**	**6,909,119**	**8,590,237**

Loans and advances to customers as of 31 December 2009

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Loans and advances to customers						
a) Mortgage loans	1,507,496	-	39,869	57,228	319,794	1,090,605
b) Public-sector loans	5,268,077	-	-	552,220	1,816,170	2,899,687
c) Other loans and advances	13,967,853	773,788	1,246,347	1,258,026	4,954,235	5,735,457
Total	**20,743,426**	**773,788**	**1,286,216**	**1,867,474**	**7,090,199**	**9,725,749**

Of the loans and advances payable on demand, EUR 683,722k (prior year: EUR 531,068k) have an indefinite term.

Debt securities

Issued debt securities which will mature next year amount to EUR 846,301k (prior year: EUR 725,882k).

Balance sheet – liabilities and equity

EUR k		31 Dec 2010	31 Dec 2009
Item 1:	**Liabilities to banks**		
	Liabilities to affiliates	486,245	245,773
	Liabilities to other investees and investors	757	837
	Liabilities to associated savings banks	664,052	738,861
Item 2:	**Liabilities to customers**		
	Liabilities to affiliates	29,034	31,739
	Liabilities to other investees and investors	23,572	30,660
Item 3:	**Securitized liabilities**		
	Liabilities to affiliates	238,335	119,119
	Liabilities to other investees and investors	-	-
Item 3a):	**Trading book positions**		
	Derivative financial instruments	428,800	-
Item 4:	**Trust liabilities**		
	Liabilities to banks	40,747	45,432
	Liabilities to customers	55,725	55,772
Item 5:	**Other liabilities**		
	Interest on silent participations	35,568	37,031
	Interest on subordinated liabilities	984	927
	Accrued interest from financial swap transactions	274,344	905,883
	Option premiums received	6,199	12,479
	Tax liabilities	2,721	2,174
Item 8:	**Subordinated liabilities**		
	Expenses for subordinated liabilities	12,232	16,717

Funds raised in excess of 10% of aggregate subordinated liabilities:

Currency	Amount as of 31 Dec 2010 EUR k	Interest expense 2010 EUR k	Interest rate % p.a.	End of term
EUR	200,000	2,813	Variable	28 Jun 2030
EUR	85,000	1,184	Variable	21 Mar 2031
EUR	65,000	923	Variable	5 Apr 2041
EUR	150,000	7,312	4.875	15 Dec 2015
Total	**500,000**	**12,232**		

An obligation to make premature repayment cannot arise for these borrowed funds. The subordinated liabilities fulfill requirements for subordination in accordance with Sec. 10 (5a) KWG. The original term in each case is not less than 10 years. There are no other subordinated liabilities.

The following liability items are classified according to residual terms to maturity as follows:

Liabilities to banks as of 31 December 2010

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Liabilities to banks						
a) Issued registered mortgage *Pfandbriefe*	486,580	-	10,895	62,685	328,000	85.000
b) Issued public registered securities	984,214	402	34,800	64,399	809,613	75.000
c) Other liabilities	10,103,513	772,963	2,491,032	346,246	2,262,536	4.230.736
Total	**11,574,307**	**773,365**	**2,536,727**	**473,330**	**3,400,149**	**4.390.736**

Liabilities to banks as of 31 December 2009

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Liabilities to banks						
a) Issued registered mortgage *Pfandbriefe*	323,317	-	31,329	43,988	218,000	30,000
b) Issued public registered securities	1,173,219	11	55,260	273,335	599,613	245,000
c) Other liabilities	8,992,485	1,005,352	1,038,026	1,122,394	2,064,139	3,762,574
Total	**10,489,021**	**1,005,363**	**1,124,615**	**1,439,717**	**2,881,752**	**4,037,574**

Liabilities to customers as of 31 December 2010

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Liabilities to customers						
a) Issued registered mortgage *Pfandbriefe*	310,854	886	4,992	77,608	78,868	148,500
b) Issued public registered securities	2,872,172	751	31,690	191,103	1,718,435	930,193
c) Savings deposits	212,655	-	201,235	6,453	4,947	20
d) Other liabilities	6,700,521	2,180,895	1,613,452	381,505	1,178,450	1,346,219
Total	**10,096,202**	**2,182,532**	**1,851,369**	**656,669**	**2,980,700**	**2,424,932**

Liabilities to customers as of 31 December 2009

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Liabilities to customers						
a) Issued registered mortgage *Pfandbriefe*	502,814	116	44,419	102,835	204,444	151,000
b) Issued public registered securities	3,034,362	185	18,526	234,992	1,315,316	1,465,343
c) Savings deposits	227,473	-	219,812	4,364	3,280	17
d) Other liabilities	6,437,812	2,151,657	1,300,313	361,424	1,174,694	1,449,724
Total	**10,202,461**	**2,151,958**	**1,583,070**	**703,615**	**2,697,734**	**3,066,084**

Securitized liabilities

Securitized liabilities which will mature next year amount to EUR 1,935,227k (prior year: EUR 1,816,509k).

2. Income statement

Disclosures and notes to the income statement

	in EUR k	31 Dec 2010	31 Dec 2009
Item 2:	**Interest cost**		
	Unwinding of discount on provisions	364	-
Item 7:	**Net income from trading book positions**		
	Risk adjustment pursuant to Sec. 340e (3) HGB	-1,222	-
	Allocations to the fund for general banking risks	2,195	-
Item 8:	**Other operating income**		
	Sales of loans and advances	7,209	-
	Write-ups of canceled securities recognized under other assets	3,924	-
	Reversal of provisions	2,906	3,853
	Cost refunds	1,154	1,377
	Rental income	844	871
Item 11:	**Other operating expenses**		
	Allocations to other provisions	663	477
	Unwinding of discount on pension provisions	12,769	-
	Unwinding of other discounts	1,569	-
Item 18:	**Extraordinary income**		
	Effect of the first-time application of the BilMoG on trades (derivatives and own issues and securities)	1,198,643	-
Item 19:	**Extraordinary expenses**		
	BilMoG adjustment for pension provisions	6,215	-
	BilMoG adjustment for early retirement and long-service award obligations	497	-
	Effect of the first-time application of the BilMoG on derivatives	1,193,213	-
	Risk adjustment pursuant to Sec. 340e (3) HGB (effect of first-time application)	3,303	-

Income taxes

Almost all income tax is tax on the profit from ordinary activities.

III. Other disclosures

1. Contingent liabilities and other financial obligations

For the guarantees of EUR 4.2b, the credit risk relating to the guarantee bonds drawn on is assessed during general loan processing. Most of the guarantees (EUR 3.0b) relate to credit derivatives.

The other obligations of EUR 2.8b are attributable to loan commitments to customers, of which approximately EUR 1.1b relates to ship finance and EUR 1.6b to corporate customers.

The following significant other financial obligations exist:

- As guarantors, Bremer Landesbank and the other owners of DekaBank Deutsche Girozentrale – are jointly liable for the latter.
- An obligation to contribute capital to M Cap Finance Deutsche Mezzanine Fonds Zweite GmbH & Co, KG, Leipzig, amounts to EUR 4,124k (prior year: EUR 4,124k).
- Another obligation to make additional capital contributions and additional joint liability for other shareholders relating to Liquiditäts-Konsortialbank GmbH, Frankfurt, amounts to EUR 3,300k.
- 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 43,139k. These additional contributions can be called in when support is required.
- In connection with the redemption of shares in FinanzIT GmbH, the withdrawing share-holders 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 pro-visions already established.
- Securities amounting to EUR 26,08026,080k (prior year: EUR 26,29326,29321,07221,07226,29326,29326,29326,29326,29326,29326,293k) were deposited as collateral for transactions on forwards markets, of which EUR 21,072k (prior year: EUR 21,270k) were deposited with Eurex and EUR 5,008k (prior year: EUR 5,023k) with JPMorgan.

2. Employees

Annual average number of employees

	2010	2009
Male	497	477
Female	509	478
Total	**1,006**	**955**

3. Remuneration, advances, loans and contingent liabilities of or to members of governing bodies

3.1 Total remuneration of governing bodies [1)]

EUR k	31 Dec 2010	31 Dec 2009
Management Board	2,357	2,333
Supervisory Board	157	156
Advisory Board	69	70

3.2 Total remuneration of former members of governing bodies and their dependants [1)]

EUR k	31 Dec 2010	31 Dec 2009
Management Board	2,024	2,172
Supervisory Board	-	-
Advisory Board	-	-

Provisions for pensions to this group of people amounting to EUR 17,713k (prior year: EUR 17,604k) were recognized. The allocation amount remaining as a result of the change in the valuation of pension obligations totaled EUR 5,869k as of 31 December 2010 (Art. 67 (2) EGHGB).

There are no indirect pension obligations in accordance with Art. 28 (2) EGHGB for this group of people.

3.3 Advances, loans and contingent liabilities

A total of EUR 2,443k (prior year: EUR 3,228k) was granted to members of governing bodies in advances, loans and contingent liabilities.

[1)] Under Sec. 5a of the Senate Law of the Free Hanseatic City of Bremen, remuneration from supervisory and advisory board activities must be surrendered.

4. Other disclosures

Non-arm's length transactions

No non-arm's length transactions were entered into with related parties in fiscal year 2010.

Services provided to third parties

Services provided to third parties relating to administration and brokerage are insignificant.

Offsetting of assets and liabilities from pension obligations

The liabilities from pension obligations are not matched by any assets that would have to be offset in accordance with Sec. 246 (2) Sentence 2 HGB.

Restrictions on the distribution of assets

No assets were recognized in fiscal year 2010 in accordance with Sec. 268 (8) HGB which are subject to restrictions on distribution.

5. Forward contracts

Forward contracts which had not been settled on the balance sheet date primarily concern the following:

Forward contracts (banking book) in EUR m	Nominal values 31 Dec 2010	Fair values Positive 31 Dec 2010	Fair values Negative 31 Dec 2010
Forward exchange contracts	7,808	60	266
Forward interest rate contracts	10,596	29	87

Forward contracts (trading book) in EUR m	Nominal values 31 Dec 2010	Fair values Positive 31 Dec 2010	Fair values Negative 31 Dec 2010
Forward exchange contracts	5,427	136	116
Forward interest rate contracts	35,844	1,098	830

Forward contracts in the banking book are used to hedge currency, liquidity and interest rate risks. In the trading book, forward contracts are used to manage interest rate and currency risks; open positions are entered into within the defined limits.

6. Derivative transactions

The value of the derivative instruments listed in the following tables, which serve to transfer market price and credit risk between various parties, depends on interest rates, indices and exchange rates. Bremer Landesbank's derivative products are mainly interest rate and cross-currency interest rate swaps, forward rate agreements, caps and floors, exchange-traded futures and options, currency options, forward exchange contracts and credit derivatives. Derivative transactions are concluded as standardized stock exchange contracts or off-exchange (OTC) in the form of bilateral contracts.

Bremer Landesbank primarily employs derivatives to manage trading positions and the banking book through asset/liability management.

Derivatives are measured differently, depending on whether products are exchange-traded or off-exchange. A daily cash settlement (variation margin) is made for exchange-traded contracts.

The market values shown in the following sections are the actual values on the balance sheet date (market prices) or the fair values based on valuation methods generally accepted by the market.

The positive and negative fair values were determined as of the balance sheet date for each of the product groups.

6.1 Derivatives not reported at fair value by risk and transaction type (banking book)

Derivative transactions allocated to the banking book are presented below:

in EUR m	Nominal values 31 Dec 2010	Positive fair values 31 Dec 2010	Negative fair values 31 Dec 2010	Carrying amount 31 Dec 2010	Recorded in balance sheet item 31 Dec 2010
Interest rate risk					
Interest rate swaps	10,582	29	87	-	-
Interest rate options					
Purchases	14	0	0	6	Other liabilities
Interest rate risk – total –	**10,596**	**29**	**87**	**6**	**-**
Currency risk					
Currency swaps and cross-currency interest rate swaps	7,804	64	270	212	Other liabilities
Foreign currency caps and floors	4	0	0	-	-
Currency risk – total –	**7,808**	**64**	**270**	**212**	**-**
Credit risk					
Credit derivatives – total –	**3,072**	**-**	**233**	**-**	**-**

The nominal values refer to the gross volume of all purchases and sales and long and short positions. Fair values and carrying amounts are shown for all contracts without accrued interest. Positive and negative fair values of contracts with the same counterparty were not offset. The above table also contains those derivatives designated as hedges in accordance with Sec. 254 HGB.

All fair values can be reliably determined. See the chapter “Calculation of fair values” for more information on the valuation methods applied.

6.2 Nominal volumes of derivatives (trading book)

The nominal values refer to the gross volume of all purchases and sales and long and short positions.

	31 Dec 2010 Nominal values in EUR m
Interest rate risk	
Interest rate swaps	34,320
Interest rate options	171
Purchases	3
Sales	168
Caps, floors	1,184
Other forward interest rate transactions	168
Interest rate risk – total –	**35,843**
Currency risk	
Forward exchange contracts	777
Currency swaps and cross-currency interest rate swaps	4,190
Caps, floors	185
Currency options	275
Purchases	145
Sales	130
Currency risk – total –	**5,427**
Credit risk	
Credit derivatives – total –	**344**

6.3 Maturities of derivatives (trading book)

Nominal values in EUR m	Interest rate risk 31 Dec 2010	Currency risk 31 Dec 2010	Equity price and other price risks 31 Dec 2010	Credit derivatives 31 Dec 2010
Residual maturities				
Up to 3 months	2,122	1,075	-	-
More than 3 months up to 1 year	4,130	1,312	-	-
More than 1 year up to 5 years	17,408	2,628	-	24
More than 5 years	12,183	412	-	320
Total	**35,843**	**5,427**	**-**	**344**

6.4 Counterparties of derivatives (trading book)

in EUR m	Nominal values 31 Dec 2010	Fair values Positive 31 Dec 2010	Fair values Negative 31 Dec 2010
Banks in the OECD	36,814	1,106	916
Public institutions in the OECD	10	1	-
Other counterparties (including stock exchange contracts)	4,790	139	42
Total	**41,614**	**1,246**	**958**

6.5 Information on hedges

Bremer Landesbank has included the following assets in micro-hedges for the purposes of its statutory accounts (assets stated at their carrying amounts without accrued interest):

EUR k	Carrying amounts 31 Dec 2010
Assets	
Fixed-income investment securities	867,248
Borrower’s note loans	55,689
Total	**922,937**

There are 27 micro-hedges of investment securities and 2 micro-hedges of borrower’s note loans where the interest rate risk is hedged by swaps. The term of each hedging relationship coincides with the maturity of the underlying transaction. The underlying transactions will mature between 2012 and 2031. As the underlying transactions are investment securities and borrower’s note loans, hedging does not result in any omitted write-downs of assets. As the hedges are effective, future changes in value resulting from interest rate changes are expected to offset each other in full.

7. Other disclosures

7.1 Open market transactions

Bonds with a carrying amount of EUR 2,533.3m (prior year: EUR 750m) were deposited with Deutsche Bundesbank in open market transactions.

7.2 Repurchase agreements

The carrying amount of securities and other assets sold under genuine agreements to repurchase amounted to EUR 787m (prior year: EUR: 0.0m).

7.3 Transfer of collateral for the Bank's own liabilities

Loans and advances to customers of EUR 4,240.0m (prior year: EUR 3,691.8m) were assigned as collateral for the Bank's own liabilities to banks.

7.4 Auditor's fees

The following fees were reported for the auditor in the fiscal year (in EUR k):

EUR k	1 Jan – 31 Dec 2010
a) Audit	966
b) Audit-related services	278
c) Tax services	-
d) Other services	19

8. Cover calculation

8.1 Report pursuant to Sec. 28 PfandBG as of 31 December 2010

8.1.1. Mortgage *Pfandbriefe*

Mortgage *Pfandbrief* cover in nominal and present values (Sec. 28 (1) No. 1 PfandBG)

Amount in EUR m	Nominal value		Present value		Risk-adjusted present value, dynamic method, at least +100 bp		Risk-adjusted present value, dynamic method, at least -100 bp	
	2010	2009	2010	2009	2010	2009	2010	2009
Total amount of *Pfandbriefe* outstanding	658.8	624.8	667.7	650.8	642.4	632.0	694.3	670.8
Total amount of covering assets	924.2	848.7	996.6	917.7	959.5	880.2	1,035.9	958.1
Excess coverage	265.4	223.9	328.9	266.9	317.1	248.2	341.6	287.3
Excess coverage in %	40.3	35.8	49.3	41.0	49.4	39.3	49.2	42.8

Term structure of the mortgage *Pfandbrief* cover register (Sec. 28 (1) No. 2 PfandBG)

Amount in EUR m	Mortgage *Pfandbriefe*		Covering assets by fixed-interest periods	
	2010	2009	2010	2009
Up to 1 year	67.0	230.0	201.5	126.2
More than 1 year up to 2 years	101.3	67.0	66.0	169.7
More than 2 years up to 3 years	40.0	101.3	121.2	41.3
More than 3 years up to 4 years	169.5	40.0	77.8	86.3
More than 4 years up to 5 years	147.0	99.5	81.3	45.5
More than 5 years up to 10 years	134.0	87.0	351.1	371.2
More than 10 years	0.0	0.0	25.3	8.5

Share of derivatives (Sec. 28 (1) No. 3 PfandBG)

No derivatives are included in the portfolio.

Other covering assets pursuant to Sec. 19 (1) Nos. 2 and 3 PfandBG
(Sec. 28 (1) No. 4 PfandBG)

Amount in EUR m	Nominal values	
	2010	2009
Other covering assets	25.0	30.0

Breakdown of the mortgage register by size category (Sec. 28 (2) No. 1a PfandBG)

Size categories	in EUR m		in %	
	2010	2009	2010	2009
Up to EUR 0.3m	376.8	312.5	40.8	36.8
More than EUR 0.3m up to EUR 5.0m	420.4	270.3	45.5	31.8
More than EUR 5.0m	32.0	25.9	3.4	3.1
Excess coverage	95.0	240.0	10.3	28.3
Total	**924.2**	**848.7**	**100.0**	**100.0**

Breakdown of the mortgage register by type of use (Sec. 28 (2) Nos. 1b and c PfandBG)

	in EUR m		in %	
	2010	2009	2010	2009
Apartments	97.4	79.8	10.5	9.4
Detached houses	216.7	177.9	23.4	21.0
Apartment buildings	209.6	150.6	22.7	17.7
New buildings under construction, not yet profitable	0.0	0.0	0.0	0.0
Building sites	0.6	0.3	0.1	0.0
Total residential properties	**524.3**	**408.6**	**56.7**	**48.1**
Office buildings	33.3	31.0	3.6	3.7
Retail buildings	19.6	22.3	2.1	2.6
Industrial buildings	1.9	0.1	0.2	0.0
Buildings used for other commercial purposes	250.1	146.7	27.1	17.3
New buildings under construction, not yet profitable	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
Total commercial properties	**304.9**	**200.1**	**33.0**	**23.6**
Total residential and commercial properties	829.2	608.7	89.7	71.7
Excess coverage, liquidity coverage pursuant to Sec. 4 (1a) PfandBG, other coverage	95.0	240.0	10.3	28.3
Total	**924.2**	**848.7**	**100.0**	**100.0**

All residential and commercial properties are located in Germany.

Payments in arrears (> 90 days) (Sec. 28 (2) No. 2 PfandBG)

Payments in arrears by more than 90 days amounted to EUR 565.26 as of 31 December 2010 (EUR 565.13 as of 31 December 2009).

8.1.2 Public *Pfandbriefe*

Public *Pfandbrief* cover in nominal and present values (Sec. 28 (1) No. 1 PfandBG)

Amount in EUR m	Nominal value		Present value		Risk-adjusted present value, dynamic method, at least +100 bp		Risk-adjusted present value, dynamic method, at least -100 bp	
	2010	2009	2010	2009	2010	2009	2010	2009
Total amount of *Pfandbriefe* outstanding	3,336.9	3,662.6	3,511.7	3,859.9	3,335.7	3,676.3	3,706.2	4,063.2
Total amount of covering assets	4,200.5	4,333.3	4,382.0	4,512.1	4,194.3	4,345.3	4,594.0	4,700.5
Excess coverage	863.6	670.7	870.3	652.2	858.6	669.0	887.8	637.3
Excess coverage in %	25.9	18.3	24.8	16.9	25.7	18.2	24.0	15.7

Term structure of the public *Pfandbrief* cover register (Sec. 28 (1) No. 2 PfandBG)

Amount in EUR m	Public *Pfandbriefe*		Covering assets by fixed-interest periods	
	2010	2009	2010	2009
Up to 1 year	276.5	760.8	697.9	876.2
More than 1 year up to 2 years	401.8	276.5	377.1	489.8
More than 2 years up to 3 years	311.1	390.6	275.3	299.6
More than 3 years up to 4 years	586.6	286.6	274.3	181.5
More than 4 years up to 5 years	454.6	464.1	1,242.7	236.0
More than 5 years up to 10 years	897.0	1,118.6	755.2	1,807.0
More than 10 years	409.3	365.4	578.0	443.2

Share of derivatives (Sec. 28 (1) No. 3 PfandBG)

No derivatives are included in the portfolio.

Other covering assets pursuant to Sec. 20 (2) No. 2 PfandBG (Sec. 28 (1) No. 4 PfandBG)

Amount in EUR m	Nominal values	
	2010	2009
Other covering assets	115.0	182.5

Breakdown of the public *Pfandbrief* cover register (Sec. 28 (3) No. 1 PfandBG)

Amount in EUR m	Sovereigns		Regional authorities		Local authorities		Other debtors	
	2010	2009	2010	2009	2010	2009	2010	2009
Germany	0.0	0.0	387.5	442.1	1,819.5	2,102.1	1,943.5	1,689.1
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	50.0	100.0

Payments in arrears (> 90 days)

As of 31 December 2010 (and 31 December 2009), there were no payments in arrears by more than 90 days.

8.1.3 Ship *Pfandbriefe*

Ship *Pfandbrief* cover in nominal and present values (Sec. 28 (1) No. 1 PfandBG)

Amount in EUR m	Nominal value		Present value		Risk-adjusted present value, dynamic method, at least +100 bp		Risk-adjusted present value, dynamic method, at least -100 bp	
	2010	2009	2010	2009	2010	2009	2010	2009
Total amount of *Pfandbriefe* outstanding	413.8	370.3	430.7	389.6	417.3	376.3	445.0	403.9
Total amount of covering assets	799.6	965.5	800.0	949.5	676.3	792.3	749.1	897.2
Excess coverage	385.8	595.2	369.3	559.9	259.0	416.0	304.1	493.3
Excess coverage in %	93.2	160.7	85.7	143.7	62.1	110.6	68.3	122.1

Term structure of the ship *Pfandbrief* cover register (Sec. 28 (1) No. 2 PfandBG)

Amount in EUR m	Ship *Pfandbriefe*		Covering assets by fixed-interest periods	
	2010	2009	2010	2009
Up to 1 year	101.3	155.0	767.1	887.0
More than 1 year up to 2 years	118.0	66.3	13.1	53.8
More than 2 years up to 3 years	45.0	18.0	4.0	9.3
More than 3 years up to 4 years	50.0	42.0	4.9	3.5
More than 4 years up to 5 years	10.0	0.0	9.4	7.0
More than 5 years up to 10 years	86.5	76.0	1.1	4.9
More than 10 years	3.0	13.0	0.0	0.0

Share of derivatives (Sec. 28 (1) No. 3 PfandBG)

No derivatives are included in the portfolio.

Other covering assets pursuant to Sec. 26 (1) Nos. 3 and 4 PfandBG
(Sec. 28 (1) No. 4 PfandBG)

Amount in EUR m	Nominal values	
	2010	2009
Other covering assets	0.0	0.0

Breakdown of the ship register by size category (Sec. 28 (4) No. 1a PfandBG)

Size categories	in EUR m		in %	
	2010	2009	2010	2009
Up to EUR 0.5m	2.4	1.6	0.3	0.2
More than EUR 0.5m up to EUR 5.0m	401.3	440.5	50.2	45.6
More than EUR 5.0m	345.9	448.4	43.3	46.4
Excess coverage	50.0	75.0	6.2	7.8
Total	**799.6**	**965.5**	**100.0**	**100.0**

Breakdown of covering assets according to the countries in which the ships and ship constructions are registered (Sec. 28 (4) No. 1b PfandBG)

Countries	Ocean-going vessels				Inland vessels				Excess coverage			
	in EUR m		in %*		in EUR m		in %*		in EUR m		in %*	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Bahamas	7.3	7.4	0.9	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Germany	591.4	746.2	74.0	77.3	0.0	0.7	0.0	0.1	50.0	75.0	6.2	7.8
Gibraltar	11.6	14.9	1.4	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Greece	23.5	11.8	2.9	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liberia	0.0	28.2	0.0	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Malta	27.3	28.3	3.4	2.9	3.5	3.8	0.4	0.4	0.0	0.0	0.0	0.0
Marshall Islands	41.2	0.0	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	18.0	29.1	2.3	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Panama	4.6	4.8	0.6	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	1.7	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cyprus	21.2	13.6	2.7	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**746.1**	**886.0**	**93.4**	**91.7**	**3.5**	**4.5**	**0.4**	**0.5**	**50.0**	**75.0**	**6.2**	**7.8**

*) In relation to the total amount of covering assets of EUR 799.6m as of 31 December 2010 and of EUR 965.50m as of 31 December 2009.

Payments in arrears (> 90 days)

There were no payments in arrears by more than 90 days as of 31 December 2010 (31 December 2009: EUR 0k).

8.2 Additional disclosures on mortgage and ship *Pfandbriefe*

8.2.1 Mortgage *Pfandbriefe* (Sec. 28 (2) Nos. 3a-c)

	Commercial properties		Residential properties	
	2010	2009	2010	2009
Number of pending foreclosure and sequestration proceedings as of 31 December 2010	0.0	0.0	0.0	0.0
Number of foreclosure sales in the fiscal year	0.0	0.0	0.0	0.0
Number of cases in which the *Pfandbrief* bank had to repossess property in order to prevent mortgage losses in the fiscal year	0.0	0.0	0.0	0.0
Total interest in arrears due from mortgage debtors (in EUR m)	0.0	0.0	0.1	0.1

8.2.2 Ship *Pfandbriefe* (Sec. 28 (4) Nos. 2a-c)

	Ocean-going vessels		Inland vessels	
	2010	2009	2010	2009
Number of pending foreclosure proceedings for ships or ship constructions as of 31 December 2010	0.0	0.0	0.0	0.0
Number of foreclosure sales in the fiscal year	0.0	0.0	0.0	0.0
Number of cases in which the *Pfandbrief* bank had to repossess ships or ship constructions in order to prevent ship mortgage losses in the fiscal year	0.0	0.0	0.0	0.0
Total interest in arrears due from loan debtors (in EUR m)	0.0	0.0	0.0	0.0

8.3 Old loans cover calculation

The total volume of old *Pfandbriefe* outstanding was separated off in accordance with Sec. 51 PfandBG and is maintained separately in the hitherto existing cover register in accordance with the regulations valid until the PfandBG came into force.

Mortgage lending business

EUR k		
Liabilities requiring cover		
Pfandbriefe		
Bearer debt securities	194,173	
Registered debt securities	205,653	399,826
Covering assets		
Loans and advances to banks	–	–
Loans and advances to customers	477,966	
Securities issued by the public sector	17,500	495,466
Excess coverage		**95,640**

Public-sector loans

EUR k		
Liabilities requiring cover		
Pfandbriefe		
Bearer debt securities	307,280	
Registered debt securities	2,610,007	2,917,287
Covering assets		
Loans and advances to banks	1,107,825	
Loans and advances to customers	1,833,844	
Securities issued by the public sector	330,000	3,271,669
Excess coverage		**354,382**

9. Shareholdings

The following list names the shareholdings held by Bremer Landesbank in accordance with Sec. 285 No. 11 and Sec. 340a (4) No. 2 HGB. The most recently approved financial statements of each company were used.

No.	Company name and registered office	Share in capital held (%)	Equity[1)] in EUR k	Profit/ loss in EUR k
1	Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	27,493	1,117
2	BGG Oldenburg GmbH & Co. KG, Bremen	100	7,715[4)]	919[4)]
3	BGG Bremen GmbH & Co. KG, Bremen	100	1,918[4)]	165[4)]
4	BLB I Beteiligungs-GmbH, Bremen	100	43[4)]	21[4)]
5	BLB Immobilien GmbH, Bremen	100	44,695[4)]	0[2)4)]
6	BLB Leasing GmbH, Oldenburg	100	511	0[2)]
7	BREBAU GmbH, Bremen	48.84	63,392	4,563
8	BREMER LAGERHAUS-GESELLSCHAFT -Aktiengesellschaft von 1877-, Bremen	12.61	15,704	920
9	Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen	49	–[3)]	–[3)]
10	Bremer Toto und Lotto GmbH, Bremen	33.33	4,283	181
11	Bremische Grundstücks-GmbH, Bremen	100	57,433[4)]	7,761[4)]
12	Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100	4,200[4)]	820[4)]
13	Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen	100	100[4)]	85[4)]
14	Deutsch-Indonesische Tabak-Handelsgesellschaft mbH, Bremen	24.53	157	2
15	GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen	7.75	288,612	34,055
16	Gewobau Gesellschaft für Wohnungsbau Vechta mbH, Vechta	20.46	9,111	515
17	Grundstücksgemeinschaft Escherweg 5 GbR, Bremen	50	-1,182[4)]	-384[4)]
18	Grundstücksgemeinschaft Escherweg 8 GbR, Bremen	50	90[4)]	-283[4)]
19	GSG Oldenburg Bau- und Wohnungsgesellschaft mbH, Oldenburg	22.22	60,132	3,307
20	Interessengemeinschaft KATHARINENKLOSTERHOF GbR, Bremen	30.7	770	-64
21	NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100	7,835[4)]	4,179[4)]
22	Öffentliche Versicherung Bremen, Bremen	20	5,710	360
23	Schiffsbetriebs-Gesellschaft Bremen mbH, Bremen	100	1,070	11
24	Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen	100	37,485	1,849
25	WLO Wirtschaftsförderungsgesellschaft für den Landkreis Oldenburg mbH, Wildeshausen	23.84	41	0
26	Wohnungsbaugesellschaft Wesermarsch mbH, Brake	21.71	22,704	198

Notes:
1) Equity as defined in Secs. 266 and 272 HGB.
2) Profit and loss transfer agreement concluded with the company.
3) Not stated as allowed by Sec. 286 (3) Sentence 2 HGB.
4) Figures are from the most recent, but as yet unapproved, financial statements for 2010.

10. Information on investments in collective investment undertakings (CIUs)

The following table shows investment fund shares in accordance with Sec. 285 No. 26 HGB.

Lazard-Sparkassen Rendite-Plus-Fonds, Frankfurt am Main	in EUR k	
	2010	2009
Distribution	510	984
Market value	16,721	23,947
Carrying amount	16,721	23,947
Omitted write-down	-	-

Lazard-Sparkassen Rendite-Plus-Fonds can invest in the assets stipulated in Secs. 47 to 52 InvG ["Investmentgesetz": German Investment Act]. There are no restrictions on daily redemption.

IV. Governing bodies of Bremer Landesbank

1. Members of the Management Board

Dr. Stephan-Andreas Kaulvers
(Chairman)
Bank management:
Integrated Bank Management
Communication and Marketing
Human Resources Management
Internal Audit
Management Board staff department

Heinrich Engelken
(Deputy Chairman)
Risk management:
Compliance
Anti-Money Laundering
Back Office Financing
Organization/IT
Risk Control
Corporate Service

Dr. Guido Brune
Sales:
Financial Markets
Corporate Customers
Private Customers
Special Finance
BLB Immobilien GmbH
BLB Leasing GmbH

Eckhard Fiene
(left the Management Board on 26 June 2010;
until that date responsible for the following
Sales activities:
Financial Markets
Private Customers)

2. Members of the Supervisory Board

Karoline Linnert
(Chairwoman)
Mayoress
Finance Senator of the Free Hanseatic City of Bremen

Thomas Mang
(Until 31 December 2010 Deputy Chairman)
President of the Lower Saxony
Association of Savings Banks

Hartmut Möllring
(Since 1 January 2011 Deputy Chairman)
Lower Saxony Minister of Finance

Hermann Bröring
District Administrator of the Emsland District,
Meppen

Dr. Claas Brons
Y. & B. Brons General Manager
Emden

Prof. Dr. Wolfgang Däubler, retired professor
German and European labor law,
civil law and commercial law
Bremen University

Annette Düring
Chairwoman of the German Trade Union Federation (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 LeerWittmund

Lars-Peer Finke
Qualified banker
Bremer Landesbank

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

Dr. Johannes-Jörg Riegler
Member of the Management Board of
NORD/LB Norddeutsche Landesbank
Girozentrale

Jürgen Scheller
Qualified banker
Bremer Landesbank

Lutz Stratmann
Lawyer
Oldenburg

Doris Wesjohann
Member of the Management Board of
Lohmann & Co. AG,
Visbek

3. Mandates pursuant to Sec. 340a (4) No. 1 HGB

Members of the Bremer Landesbank Group exercised the following mandates in accordance with Sec. 340a (4) No. 1 HGB as of 31 December 2010. 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 (until 31 December 2010) LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover
Heinrich Engelken	BREBAU GmbH, Bremen GSG Oldenburg Bau- und Wohngesellschaft, Oldenburg
Dr. Guido Brune	BREBAU GmbH, Bremen DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen
Employees of Bremer Landesbank	
Mathias Barghoorn	GSG OLDENBURG Bau- und Wohngesellschaft, Oldenburg
Harald Groppel	GSG OLDENBURG Bau- und Wohngesellschaft, Oldenburg

4. Parent company

Norddeutsche Landesbank Girozentrale, Hanover/Braunschweig/Magdeburg, as the parent institute of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – prepares consolidated financial statements for the largest group of companies, including the financial statements of the Bank. Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – also prepares its own consolidated financial statements. The consolidated financial statements are published in the *elektronischer Bundesanzeiger* [Electronic German Federal Gazette].

Bremen, 15 March 2011

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Responsibility statement

“We confirm that, to the best of our knowledge and in accordance with the applicable accounting framework, the financial statements provide a true and fair view of the net assets, financial position and results of operations of the Company and that the management report gives a true and fair view of the development of business, including the operating result and the state of the Company, and also describes the principal opportunities and risks relating to the expected future development of the Company.”

Bremen, 15 March 2011

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Audit opinion[2]

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, for the fiscal year from 1 January 2010 to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] 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 annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

2 This is a translation of the audit opinion issued in German. The latter is the sole authoritative version.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Hamburg, 18 March 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frank Bühring	Lutz Meyer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Declaration of compliance with the German Corporate Governance Code by Bremer Landesbank – Girozentrale –

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 26 May 2010. 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 he principles of the Code as far as is possible and appropriate for its legal form and ownership structure and to 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 Sponsorship 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 ["Kreditwesengesetz": German Banking Act] and the BaFin ["Bundesanstalt für Finanzdienstleistungsaufsicht": German Federal Financial Authority]. 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 of staff, the election 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 ["Handelsgesetzbuch": German Commercial Code], 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 Savings and Giro Bank Association (DSGV).

The General Working and Credit Committee, the Audit Committee and the Sponsorship 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 five 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 Sponsorship 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 and sponsoring within the scope assigned to it by the Owners' 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 by its members, 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.

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