2009 reports and financial statements

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Bremer Landesbank management report

1. Business and general conditions

Economic situation and financial markets

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

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

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

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

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

The region

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

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

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

Bremer Landesbank

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

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

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

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

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

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

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

Integrated bank management

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

- Cost of capital – In direct costing, the cost of the capital employed to cover unexpected loss and the cost of interest on the capital employed are allocated to the segments before operating expenses.

- Expected loss – The expected loss is allocated to the segments as a risk premium. Bremer Landesbank already meets one of the core requirements of the new consultative document "Strengthening the resilience of the banking sector" (Bank for International Settlements, December 2009) in its internal management processes.

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

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

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

Integrated bank management links the following management processes:

- Internal management processes, with user-based direct costing
- Statutory processes, with the ongoing reconciliation of direct costing and 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 autumn. Earnings and budget targets are significant input figures in the bank-wide goal definition process.

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

Business performance

On the whole, operating income at Bremer Landesbank again developed well during the past year. Net interest income, the most important source of earnings, rose on the back of interest from customers in spite of higher expenses for liquidity management, while net commission income declined noticeably, as expected given the state of the economy. Net income from financial transactions was boosted despite falling interest rates and capital market yields.

In the fiscal year, Bremer Landesbank strengthened its position as a notable lender in the region and as a leading bank in the North-West of Germany. However, the financial market crisis has since spilled over into the real economy, pushing up risk provision expenses, but not as much as expected. Bremer Landesbank's stringent risk management has thus proven its worth. In 2009, the only significant valuation adjustments to the Bank's own securities were in connection with the bonds issued by Icelandic banks.

General and administrative expenses rose moderately in 2009. While personnel expenses rose slightly because of collective wage agreements, the increase in other administrative expenses was mainly driven by higher information technology expenditure.

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

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

Below we report on the business performance of Bremer Landesbank in 2009.

2. Results of operations

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

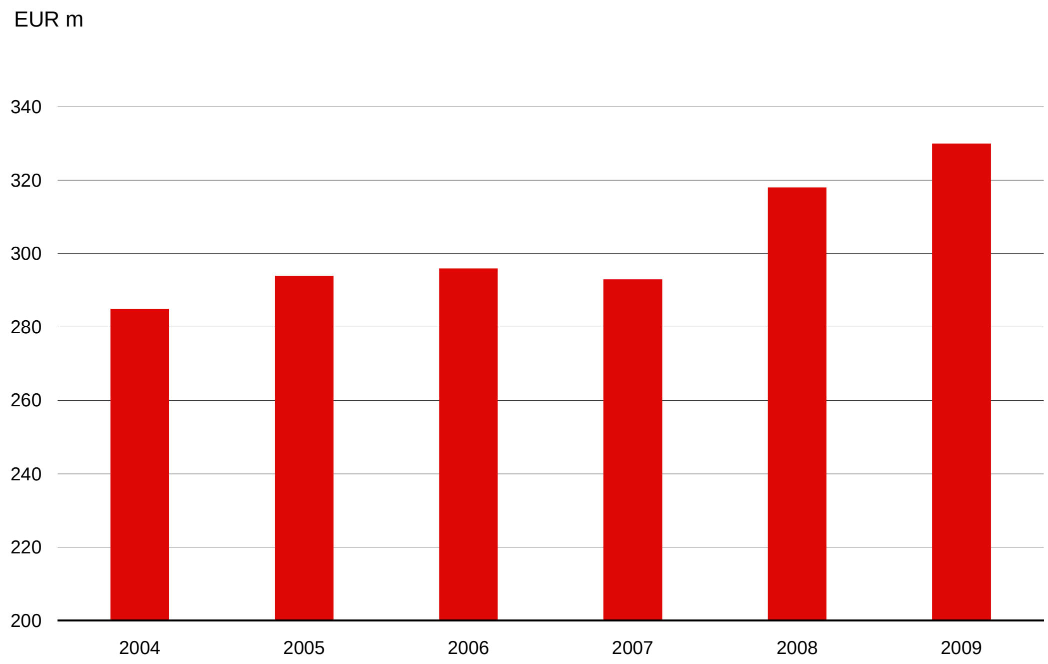
Net interest income

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

Net interest income rose by 3.8%, from EUR 318.0m to EUR 330.2m. The Special Finance segment was once again the main driver of customer business, as was business transacted with local corporate customers. Higher liquidity management costs were offset by unexpected maturity transformation profits from the Bank's own investments.

Net interest income is expected to stabilize after a cyclical fall in 2010.

Net interest income

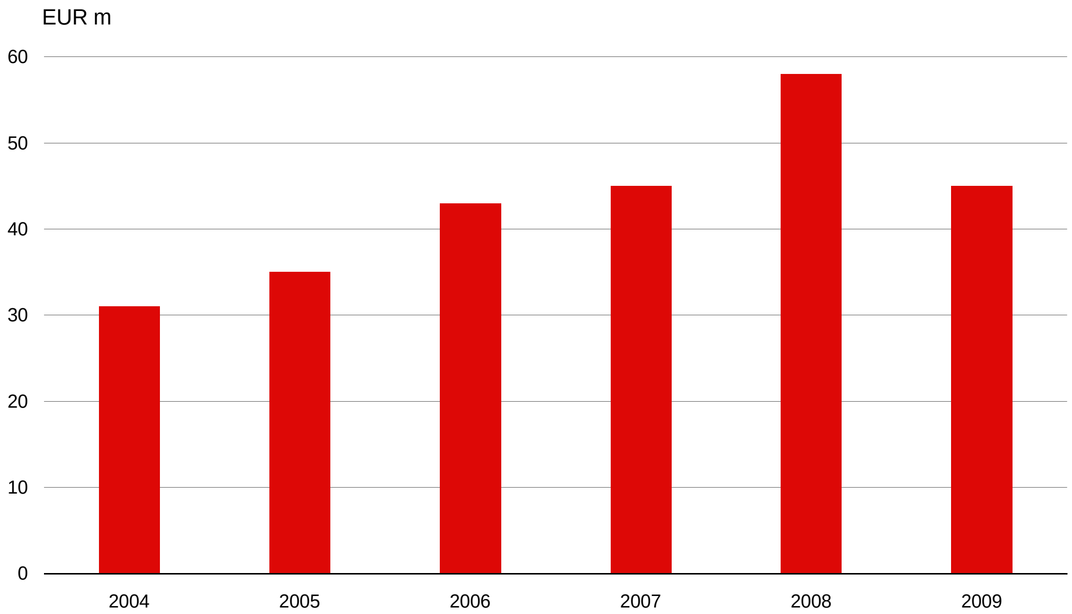


Net commission income

Net commission income fell from EUR 57.6m to EUR 44.6m and is hence approximately 22.6% lower than in the prior year. Compared to 2008, a year of vigorous new business, one-time ship finance fees and fees for designing finance arrangements for alternative energies fell significantly. Other commissions from the lending business, including guarantee commissions, and from securities business did not match last year's levels due to the economic conditions. Other contributions to earnings, e.g., from payment transactions, were fairly steady.

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

Net commission income



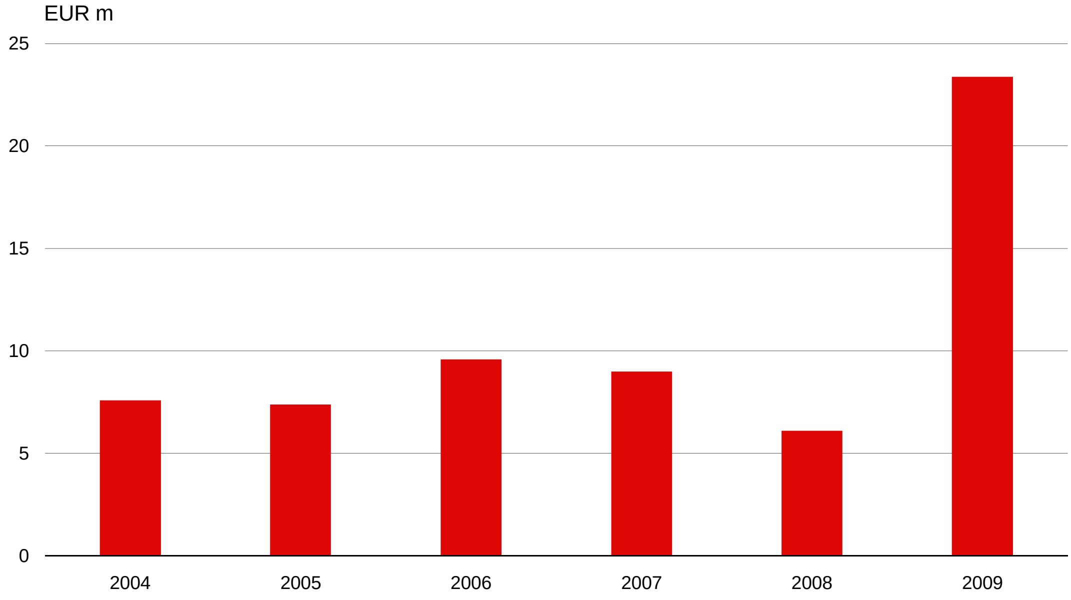
Net income from financial transactions

The financial market crisis eased last year, but the financial and capital markets were nevertheless extremely volatile, which Bremer Landesbank was able to exploit to its benefit in the fiscal year. As a result, net income from financial transactions rose significantly, from EUR 6.1m to EUR 23.4m.

Exchange gains were boosted yet again on the back of the wildly fluctuating US dollar rate. Profit from held-for-trading securities and other financial instruments also rose considerably compared with the prior year. A large portion of the reserves in Bremer Landesbank's trading book built up in 2009 were realized in anticipation of the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act] which will apply from 2010.

The introduction of fair value accounting for banks' trading books, combined with a risk discount or premium and a safety margin, will lead to changes in the presentation of net income from financial transactions from 2010 as well as greater volatility. Nevertheless, the outlook for successful dealing on the financial markets in 2010 and 2011 is good.

Net income from financial transactions



Other operating income/expenses (net)

Other operating expenses came to EUR 3.1m (prior year: EUR 2.5m) and are thus virtually unchanged. This also applies to other operating income, which climbed from EUR 8.8m to EUR 9.0m. The balance thus amounts to EUR 5.9m, against EUR 6.3m in the prior year. Variations are mainly due to the reversal of personnel-related provisions.

Administrative expenses

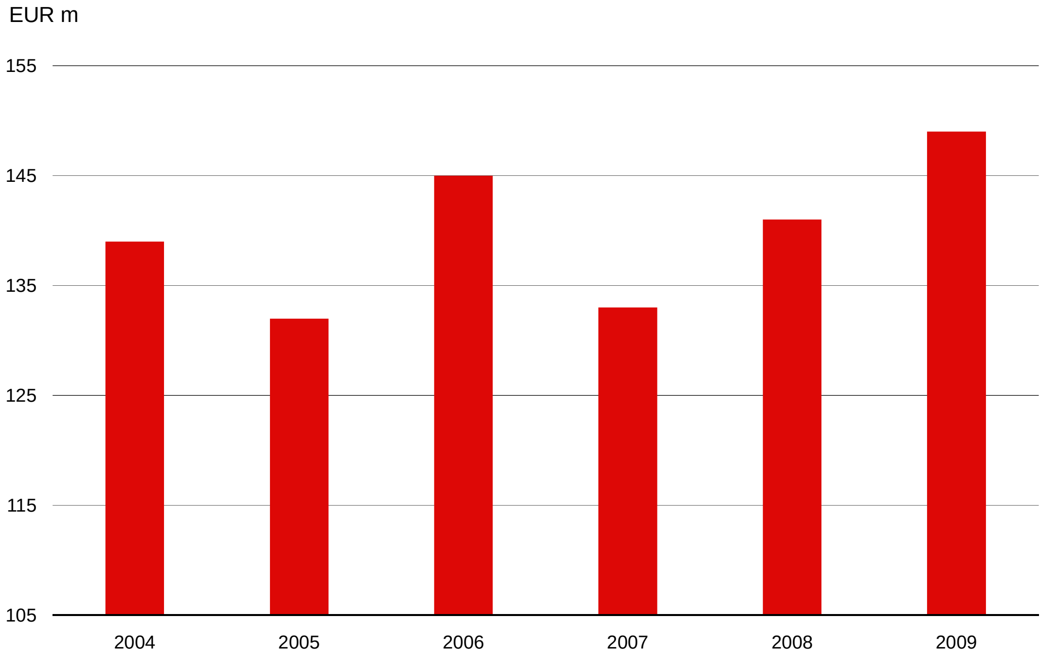
General and administrative expenses rose by EUR 8.2m, or 5.9%, from EUR 140.6m to EUR 148.9m.

Expenses for wages and salaries and social contributions rose slightly, as expected, due to collective wage agreements. The increase in expenses for pensions and other benefits was more substantial. Higher expenses for allocations to pension provisions and benefits were offset by lower allocations to the pension scheme for tax reasons. Overall, personnel expenses are within budget.

Other administrative expenses rose again, by around EUR 5.4m, or 10.5%. While building costs decreased moderately, the expenses for information technology and consulting services rose again, as scheduled. The main reasons for this increase are the forthcoming migration to the Finanz Informatik systems in 2011 and management projects initiated to comply with legal or regulatory changes. On the whole, other administrative expenses were nevertheless below budget.

Personnel expenses will increase more substantially in 2010, driven by increases under collective wage agreements and higher pension costs under the BilMoG, which will apply from 2010. A more moderate increase is anticipated for 2011. Other administrative expenses are expected to increase again in 2010, due to project costs, but will stabilize from 2011 onward.

Administrative expenses



Amortization, depreciation and impairment

Amortization, depreciation and impairment of intangible assets and property and equipment declined by EUR 0.3m to EUR 3.9m.

The net valuation effect in the lending and securities business and from Bremer Landesbank's equity investments led to a net expense of EUR 128.4m. This figure is not comparable with the net income of EUR 60.3m reported in 2008 for the following reasons:

In 2008, the Bank reclassified hidden reserves pursuant to Sec. 340f HGB ["Handelsgesetz-buch": German Commercial Code] to the fund for general banking risks pursuant to Sec. 340g HGB in order to enhance regulatory core capital. There were no such reclassifications in 2009.

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

In 2009, the Bank recognized a further impairment loss of EUR 11.5m on the securities in the Icelandic banks still in government receivership, Landsbanki, Glitnir and Kaupthing. No other significant impairments losses had to be recognized on bonds and debt securities.

Losses of EUR 0.7m (prior year: gain of EUR 7.7m) were realized on the disposal of minor equity investments, while a downward adjustment of the carrying amounts of equity investments of EUR 5.5m (prior year: down EUR 4.7m) was necessary.

Bremer Landesbank anticipates that risk provisions in 2010 and 2011 will be higher than in the fiscal year due to the economic situation.

Fund for general banking risks

In 2009, the Bank did not change the amount of the fund for general banking risks (prior year: EUR 150.0m), which is part of the regulatory core capital.

Profit/loss from ordinary activities

The profit from ordinary activities in 2009 is EUR 122.9m, compared with EUR 152.4m in the prior year, representing a decrease of EUR 19.4%.

Tax expense

Bremer Landesbank's tax expense was EUR 2.1m higher than in the prior year, rising to EUR 37.9m. The tax refunds for preceding years received in 2008 were not matched in 2009.

Interest expense for silent participations

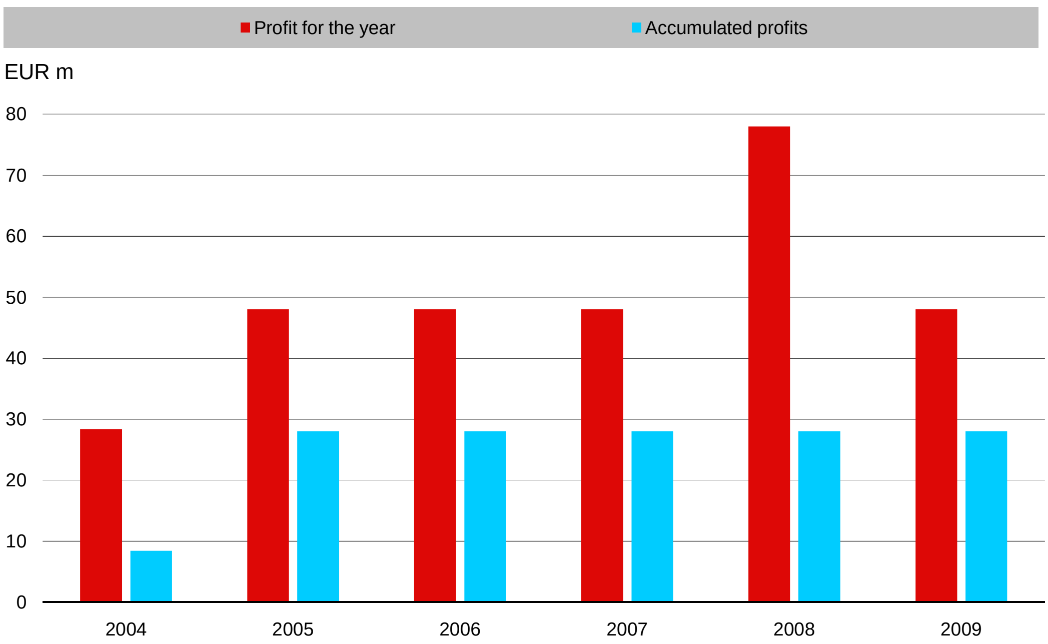
Interest expense for silent participations comes to EUR 37.0m, compared with EUR 38.5m in the prior year. The decrease is due to changes in terms and conditions.

Profit for the year and appropriation of profit

Profit for the year amounts to EUR 48.0m, and is, as expected, EUR 30.0m down on the level for 2007. An amount of EUR 20m (prior year: EUR 50.0m) is earmarked for transfer to retained earnings. Accumulated profits of EUR 28.0m earmarked for distribution to the Bank's owners thus remain at the same level as in the prior year, equivalent to a return of 20.0% on share capital.

The Bank expects profit for the year to remain under pressure from the economic situation in 2010, but sees goods prospects for a recovery from 2011. It should, however, be possible to continue to reinforce the Bank's capital base and to pay a reasonable dividend in the years to come.

Profit for the year and accumulated profits

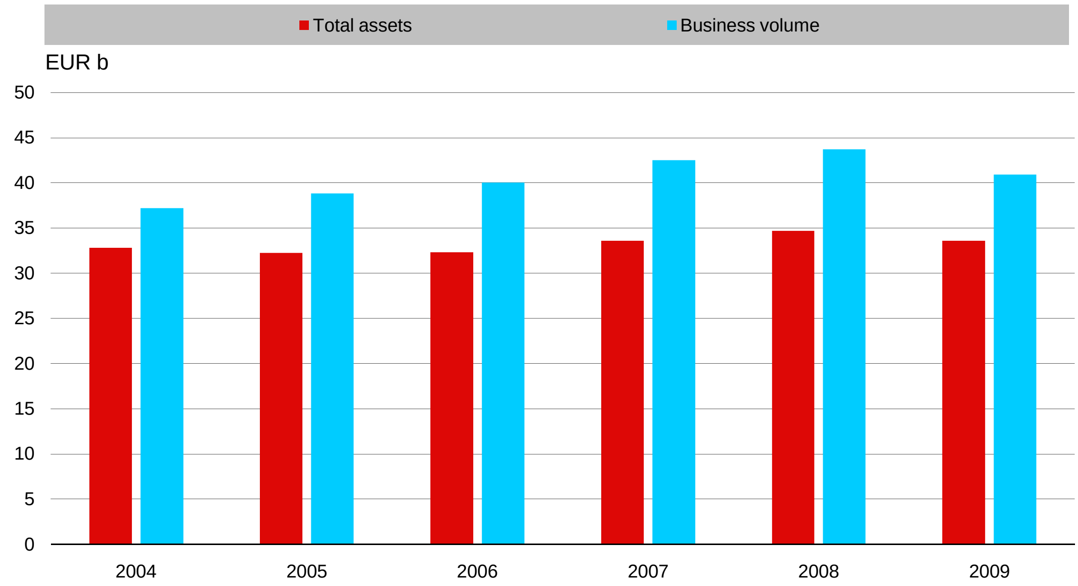


3. Net assets and financial position

Total assets and business volume

As in prior years, the Bank focused on transacting high-yield business. As a result, the low-margin interbank business was scaled back considerably. Overall, total assets decreased by 3.3% to EUR 33.6b (prior year: EUR 34.7b), while the business volume decreased by EUR 2.8b, or 6.4%, to EUR 40.9b.

Total assets and business volume



Loans and advances to banks

Loans and advances to banks were reduced further in fiscal year 2009, by EUR 1.0b to EUR 4.8b, in connection with the scaled-back interbank business.

Loans and advances to customers

Loans and advances to customers increased – mainly due to the disbursement of committed special finance funds – by approximately EUR 0.6b to EUR 20.7b. Loans and advances to customers account for 61.8% of total assets (prior year: 58.0%). A differentiated analysis of this balance sheet item can be found in the explanatory notes on the development of the business segments.

Debt securities and shares

The Bank reduced its portfolio of debt securities and other fixed-income securities by EUR 0.4b to EUR 6.5b in the fiscal year. Holdings of shares and other variable-yield securities were reduced again as a result of the liquidation of special funds and now come to EUR 24.0m (prior year: EUR 142.2m).

Equity investments and shares in affiliates

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

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

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

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

Liabilities to banks

Liabilities to banks were again reduced significantly by EUR 1.7b to EUR 10.5b, compared with EUR 12.2b in the prior year, as interbank business was scaled back.

Liabilities to customers

Bank refinancing through liabilities to customers was increased to EUR 10.2b, against EUR 10.0b in 2008. Other liabilities with an agreed term rose marginally (up EUR 362.0m to EUR 7.8b), whereas liabilities payable on demand fell negligibly (down EUR 161.4m to EUR 2.2b). Savings deposits increased by EUR 50.2m to EUR 227.5m.

Securitized liabilities

Securitized liabilities are one of the Bank's major sources of finance and rose again significantly by 9.0% to EUR 9.3b, compared with EUR 8.6b in the prior year. A differentiated presentation of refinancing at the Bank via the various issuing programs is shown in the notes on financial markets and in the financing section.

Provisions

Bremer Landesbank's provisions declined by EUR 8.0m to EUR 229.1m in the fiscal year. Provisions for pensions and similar obligations, which are based on actuarial reports, increased by EUR 6.3m to EUR 150.0m. At EUR 27.5m, tax provisions are roughly on a par with the prior year (2008: EUR 27.2m). By contrast, other provisions rose negligibly by EUR 1.4m to EUR 51.6m. Large portions of the other provisions are related to personnel expenses, such as early retirement obligations, bonuses or allowances, and loan loss provisions.

Subordinated liabilities

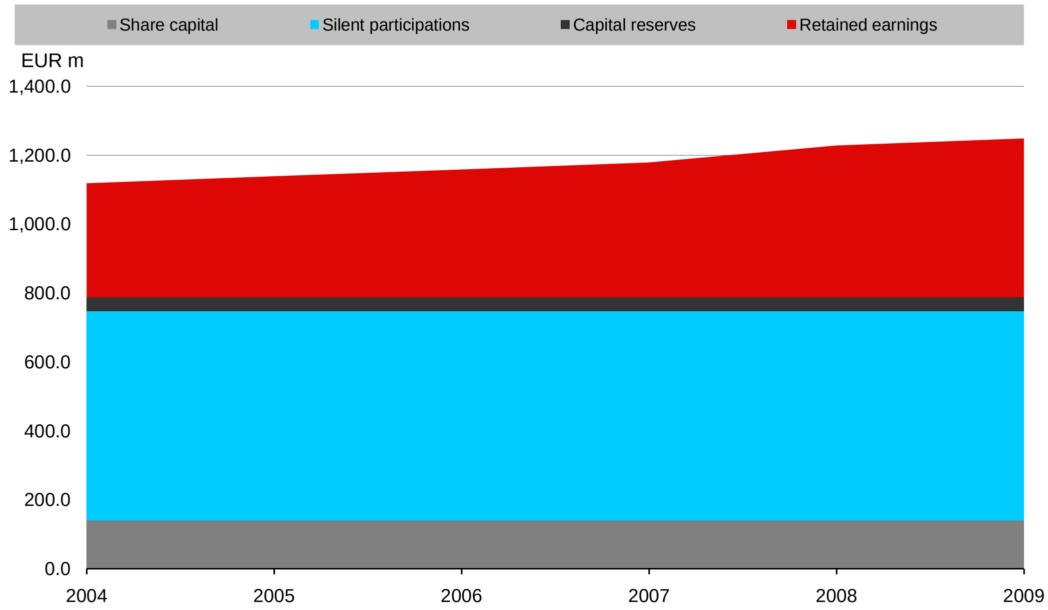
Subordinated liabilities remained unchanged at EUR 500.0m at the end of the year.

Equity

Reported equity amounts to EUR 1,276.9m, compared with EUR 1,256.9m in the prior year. Share capital is unchanged at EUR 140.0m and silent participations continue to account for EUR 607.9m, of which EUR 480.0m is held indirectly by the State of Bremen, while another EUR 40.0m remains as capital reserves. After allocating EUR 10.0m each to the reserves required by the statutes and other retained earnings, retained earnings now come to EUR 461.0m. As in the prior year, accumulated profits earmarked for distribution to the Bank's owners stand at EUR 28.0m.

At year-end, after appropriation of profit and the impairments recognized in the financial statements, the core capital ratio was 9.5% (prior year: 10.4%). As before, Bremer Landesbank does not, therefore, require any government aid.

Components of equity



Contingent liabilities

Guarantees amount to EUR 4.5b (prior year: EUR 5.3b).

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

The British bank Bradford & Bingley made use of government aid and the British government guaranteed the repayment of the bank's liabilities subject to EU Commission approval. This means that interest payments were not made on some of the bank's subordinated liabilities. Various holders of CDS positions declared this to be a credit event. Positions of some EUR 34m taken by Bremer Landesbank as protection seller were then swapped for securities issued by Bradford & Bingley. Due to the government guarantees for Bradford & Bingley issues, the securities, which the Bank intends to hold until maturity, were carried in non-current assets at nominal value. However, when they were checked for compliance with market conditions, it was found that their yield was not as high as that of similar bonds and they were therefore discounted to their present value, with an expense charged to net interest income. The difference of EUR 3.1m will be amortized over their term to maturity.

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

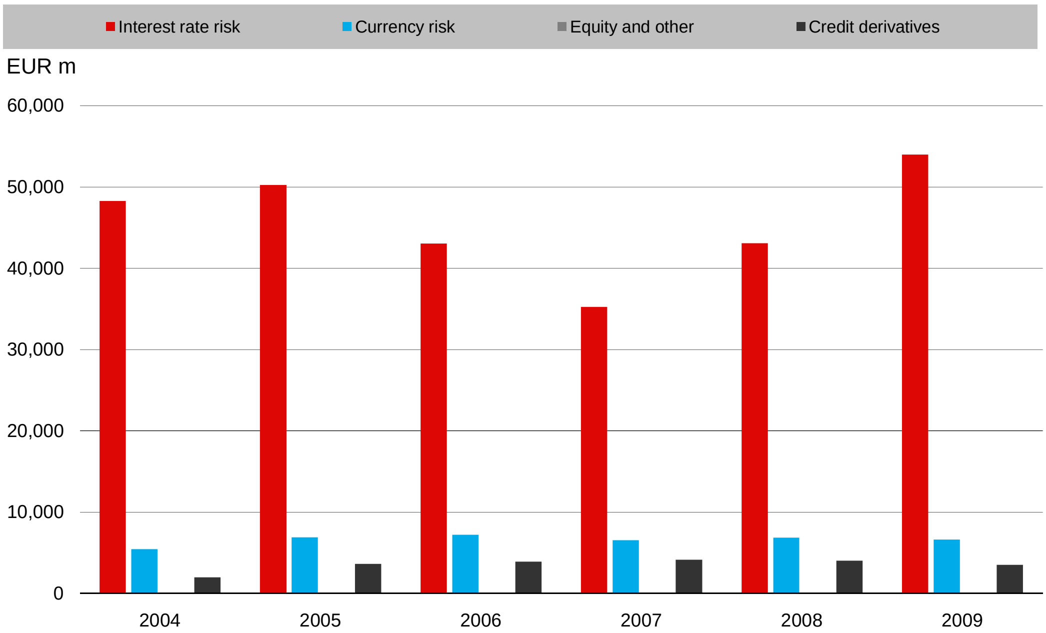
Other obligations

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

Off-balance sheet financial instruments

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

Derivative volume



Financing

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

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

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

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

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

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

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

Key ratios

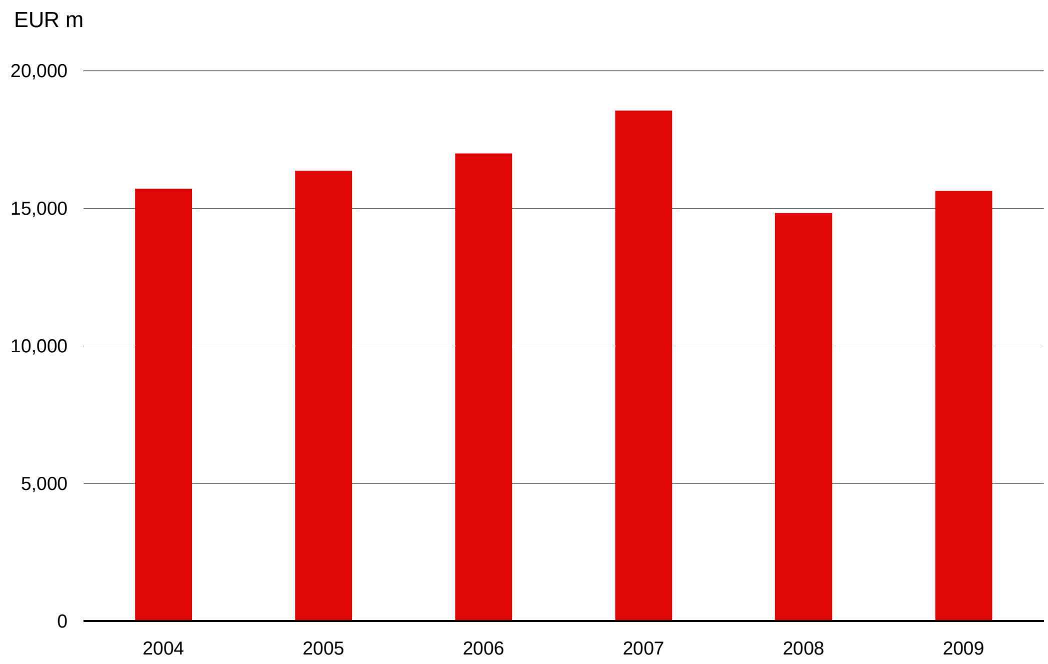
The return on equity (ROE) for fiscal year 2009, calculated using the valuation formula defined above is 14.0%, compared with 16.6% in the prior year. The decrease, which was expected, was mainly attributable to the cyclical fall in operating result after risk provisions and valuation.

At 37.8%, the cost-income ratio (CIR) is at more or less the same level as in 2008 (37.3%). Bremer Landesbank's operating income thus evolved in line with its administrative expenses, as in the prior year.

As of 31 December 2009, the risk ratio (defined as the ratio of risk provisions in the lending business excluding changes in the fund for general banking risks pursuant to Sec. 340f HGB to risk assets) is 0.51% (prior year: 0.07%). This substantial increase is due to the cyclical increase in risk provision expenses, especially for ship finance.

Capital requirements under the SolvV ["Solvabilitätsverordnung": German Solvency Ordinance] total approximately EUR 1.3b (prior year: approximately EUR 1.2b), equivalent to risk assets of approximately EUR 15.6b (prior year: approximately EUR 14.8b). The overall ratio is 11.9%, compared with 13.5% at the prior year-end. The main reasons for the increase in risk assets and the decrease in the overall ratio are rating migrations, leading to a higher shortfall for IRBA exposures.

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



Investing activities

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

Other non-financial performance indicators

For Bremer Landesbank, being close to the markets and to the people who live and work in the region is both a privilege and an obligation and is reflected in its social involvement, the sponsoring of the “NordWest Award” prize, and in the fact that Bremer Landesbank, with its 971 employees, is a major economic factor in the State of Bremen and the North-West region. The Bank offers attractive jobs, as is shown by the employee turnover rate, which, at 0.9% (prior year 2.0%), is low for the industry, and a relatively high average length of service of 16.9 years (prior year: 17.4 years).

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. This is underpinned by the excellent results regularly achieved in external customer satisfaction surveys.

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

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

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

Corporate customers of Bremer Landesbank at no time suffered from the much publicized credit crunch. Bremer Landesbank endeavors to be a reliable partner to its customers, even in difficult times.

Many of its customers, especially those for whom it is the principal banker, rewarded this loyalty with greater demand for cross-selling products, resulting in an encouraging development of net commission income and trading profit. Overall, the Bank was able to achieve its earnings targets in the face of adverse conditions.

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

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

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

Special Finance

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

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

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

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

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

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

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

Financial Markets

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

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

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

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

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

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

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

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

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

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

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

Private Customers

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

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

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

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

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

It is still difficult to predict the prospects for fiscal year 2010. The lack of confidence in the economic recovery and the uncertainty rife on the international capital markets will continue to unsettle private investors as the year progresses, prompting a reluctance to invest. The impact of the introduction on 1 January 2010 of mandatory records of advice given to customers remains to be seen. The Private Customers segment will stay true to its focus on its target customers and will continue to train its employees. Customers will also be offered more advice and assistance with energy-efficiency initiatives. As the first point of call for the company owner's private banking matters, the Private Customers segment helps the Bank to position itself as the entrepreneur's bank. This underpins the Bank's position as regional leader in the market for exacting private customers in a thriving market in the North-West of Germany.

Conclusion

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

4. Subsequent events

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

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

5. Opportunities and risks

Integrated bank management

Integrated bank management – risk strategy

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

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

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

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

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

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

The framework for the design of risk management is specified by the MaRisk on the basis of Sec. 25a KWG ["Kreditwesengesetz": German Banking Act].

Integrated bank management – risk-bearing capacity

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

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

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

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

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

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

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

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

Risk potential coverage by available risk capital in the ICAAP

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

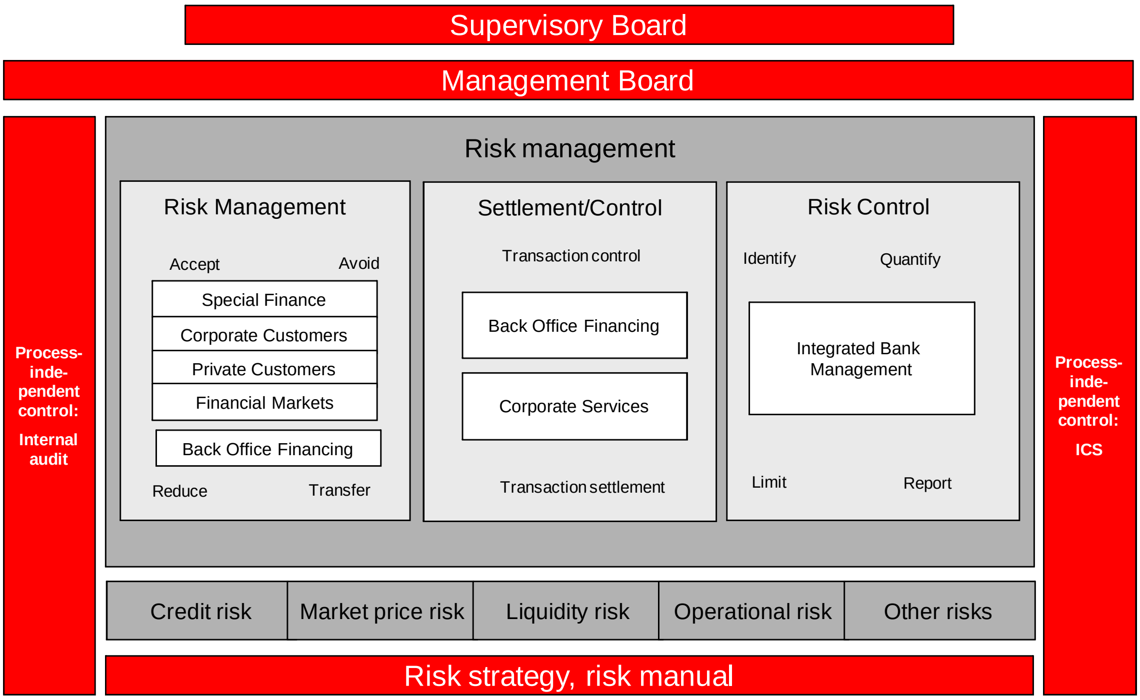
(Figures as of 31 December 2008 adjusted due to changes in methodology)

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

Integrated bank management – structures

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

Risk management system of Bremer Landesbank



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

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

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

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

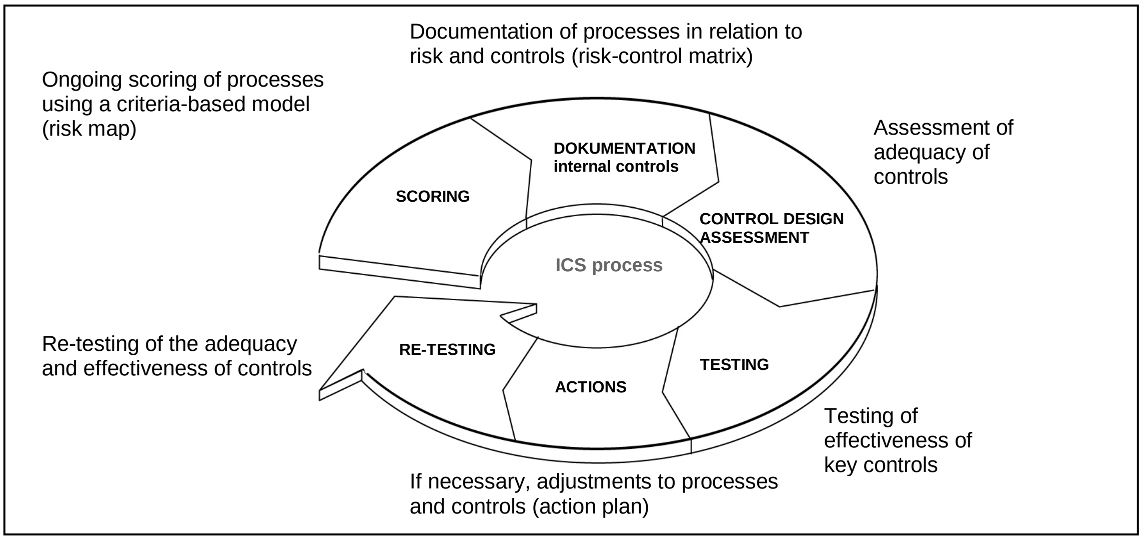
Internal Audit performs the risk-based and process-independent review of the effectiveness and adequacy of all risk management processes. As a Management Board instrument, it forms part of the internal monitoring system. Internal Audit's aims also include helping to ensure the effectiveness, efficiency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

Integrated bank management – internal control system

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

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

The six phases of the ICS process (ICS cycle)



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

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

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

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

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

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

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

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

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

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

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

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

Integrated bank management – management

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

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

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

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

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

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

Credit risk

Credit risk – definition

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

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

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

Credit risk – strategy and management

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

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

Credit risk – structures

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

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

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

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

Credit risk – analysis

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

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

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

Bremer Landesbank master scale

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

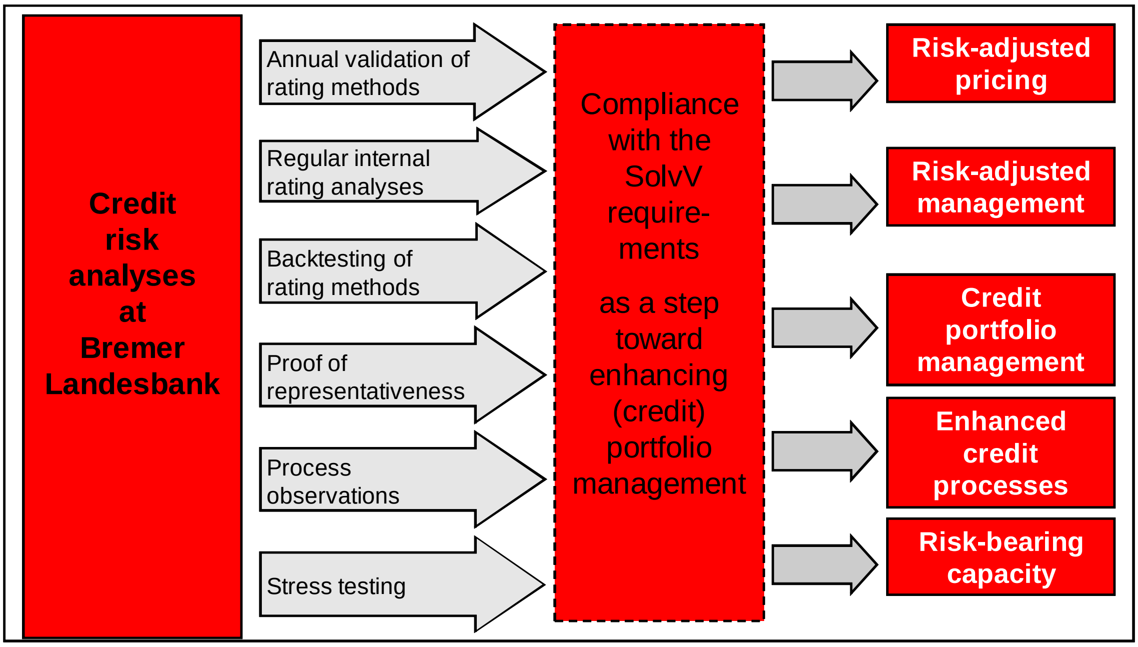
The rating methods are an instrument for active risk management. The accuracy (forecast quality) of the rating methods, each individual rating component and their interaction are regularly examined by the rating service agencies by backtesting and validating using the data pools. These quality controls,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

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

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

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

Rating methods as an instrument for active risk management



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

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

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

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

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

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

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

Credit risk – management

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

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

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

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

2. From rating category 12, exposures are assigned to the Debt Rescheduling group in the back office where they are checked for restructuring capability and desirability. A 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 or additional new risk provisions are required (from EUR 1.0m in the current year), the full Management Board is informed immediately via the head of the back office.

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

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

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

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

Credit risk – collateral

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

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

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

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

Credit risk – securitization transactions

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

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

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

Credit risk – measurement

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

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

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

Credit risk – reporting

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

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

Credit risk – development in 2009

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

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

The Bank's credit exposure came to approximately EUR 39,010m as of 31 December 2009, a decrease of some 4.6% compared with the end of the prior year.

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

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

Lending business by rating structure

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

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

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

Thanks to the conservative financing structures and the diversified portfolio in the various sub-markets and ship sizes, Bremer Landesbank still anticipates only a limited realization of the calculated default risks. The Bank has recognized reserves in accordance with Sec. 340f HGB to cover potential further defaults. The table below shows the Bank's credit exposure by region.

Lending business by region

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

This table shows that country risk is of secondary importance for the Bank. The eurozone is still by far the Bank's most important business region. Discrepancies between the totals presented above and those of the financial instruments included in the balance sheet are due to differences in valuation and other add-ons.

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

Lending business by industry group

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

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

Specific allowances and loan loss provisions rose significantly in 2009, which was primarily attributable to the crisis in the shipping markets (transport/communications: specific allowances in 2009: EUR 49m; prior year: EUR 5m). The specific allowance ratio, expressed as the ratio of specific allowances (2009: EUR 164m; prior year: EUR 97m) to the aggregate exposure (2009: EUR 39,010m; prior year: EUR 40,914m), is 0.42% (prior year: 0.23%). The percentage of non-performing loans (2009: EUR 640m; prior year: EUR 276m) in the aggregate exposure is 1.64% (prior year: 0.67%). 25.6% of non-performing loans are covered by specific allowances (prior year: 35.1%).

Risk provision requirement by industry group

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

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

Risk provision requirement by region

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

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

Past due exposures by industry group

Industry groups in EUR k	Past due unimpaired[1] credit exposures[2]	
	2009	2008
Financial institutions/insurance companies	8,380	22,476
Service industries/other	19,594	34,699
Transport/communications	233,646	1,369
Manufacturing	1,778	324
Energy, water and mining	12,468	1,889
Trade, maintenance and repairs	548	13,182
Agriculture, forestry and fishing	2,715	3,140
Construction	3,371	1,644
Other	–	–
Total	**282,500**	**78,723**

[1] The term "impaired" refers here to specific allowances only.
[2] Unimpaired exposures in risk categories 16, 17 and 18, including EAD.

Past due exposures by region

Regions in EUR k	Past due unimpaired[1] credit exposures[2] 2009	2008
Euro countries	272,435	56,444
Rest of Western Europe	9,773	22,279
Eastern Europe	–	–
North America	–	–
Latin America	293	–
Middle East/Africa	–	–
Asia	–	–
Other	–	–
Total	**282,500**	**78,723**

[1] The term “impaired” refers here to specific allowances only.
[2] Unimpaired exposures in risk categories 16, 17 and 18/ including EAD.

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

Past due, unimpaired exposures

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

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

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

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

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

Credit risk – outlook

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

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

Investment risk

Investment risk – definition

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

Investment risk – strategy and management

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

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

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

Investment risk – structures

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

Investment risk – measurement

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

Investment risk – reporting

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

Investment risk – development in 2009

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

Investment risk – outlook

Optimization of the investment portfolio will be continued in 2010.

Market price risk

Market price risk – definition

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

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

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

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

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

The Bank has no unsettled commodity positions on its books.

Market price risk – strategy and management

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

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

Market price risk – structures

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

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

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

Market price risk – measurement

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

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

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

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

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

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

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

Market price risk – reporting

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

Market price risk – development in 2009

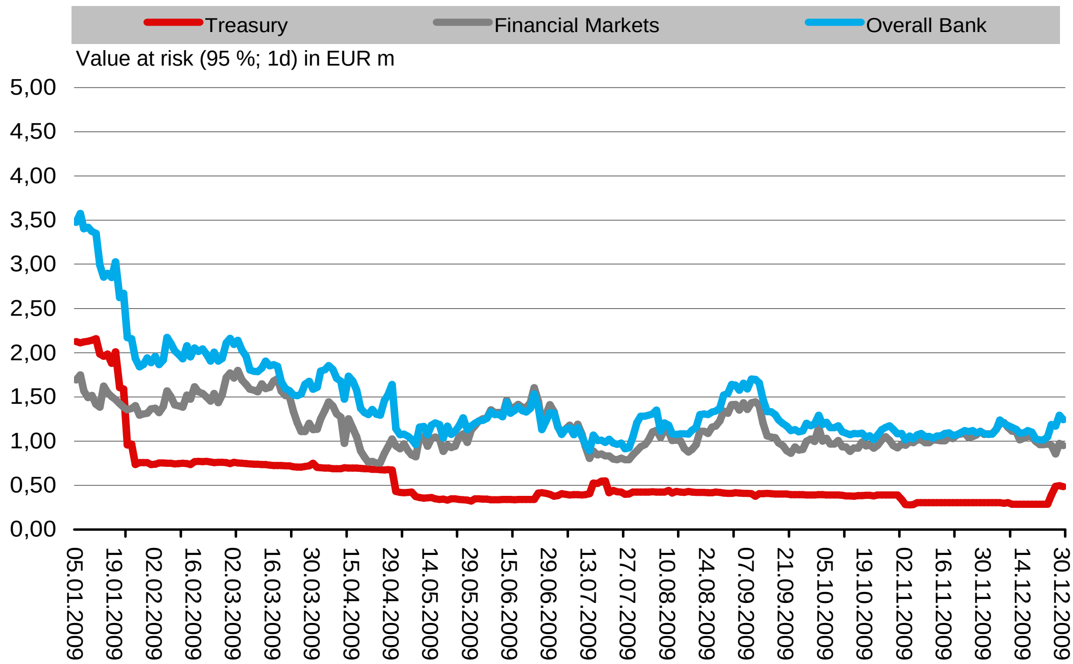
The following table shows the Bank's market price risk in the fiscal year and the prior year (credit spread risks in the banking book are not included in this overview):

Market risks – overview:

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

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

Market risk value-at-risk

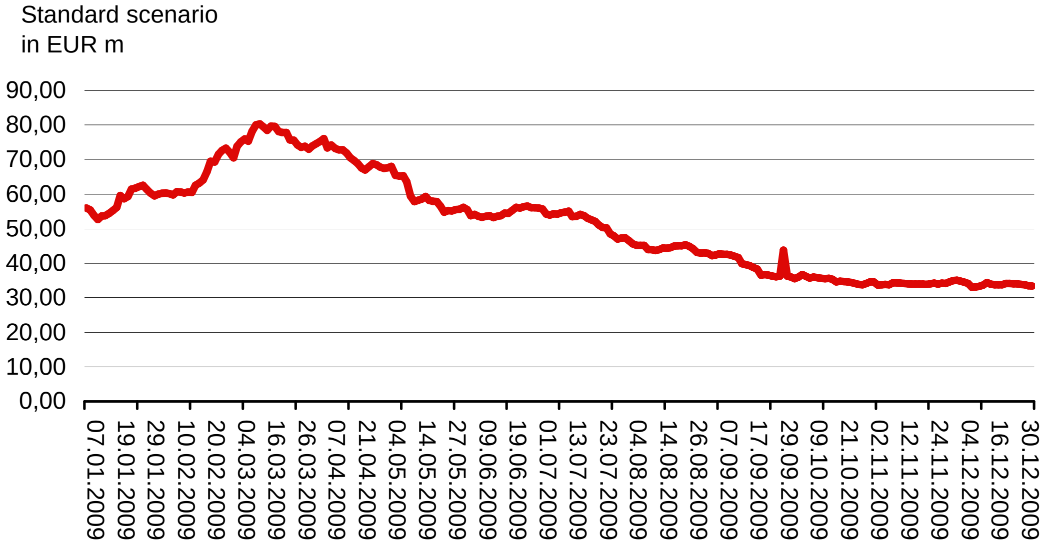


The average utilization of the market price risk limit for the overall Bank was 15% (maximum 40% and minimum 9%). As of 31 December 2009, the value-at-risk (confidence level of 95% and a holding period of one day) at the Bank amounted to EUR 1.24m.

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

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

Development of the credit spread risk in the banking book in 2009



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

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

Market price risk – outlook

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

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

Liquidity risk

Liquidity risk – definition

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

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

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

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

Liquidity risk – strategy and management

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

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

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

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

Liquidity risk – structures

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

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

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

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

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

Liquidity risk – measurement

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

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

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

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

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

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

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

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

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

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

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

Liquidity risk – reporting

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

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

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

Liquidity risk – development in 2009

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

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

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

Accumulated forward liquidity exposure

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

Liquidity limits employed for management purposes were maintained at all times in the previous fiscal year. During the course of the year the liquidity ratio in accordance with Principle II/LiqV far exceeded the minimum of 1.00 required by regulatory law; the liquidity ratio as of 31 December 2009 was 1.81.

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

Liquidity risk – outlook

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

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

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

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

Operational risk

Operational risk – definition

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

Operational risk – strategy and management

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

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

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

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

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

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

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

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

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

Operational risk – structures

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

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

Operational risk – measurement

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

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

Operational risk – reporting

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

Operational risk – development in 2009

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

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

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

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

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

Operational risk – outlook

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

Other risks

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

Summary and outlook

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

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

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

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

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

6. Outlook

Economic situation and financial markets

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

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

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

The region

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

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

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

Bremer Landesbank

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

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

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

Integrated bank management

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

Results of operations, net assets and financial position

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

Net interest income is expected to level out after a cyclical fall in 2010, whereas net commission income should stabilize at prior-year level. Thereafter, there are good prospects for an increase. The introduction of fair value accounting for banks' trading books, combined with a risk discount or premium and a safety margin, will lead to changes in the presentation of net income from financial transactions from 2010 as well as greater volatility. Nevertheless, the Bank is confident of the success of activities on the financial markets in 2010 and 2011. Personnel expenses will increase more substantially in 2010, driven by increases under collective wage agreements and higher pension costs under the BilMoG, which will apply from 2010. A more moderate increase is anticipated for 2011. Other administrative expenses are expected to increase again in 2010, due to project costs, but will stabilize from 2011 onward. Bremer Landesbank anticipates that risk provision expenses in 2010 and 2011 will be higher than in the fiscal year due to the economic situation, in particular in the ship finance segment. The Bank therefore expects to see profit from ordinary activities for 2010 and 2011 falling short of that of 2009.

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

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

Disclaimer – forward-looking statements

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

Supervisory Board report

The Bank's Management Board regularly informed the Supervisory Board and the General Working and Credit Committee set up by the Supervisory Board about the Bank's performance and situation. In the three meetings of the Supervisory Board and the five meetings of the General Working and Credit Committee, fundamental issues relating to business policy and operations were discussed in detail. The bodies adopted resolutions on the transactions and other matters presented to them which, according to the statutes and the rules issued within the framework of the statutes, require a decision by these bodies.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, audited the financial statements of Bremer Landesbank for fiscal year 2009. It complies with the legal requirements. The auditors issued an unqualified audit opinion on the financial statements. The auditors also attended the Supervisory Board's financial statements meeting on 9 April 2010 and reported on the results of the audit.

The Supervisory Board approved the results of the audit conducted by the auditors and did not raise any objections on the basis of its own review. In its meeting on 9 April 2010, the Supervisory Board approved the management report and the financial statements as of 31 December 2009, which have thus been endorsed.

The Supervisory Board proposes to the Owners' Meeting that the Management Board be exonerated and the profit of Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale for fiscal year 2009 of EUR 48m be appropriated as follows:

1. Allocation to retained earnings: EUR 20m

2. Distribution to owners: EUR 28m

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

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

On 12 October 2009, longstanding Supervisory Board member Mr. Klaus Busch died at the age of 61. We came to know Mr. Busch as an amiable and dedicated man who devoted many years to furthering the interests of Bremer Landesbank and its employees. The members of the Bank's Supervisory Board extend their sincere condolences to his family and will always cherish his memory with the greatest respect.

Ms. Annette Düring succeeds him on the Bremer Landesbank Supervisory Board.

The Supervisory Board would like to thank the Bank's Management Board for the constructive working relationship based on mutual trust and expresses its thanks for the work performed in 2009 by the Management Board and by all of the Bank's employees.

Bremen, 9 April 2010

The Chairman of the Supervisory Board

Mayoress Karoline Linnert

Owners’ Meeting report

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

On 9 April 2010, it approved the proposal of the Supervisory Board on the appropriation of the profit for 2009 and exonerated the Management Board of the Bank. The owners likewise exonerated the Supervisory Board.

The Owners’ Meeting was greatly saddened by the news of the death of the Supervisory Board member Mr. Klaus Busch. Our thoughts are with his family.

The Owners’ Meeting wishes to thank the Supervisory Board, the Management Board and employees of the Bank for their work in 2009.

Bremen, 9 April 2010

Owners’ Meeting

Dr. Gunter Dunkel

Balance sheet as of 31 December 2009

Assets

EUR k					31 Dec 2008
1. Cash reserve				**145,103**	**121,870**
a) Cash on hand			3,677		3,885
b) Balances at central banks			141,426		117,985
thereof: eligible as collateral with Deutsche Bundesbank	141,426				(117,985)
2. Public-sector debt instruments and bills of exchange eligible for refinancing with central banks				**0**	**0**
a) Treasury bills and treasury discount notes as well as similar public-sector debt instruments			0		0
thereof: eligible for refinancing with Deutsche Bundesbank	0				(0)
b) Bills of exchange			0		0
thereof: eligible for refinancing with Deutsche Bundesbank	0				(0)
3. Loans and advances to banks				**4,791,798**	**5,763,079**
a) Payable on demand			402,550		499,050
b) Other loans and advances			4,389,248		5,264,029
4. Loans and advances to customers				**20,743,426**	**20,106,971**
Secured by real property liens	1,507,496				(1,503,512)
Public-sector loans	5,268,077				(5,440,640)
5. Debt securities and other fixed-income securities				**6,484,835**	**6,893,208**
a) money market securities					
aa) issued by the public sector		0			0
thereof: eligible as collateral with Deutsche Bundesbank	0				(0)
ab) issued by other borrowers		0	0		101,005
thereof: eligible as collateral with Deutsche Bundesbank	0				(101,005)
b) Bonds and debt securities					
ba) issued by the public sector		1,258,489			872,719
thereof: eligible as collateral with Deutsche Bundesbank	1,238,338				(852,568)
bb) issued by other borrowers		5,109,678	6,368,167		5,778,879
thereof: eligible as collateral with Deutsche Bundesbank	5,038,035				(5,616,791)
c) Own debt securities			116,668		140,605
Nominal value	113,253				(120,807)
6. Shares and other variable-yield securities				**23,956**	**142,151**
7. Equity investments				**150,990**	**180,973**
thereof: in banks		4,723			(32,273)
in financial services institutions		0			(0)
8. Shares in affiliates				**73,015**	**81,623**
thereof: in banks		0			(0)
in financial services institutions		0			(0)
9 Trust assets				**101,204**	**107,527**
thereof: trust loans		45,697			(51,415)
10. Equalization claims on the public sector including debt securities resulting from their conversion				**0**	**0**
11. Intangible assets				**1,935**	**1,829**
12. Property and equipment				**29,567**	**27,618**
13. Other assets				**1,003,172**	**1,260,391**
14. Prepaid expenses				**20,402**	**19,621**
Total assets				**33,569,403**	**34,706,862**

Liabilities and equity

EUR k					31 Dec 2008
1. Liabilities to banks				**10,489,021**	**12,203,470**
a) Payable on demand			1,005,363		883,780
b) With an agreed term or period of notice			9,483,658		11,319,690
2. Liabilities to customers				**10,202,461**	**9,951,706**
a) Savings deposits					
aa) with an agreed period of notice of three months		219,812			144,636
ab) with an agreed period of notice of more than three months		7,661	227,473		32,656
b) Other liabilities					
ba) payable on demand		2,151,958			2,313,390
bb) with an agreed term or period of notice		7,823,030	9,974,988		7,461,024
3. Securitized liabilities				**9,322,307**	**8,552,626**
a) Debt securities issued			9,224,517		8,552,626
b) Other securitized liabilities			97,790		0
thereof: money market securities	97,790				(0)
own acceptances and promissory notes outstanding	0				(0)
4. Trust liabilities				**101,204**	**107,527**
thereof: trust loans	**45,697**				**(51,415)**
5. Other liabilities				**1,089,154**	**1,560,592**
6. Deferred income				**29,248**	**22,944**
7. Provisions				**229,104**	**221,093**
a) Provisions for pensions and similar obligations			149,986		143,682
b) Tax provisions			27,525		27,233
c) Other provisions			51,593		50,178
8. Subordinated liabilities				**500,000**	**500,000**
9. Participation certificate capital				**0**	**0**
thereof: due within two years	**0**				**(0)**
10. Fund for general banking risks				**330,000**	**330,000**
11. Equity				**1,276,904**	**1,256,904**
a) Subscribed capital					
aa) Share capital		140,000			140,000
ab) Silent participations		607,904	747,904		607,904
b) Capital reserves			40,000		40,000
c) Retained earnings					
ca) Legal reserves		0			0
cb) Reserves required by the statutes		194,000			184,000
cc) Other retained earnings		267,000	461,000		257,000
d) Accumulated profits			28,000		28,000
Total liabilities and equity				**33,569,403**	**34,706,862**

1. Contingent liabilities				**4,476,110**	**5,316,710**
a) Acceptances and endorsements			0		0
b) Guarantees			4,476,110		5,316,710
c) Assets pledged as collateral for third-party liabilities			0		0
2. Other obligations				**2,812,951**	**3,660,169**
a) Commitments arising out of sale and repurchase transactions			0		0
b) Placement and underwriting commitments			0		0
c) Irrevocable loan commitments			2,812,951		3,660,169

Income statement

for the period from 1 January to 31 December 2009

EUR k					31 Dec 2008
1. Interest income from					
a) Lending and money market business		1,067,075			1,226,712
b) Fixed-income securities and government-inscribed debt		187,387	1,254,462		328,561
2. Interest expenses			**942,561**		**1,266,062**
				311,901	289,211
3. Current income from				**16,383**	**27,537**
a) Shares and other variable-yield securities			8,841		19,791
b) Equity investments			6,143		6,452
c) Shares in affiliates			1,399		1,294
4. Income from profit pooling and profit and loss transfer agreements				**1,901**	**1,251**
5. Commission income			**52,544**		**65,951**
6. Commission expenses			7,966		8,389
				44,578	57,562
7. Net income from financial transactions				**23,433**	**6,083**
8. Other operating income				**9,021**	**8,817**
9. General and administrative expenses				**148,887**	**140,597**
a) Personnel expenses					
aa) wages and salaries		63,883			62,479
ab) social security, pension and other benefit costs		28,078	91,961		26,594
thereof: for old-age pensions	17,623				(16,941)
b) Other administrative expenses			56,926		51,524
10. Amortization, depreciation and impairment of intangible assets and property and equipment				**3,847**	**4,196**
11. Other operating expenses				**3,144**	**2,540**
12. Impairment of and allowances on loans and advances and certain securities as well as allocations to loan loss provisions				**108,416**	**0**
13. Allocations to the fund for general banking risks				**0**	**150,000**
14 Income from write-ups of loans and advances and certain securities and from the reversal of loan loss provisions				**0**	**136,573**
15. Impairment of and allowances on equity investments, shares in affiliates and investment securities				**20,005**	**76,267**
16. Income from write-ups of equity investments, shares in affiliates and investment securities				**0**	**0**
17. Expenses from loss absorption				**0**	**1,039**
18 Profit/loss from ordinary activities				**122,918**	**152,395**
19. Extraordinary income			**0**		**0**
20. Extraordinary expenses			**0**		**0**
21. Extraordinary result			**0**	**0**	**0**
22. Income taxes			**37,911**		**35,759**
23. Other taxes not disclosed in item 11			**–24**		**87**
				37,887	**35,846**
24. Profits transferred under profit pooling and profit and loss transfer agreements				**37,031**	**38,549**
25. Profit for the year				**48,000**	**78,000**
26. Profit carryforward from the prior year				**0**	**0**
27. Allocations to retained earnings				**20,000**	**50,000**
a) To the legal reserve			0		0
b) To the reserve for treasury shares			0		0
c) To the reserves required by the statutes			10,000		25,000
d) To other retained earnings			10,000		25,000
28. Advance distribution				0	0
29. Accumulated profits				**28,000**	**28,000**

Notes

The annual financial statements of Bremer Landesbank as of 31 December 2009 were prepared in accordance with the provisions of the HGB and the RechKredV [“Verordnung über die Rechnungslegung der Kreditinstitute”: German Bank Accounting Directive].

Currency translation principles

Foreign currency is translated in accordance with Sec. 340h HGB and the statement by the Banking Technical Committee (BFA) of the Institute of Public Auditors in Germany (IDW) [“Bankenfachausschuss des Instituts der Wirtschaftsprüfer”], BFA 3/95. Assets (EUR 4.163m) and liabilities (EUR 1.586m) in foreign currencies were translated at mean spot rates as of 31 December 2009. Balance sheet items denominated in foreign currencies and pending transactions in current assets are classified and valued as separately covered in every currency in accordance with Sec. 340h (2) Sentence 2 HGB. Expenses and income from foreign currency translation are reported accordingly in the income statement in accordance with Sec. 340h (2) Sentences 1 and 2 HGB.

Valuation methods

Assets and liabilities – other than those covered by special regulations for banks pursuant to Sec. 340e HGB – were reported in accordance with the valuation regulations in Sec. 252 et seq. HGB. Loans and advances were reported at their nominal amount and liabilities at the amount repayable. Premiums and discounts were stated in prepaid expenses or deferred income and amortized pro rata temporis. Risks in lending business were taken into account by recognizing specific allowances or provisions as well as general allowances. Write-downs were deducted from the carrying amounts.

Investment securities are valued at acquisition cost except when they are permanently impaired. No impairment losses were charged on these securities for positions with a carrying amount of EUR 3,617.7m (prior year: EUR 4,084.9m). Write-downs which were not undertaken applying the moderate lower of cost or market principle amounted to EUR 71.3m in the reporting period.

The securities are held until maturity and are chiefly originated by issuers with first-class ratings. The strict lower of cost or market principle was observed in measuring trading portfolio and liquidity reserve securities.

Publicly listed market prices, where available, are used to calculate the net realizable value of financial instruments traded on an active market.

If no market prices are available, prices quoted by dealers are used for valuation purposes. Price sources other than stock exchange prices are used, such as quotes by banks or other market makers.

If no price quotations are available, net realizable value is calculated using generally accepted pricing methods or models.

For measuring financial instruments, these methods include pricing methods which are established on the market (e.g., discounted cash flow method and the Hull & White model for fixed-income options) whose calculations are always based on input parameters observable 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.

Pricing models are employed for OTC derivatives and unlisted securities. Various parameters are incorporated into the models, such as market prices and other market quotes, e.g., volatility. Whenever estimates are required, as is often the case with option pricing models, a standard method is used.

Market data used in risk control are applied for these mark-to-model calculations. For discounted cash flow methods, payments are discounted using the risk-free yield curve adjusted for the payer's credit spread. On active markets, spreads are determined on the basis of comparable financial instruments (for example on consideration of the market segment and a issuer's credit rating), while on inactive markets they are determined on the basis of a issuer's credit rating and opportunity cost.

Equity investments and shares in affiliates are recognized at acquisition cost or at lower net realizable value if they are permanently impaired. The net realizable value is determined on the basis of the present value of the future net cash flows to the shareholders from their share in the entity (future earnings value). The net earnings of the shareholders to be discounted in order to calculate the capitalized earnings value chiefly stem from the distribution of the net cash flows generated by the entity. The calculation of the net realizable value of the equity investment is therefore based on a forecast of earnings development in 2009 and a detailed plan for 2010 and, if applicable, a medium-term plan for up to four subsequent years (planning phase I). The entity is generally assumed to have a perpetual life for subsequent years beyond the planning horizon. For this purpose, a perpetual annuity is calculated to reflect the sustainable situation of the investee (planning phase II). These expected future earnings are discounted to the balance sheet date taking planned distributions into account. The discount rate used is derived from a capital market model and represents the return on an alternative investment that adequately matches the investment in the investee in terms of maturity and risk. The discount rate comprises the components of risk free interest rate as well as the risk premium based on the risk relating to future net cash flows. The risk premium is the product of an average market risk premium and the beta factor, which expresses the specific risk structure of the entity being valued. As a relative measurement, the beta factor describes the extent to which the return on the relevant security held in the investee reflects the changes in the return on the market portfolio. To value equity investments in unlisted companies, groups of comparable listed instruments are formed (peer groups) and the beta factor is calculated for each position in relation to the respective national index. The beta factor of the peer group so calculated is used as a key multiplier to determine the capitalization rate. Raw beta is the historical beta factor of a company derived from a linear regression of the share return against the return on the market portfolio. As an alternative to using raw beta, adjusted beta is an estimation of the future development of the beta factor. Adjusted beta (adjusted beta = raw beta x 0.67 + 0.33) was used for the first time in 2009 in order to smooth out the volatility of the valuation over the course of time. The change in method saved write-downs of EUR 15.3m and led to additional write-downs of EUR 4.4m.

Securities linked to an interest rate swap transaction with matching amounts, currencies and maturities were accounted for as hedges.

Economically related financial instruments were combined to form a hedge in a trading book. Valuation gains were offset up to the amount of matching valuation losses in the trading book. Provisions were recognized if the net balance was negative, while net gains were not accounted for.

Depreciation to the extent permitted by tax law was applied for property and equipment and intangible assets with a definite useful life. The treatment of low-value assets was changed by the 2008 business tax reform; Sec. 6 (2) Sentence 1 EStG ["Einkommensteuergesetz": German Income Tax Act] (pool measurement) is applied accordingly. Assets with costs in the range of EUR 150 to EUR 1,000 are combined in a collective item and depreciated at a flat rate of 20% p.a. over a period of five years. Low-value assets of less than EUR 150 are immediately expensed.

Option premiums and futures margin payments on transactions not yet due and proportionate accrued interest on interest rate swaps are shown under other assets or under other liabilities. Amounts not yet amortized from interest rate caps, floors and collars and up-front payments from interest rate swaps not yet amortized are included in prepaid expenses or deferred income. The risk of loss was taken into account by establishing provisions or making write-downs.

Credit default swaps in the banking book for which the Bank acts as protection seller are accounted for in the same way as contingent claims and liabilities from guarantees. Rating-based provisions are recognized if a credit default swap is expected to be utilized. Income components resulting from credit default swaps allocated to the banking book are reported in net commission income. Income from credit default swaps in the trading book is shown in net income from financial transactions.

Actuarial methods were applied to calculate pension obligations, which are valued at their net present value (*Teilwert*) for current pension payments and pension expectancies. The "2005 G mortality tables" by Dr. Klaus Heubeck were applied. Calculations were based on the earliest possible pensionable age under the German pension reform implemented in 2008 to adjust pensionable ages. Indirect benefit obligations in accordance with Art. 28 (1) EGHGB ["Einführungsgesetz zum Handelsgesetzbuch": Introductory Law of the German Commercial Code] amount to EUR 4,091k.

The remaining provisions were established in accordance with the principles of prudent business judgment in the amount expected to be utilized.

Disclosures and notes to the balance sheet

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

Balance sheet – assets

EUR k		31 Dec 2009	31 Dec 2008
Item 3:	**Loans and advances to banks**		
	Loans and advances to affiliates	44,490	302,997
	Loans and advances to other investees and investors	10,900	7,494
	Subordinated loans and advances	54,295	27,065
	Loans and advances to associated savings banks	3,457,223	3,635,568
	Loans and advances designated as coverage for issued debt securities in accordance with Sec. 28 PfandBG	1,583,030	963,906
	Old loans and advances designated as coverage for issued debt securities	1,383,027	1,861,21
Item 4:	**Loans and advances to customers**		
	Loans and advances to affiliates	50,652	66,998
	Loans and advances to other investees and investors	153,866	160,286
	Subordinated loans and advances	0	0
Item 5:	**Debt securities and other fixed-income securities**		
	a) Money market securities		
	ab) Issued by other borrowers		
	Marketable and listed	0	101,005
	Of affiliates	–	–
	b) Bonds and debt securities		
	ba) Issued by the public sector		
	Marketable and listed	1,258,489	872,719
	Marketable and unlisted	–	–
	bb) Issued by other borrowers		
	Marketable and listed	4,901,721	5,565,253
	Marketable and unlisted	207,731	213,626
	Of affiliates	236,964	237,247
	Of other investees and investors	550,995	551,550
	c) Own debt securities		
	Marketable and listed	113,397	137,557
	Marketable and unlisted	3,270	3,048
	d) Loans and advances designated as coverage for issued debt securities in accordance with Sec. 28 PfandBG	340,000	158,245
	Old loans and advances designated as coverage for issued debt securities	347,500	350,000

Item 6:	**Shares and other variable-yield securities**		
	Marketable and listed	0	22,456
	Marketable and unlisted	0	0
	Of other investees and investors	0	0
Item 7:	**Equity investments**		
	Marketable and listed shares	2,794	2,794
	Marketable and unlisted shares	0	0
Item 9:	**Trust assets**		
	Loans and advances to banks	45,417	51,117
	Loans and advances to customers	280	299
	Equity investments	46,559	47,163
	Property and equipment	8,948	8,948
Item 11:	**Property and equipment**		
	Used in the Bank's own activities		
	– land and buildings	21,969	20,113
	– furniture, fixtures and office equipment	4,029	3,879
Item 12:	**Other assets**		
	Accrued interest for financial swaps	927,738	1,197,447
	Claims from equity investments	0	0
	Claims to tax refunds	10,453	13,126
	Premiums for option transactions	5,178	12,730
Item 13:	**Prepaid expenses**		
	Discounts	12,145	10,584
	Premiums	990	2,127

Statement of changes in non-current assets

EUR k	Cost	Additions	Disposals	Reclassi-fications	Accumu-lated amortiz-ation, deprec-iation and impairment	Net book value 31 Dec 2009	Net book value 31 Dec 2008	Amortiz-ation, deprec-iation and impairment in the fiscal year	Write-ups in the fiscal year
		--------------------------Changes-----------------------							
Equity investments	184,073	1,099	2,518	–27,550	4,114	150,990	180,973	1,236	223
Shares in affiliates	87,119	125	5,837	–	8,392	73,015	81,623	4,477	–
Investment securities	5,162,858	228,700	696,872	–	86,306	4,608,380	5,087,486	11,469	–
Intangible assets	10,122	1,165	5	–	9,347	1,935	1,829	1,059	–
Property and equipment	99,278	4,834	259	–	74,286	29,567	27,618	2,787	–

The silent participations of EUR 27.6m in DekaBank Deutsche Girozentrale were transferred to loans and advances to banks.

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

EUR k		31 Dec 2009	31 Dec 2008
Item 3 b):	**Other loans and advances to banks**		
	Up to 3 months	751,490	944,122
	More than 3 months up to 1 year	349,803	569,233
	More than 1 year up to 5 years	1,429,166	1,569,117
	More than 5 years	1,858,789	2,181,557
Item 4:	**Loans and advances to customers**		
	With an indefinite term	531,068	675,153
	Up to 3 months	1,528,937	1,548,735
	More than 3 months up to 1 year	1,867,474	1,676,949
	More than 1 year up to 5 years	7,090,198	6,892,781
	More than 5 years	9,725,749	9,313,501
Item 5:	**Debt securities and other fixed-income securities**		
	Due in the following year	725,882	934,189

Balance sheet – liabilities and equity

EUR k		31 Dec 2009	31 Dec 2008
Item 1:	**Liabilities to banks**		
	Liabilities to affiliates	245,773	285,369
	Liabilities to other investees and investors	837	326,579
	Liabilities to associated savings banks	738,861	691,115
Item 2:	**Liabilities to customers**		
	Liabilities to affiliates	31,739	39,865
	Liabilities to other investees and investors	30,660	45,968
Item 3:	**Securitized liabilities**		
	Liabilities to affiliates	119,119	106,036
	Liabilities to other investees and investors	0	316,937
Item 4:	**Trust liabilities**		
	Liabilities to banks	45,417	51,117
	Liabilities to customers	55,787	56,410
Item 5:	**Other liabilities**		
	Interest on silent participations	37,031	38,549
	Liabilities from profit transfers	0	0
	Interest on subordinated liabilities	927	2,639
	Accrued interest from financial swap transactions	905,883	1,206,897
	Option premiums received	12,479	16,849
	Tax liabilities	2,174	5,460
Item 6:	**Deferred income**		
	Premiums	13,433	5,083
	Discounts	3,830	5,002
Item 9:	**Subordinated liabilities**		
	Expenses for subordinated liabilities	16,717	26,078

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

Currency	Amount as of 31 Dec 2009 EUR k	Interest expense 2009 EUR k	Interest rate % p.a.	End of term
EUR	200,000	5,226	Variable	28 June 2030
EUR	85,000	2,296	Variable	21 March 2031
EUR	65,000	1,883	Variable	5 April 2041
EUR	150,000	7,312	4.875	15 December 2015
Total	**500.000**	**16.717**		

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

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

EUR k		31 Dec 2009	31 Dec 2008
Item 1 b):	**Liabilities to banks**		
	Up to 3 months	1,124,615	3,683,858
	More than 3 months up to 1 year	1,439,717	1,049,633
	More than 1 year up to 5 years	2,881,752	2,300,732
	More than 5 years	4,037,574	4,285,468
	Liabilities to customers		
Item 2 ab):	**Savings deposits**		
	Up to 3 months	219,812	144,636
	More than 3 months up to 1 year	4,364	29,512
	More than 1 year up to 5 years	3,280	3,135
	More than 5 years	17	9
Item 2 bb):	**Other liabilities to customers**		
	Up to 3 months	1,363,258	1,429,375
	More than 3 months up to 1 year	699,251	836,121
	More than 1 year up to 5 years	2,694,454	2,269,256
	More than 5 years	3,066,067	2,926,273
Item 3a):	**Securitized liabilities/issued debt securities**		
	Due in the following year	1,816,509	1,761,539

Disclosures and notes to the income statement

Item 8:	Other operating income
	Other operating income is mainly income from the reversal of provisions (EUR 3.9m), cost reimbursements (EUR 1.5m) and rental income (EUR 0.9m).

Item 11:	Other operating expenses
	Other operating expenses are mainly due to expenses for loss events from operational risk (EUR 0.4m), other expenses for buildings (EUR 0.3m) and cost reimbursements to investees (EUR 0.4m), as well as allocations to the provision for internal expenses (EUR 0.4m).

Item 22:	Income taxes
	All income tax is tax on the profit from ordinary activities.

Other financial obligations

The following significant other financial obligations exist:

As guarantors, Bremer Landesbank and the other shareholders of DekaBank Deutsche Girozentrale are jointly liable for the latter.

An obligation to contribute capital to M Cap Finance Deutsche Mezzanine Fonds Zweite GmbH & Co, KG, Leipzig, amounts to EUR 4,124k (prior year: EUR 13,475k).

Another obligation to make additional capital contributions and additional joint liability for other shareholders relating to Liquiditäts-Konsortialbank GmbH, Frankfurt, amounts to EUR 3,300k.

Moreover, an obligation to make additional capital contributions to SEGU Grundstücks-Vermietungsgesellschaft mbH & Co., Düsseldorf, totals EUR 0.1k.

Contributions to the security reserve of the *Landesbanken* and girobanks were re-calcu lated on the basis of risk principles, resulting in obligations to make additional contributions of EUR 35,221k. 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 26,293k (prior year: EUR 31,931k) were deposited as collateral for transactions on forwards markets, of which EUR 21,270k (prior year: EUR 29,924k) were deposited with Eurex and EUR 5,023k (EUR 2,007k) with JPMorgan.

Other disclosures

1. Members of the Management Board

Dr. Stephan-Andreas Kaulvers
(Chairman)

Dr. Guido Brune

Eckhard Fiene
(since 1 April 2009)

Heinrich Engelken
(Deputy Chairman since 1 April 2009)

Fritz Lütke-Uhlenbrock
(Deputy Chairman until 31 March 2009)

2. Members of the Supervisory Board

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

Hermann Bröring
District Administrator of the Emsland District
Meppen

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

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

Klaus Busch (until 12 October 2009)
Deputy Managing Director of ver.di trade union
State of Bremen region

Annette Düring (since 12 October 2009)
Chairwoman of the German Trade Union Federation (Bremen/Elbe-Weser region)

Dr. Gunter Dunkel
Chairman of the Management Board of
NORD/LB Norddeutsche Landesbank
Girozentrale

Heinz Feldmann
Chairman of the Management Board of
Sparkasse LeerWittmund

Lars-Peer Finke
Qualified banker
Bremer Landesbank

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

Martin Grapentin
Chairman of the Management Board of
Landessparkasse zu Oldenburg

Elke Heinig
Qualified banker
Bremer Landesbank

Cora Hermenau
State Secretary of the
Lower Saxony Ministry of Finance

Andreas Klarmann
Qualified banker
Bremer Landesbank

Hartmut Möllring
Lower Saxony Minister of Finance

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

Jürgen Scheller
Qualified banker
Bremer Landesbank

Lutz Stratmann
Lower Saxony Minister of
Science and Culture

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

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

The Bank's legal representatives exercised the following mandates in accordance with Sec. 340a (4) No. 1 HGB in the reporting period:

Dr. Stephan-Andreas Kaulvers

- BREMER LAGERHAUS-GESELLSCHAFT – Aktiengesellschaft von 1877 –, Bremen
- GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen
- DekaBank Deutsche Girozentrale, Frankfurt a.M.
- DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen
- EWE Aktiengesellschaft, Oldenburg
- LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover
- Norddeutsche Landesbank Luxembourg S.A., Luxembourg
- NORD Holding Unternehmensbeteiligungsgesellschaft mbH, Hanover

Fritz Lütke-Uhlenbrock

(Deputy Chairman of the Management Board until 31 March 2009)

- BREBAU GmbH, Bremen (until 20 April 2009)
- DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co, KG, Bremen (until 30 June 2009)
- GSG Oldenburg Bau- und Wohngesellschaft, Oldenburg (until 31 March 2009)
- SLOMAN NEPTUN Schifffahrts-AG, Bremen

Heinrich Engelken

- BREBAU GmbH, Bremen (since 20 April 2009)
- GSG Oldenburg Bau- und Wohnungsgesellschaft, Oldenburg (since 1 April 2009)

Dr. Guido Brune

- BREBAU GmbH, Bremen (since 20 April 2009)
- DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co, KG, Bremen (since 1 July 2009)

4. Remuneration of and loans to governing bodies
4.1 Total remuneration of governing bodies

EUR k	31 Dec 2009	31 Dec 2008
Management Board	2,333	2,482
Supervisory Board	156	153
Advisory Board	70	72

4.2 Total remuneration of former members of governing bodies and their dependants

EUR k	31 Dec 2009	31 Dec 2008
Management Board	2,172	2,129
Supervisory Board	–	–
Advisory Board	–	–

Provisions for pensions to this group of people amounting to EUR 17,604k (prior year: EUR 14,956k) were recognized.

4.3 Advance payments, loans and contingent liabilities
A total of EUR 3,228k (prior year: EUR 2,393k) was granted to members of governing bodies in advance payments, loans and contingent liabilities.

5. Annual average number of employees

	2009	2008
Male	477	468
Female	478	460
Total	**955**	**928**

6. Other disclosures
6.1 Services provided to third parties
Services provided to third parties relating to administration and brokerage are insignificant.

6.2 Forward transactions

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

- Interest-rate related transactions
  Interest rate swaps, forward rate agreements, swaptions and interest rate limitation agreements

- Exchange-rate related transactions
  Forward exchange contracts, currency swaps and currency options

- Other transactions
  Equity options

6.3 Derivative transactions

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

Bremer Landesbank primarily employs derivatives to manage trading positions and the banking book through asset/liability management. Derivatives are also becoming increasingly popular because of rising demand for individual solutions to manage market price risk and structure financial transactions.

Derivatives are measured differently, depending on whether products are exchange-traded or off-exchange. A daily cash settlement (variation margin) is made for exchange-traded contracts. This is why no positive or negative market values are reported for these products since these deals do not involve any credit risk.

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

The positive and negative market values were determined as of the balance sheet date for each of the product groups. The majority of the negative market values are offset by positive market values from derivative transactions or from macro and micro-hedges.

Derivative transactions – by volume

in EUR m	Nominal values		Market values Positive	Market values Negative
	31 Dec 2008	31 Dec 2009	31 Dec 2009	31 Dec 2009
Interest rate risk				
Interest rate swaps	40,957	51,500	1,059	953
FRAs	160	35	0	0
Interest rate options				
Purchases	28	20	1	0
Sales	128	185	0	7
Caps, floors	1,524	1,451	15	10
Stock exchange contracts	280	673	0	1
Other forward interest rate transactions	0	121	–	–
Interest rate risk – total –	**43,077**	**53,986**	**1,076**	**970**
Currency risk				
Forward exchange contracts	5,555	844	10	39
Currency swaps and cross-currency interest rate swaps	688	5,476	152	193
Currency options				
Purchases	302	115	7	0
Sales	297	123	0	7
Foreign currency caps and floors	0	38	0	0
Stock exchange contracts	–	–	–	–
Other forward exchange contracts	–	–	–	–
Currency risk – total –	**6,842**	**6,596**	**169**	**239**
Equity price and other price risks				
Equity forward contracts	–	–	–	–
Equity options				
Purchases	2	2	0	0
Sales	0	0	0	0
Stock-exchange contracts	0	2	0	0
Other forward contracts	–	–	–	–
Equity price and other price risks – total –	**2**	**4**	**0**	**0**
Credit derivatives				
Purchases	257	212	6	0
Sales	3,744	3,281	0	109
Credit derivatives – total –	**4,001**	**3,493**	**6**	**109**

Derivative transactions – by maturity

Nominal values in EUR m	Interest rate risk		Currency risk		Equity price and other price risks		Credit derivatives	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Residual maturities								
Up to 3 months	6,661	4,154	1,913	1,667	2	0	50	85
More than 3 months up to 1 year	13,815	9,057	2,328	2,498	2	0	25	254
More than 1 year up to 5 years	20,054	17,151	1,764	2,440	0	2	1,564	956
More than 5 years	13,456	12,715	591	237	0	0	1,854	2.706
Total	**53,986**	**43,077**	**6,596**	**6,842**	**4**	**2**	**3,493**	**4.001**

Derivative transactions – by counterparty

in EUR m	Nominal values		Market values Positive	Market values Negative
	31 Dec 2008	31 Dec 2009	31 Dec 2009	31 Dec 2009
Banks in the OECD	48,147	58,668	1,111	1,263
Banks outside the OECD	–	–	–	–
Public institutions in the OECD	10	10	1	0
Other counterparties (including stock exchange contracts)	5,765	5,402	139	56
Total	**53,922**	**64,079**	**1,251**	**1,319**

Derivative transactions – trade transactions

in EUR m	Nominal values		Market values Positive	Market values Negative
	31 Dec 2008	31 Dec 2009	31 Dec 2009	31 Dec 2009
Interest rate contracts	32,382	38,564	964	801
Currency contracts	6,842	3,197	155	115
Equity contracts	2	4	0	0
Credit derivative contracts	391	344	6	5
Total trade transactions	**39,617**	**42,109**	**1,125**	**921**

6.4 Open market transactions

Bonds with a book value of EUR 750m (prior year: EUR 3,079m) were deposited with Deutsche Bundesbank in open market transactions.

6.5 Repurchase agreements

The book value of securities and other assets sold under genuine agreements to repurchase amounted to EUR 0.0m (prior year: EUR: 50.9m).

6.6 Transfer of collateral for the Bank's own liabilities

Loans and advances to customers of EUR 3,691.8m (prior year: EUR 3,210.2m) were assigned as collateral for the Bank's own liabilities to banks.

6.7 Auditor's fees

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

EUR k	Total
a) Assurance	473
b) Assurance-related services	310
c) Tax services	0
d) Other services	121

Audit costs include income of EUR 340k from the reversal of unused provisions.

7. Cover calculation

7.1 Cover calculation pursuant to Sec. 28 PfandBG

I. Mortgage *Pfandbriefe*
Mortgage Pfandbrief cover in nominal and present values

Amount in EUR m	Nominal value		Present value		Risk-adjusted present value, dynamic method, at least +100 bp		Risk-adjusted present value, dynamic method, at least -100 bp	
	2009	2008	2009	2008	2009	2008	2009	2008
Total amount of *Pfandbriefe* outstanding	624.8	293.5	650.8	311.7	632.0	304.8	670.8	319.1
Total amount of covering assets	848.7	417.1	917.7	443.6	880.2	422.3	958.1	466.9
Excess coverage	223.9	123.6	266.9	131.9	248.2	117.5	287.3	147.8
Excess coverage in %	35.8	42.1	41.0	42.3	39.3	38.6	42.8	46.3

Term structure of the mortgage *Pfandbrief* cover register

Amount in EUR m	Volume as of 31 Dec 2009	Volume as of 31 Dec 2008	Volume in 1 year 2009	Volume in 1 year 2008	Volume in 5 years 2009	Volume in 5 years 2008	Volume in 10 years 2009	Volume in 10 years 2008
Total amount of *Pfandbriefe* outstanding	624.8	293.5	394.8	293.5	87.0	28.5	0.0	0.0
Total amount of covering assets	848.7	417.1	722.4	354.4	379.6	208.4	8.4	5.2

Breakdown of the mortgage register by size category

Size categories	in EUR m 2009	in EUR m 2008	in % 2009	in % 2008
Up to EUR 0.3m	312.5	228.2	36.8	54.7
More than EUR 0.3m up to EUR 5.0m	275.3	158.1	32.4	37.9
More than EUR 5.0m	25.9	11.3	3.1	2.7
Excess coverage	235.0	19.5	27.7	4.7
Total	**848.7**	**417.1**	**100.0**	**100.0**

Breakdown of the mortgage register by country, including breakdown by type of use

Type of use	Germany in EUR m 2009	Germany in EUR m 2008	Germany in % 2009	Germany in % 2008
Commercial properties	0.0	0.0	0.0	0.0
Residential properties	0.0	0.1	0.0	0.0
Apartments	79.8	57.5	9.4	13.8
Detached houses	177.9	128.2	21.0	30.7
Apartment buildings	150.6	123.2	17.8	29.5
Office buildings	31.0	4.8	3.7	1.2
Retail buildings	22.3	0.0	2.6	0.0
Industrial buildings	0.1	0.1	0.0	0.0
Buildings used for other commercial purposes	146.7	82.1	17.3	19.7
New buildings under construction, not yet profitable	0.0	1.4	0.0	0.3
Building sites	0.3	0.2	0.0	0.1
Sub-total	608.7	397.6	71.7	95.3
Excess coverage	240.0	19.5	28.3	4.7
Total	**848.7**	**417.1**	**100.0**	**100.0**

Payments in arrears (>90 days)

Payments in arrears by more than 90 days amounted to EUR 565.13 as of 31 December 2009 and EUR 12k as of 31 December 2008.

Proportion of derivatives

No derivatives are included in the portfolio.

II. Public *Pfandbriefe*

Public Pfandbrief cover in nominal and present values

Amount in EUR m	Nominal value		Present value		Risk-adjusted present value, dynamic method, at least +100 bp		Risk-adjusted present value, dynamic method, at least -100 bp	
	2009	2008	2009	2008	2009	2008	2009	2008
Total amount of *Pfandbriefe* outstanding	3,662.6	3,146.1	3,859.9	3,289.8	3,676.3	3,152.8	4,063.2	3,440.1
Total amount of covering assets	4,333.3	3,285.6	4,512.1	3,411.6	4,345.3	3,294.5	4,700.5	3,541.6
Excess coverage	670.7	139.4	652.2	121.8	669.0	141.7	637.4	101.4
Excess coverage in %	18.3	4.4	16.9	3.7	18.2	4.5	15.7	2.3

Term structure of the public *Pfandbrief* cover register

Amount in EUR m	Volume as of 31 Dec		Volume in 1 year		Volume in 5 years		Volume in 10 years	
	2009	2008	2009	2008	2009	2008	2009	2008
Total amount of *Pfandbriefe* outstanding	3,662.6	3,146.1	2,901.7	2,550.6	1,483.9	1,324.1	365.3	210.3
Total amount of covering assets	4,333.3	3,285.6	3,457.1	2,906.3	1,566.1	2,250.2	443.2	199.1

Payments in arrears (>90 days)

As of 31 December 2009 (and 31 December 2008), there were no payments in arrears by more than 90 days.

Proportion of derivatives

No derivatives are included in the portfolio.

Breakdown of the public Pfandbrief cover register

Amount in EUR m	Sovereigns		Regional authorities		Local authorities		Other debtors	
	2009	2008	2009	2008	2009	2008	2009	2008
Germany	0.0	0.0	442.1	345.2	2,102.1	1,420.2	1,689.1	1,420.2
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0

III. Ship *Pfandbriefe*

Ship *Pfandbrief* cover in nominal and present values

Amount in EUR m	Nominal value		Present value		Risk-adjusted present value, dynamic method, at least +100 bp		Risk-adjusted present value, dynamic method, at least -100 bp	
	2009	2008	2009	2008	2009	2008	2009	2008
Total amount of *Pfandbriefe* outstanding	370.3	412.3	389.6	438.4	376.3	421.2	403.9	457.0
Total amount of covering assets	965.5	988.7	949.5	1.079.7	792.3	882.5	897.2	995.0
Excess coverage	595.2	576.3	559.9	641.3	416.0	461.3	493.3	538.0
Excess coverage in %	160.7	139.8	143.7	146.3	110.6	109.5	122.1	117.7

Term structure of the ship *Pfandbrief* cover register

Amount in EUR m	Volume as of 31 Dec		Volume in 1 year		Volume in 5 years		Volume in 10 years	
	2009	2008	2009	2008	2009	2008	2009	2008
Total amount of *Pfandbriefe* outstanding	370.3	412.3	215.3	327.3	89.0	86.0	13.0	10.0
Total amount of covering assets	965.5	988.7	78.5	95.2	4.9	7.0	0.0	0.0

Breakdown of the ship register by size category

Size categories	in EUR m		in %	
	2009	2008	2009	2008
Up to EUR 0.5m	1.6	3.1	0.2	0.3
More than EUR 0.5m up to EUR 5.0m	440.5	339.2	45.6	34.3
More than EUR 5.0m	448.4	621.7	46.4	62.9
Excess coverage	75.0	24.7	7.8	2.5
Total	**965.5**	**988.7**	**100.0**	**100.0**

Breakdown of covering assets according to the countries in which the ships and ship constructions are registered

Countries	Ocean-going vessels				Inland vessels				Excess coverage			
	in EUR m		in %*		in EUR m		in %*		in EUR m		in %*	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Bahamas	7.4	8.3	0.8	0.8	0	0	0	0	0	0	0	0
Germany	746.2	788.4	77.3	79.7	0.8	1.2	0.1	0.1	75.0	24.7	7.8	2.5
Gibraltar	14.9	19.8	1.5	2.0	0	0	0	0	0	0	0	0
Greece	11.8	28.0	1.2	2.8	0	0	0	0	0	0	0	0
Liberia	28.1	32.9	2.9	3.3	0	0	0	0	0	0	0	0
Malta	28.3	28.0	2.9	2.8	3.8	0	0.4	0	0	0	0	0
Marshall Islands	0	8.4	0	0.9	0	0	0	0	0	0	0	0
Netherlands	29.1	25.5	3.0	2.6	0	0	0	0	0	0	0	0
Panama	4.8	5.6	0.5	0.6	0	0	0	0	0	0	0	0
Turkey	1.7	0.0	0.2	0.6	0	0	0	0	0	0	0	0
Cyprus	13.6	17.9	1.4	1.8	0	0	0	0	0	0	0	0
Total	**886.0**	**962.8**	**91.8**	**97.3**	**4.5**	**1.2**	**0.5**	**0.1**	**75.0**	**24.7**	**7.8**	**2.5**

*) In relation to the total amount of covering assets of EUR 965.50m as of 31 December 2009 and of EUR 988.65m as of 31 December 2008.

Payments in arrears (>90 days)

There were no payments in arrears by more than 90 days as of 31 December 2009; EUR 126k was more than 90 days in arrears as of 31 December 2008.

Proportion of derivatives

No derivatives are included in the portfolio.

7.2 Additional disclosures on mortgage and ship *Pfandbriefe*

I. Mortgage *Pfandbriefe*

	Commercial properties		Residential properties	
	2009	2008	2009	2008
Number of pending foreclosure and sequestration proceedings as of 31 December 2008	0	0	0	0
Number of foreclosure sales in the fiscal year	0	0	0	0
Number of cases in which the *Pfandbrief* bank had to repossess property in order to prevent mortgage losses in the fiscal year	0	0	0	0
Total interest in arrears due from mortgage debtors (in EUR m)	0	0	0.1	0.1

II. Ship *Pfandbriefe*

	Ocean-going vessels		Inland vessels	
	2009	2008	2009	2008
Number of pending foreclosure proceedings for ships or ship constructions as of 31 December 2009	0	0	0	0
Number of foreclosure sales in the fiscal year	0	0	0	0
Number of cases in which the *Pfandbrief* bank had to repossess ships or ship constructions in order to prevent ship mortgage losses in the fiscal year	0	0	0	0
Total interest in arrears due from loan debtors (in EUR m)	0.02	0.05	0	0

7.3 Old loans cover calculation

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

Mortgage lending business

EUR k		
Liabilities requiring cover		
Pfandbriefe		
Bearer debt securities	237,472	
Registered debt securities	355,660	593,132
Covering assets		
Loans and advances to banks	–	–
Loans and advances to customers	613,970	
Securities issued by the public sector	17,500	631,470
Excess coverage		**38,338**

Public-sector loans

EUR k		
Liabilities requiring cover		
Pfandbriefe		
Bearer debt securities	381,931	
Registered debt securities	2,987,128	3,369,059
Covering assets		
Loans and advances to banks	1,713,027	
Loans and advances to customers	2,086,422	
Securities issued by the public sector	330,000	3,799,449
Excess coverage		**430,390**

8. Shareholdings

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

No.	Company name and registered office	% of capital held	Equity[1] in EUR k	Profit/ loss in EUR k
1.	Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	27,041	–209
2.	BGG Oldenburg GmbH & Co, KG, Bremen	100.00	4,851[4]	483[4]
3.	BLB Consulting GmbH, Bremen	100.00	1,918[4]	440[4]
4.	BLB I Beteiligungs-GmbH, Bremen	100.00	22[4]	2[4]
5.	BLB Immobilien GmbH, Bremen	100.00	29,700[4]	1,446[2)4)5)]
6.	BLB Leasing GmbH, Oldenburg	100.00	511[4]	0[2)4)]
7.	BREBAU GmbH, Bremen	30.00	59,721	2,774
8.	Bremer Spielcasino GmbH & Co, KG, Bremen	49.00	[3]	[3]
9.	Bremer Toto und Lotto GmbH, Bremen	33.33	4,105	575
10.	Bremische Grundstücks-GmbH, Bremen	100.00	49,672[4]	–6,020[4]
11.	Bremische Grundstücks-GmbH & Co. KG, Präsident-Kennedy-Platz, Bremen	100.00	671[4]	885[4]
12.	Bremische Grundstücks-GmbH & Co., Wohnanlagen Gross-Bonn, Bremen	100.00	100[4]	107[4]
13.	Deutsch-Indonesische Tabak-Handelsgesellschaft mbH, Bremen	24.53	159	4
14.	Deutsch-Indonesische Tabak-Handelsgesellschaft mbH & Co, KG, Bremen	25.00	[3]	[3]
15.	GEWOBA AktiengesellschaftWohnen und Bauen, Bremen	7.75	265,933	28,776
16.	Gewobau – Gesellschaft für Wohnungsbau – Vechta GmbH, Vechta	20.46	8,666	1,020
17.	GSG OLDENBURG Bau- und Wohngesellschaft mbH, Oldenburg	22.22	57,481	2,883
18.	NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co, KG, Bremen	100.00	100[4]	2,337[4]
19.	Öffentliche Versicherung Bremen, Bremen	20.00	5,410	60
20.	PIKAN Verwaltung GmbH & Co, Vermietungs-KG, Munich	100.00	0[4]	–18[4]
21.	Schiffsbetriebs-Gesellschaft Bremen mbH, Bremen	100.00	1,085	24
22.	Stifterinstitut Bremen GmbH, Bremen	20.00	82	4
23.	Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen	100.00	40,672	3,563
24.	WLO Wirtschaftsförderungsgesellschaft für den Landkreis Oldenburg mbH, Wildeshausen	23.84	41	0

Notes:

1) Equity pursuant to Secs. 266 and 272 HGB; figures in parentheses denote unpaid contributions.
2) Profit and loss transfer agreement concluded with the company.
3) Not stated as allowed by Sec. 286 (3) Sentence 2 HGB.
4) Figures are from the most recent, but as yet unapproved, financial statements for 2009.
5) EUR 7,146,477.77 less EUR 5,700,000.00 allocation to retained earnings.

9. Parent company

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

Bremen, 16 March 2010

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Management Board

Dr. Stephan-Andreas Kaulvers	Heinrich Engelken
Dr. Guido Brune	Eckhard Fiene

Responsibility statement

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

Bremen, 16 March 2010

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Eckhard Fiene

Audit opinion

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, for the fiscal year from 1 January to 31 December 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, 19 March 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frank Bühring
Wirtschaftsprüfer [German Public Auditor]

Lutz Meyer
Wirtschaftsprüfer [German Public Auditor]

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