Consolidated financial statements and group management report of Bremer Landesbank as of 31 December 2010 in accordance with IFRSs

The Bremer Landesbank Group at a glance

	1 Jan – 31 Dec 2010 (in EUR m)	1 Jan – 31 Dec 2009 (in EUR m)	Change (in EUR m)	Change (in %)
Net interest income	298	262	36	14
Risk provisions in the lending business	-59	-144	85	-59
Net commission income	41	38	3	8
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	-89	80	-169	>100
Other operating profit/loss	17	6	11	>100
Administrative expenses	162	142	20	14
Profit/loss from financial investments	8	-15	23	>100
Profit/loss from investments accounted for using the equity method	6	4	2	50
Earnings before taxes	**60**	**89**	**-29**	**-33**
Income taxes	13	24	-11	-46
Consolidated profit	**47**	**65**	**-18**	**-28**
Cost-income ratio (CIR)	59.1%	36.3%		
Return on equity (after taxes)	6.4%	9.7%		

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in EUR m)	Change (in %)
Reported equity	987	963	24	2
Regulatory equity	1,913	1,853	60	3
- thereof core capital	1,576	1,556	20	1
Risk-weighted assets	17,449	15,635	1,814	12
Reported equity ratio	5.66%	6.16%		
Loans and advances to banks	5,513	4,780	733	15
Loans and advances to customers	22,060	20,988	1,072	5
Risk provisions	-306	-270	-36	13
Financial assets at fair value through profit or loss	1,087	1,123	-36	-3
Financial assets	5,688	6,440	-752	-12
Investments accounted for using the equity method	77	81	-4	-5
Other assets	682	639	43	7
Total assets	**34,801**	**33,781**	**1,020**	**3**
Liabilities to banks	11,600	10,508	1,092	10
Liabilities to customers	10,158	10,236	-78	-1
Securitized liabilities	8,939	9,244	-305	-3
Financial liabilities at fair value through profit or loss	1,449	1,267	182	14
Provisions	320	300	20	7
Other liabilities	185	106	79	75
Subordinated capital	1163	1157	6	1
Reported equity including non-controlling interests	987	963	24	2
Total liabilities and equity	**34,801**	**33,781**	**1,020**	**3**
Number of employees				
Total	1,058	981	77	1
Current ratings (long-term rating)				
Moody's	AA2	AA2	-	-
Fitch Ratings	A	A	-	-

Contents

Consolidated financial statements and group management report for fiscal year 2010

The Bremer Landesbank Group at a glance 2

1. Group management report 6

    A. Business and general conditions 6

    B. Results of operations 12

    C. Net assets and financial position 17

    D. Segment report 25

    E. Subsequent events 29

    F. Outlook 30

    G. Opportunities and risks 34

2. Consolidated income statement 70

3. Statement of comprehensive income 71

4. Consolidated balance sheet 72

5. Statement of changes in equity 74

6. Cash flow statement 75

7. Notes to the consolidated financial statements 76

Accounting policies 76
(1) Basis of preparation of the consolidated financial statements 76
(2) Restatement of prior-year figures 77
(3) Applied IFRSs 78
(4) Consolidation principles 80
(5) Basis of consolidation 81
(6) Currency translation 81
(7) Financial instruments 82
(8) Risk provisions 90
(9) Property and equipment 91
(10) Leases 91
(11) Investment property 92
(12) Intangible assets 93
(13) Provisions for pensions and similar obligations 93
(14) Other provisions 94
(15) Income taxes 95
(16) Subordinated capital 95

Segment report 96
(17) Classification by business segment (primary reporting format) 96

Notes to the consolidated income statement 103
(18) Net interest income 103
(19) Risk provisions in the lending business 104
(20) Net commission income 104

(21)	Profit/loss from financial instruments at fair value through profit or loss	105
(22)	Profit/loss from hedge accounting	106
(23)	Profit/loss from financial assets	106
(24)	Profit/loss from investments accounted for using the equity method	107
(25)	Administrative expenses	107
(26)	Other operating profit/loss	108
(27)	Income taxes	108
Notes to the consolidated balance sheet		110
(28)	Cash reserve	110
(29)	Loans and advances to banks	110
(30)	Loans and advances to customers	111
(31)	Risk provisions	111
(32)	Financial assets at fair value through profit or loss	114
(33)	Positive fair values from hedge accounting derivatives	114
(34)	Financial assets	115
(35)	Investments accounted for using the equity method	115
(36)	Property and equipment	116
(37)	Investment property	117
(38)	Intangible assets	118
(39)	Current income tax assets and deferred income taxes	119
(40)	Other assets	120
(41)	Liabilities to banks	120
(42)	Liabilities to customers	121
(43)	Securitized liabilities	121
(44)	Adjustment item for financial instruments included in the portfolio fair value hedge	122
(45)	Financial liabilities at fair value through profit or loss	122
(46)	Negative fair values from hedge accounting derivatives	123
(47)	Provisions	123
(48)	Current income tax liabilities and deferred income taxes	127
(49)	Other liabilities	127
(50)	Subordinated capital	128
Notes to the statement of comprehensive income		129
Notes on equity		129
Notes to the cash flow statement		131
Other disclosures		132
(51)	Fair value hierarchy	132
(52)	Carrying amounts by measurement category	135
(53)	Profit/loss by measurement category	135
(54)	Impairment losses/reversals of impairment losses by measurement category	136
(55)	Fair values of financial instruments	137
(56)	Derivative financial instruments	138
(57)	Underlying contracts in effective hedges	141
(58)	Residual maturities of financial liabilities	142
(59)	Disclosures on the fair value option	142
(60)	The BLB Group as a protection seller	143
(61)	Genuine securities sale and repurchase agreements	143
Other notes		144
(62)	Equity management	144
(63)	Regulatory data	145
(64)	Foreign currency volume	146
(65)	Non-current assets and liabilities (realized in more than 12 months)	146
(66)	Contingent liabilities and other obligations	147
(67)	Leases	147

(68) Other financial obligations 148
(69) Subordinated assets 149
(70) Trust activities 149
(71) Events after the balance sheet date 149

Companies and individuals linked to the Group 150
(72) Number of employees 150
(73) Related party relationships 150
(74) List of mandates 156
(75) Remuneration of and loans to governing bodies 156
(76) List of shareholdings pursuant to Sec. 313 (2) and Sec. 340a (4) No. 2 HGB 158
(77) Group auditor's fees 159

7. Responsibility statement 160

8. Audit opinion 161

9. Supervisory Board report 163

10. Owners' Meeting report 164

11. Corporate governance report 165

12. Facts and figures 169

Governing bodies of Bremer Landesbank 170

Members of the Supervisory Board
of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – 171

Members of the Owners' Meeting
of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – 172

Members of the Advisory Board
of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – 173

1. Group management report

A. Business and general conditions

B. Results of operations

C. Net assets and financial position

D. Segment report

E. Subsequent events

F. Outlook

G. Opportunities and risks

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

A. 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 in 2011 had risen by the end of the year.

Bremer Landesbank

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

The basis of consolidation, determined in accordance with IAS 27 and IAS 28, is as follows in the fiscal year:

Parent company:

- Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

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

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

The following associates are accounted for using the equity method:

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

There were no changes to the basis of consolidation in fiscal year 2010.

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

The Group's parent company, Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – is a corporation under public law incorporated by the Free Hanseatic City of Bremen and the State of Lower Saxony. It is a public lending and *Pfandbrief* (covered bond) institute and has trustee status. Bremer Landesbank has branches in the two major cities in the metropolitan region of the North-West, with some 300 employees in Oldenburg and over 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, income from fair value measurement and other income.

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:

$$\text{ROE} = \frac{\text{Operating result after risk provisions before taxes valuation}}{\text{Sustainable equity}}$$

“Sustainable” equity comprises subscribed capital, the capital reserves and retained earnings.

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

Operating income at Bremer Landesbank developed very well during the past year, primarily due to significantly improved net interest income and steady net commission income. Trading profit came under pressure from changes in values due to the high level of sovereign debt in some countries

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. With its portfolio allowances, the Bank has accounted in particular for risks which have likely already occurred but which are not yet evident in certain shipping sub-segments.

No impairments had to be recognized on the Bank's own securities in the fiscal year.

The Bremer Landesbank Group's personnel expenses increased in the fiscal year as forecast in line with collective wage agreements and a scheduled increase in headcount compared with the prior year. The increase in IT costs and the higher consulting fees for the project to migrate to Finanz Informatik systems were responsible for the anticipated increase in other administrative expenses. Overall, administrative expenses increased as planned.

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

BLB Leasing mainly generates new business through the customer consultants of Bremer Landesbank. This business strategy continued to be successful and once again resulted in the transaction of a considerable volume of new business. The entity also took over contracts with a substantial volume from a leasing company that cooperates with the parent company. BLB Leasing is subject to oversight as a financial services company and makes appropriate allowance for this.

The profit for fiscal year 2010 will enable Bremer Landesbank AöR 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 development of business conducted by the Bremer Landesbank Group in 2010.

B. Results of operations

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

Income statement

	Notes	1 Jan – 31 Dec 2010 (in EUR m)	1 Jan – 31 Dec 2009 (in EUR m)	Change (in %)
Interest income		2,127	2,433	-13
Interest expenses		1,829	2,171	-16
Net interest income	18	298	262	14
Risk provisions in the lending business	19	-59	-144	-59
Net interest income after risk provisions		**239**	**118**	**>100**
Commission income		70	59	19
Commission expenses		29	21	38
Net commission income	20	**41**	**38**	**8**
Trading profit/loss		-93	70	-
Profit/loss from designated financial instruments		0	2	-100
Profit/loss from financial instruments at fair value through profit or loss	**21**	**-93**	**72**	**-**
Profit/loss from hedge accounting	22	4	8	-50
Profit/loss from financial assets	23	8	-15	>100
Profit/loss from investments accounted for using the equity method	24	6	4	50
Administrative expenses	25	162	142	14
Other operating profit/loss	26	17	6	>100
Earnings before taxes		**60**	**89**	**-33**
Income taxes	27	13	24	-46
Consolidated profit		**47**	**65**	**-28**
thereof: attributable to shareholders of the parent company		47	65	
thereof: attributable to non-controlling interests		-	-	

Net interest income

Net interest income increased by 14%, from EUR 262m to EUR 298m.

Net interest income from business with customers rose yet again, also thanks to the speedy recovery of the local 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 signify-cantly.

Overall, there is a good chance that net interest income will level out or increase moderately during the forecast period (the next two years).

Risk provisions in the lending business

Risk provisions in the lending business dropped to EUR 59m in 2010 (prior year: EUR 144m).

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.

The Bank accounts for risks which may have already occurred but which were not known on the balance sheet date by establishing portfolio allowances. In the prior year, a substantial allocation of EUR 55m was required, whereas in the fiscal year EUR 17m was reversed and a further EUR 17m was utilized by recognizing specific allowances. A stress margin of EUR 6m (prior year: EUR 10m) was again added to the portfolio allowance in light of the special situation in some sub-segments of the shipping sector.

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

Net commission income

Net commission income climbed 8% from EUR 38m to EUR 41m, reversing the crisis-induced decrease in 2009.

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.

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

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. These had a significant impact on Bremer Landesbank's trading loss in the fiscal year, especially as a result of changes in value. In 2010, the loss from the measurement of financial instruments at fair value came to approximately EUR 93m, contrasting with the prior year's profit of EUR 72m.

With its active trading to support customer-driven business, Bremer Landesbank again dealt successfully on the financial markets in 2010.

The volume of credit default swaps for which Bremer Landesbank is the protection seller declined slightly as swaps matured. Bremer Landesbank engaged in such structured credit business to utilize available equity to generate commission income reported in trading profit and to diversify its loan portfolio, notably with regard to regions/countries and rating categories. The Bank only ever sold protection to prime counterparties and always used recognized standard agreements. Due to the difficulties which arose on the international financial and capital markets over the course of 2007 and the related widening in credit spreads, the Bank 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. As the CDSs therefore no longer exist, the Bank treated this transaction as a securities purchase obligation for the purposes of the financial statements. This had a negative effect of approximately EUR 3m on the trading loss in 2010.

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.

For the above reasons, the net valuation effect from financial instruments at fair value through profit or loss worsened considerably, from +EUR 33m to -EUR 107m, while the realized profit/ loss decreased to -EUR 5m compared with +EUR 16m in the prior year. Trading profit/loss continues to be dominated by the net valuation effect from credit default swaps (-EUR 129m). The Bank had built up these positions in recent years as a substitute for lending business; because it intends to hold them to maturity, they are mostly kept in the regulatory banking book. As the market for credit derivatives became inactive in 2008 – and is still inactive for many credit derivatives – these financial instruments were measured using a valuation model. In 2010, the model was revised and recalibrated in conformity with IAS 39.

Bremer Landesbank earned a foreign exchange profit of EUR 12m in the fiscal year, after EUR 14m in 2009.

Profit/loss from financial instruments designated at fair value was negligible in 2010 (prior year: EUR 2m). This category is only rarely used by Bremer Landesbank.

It is still very difficult to predict how the international financial markets will develop. Since the beginning of the financial crisis, the markets have reacted extremely sensitively to bad news. The Bank expects the uncertainties surrounding the financial situation of certain countries to continue in 2010. However, it is confident that the global efforts to contain the situation will ultimately pacify the markets. For these reasons, it is not possible to completely rule out further negative valuation results. Nevertheless, the outlook for successful dealing on the financial markets in active, customer-driven trading operations is good for 2011 and 2012.

Profit/loss from hedge accounting

This item includes the net valuation effects from effective hedges. The more effective hedges are, the lower their effects on income. For some time, Bremer Landesbank has employed micro fair value hedges in fair value hedge accounting to reduce the effects on income of IAS-related balance mismatches. In 2010, the portfolio fair value hedge was added to the range of hedging instruments. In a portfolio fair value hedge, groups of underlying transactions are combined with appropriate hedging transactions in a portfolio so that changes in the fair value of the financial instruments roughly offset each other.

The hedges designated by Bremer Landesbank generated a profit of EUR 4m in 2010, compared with EUR 8m in 2009. In micro fair value hedges, the changes in the fair value of each underlying and hedging transaction offset each other perfectly, whereas in the portfolio fair value hedge the positive change in the fair value of the hedging transactions outweighed the negative change in the fair value of the underlying transactions.

The Bank expects the profit/loss from hedge accounting to remain volatile over the next few years as hedge accounting is more widely used and the interest rate landscape changes.

Profit/loss from financial assets

The profit from available-for-sale (AFS) securities and equity investments amounts to EUR 8m, after a loss of EUR 15m in 2009. The result was largely affected by the sale of an inflation-linked bond, whereas in the prior year, the impairment of securities issued by Icelandic banks had a major impact.

Profit/loss from investments accounted for using the equity method

The profit from investments accounted for using the equity method stood at EUR 6m, compared with EUR 4m in 2009. The profit from such investments attributable to Bremer Landesbank is roughly on a par with the prior-year level. In 2009, the sale of a special fund that had been accounted for using the equity method influenced the result.

Administrative expenses

As planned, administrative expenses rose significantly, by 14%, from EUR 142m to EUR 162m.

Personnel expenses increased in the fiscal year as forecast in line with collective wage agreements and a scheduled increase in headcount, by 14%, from EUR 81m to EUR 92m.

Other administrative expenses rose again as forecast by some EUR 9m, or 16%, to EUR 65m. IT costs and consulting fees rose mainly because of the project to migrate to Finanz Informatik systems at the end of 2011. Management projects initiated to comply with legal or regulatory changes also led to higher expenses. However, overall, other administrative expenses were within budget.

At EUR 5m, amortization, depreciation and impairment of intangible assets and property and equipment were at the prior-year level.

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

Other operating profit/loss

Other operating profit amounted to EUR 17m, compared with EUR 6m in 2009. In addition to reversals of provisions, this item also contains expenses and income from buying back own issues. The increase was mainly due to the income of some EUR 7m earned on the sale of canceled, impaired debt securities issued by Icelandic banks.

Earnings before taxes

Earnings before taxes in the Bremer Landesbank Group amounted to EUR 60m for 2010; this represents a significant fall of EUR 29m against 2009. The considerable increase in net interest income and the lower than expected risk provisions had a positive effect on earnings, while the valuation losses, which were beyond the Bank’s control, in trading profit/loss had a negative effect.

Income taxes

Bremer Landesbank’s current income taxes increased by EUR 2m compared with the prior year, to EUR 40m, which reflects the increase in the parent company’s taxable income.

Deferred taxes, for which income of EUR 14m was recognized in 2009, resulted in income of EUR 27m in 2010, lowering income taxes overall by EUR 11m to EUR 13m. As in the prior year, the pre-tax profit for the year is less than the taxable profit.

Consolidated profit

Consolidated profit comes to EUR 47m (prior year: EUR 65m).

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

The problems on the international financial and capital markets and their 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.

C. Net assets and financial position

Total assets

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 3% to EUR 34.8b (prior year: EUR 33.8b).

Loans and advances to banks

In connection with the normalization of interbank business, loans and advances to banks were expanded significantly by 15% from EUR 4.8b EUR 5.5b. The volume of loans and advances from money market business increased substantially. Other loans and advances were at a similar level to the prior year.

Loans and advances to customers

Loans and advances to customers increased by EUR 1.1b in the fiscal year to EUR 22.1b. This increase relates mainly to limited-term loans and advances to German customers. Please see the notes on the development of the business segments in the segment report for a more detailed analysis of this item.

Risk provisions

The risk provisions of the Bremer Landesbank Group, deducted from the asset side on the face of the balance sheet in accordance with international accounting standards, increased substantially again in the fiscal year, by 13%, or EUR 36m, to EUR 306m, and now represent 1.11% of total loans and advances (prior year: 1.04%).

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

This item comprises the fair values of held-for-trading financial instruments. Instruments with a positive fair value are reported in assets and those with negative fair values in liabilities. Financial instruments with a positive fair value decreased in 2010 by EUR 36m to EUR 1,087m, while financial instruments with negative fair values increased by EUR 182m to EUR 1,449m.

Bremer Landesbank enters into derivative transactions mainly for managing and hedging interest rate and foreign currency risks, but also for generating proprietary trading income. Bremer Landesbank also utilizes available equity to conclude credit derivative transactions to generate commission income reported in trading profit/loss and to diversify its loan portfolio, notably with regard to regions/countries and rating categories. The nominal volume 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 institutions in the sector, Bremer Landesbank only engages in such transactions to a relatively minor extent. Almost all counterparties are banks located in OECD member countries and therefore may be assumed to have a sound financial background. For detailed information on volumes, maturities and counterparty classification please refer to the information in the notes to the consolidated financial statements of Bremer Landesbank.

Positive/negative fair values from derivative hedges and adjustment item for financial instruments included in the portfolio fair value hedge

In 2010, fair values from hedge derivatives changed as shown in the notes under (33) and (46). The portion of the change in value that relates to the hedged interest rate risk is offset by changes in value for the underlying transactions.

Financial assets/investments accounted for using the equity method

Financial assets decreased from EUR 6.4b in 2009 to EUR 5.7b in 2010. This item mainly comprises available-for-sale securities and investments in non-consolidated entities at fair value. The portfolio of debt securities issued by the public sector was once again increased substantially, whereas those issued by other borrowers were scaled back considerably. The portfolio of money market securities and investments was reduced to zero.

Investments accounted for using the equity method decreased by EUR 4m to EUR 77m in the reporting period, mainly in connection with the redemption of shares in the Lazard fund.

Securities are either allocated to the Management Board's strategic position or the Financial Markets segment's credit investment portfolio. In 2010, changes in the portfolio resulted from additions and disposals of financial assets as well as from changes in the value of securities still held. Such changes are reflected in the revaluation reserve, shown under equity.

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

The Bank cements its ties with the region through investments in several housing companies, some of which are 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 investments is to reap strategic and operational benefits; earnings are a secondary goal. In keeping with Bremer Landesbank's strategic focus, the investment volume is therefore expected to remain steady or decline. New equity investments will only be entered into if they generate substantial added value for the Bank and the region.

Property and equipment/investment property/intangible assets

Property and equipment, which covers furniture, fixtures and office equipment and buildings and parts of buildings used for operations, increased by EUR 10m to EUR 36m due to the conversion work on the buildings in Oldenburg, which had nearly been completed by the balance sheet date, and due to reclassifications from investment properties. As in the prior year, furniture, fixtures and office equipment accounted for EUR 5m.

Real estate owned by the Group and intended for use by or leased to third parties is reported as "Investment property". The EUR 6m increase in investment property (to EUR 70m) is due to an acquisition of a new property and reclassifications to property and equipment.

Current income tax assets/deferred tax assets/other assets

Potential future income tax relief stemming from temporary differences between figures stated in the IFRS consolidated balance sheet for assets and liabilities and the tax values stated by group companies is reported as deferred tax assets and amounted to EUR 117m in 2010 (prior year: EUR 86m). Furthermore, in the HGB financial statements, current income tax assets of EUR 7m (prior year: EUR 11m) are recognized in "Other assets". This resulted in income tax assets of a total of EUR 124m, against EUR 97m in 2009.

Other assets amounted to EUR 38m as of 31 December 2010 (prior year: EUR 25m). In addition to inventories, tax refund claims and reimbursements for claims under guarantee obligations, this item contains loans and advances to non-consolidated subsidiaries of EUR 16m (prior year: EUR 13m) and receivables from canceled securities issued by Icelandic banks of EUR 8m (prior year: EUR 1m).

Liabilities to banks

Liabilities to banks increased by 10% from EUR 10.5b to EUR 11.6b. As interbank business returned to normal, money market liabilities to German banks were expanded significantly. Refinancing in the form of other limited-term liabilities to German banks was also increased substantially.

Liabilities to customers

Bank refinancing through liabilities to customers decreased by a moderate 1% to EUR 10.2b. While liabilities from money market business increased substantially in comparison to the prior year, the other liabilities – especially to German customers – declined nominally, albeit from a high starting point. Savings deposits are an insignificant element of Bremer Landesbank's refinancing.

Securitized liabilities

Securitized liabilities at the Bank include Pfandbriefe, municipal debt securities and other debt securities and money market instruments such as commercial paper. Their amount decreased in 2010 by EUR 0.3b, or 3%, to EUR 8.9b.

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

Provisions

Provisions in the Bremer Landesbank Group totaled EUR 320m at year-end 2010 (prior year: EUR 300m) and have hence risen by EUR 20m.

Provisions for pensions and similar obligations account for the largest share, amounting to EUR 275m for the Group, compared with EUR 259m in the prior year. The present value of the defined benefit obligation is calculated actuarially using specific parameters, such as a group-wide discount rate based on the yield of senior corporate bonds of the same maturity. Other parameters are salary, career and pension trends and employee turnover rates (please also see the overview). The assets invested by the Bremer Landesbank pension fund (plan assets) are offset at fair value (EUR 36m, compared with EUR 38m in 2009) against the present value of the obligation. In addition, the profits or losses resulting from a change in the discount rate are recognized under equity in a separate item. Cumulatively, this item totaled EUR 56m in the reporting period (prior year: EUR 61m).

Parameter	Bremer Landesbank	Prior year
Employee turnover (excl. retirement/early retirement)	1.500%	1.500%
Actuarial interest rate	5.250%	5.500%
Pension trend		
Management Board/permanent employees	2.500%	2.500%
Total benefits	3.500%	3.500%
Add-on benefits	2.000%	2.000%
New pension scheme	1.000%	1.000%
Calculated on the basis of:		
collective wage increases	2.000%	2.000%
premiums based on years of service	-.-- *	-.--- *
individual salary increases (pensionable)	0.375%	0.375%
increases in statutory pensions	0.500%	0.500%
increases in ÖLV pensions	1.000%	1.000%
BVV	0.000%	0.000%

* Not relevant as final salaries were used in the calculations.

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

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

In addition, beneficiaries have the option of making their own contribution to their occupational pension by paying in portions of their salaries.

Loan loss provisions amounted to EUR 26m at year-end, compared with EUR 25m at the end of the prior year.

Provisions for uncertain liabilities amounted to EUR 19m at the end of 2010, compared to EUR 16m in 2009. They mainly relate to personnel obligations, such as provisions for early retirement (2010: EUR 14m; 2009: EUR 10m) or long-service awards (2010: EUR 3m, as in the prior year).

Current income tax liabilities/deferred tax liabilities/other liabilities

Potential future income tax burdens stemming from temporary differences between figures stated for assets and liabilities in the IFRS consolidated balance sheet and the tax values stated by group companies are reported as deferred tax liabilities and, as in the prior year, came to EUR 1m. Furthermore, in the HGB financial statements, current income tax liabilities of EUR 32m (prior year: EUR 27m) are recognized. This resulted in income tax liabilities of a total of EUR 33m, against EUR 28m in 2009.

As of 31 December 2010, other liabilities are unchanged at EUR 24m. EUR 3m (prior year: EUR 2m) relate to outstanding taxes and social security contributions. This item also contains outstanding employee remuneration of EUR 8m (unchanged) and liabilities from outstanding invoices of EUR 6m (prior year: EUR 5m).

Subordinated capital

At year-end 2010, the Bremer Landesbank Group had subordinated capital of EUR 1.2b, as in the prior year. This item also includes silent participations allocated to equity in accordance with the HGB.

Equity

The equity of the Bremer Landesbank Group totaled EUR 987m at the end of 2010, which represents an increase of EUR 24m or 2%. Since converting to international accounting standards at the beginning of 2006, the Group’s equity has increased by EUR 124m or 14%.

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

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

Retained earnings in the Bremer Landesbank Group rose from EUR 747m at the end of 2009 to EUR 761m. The profit for the prior year less distributions to the sponsors of the parent company is transferred to retained earnings in the current year.

The profit for the year in the Bremer Landesbank Group amounts to EUR 47m in 2010, against EUR 65m in the prior year. As in the prior year, an amount of EUR 28m is earmarked for distribution to the owners of Bremer Landesbank AöR.

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

Actuarial gains from provisions for pensions now amount to EUR 56m, compared with EUR 61m at the end of the prior year.

The revaluation reserve, which reflects changes in the values of available-for-sale assets, increased by EUR 10m to EUR 46m in 2010, reflecting positive changes in the value of AFS securities.

At year-end, after appropriation of profit and the impairment losses recognized in the financial statements, the parent company's core capital ratio was 9.3% (prior year: 9.5%).

Contingent liabilities and other obligations

The volume of Bremer Landesbank's traditional off-balance sheet business, reported as guarantees, was slightly lower at year-end at EUR 1.2b (prior year: EUR 1.4b).

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

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

Financing

In 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).

Key ratios

The return on equity (ROE) for fiscal year 2010, calculated using the valuation formula defined above, is 6.4%, compared with 9.7% in the prior year. The considerable decrease is connected with the impact of the net valuation effect from credit derivatives on the operating result.

The cost-income ratio (CIR) is 59.1%; it was 36.3% in 2009. The sharp rise is due to the clearly negative net valuation effect from credit derivatives. Without this effect, the CIR would be 40.2%.

As of 31 December 2010, the risk ratio (defined as the ratio of risk provisions in the lending business to risk assets) is 0.43% (prior year: 0.57%). 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. No condensed report in accordance with Sec. 10a KWG ["Kreditwesengesetz": German Banking Act] is required due to the exemption granted under Sec. 10a (10) KWG.

Investing activities

Bremer Landesbank still intends to invest substantially in modernizing and redesigning its buildings. 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 the Bremer Landesbank Group, with an average of 1,058 employees (prior year: 1,006), 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) for Bremer Landesbank AöR.

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.

Conclusion

Another good 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.

D. Segment report

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 mid-market 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.

Refinancing carried out by Bremer Landesbank both during the year and for a period longer than one year are also part of the Financial Markets segment. Detailed information is provided under "Financing".

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.

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.

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. 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.

Loans and advances to regional authorities and other municipal customers are just below the prior-year level. 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.

The segment's result is principally shaped by valuation effects.

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.

E. 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 consolidated financial statements that have not been accounted for in the consolidated financial statements.

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

F. 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.

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

The region

According to 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 will 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 continuously improving cooperation with associated savings banks and *Landesbanken*, short lines of decision and a fast response create a promising environment for further sound earnings growth in the Bank's core segments.

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

BLB Leasing GmbH expects that new business and income will match the 2010 figures. The resurgent economic power of businesses in the region will lay the foundations for BLB Leasing GmbH's activities, in collaboration with Bremer Landesbank, as a financer of investments for their joint customers. The most important line of business, which is being developed further, remains direct business with Bremer Landesbank customers initiated by Bremer Landesbank's account officers.

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

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 still not need to make use of any state aid.

Overall, there is a good chance that net interest income will level out or increase moderately during the forecast period.

The level of risk provisions in 2011 and 2012 will probably still be shaped by the gradually lessening negative impact of the financial market crisis.

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

It is still very difficult to predict how the international financial markets will develop. Since the beginning of the financial crisis, the markets have reacted extremely sensitively to bad news. The Bank expects the uncertainties surrounding the financial situation of certain countries to continue in 2011. However, it is confident that the global efforts to contain the situation will ultimately pacify the markets. For these reasons, it is not possible to completely rule out further negative valuation results. Nevertheless, the outlook for successful dealing on the financial markets in active, customer-driven trading operations is good for 2011 and 2012.

The Bank expects the profit/loss from hedge accounting to remain volatile over the next few years as hedge accounting is more widely used and the interest rate landscape changes.

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

After the highly satisfactory result for 2010, the return on equity is expected to move sideways in the forecast period before improving in subsequent years. Bremer Landesbank is confident that it will be able to reduce its cost-income ratio in the forecast period. The risk ratio is set to rise again in line with the economy in 2011 and is likely to drop again slightly in 2012. According to the Bank's forecasts, risk assets will increase further in the forecast period.

The problems on the international financial and capital markets and their effects on the real economy also impacted the results of Bremer Landesbank. 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.

G. Opportunities and risks

The risk report of Bremer Landesbank and the Bremer Landesbank sub-group as of 31 December 2010 was drawn up on the basis of IFRS 7, taking into account the national provisions of the HGB and the more specific German Accounting Standards GAS 5 and GAS 5-10.

Scope

The risk report should, in principle, cover all entities consolidated under IFRSs.

The materiality analysis required under the MaRisk ["*Mindestanforderungen an das Risikomanagement*": Minimum Requirements for Risk Management] for Bremer Landesbank showed for 2010 that all of its direct and indirect subsidiaries are immaterial in terms of risk.

Bremer Landesbank therefore does not qualitatively address any risks arising from its subsidiaries in its IFRS notes.

Significant or specific risks are nevertheless discussed irrespective of the results of the materiality test.

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 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 effecttiveness, 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 group financial reporting process

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

The internal control and risk management system relating to the group financial reporting process is not defined by law. The Bank understands the internal control and risk management system as a comprehensive system, referring to the definition by the 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. 315 (2) No. 5 HGB when its omission could affect the economic decisions made by users on the basis of the consolidated 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 consolidated financial statements.

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

The Management Board is responsible for preparing the consolidated financial statements and the group 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 consolidated financial statements in accordance with IFRSs as adopted by the EU. The national provisions of the HGB are also observed in accordance with Sec. 315a HGB as well as the German Accounting Standards (GAS).

For consolidation purposes, subsidiaries and associates prepare group reporting packages in accordance with group instructions.

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

- Monitoring changes in the law
- Preparing and updating financial statement instructions
- Preparing the consolidated financial statements and the group management report
- Providing the information for the segment 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 group 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 consolidated financial statements and the group management report

The Supervisory Board oversees the Management Board. In the financial reporting process the Supervisory Board approves the consolidated 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 and all of the subsidiaries, 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 consolidated financial statements and the group 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 group accounting-related ICS), are set out in a procedural instruction which is revised at regular intervals in line with current external and internal developments.

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

- Identification of the main risk fields and control areas relevant to the 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 subsidiaries and in operating processes which generate key information for preparing the consolidated financial statements and the group management report, including functional segregation and pre-defined approval processes in relevant areas
- Measures to ensure the orderly computer-assisted processing of accounting transactions and data
- Measures to monitor the group accounting-related internal control and risk management system

Components of the group 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 group reporting packages of the consolidated companies are imported into the SAP system SEM/BCS. The Bank prepares its consolidated 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 consolidated financial statements. The group reporting packages are tested for conformity with the group accounting manual. The quality of the consolidated financial statements is assured by Integrated Bank Management. Procedures relating to the consolidated financial statements are explained and changes to IFRSs are communicated at regular information events for subsidiaries.

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 consolidated financial statements comprises functional transaction support, data entry and processing, reporting and publication of the elements of the financial reporting. Preparation of the consolidated financial statements also includes identifying the basis of consolidation, reporting on the consolidated companies, intercompany reconciliation, automatic and manual consolidation procedures and the final generation of the consolidated financial statements.

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

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

The rating methods are validated by the two central rating service agencies of the Sparkasse Financial Group, Sparkassen Rating und Risikosysteme GmbH (S Rating), a subsidiary of the German Savings and Giro Bank Association (DSGV), and Rating Service Unit GmbH & Co, KG (RSU), a 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 obligations of the customer intensified and debt rescheduling consultants or external advisors involved.

2. From rating category 12, exposures are assigned to the Debt Rescheduling group in the back office where they are checked for restructuring capability and desirability. A 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.

Risk reporting follows the management approach in accordance with IFRS 7. 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 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				31 Dec 2010	31 Dec 2009
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	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 0.60% (prior year: 0.43%). The percentage of non-performing loans in the aggregate exposure is 1.91% (prior year: 1.64%). Before deducting collateral, 31.3% of non-performing loans are covered by specific allowances (prior year: 26.1%).

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. In view of the partial market recovery in 2010, the additional portfolio allowance for the ship finance portfolio of EUR 10m set up in 2009 was reduced by EUR 4m to EUR 6m.

Risk provision requirement by industry group

Industry groups in EUR k	Impaired credit exposures[1) 2010]	2009	Specific allowances 2010	2009	Loan loss provisions 2010	2009	Net allocations/ reversals of specific allowances/ provisions 2010	2009
Financial institutions/ insurance companies	3,517	15,405	8,316	10,051	2	148	-1,881	9,055
Service industries/other	132,559	139,586	62,179	64,056	1,970	1,819	-1,726	5,557
Transport/communications	435,968	123,262	115,204	48,816	6,174	3,334	69,230	46,966
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	2,184	1,050	4,033	579
Trade, maintenance and repairs	20,461	24,236	14,398	14,059	324	894	-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	11,569	8,469	9,425	4,809
Other	-	-	-	-	-	-	-	-
Total	**657,652**	**357,416**	**236,505**	**166,768**	**23,753**	**21,229**	**72,261**	**73,801**

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

Risk provision requirement by region

Regions in EUR k	Impaired credit exposures 2010	2009	Specific allowances 2010	2009	Loan loss provisions 2010	2009	Net allocations/ reversals of specific allowances/ provisions 2010	2009
Euro countries	637,351	354,140	229,995	164,969	23,687	21,166	67,547	73,427
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	**657,652**	**357,416**	**236,505**	**166,768**	**23,753**	**21,229**	**72,261**	**73,801**

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)]	Portfolio allowances 2010	2009	Net allocations/reversals of portfolio allowances 2010	2009
Financial institutions/insurance companies	128,716	35,235	1,114	829	284	548
Service industries/other	66,966	135,693	12,573	18,858	-6,285	-2,600
Transport/communications	283,515	684,524	49,099	76,302	-27,203	50,713
Manufacturing	16,602	13,165	2,054	2,857	-803	1,276
Energy, water and mining	42,225	41,281	2,470	2,215	255	-193
Trade, maintenance and repairs	54,628	33,463	2,610	3,028	-418	63
Agriculture, forestry and fishing	9,321	1,344	1,102	956	147	-359
Construction	20,137	11,933	1,257	2,227	-971	1,530
Other	-	-	-	-	0	0
Total	**622,110**	**956,638**	**72,278**	**107,273**	**-34,995**	**50,977**

[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 exposures 2010	2009	Portfolio allowances 2010	2009	Net allocations/reversals of portfolio allowances 2010	2009
Euro countries	588,705	889,704	64,463	102,501	-38,037	48,892
Rest of Western Europe	17,952	44,312	415	1,339	-924	980
Eastern Europe	12,780	5,405	7	16	-9	-3
North America	1	-	713	1,398	-685	441
Latin America	0	17,071	191	330	-140	235
Middle East/Africa	345	-	243	167	76	-20
Asia	-	146	710	619	91	428
Other	2,327	-	5,536	902	4,634	24
Total	**622,110**	**956,638**	**72,278**	**107,273**	**-34,995**	**50,977**

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 in EUR m	Past due ≤ 90 days 2010	2009	Past due > 90 days, ≤ 180 days 2010	2009	Past due > 180 days 2010	2009	Total 2010	2009	Fair value of collateral for past due, unimpaired financial instruments 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	658	357	231	160	427	197	357	179
Loans and advances to banks	26	26	6	6	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 its investments in credit derivatives 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.

Historical changes in market parameters and the normal distribution assumption used in the VaR model reflect a normal market scenario. In order to cover extraordinary market movements, special stress tests are carried out to gauge the sensitivity of the portfolio in relation to large market changes.

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%.

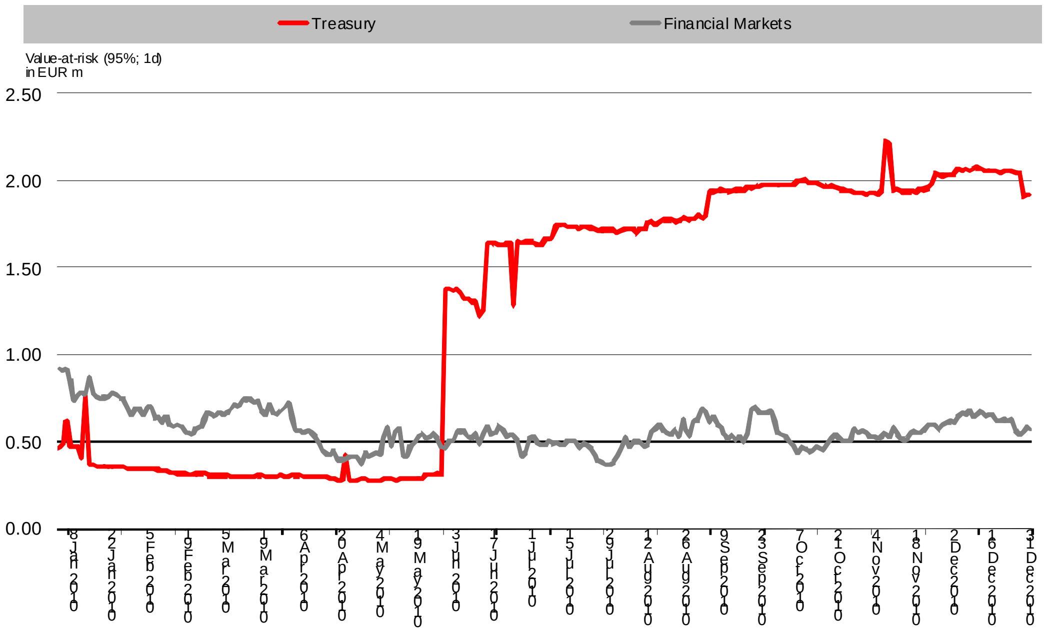
The following table shows the Bank's market price risk in the fiscal year and the prior year (credit spread risks in the banking book are not included in this overview):

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



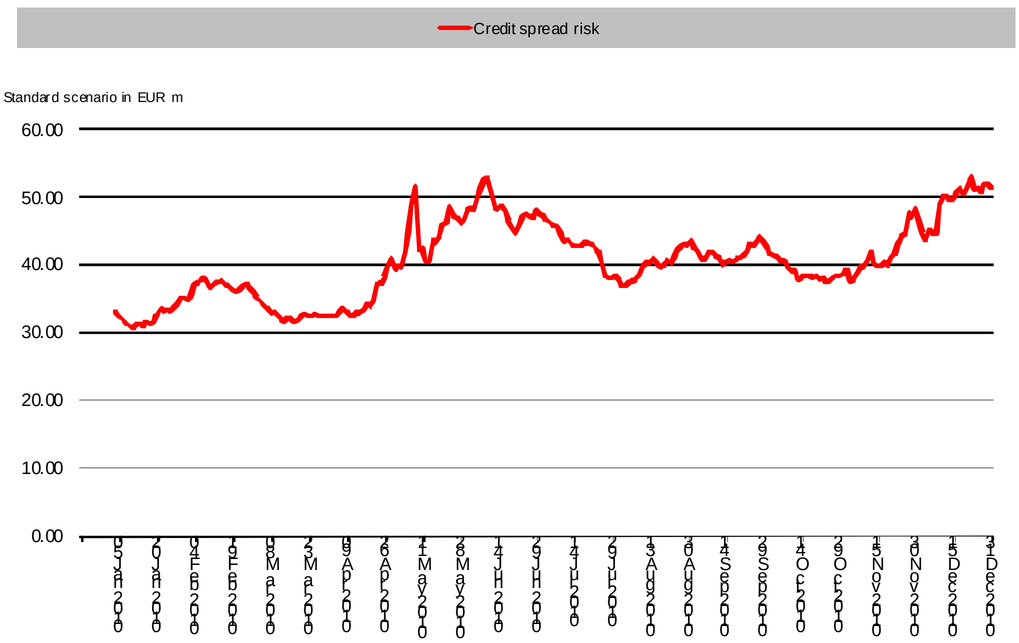
The average utilization of the market price risk limit for the overall Bank was 22% (maximum 36% and minimum 7%). As of 31 December 2010, the value-at-risk (confidence level of 95% and a holding period of one day) at the Bank amounted to EUR 2.41m.

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.

Development of the credit spread risk in 2010



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. The liquid, freely available securities deposited with the central bank act as a safeguard in the contingency 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 ["*Pfandbriefgesetz*": German Covered Bond Act] are fully met for all the Bank's issues.

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

In view of the 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.

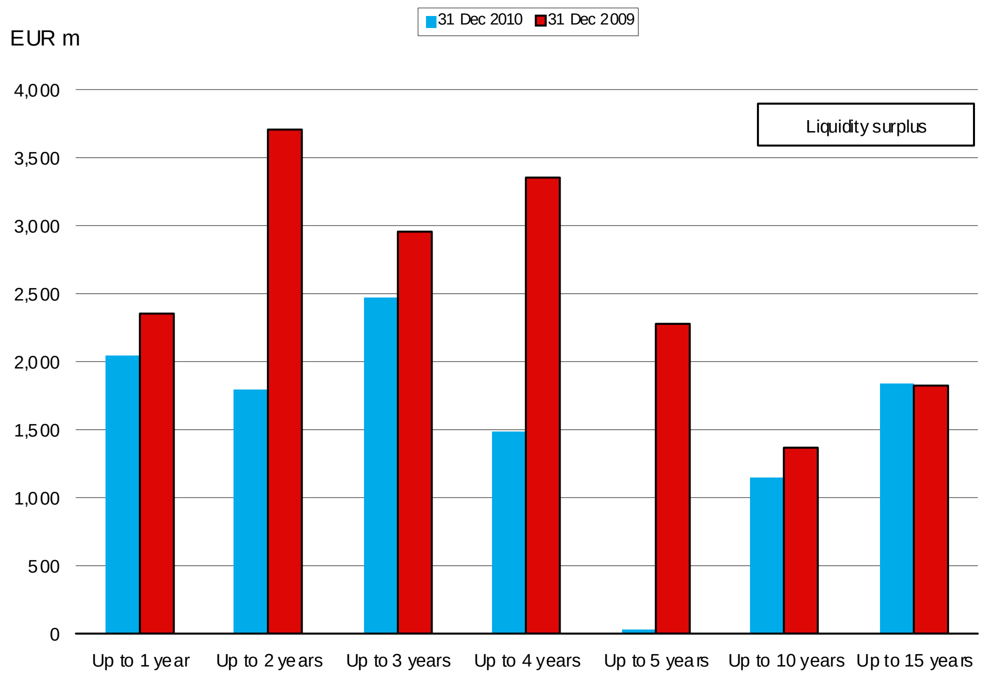
The Management Board receives a monthly report in connection with risk reporting. In addition, the risk-bearing capacity report informs the Management Board about the risks related to *Pfandbrief* operations.

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 through reasonably diversified investor groups and products, evident in the fact that it was able to refinance at comparatively good terms on these markets. Long-term refinancing on both a collateralized and unsecured basis is primarily provided by long-term issues and customer deposits. 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.

2. Consolidated income statement

Income statement

	Notes	1 Jan – 31 Dec 2010 (in EUR m)	1 Jan – 31 Dec 2009 (in EUR m)	Change (in %)
Interest income		2,127	2,433	-13
Interest expenses		1,829	2,171	-16
Net interest income	18	298	262	14
Risk provisions in the lending business	19	-59	-144	-59
Net interest income after risk provisions		**239**	**118**	**>100**
Commission income		70	59	19
Commission expenses		29	21	38
Net commission income	20	**41**	**38**	**8**
Trading profit/loss		-93	70	-
Profit/loss from designated financial instruments		0	2	-100
Profit/loss from financial instruments at fair value through profit or loss	**21**	**-93**	**72**	**-**
Profit/loss from hedge accounting	22	4	8	-50
Profit/loss from financial assets	23	8	-15	>100
Profit/loss from investments accounted for using the equity method	24	6	4	50
Administrative expenses	25	162	142	14
Other operating profit/loss	26	17	6	>100
Earnings before taxes		**60**	**89**	**-33**
Income taxes	27	13	24	-46
Consolidated profit		**47**	**65**	**-28**
thereof: attributable to shareholders of the parent company		47	65	
thereof: attributable to non-controlling interests		-	-	

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

3. Statement of comprehensive income

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

	Notes	1 Jan – 31 Dec 2010 (in EUR m)	1 Jan – 31 Dec 2009 (in EUR m)	Change (in %)
Consolidated profit in the income statement		**47**	**65**	**-28**
Change from AFS financial instruments				
Unrealized gains/losses		16	3	>100
Reclassifications due to realized gains/losses		-7	3	>100
Changes in value of investments accounted for using the equity method recognized directly in equity		0	0	-
Actuarial gains/losses on defined benefit obligation		-7	-18	-61
Deferred taxes	27	3	-1	>100
Other comprehensive income		**5**	**-13**	**>100**
Total comprehensive income for the period		**52**	**52**	**-**
thereof: attributable to shareholders of the parent company		52	52	
thereof: attributable to non-controlling interests		-	-	

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

4. Consolidated balance sheet

Assets

	Notes	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Cash reserve	28	74	145	-49
Loans and advances to banks	29	5,513	4,780	15
Loans and advances to customers	30	22,060	20,988	5
Risk provisions	31	-306	-270	13
Financial assets at fair value through profit or loss	32	1,087	1,123	-3
Positive fair values from hedge accounting derivatives	33	338	279	21
Financial assets	34	5,688	6,440	-12
Investments accounted for using the equity method	35	77	81	-5
Property and equipment	36	36	27	33
Investment property	37	70	64	9
Intangible assets	38	2	2	-
Current income tax assets	39	7	11	-36
Deferred income taxes	39	117	86	36
Other assets	40	38	25	52
Total assets		**34,801**	**33,781**	**3**

Liabilities and equity

	Notes	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Liabilities to banks	41	11,600	10,508	10
Liabilities to customers	42	10,158	10,236	-1
Securitized liabilities	43	8,939	9,244	-3
Adjustment item for financial instruments included in the portfolio fair value hedge	44	22	-	-
Financial liabilities at fair value through profit or loss	45	1,449	1,267	14
Negative fair values from hedge accounting derivatives	46	106	54	96
Provisions	47	320	300	7
Current income tax liabilities	48	32	27	19
Deferred income taxes	48	1	1	-
Other liabilities	49	24	24	-
Subordinated capital	50	1,163	1,157	1
Equity		987	963	2
Subscribed capital		140	140	-
Capital reserves		40	40	-
Retained earnings		761	747	2
Revaluation reserve		46	36	28
Equity attributable to BLB shareholders		987	963	2
Non-controlling interests		-	-	-
Total liabilities		**34,801**	**33,781**	**3**

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

5. Statement of changes in equity

Changes in equity:

(in EUR m)	Notes	Sub-scribed capital	Capital reserves	Retained earnings	Re-valuation reserve	Equity before minority interests	Minority interests	Consoli-dated equity
Equity as of 1 Jan 2010		**140**	**40**	**747**	**36**	**963**	**0**	**963**
Change in the fair value of AFS financial instruments		-	-	-	9	**9**	-	**9**
Profit/loss from investments accounted for using the equity method	24	-	-	0	-	**0**	-	**0**
Change in actuarial gains/losses		-	-	-7	-	**-7**	-	**-7**
Deferred taxes on changes in value recognized directly in equity	27	-	-	2	1	**3**	-	**3**
Other comprehensive income		**0**	**0**	**-5**	**10**	**5**	**0**	**5**
Consolidated profit		-	-	47		**47**	-	**47**
Total comprehensive income for the period		**0**	**0**	**42**	**10**	**52**	**0**	**52**
Distributions		-	-	-28	-	**-28**	-	**-28**
Change in the basis of consolidation		-	-	-	-	**0**	-	**0**
Equity as of 31 Dec 2010		**140**	**40**	**761**	**46**	**987**	**0**	**987**

(in EUR m)	Notes	Sub-scribed capital	Capital reserves	Retained earnings	Re-valuation reserve	Equity before minority interests	Minority interests	Consoli-dated equity
Equity as of 1 Jan 2009		**140**	**40**	**722**	**34**	**936**	**0**	**936**
Change in the fair value of AFS financial instruments		-	-	-	6	**6**	-	**6**
Profit/loss from investments accounted for using the equity method	24	-	-	0	-	**0**	-	**0**
Change in actuarial gains/losses		-	-	-18	-	**-18**	-	**-18**
Deferred taxes on changes in value recognized directly in equity	27	-	-	6	-7	**-1**	-	**-1**
Other comprehensive income		**0**	**0**	**-12**	**-1**	**-13**	**0**	**-13**
Consolidated profit		-	-	65	-	**65**	-	**65**
Total comprehensive income for the period		**0**	**0**	**53**	**-1**	**52**	**0**	**52**
Distributions		-	-	-28	-	**-28**	-	**-28**
Change in the basis of consolidation		-	-	0	3	**3**	-	**3**
Equity as of 31 Dec 2009		**140**	**40**	**747**	**36**	**963**	**0**	**963**

The prior-year figures have been restated for some items; see Note (2). Please see page130 for explanatory notes on the statement of changes in equity.

6. Cash flow statement

(in EUR m)	2010	2009
Consolidated profit	**47**	**65**
Adjustment for non-cash items		
Amortization, depreciation, impairment and write-ups of property and equipment, intangible assets and financial assets	0	9
Change in provisions	30	15
Gains/losses from the disposal of financial assets, property and equipment and intangible assets	-8	4
Change in other non-cash items	-48	88
Other adjustments (net)	-335	-186
Subtotal	**-314**	**-5**
Change in assets and liabilities from operating activities after adjustment for non-cash items		
Loans and advances to banks and customers	-1,790	203
Trading book positions and hedge accounting derivatives	378	-238
Other assets from operating activities	-11	-8
Liabilities to banks and customers	983	-1,450
Securitized liabilities	-318	807
Other liabilities from operating activities	-2	-17
Interest and dividends received	2,133	2,306
Interest paid	-1,765	-2,021
Income tax paid	-32	-35
Cash flow from operating activities	**-738**	**-458**
Cash receipts from the disposal of		
Financial assets	758	1,129
Property and equipment and intangible assets	0	0
Cash payments for the acquisition of		
Financial assets	0	-641
Property and equipment and intangible assets	-21	-6
Cash receipts from the disposal of consolidated companies and other business units	7	84
Cash payments for the acquisition of consolidated companies and other business units	0	0
Cash flow from investing activities	**744**	**566**
Cash payments to shareholders and non-controlling interests (dividends and other payments)	-28	-28
Interest paid for subordinated capital	-49	-57
Cash flow from financing activities	**-77**	**-85**
Cash and cash equivalents at the end of the prior year	**145**	**122**
Cash flow from operating activities	-738	-458
Cash flow from investing activities	744	566
Cash flow from financing activities	-77	-85
Cash and cash equivalents at the end of the period	**74**	**145**

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

7. Notes to the consolidated financial statements

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

Accounting policies

(1) Basis of preparation of the consolidated financial statements

The consolidated financial statements of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, Oldenburg (Bremer Landesbank) as of 31 December 2010 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the EU. The standards published and adopted by the European Union as of the date of preparing the financial statements were applied. The national provisions of the HGB ["Handelsgesetzbuch": German Commercial Code] were also observed in accordance with Sec. 315a HGB.

The consolidated financial statements as of 31 December 2010 comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes. The segment report is contained in the notes (Note (17)). Risk reporting in accordance with IFRS 7 is chiefly contained in a separate report on the opportunities and risks relating to future development as part of the group management report.

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

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

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

These consolidated financial statements will be authorized for issue by the Management Board on 15 March 2011, reviewed by the Supervisory Board and are expected to be approved by the Supervisory Board meeting on 8 April 2011.

(2) Restatement of prior-year figures

The amortization expense for a subordinated liability disclosed under subordinated capital was too high in the consolidated financial statements as of 31 December 2009. This resulted in subordinated capital being disclosed EUR 9m higher than it should have been.

In addition, the allowance on a silent participation disclosed under loans and advances to banks was understated by EUR 3m.

As of 31 December 2009, accrued interest on a bond disclosed in financial assets was overstated by EUR 2m. At the same time, interest income from its amortization was understated by EUR 7m in 2009.

The following table shows the adjustments made to the prior-year figures including the deferred tax effects:

		31 Dec 2009	
	Prior to restatement (in EUR m)	Adjustment (in EUR m)	After restatement (in EUR m)
Risk provisions	-267	-3	-270
Financial assets	6,442	-2	6,440
Deferred income tax assets	87	-1	86
Subordinated capital	1,166	-9	1,157
Equity	960	3	963
Retained earnings	739	8	747
Revaluation reserve	41	-5	36
Interest income	2,428	5	2,433
Interest expenses	2,179	-8	2,171
Risk provisions in the lending business	-141	-3	-144
Earnings before taxes	79	10	89
Income taxes	21	3	24
Consolidated profit	58	7	65

The respective adjustments were also taken into account in the following items explained in Notes (17), (18), (19), (23), (27), (31), (34), (39), (48), (50), (51), (52), (53), (54), (55), (58) und (65).

The opening balance sheet values for assets, liabilities and equity for fiscal year 2009 do not have to be restated as these adjustments have no effect on periods before 2009.

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

(3) Applied IFRSs

All IFRSs, interpretations and amendments which were endorsed by the EU and are relevant for the BLB Group in fiscal year 2010 were applied.

The IASB has published the following standards and interpretations which have already been **adopted** by the EU but whose application was not yet mandatory in fiscal year 2010. We did not apply the following standards which do not have to be implemented until after 31 December 2010:

- **IAS 24 (Revised 2009) *Related Party Disclosures***

  The revised IAS 24 was published in November 2009 and is effective in fiscal years beginning on or after 1 July 2010. The extended definition will probably call for further disclosures on the Group's related entities. However, the amendment will not affect the recognition and measurement of assets and liabilities in the consolidated financial statements and the results of future fiscal years.

- **Amendments to IAS 32 *Classification of Rights Issues***

  As the Group has not issued any such rights, this amendment will not have any effect on the net assets, financial position and results of operations.

- **Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement***

  As all of the Group's defined benefit pension schemes are currently underfunded, this interpretation will not have any effect on the Group's net assets, financial position and results of operations.

- **IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments***

  IFRIC 19 was published in November 2009 and is effective in fiscal years beginning on or after 1 July 2010. This interpretation clarifies that if a debtor issues equity instruments to a creditor to extinguish a financial liability, those equity instruments are "consideration paid" in accordance with IAS 39.41. The application of this interpretation is not expected to have any effect on the consolidated financial statements.

The IASB has published the following standards and interpretations whose application was not yet mandatory in fiscal year 2010. These standards and interpretations have **not** yet been endorsed by the EU and are not applied by the Group.

- **Amendment to IFRS 7 *Disclosures – Transfers of Financial Assets***

  This amendment to IFRS 7 was published in October 2010 and is effective in fiscal years beginning on or after 1 July 2011. It prescribes enhanced qualitative and quantitative disclosures on transfers of financial assets which are not derecognized and on the continuing involvement in transferred financial assets as of the balance sheet date.

  This amendment will probably enlarge the volume of disclosures on financial instruments, but it will not affect the recognition and measurement of assets and liabilities in the consolidated financial statements and the results of future fiscal years.

- **IFRS 9 *Financial instruments: Classification and Measurement***

  A revised version of IFRS 9 was published in October 2010 and is currently effective for fiscal years beginning on or after 1 January 2013. The standard will gradually replace the current IAS 39 in three phases. The first phase, now published, includes the rules for classifying and measuring financial assets and financial liabilities. There are now only two options for classifying financial assets under IFRS 9; measurement at amortized cost or measurement at fair value. In the future, classification will be based on the business model of the reporting entity and the contractually agreed cash flows from the asset. Moreover, the rules for embedded derivatives and reclassification have been modified. The rules for financial liabilities are largely unchanged compared with IAS 39. Only when the fair value option is used do changes in the fair value of financial liabilities attributable to credit risk have to be recognized in other comprehensive income. The final standards of the other phases, dealing with impairment, hedge accounting and asset and liability offsetting, are expected for 2011.

  Application of the first phase will have an effect on the classification and measurement of the Group's financial assets and liabilities. In order to present a full picture of the potential effects, the Group will quantify the impact in connection with the other phases as soon as they are published.

- **Amendment to IAS 12 Deferred *Taxes: Recovery of Underlying Assets***

  Under the German legal system, application of this amendment is not expected to have any effect on the Group's net assets, financial position and results of operations.

The IASB has published *Improvements to IFRSs*, a collection of amendments to various IFRSs. These amendments were not applied as they are effective for fiscal years beginning on or after 1 July 2010 or 1 January 2011. The amendments are as follows:

- **IFRS 7 *Financial Instruments: Disclosures***

  This amendment is likely to slightly reduce the volume of disclosures on financial instruments. It will not affect the recognition and measurement of assets and liabilities in the consolidated financial statements and consolidated profit.

- **IFRS 3 *Business Combinations***

  The following rules were amended in this IFRS:

  - Transitional requirements for contingent consideration from a business combination that occurred before the effective date of the amended IFRS
  - Measurement of non-controlling interests
  - Un-replaced and voluntarily replaced share-based payment awards

  Under the transitional requirement, these amendments will not have any effects on the consolidated financial statements in the fiscal year of first-time application. In any future business combinations, this amendment will affect the amount of goodwill recognized and future results.

- **IAS 1 *Presentation of Financial Statements***

  This amendment will not have any effect on the presentation in the consolidated financial statements.

- **IAS 27 *Consolidated and Separate Financial Statements***

  As there were no relevant transactions in the reference period the Group does not expect this amendment to have any effect on the consolidated financial statements.

- **IFRIC 13 *Customer Loyalty Programmes***

  The application of this new rule does not have any effect on the consolidated financial statements.

The Group does not expect these amendments to have any effect on the Group's net assets, financial position and results of operations.

- The following amendments to IFRS 1 are not applicable to the Group and will therefore not have any effect on the Group's net assets, financial position and results of operations:

  – Limited exemption of first-time adopters from comparative IFRS 7 disclosures

  – Severe hyperinflation and removal of fixed dates for first-time adopters

(4) Consolidation principles

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

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

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

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

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

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

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

(5) Basis of consolidation

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

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

The following associates are accounted for using the equity method:

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

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

Subsidiaries, investment funds, joint ventures and associates as well as equity investments are shown in the list of shareholdings (Note (76)).

The shareholders of the Lazard-Sparkassen Rendite-Plus-Fonds redeemed shares in 2010. This marginally increased Bremer Landesbank’s share in the fund’s assets.

(6) Currency translation

Monetary assets and liabilities in foreign currencies and non-monetary items measured at fair value were translated using the ECB reference rates as of 31 December 2010. Non-monetary items measured at cost are recognized using historical rates. Expenses and income in foreign currencies are translated using market exchange rates. Currency differences relating to monetary items are reflected in the income statement; such differences relating to non-monetary items are recognized either through profit or loss or under equity depending on how changes in such items are reported.

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

(7) Financial instruments

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

Financial instruments include financial guarantees as defined in IAS 39.

Classification in accordance with IFRS 7.6 is in line with the IAS 39 holding categories which largely correspond to individual balance sheet items. The cash reserve, hedge accounting derivatives, financial guarantees and irrevocable loan commitments each form additional classes. Silent participations, which are classified as liabilities under IAS 32, are also included. The explanations of the composition of these items allow the classes to be reconciled with the balance sheet items.

Addition and disposal of financial instruments

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

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

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

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

Classification of financial assets and liabilities and their measurement

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

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

Loans and receivables (LAR)

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

Held to maturity (HTM)

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

Financial assets or financial liabilities at fair value through profit or loss (AFV)

This category comprises two sub-categories:

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

- **Designated at fair value through profit or loss (DFV)**
  Any financial instrument can be allocated to this sub-category, known as the fair value option, provided that certain requirements are met. Exercising the fair value option eliminates or significantly reduces the recognition and measurement mismatches which

stem from different measurement methods (e.g., from accounting for economic hedging relationships without the restrictive requirements of hedge accounting). Allocation to this category also means that hybrid (combined) products do not need to be separated. Information on the nature and scope of application of the fair value option in the Group is provided in Note (59). Financial instruments for which the fair value option is exercised are reported in the respective balance sheet items and are measured at fair value through profit or loss upon subsequent measurement. There is no amortization at constant effective interest rates in net interest income.

Available for sale (AFS)

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

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

Other liabilities (OL)

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

The carrying amounts and net results for each measurement category can be found in Notes (52) and (53).

Measurement of fair value

In March 2009, the IASB published an amendment to IFRS 7, which chiefly relates to disclosure requirements in connection with the fair value measurement of financial instruments. In accordance with these requirements, the Bremer Landesbank Group uses the hierarchy and the terminology (Level 1, Level 2 and Level 3) stipulated in IFRS 7. The level is determined by the inputs used for measurement and reflects the significance of the variables used in the measurement of fair value.

Under the fair value hierarchy used in fiscal year 2010, a financial instrument is categorized as Level 1 if it is traded in an active market and publicly quoted market prices or prices effectively traded in the OTC market are employed to measure its fair value. If no market prices or prices effectively traded in the OTC market are available, prices quoted by dealers are used for Level 1 measurement. If price sources other than stock exchange prices are used, such sources are quotes by banks or other market makers.

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

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

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

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

As of the balance sheet date, no CDS spreads were available for the CDSs held, all of which follow the old CDS protocol. This is because, since the launch of the new CDS protocol, CDS prices are only quoted for CDSs under the new protocol. The fair values of the CDSs held are therefore determined on the basis of the spreads for comparable CDSs quoted under the new protocol. Depending on the spread levels of comparable CDSs, spreads for liquid bonds issued by reference entities were taken into consideration for valuation purposes. In determining the fair value, allowance was made for the fact that physical settlement under the CDS protocol, which the CDSs in Bremer Landesbank's CDS portfolio follow, is made when a credit event occurs. I.e., in a credit event, the protection buyer must deliver to the protection seller a bond issued by the reference entity at its nominal value as specified in the CDS contract. The two spreads (CDS market spread under the new protocol and the bond market spread) are combined in a linear combination to create an appropriate valuation spread.

If the observable CDS market spread is below a threshold of 75 basis points, valuation is based solely on the CDS market spread. If, however, the CDS market spread is higher than 450 basis points, i.e., the implied probability of a credit event is relatively high, valuation is based solely on the observable bond market spread. If a CDS market spread is between 75 and 450 basis points, the CDS contract is valued using a linear combination of the observable CDS market spread and the observable bond market spread. However, a CDS contract valued in this way is classified as Level 3 in the fair value hierarchy.

During 2008, some sections of the money and capital markets ceased to function, which resulted in uncertainty among market participants, illiquidity of some of the markets and declining investment activity in secondary market products. This meant that there were no longer any viable prices available for some financial instruments on the market, quotations in some cases were intended to discourage investment and some transactions were conducted at fire-sale conditions. These conditions remained in place in 2010 for a number of financial instruments.

For financial instruments for which no active market existed on 31 December 2010 and which therefore cannot be valued using market prices, a discounted cash flow method has been used to determine the fair value, as has been the case since the 2008 financial statements. This method uses indicative market data and the credit rating of the reference entity.

The financial instruments within the Bremer Landesbank Group that should be measured in this way are identified individually with a subsequent division into active and inactive markets. Any changes in the assessment of the market are continuously taken into account when measuring the instruments. Whether an active market exists for Bremer Landesbank's CDS contracts is primarily assessed by reference to three criteria. Indicators of an inactive market are a high bid-ask spread on the valuation date, substantial differences in the prices stated by various market data providers and low levels of trading as of the valuation date. The thresholds for the criteria separating an active market from an inactive market are derived from the typical parameters for active markets.

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

As the internal ratings from the internal ratings-based approach used by Bremer Landesbank are used in the procedure, the financial instruments are allocated to Level 3.

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

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

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

To value CDS contracts classified as Level 3 a valuation spread is derived from the observable CDS market spread and the credit rating of the reference entity. The credit spread for the specific credit rating is adjusted toward the observable CDS market spread in order to incorporate the recent information on credit quality that is contained in the CDS spread in the valuation process.

Further disclosures on the fair value hierarchy and the fair values of financial instruments are provided in Note (51).

Financial assets

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

The calculation of the fair 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 sustainable situation of the investee (planning phase II). These expected future earnings are discounted to the balance sheet date taking planned distributions into account.

The discount rate used is derived from a capital market model and represents the return on an alternative investment that adequately matches the investment in the investee in terms of maturity and risk. The discount rate comprises the components of risk-free interest rate as well as the risk premium based on the risk relating to future net cash flows. The risk premium is the product of an average market risk premium and the beta factor, which expresses the specific risk structure of the entity being valued. As a relative 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. Adjusted beta (adjusted beta = raw beta x 0.67 + 0.33) was used as part of a standardized approach within the NORD/LB Group in order to smooth out the volatility of the valuation over the course of time.

Hybrid (combined) products

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

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

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate derivative with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument
- The hybrid (combined) product is not measured at fair value with changes in fair value recognized profit or loss (AFV category)

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

Hedge accounting

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

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

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

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

In accordance with the rules of fair value hedge accounting, derivative financial instruments used to hedge fair values are accounted for as positive or negative fair values from hedge accounting derivatives (Note (33) and Note (46) Positive/negative fair values from hedge accounting derivatives). Changes in value are recognized in profit or loss (Note (22) Profit/loss from hedge accounting). Changes in fair value resulting from the hedged risk for hedged assets or hedged liabilities are also recognized through profit or loss in profit/loss from hedge accounting.

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

When hedging against interest rate risks on a portfolio basis the changes in the fair values of underlying transactions on the liabilities side in relation to the hedged risk are reported on the liabilities side in the balance sheet item "Adjustment item for financial instruments included in the portfolio fair value hedge" Note (44). Underlying transactions of AFS financial instruments on the assets side continue to be reported under financial assets at full fair value. There are currently no assets which are not classified as AFS in the portfolio fair value hedge.

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

A hedge is terminated when the underlying or hedging transaction expires, is sold or exercised or when the hedge accounting requirements are no longer met; cf. Note (57) for underlyings in effective hedges).

Securities sale and repurchase agreements and securities lending

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

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

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

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

With regard to the extent and the volume of securities sale and repurchase agreements and securities lending transactions, please see Note (61).

Reporting "day one profits and losses"

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

(8) Risk provisions

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

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

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

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

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

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

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

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

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

(9) Property and equipment

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

Property and equipment is depreciated over the following periods:

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

Before 1 January 2009, the option of immediate recognition as an expense was used for borrowing costs which were directly attributable to the acquisition, construction or production of a qualified asset. From 1 January 2009, borrowing costs are capitalized pursuant to IAS 23 (revised 2007). No borrowing costs were capitalized in fiscal year 2010.

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

(10) Leases

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

Finance leases

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

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

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

Operating leases

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

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

(11) Investment property

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

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

Borrowing costs are capitalized in accordance with IAS 23 (revised 2007). No borrowing costs were capitalized in fiscal year 2010.

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

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

Investment property is depreciated over the following periods:

	Useful life in years
Investment property	25 to 50

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

(12) Intangible assets

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

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

Borrowing costs are capitalized in accordance with IAS 23 (revised 2007). No borrowing costs were capitalized in fiscal year 2010.

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

	Useful life in years
Software	3 to 5

There are no intangible assets with an indefinite useful life.

(13) Provisions for pensions and similar obligations

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

Provisions for future health insurance benefits (EUR 5m; prior year: EUR 4m) are also shown in provisions for pensions. This provision is calculated based on the average amount of health insurance benefits paid in the past few years and the assumption of a dynamic cost trend. A change in the cost trend of +1% would increase provisions for health insurance benefit obligations by EUR 1m. Effects on service and interest cost, on the other hand, would be insignificant.

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

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

The Bremer Landesbank Group recognizes the full amount of actuarial gains and losses under equity so that pension expenses are not reduced or increased by the amortization of unrecognized actuarial gains or losses.

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

Valuation assumptions are shown in the following schedule:

	31 Dec 2010	31 Dec 2009
Actuarial interest rate	5.25%	5.5%
Expected long-term return on plan assets	3.6%	3.7%
Salary trend		
Pension obligations	2.4%	2.4%
Health insurance benefits	4.5%	4.5%
Pension trend		
Pension obligations (contingent on the pension scheme)	1.0 – 3.5%	1.0 – 3.5%
Health insurance benefits	4.5%	4.5%

The 2005 G Heubeck mortality tables were applied for calculating the defined benefit obligation.

(14) Other provisions

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

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

(15) Income taxes

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

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

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

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

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

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

(16) Subordinated capital

The subordinated capital item comprises securitized subordinated liabilities and silent participations. The silent participations must be classified as liabilities in accordance with IAS 32 as they are puttable; under the HGB, silent participations always constitute equity. For regulatory purposes under the KWG, they are recognized as liable equity.

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

Segment report

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

31 Dec 2010 (in EUR m)	Corporate Customers	Special Finance	Private Customers	Financial Markets	All other segments	Re-conci-liation	Total Group
Net interest income	58	171	28	58	-20	3	298
Risk provisions in the lending business	-11	-43	-4	-2	0	1	-59
Net interest income after risk provisions	**47**	**128**	**24**	**56**	**-20**	**4**	**239**
Net commission income	11	20	8	4	0	-2	41
Profit/loss from financial instruments at fair value through profit or loss	2	7	1	-123	-1	21	-93
Profit/loss from hedge accounting	0	0	0	0	0	4	4
Profit/loss from financial assets	2	0	0	14	-10	2	8
Profit/loss from investments accounted for using the equity method	0	0	0	0	0	6	6
Total income	**62**	**155**	**33**	**-49**	**-31**	**35**	**205**
Administrative expenses	26	26	27	17	49	17	162
Other operating profit/loss	0	0	0	0	-5	22	17
Earnings before taxes	**36**	**129**	**6**	**-66**	**-85**	**40**	**60**
Segment assets	3,966	13,001	1,802	13,999	1,680	353	34,801
Segment liabilities	2,002	4,219	1,251	14,893	38	11,411	33,814
CIR [1)]	36%	13%	73%	-28%	-	-	59%
RAROC [2)] ROE [3)]	20%	14%	7%	-44%	-	-	6%

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

31 Dec 2009 (in EUR m)	Corporate Customers	Special Finance	Private Customers	Financial Markets	All other segments	Re-conci-liation	Total Group
Net interest income	57	143	30	37	15	-20	262
Risk provisions in the lending business	-13	-106	-7	-9	0	-9	-144
Net interest income after risk provisions	**44**	**37**	**23**	**28**	**15**	**-29**	**118**
Net commission income	9	19	8	5	1	-4	38
Profit/loss from financial instruments at fair value through profit or loss	2	6	1	91	-27	-1	72
Profit/loss from hedge accounting	0	0	0	0	0	8	8
Profit/loss from financial assets	0	0	0	8	3	-26	-15
Profit/loss from investments accounted for using the equity method	0	0	0	0	0	4	4
Total income	**55**	**62**	**32**	**132**	**-8**	**-48**	**225**
Administrative expenses	25	24	27	17	40	9	142
Other operating profit/loss	0	0	0	0	0	6	6
Earnings before taxes	**30**	**38**	**5**	**115**	**-48**	**-51**	**89**
Segment assets	3,963	11,347	1,929	14,350	1,974	218	33,781
Segment liabilities	1,552	3,764	1,298	14,790	27	11,387	32,818
CIR [1)]	37%	15%	70%	13%	-	-	36%
RAROC [2)] ROE [3)]	17%	5%	5%	54%	-	-	10%

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

Information on the business segments

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

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

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

In addition to figures relating to the income statement, the segment report also shows allocable segment assets and liabilities and the cost-income ratio (ratio of administrative expenses to total income excluding profit/loss from financial assets) and risk-adjusted return on capital/return on equity (ratio of earnings before taxes to committed core capital).

The revaluation reserve is included in the profit/loss from financial assets of the individual segments. The reconciliation is presented separately together with an adjustment.

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

Corporate Customers

The Corporate Customers segment comprises business conducted by the Bank with small and medium-sized corporate customers in the North-West of Germany and is a reliable and innovative financial services partner.

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 the community interest properties sector, 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 mid-market companies, Bremer Landesbank's Special Finance segment considers itself to be well positioned.

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.

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.

Refinancing carried out by Bremer Landesbank both during the year and for a period longer than one year are also part of the Financial Markets segment. Detailed information is provided under “Financing” in the group management report.

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

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.

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. 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.

Loans and advances to regional authorities and other municipal customers are just below the prior-year level. 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.

The segment’s result is dominated by valuation effects.

Reconciliation of the segment results to the consolidated financial statements

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

Net interest income generated by the individual segments was calculated using the market interest rate method and includes the net interest income from lending and deposit business. The Group’s net interest income is calculated as actual interest income less interest expenses. The figure stated in the “Reconciliation” segment is a remainder.

The net commission income is spread between the segments. The difference compared to the consolidated profit is due to methodological deviations in the treatment of commissions for LBS guarantees and to the different classification of securities commissions and foreign commissions.

The reconciliation result from the item “Profit/loss from financial instruments at fair value through profit or loss” arose in the fiscal year from various offsetting items, especially payments and the net valuation effect from derivatives.

The profit/loss from hedge accounting is not allocated to a business segment and is shown in the reconciliation column.

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

The profit/loss from investments accounted for using the equity method is not allocated to the segments; instead it is shown in the reconciliation column.

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

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

The difference between the sum of segment assets/liabilities and the consolidated assets/ liabilities is mainly due to the fact that averages are used for the segments whereas the group figures are based on figures at the balance sheet date. Refinancing funds are not presented for the business segments; they are included in segment liabilities in the reconciliation.

Notes to the consolidated income statement

(18) Net interest income

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

	1 Jan – 31 Dec 2010 (in EUR m)	1 Jan – 31 Dec 2009 (in EUR m)	Change (in %)
Interest income			
Interest income from lending and money market business	976	1,014	-4
Interest income from fixed-income securities and government-inscribed debt	118	190	-38
Interest income from financial instruments at fair value through profit or loss			
Trading book positions and hedge accounting derivatives	1,001	1,212	-17
Interest income from the use of the fair value option	1	4	-75
Current income			
From shares and other variable-yield securities	0	1	
From equity investments	3	6	-50
Interest income from other amortization			
of the adjustment item for the portfolio fair value hedge	6	0	-
from hedge accounting derivatives	21	5	>100
Expected return on plan assets	1	1	-
Total interest income	**2,127**	**2,433**	**-13**
Interest expenses			
Interest expenses from lending and money market business	590	636	-7
Interest expenses from securitized liabilities	230	292	-21
Interest expenses from financial instruments at fair value through profit or loss			
Interest expenses from trading book positions and hedge accounting derivatives	910	1,157	-21
Interest expenses from the use of the fair value option	-	0	-
Interest expenses from subordinated capital	49	55	-11
Interest expenses from other amortization			
from the adjustment item for the portfolio fair value hedge	5	0	-
from hedge accounting derivatives	29	15	93
Interest expenses for provisions and liabilities	16	16	-
Total interest expenses	**1,829**	**2,171**	**-16**
Total	**298**	**262**	**14**

Interest income from lending and money market business contains interest income from the unwinding of impaired assets in the amount of EUR 9m (prior year: EUR 6m).

Total interest income relating to financial instruments which are not measured at fair value through profit or loss amounted to EUR 1,104m (prior year: EUR 1,212m). Total interest expenses relating to financial instruments which are not measured at fair value through profit or loss amounted to EUR 890m (prior year: EUR 999m).

(19) Risk provisions in the lending business

	1 Jan –31 Dec 2010 (in EUR m)	1 Jan – 31 Dec 2009 (in EUR m)	Change (in %)
Income from risk provisions in the lending business			
Reversal of specific allowances on loans and advances	45	8	>100
Reversal of portfolio allowances on loans and advances	17	-	-
Reversal of loan loss provisions	7	4	75
Recoveries on loans and advances previously written off	2	2	-
Income from risk provisions in the lending business	**71**	**14**	**>100**
Expenses for risk provisions in the lending business			
Allocation to specific allowances on loans and advances	119	94	27
Allocation to portfolio allowances	-	55	-100
Allocation to loan loss provisions	9	7	29
Direct write-offs of loans and advances	2	2	-
Expenses for risk provisions in the lending business	**130**	**158**	**-18**
Total	**-59**	**-144**	**-59**

(20) Net commission income

	1 Jan – 31 Dec 2010 (in EUR m)	1 Jan – 31 Dec 2009 (in EUR m)	Change (in %)
Commission income			
Commission income from banking business			
Lending and guarantee business	12	15	-20
Security and custodian business	8	7	14
Account management and payment transactions	10	9	11
Trust business	21	14	50
Brokerage business	2	1	100
Other standard bank commission income	16	12	33
Commission income from non-banking business			
Real estate business	1	1	-
Total commission income	**70**	**59**	**19**
Commission expenses			
Commission expenses from banking business			
Security and custodian business	2	2	-
Trust business	21	14	50
Brokerage business	1	1	-
Account management and payment transactions	1	1	-
Lending and guarantee business	3	3	-
Other standard bank commission expenses	1	-	-
Total commission expenses	**29**	**21**	**38**
Total	**41**	**38**	**8**

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

	1 Jan - 31 Dec 2010 (in EUR m)	1 Jan - 31 Dec 2009 (in EUR m)	Change (in %)
Trading profit/loss			
Realized profit/loss			
From debt securities and other fixed-income securities	1	2	-50
From derivatives	-6	14	-
Total realized profit/loss	**-5**	**16**	**-**
Net valuation effect			
From derivatives	-107	33	-
Total net valuation effect	**-107**	**33**	**-**
Foreign exchange profit/loss	12	14	-14
Other profit/loss	7	7	-
Total trading profit/loss	**-93**	**70**	**-**
Profit/loss from the use of the fair value option			
Net valuation effect			
Debt securities and other fixed-income securities	0	2	-100
Securitized liabilities	0	0	-
Total profit/loss from designated financial instruments (fair value option)	**0**	**2**	**-100**
Total	**-93**	**72**	**-**

The realized profit/loss represents the profit/loss on financial instruments which expired or were prematurely terminated during the fiscal year; the net valuation effect refers to financial instruments existing on the balance sheet date.

The foreign exchange profit/loss includes all the income realized from disposals and the valuation of all the Bank's foreign currency positions in the current fiscal year. Currency translation profit/loss is also reported as part of foreign exchange profit/loss and comes to EUR 123m as of 31 December 2010 (prior year: -EUR 161m) .

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

(22) Profit/loss from hedge accounting

Profit/loss from hedge accounting comprises the changes in value due to interest rate fluctuations of underlying and hedging transactions in effective fair value hedges.

	1 Jan - 31 Dec 2010 (in EUR m)	1 Jan - 31 Dec 2009 (in EUR m)	Change (in %)
Profit/loss from micro fair value hedges			
From hedged underlying transactions			
in the available-for-sale (AFS) category	13	16	-19
in the other liabilities (OL) category	-71	-48	48
From derivative hedging instruments	58	40	45
Total micro fair value hedges	**0**	**8**	-100
Profit/loss from portfolio fair value hedges			
From hedged underlying transactions			
in the available-for-sale (AFS) category	5	-	-
in the other liabilities (OL) category	-28	-	-
From derivative hedging instruments	27	-	-
Total portfolio fair value hedge	**4**	**-**	-
Total	**4**	**8**	**-50**

(23) Profit/loss from financial assets

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

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

	1 Jan - 31 Dec 2010 (in EUR m)	1 Jan - 31 Dec 2009 (in EUR m)	Change (in %)
Profit/loss from the disposal of			
Debt securities and other fixed-income securities	8	5	60
Shares and other variable-yield securities	-	-9	-100
Net impairment of debt securities	-	-11	-100
Total profit/loss from disposals	**8**	**-15**	**>100**
Profit/loss from investments in entities	0	0	**0**
Total	**8**	**-15**	**>100**

Valuation gains of EUR 7m which were previously recognized under equity were reclassified from the revaluation reserve to the income statement (prior year: valuation losses of EUR 3m).

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

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

	1 Jan - 31 Dec 2010 (in EUR m)	1 Jan - 31 Dec 2009 (in EUR m)	Change (in %)
Investments in associates			
Income	6	6	0
Expenses	-	2	-100
Total	**6**	**4**	**50**

(25) Administrative expenses

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

The expenses break down as follows:

	1 Jan - 31 Dec 2010 (in EUR m)	1 Jan - 31 Dec 2009 (in EUR m)	Change (in %)
Personnel expenses			
Wages and salaries	75	66	**14**
Social security	12	10	**20**
Pension and other benefit costs (thereof service cost of EUR 4m (prior year: EUR 4m))	5	5	**-**
Total personnel expenses	**92**	**81**	**14**
Other administrative expenses			
IT and communication costs	36	29	**24**
Premises costs	7	7	**-**
Marketing, communication and entertainment costs	6	6	**-**
Person-related other administrative expenses	3	3	**-**
Legal, audit, appraisal and consulting fees	7	6	**17**
Dues and contributions	4	2	**100**
Expenses for furniture, fixtures and office equipment	1	1	**-**
Other administrative expenses	1	2	**-50**
Total other administrative expenses	**65**	**56**	**16**
Amortization and depreciation			
Property and equipment	3	3	**-**
Intangible assets	1	1	**-**
Investment property	1	1	**-**
Total amortization and depreciation	**5**	**5**	**-**
Impairment losses			
Property and equipment	-	-	**-**
Total	**162**	**142**	**14**

(26) Other operating profit/loss

	1 Jan - 31 Dec 2010 (in EUR m)	1 Jan - 31 Dec 2009 (in EUR m)	Change (in %)
Other operating income			
From rental and lease income	7	7	-
From cost reimbursements	1	1	-
From the disposal of assets	7	-	-
From the redemption of issued debt securities	-	1	-100
Other income	6	6	-
Total other operating income	**21**	**15**	**40**
Other operating expenses			
From rental and lease expenses	1	1	-
From the redemption of issued debt securities	3	3	-
Other expenses	0	5	-100
Total other operating expenses	**4**	**9**	**-56**
Total	**17**	**6**	**>100**

The other income comprises partial write-ups of claims against insolvent Icelandic banks of EUR 4m and income of EUR 2m from the reversal of provisions.

(27) Income taxes

The Group's income taxes break down as follows:

	1 Jan - 31 Dec 2010 (in EUR m)	1 Jan - 31 Dec 2009 (in EUR m)	Change (in %)
Current income taxes	40	38	5
Deferred taxes	-27	-14	93
Total income tax expense	**13**	**24**	-46

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

	1 Jan - 31 Dec 2010 (in EUR m)	1 Jan - 31 Dec 2009 (in EUR m)	Change (in %)
IFRS earnings before taxes	60	89	-33
Anticipated income tax expense	19	28	-32
Effects of reconciliation			
Effects of differing tax rates	-1	-1	-
Taxes from prior years reported in the fiscal year	-4	-1	>100
Effects of assessment base transfers	0	2	-100
Non-deductible business expenses	0	2	-100
Effects of tax-free income	-1	-5	-80
Effect of permanent accounting-related effects	-1	1	>100
Other effects	1	-2	>100
Reported income tax expense	**13**	**24**	**-46**

Anticipated income tax expense in the tax reconciliation statement is calculated on the basis of the corporate income tax rate of 15% which was valid in Germany in 2010 plus a solidarity surcharge of 5.5% and the average trade tax rate of approximately 15.6%. This leads to a domestic income tax rate of 31.5% (prior year: 31.5%) which is used to measure deferred taxes as of the balance sheet date.

Notes to the consolidated balance sheet

(28) Cash reserve

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Cash on hand	4	4	0
Balances at central banks	70	141	-50
Total	**74**	**145**	**-49**

The balances at central banks of EUR 70m (prior year: EUR 141m) relate to balances at Deutsche Bundesbank to satisfy minimum reserve requirements.

(29) Loans and advances to banks

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Loans and advances from money market business			
German banks	1,261	506	>100
Foreign banks	196	28	>100
Total loans and advances from money market business	**1,457**	**534**	**>100**
Other loans and advances			
German banks			-
Payable on demand	47	71	-34
Limited term	3,661	3,775	-3
Foreign banks			-
Payable on demand	35	53	-34
Limited term	313	347	-10
Total other loans and advances	**4,056**	**4,246**	**-4**
Total	**5,513**	**4,780**	**15**

Of the loans and advances to German banks, EUR 3,451m (prior year: EUR 3,457m) are loans and advances to associated savings banks. Of the total amount, EUR 3,240m (prior year: EUR 3,276m) are loans and advances which will only be realized or settled after a period of more than 12 months.

(30) Loans and advances to customers

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Loans and advances from money market business			
German customers	125	111	13
Foreign customers	4	7	-43
Total loans and advances from money market business	**129**	**118**	**9**
Other loans and advances			
German customers			
Payable on demand	798	669	19
Limited term	18,811	17,998	5
Foreign customers			
Payable on demand	65	54	20
Limited term	2,257	2,149	5
Total other loans and advances	**21,931**	**20,870**	**5**
Total	**22,060**	**20,988**	**5**

Of the total amount, EUR 15,499m (prior year: EUR 17,318m) are loans and advances which will only be realized or settled after a period of more than 12 months.

(31) Risk provisions

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Risk provisions for loans and advances to banks			
German banks	5	6	-17
Portfolio allowances on loans and advances	1	1	-
Total risk provisions for loans and advances to banks	**6**	**7**	**-14**
Risk provisions for loans and advances to customers			
German customers	232	157	48
Foreign customers	-	3	-100
Portfolio allowances on loans and advances	68	103	-34
Total risk provisions for loans and advances to customers	**300**	**263**	14
Total	**306**	**270**	**13**

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

	Specific allowances		Portfolio allowances		Total		Loan loss provisions	
(in EUR m)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Loans and advances to banks								
1 Jan	**6**	**7**	**1**	**-**	**7**	**7**	**-**	**-**
Changes through profit or loss								
Allocations	-	-	-	1	-	1	**-**	**-**
Reversals	-	-	-	-	-	0	**-**	**-**
Unwinding	-1	-1	-	-	-1	-1	**-**	**-**
Changes in equity								
Utilizations	-	-	-	-	-	-	**-**	**-**
Reclassifications	-	-	-	-	-	-	-	**-**
31 Dec	**5**	**6**	**1**	**1**	**6**	**7**	**-**	**-**
Loans and advances to customers								
1 Jan	**161**	**90**	**102**	**52**	**263**	**142**	**25**	**22**
Changes through profit or loss								
Allocations	119	93	-	54	119	147	**9**	**7**
Reversals	-45	-8	-17	-	-62	-8	**-7**	**-4**
Unwinding	-8	-5	-	-	-8	-5	**-**	**-**
Changes in equity								
Utilizations	-13	-13	-	-	-13	-13	**-**	**-**
Reclassifications	18	4	-17	-4	1	-	-1	**-**
31 Dec	**232**	**161**	**68**	**102**	**300**	**263**	**26**	**25**
Total	**237**	**167**	**69**	**103**	**306**	**270**	**26**	**25**

The total amount of loans for which no interest payments are received was EUR 36m as of 31 December 2010 (prior year: EUR 26m). Specific allowances were made for loans with a total volume of EUR 658m (prior year: EUR 353m). Outstanding interest due on these loans amounted to EUR 1m as of 31 December 2010 (prior year: EUR 1m). In the fiscal year, direct write-offs of loans and advances amounted to EUR 2m (prior year: EUR 2m). Recoveries on loans and advances previously written off amounted to EUR 2m (prior year: EUR 2m).

The maximum exposure to credit risk of the financial assets under IFRS 7.36 (a) equals the carrying amount of the instruments.

The quality of loans and receivables and available-for-sale financial assets developed as follows:

Rating	Very good to good		Good/ satisfactory		Still good/ adequate		Increased risk		High risk		Very high risk		No rating	
(in EUR m)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Loans and receivables (LAR)														
Loans and advances to banks	5,487	4,754	-	-	-	-	-	-	-	-	26	26	-	-
Loans and advances to customers	12,745	12,688	3,094	3,267	2,798	2,458	930	816	806	405	1,042	809	645	545
Financial assets	14	22	-	-	-	-	-	-	-	-	-	-	-	-
Available for sale (AFS)														
Financial assets	5,578	6,271	58	139	-	-	38	-	-	-	-	-	-	8
Total	**23,824**	**23,735**	**3,152**	**3,406**	**2,798**	**2,458**	**968**	**816**	**806**	**405**	**1,068**	**835**	**645**	**553**

In the fiscal year, past due loans and receivables changed as follows:

Rating	Neither past due nor impaired		Past due but not impaired							
			Less than 3 months		3 to 6 months		6 to 12 months		More than 12 months	
(in EUR m)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Loans and receivables (LAR)										
Loans and advances to banks	5,487	4,754	-	-	-	-	-	-	-	-
Loans and advances to customers	20,780	19,679	591	798	6	64	11	93	14	1
Financial assets	14	22	-	-	-	-	-	-	-	-
Available for sale (AFS)										
Financial assets	5,674	6,418	-	-	-	-	-	-	-	-
Total	**31,955**	**24,455**	**591**	**798**	**6**	**64**	**11**	**93**	**14**	**1**

Available-for-sale financial assets were not impaired in the fiscal year (prior year: EUR 100m).

In the fiscal year, impaired loans and receivables changed as follows:

(in EUR m)	Carrying amounts 2010	Carrying amounts 2009	Allowances 2010	Allowances 2009
Loans and receivables (LAR)				
Loans and advances to banks	26	26	6	7
Loans and advances to customers	658	353	300	263
Financial assets	-	-	-	-
Total	**684**	**379**	**306**	**270**

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

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

Of the debt securities and other fixed-income securities measured at fair value through profit or loss and the shares and other variable-yield securities, EUR 88m (prior year: EUR 154m) are marketable and EUR 83m (prior year: EUR 144m) are listed.

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Trading assets			
Debt securities and other fixed-income securities			
Money market securities			
Issued by the public sector	-	10	-100
Issued by other borrowers	-	54	-100
Bonds and debt securities issued by other borrowers	-	-	-
Total debt securities and other fixed-income securities	**-**	**64**	**-100**
Positive fair values from derivatives in connection with:			
Interest rate risk	787	794	-1
Currency risk	200	169	18
Credit derivatives	12	6	100
Total positive fair values from derivatives	999	969	3
Total trading assets	**999**	**1,033**	**-3**
Financial assets designated at fair value			
Debt securities and other fixed-income securities	88	90	-2
Total financial assets designated at fair value	**88**	**90**	**-2**
Total	**1,087**	**1,123**	**-3**

Of the total amount, EUR 943m (prior year: EUR 933m) are financial assets which will only be realized or settled after a period of more than 12 months.

(33) Positive fair values from hedge accounting derivatives

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

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Derivatives from micro fair value hedges	306	279	10
Derivatives from portfolio fair value hedges	32	0	-
Total	**338**	**279**	**21**

Of the total amount, EUR 266m (prior year: EUR 208m) are hedging instruments which will only be realized or settled after a period of more than 12 months. Interest rate swaps are used as hedging instruments.

(34) Financial assets

The item “Financial assets” comprises debt securities and other fixed-income securities classified as available for sale as well as shares and other variable-yield securities. Investments in entities and a silent participation in DekaBank Deutsche Girozentrale (carrying amount EUR 14m), classified as “Loans and receivables” (LAR), are also reported here.

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Financial assets in the LAR category	**14**	**22**	**-36**
Available-for-sale financial assets (AFS)			
Debt securities and other fixed-income securities			
Issued by the public sector	1,417	1,275	11
Issued by other borrowers	4,065	4,963	-18
Money market securities	-	-	-
Total debt securities and other fixed-income securities	5,482	6,238	-12
Shares and other variable-yield securities	0	0	-
Investments in non-consolidated entities	192	180	7
Other financial assets in the AFS category	-	-	-
Total available-for-sale financial assets (AFS)	**5,674**	**6,418**	**-12**
Total	**5,688**	**6,440**	**-12**

Of the total amount, EUR 4,621m (prior year: EUR 5,596m) represents available-for-sale financial assets (AFS) which will only be realized or settled after a period of more than 12 months. The LAR financial assets have a term of more than 12 months.

(35) Investments accounted for using the equity method

This item comprises investments in associates within the meaning of IAS 28 accounted for using the equity method.

Investments accounted for in accordance with the equity method break down as follows:

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Associates			
Banks	12	10	20
Other companies	65	71	-8
Total	**77**	**81**	**-5**

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

(in EUR m)	Associates
1 Jan 2009	**88**
Additions	0
Disposals	-7
Impairment losses	-1
Write-ups	4
Changes recognized in equity	-3
31 Dec 2009	**81**
1 Jan 2010	**81**
Additions	0
Disposals	-7
Impairment losses	0
Write-ups	3
Changes recognized in equity	0
31 Dec 2010	**77**

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

	DEUTSCHE FACTORING BANK Deut-sche Factoring GmbH & Co. KG	BREBAU GmbH	Ammerländer Wohnungsbau-Gesellschaft mbH [1]	Lazard-Sparkassen Rendite-Plus-Fonds	GSG OLDENBURG Bau- und Wohn-gesellschaft mbH
Share as of 31 Dec 2010	16.50%	48.84%	32.26%	49.18%	22.22%
	(in EUR m)	(in EUR m)	(in EUR m)	(in EUR m)	(in EUR m)
Assets	118	82	23	17	51
Liabilities	105	39	11	0	34
Equity	12	34	12	17	15
Total income	7	20	3	0	10
Profit/loss for the period	3	1	1	1	1

[1] Figures as of 31 December 2009

(36) Property and equipment

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Land and buildings	29	17	71
Furniture, fixtures and office equipment	5	5	-
Other property and equipment	2	5	-60
Total	**36**	**27**	**33**

The extensive conversion work on the building of the Oldenburg branch was completed in June 2010. In-house market value appraisals identified hidden reserves of EUR 44m in land and buildings.

(37) Investment property

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Investment property	70	64	9
Total	**70**	**64**	**9**

The fair value of investment property amounts to EUR 99m. Renting out this property earned EUR 7m in the fiscal year (prior year: EUR 7m). The increase in the value of investment property is due to the acquisition of a building in Martinistrasse in Bremen for EUR 10m and the reclassification of buildings worth EUR 6m to property and equipment. Prepayments of EUR 1m have also been made for the retail area to be let in the main building in Oldenburg. Direct operating expenses (including repairs and maintenance) excluding depreciation amounted to EUR 1m (prior year: EUR 1m).

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

	Used for banking operations				Not used for banking operations		
(in EUR m)	Land and buildings	Furniture, fixtures and office equipment	Prepayments/ assets under construction	Total	Investment property	Prepayments/ assets under construction	Total
Historical cost as of 1 Jan 2009	**65**	**28**	**1**	**94**	**78**	-	**78**
Additions	–	2	4	6	–	-	-
Disposals	–	-1	–	-1	–	-	-
Total as of 31 Dec 2009	**65**	**29**	**5**	**99**	**78**	-	**78**
Accumulated depreciation as of 1 Jan 2009	**-46**	**-23**		**-69**	**-12**		**-12**
Depreciation	-2	-1	–	-3	-1	–	-1
Disposals	–	–	–	–	-1	–	-1
Total as of 31 Dec 2009	**-48**	**-24**		**-72**	**-14**		**-14**
Closing balance as of 31 Dec 2009	**17**	**5**	**5**	**27**	**64**	-	**64**
Historical cost as of 1 Jan 2010	**65**	**29**	**5**	**99**	**78**	-	**78**
Additions	13	3	4	20	10	1	11
Disposals	-	-1	-7	-8	-6	-	-6
Total as of 31 Dec 2010	**78**	**31**	**2**	**111**	**82**	**1**	**83**
Accumulated depreciation as of 1 Jan 2010	**-48**	**-24**	**-**	**-72**	**-14**	**-**	**-14**
Depreciation	-1	-2	-	-3	-1	-	-1
Disposals	-	-	-	-	2	-	2
Total as of 31 Dec 2010	**-49**	**-26**	**-**	**-75**	**-13**	**-**	**-13**
Closing balance as of 31 Dec 2010	**29**	**5**	**2**	**36**	**69**	**1**	**70**

(38) Intangible assets

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Software			
Purchased	2	2	-
Total	**2**	**2**	**-**

Intangible assets relate to system and application software. All of the software is purchased. The remaining useful life of intangible assets is between 1 and 35 months. The historical cost of intangible assets which had been fully amortized by the balance sheet date but which are still in use is EUR 8m.

Intangible assets developed as follows:

(in EUR m)	Software Purchased
Historical cost as of 1 Jan 2009	**11**
Additions	1
Disposals	–
Total as of 31 Dec 2009	**12**
Accumulated amortization as of 1 Jan 2009	**-9**
Amortization	-1
Disposals	–
Total as of 31 Dec 2009	**-10**
Closing balance as of 31 Dec 2009	**2**
Historical cost as of 1 Jan 2010	**12**
Additions	1
Disposals	-
Total as of 31 Dec 2010	**13**
Accumulated amortization as of 1 Jan 2009	**-10**
Amortization	-1
Disposals	-
Total as of 31 Dec 2010	**-11**
Closing balance as of 31 Dec 2010	**2**

(39) Current income tax assets and deferred income taxes

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Current income tax assets	7	11	-36
Deferred tax assets	117	86	36
Total	**124**	**97**	**28**

Deferred tax assets show potential income tax relief from temporary differences in the carrying amounts of assets and liabilities in the IFRS consolidated balance sheet and their tax base in accordance with the tax regulations governing group entities. No deferred tax assets were offset directly against equity as of 31 December 2010.

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

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change in %
Loans and advances to banks	0	1	-100
Risk provisions	14	23	-39
Financial assets at fair value through profit or loss	243		0
Financial assets	3	15	-80
Property and equipment	20	18	11
Intangible assets	1	1	0
Liabilities to banks	10	5	100
Liabilities to customers	21	12	75
Securitized liabilities	18	11	64
Financial liabilities at fair value through profit or loss	91	225	-60
Negative fair values from hedge accounting derivatives	40	17	>100
Provisions	65	64	2
Subordinated capital	6	3	100
Tax loss carryforwards and other deferred tax assets	11	11	0
Total	**543**	**406**	**34**
Netting	426	320	33
Total	**117**	**86**	**36**

Deferred income tax assets will be realized after more than 12 months.

(40) Other assets

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Inventories	1	1	-
Tax refund claims resulting from other taxes	2	-	-
Other assets	35	24	46
Total	**38**	**25**	**52**

Other assets chiefly include receivables of EUR 16m from non-consolidated subsidiaries, claims against Icelandic banks of EUR 8m (prior year: EUR 1m) as well as collateral from third parties from guarantee obligations pursuant to IAS 37.53 of EUR 3m (prior year: EUR 6m).

All the amounts recognized in other assets are due within the next 12 months.

(41) Liabilities to banks

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Deposits from other banks			
German banks	-	851	-100
Foreign banks	-	-	-
Total deposits from other banks	**-**	**851**	**-100**
Liabilities from money market business			
German banks	2,585	1,366	89
Foreign banks	152	144	6
Total liabilities from money market business	**2,737**	**1,510**	**81**
Other liabilities			
German banks			
Payable on demand	240	304	-21
Limited term	7,468	6,771	10
Foreign banks			
Payable on demand	25	5	>100
Limited term	1,130	1,067	6
Total other liabilities	**8,863**	**8,147**	**9**
Total	**11,600**	**10,508**	**10**

Of the total amount, EUR 7,818m (prior year: EUR 6,935m) are liabilities to banks which will probably only be realized or settled after more than 12 months.

Of the liabilities to German banks, EUR 664m (prior year: EUR 739m) relates to associated savings banks.

(42) Liabilities to customers

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Savings deposits			
With an agreed period of notice of three months			
German customers	184	203	-9
Foreign customers	15	14	7
With an agreed period of notice of more than three months			
German customers	13	8	63
Foreign customers	1	2	-50
Total savings deposits	**213**	**227**	**-6**
Liabilities from money market business			
German customers	1,790	1,598	**12**
Foreign customers	120	70	**71**
Total liabilities from money market business	**1,910**	**1,668**	**15**
Other liabilities			
German customers			
Payable on demand	1,811	1,761	3
Limited term	6,115	6,478	-6
Foreign customers			
Payable on demand	109	102	7
Total other liabilities	**8,035**	**8,341**	**-4**
Total	**10,158**	**10,236**	**-1**

Of the total amount, EUR 5,472m (prior year: EUR 5,794m) are liabilities to customers which will probably only be realized or settled after more than 12 months.

(43) Securitized liabilities

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Issued debt securities			
Pfandbriefe	677	783	-14
Municipal debt securities	2,285	2,698	-15
Other debt securities	5,304	5,666	-6
Total issued debt securities	**8,266**	**9,147**	**-10**
Money market securities			
Commercial paper	673	45	>100
Other money market securities	-	52	-100
Total money market securities	**673**	**97**	**>100**
Total	**8,939**	**9,244**	**-3**

Of the total amount, EUR 7,105m (prior year: EUR 7,451m) are securitized liabilities which will probably only be realized or settled after more than 12 months.
In accordance with IAS 39, debt securities issued and held by the Group itself of a nominal amount of EUR 99m (prior year: EUR 117m) were directly deducted from debt securities issued.

The following list contains the significant debt securities issued in 2010 with an issue volume of EUR 50m and higher.

Security abbreviation	Nominal	Currency	Maturity	Interest rate
BREM.LB.KR.A.OLD.OPF 80	50,000,000.00	EUR	15 May 2014	2.125
BREM.LB.KR.A.OLD.SPF 6	100,000,000.00	EUR	16 Mar 2012	1.500
BREM.LB.KR.A.OLD.SPF 7	50,000,000.00	EUR	23 Apr 2014	2.250
BREM.LB.KR.A.OLD.IS.95	53,141,000.00	EUR	19 Jan 2015	3.125
BREM.LB.KR.A.OLD.IS.100	50,000,000.00	EUR	22 Feb 2013	2.150
BREM.LB.KR.A.OLD.IS.107	100,000,000.00	EUR	9 Feb 2011	0.980
BREMER LDSBK TR.798	100,000,000.00	USD	25 Feb 2011	0.863
BREMER LDSBK TR.810	100,000,000.00	USD	23 Feb 2011	1.114
BREMER LDSBK TR.811	130,000,000.00	USD	1 Mar 2011	1.051

(44) Adjustment item for financial instruments included in the portfolio fair value hedge

This item comprises the changes in value due to interest rate fluctuations of designated other liabilities (OL) in the portfolio fair value hedge.

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Adjustment item for financial instruments included in the portfolio fair value hedge	22	-	-
Interest rate risk	**22**	**-**	**-**

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

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

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

In the prior year, securitized liabilities were designated at fair value.

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Trading liabilities			
Negative fair values from derivatives in connection with:			
Interest rate risk	818	916	-11
Currency risk	386	240	61
Equity price and other price risks	-	-	-
Credit derivatives	245	109	>100
Total trading liabilities	**1,449**	**1,265**	15
Financial liabilities designated at fair value (DFV)			
Securitized liabilities	-	2	-100
Total	**1,449**	**1,267**	**14**

Of the total amount, EUR 1,199m (prior year: EUR 1,069m) are financial instruments at fair value which will only be realized or settled after more than 12 months.

(46) Negative fair values from hedge accounting derivatives

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

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Derivatives from micro fair value hedges	66	54	22
Derivatives from portfolio fair value hedges	40	0	-
Total	**106**	**54**	**96**

Of the total amount, EUR 69m (prior year: EUR 34m) are hedging instruments which will be realized or settled after more than 12 months.

Interest rate swaps are used as hedging instruments.

(47) Provisions

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Provisions for pensions and similar obligations	275	259	6
Other provisions			
Loan loss provisions	26	25	4
Provisions for uncertain liabilities	19	16	19
Total	**320**	**300**	**7**

Of the loan loss provisions, EUR 3m (prior year: EUR 4m) relates to portfolio allowances.

Loan loss provisions are offset by third-party collateral recognized as other assets of EUR 3m (prior year: EUR 6m).

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations break down as follows:

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Present value of defined benefit obligation	311	297	5
Less fair value of plan assets	-36	-38	-5
Total	**275**	**259**	**6**

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

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Opening balance	**297**	**272**	9
Current service cost	4	4	-
Interest cost	16	16	-
Actuarial gains/losses from the obligation	7	19	-63
Benefits paid	-13	-14	-7
Closing balance	**311**	**297**	**5**

The present value of the obligation is funded in the amount of EUR 306m (prior year: EUR 293m) and unfunded in the amount of EUR 5m (prior year: EUR 4m).

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

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Actuarial gains	81	89	-9
Adjustment for deferred taxes	-25	-28	-11
Total	**56**	**61**	**-8**

The fair value of plan assets developed as follows:

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Opening balance	**38**	**39**	**-3**
Expected return on plan assets	1	1	-
Actuarial gains/losses from plan assets	0	1	-100
Employer contributions	10	10	-
Benefits paid	-13	-13	-
Closing balance	**36**	**38**	**-5**

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

	Expected return for 2011	Composition of plan assets	
		31 Dec 2010	31 Dec 2009
Equity instruments	7.0%	4%	2%
Debt instruments	3.1%	78%	77%
Other assets	5.0%	18%	21%
	3.6%	**100%**	**100%**

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

The Group expects payments to employees and allocations to plan assets of EUR 9m in 2011. In the fiscal year, the actual return on plan assets amounted to EUR 1m (prior year: EUR 3m). The expected return on plan assets for 2011 is EUR 1m based on an estimated average return of 3.6%. The expected return for 2011 for equity instruments is based on the assumption of a long-term increase in share values of 7%. The expected return for 2011 for debt instruments is based on the average expected return on the interest-bearing securities held. The expected return for 2011 on other assets (5%) is a weighted value derived from other capital instruments. The fair value of plan assets contains financial instruments issued by Bremer Landesbank in the “debt instruments” category of EUR 5m (prior year: EUR 7m).

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

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	31 Dec 2007 (in EUR m)	31 Dec 2006 (in EUR m)
Present value of defined benefit obligation	311	297	272	295	342
Fair value of plan assets	36	38	39	42	42
Balance	**275**	**259**	**233**	**253**	**300**

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

(+ = income; – = expense)	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	31 Dec 2008 (in EUR m)	31 Dec 2007 (in EUR m)	31 Dec 2006 (in EUR m)
Differences between return on plan assets and actual income	0	1	-2	0	0
Experience adjustments to pension obligations	4	0	9	3	-11

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

(in EUR m)	Increase by 1 percentage point		Decrease by 1 percentage point	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Effect on the obligation at year-end	1	1	-1	–1
Effect on total current service and interest cost for the fiscal year	0	0	0	0

Other provisions

In the fiscal year, other provisions changed as follows:

(in EUR m)	Loan loss provisions	Provisions for uncertain liabilities		Total
		Provisions for personnel obligations	Other provisions for other uncertain liabilities	
Balance as of 1 Jan 2010	**25**	**14**	**2**	**41**
Utilizations	0	-5	0	-5
Reversals	-8	0	-1	-9
Allocations	9	9	0	18
Reclassifications	0	0	0	0
Balance as of 31 Dec 2010	**26**	**18**	**1**	**45**

In the prior year (2009), other provisions developed as follows:

(in EUR m)	Loan loss provisions	Provisions for uncertain liabilities		Total
		Provisions for personnel obligations	Other provisions for other uncertain liabilities	
Balance as of 1 Jan 2009	**22**	**17**	**1**	**40**
Utilizations	0	-6	0	-6
Reversals	-4	0	0	-4
Allocations	7	3	1	11
Reclassifications	0	0	0	0
Balance as of 31 Dec 2009	**25**	**14**	**2**	**41**

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

Provisions for personnel comprise provisions for early retirement of EUR 14m (prior year: EUR 10m) and provisions for long-service awards of EUR 3m (prior year: EUR 3m).

The discount for the other loan loss provisions was unwound by a total of EUR 119k. EUR 37k of this amount resulted from the change in the discount rate.

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

Provisions for guarantee obligations were measured taking into account the rights of recourse to the guarantee borrower of EUR 3m (prior year: EUR 6m). No further reimbursements are expected.

(48) Current income tax liabilities and deferred income taxes

Income tax liabilities break down as follows:

	2010 (in EUR m)	2009 (in EUR m)	Change (in %)
Current income tax liabilities	32	27	**19**
Deferred tax liabilities	1	1	**0**
Total	**33**	**28**	**18**

Deferred tax liabilities show potential income tax charges from temporary differences in the carrying amount of assets and liabilities in the IFRS consolidated balance sheet and their tax base in accordance with the tax regulations governing group entities. No deferred tax liabilities were offset directly against equity as of 31 December 2010.

Deferred tax liabilities relate to the following balance sheet items:

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Loans and advances to customers	8	5	60
Financial assets at fair value through profit or loss	0	172	-100
Positive fair values from hedge accounting derivatives	104	86	21
Financial assets	19	10	90
Investment property	5	2	>100
Other assets	1	2	-50
Liabilities to banks	0	3	-100
Financial liabilities at fair value through profit or loss	245	0	-
Provisions	25	28	-11
Other liabilities	20	13	54
Total	**427**	**321**	**33**
Netting	426	320	33
Total	**1**	**1**	**0**

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

(49) Other liabilities

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Liabilities from outstanding invoices	6	5	20
Liabilities from contributions	1	1	-
Liabilities from short-term employee remuneration	8	8	-
Liabilities from payable taxes and social security contributions	3	2	50
Other liabilities	6	8	-25
Total	**24**	**24**	0

Accrued liabilities for short-term employee remuneration will be paid to group employees during the first six months of 2011.

A total of EUR 3m (prior year: EUR 3m) is attributable to the allocation to the cover funds of the pension fund and to trade payables and wage and church tax payable.

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

(50) Subordinated capital

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Subordinated liabilities	500	495	1
Silent participations	663	662	0
Total	**1,163**	**1,157**	**1**

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

Interest expenses for subordinated liabilities amounted to EUR 13m (prior year: EUR 18m). Accrued interest not yet due is reported in subordinated capital under subordinated liabilities.

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

Interest expenses for silent participations amounted to EUR 36m (prior year: EUR 37m).

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

At the end of 2010, the following significant subordinated liabilities were outstanding:

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

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

Notes to the statement of comprehensive income

(in EUR m)	1 Jan - 31 Dec 2010 Amount before tax	Effect of income taxes	Amount after tax	1 Jan - 31 Dec 2009 Amount before tax	Effect of income taxes	Amount after tax
Consolidated profit in the income statement	**60**	**-13**	**47**	**89**	**-24**	**65**
Change from AFS financial instruments	9	1	10	6	-7	-1
Changes in value of investments accounted for using the equity method recognized directly in equity	0	0	0	0	0	0
Actuarial gains/losses on defined benefit obligation	-7	2	-5	-18	6	-12
Other comprehensive income	**2**	**3**	**5**	**-12**	**-1**	**-13**
Total comprehensive income for the period	**62**	**-10**	**52**	**77**	**-25**	**52**
thereof: attributable to shareholders of the parent company			52			52
thereof: attributable to non-controlling interests			0			0

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

Notes on equity

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

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

Bremer Landesbank's shareholders are as follows:

	Share in %
Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg	92.5
Federal State of Bremen	7.5
Total[1)]	**100.0**

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

Capital management aims to achieve compliance with legal minimum requirements and a balance between risk potential and risk capital in order to ensure that the Bank is able to act at all times (cf. section 5, Opportunities and risks, "Risk-bearing capacity").

On the basis of this risk-bearing capacity concept, the risk potential of each type of risk is aggregated on a monthly basis and compared with the Bank's risk capital. The risk-bearing capacity model comprises the three pillars: “going concern”, “capital adequacy (economic)” and “capital adequacy (regulatory)”. The risk capital in the “going concern case”, which can also be understood as an early warning stage, is based on free regulatory capital; the amount of total free capital (with an overall ratio of 8%) is not used – higher thresholds for the overall ratio are assumed. Effects on risk capital during the year are also taken into consideration on a rolling basis, allowing for any changes during the year and the effects of the forecast operating result on retained earnings and reserves pursuant to Sec. 340f and g HGB. Both the economic and the regulatory capital adequacy tests include in the risk capital all the equity and equity-related components which the bank supervisory regulations attribute to capital.

Risk capital	**31 Dec 2010 (in EUR m)**	**31 Dec 2009 (in EUR m)**
Going concern (overall ratio 10%)	257	338
Going concern (overall ratio 9%)	431	494
Capital adequacy (economic)	1,913	1,853
Capital adequacy (regulatory)	1,913	1,853

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

	31 Dec 2010 (in EUR m)	**31 Dec 2009 (in EUR m)**	**Change (in %)**
Subscribed capital	140	140	–
Reserves, minority interests	1,439	1,419	1
Other	-3	-3	–
Total core capital	**1,576**	**1,556**	**1**
Prudential reserves pursuant to Sec. 340f HGB	80	50	60
Subordinated liabilities	500	500	–
Supplementary capital	**580**	**550**	**-5**
Deductions	-243	-253	-4
Tier three capital	0	0	–
Capital excluding unused tier three capital	**1,913**	**1,853**	**3**

External capital requirements were met throughout the fiscal year.

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

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

Notes to the cash flow statement

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

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

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

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

In 2010, interest paid totaled EUR 1,814m (prior year: EUR 2,078m).

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

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

Other disclosures

Notes on financial instruments

(51) Fair value hierarchy

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

(in EUR m)	31 Dec 2010 Level 1 (Mark-to-market)	Level 2 (Mark-to-matrix)	Level 3 (Mark-to-model)
Trading assets	0	987	12
Financial assets designated at fair value	83	5	-
Positive fair values from hedge accounting derivatives	-	338	-
Financial assets at fair value	4,709	73	875
Assets	**4,792**	**1,403**	**887**
Trading liabilities	0	1,284	165
Financial liabilities designated at fair value	0	0	-
Negative fair values from hedge accounting derivatives	-	106	-
Liabilities	**0**	**1,390**	**165**

(in EUR m)	31 Dec 2009 Level 1 (Mark-to-market)	Level 2 (Mark-to-matrix)	Level 3 (Mark-to-model)
Trading assets	50	980	2
Financial assets designated at fair value	83	8	-
Positive fair values from hedge accounting derivatives	-	279	-
Financial assets at fair value	5,105	300	996
Assets	**5,238**	**1,567**	**998**
Trading liabilities	1	1,193	72
Financial liabilities designated at fair value	0	2	-
Negative fair values from hedge accounting derivatives	-	54	-
Liabilities	**1**	**1,249**	**72**

The estimate parameters used for measuring credit default swaps (CDSs) were analyzed and adjusted in line with the market conditions on the balance sheet date in accordance with IAS 39.AG76. Compared to the previous measurement, this resulted in additional expenses of EUR 61.9m. The fair values from the synthetic credit portfolio of CDSs total 6.8% of the nominal amounts of EUR 3.4b (Levels 2 and 3). The Bank intends to hold the existing synthetic credit portfolio to maturity.

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

- During the analysis of sensitivity on Level 3 of the securities model, the internal rating is upgraded by one rating category and downgraded by one rating category, respectively. The sensitivity of the shift is indicated by the mean value of the two calculations and amounts to EUR 6.4m for the securities.
- During the analysis of sensitivity on Level 3 of the CDS model, the internal rating is upgraded by one rating category and downgraded by one rating category, respectively. The sensitivity of the shift is indicated by the mean value of the two calculations and amounts to EUR 2.2m for the CDS model.
- Adjusted beta is changed by -0.1 and +0.1 to analyze sensitivity on Level 3 of the financial assets model. The sensitivity of the shift is indicated by the mean value of the two calculations and amounts to EUR 13.6m for the financial assets.

Transfers within the fair value hierarchy break down as follows:

31 Dec 2010 (in EUR m)	**From Level 1 to Level 2**	**From Level 1 to Level 3**	**From Level 2 to Level 1**	**From Level 2 to Level 3**	**From Level 3 to Level 1**	**From Level 3 to Level 2**
Trading assets	-	-	-	3	-	-
Financial assets designated at fair value	-	-	-	-	-	-
Positive fair values from hedge accounting derivatives	-	-	-	-	-	-
Financial assets at fair value	-	100	47	-	228	-
Assets	**-**	**100**	**47**	**3**	**228**	**0**
Trading liabilities	-	-	-	34	-	16
Financial liabilities designated at fair value	-	-	-	-	-	-
Negative fair values from hedge accounting derivatives	-	-	-	-	-	-
Liabilities	**-**	**-**	**-**	**34**	**-**	**16**

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

As of the balance sheet date in 2010, instrument-related price information for securities was rated as more reliable than on the prior-year balance sheet date, which meant that issuer-based valuation (Level 2) and, in particular, model valuation was not required to such a large extent. This is attributable to the general easing of the markets and led to a corresponding shift of securities from Levels 3 and 2 to Level 1.

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

(in EUR m)	Trading assets	Financial assets at fair value	Total	Trading liabilities
Opening balance as of 1 Jan 2010	**2**	**996**	**998**	**-72**
P&L effect	7	-	**7**	-75
Effect of revaluation reserve	**-**	12	**12**	-
Purchases	-	-	**-**	-
Sales	-	-	**-**	-
Redemptions	-	-5	**-5**	-
Shift up from Levels 1 and 2	3	100	**103**	-34
Shift down to Levels 1 and 2	-	-228	**-228**	16
Closing balance as of 31 Dec 2010	**12**	**875**	**887**	**-165**
Opening balance as of 1 Jan 2009	**8**	**2,040**	**2,048**	**-139**
P&L effect [1)]	-3	-15	**-18**	29
Effect of revaluation reserve	-	-12	**-12**	-
Purchases	-	76	**76**	-
Sales	-	-1	**-1**	2
Redemptions	-1	-	**-1**	13
Shift up from Levels 1 and 2	-	5	**5**	-6
Shift down to Levels 1 and 2	-2	-1,097	**-1,099**	29
Closing balance as of 31 Dec 2009	**2**	**996**	**998**	**-72**

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

(52) Carrying amounts by measurement category

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Asset items			
Loans and receivables (LAR)	27,306	25,533	7
Available-for-sale assets (AFS)	5,674	6,420	-12
Held-for-trading financial assets (HFT)	999	1,033	-3
Financial assets designated at fair value through profit or loss	88	90	-2
Positive fair values from hedges	338	279	21
Total asset items	**34,405**	**33,355**	**3**
Liability items			
Other liabilities	31,882	31,145	2
Held-for-trading financial liabilities (HFT)	1,449	1,265	15
Financial liabilities designated at fair value through profit or loss	0	2	-100
Negative fair values from hedges	106	54	96
Total liability items	**33,437**	**32,466**	**3**

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

(53) Profit/loss by measurement category

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

	1 Jan – 31 Dec 2010 (in EUR m)	1 Jan – 31 Dec 2009 (in EUR m)	Change (in %)
Loans and receivables (LAR)	-57	-144	-60
Other liabilities	-3	-2	50
Available-for-sale assets (AFS)	15	-15	>100
Held-for-trading financial instruments	-93	70	>100
Financial instruments designated at fair value through profit or loss	0	2	-100

The profits/losses do not contain any interest, commission or dividend income/expenses. They also do not contain the profit/loss from hedge accounting. Please refer to Note (22) for details of classification into the measurement categories.

Valuation gains on available-for-sale financial assets of EUR 16m (prior year: EUR 3m) were recognized under equity in the revaluation reserve. In the same period, valuation gains of EUR 7m which were previously recognized under equity were reclassified from the revaluation reserve to the income statement (prior year: valuation losses of EUR 3m).

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

	1 Jan – 31 Dec 2010 (in EUR m)	1 Jan – 31 Dec 2009 (in EUR m)	Change (in %)
Allocations to/reversals of loan loss provisions	-2	-3	-33
Available-for-sale assets (AFS)			
Profit/loss from impairment of financial assets	0	-11	-100
Write-ups of other assets	4	0	0
Total available-for-sale assets	**4**	**-11**	>100
Loans and receivables (LAR)			
Impairment profit/loss from			
loans and advances to banks	1	-3	-
loans and advances to customers	-75	-83	-10
Profit/loss from portfolio allowances in the lending business	17	-55	-
Total loans and receivables	**-57**	**-141**	**-60**
Total	**-55**	**-155**	**-65**

(55) Fair values of financial instruments

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

(in EUR m)	31 Dec 2010 Fair value	31 Dec 2010 Carrying amount	31 Dec 2009 Fair value	31 Dec 2009 Carrying amount
Assets				
Cash reserve	74	74	145	145
Loans and advances to banks	5,600	5,513	4,673	4,780
Loans and advances to customers	22,654	22,060	20,797	20,988
Risk provisions	-	-306	-	-270
Financial assets at fair value through profit or loss				
Trading assets	999	999	1,033	1,033
Financial assets designated at fair value	88	88	90	90
Financial assets				
Financial assets in the LAR category	14	14	22	22
Financial assets in the AFS category	5,657	5,657	6,402	6,402
Financial assets in the AFS category (at cost)	17	17	16	16
Positive fair values from hedge accounting derivatives	338	338	279	279
Other assets				
in the LAR category	25	25	13	13
Total	**35,466**	**34,479**	**33,470**	**33,498**
Liabilities				
Liabilities to banks	11,603	11,600	10,371	10,508
Liabilities to customers	10,161	10,158	9,986	10,236
Securitized liabilities	8,911	8,939	9,374	9,244
Adjustment item for financial instruments included in the portfolio fair value hedge	-	22	-	-
Financial liabilities at fair value through profit or loss				
Trading liabilities	1,449	1,449	1,265	1,265
Financial liabilities designated at fair value	0	0	2	2
Negative fair values from hedge accounting derivatives	106	106	54	54
Subordinated capital				
Silent participations	652	663	636	662
Subordinated liabilities	532	500	536	495
Other liabilities				
in the other liabilities (OL) category	1	1	0	0
Total	**33,415**	**33,438**	**32,224**	**32,466**
Additional classes				
Irrevocable loan commitments	30	-	34	-
Financial guarantees	3	-	2	-

The fair values of loans and advances to banks and customers include risk provisions.

The fair value of the adjustment item for financial instruments included in the portfolio fair value hedge is stated under the balance sheet item of the designated underlying contracts.

Investments in entities of EUR 17m (prior year: EUR 16m) were recognized at amortized cost. These shares are not listed in an active market. In the absence of forecast figures, it was not possible to reliably value these investments in entities. The Group does not plan any changes in relation to these shares.

(56) Derivative financial instruments

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

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

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

Derivative financial instruments break down as follows:

(in EUR m)	Nominal values 31 Dec 2010	Nominal values 31 Dec 2009	Positive fair values 31 Dec 2010	Positive fair values 31 Dec 2009	Negative fair values 31 Dec 2010	Negative fair values 31 Dec 2009
Interest rate risk	**46,455**	**53,956**	**1,125**	**1,073**	**924**	**970**
Interest rate swaps	44,867	51,470	1,112	1,057	910	952
FRAs	0	35	0	0	0	0
Interest rate options	**186**	**205**	**0**	**1**	**6**	**7**
Purchases	18	20	0	1	0	0
Sales	168	185	0	0	6	7
Caps, floors	1,184	1,451	13	15	8	10
Stock exchange contracts	168	674	0	0	0	1
Other forward interest rate transactions	50	121	0	0	0	0
Currency risk	**13,235**	**6,596**	**200**	**169**	**386**	**239**
Forward exchange contracts	777	844	5	10	23	39
Currency swaps/cross-currency interest rate swaps	11,993	5,476	186	152	354	193
Currency options	**275**	**276**	**8**	**7**	**8**	**7**
Purchases	145	115	8	7	0	0
Sales	130	123	0	0	8	7
Other exchange contracts	190	38	1	0	1	0
Equity price and other price risks	**0**	**4**	**0**	**0**	**0**	**0**
Equity forward contracts	0	0	0	0	0	0
Equity options	**0**	**2**	**0**	**0**	0	**0**
Purchases	0	2	0	0	0	0
Sales	0	0	0	0	0	0
Stock exchange contracts	0	2	0	0	0	0
Credit derivatives	**3,416**	**3,493**	**12**	**6**	**245**	**109**
Protection buyer	272	212	12	0	0	0
Protection seller	3,144	3,281	0	6	245	109
Total	**63,106**	**64,049**	**1,337**	**1,248**	**1,555**	**1,318**

The residual terms of the derivative financial instruments on the basis of their nominal values break down – by instruments with positive and negative fair values – as follows:

Residual maturities (in EUR m)	Interest rate risk		Currency risk		Equity price and other price risks		Credit derivatives	
	2010	2009	2010	2009	2010	2009	2010	2009
Nominal volume of assets								
Up to 3 months	4,082	5,122	1,127	901	0	2	20	50
More than 3 months up to 1 year	4,585	6,968	2,399	1,075	0	0	60	10
More than 1 year up to 5 years	10,639	10,333	2,262	792	0	0	32	82
More than 5 years	7,170	7,606	1,012	347	0	0	160	160
Total nominal volume of assets	**26,476**	**30,029**	**6,801**	**3,115**	**0**	**2**	**272**	**302**
Nominal volume of liabilities								
Up to 3 months	2,408	1,539	902	1,012	0	0	0	0
More than 3 months up to 1 year	4,668	6,847	2,643	1,253	0	2	255	15
More than 1 year up to 5 years	7,774	9,720	2,479	972	0	0	2,426	1,482
More than 5 years	5,128	5,821	409	244	0	0	464	1,694
Total nominal volume of liabilities	**19,978**	**23,927**	**6,433**	**3,481**	**0**	**2**	**3,144**	**3,191**
Total	**46,455**	**53,956**	**13,235**	**6,596**	**0**	**4**	**3,416**	**3,493**

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

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

(in EUR m)	Nominal values		Positive fair values		Negative fair values	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Banks in the OECD	57,981	58,637	1,186	1,111	1,507	1,265
Public institutions in the OECD	10	10	1	1	0	0
Other counterparties (including stock exchange contracts)	5,115	5,402	150	136	48	53
Total	**63,106**	**64,049**	**1,337**	**1,248**	**1,555**	**1,318**

(57) Underlying contracts in effective hedges

IAS 39 allows the use of hedge accounting to (partially) eliminate economically unjustified profit and loss distortions resulting from different methods of measuring derivatives and non-derivatives in hedges.

Financial assets and liabilities used as underlying contracts in micro fair value hedges are still reported together with unhedged transactions in the respective balance sheet items since the hedging transaction has no effect on the nature and function of the underlying contract. However, the carrying amount of financial instruments (OL category) which would otherwise be recognized at amortized cost is adjusted by the change in fair value attributable to the hedged risk.

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

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Assets			
Financial assets	902	876	3
Total	**902**	**876**	**3**
Liabilities			
Liabilities to banks	673	676	0
Liabilities to customers	1,462	1,514	-3
Securitized liabilities	1,829	2,045	-11
Subordinated capital	395	388	2
Total	**4,359**	**4,623**	**-6**

Apart from the underlying contracts included in micro fair value hedges, fixed-income underlying contracts have also been designated as portfolio fair value hedges since 2010. As of the balance sheet date, cash flows from available-for-sale financial assets of EUR 553.7m were designated as a portfolio fair value hedge. As of the balance sheet date, cash flows from liabilities in the “Other liabilities” category (liabilities to banks and customers, securitized liabilities and subordinated capital) were designated in an amount of EUR 812.7m.

(58) Residual maturities of financial liabilities

As of 31 December 2010:

(in EUR m)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total 2010
Liabilities to banks	1,619	1,691	473	3,425	4,392	11,600
Liabilities to customers	2,795	1,234	657	3,021	2,451	10,158
Securitized liabilities	150	681	1,003	6,316	789	8,939
Financial liabilities at fair value through profit or loss (excluding derivatives)	0	0	0	0	0	0
Subordinated capital	36	0	77	309	741	1,163
Other liabilities (financial instruments only)	0	1	0	-	-	1
Irrevocable loan commitments	301	15	30	103	2,372	2,821
Financial guarantees	873	12	51	136	103	1,175
Total	**5,774**	**3,634**	**2,291**	**13,310**	**10,848**	**35,857**

As of 31 December 2009:

(in EUR m)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total 2009
Liabilities to banks	1,376	754	1,443	2,895	4,039	10,508
Liabilities to customers	2,678	1,056	708	2,724	3,070	10,236
Securitized liabilities	132	186	1,474	6,815	636	9,244
Financial liabilities at fair value through profit or loss (excluding derivatives)	0	0	2	0	0	2
Subordinated capital	37	0	251	237	632	1,157
Other liabilities (financial instruments only)	0	0	0	0	0	0
Irrevocable loan commitments	259	37	136	888	1,493	2,813
Financial guarantees	1,024	40	73	203	72	1,412
Total	**5,506**	**2,073**	**4,087**	**13,762**	**9,942**	**35,372**

Residual maturity is defined as the period between the balance sheet date and the contractual due date.

(59) Disclosures on the fair value option

The Bremer Landesbank Group applies the fair value option in order to avoid accounting mismatches. Securities designated at fair value are hedged against interest rate risk with interest rate swaps.

If they had not been designated at fair value, the securities would have had to be allocated to the AFS category and measured at fair value with changes recognized directly in equity, while interest rate swaps are measured at fair value through profit or loss in any case.

In order to reduce complexity, the fair value option is also used for designating hybrid (combined) products involving embedded derivatives that would have to be separated.

Balance sheet items designated under the fair value option are shown below:

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Assets			
Debt securities and other fixed-income securities	88	90	-2
Liabilities			
Securitized liabilities	0	2	-100

There were no notable changes in the fair value of securitized liabilities resulting from changes in credit risk.

(60) The BLB Group as a protection seller

Assets pledged as collateral to third parties:

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)
Loans and advances to customers	4,240	3,692
Financial assets	5,379	2,968
Total	**9,619**	**6,660**

Transactions were conducted in accordance with standard terms for loan transactions.

(61) Genuine securities sale and repurchase agreements

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)
Securities sold under sale and repurchase agreements:		
Nominal value	787	0
Carrying amount	787	0
thereof liabilities to affiliates	314	0

Significant risks and rewards incidental to the financial assets sold under sale and repurchase agreements are borne by the pledgor. The securities are therefore not derecognized and continue to be accounted for by the Bremer Landesbank Group.

Regulations for securities sold under sale and repurchase agreements are laid down in a standard German master agreement.

Other notes

(62) Equity management

Equity is managed by the parent company for the Group. The aim is to ensure adequate equity in terms of quantity and quality, to achieve a reasonable return on equity at group level and to comply with the regulatory capital adequacy requirements. Significant capital metrics for equity management are

- Reported equity
- Regulatory core capital
- Regulatory capital

For most of these capital metrics, target capital ratios are specified for the Group. The numerator is the respective capital metric and the denominator is risk-weighted assets in accordance with the SolvV. Regulatory minimum capital ratios, which must be maintained at all times, are also in place (regulatory core capital: 4.0%; regulatory capital: 8.0%). Target ratios for regulatory core capital and regulatory capital in this case far exceed the regulatory minimum capital ratios. The actual development of capital metrics and the related capital ratios is regularly determined and reported to the management and supervisory bodies of the Bank. Where required, budgets and forecasts are prepared for these capital metrics and capital ratios. If they indicate that the defined target capital ratios are at risk, alternative or additional adjustments are made to risk-weighted assets or – in agreement with the owners of the Bank – procurement measures are taken for individual capital metrics.

There have been no changes since the prior year in the objectives, methods and processes of equity management.

In 2009 and 2010, the Bank maintained the regulatory minimum capital ratios at group level at all times. The regulatory core capital ratio and the regulatory capital ratio (= overall ratio) at the end of each year are reported in Note (63).

(63) Regulatory data

The following regulatory data for the Group were calculated in accordance with the SolvV.

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Risk-weighted assets	**17,449**	**15,635**	12
Capital requirements for credit risk	1,288	1,138	13
Capital requirements for market risk	50	58	-14
Capital requirements for operational risk	58	55	5
Capital requirements under the SolvV	1,396	1,251	12

The following overview shows the composition of regulatory capital for the regulatory group in accordance with Sec. 10 in conjunction with Sec. 10a KWG.

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Paid-in capital	140	140	0
Contributions from silent partners	608	608	0
Other reserves	501	481	4
Special item for general banking risks pursuant to Sec. 340g HGB	330	330	0
Other components (intangible assets)	-3	-3	0
Core capital	**1,576**	**1,556**	1
Non-current subordinated liabilities	500	500	0
Sec. 340f KWG	80	50	60
Supplementary capital	**580**	**550**	5
Deduction from core and supplementary capital	243	253	-4
Modified available equity	**1,913**	**1,853**	3
Tier three capital	-	-	0
Eligible capital pursuant to Sec. 10 KWG	**1,913**	**1,853**	3

The Free Hanseatic City of Bremen holds a 7.5% share and Norddeutsche Landesbank – Girozentrale – holds a 92.5% share in the Bank's share capital (the shares do not have a nominal value due to the Bank's legal form).

Core capital (overall) for solvency purposes after the deductions of EUR 122m pursuant to the KWG amounts to EUR 1,454m.

	31 Dec 2010 (in %)	31 Dec 2009 (in %)	Change (in %)
Overall ratio according to Sec. 2 (6) SolvV	10.96	11.85	-7
Core capital ratio (before appropriation of profit)	8.34	9.15	-9
Core capital ratio (after appropriation of profit)	9.33	9.28	1

(64) Foreign currency volume

The Bremer Landesbank Group reports the following assets and liabilities in foreign currencies as of 31 December 2010.

in EUR m	USD	GBP	JPY	Other	Total
Cash reserve	0	0	0	0	0
Loans and advances to banks	53	4	8	72	137
Loans and advances to customers	4,199	30	377	368	4,974
Financial assets at fair value	515	55	9	43	622
Financial assets	0	0	0	26	26
Total assets	**4,767**	**89**	**394**	**509**	**5,759**
Liabilities to banks	784	380	0	10	1,174
Liabilities to customers	395	1	0	13	409
Securitized liabilities	319	17	9	102	447
Financial liabilities at fair value	689	397	0	77	1,163
Total liabilities	**2,187**	**795**	**9**	**202**	**3,193**

The open balance sheet items are matched by corresponding forward exchange contracts or currency swaps with matching maturities.

(65) Non-current assets and liabilities (realized in more than 12 months)

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Assets			
Loans and advances to banks	3,240	3,276	-1
Loans and advances to customers	15,499	17,318	-11
Financial assets at fair value through profit or loss			
Trading assets	859	847	1
Financial assets designated at fair value	84	86	-2
Positive fair values from hedge accounting derivatives	266	208	28
Loans and receivables (LAR) financial assets	14	14	0
Available-for-sale (AFS) financial assets	4,621	5,596	-17
Investments accounted for using the equity method	77	81	-8
Total	**24,660**	**27,426**	**-10**
Liabilities			
Liabilities to banks	7,818	6,935	13
Liabilities to customers	5,472	5,794	-6
Securitized liabilities	7,105	7,451	-5
Financial liabilities at fair value through profit or loss			
Trading liabilities	1,199	1,069	12
Financial liabilities designated at fair value	0	0	0
Negative fair values from hedge accounting derivatives	69	34	>100
Subordinated capital	1,050	869	21
Total	**22,713**	**22,152**	**3**

(66) Contingent liabilities and other obligations

Contingent liabilities are obligations arising from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control.

This also includes current obligations arising from past events which are not recognized as liabilities because it is not probable that an outflow of resources will be required to settle these obligations or because the amount of the obligations cannot be measured with sufficient reliability.

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Contingent liabilities			
Guarantees	434	423	3
Other obligations			
Irrevocable loan commitments	2,821	2,813	0
Financial guarantees	741	989	-25
Total	**3,996**	**4,225**	**-5**

Of the total amount, EUR 3m (prior year: EUR 1m) relates to associates.

(67) Leases

The Bremer Landesbank Group is a lessor in connection with finance leases.

These leases covered movable assets (e.g., motor vehicles, machines and IT equipment) on the balance sheet date.

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Outstanding lease payments	26	15	73
+ Guaranteed residual values	6	5	20
= Minimum lease payments	32	20	60
+ Unguaranteed residual values	-	-	0
= Gross investment	32	20	60
– Unearned finance income	3	2	50
= Net investment	29	18	61
– Present value of unguaranteed residual values	-	-	0
= Present value of minimum lease payments	29	18	61

Minimum lease payments comprise the total lease payments due from the lessee under the lease plus the guaranteed residual value.

Unearned finance income is the interest implicit in the lease between the balance sheet date and the expiry of the lease.

The above average resale value of the financed capital goods allows greater scope for assuming credit risk. Nonetheless, credit risk is already limited by defining target customers, capital goods and contract configurations. However, the approval of Bremer Landesbank's corporate accounts manager who deals with the customer over a sustained period remains an important element of the loan decision.

With this approach, there was only an insignificant volume of defaults in the fiscal year, such that no accumulated allowances were recognized for uncollectible outstanding minimum lease payments.

Gross investments and present values of the minimum lease payments relating to non-cancelable finance leases break down as follows:

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Gross investments			
Up to 1 year	9	6	50
More than 1 year and up to 5 years	19	13	46
More than 5 years	4	1	>100
Total	**32**	**20**	**60**
Present value of minimum lease payments			
Up to 1 year	8	5	60
More than 1 year and up to 5 years	18	12	50
More than 5 years	3	1	>100
Total	**29**	**18**	**61**

Agreements concluded by the Bremer Landesbank Group as an operating lessee are of little significance.

(68) Other financial obligations

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 to M CAP Finance Deutsche Mezzanine Fonds Zweite GmbH & Co. KG, Leipzig, amounts to EUR 4m (prior year: EUR 13m).
- Another obligation to make additional contributions and additional joint liability for other shareholders relating to Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, amounts to EUR 3m.
- Contributions to the security reserve of the *Landesbanken* and girobanks were re-calculated on the basis of risk principles, resulting in obligations to make additional contributions of EUR 43m. These additional contributions can be called in when support is required.

- In connection with the redemption of shares in FinanzIT GmbH, the withdrawing shareholders NORD/LB, Bremer Landesbank and Landesbank Saar have undertaken to cover the company's risks from the period up to their withdrawal jointly with the remaining FinanzIT shareholders provided these risks actually occur and are not covered by provisions already established.
- Securities amounting to EUR 26m (prior year: EUR 32m) were deposited as collateral for transactions on forward markets.

(69) Subordinated assets

Assets are subordinated if they may only be settled after the claims of other creditors have been satisfied in the event of the debtor's liquidation or insolvency. The following subordinated assets are included in the balance sheet:

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Loans and advances to banks	21	37	-43
Loans and advances to customers	0	0	0
Financial assets	14	14	0
Total	**35**	**51**	**-31**

(70) Trust activities

Trust activities break down as follows:

	31 Dec 2010 (in EUR m)	31 Dec 2009 (in EUR m)	Change (in %)
Trust assets	**96**	**101**	**-5**
Loans and advances to customers	40	45	-11
Financial assets	47	47	0
Other trust assets	9	9	0
Trust liabilities	**96**	**101**	**-5**
Liabilities to banks	40	45	-11
Other trust liabilities	56	56	0

(71) Events after the balance sheet date

The Management Board and Supervisory Board of Bremer Landesbank will propose to the Owners' Meeting of Bremer Landesbank to pay a dividend of EUR 28m (prior year: EUR 28m).

Companies and individuals linked to the Group

(72) Number of employees

The Group's average headcount in the fiscal year broke down as follows:

	Male 2010	Female 2010	Total 2010	Male 2009	Female 2009	Total 2009
Bremer Landesbank Anstalt des öffentlichen Rechts	497	509	1,006	477	478	955
Other	34	18	52	17	34	51
Group[1)]	**531**	**527**	**1,058**	**494**	**512**	**1,006**

[1)] In fiscal year 2009, investments accounted for using the equity method had a headcount of 189 (fiscal year 2008: 247).

Breakdown of headcount by levels of authority:

	2010	2009
Management Board	3	4
Executives	103	98
Other	952	904
Total	**1,058**	**1,006**

(73) Related party relationships

Related party transactions are concluded at arm's length terms in the ordinary course of business. The volume of such transactions is shown below.

Related party transactions

The following transactions were conducted by Bremer Landesbank with related parties:

31 Dec 2010 (in EUR m)	Owners	Subsidiaries	Associates	Other related parties
Outstanding loans and advances				
to banks	439	-	23	-
to customers	-	-	137	38
Other outstanding assets	-	-	-	-
Total assets	**439**	**-**	**160**	**38**
Outstanding liabilities				
to banks	357	-	72	-
to customers	-	2	23	11
Other outstanding liabilities	-	-	-	-
Total liabilities	**357**	**2**	**95**	**11**
Guarantees received	3	0	5	-
Guarantees granted	3	-	6	-

1 Jan - 31 Dec 2010 (in EUR m)	Owners	Subsidiaries	Associates	Other related parties
Interest expenses	6	0	4	0
Interest income	6	0	7	-
Commission expenses	-	-	-	-
Commission income	0	-	0	-
Other expenses and income	-	-	-	-
Total contributions to profit and loss	**0**	**0**	**3**	**0**

As of the balance sheet date, there were no impairment losses on loans and advances to associates (prior year: EUR 0m):

31 Dec 2009 **(in EUR m)**	**Owners**	**Subsidiaries**	**Associates**	**Other related parties**
Outstanding loans and advances				
to banks	281	-	11	-
to customers	-	3	137	23
Other outstanding assets	-	-	-	-
Total assets	**281**	**3**	**148**	**23**
Outstanding liabilities				
to banks	300	-	6	
to customers	-	5	81	12
Other outstanding liabilities	-	-	-	-
Total liabilities	**300**	**5**	**87**	**12**
Guarantees received	0		5	-
Guarantees granted	4	0	-	-

1 Jan - 31 Dec 2009 **(in EUR m)**	**Owners**	**Subsidiaries**	**Associates**	**Other related parties**
Interest expenses	8	0	2	0
Interest income	8	0	7	0
Commission expenses		-	-	-
Commission income	0	-	0	-
Other expenses and income	-	-	-	-
Total contributions to profit and loss	**0**	**0**	**5**	**0**

Transactions with affiliates

Call money and time deposits receivable

The following call money and time deposits were deposited within the respective quotas:

	Number of transactions	Currency	Volume (in EUR m)
Call money			
Norddeutsche Landesbank	64	EUR	1,833
Norddeutsche Landesbank Luxembourg S.A.	2	EUR	102
	9	USD	203
Time deposits			
Norddeutsche Landesbank	2	EUR	176
Norddeutsche Landesbank Luxembourg S.A.	6	EUR	347

Syndicated loans

Norddeutsche Landesbank

NORD/LB participated with other syndicate partners in 107 long-term loans and ship loans granted by us, contributing a total volume of EUR 456m.

The Bank participated in seven syndicated loans under the lead management of NORD/LB, contributing EUR 36m.

Pass-through loans

Norddeutsche Landesbank (Landestreuhandstelle)

There are loans totaling EUR 40m.

Securities positions

Norddeutsche Landesbank

NORD/LB purchased securities of EUR 133m from Bremer Landesbank and sold securities of EUR 221m to Bremer Landesbank.

Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH

The Bremer Landesbank pension fund acquired securities issued by third parties of a nominal value of EUR 9m. It redeemed Bremer Landesbank securities of EUR 3m and securities issued by third parties of a nominal value of EUR 8m.

Current account liabilities

The following average annual current account liabilities were calculated based on amounts at the end of each quarter:

Counterparty	Amount (in EUR m)
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH	1
BLB Immobilien	1
Bremische Grundstücks-GmbH	3

	Number of transactions	Currency	Volume (in EUR m)
Call money			
Norddeutsche Landesbank	87	EUR	6,561
	5	USD	330
	1	CHF	1
Norddeutsche Landesbank Luxembourg S.A.	46	EUR	6,225
	21	USD	494
	2	CHF	181
BLB I Beteiligungs-GmbH	1	USD	1
BGG Oldenburg GmbH	1	EUR	2
BGG Bremen GmbH	1	EUR	1
Time deposits			
Schiffsbetriebs-Gesellschaft Bremen mbH	8	EUR	2
BGG Oldenburg GmbH	4	EUR	8
BGG Bremen GmbH	4	EUR	4

Liabilities relating to borrowed funds, credits and loans

Norddeutsche Landesbank

There are nine loan accounts totaling EUR 60m.

Öffentliche Versicherung Braunschweig

There is one loan of EUR 20m.

Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH

There is one loan of EUR 3m.

Guarantees

Norddeutsche Landesbank

NORD/LB has liability discharges dating back to prior years relating to various exposures of EUR 3m.

The Bank assumed liability discharges of EUR 44m in relation to NORD/LB. The Bank has also issued guarantees of EUR 36k on behalf of NORD/LB for the latter’s customers.

Currency transactions

	Number of transactions	Currency	Volume (in EUR m)
Norddeutsche Landesbank			
Spot purchase	168	EUR	24,789
Spot sale	163	EUR	24,191
Forward sale	5	EUR	598

Derivative transactions

	Number of transactions	Currency	Volume (in EUR m)
Norddeutsche Landesbank			
Asset swap	12	EUR	502
	23	USD	714
	2	JPY	2,247
	1	GBP	25
	6	CHF	47
Norddeutsche Landesbank Luxembourg S.A.	4	EUR	55
Total	**48**		

Other transactions

Norddeutsche Landesbank

In 2010, Bremer Landesbank paid allocated NORD/IT development costs of EUR 9m.

Bremer Landesbank reimbursed Norddeutsche Landesbank EUR 8k for costs of sharing a trade fair stand and EUR 7k for a conference.

Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH

Bremer Landesbank transferred EUR 1.3m to the pension fund's cover fund in 2010.

Relationships with other related parties

Remuneration of EUR 53k was paid to key management personnel (for the management board and supervisory board of NORD/LB).

Please see the section "Remuneration of and loans to governing bodies" for overall remuneration and loans to the Management Board and Supervisory Board.

All transactions were concluded on arm's length terms in the ordinary course of business.

(74) List of mandates

Members of the Bremer Landesbank Group exercised the following mandates in accordance with Sec. 340a (4) No. 1 HGB as of 31 December 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

(75) Remuneration of and loans to governing bodies

	2010 (in EUR m)	2009 (in EUR m)
Remuneration of active members of governing bodies		
Payments due in the short term	2	2
Payments due in the long term	4	2
Remuneration of former members of governing bodies and their dependants		
Post-employment benefits	2	2
Termination benefits	0	0

A total of EUR 2m (prior year: EUR 3m) was granted to members of governing bodies in advance payments, loans and contingent liabilities.

	2010 (in EUR m)	2009 (in EUR m)
Total remuneration of governing bodies1)		
Management Board	2	2
Supervisory Board	0	0
Advisory Board	0	0
Total remuneration of former members of governing bodies and their dependants1)		
Management Board	2	2
Supervisory Board	0	0
Advisory Board	0	0

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.

Provisions for pensions to former members of governing bodies and their dependants amounted to EUR 24m (prior year: EUR 18m).

(76) List of shareholdings pursuant to Sec. 313 (2) and Sec. 340a (4) No. 2 HGB

List of companies and investment funds in the basis of consolidation

Company name and registered office	Shares (%) indirect	Shares (%) direct	Equity[1] (in EUR k)	Profit/ loss (in EUR k)
Companies included in the consolidated financial statements				
Subsidiaries				
BLB Immobilien GmbH, Bremen	–	100[2)]	–	–
BLB Leasing GmbH, Oldenburg	–	100[2)]	–	–
Bremische Grundstücks-GmbH, Bremen	–	100	–	–
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	90	10	–	–
Investments included in the consolidated financial statements using the equity method				
Associates				
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–	–	–
BREBAU GmbH, Bremen	48.84	–	–	–
DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen		16.50	–	–
GSG OLDENBURG Bau- und Wohngesellschaft mbH, Oldenburg	–	22.22	–	–
Investment funds				
Lazard-Sparkassen Rendite-Plus-Fonds, Frankfurt am Main	–	49.18	–	–
Companies not included in the consolidated financial statements				
BGG Bremen GmbH & Co. KG, Bremen	100	–	1,918[4]	165[4)]
BGG Oldenburg GmbH & Co, KG, Bremen	100	–	7,715[4)]	919[4)]
BLB I Beteiligungs-GmbH, Bremen	100	–	43[4)]	21[4)]
Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen	–	49	[3)]	[3)]
Bremer Toto und Lotto GmbH, Bremen	–	33.33	4,283	181
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100	–	4,200[4)]	820[4)]
Bremische Grundstücks-GmbH & Co., Wohnanlagen Gross-Bonn, Bremen	100	–	100[4)]	85[4)]
BREMER LAGERHAUS-GESELLSCHAFT -Aktiengesellschaft von 1877-, Bremen	–	12.61	15,704	920
Deutsch-Indonesische Tabak Handelsgesellschaft mit beschränkter Haftung, Bremen	–	24.53	157	2
GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen	7.75	–	288,612	34,055
Gewobau Gesellschaft für Wohnungsbau Vechta mbH, Vechta	–	20.46	9,111	515
Grundstücksgemeinschaft Escherweg 5 GbR, Bremen	50	–	-1,182[4)]	-384[4)]
Grundstücksgemeinschaft Escherweg 8 GbR, Bremen	50	–	90[4)]	-283[4)]
Interessengemeinschaft KATHARINENKLOSTERHOF GbR, Bremen	30.7	–	770	-64
Öffentliche Versicherung Bremen, Bremen	–	20	5,710	360
Schiffsbetriebs-Gesellschaft Bremen mbH, Bremen	–	100	1,070	11
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen	–	100	37,485	1,849
WLO Wirtschaftsförderungsgesellschaft für den Landkreis Oldenburg mbH, Wildeshausen	–	23.84	41	0
Wohnungsbaugesellschaft Wesermarsch mbH, Brake	–	21.71	22,704	198

Notes:
[1)] Equity as defined in Secs. 266 and 272 HGB; there are no unpaid contributions.
[2)] Domination and profit and loss transfer agreement concluded with the company.
[3)] No information provided in accordance with Sec. 313 (2) No. 4 Sentence 3 HGB.
[4)] Figures are from the most recent, but as yet unapproved, financial statements for 2010.

Bremer Landesbank exercises a significant influence under IAS 28.37(d) over DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. although the Bremer Landesbank sub-group holds less than 20% of the voting rights. Bremer Landesbank appoints one or more supervisory board members of the aforementioned company and, together with NORD/LB, safeguards its interests in the supervisory bodies for the Group as a whole.

(77) Group auditor’s fees

	Fiscal year 2010 (in EUR m)	Fiscal year 2009 (in EUR m)
The following fees were recognized as expenses in the fiscal year:	**1.4**	**0.8**
Audit	1.0	0.5
Audit-related services	0.4	0.3
Tax services	0	0
Other services	0	0

Bremen, 15 March 2011

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –
The Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

7. Responsibility statement

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

Bremen, 15 March 2011

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –
The Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

8. Audit opinion[1]

“We have audited the consolidated financial statements prepared by Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, comprising the consolidated income statement, the statement of comprehensive income, the consolidated balance sheet, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements (including the group segment report), together with the group management report for the fiscal year from 1 January 2010 to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“*Handelsgesetzbuch*”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

[1] 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 consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hamburg, 18 March 2011
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frank Bühring
Wirtschaftsprüfer
[German Public Auditor]

Lutz Meyer
Wirtschaftsprüfer
[German Public Auditor]

9. Supervisory Board report

The Bank’s Management Board regularly informed the Supervisory Board and its General Working and Credit Committee about the performance and situation of Bremer Landesbank AöR and the Bremer Landesbank Group. In the three meetings of the Supervisory Board and the five meetings of the General Working and Credit Committee, fundamental issues relating to business 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 and the consolidated financial statements of Bremer Landesbank for fiscal year 2010. They comply with legal requirements. The auditors issued unqualified audit opinions on the financial statements and the consolidated financial statements. The auditors also attended the Supervisory Board’s financial statements meeting on 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 of 8 April 2011, the Supervisory Board approved the group management report and consolidated financial statements as of 31 December 2010, which have thus been endorsed.

The Supervisory Board approves the Management Board’s proposal for the appropriation of Bremer Landesbank AöR’s profit for the year. The Supervisory Board proposes to the Owners’ Meeting that the Management Board be exonerated.

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 employees.

Bremen, 8 April 2011

The Chairman of the Supervisory Board

Mayoress Karoline Linnert

10. 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

11. Corporate governance report

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

The German Corporate Governance Code was adopted in 2002 by a government commission appointed by the German Federal Ministry of Justice. The current version was last amended on 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 the 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 German Federal Financial Authority ["Bundesanstalt für Finanzdienstleistungsaufsicht": BaFin]. Moreover, the Bank's risk management system must be compatible with the group-wide risk management and credit risk monitoring systems established by its parent and owner Norddeutsche Landesbank – Girozentrale –.

The Management Board is composed of the chairman, deputy chairman, if one has been appointed, and other members and deputy members. The chairman of the Management Board manages the allocation of functions in consultation with the other members of the Management Board. The Supervisory Board must be informed of the allocation of functions. Each member of the Management Board must be allocated at least one separate area of business for which he or she independently decides on matters in the ordinary course of business subject to the authority granted and can delegate his or her decision-making powers to employees. At the same time, a member of the Management Board must be appointed as a deputy. For specific transactions, the Management Board can transfer its decision-making authority to a member of the Management Board or allow the participation of a further member of the Management Board, generally the deputy.

The Management Board regularly meets once a week. The chairman of the Management Board can convene special meetings; he is obliged to convene a meeting if requested by a member of the Management Board, provided that the reasons are stated. Minutes are taken of the meetings if the Management Board regards this as necessary in the interests of proper management.

The Management Board discusses the Bank's strategy with the Supervisory Board and its committees and regularly reports on the status of strategy implementation. Based on its specific information and reporting duties, the Management Board also reports on significant matters of the Bank, especially regarding the intended business policy and other fundamental issues of corporate planning, the Bank's profitability and, in particular, equity, the course of business and the Bank's situation. In addition, it reports on transactions which may have a significant impact on profitability, the Bank's liquidity as well as its net assets, financial position and results of operations and on the Bank's risk situation and compensation systems. Moreover, the Management Board reports to the Supervisory Board immediately when there is good cause, particularly if risks are involved, and this is of special significance for the Bank's situation, and involves the Supervisory Board in fundamental decisions.

The remuneration of members of the Management Board is determined by the General Working and Credit Committee set up by the Supervisory Board. The remuneration comprises fixed and variable components and is reviewed on a regular basis.

Supervisory Board

The Supervisory Board advises the Management Board and monitors its management. It decides on the appointment and removal of members of the Management Board, the general policies for the Bank's operations, the corporate planning proposal made to the Owners' Meeting, the rules of procedure for the Management Board, policies governing the employment 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.

12. Facts and figures

Established
26 April 1983

Predecessor institutions:
Staatliche Kreditanstalt
Oldenburg-Bremen (established 1883)
Bremer Landesbank (established 1933)

Legal basis
Interstate treaty between the Free Hanseatic City of Bremen and Lower Saxony, as amended on 17 May 2002
Statutes of 1 May 1983
(last amended on 26 November 2008, effective 1 January 2009)

Functions
Commercial bank
Landesbank
Central savings bank

Legal form
Corporation under public law
(AöR)

Owners
NORD/LB Norddeutsche Landesbank – Girozentrale – (NORD/LB) – 92.5%
Free Hanseatic City of Bremen – 7.5%

Governing bodies
Management Board
Supervisory Board
Owners' Meeting

Registered office
Bremen

Branches
Bremen
Oldenburg

Memberships
Deutscher Sparkassen- und Giroverband e.V.
Bundesverband öffentlicher Banken e.V.
Hanseatischer Sparkassen- und Giroverband

Also available **to customers of Bremer Landesbank** and its associated savings banks:
NORD/LB
Subsidiaries, associates, branches and representative offices:
NORD/LB Project Holding Ltd., London, UK
Norddeutsche Landesbank – Girozentrale – London Branch, London, UK
NORD/LB Norddeutsche Landesbank Luxembourg S.A., Luxembourg, Luxembourg
NORD/LB COVERED FINANCE BANK, Luxembourg, Luxembourg
NORD/LB Moskau, Moscow, Russia
NORD/LB Norddeutsche Landesbank – Representative Office, Mumbai, India
Norddeutsche Landesbank – Girozentrale – New York Branch, New York, USA
NORD/LB Paris, Paris, France
NORD/LB Beijing, Beijing, PR China
Norddeutsche Landesbank – Girozentrale – Shanghai Branch, Shanghai, PR China
Norddeutsche Landesbank – Girozentrale – Singapore Branch, Singapore, Singapore

Governing bodies of Bremer Landesbank

Management Board	Allocation of functions within 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 areas of sales	Financial Markets Private Customers
General agent		
Mathias Barghoorn		

Members of the Supervisory Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

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

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

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

Hermann Bröring
District Administrator of the Emsland District, Meppen

Dr. Claas Brons
General Manager of Y. & B. Brons, 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 for the Lower Saxony 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

Members of the Owners' Meeting of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

For Norddeutsche Landesbank – Girozentrale –

Dr. Gunter Dunkel
Chairman of the Management Board
Norddeutsche Landesbank
– Girozentrale –

Thomas Mang
President of the Lower Saxony
Association of Savings Banks,
Hanover

Hartmut Möllring
Lower Saxony Minister of Finance

For the Free Hanseatic City of Bremen

Mayoress Karoline Linnert
Finance Senator of the
Free Hanseatic City of Bremen

Jan Pörksen
Senate Director for the Finance Senator
of the Free Hanseatic City of Bremen

Bernhard Günthert
Senate Councillor for the Finance Senator
of the Free Hanseatic City of Bremen

Members of the Advisory Board of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

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

Thomas Mang
(Deputy Chairman)
President of the Lower Saxony Association of Savings Banks

Detthold Aden
Chairman of the Management Board of BLG Logistics Group AG & Co. KG

Sven Ambrosy
District Administrator of the Friesland District

Kai-Uwe Bielefeld
District Administrator of the Cuxhaven District

Bernhard Bramlage
District Administrator of the Leer District

Rolf Brandstrup
Chairman of the Management Board of Sparkasse Wilhelmshaven

Claus Brüggemann
Chairman of the Management Board of Städtische Sparkasse Bremerhaven

Leenert Cornelius
Ovelgönne

Günter Distelrath
General Manager of the Lower Saxony Association of Savings Banks

Hans Eveslage
District Administrator of the Cloppenburg District

Ralf Finke
Chairman of the Management Board of Kreissparkasse Grafschaft Diepholz

Dr. Matthias Fonger
Chief Executive Officer and First Legal Counsel of the Bremen Chamber of Commerce

Dr. Karl F. Harms
President of the Oldenburg Chamber of Industry and Commerce

Martin Hockemeyer
Managing Shareholder of the Thiele Group

Reinhard Krüger
Chairman of the Management Board of Sparkasse Rotenburg-Bremervörde

Bernd Meerpohl
Management Board member of Big Dutchman Aktiengesellschaft, Vechta

Arendt Meyer zu Wehdel
President of the Lower Saxony Chamber of Agriculture

Dieter Mützelburg
State Councillor for the Finance Senator Bremen

Dr. Götz Pätzold
Chairman of the Management Board of Kreissparkasse Wesermünde-Hadeln

Thomas Schneider
Undersecretary of the
Lower Saxony Ministry of Finance

Dietmar Schütz
President of the German Renewable
Energy Federation

Prof. Dr. Gerd Schwandner
Senior Mayor of the
City of Oldenburg

Dr. Carl-Ulfert Stegmann
Norden

Martin Steinbrecher

Gerd Stötzel
District Administrator of the Diepholz
District

Michael Teiser
Mayor and Treasurer of the
City of Bremerhaven

Bernd Wagemann
Chairman of the Management Board of
Kreissparkasse Syke

Manfred Wendt
General Manager of Johann Bunte
Bauunternehmung GmbH & Co. KG

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

Bremen: Domshof 26, 28195 Bremen
Tel. 0049 421 332-0, Fax 0049 421 332-2322
Oldenburg: Markt, 26122 Oldenburg
Tel. 0049 441 237-01, Fax 0049 441 237-1333

www.bremerlandesbank.de
kontakt@bremerlandesbank.de