BREMER LANDESBANK

2011 reports and financial statements

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Bremer Landesbank management report

I. Business and general conditions

Economic situation and financial markets

After a very good start, the economy slowed over the course of 2011, with global growth according to the International Monetary Fund (IMF) averaging 3.8%, compared to 5.2% in 2010.

However, growth was spread unevenly. While the emerging economies performed well, expanding by 6.2%, against 7.3% in 2010, the world's industrial nations reported a meager increase of 1.6%, after 3.2% in 2010. Against this backdrop, world output rose by 6.2%, compared with 12.7% in 2010.

The emerging economies were once again the main drivers of growth in 2011, with China's output expanding by 9.2%. India notched up growth of 7.4% and Latin America's economies grew by 4.6%, while Russia reported an expansion of 4.1%.

In Europe, Germany prospered, its GDP up 3%. However, reform efforts in countries with high budgetary deficits and the ensuing crisis meant that GDP within the eurozone rose by a mere 1.6%. The United States reported growth of 1.8%. Defying the global trend, its economy proved to be highly stable in the second half of the year.

The slowdown in world trade was attributable to exogenous factors rather than to cyclical saturation in the global economy. The "Arab Spring" had indeterminable repercussions for the world's economy. It was followed by the natural and nuclear disasters in Japan later in the spring which sent even greater shockwaves around the globe. There was no respite as the crisis sparked by the raising of the US debt limit posed the next challenge for the global economy. From 1 August 2011, France became the victim of aggressive speculation which severely aggravated the European deficit crisis and undermined confidence in the world economy as a collapse of the eurozone became a possible scenario. Overall, political risks were responsible for the slowing pace of global trade.

The eurozone is on the road to fiscal recovery, but its efforts are not properly appreciated by the markets. New borrowing in the eurozone stood at 6.2% of GDP in 2010 but was down to 4.3% in 2011. For 2012, the IMF and the OECD are expecting new debt of around 3%. In comparison to the United States, Japan and the United Kingdom, which are forecast to raise new debt of between 7% and 10% in 2012, the eurozone looks much healthier in terms of both total debt levels and political reform.

The consequences of the heightened aversion to risk were noticeable on the world's finance markets in 2011. The stock markets slumped in the second half of 2011 and the German stock index DAX fell from 7,600 points in May to 4,965 points in the summer of 2011, closing the year at 5,898 points. Yields on 10-year German treasury bonds dropped to well below 2%, whereas treasury bond yields in the eurozone reform countries leaped. There was growing pressure on the euro while commodity prices fell. Security was top priority for investors who were seeking to dispose of risk assets.

The fate of the German economy mirrored the global economic trend. After a strong start, with growth of 5.0% in the first quarter, the pace gradually slowed. A moderate contraction in GDP of 0.2% (compared with the prior quarter) is expected for the fourth quarter of 2011. This weakness was mainly caused by a drop in both order intake and output. By contrast, the construction sector was strong despite its new orders tailing off toward the end of the year. The situation on the job markets was shaped by a steady rise in employment. In December 2011, seasonally adjusted unemployment stood at 6.8%, compared with 7.4% at the end of 2010. At year-end 2011, the IFO Business Climate Index had recovered from its current-year lows in October, improving twice in a row to close the year at 107.3 points. The situation at the end of 2011 thus held promise of a steadying German economy in 2012.

The region

The Bremen Chamber of Commerce looks back on a satisfactory year in 2011. Following a good start in the manufacturing, export, transport, investment and hospitality sectors (which had a positive knock-on effect on employment), a steady construction, property and housing sector and a restrained retail sector, fall 2011 saw an appreciable decline in business expectations which soon materialized in the real economy.

The picture was bright at the end of 2011. The business climate index rose to 124 points (the all-time high in 2010 was 136 points, the 2011 low 105) and was thus well above the long-term average of 105 points.

The Bremerhaven Chamber of Industry and Commerce concluded at the end of 2011 that it had never seen so many satisfied businesses since it had started conducting its economic survey and looked back on a good year across the board.

The upswing in the Oldenburg region continued in 2011. According to the local chamber of industry and commerce, the economy in Oldenburg was barely affected by the downturn in the rest of Germany. The mood was good at the end of the year, with robust domestic demand a key contributing factor. Export orders fell noticeably toward the end of the year. However, domestic orders were steady and, combined with full order books, the overall picture was positive. The construction sector benefited from the low interest rates in 2011. Private spending did not quite live up to expectations in the fourth quarter in spite of a satisfactory Christmas season. Business was good in the service sector in 2011. The food and drink sector reported growth of around 6% by the end of the third quarter 2011.

Businesses in East Frisia and Papenburg experienced a successful year in 2011. The economic climate index dropped from its all-time high of 130, reached in summer 2011, to 120 at year-end. This figure is only 3 points below the prior-year score and 10 less than the record high.

Manufacturers, wholesalers, retailers, service companies and the transport sector all experienced a successful year. The willingness to invest declined only marginally in the fourth quarter of 2011 and the employment market improved in the course of 2011.

Bremer Landesbank

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – is a corporation under public law incorporated by the Free Hanseatic City of Bremen and the State of Lower Saxony. It is a public lending and Pfandbrief (covered bond) institute and has trustee status. Bremer Landesbank has branches in the two major cities in the metropolitan region of the North-West, with some 300 employees in Oldenburg and over 700 in Bremen. The North-West is the business region allocated to the Bank under an interstate agreement.

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

Following the European Commission's decision in 2001 to abolish the legal obligations of Gewährträgerhaftung (public guarantee under which the owners of savings banks are jointly and severally liable to the banks' creditors) and Anstaltslast (liability assumed by public-sector owners 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 viability rating: bbb). Its long-term ratings (Fitch: A; Moody's: A2) give Bremer Landesbank access to the national and international capital markets. In the fall, the rating agencies lowered many European bank ratings, with Moody's also adjusting its financial strength rating for Bremer Landesbank to C- and its long-term rating to A2. To date, this adjustment has not had any appreciable effect on the Bank's refinancing.

In the reporting period, Bremer Landesbank continued to strictly follow its business model of operating as a regional bank with specialty operations on an international level while maintaining its function as a Landesbank and central savings bank.

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

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

Integrated bank management

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

Key metrics for the internal management of business segments are earnings before taxes (EBT) and RORAC (ratio of earnings before taxes to committed core capital).

Two key metrics for profitability management at an integrated bank level are return on equity (ROE) and cost-income ratio (CIR)[1].

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

Integrated bank management links the following management processes:

Statutory metrics such as the ongoing comparison of direct costing and the income statement

Regulatory metrics such as the consistent disclosure of risk-weighted assets

Value and risk-based metrics such as the use of cost of capital and expected loss

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 both the Bank as a whole and for the business segments – are identified in a strategic workshop (the subsidiary controlling process also involves the subsidiaries in the Group's planning and management process).

The strategy workshop defines the top-down targets for the business segments on the basis of the indicators described. The subsequent process of medium-term planning over a five-year horizon is concluded in a closed-door budget meeting in the fall. The final quantitative budget figures are significant inputs 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 developed extremely well during the past year. The main source of income – net interest income – increased strongly yet again, driven by business with customers. Net commission income settled at the prior-year level, while net income from trading book positions was slightly lower than in the prior year.

In the fiscal year, Bremer Landesbank strengthened its position as a notable lender in the region and as a leading bank in the North-West of Germany. In 2011, the negative effects of the ongoing crisis on the financial and capital markets had a stronger impact on the Bank's risk provisions than originally expected – especially in the shipping sector. Nevertheless, Bremer Landesbank's stringent risk management once again proved its worth. Only a limited volume of impairments had to be recognized on the Bank's own securities in the fiscal year.

1 Operating result after risk provisions/"sustainable" capital (comprising share capital, capital reserves, retained earnings, minority interests). CIR: Administrative expenses/total income

General and administrative expenses rose as expected in 2011. While personnel expenses decreased slightly in spite of a higher headcount due to special effects related to pension costs, the increase in IT costs and the project to migrate to Finanz Informatik systems were responsible for the anticipated increase in other administrative expenses.

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

The very good result for fiscal year 2011 will enable Bremer Landesbank to both further strengthen its liable capital and make a reasonable dividend payment to its owners. As before, Bremer Landesbank does not require any government aid.

Below we report in detail on the business performance of Bremer Landesbank in 2011.

II. Results of operations

On the whole, the Bank's results of operations were again highly encouraging in 2011.

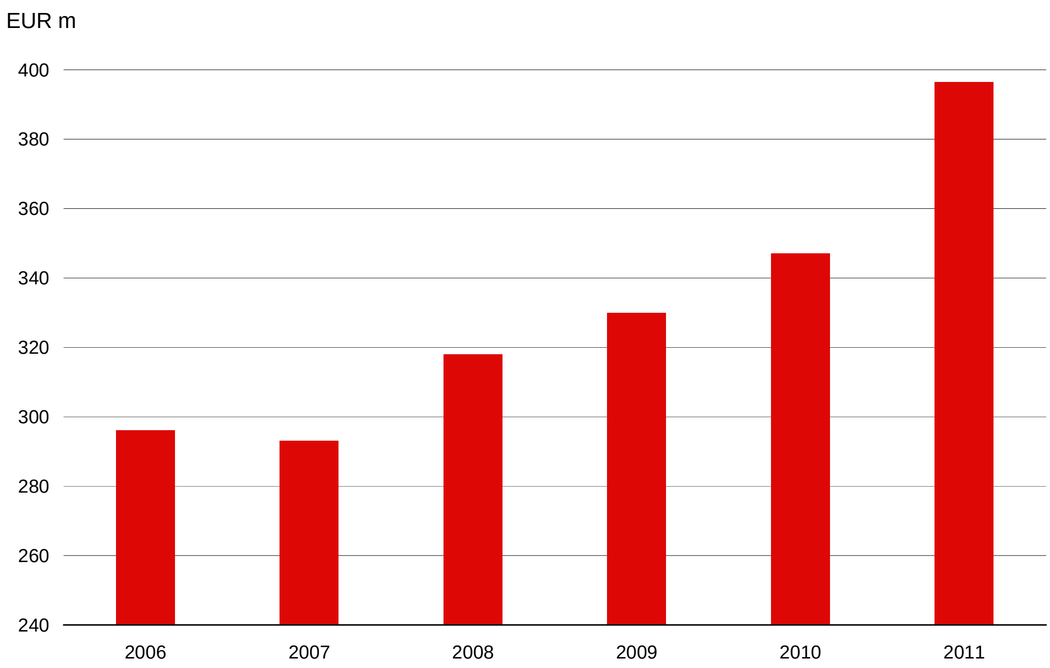
Net interest income

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

Net interest income rose sharply, up 14.2% from EUR 347.2m to EUR 396.5m. The key driver was again the Special Finance segment, while business transacted with regional corporate customers stabilized at a high level. The Bank was again able to absorb the negative effect that the maintenance of adequate liquidity had on its net interest income.

In the next few years, net interest income is expected to remain flat for some time before increasing steadily.

Net interest income



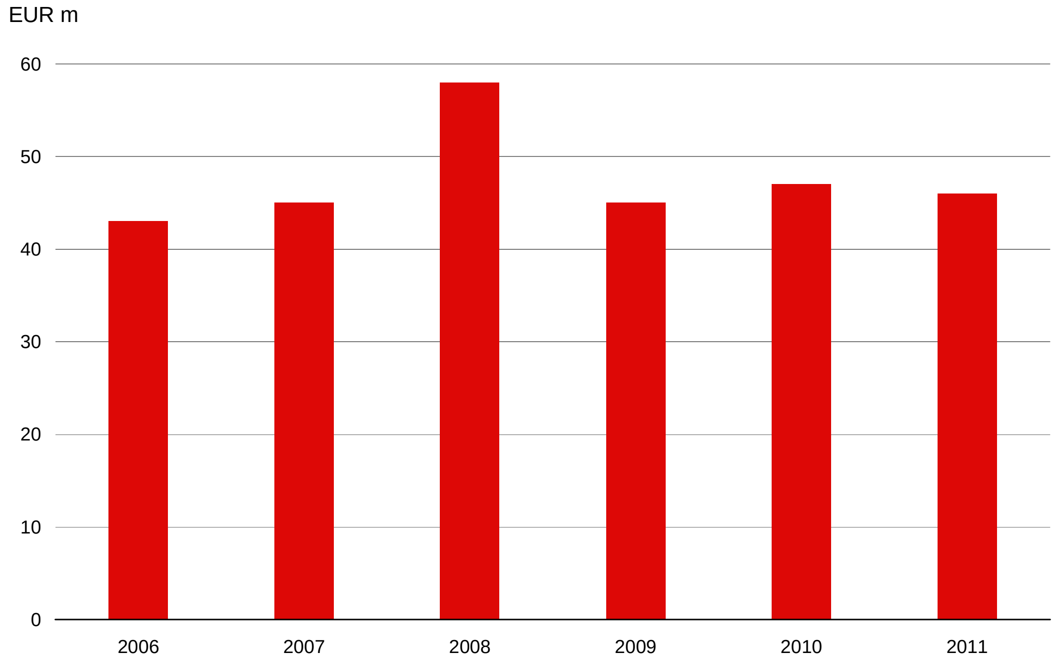
Net commission income

Net commission income decreased from EUR 47.0m to EUR 46.3m, remaining at the prior-year level in a difficult environment. The forecast stabilization was thus achieved.

While guarantee commissions from lending business continued to decline due to the economic situation, fees for designing finance arrangements for renewable energies improved again significantly on the prior year. Minor decreases (in terms of amount) were seen in securities business, international business and brokerage, whereas other earnings contributions, such as income from payment transactions and the sale of foreign notes and coins or precious metals, were relatively stable or increased moderately.

In 2012 and 2013, net commission income should be earned on the level reached in 2011.

Net commission income



Net income from trading book positions

Net income from trading book positions (EUR 15.9m) for 2011 was down 19.3% on the prior-year figure of EUR 19.8m.

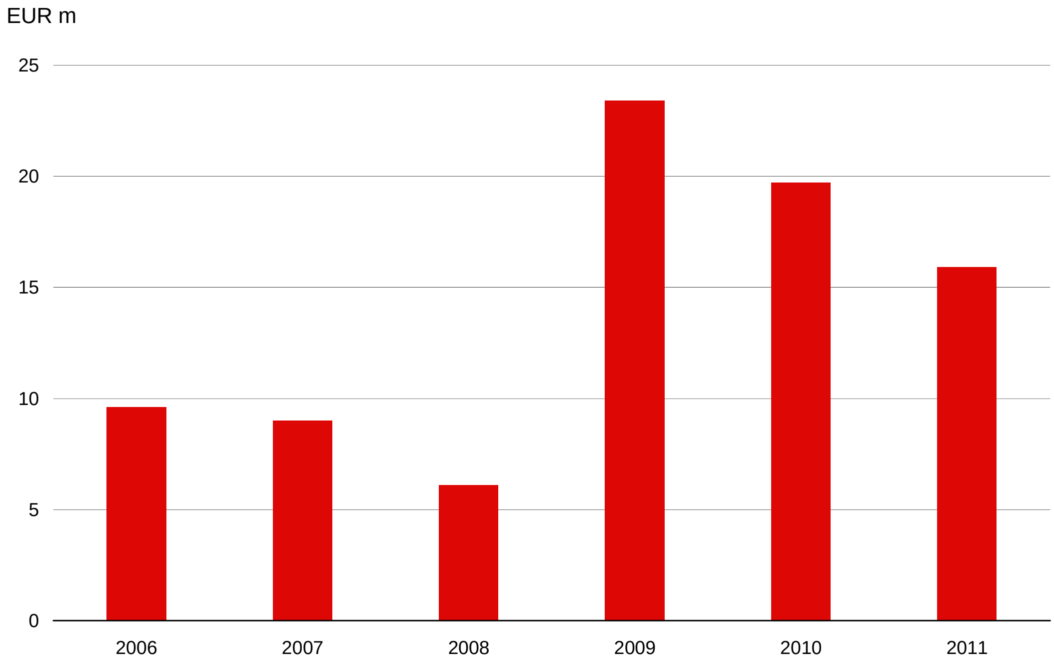
In 2010, the BilMoG ["Bilanzierungsrechtsmodernisierungsgesetz": German Accounting Law Modernization Act] introduced fair value accounting for banks' trading book positions. In order to reduce the associated volatilities and avoid distributions of unrealized gains from the measurement of trading book positions, fair value accounting was combined with a risk adjustment (upward or downward) and a safety margin that is barred from distribution. These amounted to EUR 3.5m for 2011.

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

While marginal profit and the net valuation effect made significant positive contributions, current profit – particularly from interest rate derivatives – decreased. In aggregate, the segments – interest rate derivatives, equities and fixed-income securities and foreign exchange – generated a profit.

As expected, the introduction of fair value accounting for banks' trading book positions under the BilMoG tends to increase the volatility of net income from trading book positions. Nevertheless, the outlook for successful dealing on the financial markets in 2012 and 2013 remains good.

Net income from trading book positions



Other operating income/expenses (net)

Other operating income/expenses (net) of approximately –EUR 12.9m is not comparable with the 2010 figure of EUR 0.5m due to special factors.

Other operating expenses amount to EUR 22.0m (prior year: EUR 16.7m). The interest effects of around EUR 13.0m in the pension provisions (prior year: EUR 12.8m) are on a par with the prior year. This item also includes the cost of the bank levy of EUR 4.9m, first payable in 2011, and impairment losses of some EUR 1.0m on canceled Icelandic debt securities. Interest effects from other personnel and other provisions of EUR 1.0m (prior year: EUR 1.6m) are also stated under other operating expenses.

Other operating income fell from EUR 17.2m to EUR 9.1m. In the prior year, this item included income of EUR 7.2m from the sale of canceled, impaired debt securities issued by Icelandic banks and reversals of impairment losses of some EUR 3.9m on the remaining Icelandic securities held. Other components are the reversal of personnel and other provisions, rental income and cost refunds from customers.

It is difficult to forecast net other operating income and expenses. As long-term interest rates are expected to rise, the Bank anticipates moderately increasing interest effects on pension provisions and therefore expects a limited increase in the negative balance of net other operating income and expenses.

Administrative expenses

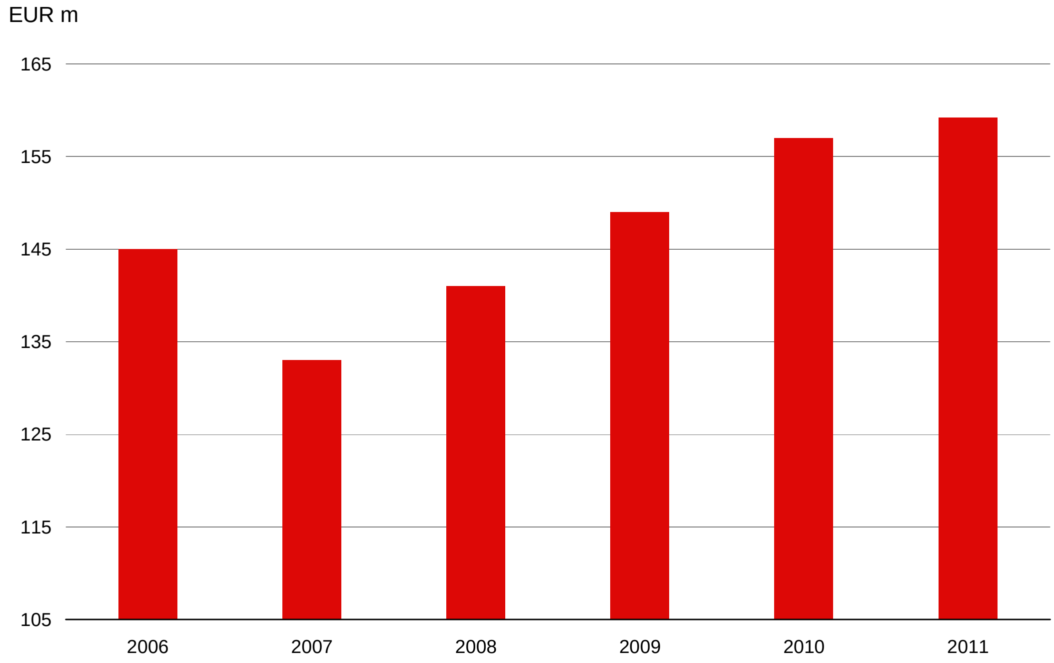
General and administrative expenses rose by EUR 1.8m, or 1.2%, from EUR 157.4m to EUR 159.2m.

Despite a planned increase in headcount, expenses for wages and salaries decreased slightly due to a special effect relating to early retirement payments. Expenses for social security, pensions and other benefits also declined because of this special effect. As a result, personnel expenses are around 5.3% lower than in the prior year and are also less than the Bank expected.

As budgeted, other administrative expenses rose again, by around EUR 6.7m or 10.1%. There were substantial increases in information technology and project-related expenses, whereas other expenses, such as premises costs, rose only moderately. On the whole, other administrative expenses were nevertheless roughly within budget.

Personnel expenses are expected to rise in 2012, mainly in line with collective wage agreements. The Bank anticipates a decrease in 2013 to around the level of 2010, supported by a decrease in pension costs on technical grounds. Other administrative expenses are forecast to increase sharply again in 2012 due to project costs, but should consolidate significantly from 2013 onward.

Administrative expenses



Amortization, depreciation and impairment

Amortization, depreciation and impairment of intangible assets and property and equipment increased by EUR 0.4m to EUR 4.4m. This is attributable to higher depreciation on buildings and long-lived assets after the completion of conversion work in Oldenburg.

The net valuation effect in the lending and securities business and from Bremer Landesbank's equity investments led to a net expense of EUR 118.6m. This figure is not comparable with the net expense of EUR 15.5m reported in 2010 for the following reasons:

While it was preparing its financial statements for 2010, the Bank discovered that a commercial customer was experiencing financial difficulties. This customer subsequently filed for insolvency. This matter had been accounted for in the 2010 financial statements by appropriating hidden reserves in accordance with Sec. 340f HGB ["Handelsgesetzbuch": German Commercial Code]. In 2011, the reserved amount was used to recognize an impairment loss.

In 2011, the negative effects of the ongoing crisis on the financial and capital markets had a stronger impact on the Bank's risk provisions than originally expected – especially in the shipping sector. Freight rates, which had been falling fast since late summer 2008, reached their lowest level in the first half of 2010. However, they started to pick up in some important sub-markets later on in 2010. The crisis came to a head again in 2011. Charter rates that were only sufficient to cover operating and interest expenses were seen throughout the year in tanker and bulk shipping. This was also the case in container and MPP shipping in the second half of the year. Low freight and charter rates had a negative impact on the value of vessels and on their collateral values. The ongoing excess supply of tonnage led to falling charter rates and vessel prices. The global economic recovery in the first six months of 2011 briefly pushed up freight rates, but was not sufficient to absorb the increase in deliveries of new vessels in the second half of the year. However, due to the rating systems in place, the renewed deterioration in the creditworthiness of many shipping companies has a delayed impact. Risk provisions were higher than forecasts, which were based on a sideways movement on the markets. However due to the high granularity of the portfolio, these did not have a substantial negative effect on Bremer Landesbank's results of operations.

Nevertheless, Bremer Landesbank's stringent risk management once again proved its worth.

Only a limited volume of impairments had to be recognized on the Bank's own securities in the fiscal year.

Adjustments to the carrying amounts of equity investments led to a net expense of EUR 1.5m in 2011 (prior year: income of EUR 9.3m).

The level of risk provisions in 2012 and 2013 is expected to continue to be determined by the gradually lessening impact of the financial market crisis on the real economy. Since 2010, risk provisions at Bremer Landesbank have been shaped largely by developments in the merchant shipping sector. If the market does not recover in 2012, risk provisions are likely to be on a par with those for 2011.

Fund for general banking risks

The fund for general banking risks pursuant to Sec. 340g HGB, which is part of the regulatory core capital, is unchanged at EUR 440.0m. An allocation of EUR 110.0m was made in the prior year.

Additionally, in accordance with the BilMoG, 10% of the net income from trading book positions (EUR 1.8m; prior year: EUR 2.2m) was allocated to a separate sub-item which is barred from distribution in accordance with Sec. 340g HGB.

This fund now amounts to EUR 444.0m.

Profit/loss from ordinary activities

The profit from ordinary activities in 2011 is EUR 163.7m, compared with EUR 127.7m in the prior year, representing an increase of EUR 28.2%.

Extraordinary result

In 2011, the extraordinary result came to approximately -EUR 6.2m (prior year: -EUR 4.6m). In the prior year, income had to be recognized from the conversion to fair value accounting for trading book positions in accordance with the BilMoG, whereas in 2011, this item only comprises the conversion effects relating to pension provisions.

Tax expense

Bremer Landesbank's tax expense rose considerably in comparison to the prior year to EUR 47.8m (prior year: EUR 39.5m), reflecting the increase in taxable income.

Interest expense for silent participations

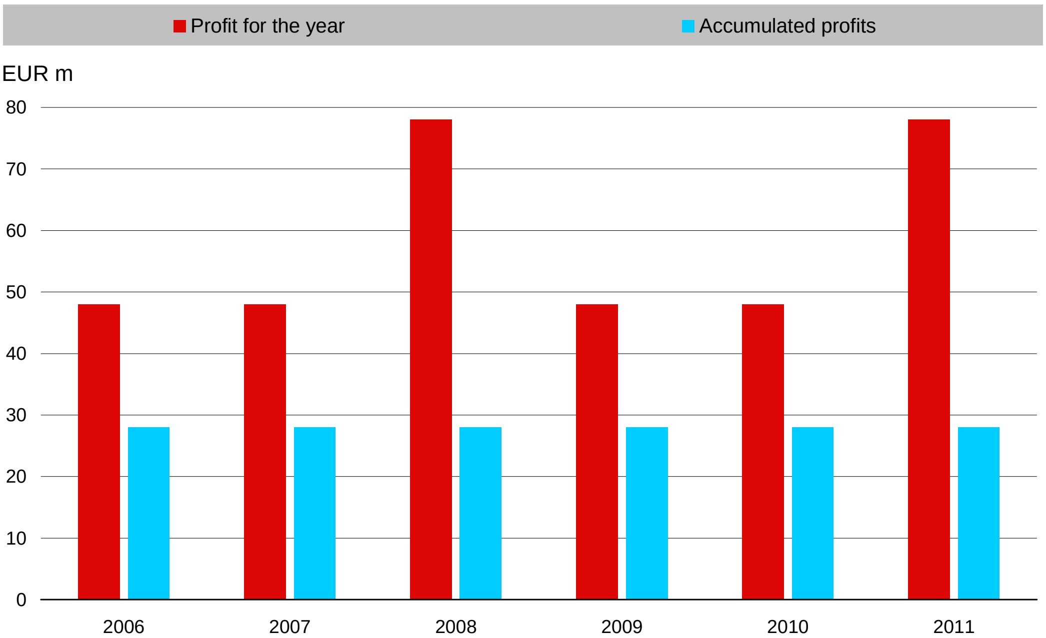
Interest expense for silent participations comes to EUR 31.7m, compared with EUR 35.6m in the prior year. The decrease is due to changes in terms and conditions.

Profit for the year and appropriation of profit

Profit for the year stood at EUR 78.0m, against EUR 48.0m at year-end 2010. An amount of EUR 50m (prior year: EUR 20.0m) 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 to remain steady or rise in 2012 and 2013. It also expects that it will have the opportunity to strengthen its capital base and pay a reasonable dividend.

Profit for the year and accumulated profits

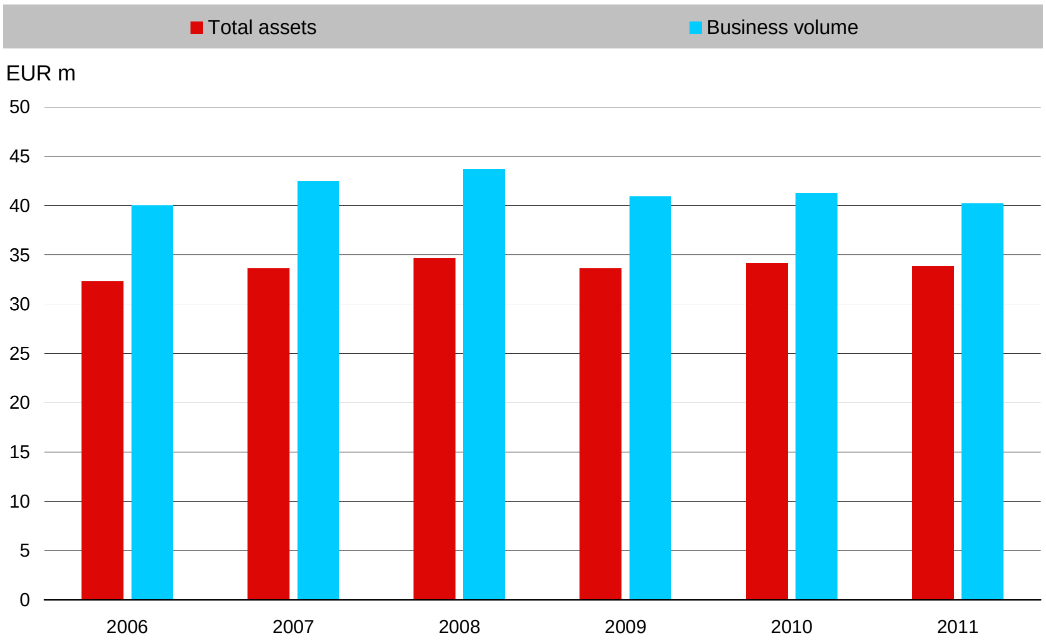


III. Net assets and financial position

Total assets and business volume

As in prior years, the Bank focused on transacting high-yield business. The resurgence of the financial and capital market crisis combined with the downgrading of a number of countries again significantly reduced the volume of interbank business. Overall, total assets decreased, down 0.9% to EUR 33.9b (prior year: EUR 34.2b). The volume of business decreased more sharply due to the expiry of contingent liabilities, down EUR 1.1b, or 2.6%, to EUR 40.2b.

Total assets and business volume



Loans and advances to banks

In connection with the reduced interbank business in fiscal year 2011, loans and advances to banks decreased by EUR 0.7b to EUR 4.9b, especially those payable on demand. This decrease was also due to a modest decrease in public-sector loans.

Loans and advances to customers

Loans and advances to customers increased – thanks to new business growth in some areas of the Special Finance and Corporate Customers segments – by some EUR 0.5b to EUR 22.4b. Loans and advances to customers account for 65.9% of total assets (prior year: 63.7%). Please see the notes on the development of the business segments for a more detailed analysis of this balance sheet item.

Debt securities and shares

Debt securities and other fixed-income securities decreased further, by EUR 0.3b, to EUR 5.2b, in the fiscal year, mainly as a result of securities maturing and being replaced by limited select purchases. At EUR 25.2m, shares and other variable-yield securities (prior year: EUR 16.7m) are insignificant.

Trading book positions

Under the BilMoG provisions, banks have had to account for trading book positions at fair value since 2010. As of the balance sheet date, Bremer Landesbank had trading book positions with positive fair values of EUR 619.8m (prior year: EUR 534.2m).

Equity investments and shares in affiliates

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

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

Following the disposal of the equity investment in DekaBank Deutsche Girozentrale, held indirectly through GLB GmbH & Co. OHG, and the related reduction in the capital of GLB GmbH & Co. OHG, the carrying amounts of equity investments and the investment risk were significantly lower as of 31 December 2011 than they were as of 31 December 2010. Regardless of the disposal, Bremer Landesbank, as a guarantor, is still jointly liable together with the other owners for certain liabilities of DekaBank Deutsche Girozentrale.

There were no other significant acquisitions or sales of equity investments in 2011.

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

Liabilities to banks

As interbank business declined, liabilities to banks decreased by EUR 0.6b, to EUR 11.0b, compared with EUR 11.6b in the prior year. Registered mortgage Pfandbriefe and public registered securities were again issued to refinance the Bank.

Liabilities to customers

The Bank's refinancing through liabilities to customers increased moderately from EUR 10.1b in 2010 to EUR 10.5b. Both other liabilities with an agreed term (up EUR 273.7m to EUR 4.8b) and deposits payable on demand increased marginally (2011: EUR 2.3b; 2010: EUR 2.2b). Savings deposits decreased by EUR 21.8m to EUR 190.9m.

Securitized liabilities

Securitized liabilities are one of the Bank's major sources of finance and decreased by 2.4% to EUR 8.8b, compared with EUR 9.0b in the prior year. A differentiated presentation of refinancing at the Bank via the various issuing programs is shown in the notes on financial markets and in the financing section.

Trading book positions

Under the BilMoG provisions, banks have had to account for trading book positions at fair value since 2010. As of the balance sheet date, Bremer Landesbank had trading book positions with negative fair values of EUR 448.2m (prior year: EUR 428.8m).

Provisions

At year-end 2011, Bremer Landesbank's provisions (EUR 259.3m) are roughly on a par with the prior year (EUR 257.2m).

Provisions for pensions and similar obligations, which are based on actuarial reports, increased by a total of EUR 6.9m to EUR 172.7m.

Due to the change in the measurement of pension provisions under the BilMoG in fiscal year 2010, Bremer Landesbank's provisions for pensions need to be increased by making a total allocation of EUR 93.2m. At least one-fifteenth of the allocation amount resulting from the remeasurement of the pension provisions has to be accrued in each fiscal year until 31 December 2024 (Art. 67 (1) EGHGB [“Einführungsgesetz zum Handelsgesetzbuch”: Introductory Law of the German Commercial Code]). Therefore one-fifteenth (EUR 6.2m) of the total allocation calculated as of 1 January 2010 was allocated to the pension provisions in fiscal year 2011.

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

At EUR 31.9m, tax provisions are roughly on a par with the prior year (EUR 31.8m).

Other provisions decreased by EUR 4.9m to EUR 54.7m in 2011. Large portions of the other provisions are related to personnel expenses, such as early retirement obligations (down EUR 1.2m) and bonuses (up EUR 0.5m). There were also changes in loan loss provisions (down EUR 2.6m) and other provisions (down EUR 1.6m).

Subordinated liabilities

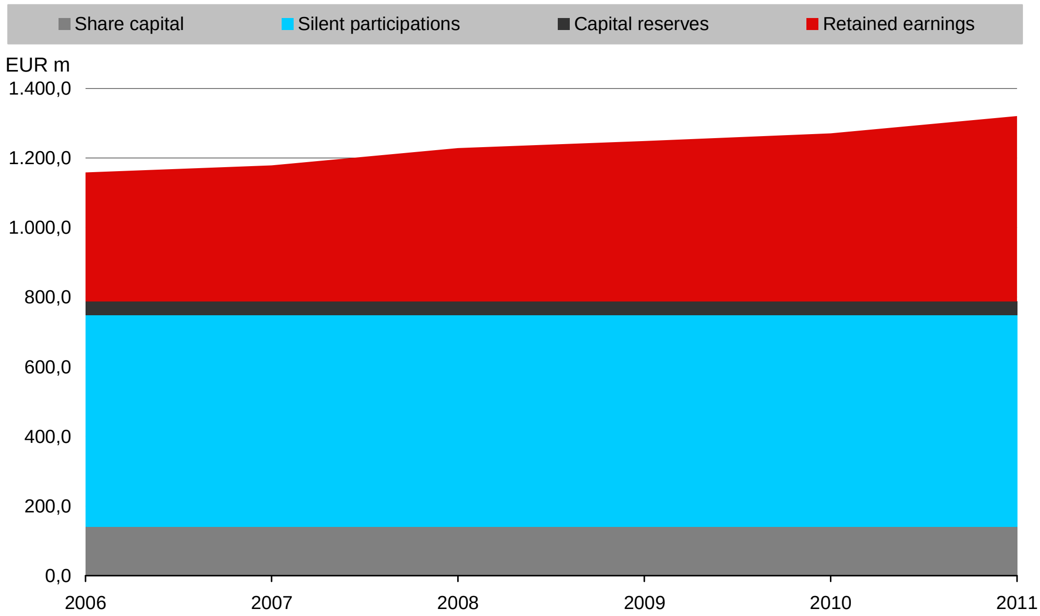
Subordinated liabilities remained unchanged at EUR 500.0m at the end of the year.

Equity

Reported equity amounts to EUR 1,348.7m, compared with EUR 1,298.7m 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 25.0m each to the reserves required by the statutes and other retained earnings, total retained earnings now come to EUR 532.8m. As in the prior year, accumulated profits earmarked for distribution to the Bank's owners stand at EUR 28.0m.

At year-end, after appropriation of profit and the impairment losses recognized in the financial statements, the core capital ratio was 9.1% (prior year: 9.3%). As before, Bremer Landesbank does not, therefore, require any government aid.

Components of equity



Contingent liabilities

Guarantees amount to EUR 3.6b (prior year: EUR 4.2b).

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

Late in fall 2010, Ireland was forced to accept the EU's bailout package as it was clearly no longer able to shoulder the financial burdens of its support for various national banks alone. As a result, restructuring credit events were declared for Irish Resolution Bank Corporation (formerly Anglo Irish Bank), the Bank of Ireland and Irish Life and Permanent. Bremer Landesbank held various CDSs on these companies totaling EUR 230m as a protection seller. The Bank received securities of these Irish institutions for a portion of EUR 185m in return for payment of the nominal amount. The securities, which the Bank intends to hold until maturity, are allocated to non-current assets upon receipt. The Bank did not consider them to be permanently impaired as of the balance sheet date. No credit event notices have been issued to the Bank yet for a portion of EUR 45m relating to the exposure to Irish Life and Permanent.

In mid-December 2011, a restructuring credit event was called for the UK bank Northern Rock, currently in liquidation, due to a change in the terms for junior bonds. Bremer Landesbank held CDSs of EUR 30m as a protection seller and EUR 10m as a protection buyer. A termination agreement has since been signed with the counterparty of the protection seller contracts so the Bank is not required to purchase any securities at nominal value under this contract. Bremer Landesbank is able to meet its delivery obligation under the protection buyer agreement using securities it already has on its books.

No provisions were recognized as of 31 December 2011 for the credit derivatives on Greece contained in the exposure to Greece because, as of the balance sheet date, the Bank continued to assume that Greece would voluntarily restructure its debts and there would, as a result, be no recourse to the Bank in connection with a credit event. In the first few months of 2012, the Greek debt crisis came to a head. A credit event in connection with the voluntary debt restructuring is no longer out of the question. Lengthy negotiations between the Greek government, the EU, the IMF and the private sector were held in the first quarter of 2012. The compromise reached – the private sector was asked to take a voluntary haircut of 53.5% on the nominal volume of Greece's outstanding debts – was accepted by the vast majority of private investors. Nevertheless, in February 2012, the Greek government decided to introduce statutory collective action clauses (CACs) for securities issued under Greek law allowing bond terms to be subsequently amended. These CACs were activated by the Greek government on 8 March 2012, in response to which the International Swaps and Derivatives Association (ISDA) recognized a restructuring credit event on 9 March 2012. Bremer Landesbank must now expect claims due to its protection seller position and has since received credit event notices from the counterparties. Some of the Bank's counterparties have also served notices of physical settlement (NOPS) in the meantime, announcing the delivery of a specific security. However, these notices are not yet legally binding and may still be amended before a bond is actually delivered. The provision required for the volume of CDSs on Greece (equivalent to EUR 58.6m) could be as much as 80% of the nominal value, but this amount is covered by the reserves available under Sec. 340f HGB.

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

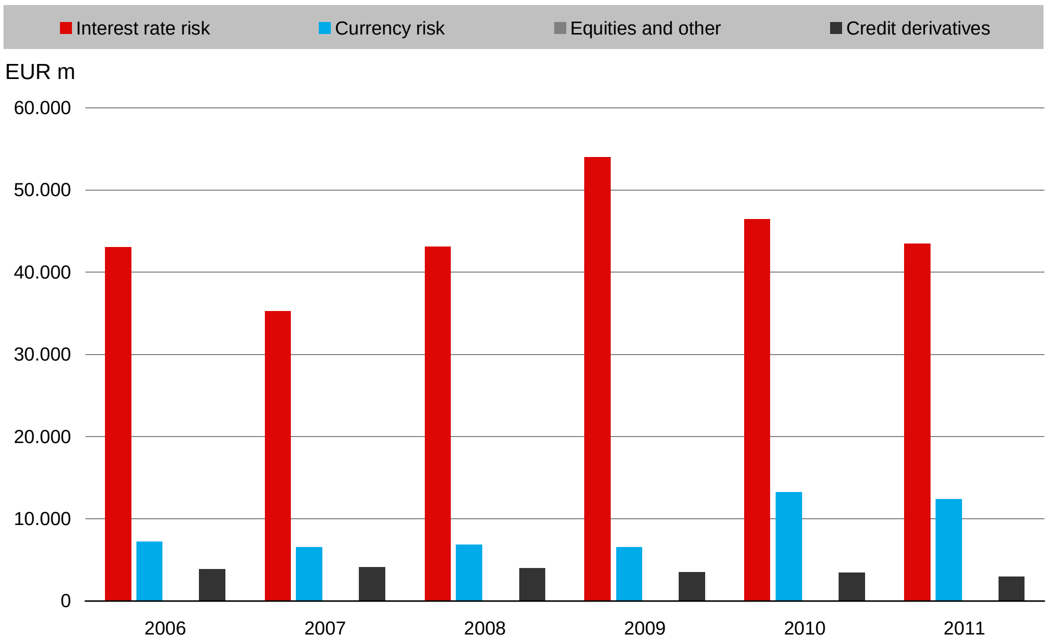
Other obligations

Irrevocable loan commitments which were not taken up amounted to EUR 2.6b on the balance sheet date (prior year: EUR 2.8b).

Off-balance sheet financial instruments

Bremer Landesbank enters into derivative transactions mainly for managing and hedging interest rate and foreign currency risks, but also for generating proprietary trading income. The nominal volume at year-end 2011 amounted to EUR 58.8b, compared with EUR 63.1b in the prior year, i.e., approximately 1.7 times (prior year: 1.8 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 2011, 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, amounted to EUR 2.3b (excluding the (European Commercial Paper) ECP program and EIB loans), compared with EUR 1.8b in 2010.

The volume of debt securities outstanding at year-end was unchanged at EUR 17.4b (prior year-end: EUR 17.4b).

The total outstanding volume of refinancing loans raised from the European Investment Bank was approximately EUR 1.0b as of 31 December 2011 (prior year-end: EUR 1.1b).

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

In 2011, the ECP program was used as and when needed in the currencies EUR, USD, CHF and GBP. As of 31 December 2011, the outstanding volume had an equivalent value of EUR 0.542b (prior year-end: EUR 0.566b).

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

Key ratios

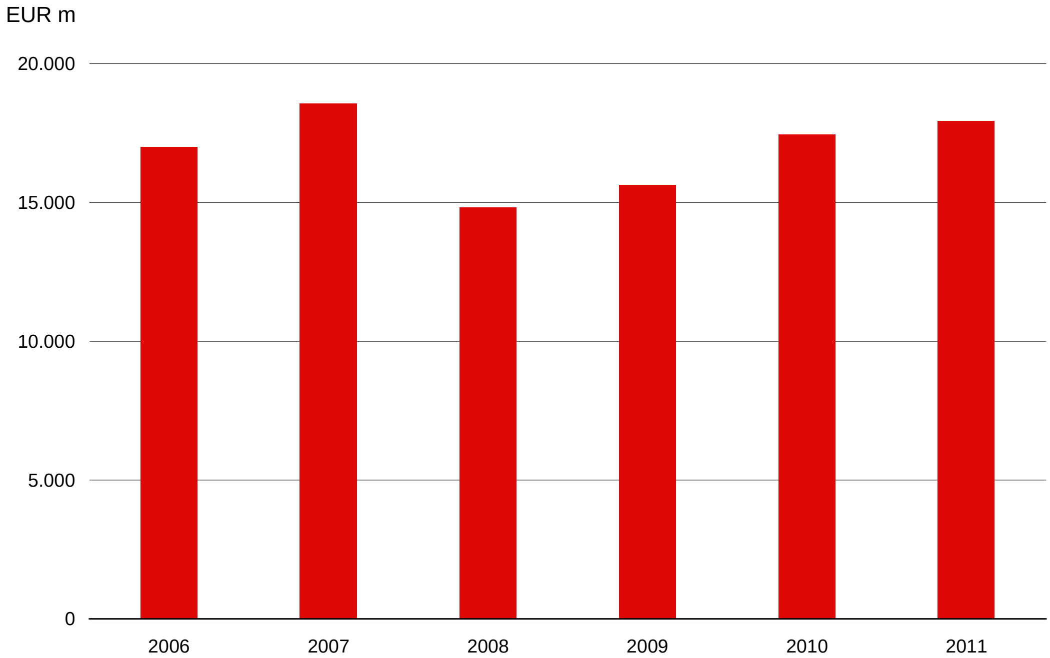
The return on equity (ROE) for fiscal year 2011, calculated using the valuation formula defined above, is 23.0%, compared with 17.0% in the prior year. The increase is primarily attributable to the much higher operating result after risk provisions and valuation.

At 37.0%, the cost-income ratio (CIR) is slightly lower than in 2010 (38.9%) and is therefore consistently less than 40%. In 2011, Bremer Landesbank's operating income thus rose faster than its administrative expenses.

As of 31 December 2011, 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 0.52% (prior year: 0.34%). This increase is primarily due to the higher risk provision expenses for ship finance.

Capital requirements under the SolvV ["Solvabilitätsverordnung": German Solvency Ordinance] total approximately EUR 1.4b (prior year: approximately EUR 1.4b), equivalent to risk assets of approximately EUR 17.9b (prior year: approximately EUR 17.4b). The overall ratio is 10.6%, compared with 11.0% at the prior year-end. The main reasons for the increase in risk assets and the decrease in the overall ratio are rating migrations, leading to a higher shortfall for IRBA exposures.

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



Investing activities

Bremer Landesbank still intends to invest substantially in modernizing and redesigning its buildings. Building work in Oldenburg was completed in 2011 and the new premises are now being used for banking operations. The architecture competition for Bremen was held in 2011. Logistical preparations are currently underway for the construction work in Bremen.

Other non-financial performance indicators

For Bremer Landesbank, being close to the markets and to the people who live and work in the region is both a privilege and an obligation and is reflected in its social involvement, the sponsoring of the “NordWest Award”, and in the fact that Bremer Landesbank, with an average of 1,036 employees (prior year-end: 1,006), is a major economic factor in the State of Bremen and the North-West region. The Bank offers attractive jobs, as is shown by the employee turnover rate, which, at 1.4% (prior year: 2.0%), is low for the industry, and a relatively high average length of service of 16.2 years (prior year: 16.1 years).

As the leading regional bank in the North-West, Bremer Landesbank is committed to setting a good example, not least as a family-friendly employer, enabling a better work-family balance for its employees. Its efforts were rewarded in 2010 with the berufundfamilie [work and family] audit certificate issued by berufundfamilie gGmbH from Berlin.

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

Information on the business segments

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

Corporate Customers

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

Sales activities were expanded further in 2011. In a highly varied market environment, the business segment clearly surpassed its income forecast. An encouraging increase in the volume of both capital investment loans and working capital facilities was seen during the course of the year. Traditional investment activity in the region was quiet for a while, but the reinforcement of the sales team in the “Public Subsidies” department produced encouraging increases in volumes of long-term finance. In spite of the rise in lending volume, risk costs were far lower than anticipated.

A promising niche product was futures trading in agricultural commodities, which grew substantially. The launch of an electronic trading platform at the end of 2011 laid the foundations for further growth. Fluctuating interest rates in 2011 led to rising demand for derivative products. In 2012, volatile markets could give rise to a further increase in income from hedging products.

For 2012, we generally expect the result of operations to develop positively, if moderately. For this to be the case, it is vital that the economy does not slow significantly and that demand for credit remains high. A healthy risk structure combined with a comfortable capital base will allow us to support customers' large-scale investment projects in the future.

Overall, the Corporate Customers segment aims to be the leader in corporate customer business in the region and underpin this with growing market share.

Traditionally, Bremer Landesbank has a reputation in the region of being a steady and reliable partner. The Bank was able to boost its image of trust during the economic crisis, which will help it to acquire new customers and become a principal bank for more major companies.

Special Finance

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

Bremer Landesbank's Special Finance segment continued to develop well in 2011. Since the financial and economic crisis, Special Finance has seen more moderate growth with a particularly noticeable effect on ship finance. Risk provisions were higher than forecasts, which were based on a sideways movement on the markets. However due to the high granularity of the portfolio, these did not have a substantial negative effect on Bremer Landesbank's results of operations. Nevertheless, the business segment reached its earnings target once again. Renewable Energies, in particular, made use of market opportunities and grew faster than budgeted.

In the ship finance business, Bremer Landesbank has only engaged selectively in limited new business since the onset of the shipping crisis. The growth in volume is due in particular to deliveries of vessels contracted in prior years. Bremer Landesbank's crisis management proved to be cautious and robust. Bremer Landesbank remains prepared for potential payment disruptions as a result of the shipping crisis and will adjust its risk provisions where necessary. With its sustainable financing structures and long-established relationships with direct customers, the Bank is as ever in a strong position but it does not expect to see a slow market recovery until 2013. In the long term, globalization and the accompanying rise in global trade will fuel demand for modern tonnage.

In refinancing of equipment leasing companies, Bremer Landesbank stood its ground as a leading financer of medium-sized leasing companies in 2011, improving its earnings situation further. Bremer Landesbank has acted as the competence center for the NORD/LB Group in this sub-segment since 2008, and, with a broader customer base, is a reliable partner for leasing companies with bank functions. At the beginning of 2011, it also concluded its first contracts to refinance factoring companies.

In the community interest properties sector, Bremer Landesbank specializes in the financing of nursing homes and is the competence center for the NORD/LB Group in this field. Demographic trends and the growing need for in-patient nursing highlight the strategic importance of this area.

In the fiscal year, Bremer Landesbank enjoyed notable growth in its renewable energy segment, The development of new business reflects customers' greater structuring and financing needs in the wake of the revision of the EEG ["Erneuerbare-Energien-Gesetz": German Renewable Energy Act]. Wind power and photovoltaics continued to benefit from a positive regulatory environment. Within the NORD/LB Group, Bremer Landesbank is the competence center for biogas and photovoltaics in Germany. It also supports experienced customers in selected ventures in other European countries.

With its emphasis on shipping, lease refinancing, community interest properties and renewable energies, as well as its consistent focus on long-term, reliable relationships with mostly midmarket companies, Bremer Landesbank's Special Finance segment considers itself to be well positioned.

Financial Markets

Bremer Landesbank's Financial Markets segment provides access to the national and international financial markets for private and institutional customer groups as well as for the Bank's proprietary business. Refinancing measures carried out by Bremer Landesbank both during the year and for a period longer than one year are also conducted by the Financial Markets segment.

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

In 2011, 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, amounted to EUR 2.3b (excluding the ECP program and EIB loans), compared with EUR 1.8b in 2010. The volume of debt securities outstanding at year-end 2011 was unchanged at EUR 17.4b (prior year-end: EUR 17.4b). The total outstanding volume of refinancing loans from the European Investment Bank (EIB) was approximately EUR 1.0b as of 31 December 2011 (prior year-end: EUR 1.1b).

In connection with refinancing and liquidity management during the year, in 2011 Bremer Landesbank continually employed the various instruments of the European Central Bank in addition to the interbank and repo market.

In 2011, the ECP program was used as and when needed in the currencies EUR, USD, CHF and GBP. As of 31 December 2011, the outstanding volume had an equivalent value of EUR 0.524b (prior year-end: EUR 0.566b).

Capital market operations took place in a market shaped in 2011 by the effects of the euro crisis and international and multi-institutional efforts to contain its impact on the financial and real markets.

The Financial Markets units were on the whole successful in their treasury, trading and sales marketing operations. Trading activities focused on managing liquidity and interest rate risks, safeguarding the Bank's liquidity at all times and supplying the above customer groups with money and capital market products.

In 2011, the segment's sales desks once again recorded a high volume of trade and unabated, intensive demand for consulting and support services for all money, currency and derivative products.

Bremer Landesbank's business with associated banks, which it also operates in the Financial Markets segment, was successfully continued in 2011 and included comprehensive support services for the associated savings banks. Despite the testing economic environment with strong competitive structures, earnings were again kept steady.

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. Another focus of business with associated banks is public-sector refinancing. Apart from offering finance to regional authorities, sales activities also encompass support to the associated savings banks with regard to their public-sector finance arrangements.

Private Customers

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

The international financial market crisis has also had an effect on the Private Customers segment, leading in particular to increased information requirements on the part of customers. Thanks to its professional customer management, Bremer Landesbank has been able to build long-lasting customer confidence, as was confirmed and reflected in the very good results of our customer satisfaction survey.

The Bank's attention continues to be focused on growing its market share in private banking. Its business performance in 2011 again underlines its positioning as a premium private banking service provider.

A cornerstone of the Bank's success in this business segment is its stringent adherence to an integrated advisory approach. In private banking, this is supported by the wealth concept, which was developed with a view to financial planning. The finance concept, also based on a financial planning approach, was also introduced with great success in the private customer service segment for less complex wealth situations.

"Entrepreneur banking" was also promoted further, with excellent results. The Bank's integrated consulting philosophy again proved to be a success driver. Thanks to the close cooperation with the Special Finance and Corporate Customer segments, the Bank's private banking expertise is well received by this clientele. This success will be entrenched by focusing the attentions of the Bank's private banking advisers on the group of entrepreneurs and self-employed.

Another key factor for the positive results is that the Private Customer segment has its own, independent portfolio management. The results of the specially designed SIP® investment process are applied particularly in asset management, the SIP® family of funds and in the advisory process.

Overall, the trend which first emerged last year – restrained customer demand for securities products, also extending to "safe" investments – continued in the fiscal year.

Conclusion

Another excellent result for 2011, 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 remain profitable, weathering any adverse economic conditions, and to drive forward its business development in 2012 and 2013.

IV. Subsequent events

Apart from the following, there were no events of special significance for the economic situation of the Bank between the end of fiscal year 2011 and the preparation of the financial statements that have not been accounted for in the financial statements.

Given the current situation, Bremer Landesbank must now expect claims due to its protection seller position for the credit derivatives on Greece contained in its exposure to Greece. The provision required for the volume of CDSs on Greece (equivalent to EUR 58.6m) for 2012 could be as much as 80% of the nominal value, but this amount is covered by the reserves available under Sec. 340f HGB.

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

V. Outlook

Economic situation and financial markets

As the global economy started to slow in spring 2011, the leading international economic research institutes are forecasting a reduced rate of growth for 2012. The IMF is anticipating an increase of 3.3% in global output for 2012. The emerging economies, accounting for some 50% of global output, will remain the key drivers of the world's economy in 2012. The IMF forecasts growth in the vicinity of 5.4% (compared with 6.2% in 2010) for this segment. According to the IMF, the industrial nations will expand by 1.2%, after 1.6% in 2010.

These latest forecasts factor in the eurozone deficit crisis and its macroeconomic impact to date.

An analysis of key global cyclical forces – be it the inventory cycle or the capital goods cycle – does not indicate any lasting saturation. On the contrary, the flagging economy in 2011 has created potential for stronger global growth provided that the deficit crisis in the eurozone can be properly resolved. Purchasing manager indices have been pointing toward a global recovery for two to three months now.

Reactions on the financial markets early in 2012 imply a more relaxed attitude toward most of the reform countries. There have been qualitative changes in the management of the eurozone crisis, with a greater focus on solidarity and a commitment to maintain the political integrity of the eurozone, the prerequisite for a lasting solution to Europe's problems. Given that new borrowing and total debt levels are far better than in the United States, Japan or the UK, the forthcoming sealing of the fiscal pact, marking the birth of the stability union, signals positive potential for the eurozone – with corresponding economic repercussions for the rest of the world. In view of this, the current forecasts for global growth appear cautious. Nonetheless, the outlook remains uncertain.

In its monthly report for January 2012, the Bundesbank writes that there are indications that the economy will move sideways at the beginning of 2012, after the contraction in the fourth quarter of 2011. The Bundesbank cites a positive change in business expectations.

The capital goods sector is one of Germany's main ties to the global economy. The IMF forecasts German GDP growth of 0.3% in 2012, based on the situation in the past nine months. In light of the position of the capital goods and inventory cycles in the world economy, this forecast appears moderate.

The good employment situation in Germany and its positive effects on consumer spending will create domestic stability and growth potential in 2012. The construction industry will also make a contribution to growth in 2012. Despite the economic decline in 2011, full order books for the next nine months on average in the chemical, mechanical engineering and automotive sectors point to higher growth potential than is currently forecast. The fact that cancelation rates were low in the downturn supports the theory that global markets are not saturated. As a result, the German economy has the potential to surpass the generally accepted growth forecasts.

Spurred by high growth during the last two years and by the effects of the Agenda 2010, the fiscal recovery of public coffers in Germany is making progress. Just as 2011 was a great surprise compared with the German government's budgetary forecasts, 2012 holds similar potential, aside from the fiscal requirements to provide capital for the ESM.

The financial markets appeared to be less risk averse at the beginning of 2012, mainly due to adjustments of extremely underweighted risk asset exposures.

The Federal Reserve's zero interest rate policy, likely to be maintained until 2014, and the ECB's monetary policy of allowing unlimited tenders for a period of 36 months reflect the intentions of the key central banks to create a basis for economic stability and expansion. They are also providing incentives to take on exposures to risk assets, aimed at reviving and safeguarding the functionality of the relevant markets for the real economy. Against this backdrop, the current value of German treasury bonds is rather ambitious. Shares (DAX) are undervalued both by historical comparison and considering cyclical aspects. The low inflation estimates are linked with the moderate growth forecasts and will be up for review in 2012.

The region

According to the Chamber of Commerce's economic report for 2012, the business situation in Bremen remains good at the beginning of the year. The current survey indicates moderate growth in Bremen in manufacturing, trade and services throughout 2012.

Two thirds of industrial businesses were optimistic at the beginning of 2012, with the new order index just under the prior-year level. The construction sector is more cautious in its outlook. Wholesalers and exporters are expecting the economic situation to slow, in which case exports would lose their role as the driver of the economy. The hospitality sector is optimistic in spite of the tourist tax. By contrast, retailers are less happy with their current situation and future prospects, which they rate as moderate at most. The situation in the transport and logistics sector is varied, but on the whole slightly negative.

The risks and related challenges are thought to be greater than they were at the beginning of 2011. Apart from the European deficit crisis and its ramifications for the financial markets, businesses view energy and commodity supply as critical issues.

According to the Bremerhaven Chamber of Industry and Commerce, the economic outlook and risk assessment for 2012 largely tallies with that of Bremen.

The Oldenburg Chamber of Industry and Commerce presents a positive outlook for 2012. Its economic climate index, which gauges both the current and future situation, recently rose to 125 points, a boom-time level. One in four companies expect business to be better in 2012, whereas 60% forecast that it will be the same. Domestic investment and private spending are defined as key factors, while exports are expected to play a lesser role in the year ahead.

Manufacturing companies, the construction sector, domestic wholesalers, transport companies and the service sector will be the main catalysts of continued economic growth in 2012. Retailers are less optimistic in their expectations.

The East Frisia and Papenburg Chamber of Industry and Commerce has an optimistic outlook on 2012. After a minor dip in expectations at the end of the year, confidence now prevails. The eurozone's sovereign debt crisis is seen as the main risk factor. Wholesalers and the transport and service sectors are particularly positive about the year to come. Earnings, for the most part, will remain stable and companies' optimistic stance will translate into jobs. More than 95% of the companies surveyed are expecting employment levels to be steady or improve. Companies remain willing to invest, with just under two thirds planning to step up capital expenditure. However, they are more critical as far as exports are concerned.

Bremer Landesbank

Having clearly focused on its business model at the right time, Bremer Landesbank is well positioned to remain profitable, weathering any adverse economic conditions, and to drive forward its business development in 2012 and 2013. The acute crisis on the financial and capital markets has eased further, but the growing uncertainty surrounding the financing of the high sovereign debt of a number of countries has led to sharp swings on the markets which are likely to continue in coming years.

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

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

The sustainably strengthened cooperation with associated savings banks and Landesbanken, short lines of decision and quick response times create a promising environment for further sound earnings growth in the Bank's core segments.

Integrated bank management

The Integrated Bank Management unit is responsible for the ongoing enhancement of value and risk-based management. The Bank's reporting function was systematically enhanced, as planned, in 2011. The regulatory requirements anticipated under Basel III were also factored into the mid-range planning.

Results of operations, net assets and financial position

The Bank expects its profit to remain steady or rise in 2012 and 2013. In spite of the recessionary effects which usually set in with some delay in the lending business, the Bank assumes that it will be in a position to further strengthen its capital base and pay an adequate dividend in the coming years. According to the Bank's forecasts, it will not need to make use of any state aid.

In the next few years, net interest income is expected to remain flat for some time before increasing steadily. In 2012 and 2013, net commission income should be able to be maintained at the level reached in 2011. As expected, the introduction of fair value accounting for banks' trading book positions under the BilMoG tends to increase the volatility of net income from trading book positions. Nevertheless, the outlook for successful dealing on the financial markets in 2012 and 2013 is good. It is difficult to forecast net other operating income and expenses. As long-term interest rates are expected to rise, the Bank anticipates moderately increasing interest effects on pension provisions and therefore expects a limited increase in the negative balance of net other operating income and expenses. Personnel expenses will rise in 2012 before reverting to 2010 levels in subsequent years. Other administrative expenses are forecast to increase sharply again in 2012 due to project costs, but should consolidate significantly from 2013 onward. The level of risk provisions in 2012 and 2013 is expected to continue to be determined by the gradually lessening impact of the financial market crisis on the real economy. Since 2010, risk provisions at Bremer Landesbank have been shaped largely by developments in the merchant shipping sector. If the market does not recover in 2012, risk provisions are likely to be on a par with those for 2011. Overall, the profit from ordinary activities in 2012 and 2013 is expected to match that earned in 2011.

After the highly encouraging result for 2011, the return on equity is expected to decrease in the forecast period before improving in subsequent years. The cost-income ratio will be slightly higher in 2012 than in 2011, but is set to fall again in 2013. The risk ratio is expected to decrease moderately in the forecast period. According to the Bank's forecasts, risk assets will increase further during the same period.

The Bank expects profit to remain steady or rise in 2012 and 2013. It also expects that it will have the opportunity to strengthen its capital base and pay a reasonable dividend.

The problems on the international financial and capital markets and their negative effects also impacted the results of Bremer Landesbank in accordance with the HGB. The Bank was, however, able to absorb these effects without any substantial impairment to its positive results of operations. The Bank expects this to be the case in 2012 and 2013 as well.

VI.Opportunities and risks

Integrated bank management

Bremer Landesbank defines risk from an operational perspective as the possibility of direct or indirect financial losses arising when actual results from ordinary activities are unexpectedly lower than forecast.

Bremer Landesbank has identified its overall risk profile in a multi-stage process. It reflects the risks that are relevant to the Bank, distinguishing between significant and insignificant risks. Significant risks are all types of risk which could have a significant negative effect on capital, the results of operations, liquidity or the attainment of strategic objectives. Bremer Landesbank's overall risk profile is reviewed once a year and as required (risk inventory) and modified if necessary.

Risk/sub-risk (risk universe)					Relevant	Significant
Counterparty risk	Credit risk	Traditional credit risk			x	x
		Counterparty risk from trading	Default risk from trading			
			Replacement risk			
			Settlement risk	Pre-settlement risk		
				Actual settlement risk		
			Issuer risk			
	Investment risk				x	x
	Market price risk	Interest rate risk	General interest rate risk[1)]		x	x
			Specific interest rate risk			
		Currency risk				
		Equity price risk				
		Fund price risk				
		Volatility risk				
		Credit spread risk in the banking book				
		Commodity risk			–	–
	Liquidity risk	Traditional liquidity risk			x	x
		Refinancing risk				
		Market liquidity risk				
	Operational risk	Legal risk			x	x
		Reputational risk as consequential risk				
		Compliance risk				
		Outsourcing risk				
		Fraud risk				
		Dilution risk				
	Other risks	Business and strategic risks, including group risks			x	–
		Reputational risk			x	–
		Syndication risk			x	–
		Model risk			x	–
		Collective risk			–	–
		Technical risk			–	–
		Residual value risk			–	–
		Real estate risk			x	–

[1)] Credit spread risks in the trading book are included in general interest rate risk.

Bremer Landesbank’s significant risks have to be covered at all times by available risk capital. In the risk-bearing capacity model, this is ensured by means of three perspectives.

- The first perspective is the going concern case which is based on the assumption that the Bank is continued as a going concern with the existing business model. Risks are measured using a defined confidence level of 90% and the economic risk potential is compared with free regulatory capital. Effects on risk capital arising during the year are also taken into account.
- The going concern approach is supplemented by the economic capital adequacy perspective in which the risk potential is calculated with higher confidence levels. Risks are measured on the basis of serious events of the kind that occur statistically about once every 1,000 years. On the capital side, the tests include all the equity and equity-related components. Effects on risk capital arising during the year are also taken into account. This perspective provides proof of the capital adequacy required under the MaRisk [“Mindestanforderungen an das Risikomanagement”: Minimum Requirements for Risk Management] (ICAAP – Internal Capital Adequacy Assessment Process).
- In the third perspective, regulatory capital adequacy, risk-bearing capacity is tested on the basis of the regulatory requirements. As with the economic capital adequacy perspective, all equity and equity-related components are included on the capital side. This perspective must be complied with as a strict condition.

The economic and regulatory capital adequacy perspectives are supplemented by stress tests, reflecting Bremer Landesbank’s key business and risk types for the industries, segments, regions and customers which have a significant influence on the risk situation of Bremer Landesbank. All stress scenarios are designed to cover all types of risk. When determining the stress effects of the various risk types, two different scenarios are calculated: one that reduces risk capital and one that increases risk potential. This means that the stress tests always have two opposite effects – on risk capital and on risk potential.

Risk concentrations, both within a single risk and across risks, are taken into consideration when calculating the risk-bearing capacity. Concentrations within a single risk mainly involve credit risk, Bremer Landesbank’s most significant risk. These are integrated into the risk-bearing capacity model via the internal credit risk model. The requirements of the MaRisk regarding risk concentrations across risks are taken into account in the economic capital adequacy perspective in the form of stress tests.

Under the risk-bearing capacity model, a portion of the total available risk capital is reserved as a buffer. The economic capital adequacy ratio must be at least 125% (primary criterion). The secondary criterion is a defined allocation of risk capital to the various risk types in the economic capital adequacy perspective. This allocation is monitored as a strategic limit. Further operational limits for each type of risk are derived consistently from these strategic limits. In parallel, capital is also allocated to business segments in the form of ceilings for risk-weighted assets (RWA) on the basis of the Bank’s risk-bearing capacity and its business and earnings forecasts.

The above ratios and limits are monitored as part of monthly reporting.

The NORD/LB Group revised and enhanced its existing risk-bearing capacity model in the reporting period, focusing on a more differentiated quantitative capturing of stated risk potentials. This included an extensive enhancement of the credit portfolio model with a view to modeling losses given default, mapping dependencies between individual borrowers and integrating losses due to rating migrations. In the process, the previous premiums used in the model were reduced. The migration of internal credit risk reporting data to a new IT environment will improve data quality, for example with regard to market values and collateral.

The process for quantifying investment risk was redesigned to also adequately allow for risks greater that the investment's carrying amount. The scaling factor used to calculate market price risk for long holding periods was adjusted. In addition, inverse stress tests were conducted for the first time as of 31 December 2011.

Prompted partly by discussions between the industry and the German supervisory authorities concerning the assessment of internal risk-bearing capacity concepts and the requirements formulated by the supervisory authorities for such concepts, the risk-bearing capacity model is currently being critically reviewed in order to ensure that it satisfies the MaRisk. Conversion to the revised risk-bearing capacity model is scheduled for 31 March 2012.

Strategy and management

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

On the basis of Sec. 25a KWG, the MaRisk specify the framework for the design of the risk management process for banks or groups of banks.

In this respect, the Management Board has installed a risk management system that meets both the legal requirements and internal management requirements. The risk management system includes all organizational arrangements and measures to identify risks and handle the risks relating to the banking business. The principles of the risk management system are defined in the risk strategy. The MaRisk require management to define a sustainable business strategy and a consistent risk strategy. The latter is based on the requirements of the MaRisk and on the NORD/LB Group's group risk strategy.

The risk strategy is a guideline for Bremer Landesbank and contains statements on risk policy and on the organization of the risk management process, as well as strategies specific to the main banking risks. It focuses on safeguarding the Bank's risk-bearing capacity in the future and is reviewed, communicated to and discussed with the Supervisory Board of Bremer Landesbank at least once a year.

The strategy reflects Bremer Landesbank's sustainable risk policy and its choice of a conservative business model.

The Bank has implemented a risk management process spanning all of its activities. In the strategic sub-process "risk identification", the risk types relevant to the Bank are identified and analyzed for materiality (risk inventory). The significant risks then pass through the operational sub-processes "risk assessment", "risk reporting" and "risk management and monitoring". The strategic sub-process "risk identification" is carried out at last once a year as part of the risk inventory and on an ad hoc basis. The operational sub-processes are conducted regularly at intervals suited to the particular type of risk. Risk management instruments are consistently improved through organizational measures and the adaptation of risk measurement and risk management parameters.

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.

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 systems comprise the reports (market price risk, liquidity risk and monthly risk-bearing capacity reports as well as the credit portfolio report) and the methods for early identification of different types of risk.

Structures

The framework for Bremer Landesbank's structures is defined by the Management Board and ensures the orderly interaction of all areas 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.

The Management Board also bears overall responsibility for risk management.

At overall bank level, the risk control function is responsible for identifying the various risks, making them measurable, evaluating them and communicating them. Its tasks are split between the Market Price Risk Control unit and the Integrated Bank and Credit Risk Control unit. These units develop the methods, implement the essential systems, monitor the entire process of risk management and report on risks.

Risk management is carried out actively within the specified framework by the four business segments and Back Office Financing.

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

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

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

A functioning internal control system (ICS) as part of the internal monitoring system ensures process security and the reliability of financial data and minimizes fraud. In addition to meeting legal requirements, the ICS secures process knowledge, optimizes workflows and increases the awareness of risks within the organization, creating integrated process and risk-based structures and procedures. All organizational safeguards and controls are assigned to the ICS. They allow comprehensive control of all relevant business workflows within Bremer Landesbank. Functions, authorities and responsibilities are clearly distributed. The functional departments carry out the controls as part of day-to-day business. Organization/IT have overall responsibility for the ICS. They enhance the methods and instruments, assess the adequacy and effectiveness of the controls in cooperation with the functional departments and take action, if necessary.

New business operations are commenced in a structured process which considers their effects on the risk profile and risk management. Each product has its own risk and return profile. The risk profile is determined by the risks defined in line with the risk strategy. The main aim of the new product process is to identify, analyze and evaluate all potential risks for Bremer Landesbank prior to commencing business. It entails documentation of the new business activities, their treatment within the overall operating process, the decisions to commence business and any related restrictions.

In addition to the Bank's specific organizational structure, committees have been installed at the level of the NORD/LB Group to ensure the use of uniform methodologies throughout the Group and to approve any bank-specific regulations that deviate from such standards.

As such, the risk control method committees are a group risk management tool which supplements regular bilateral communication between NORD/LB and its subsidiaries.

The Management Board is supported by the Group Risk Committee (GRC) in connection with the integrated analysis of risks within the NORD/LB Group. The GRC comprises the Chief Risk Officer, the heads of the front office units, the heads of Central Management Risk, Risk Control, Research/Economics and the Lending back office units at NORD/LB and the heads of Risk at Bremer Landesbank, NORD/LB Luxembourg and Deutsche Hypo.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The policies, structures and procedures, as well as the processes of the internal control and risk management system (including the accounting-related ICS), are set out in a procedural 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 Bank's finance and accounting functions, the strategic business segments and in operating processes which generate key information for preparing the financial statements and management report, including functional segregation and pre-defined approval processes in relevant areas
- Measures to ensure the orderly computer-assisted processing of accounting transactions and data
- Measures to monitor the accounting-related internal control and risk management system

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

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

Accounting policies and other rules ensure that transactions are properly accounted for; the former are subject to ongoing review and adjusted if need be. Bremer Landesbank uses the SAP system for its accounting entries. It also makes use of customized data processing tools whose design is separately monitored.

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

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

The financial reporting process for the financial statements comprises functional transaction support, data entry and processing, reporting and publication of the elements of the financial reporting.

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

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

Reporting

The dynamics of the respective risk type determine risk reporting cycles.

Risk Control prepares a monthly report on the Bank's risk-bearing capacity. This report monitors the minimum ratio adopted in the risk strategy, the allocation of risk capital and the RWA ceilings. In addition to the risk-bearing capacity report, the Management Board also receives other monthly or quarterly risk-specific reports. The relevant sections contain more details about these reports.

The General Working and Credit Committee is informed about the risk situation five times a year, and the Supervisory Board is also informed about the status of risks in its twice-yearly (or more frequent) meetings.

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

Analysis

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

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

Development in 2011

Ratio of available risk capital to risk potential in the economic capital adequacy perspective

(in EUR m)	Risk-bearing capacity 31 Dec 2011		31 Dec 2010	
Risk capital	1,906.3	100.0%	1,912.8	100.0%
Credit risk	732.8	38.4%	942.7	49.3%
Investment risk	10.6	0.6%	28.1	1.5%
Market price risk	98.1	5.1%	67.3	3.5%
Liquidity risk	61.4	3.2%	49.5	2.6%
Operational risk	43.1	2.3%	42.3	2.2%
Total risk potential	946.0	49.6%	1,129.9	59.1%
Capital surplus	960.3	50.4%	782.9	40.9%
Capital-risk ratio		**201.5%**		**169.3%**

As of 31 December 2011, the capital-risk ratio was 202%, still above the internal minimum ratio of 125%. Since the prior year, in connection with the risk-bearing capacity concept there have been methodological changes in the measurement of risk potentials for credit risk which have a significant bearing on economic capital adequacy. Applying the revised methodology as of 31 December 2010 would yield a higher ratio of 215%. This shows that the risk-bearing capacity deteriorated appreciably over the year due to the increased probabilities of default within the portfolio.

The deficit crisis in many eurozone countries, especially the PIIGs nations, combined with the risk of an economic downturn led to considerably widening spreads at banks, especially in the second half of 2011. The Iltraxx Financial 5y Senior spread widened from 152 base points (bp) at the end of June to 333bp in mid-December. Concerns about a systemic crisis, which first emerged in 2008, mean that banks have lost confidence in each other and – in the PIIGS nations in particular – are now only able to refinance themselves through the ECB. The EBA stress test carried out in the late fall and repeated at the end of the year was unable to calm the markets. It failed to achieve its objective of restoring trust in the banking sector by encouraging higher capitalization levels. The systemic European banks will need fresh injections of capital within a short period of time that will have to obtained by buying back subordinated capital and reducing risk assets. Only in exceptional cases will banks be able to raise new capital.

The Bank’s credit investment portfolio contains only two direct sovereign exposures in the form of credit derivatives (Italy and Greece). The portfolio is dominated by well diversified exposures to banks. The risk of default is estimated to be fairly low. Credit events on credit derivatives are called because of the restructuring of subordinated capital and not because of a downgrade in the credit rating.

Credit risk

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

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

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

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

Default risk from trading is the risk of loss stemming from an obligor’s failure to pay or deterioration in an obligor’s credit rating. It is equivalent to the traditional credit risk and occurs in money trading, in money market or treasury activities.

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

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

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

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. No new business may be transacted for the credit investment portfolio.

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 Integrated Bank and Credit Risk Control unit in Integrated Bank Management.

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

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

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

Reporting

As part of risk reporting, monthly or quarterly reports are made to the Management Report: a report on close watch and problem exposures and on the development of risk provisions, a report on the monitoring of concentration risks in borrower groups and a credit portfolio report.

- 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 report on concentration risks in borrower groups addresses borrower groups with a notable risk concentration as identified in respect of Bremer Landesbank's available risk capital, its management's risk preferences, the creditworthiness of the borrower in question and the collateralization of the exposure.
- At the end of each quarter, Risk Control prepares a credit portfolio report containing a differentiated presentation of the credit portfolio. The Bank's quarterly Pfandbrief report is currently included in the credit portfolio report.

Integrated Bank Management and Credit Risk Control are responsible for methodologies (rating, scoring, risk modeling).

Credit exposure is a significant parameter in managing credit risk. This figure reflects the value of all the transactions bearing credit risk concluded with a counterparty.

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

Analysis

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 analysis and assessment of the customer's financial situation and, depending on the customer group, the market conditions, product quality, competitive situation and management, as well as cash flow and forward-looking data.

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

Bremer Landesbank master scale

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

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

The rating methods are validated by the two central rating service agencies of the Sparkasse Financial Group, Sparkassen Rating und Risikosysteme GmbH (S Rating), a subsidiary of the German Savings and Giro Bank Association (DSGV), and Rating Service Unit GmbH & Co. KG (RSU), a company founded with other Landesbanken. The two rating service agencies ensure an internal rating within the meaning of the SolvV. In a structured process, the banking supervisory authorities are regularly informed of changes to and enhancements of the rating methods and other IRBA systems.

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

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

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

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

The modules Banks, Corporates, Country and Transfer Risk, Leasing as well as 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 reflect 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. Override options for revising a rating are also available; these are, however, limited when it comes to enhancing ratings. Warning signals and the background of the enterprise are also considered. A final rating result is only obtained once these aspects have been taken into account.

In 2012, cooperation with NORD/LB, the Landesbanken that are members of RSU and with the DSGV to improve the rating methods will be continued. The cooperation will focus on estimating exposures at default 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, exposure at default as well as other transaction-related risks (including currencies and products) are important.

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

The risk of the exposure is valued in a rating procedure and in defined lending processes. In existing business, any need to take action is identified in operational segments on the basis of the results generated by the rating methods applied regularly or ad hoc. 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 much more frequently (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 is improved, terms are adjusted and the customer's reporting duties are intensified. The front office unit remains responsible for managing the exposure, while the back office unit previously responsible for processing continues to process it. The new exposure strategy must be discussed with and approved by Back Office Debt Rescheduling.

2. From a rating of 12 or higher, an exposure is transferred to Back Office Debt Rescheduling for management and processing. This unit is part of Back Office Financing. It examines the viability and feasibility of debt rescheduling, consulting external advisors if need be. 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 (SA). These exposures must all be re-rated, with the "SA established" reason for default recorded. The steps mentioned above are triggered by this classification. If considerable new or additional risk provisions are required (of EUR 1.0m or more in the current year), the Management Board is informed immediately via the head of the back office.

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

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

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

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

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

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

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

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

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

Bremer Landesbank also participated in the solidarity-based bailout of the former Sachsen LB by the Landesbanken led by the German Savings and Giro Bank Association (DSGV), extending loans to the special purpose entity Sealink Funding in a securitization transaction. As these loans are senior debt, the resulting risks are extremely limited. This exposure is being scaled back as scheduled; the last portion is due to mature in January 2013.

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

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

Unexpected loss is quantified for different confidence levels and a timeframe of one year. In this connection, the Bank introduced a group-wide standard economic credit risk model in 2009, validating and revising it again in 2011. 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.

Development in 2011

The Bank's credit exposure came to approximately EUR 39,214m as of 31 December 2011, down some 0.5% compared with the end of the prior year.

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

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

Lending business by rating structure

Rating structure [1) 2)] in EUR m	Loans [3)]	Securities [4)]	Derivatives [5)]	Other [6)]	Total	
	31 Dec 2011				31 Dec 2011	31 Dec 2010
Very good to good	13,716	4,964	3,192	4,463	**26,336**	**27,518**
Good/satisfactory	2,960	219	96	765	**4,039**	**4,216**
Still good/adequate	3,319	46	59	492	**3,917**	**3,563**
Increased risk	1,350	32	19	129	**1,530**	**1,232**
High risk	1,027	–	21	26	**1,075**	**950**
Very high risk	1,093	–	20	24	**1,137**	**1,189**
Default (= NPL)	1,072	–	64	45	**1,181**	**755**
Total	**24,537**	**5,260**	**3,472**	**5,945**	**39,214**	**39,423**

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

The high proportion of exposures in the “very good” and “good” categories stems from the significance attached to interbank and public-sector business and, at the same time, reflects the Bank’s risk policy. The risk structure of the loan portfolio deteriorated further overall in 2011, as is shown by the rising probabilities of default and a significant increase in non-performing loans. The global financial market and economic crisis had a particularly negative impact on the ship finance portfolio. The ongoing excess supply of tonnage led to falling charter rates. The global economic recovery in the first six months of 2011 briefly pushed up freight rates, but was not sufficient to absorb the increase in deliveries of new vessels in the second half of the year. However, due to the rating systems in place, the renewed deterioration in the creditworthiness of many shipping companies has a delayed impact. Risk provisions were higher than forecasts, which were based on a sideways movement on the markets. However due to the high granularity of the portfolio, these did not have a substantial negative effect on Bremer Landesbank’s results of operations. If the market does not recover in 2012, risk provisions are likely to be on a par with those for the prior year.

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

Lending business by region

Region [1) 2)] in EUR m	Loans	Securities	Derivatives	Other	Total	
			31 Dec 2011		31 Dec 2011	31 Dec 2010
Euro countries	22,994	4,818	2,717	5,941	**36,469**	**36,594**
- thereof Germany	21,533	3,265	1,076	5,830	**31,704**	**31,275**
Rest of EU	343	159	652	4	**1,157**	**1,367**
Rest of Europe	132	123	19	0	**274**	**338**
North America	136	141	84	–	**361**	**275**
Latin America	148	–	–	–	**148**	**130**
Middle East/Africa	196	–	0	1	**197**	**110**
Asia	588	20	–	0	**608**	**610**
Other	–	–	–	–	**–**	**–**
Total	**24,537**	**5,260**	**3,472**	**5,945**	**39,214**	**39,423**

1) The definition of the regions has changed slightly since the prior year (e.g., Australia/Oceania is now allocated to Asia).
2) Differences between totals are due to rounding.

The tables show that country risk is of secondary importance for the Bank. The eurozone is still by far the Bank’s most important business region.

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

The percentage of financial institutions and insurance companies contained in the aggregate exposure is relatively high, at 35% (prior year: 39%), but includes institutions with very good to good ratings. The most significant credit risks still stem from Special Finance and Corporate Customers activities.

Lending business by industry group

Industry group[1)] in EUR m	Loans	Securities	Derivatives	Other	Total	
		31 Dec 2011			31 Dec 2011	31 Dec 2010
Financial institutions/insurance companies	4,576	3,852	3,005	2,407	**13,841**	**15,182**
Service industries/other	7,920	1,399	189	698	**10,207**	**10,122**
- thereof real estate and housing	1,272	–	24	168	**1,463**	**1,186**
- thereof public administration	3,755	1,382	138	57	**5,331**	**5,281**
Transport/communications	7,657	9	136	114	**7,916**	**7,855**
- thereof shipping	7,022	0	130	44	**7,197**	**7,103**
Manufacturing	752	–	22	129	**904**	**900**
Energy, water and mining	2,083	–	38	2,215	**4,336**	**3,377**
Trade, maintenance and repairs	1,083	–	79	171	**1,333**	**1,346**
Agriculture, forestry and fishing	140	–	1	153	**294**	**252**
Construction	325	–	1	58	**384**	**389**
Other	–	–	–	–	**–**	**0**
Total	**24,537**	**5,260**	**3,472**	**5,945**	**39,214**	**39,423**

[1)] Differences between totals are due to rounding.

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

Specific allowances and loan loss provisions rose significantly yet again in 2011, above all because of the worsening crisis in ship finance. The specific allowance ratio, expressed as the ratio of specific allowances to the aggregate exposure, is 0.79% (prior year: 0.53%). The percentage of non-performing loans in the aggregate exposure is 3.01% (prior year: 1.91%). Before deducting collateral, 26.10% of non-performing loans are covered by specific allowances (prior year: 27.94%).

Freight rates, which had been falling fast since late summer 2008, reached their lowest level in the first half of 2010. However, they started to pick up in some important sub-markets later on in 2010. The crisis came to a head again in 2011. Charter rates that covered only operating and interest expenses were seen throughout the year in tanker and bulk shipping and in the second half of the year in container and MPP shipping. As expected, the lower charter rates had little effect on prices for new builds and used vessels.

Risk provision requirement by industry group

Industry group[3) in EUR k	Impaired credit exposures[1)		Specific allowances		Loan loss provisions		Net allocations/ reversals of specific allowances/ provisions	
	2011	2010[2)	2011	2010	2011	2010	2011	2010
Financial institutions/insurance companies	2,598	3,517	10,346	8,316	2	2	2,031	1,319
Service industries/other	143,107	132,559	55,108	59,048	1,226	1,970	–4,684	–4,857
Transport/communications	695,355	435,968	187,738	92,697	629	4,641	91,029	45,189
Manufacturing	29,423	18,056	12,344	7,999	1,668	1,530	4,483	–5,775
Energy, water and mining	63,673	6,955	8,636	2,959	3,184	2,183	6,678	4,032
Trade, maintenance and repairs	16,432	20,461	11,651	14,398	15	323	–3,056	–231
Agriculture, forestry and fishing	4,808	4,328	2,810	4,075	759	–	–506	–812
Construction	52,649	35,808	19,618	21,375	10,622	10,058	–1,193	7,913
Other	–	–	–	–	–	–	–	–
Total	**1,008,044**	**657,652**	**308,252**	**210,867**	**18,104**	**20,707**	**94,782**	**46,777**

[1) Exposure of non-performing loans prior to allowances, with impairments.
[2) Changes in value compared to the 2010 financial statements are due to subsequent adjustments of the base data for the service industries/other and the manufacturing sectors.
[3) Differences between totals are due to rounding.

Risk provision requirement by region

Region[3) in EUR k	Impaired credit exposures[1)		Specific allowances		Loan loss provisions		Net allocations/reversals of specific allowances/provisions	
	2011	2010[2)	2011	2010	2011	2010	2011	2010
Euro countries	948,163	637,351	281,723	204,357	18,037	20,641	74,762	42,063
Rest of EU	27,394	19,338	10,530	5,834	67	–0	4,763	5,446
Rest of Europe	7,469	66	5,535	–	–	66	5,469	3
North America	–	896	1	676	–	–	–675	–735
Latin America	10,533	–	2,387	–	–	–	2,387	–
Middle East/Africa	–	–	–	–	–	–	–	–
Asia	14,485	–	8,076	–0	–	–	8,076	–
Other	–	–	–	–	–	–	–	–
Total	**1,008,044**	**657,652**	**308,252**	**210,867**	**18,104**	**20,707**	**94,782**	**46,777**

[1) Exposure of non-performing loans prior to allowances, with impairments.
[2) Changes in value compared to the 2010 financial statements are due to subsequent adjustments of the base data in the euro countries.
[3) Differences between totals are due to rounding.

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

Past due exposures by industry group

Industry group[1)] in EUR k	Past due, unimpaired exposures 2011	2010
Financial institutions/insurance companies	8,521	128,716
Service industries/other	87,999	66,966
Transport/communications	946,728	283,515
Manufacturing	11,191	16,602
Energy, water and mining	147,122	42,225
Trade, maintenance and repairs	30,346	54,628
Agriculture, forestry and fishing	1,201	9,321
Construction	1,869	20,137
Other	–	–
Total	**1,234,977**	**622,110**

1) Differences between totals are due to rounding.

Past due exposures by region

Region[1)] in EUR k	Past due, unimpaired exposures 2011	2010
Euro countries	1,069,327	588,705
Rest of EU	4	17,952
Rest of Europe	51,729	12,780
North America	11,106	1
Latin America	19,612	0
Middle East/Africa	–	345
Asia	83,201	2,327
Other	–	–
Total	**1,234,977**	**622,110**

1) Differences between totals are due to rounding.

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

Days past due[1)] in EUR k	Past due, unimpaired exposures 31 Dec 2011	31 Dec 2010
< 30 days	537,401	562,405
30-90 days	628,279	28,945
90-180 days	7,223	6,300
> 180 days	62,074	24,460
Total	**1,234,977**	**622,110**

1) Differences between totals are due to rounding.

In the fiscal year, Bremer Landesbank renegotiated the terms for financial assets with a volume of EUR 15m which would have otherwise become past due or impaired.

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

Risks in countries with serious debt problems

Bremer Landesbank is invested in some countries with serious debt problems, including Portugal, Ireland, Italy, Greece and Spain (PIIGS).

Exposure in selected countries [1)3)] **in EUR m**	**Aggregate exposure**	
	31 Dec 2011	**31 Dec 2010**
Portugal	226	226
- thereof sovereign exposure [2)]	–	–
- thereof financial institutions/insurance companies	225	225
Ireland	310	385
- thereof sovereign exposure [2)]	–	–
- thereof financial institutions/insurance companies	292	366
Italy	826	866
- thereof sovereign exposure [2)]	77	73
- thereof financial institutions/insurance companies	736	792
Greece	59	57
- thereof sovereign exposure [2)]	59	56
- thereof financial institutions/insurance companies	0	1
Spain	554	584
- thereof sovereign exposure [2)]	–	–
- thereof financial institutions/insurance companies	554	582
Total	**1,975**	**2,118**
- thereof sovereign exposure [2)]	**136**	**129**
- thereof financial institutions/insurance companies	**1,807**	**1,966**

[1)] Allocated according to economic criteria in line with management accounts. Any differences between these figures and the prior-year report are due to differences in the allocation of specific exposures.
[2)] Contains exposures to sovereigns, regional governments and local authorities.
[3)] Differences between totals are due to rounding.

The exposure to the PIIGS countries (mainly securities and credit derivatives) has decreased slightly since 31 December 2010.

No provisions were recognized as of 31 December 2011 for the credit derivatives on Greece contained in the exposure to Greece because, as of the balance sheet date, the Bank continued to assume that Greece would voluntarily restructure its debts and there would, as a result, be no recourse to the Bank in connection with a credit event. In the first few months of 2012, the Greek debt crisis came to a head. A credit event in connection with the voluntary debt restructuring is no longer out of the question. Lengthy negotiations between the Greek government, the EU, the IMF and the private sector were held in the first quarter of 2012. The compromise reached – the private sector was asked to take a voluntary haircut of 53.5% on the nominal volume of Greece's outstanding debts – was accepted by the vast majority of private investors. Nevertheless, in February 2012, the Greek government decided to introduce statutory collective action clauses (CACs) for securities issued under Greek law allowing bond terms to be subsequently amended. These CACs were activated by the Greek government on 8 March 2012, in response to which the International Swaps and Derivatives Association (ISDA) recognized a restructuring credit event on 9 March 2012. Bremer Landesbank must now expect claims due to its protection seller position and has since received credit event notices from the counterparties. Some of the Bank's counterparties have also served notices of physical settlement (NOPS) in the meantime, announcing the delivery of a specific security. However, these notices are not yet legally binding and may still be amended before a bond is actually delivered. The provision required for the volume of CDSs on Greece (equivalent to EUR 58.6m) could be as much as 80% of the nominal value, but this amount is covered by the reserves available under Sec. 340f HGB.

Outlook

The Bank will continue to enhance its credit risk control system in 2012. In this context, the risk parameters and the credit risk model will be validated, as is done every year. The RWA management process will also be enhanced to optimize risk-return planning and build a buffer for future crises. The credit risk analyses with a focus on inverse stress testing, which will need to be intensified further, as well as the risk concentration analyses at counterparty and loan portfolio level will provide further input for efficient credit risk management at the Bank.

Since 2010, risk provisions at Bremer Landesbank have been determined largely by developments in the merchant shipping sector. If this market does not recover in 2012, risk provisions are likely to be on a par with those for 2011.

Investment risk

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

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.

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

Structures

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

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 risk-bearing capacity report. In addition to this report, the Management Board is informed at least twice a year about the key issues relating to equity investments in the form of an investment report.

Analysis

Apart from a few exceptions, the Bank's equity investments undergo a rating process along the lines of the lending process. The only exceptions are if Bremer Landesbank's share in the carrying amount of strategic investments not involving loans does not exceed EUR 1,000k in accordance with Sec. 19 (2) KWG. The method used to calculate risk potentials was changed as of 31 December 2011. By adopting a scoring model for the risk inventory, the risks associated with equity investments will be able to be quantified.

Development in 2011

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 2011. The sale of the shares in Deka Bank, held indirectly through GLB GmbH & Co. OHG, significantly reduced the equity investment portfolio, more than halving its carrying amount. As in prior years, in 2011, no equity investments are deemed material as defined by the MaRisk.

Outlook

The investment portfolio has now been largely optimized.

Market price risk

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

Interest rate risk comprises the components of general (including credit spread risk in the trading book) and specific interest rate risk. General interest rate risk occurs when the value of a position or a portfolio reacts to changes in one or more interest rates or in entire yield curves and when such changes may subsequently impair the position. This risk also includes the credit spread risk of the trading book. In line with the regulatory definition, specific interest rate risk includes potential changes in value resulting from rating migrations or the default of issuers (for securities) or reference entities (for credit derivatives). For Bremer Landesbank, specific interest rate risk is the same as issuer risk.

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

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

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

Volatility risk is the risk that the value of an option may react to potential changes in value resulting from market movements of the volatilities used to price the option and that such changes subsequently impair the position. Volatility risks are allocated to the risk categories of interest rate risk, equity price risk and exchange rate risk, depending on the type of option product in question.

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

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

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 and supporting bank management. The Bank also conducts proprietary trading activities and holds strategic investments subject to market price risk.

With regard to interest rate risk, the Bank aims to transform maturities and participate in general market developments, within the scope of its risk limits. Also, significant credit spread risks result from strategic investments in securities refinanced with matching maturities and credit derivatives. However, a buy-and-hold strategy is chiefly pursued for these positions. The transactions are therefore generally presented in the banking book. Fund risks, equity price and exchange rate risks were of lesser strategic significance in 2011.

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

Structures

The Management Board decides how much of the available risk capital is allocated to market price risk.

The trading desks in Financial Markets may take on market price risk in their trading transactions and positions. The functions and activities of the trading desks are defined by the Financial Markets trading strategy, the unit business strategies and the sub-strategies for all of the organizational units which, in accordance with the MaRisk, conduct trading activities or in which market price, liquidity or counterparty risks, as defined by the trading strategy, arise. These functions and activities are set forth in the procedural instructions of the various units.

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, while Foreign Exchange Trading is responsible for foreign currency of all maturities.

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

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

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

The Regulatory Reporting/Financial Reporting Systems unit prepares the external reports on market price risk in accordance with the SolvV. Bremer Landesbank applies the standardized approach prescribed by the supervisory authorities.

Reporting

In accordance with the MaRisk, Market Price Risk Control reports to the Management Board on Bremer Landesbank's market price risks on a daily basis. The report on credit spread risks in the banking book is included in the daily market price risk report. In addition to the value-at-risk (VaR) analyses, the daily report also includes the impact of the worst case scenario (Financial Markets scenario).

A report on the credit investment portfolio is prepared once a fortnight, containing information about spread risks and about the market and model values of the credit derivatives and securities in this portfolio. Credit spread risks and profits are also stated in the daily market price risk report. The Management Board receives information about market price risks and the results of backtesting and stress testing in the monthly risk-bearing capacity report. The General Working and Credit Committee is reported to five times a year.

In accordance with the SolvV, the Regulatory Reporting/Financial Reporting Systems unit reports market price risks based on the month-end figures to NORD/LB once a month. External reports to the Bundesbank are sent once a quarter.

Analysis

Bremer Landesbank uses the variance-covariance approach for the risk-specific internal management and monitoring of market price risk, applying a one-tailed confidence level of 95% and a holding period of one day. Value-at-risk is calculated using a normal distribution function with a variance-covariance matrix whose parameters are determined by the risk factors (interest rates/spreads, exchange rates, stock prices/indices and valuation volatilities) of the last 12 months. Correlations between the sub-portfolios and the various risk categories are taken into consideration in the value-at-risk approach.

Historical changes in market parameters and the normal distribution assumption used in the value-at-risk model reflect a normal market scenario. In order to cover extraordinary market movements, special stress tests are carried out to gauge the sensitivity of the portfolio in relation to large market changes. Group-wide stress parameters are defined for each risk.

A market price risk project is underway to develop an alternative market price risk system and implement the historical simulation approach for daily market price risk management. For the purposes of the risk-bearing capacity report, Market Price Risk Control already calculates the value-at-risk on the basis of historical simulation. Historical simulation involves applying historical changes in the risk factors to the current exposure and calculating the potential profit or loss. The value-at-risk can then be taken from the list of profits and losses. For example, in a list of 100 results and a confidence level of 99%, the value-at-risk is the second highest loss.

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

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

Daily value-at-risk calculations are verified by Market Price Risk Control with the help of backtesting analyses which compare the daily fluctuations in trading desk results with the previous day’s value-at-risk forecasts. Forecast models and parameters used for quantifying market price risk are regularly reviewed and adapted to current market developments if necessary.

Development in 2011

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

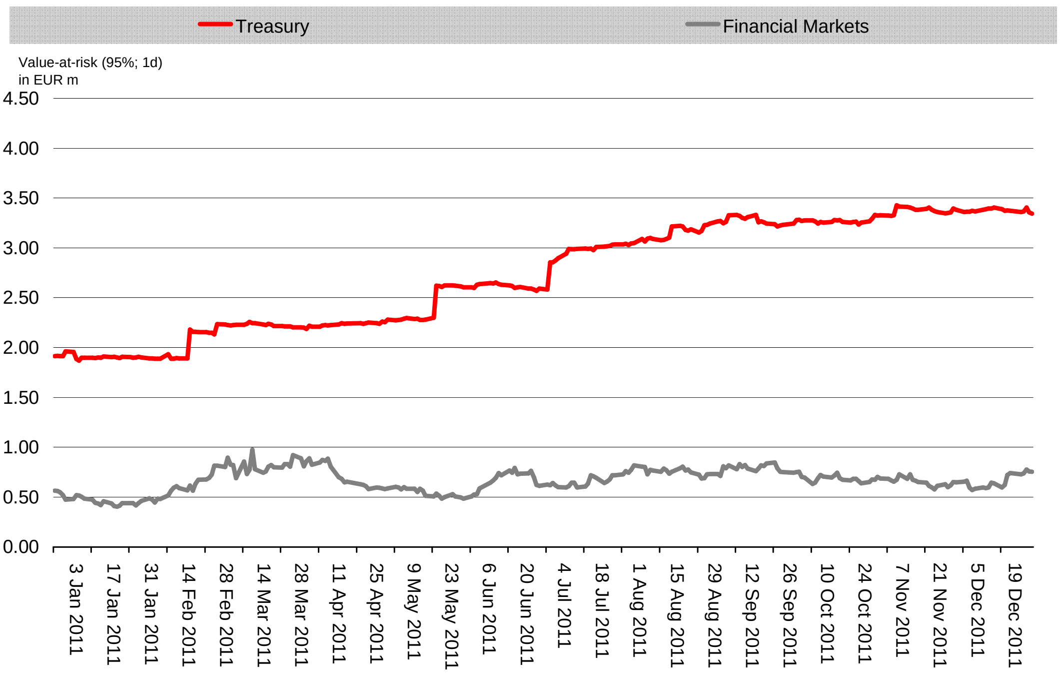
Market price risks – overview:

Market price risk in EUR k)	Maximum 1 Jan 2011? 31 Dec 2011	1 Jan 2010? 31 Dec 2010	Average 1 Jan 2011? 31 Dec 2011	1 Jan 2010? 31 Dec 2010	Minimum 1 Jan 2011? 31 Dec 2011	1 Jan 2010? 31 Dec 2010	Year-end 31 Dec 2011	31 Dec 2010
Interest rate risk (VaR)	4,647	2,959	3,713	1,838	2,451	653	4,554	2,666
Currrency risk (VaR)	313	224	111	80	36	18	111	165
Equity price and fund price risk (VaR)	320	164	223	109	99	83	307	99
Total	4,101	2,673	3,125	1,617	1,884	554	4,027	2,412

The average utilization of the market price risk limit for the overall Bank was 43% (maximum 56% and minimum 25%). As of 31 December 2011, the value-at-risk (confidence level of 95% and a holding period of one day) at the Bank amounted to EUR 4.03m. In the 2011 reporting period, average utilization of the risk limit in Financial Markets was 19%; in Treasury it was 51%.

The development of value-at-risk at the Bank in 2011 is shown in the following chart. Again, this chart does not include banking book credit spread risks.

Market price risk value-at-risk

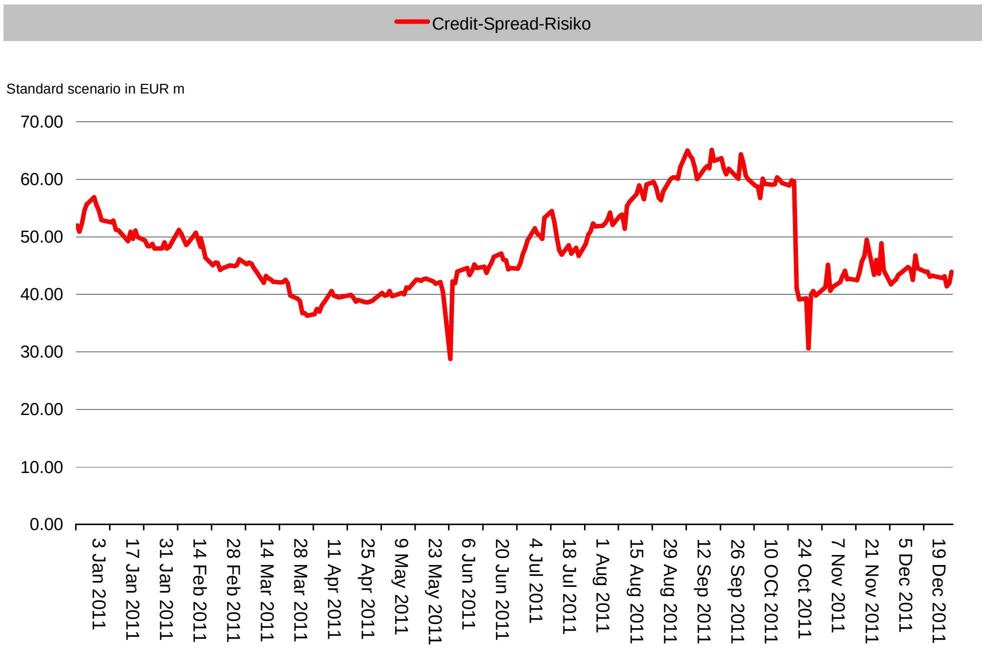


In fiscal year 2011, the stress tests performed for the Bank as a whole showed a maximum risk of EUR 47m and an average of EUR 37m, with a minimum of EUR 28m. As of 31 December 2011, the stress tested value for the Bank as a whole was EUR 45m.

The market price risk relating to the change in credit spreads in the credit investment portfolio was, in accordance with the scenario approach, EUR 44m on 30 December 2011. The risk here was lower than in the prior year (EUR 51m). The maximum risk in 2011 was EUR 65m (EUR 53m in 2010). In October of the fiscal year, Bremer Landesbank changed the valuation algorithm for credit default swaps and now applies default risk-induced discounting of future premium cash flows. The method used previously yielded excessively high results when spreads widened considerably, as they did in the wake of the debt crisis, especially in the third quarter of 2011. This explains why the chart "Development of the credit spread risk in the banking book in 2011" displays an exaggerated risk potential in the third quarter. The new method reduces these effects and produces values that are closer to the market.

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 and selected positions were reduced in 2011.

Development of the credit spread risk in the banking book in 2011



The Bank calculates the interest rate shock required by Basel II on a monthly basis. In accordance with the requirements of a circular issued by BaFin ["Bundesanstalt für Finanzdienstleistungsaufsicht": Federal Financial Supervisory Authority], the interest rate shock entails a parallel shift of the yield curve. 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. For January to September 2011, the parallel shift in the yield curve was 130bp upward and 190bp downward. For October to December 2011, the parallel shift was 200bp upward and downward.

In fiscal year 2011, the average interest rate risk in relation to liable equity was 3.35%. The results show that the Bank is far from being classified as an "outlier bank". Components of equity which are available to the Bank without any time restrictions are not used to calculate the present value of interest rate risk.

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

Outlook

In 2011, the Bank worked hard on its project to review and enhance the market price risk model. The core aim of the project is to review the variance-covariance approach. The use of the variance-covariance method is restricted by the normal distribution assumption. However, in reality, risk factors do not always follow a normal distribution. For a portfolio containing options which do not have a linear dependence on a certain underlying this approach results in disproportionately high or low changes in the option price and thus also in the risk. Key project milestones in the past year were the integration of a new risk engine in the existing system landscape, the examination of a change in the methodology for measuring value-at-risk and the methodological and technical enhancement of the MPRC approach. For the purposes of the risk-bearing capacity report, the value-at-risk has been calculated in the new risk engine on the basis of historical simulation since the beginning of 2011. A switch to the risk metrics obtained from historical simulation is planned in 2012 for internal management purposes. In addition, exposures relevant to credit spread risk will be fully integrated in the internal market price risk measurement using value-at-risk. Risks are currently measured using a scenario approach.

In order to continue to meet the requirements for risk management as prescribed by Sec. 27 (1) PfandBG ["Pfandbriefgesetz": German Pfandbrief Act], the NORD/LB Group will enhance its Pfandbrief reporting in 2012.

Liquidity risk

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

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

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

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

Market liquidity risk describes potential losses to be borne if transactions need to be concluded at conditions which are not in line with the fair market value due to a lack of liquidity in individual market segments. Market liquidity risks result primarily from securities positions in the trading and banking books.

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 of banking business are taken into account when measuring liquidity risk limits. Liquidity risk limits provide the Bank's business segments with the operational framework essential for reaching targets.

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

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

The liquidity contingency plan governs activities and management in crisis situations. The aim of this plan is to preserve the solvency of the Bank should an extreme, unforeseen market situation arise. Also as part of group-wide liquidity management, group-wide contingency management has been extended in line with the regulatory requirements. This relates in particular to the emergency processes, the legal allocation of responsibilities and ensuring group-wide liquidity.

Structures

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

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

Market Price Risk Control is responsible for the installation and development of internal procedures for measuring, limiting and monitoring liquidity risk. This group also calculates refinancing and traditional liquidity risks and monitors compliance with limits. The Regulatory Reporting/Financial Reporting Systems unit calculates and monitors the utilization of the liquidity ratio in accordance with the LiqV ["Liquiditätsverordnung": German Liquidity Ordinance] and performs service and control functions.

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

Reporting

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

The Management Board is also informed on a monthly basis of liquidity risks in the context of the Bank's risk-bearing capacity. In addition, the credit portfolio report informs the Management Board about the risks related to Pfandbrief operations.

Market Price Risk Control reports to the Management Board about the refinancing risk on a weekly basis. The management units Money Market and Foreign Exchange Trading and Asset/Liability Management receive once a week additional structural information about the forward liquidity exposures in all currencies as well as daily structural information about the stress and current case scenarios of traditional liquidity management.

Analysis

In additional to managing liquidity for the aggregate exposure in EUR, the Bank also defines its USD foreign exchange exposure as material and its exposures in CHF and JPY as significant. All other foreign currencies are immaterial for the Bank's liquidity management. Refinancing risks from maturity transformation in material and significant foreign currencies are included in the calculation of risk-bearing capacity. Material foreign currencies are also managed in terms of traditional liquidity risk.

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 2011. In addition to the monthly report to the Bundesbank, the liquidity ratio is calculated daily and used in money trading to support operational management. During the course of the year, the liquidity ratio in accordance with the LiqV far exceeded the minimum of 1.00 required by regulatory law; the liquidity ratio as of 31 December 2011 was 1.74.

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

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

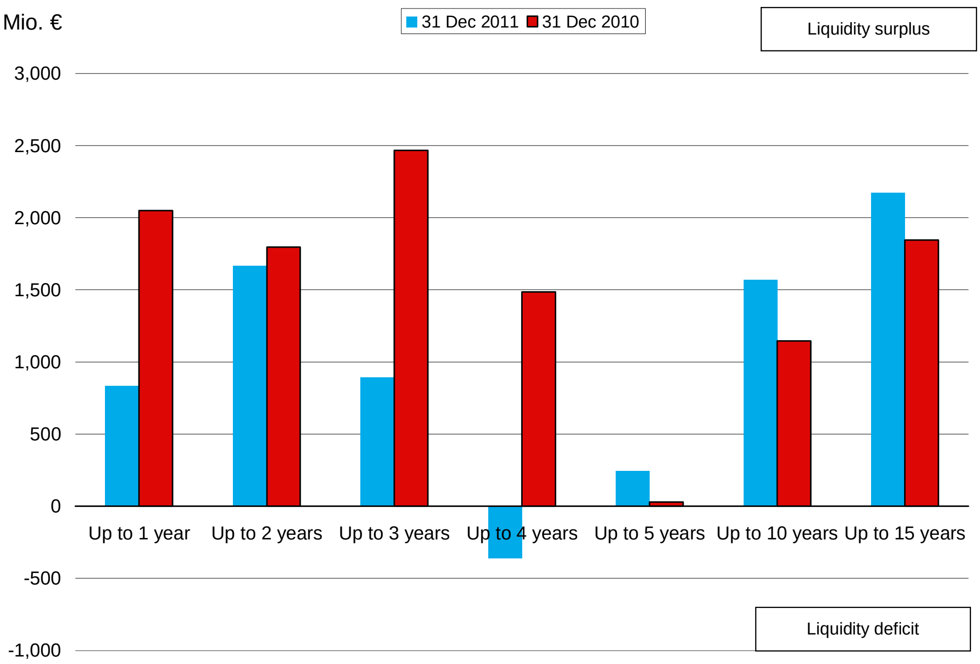
Bremer Landesbank has implemented a limit system to mitigate traditional liquidity risk. A traffic light system (number of days of liquidity surplus) triggers the necessary management measures if the simulated liquidity surplus is due to last for less than 180 days.

In 2011, there were no signals whatsoever pointing to a potential liquidity squeeze for the Bank in the either the current case scenarios or in the dynamic liquidity stress test. At the Bank, management signals from the static stress tests do not automatically trigger countermeasures, prompting instead a more in-depth analysis of the present liquidity situation and a factoring-in of the key drivers based on the current probability of the crisis stress scenario.

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

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 2011 shows that the liquidity situation remains comfortable. There are minimal liquidity mismatches in two time bands: up to one year and up to four years. Liquidity limits employed for management purposes were maintained at all times in the fiscal year.

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.

Market liquidity risk is included in market price risk. The aim is to restrict the market liquidity risk by chiefly operating on liquid markets. To support this aim, the Bank enhanced its options for managing liquidity risk within the NORD/LB Group in the reporting period. The previous liquidity class concept was replaced by a significantly more differentiated security liquidity class concept, allowing specific haircuts to be modeled for managing the forward liquidity exposure, liquidity stress testing and collateral allocation management.

Development in 2011

The effects of the financial market crisis can still be observed on the money and capital markets. The Bank continued to have sufficient access to the money and capital markets through reasonably diversified investor groups and products, evident in the fact that it was able to refinance at comparatively good terms on these markets. Long-term refinancing on both a collateralized and unsecured basis is primarily provided by long-term issues and customer deposits. Close observation of the markets and active liquidity management ensured that the Bank had a sufficient supply of liquidity at all times in fiscal year 2011.

As a result of the financial crisis, the regulatory and legal requirements were tightened in fiscal year 2011. The Bank addressed these more exacting demands by expanding its liquidity management and control system as part of a project. The Bank is systematically enhancing its liquidity risk management methods and models in close consultation with the NORD/LB Group. Applying its newly developed security liquidity class concept, the Bank first satisfied the requirements for market-compliant presentation of the liquidity buffer in November 2011. As of 31 December 2011, the liquidity buffer requirement was covered by highly liquid assets at a rate of 351%.

Outlook

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

Its development work in 2012 will be geared to making early allowance for the new extensive and changing regulatory requirements relating to Basel III/CRD 4 in its liquidity management.

Another focus will be on including liquidity costs and liquidity risk costs in integrated bank management instruments at an even earlier stage of the preliminary and actual costing process.

Operational risk

Operational risk is defined as the risk of losses incurred as a result of inadequate or failed internal processes, employees and technology or as a result of external events. This definition includes legal and reputational risks as consequential risks. It does not include business and strategic risks.

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

Bremer Landesbank defines compliance risk, outsourcing risk, dilution risk and fraud risk as components of operational risk.

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

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

Dilution risk is the risk with regard to the existence and realizability of a purchased receivable that the obligor of the purchased receivable is not obliged to perform to the full extent.

Fraud risk is the risk of an avoidable pecuniary loss or damage to the Bank's reputation resulting from fraudulent acts against the Bank.

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, for example, in an internal control system, business continuity management (BCM) or the conclusion of insurance policies.

The Bank's business continuity management and its contingency and crisis management are set forth in detail in procedural instructions. These aspects are being developed further in an ongoing project, due to be completed in mid-2012.

Human Resources Management analyzes and manages bottleneck risk, exit risk, the risk of insufficient and inadequate staffing, adjustment risk and motivation risk in an integrated personnel risk management process. Targeted personnel development in line with requirements is the responsibility of the managers. Human Resources Management advises and supports the departments in their personnel development activities.

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

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

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

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

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

Structures

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

Analysis

Defining and developing the methods, procedures and concepts employed as well as the continuous enhancement of these methods, procedures and concepts is the responsibility of Integrated Bank and Credit Risk Control. All enhancements are made in close consultation with the NORD/LB Group.

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

The data on historical losses is supplemented with future components using the risk assessment carried out at the Bank on an annual basis. Expert estimates provide a detailed insight into the risk situation of the individual functional departments and allow any required steps to be taken. The first step in the risk assessment process is completion of a catalog of qualitative questions. In a second step, a scenario is calculated to quantify operational risk for areas with significant operational risk.

A method for collecting risk indicators was introduced in 2011. Indicators are chosen with a view to risk and reviewed regularly for relevance. These risk indicators are designed to help identify risks at an early stage so that countermeasures can be taken.

The results from the loss database, the collected risk indicators and risk assessment are analyzed and any necessary measures are initiated by the units concerned.

A uniform value-at-risk method and a group-wide allocation model are used to determine risks within the NORD/LB Group.

Reporting

Losses, risk indicators, and risk assessment results are presented in a monthly report.

Development in 2011

A method for collecting risk indicators was introduced in 2011 (see above). The indicators did not signal any increased risks in 2011.

The losses arising in 2011 are deemed insignificant overall from the perspective of the Bank as a whole. All reported losses (including credit risk cases) came to EUR 16.0m (gross) in 2011 (2010: EUR 4.6m).

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

Loss database	Percentage 31 Dec 2011	Percentage 31 Dec 2010
External events	2.5%	48.0%
Internal processes	5.3%	0.0%
Employees	92.2%	51.8%
Technology	0.0%	0.2%

Given the risk assessment results and entries in the loss database, the Bank does not consider it highly likely that operational risk could lead to losses that would jeopardize the Bank's ability to exist as a going concern.

The Bank still considers payment claims totaling approximately EUR 24.8m plus interest asserted by the insolvency administrators in connection with two insolvency proceedings to be unfounded. In one of these cases, the action was dismissed for all but a partial amount of approximately EUR 37k by the court of first instance; the insolvency administrator has appealed. The claims do not pose a threat to the existence of the Bank in any case.

The standardized approach continued to be used for operational risk capital charges in 2011.

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 consultation with the NORD/LB Group.

Other risks

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

Summary and outlook

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

Risks were covered at all times during the reporting period. Bremer Landesbank does not believe there to be any risks to its ability to continue as a going concern. The consequences of the financial and economic crisis remained noticeable for Bremer Landesbank in the fiscal year, with higher probabilities of default and an increase in non-performing loans having a negative effect.

As positions will mature and no new business will be transacted, the credit investment portfolio will be continually scaled back over the next few years, falling below the EUR 1b mark by the end of 2015. Appropriate measures will be taken if there are reasons to exit positions early due to changes in credit ratings. The exposure to the PIIGS states will decrease roughly in line with the overall exposure, thus gradually lessening the potential impact of a long-lived debt crisis in the PIIGS nations on the Bank's portfolio. Apart from Italy and Greece, the Bank has no direct sovereign exposure to the PIIGS countries, only exposures to financial institutions in these countries. The EU has recently imposed higher capital requirements for financial institutions. The Bank believes that the strengthening of banks' capital bases – either by using their own resources or by taking advantage of the EU's extensive support schemes – will significantly reduce the risk of a substantial impact on its credit investment portfolio, which is dominated by financial institutions.

In its risk management, the Bank is preparing for a continued crisis in merchant shipping during the next two years and is taking adequate measures, making appropriate risk provisions and actively managing its portfolio in order to work out non-performing loans that cannot realistically be recovered. Overall, the Bank expects that market values in the shipping markets will return to their average levels in the next two to three years and therefore aims to avoid sales of collateral wherever possible.

In 2011, the Bank complied with the current regulatory provisions governing equity and liquidity. The requirements from the third revision of the MaRisk have been implemented in consultation with the NORD/LB Group. The Bank has a comprehensive funding and collateral strategy which will ensure its liquidity in the years to come. Liquidity management models and regular controls of new funding and loan transactions can be used to respond to changes in the market environment.

In 2011, the rating agencies reviewed their ratings of banks all around the world, scrutinizing the probability that banks would be able to obtain third-party support in an emergency. In this context, Moody's revised its long-term rating for Bremer Landesbank from Aa2 to A2 (stable outlook). Fitch has confirmed its long-term A rating (stable outlook).

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

Disclaimer – forward-looking statements

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

Supervisory Board report

The Bank’s Management Board regularly informed the Supervisory Board and its General Working and Credit Committee and Audit and Sponsorship Committees about the Bank’s performance and situation. At its meetings, the Audit Committee also heard reports from Internal Audit and Compliance about their findings. In the two meetings of the Supervisory Board, the five meetings of the General Working and Credit Committee, the three meetings of the Audit Committee and the three meetings of the Sponsorship Committee, fundamental issues relating to business policy and operations were discussed in detail. The bodies adopted resolutions on the transactions and other matters presented to them which, according to the statutes and the rules issued under these statutes, require a decision by these bodies.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, audited the financial statements of Bremer Landesbank for fiscal year 2011. They comply with 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 20 April 2012 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 20 April 2012, the Supervisory Board approved the management report and the financial statements as of 31 December 2011, 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 2011 of EUR 78m be appropriated as follows:

1. Allocation to retained earnings: EUR 50m

2. Accumulated profit: EUR 28m

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

The Supervisory Board would like to thank the Bank’s Management Board for the constructive working relationship based on mutual trust and expresses its thanks for the work performed in 2011 by the Management Board and by all of the Bank’s employees.

Bremen, 20 April 2012

The Chairwoman of the Supervisory Board

Mayoress Karoline Linnert

Owners’ Meeting report

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

On 20 April 2012, it approved the proposal of the Supervisory Board on the appropriation of the profit for 2011 and exonerated the Management Board of the Bank. The owners likewise exonerated the Supervisory Board.

The Owners’ Meeting wishes to thank the Supervisory Board, the Management Board and employees of the Bank for their work in 2011.

Bremen, 20 April 2012

Owners’ Meeting

Dr. Gunter Dunkel

Balance sheet as of 31 December 2011

Assets

EUR k			31 Dec 2010		
1. Cash reserve				**214,098**	**74,112**
a) Cash on hand			4,067		3,808
b) Balances at central banks			210,031		70,304
thereof: at Deutsche Bundesbank	210,031				(70,304)
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				**4,856,952**	**5,521,963**
a) Mortgage loans			0		0
b) Public-sector loans			3,301,053		3,534,361
c) Other loans and advances			1,555,899		1,987,602
thereof: payable on demand	479,797				(760,000)
against securities	0				(0)
4. Loans and advances to customers				**22,356,001**	**21,812,337**
a) Mortgage loans			1,586,277		1,530,849
b) Public-sector loans			5,013,031		5,130,419
c) Other loans and advances			15,756,693		15,151,069
thereof: against securities	**0**				(0)
5. Debt securities and other fixed-income securities				**5,230,127**	**5,550,522**
a) Money market securities			0		0
b) Bonds and debt securities			5,230,127		5,539,652
ba) issued by the public sector		1,381,787			1,383,776
thereof: eligible as collateral with Deutsche Bundesbank	1,361,636				(1,363,625)
bb) issued by other borrowers		3,848,340			4,155,876
thereof: eligible as collateral with Deutsche Bundesbank	3,611,893				(4,057,546)
c) Own debt securities			0		10,870
Nominal value	0				10,064
6. Shares and other variable-yield securities				**25,232**	**16,730**
6a. Trading book positions				**619,848**	**534,212**
7. Equity investments				**20,378**	**152,342**
thereof: in banks	4,723				(4,723)
in financial services institutions	8				(8)
8. Shares in affiliates				**80,931**	**80,929**
thereof: in banks	0				(0)
in financial services institutions	511				(511)
9. Trust assets				**87,150**	**96,472**
thereof: trust loans	35,724				(40,965)
10. Equalization claims on the public sector including debt securities resulting from their conversion				**0**	**0**
11. Intangible assets				**2,123**	**1,977**
a) Internally generated industrial rights and similar rights and assets			0		0
b) Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets			2,123		1,977
c) Goodwill			0		0
d) Prepayments			0		0
12. Property and equipment				**39,163**	**34,806**
13. Other assets				**385,386**	**338,753**
14. Prepaid expenses				**13,589**	**12,939**
a) From issuing and loan business			12,584		12,357
b) Other			1,005		582
Total assets				**33,930,978**	**34,228,094**

Liabilities and equity

EUR k			31 Dec 2010		
1. Liabilities to banks				**10,973,273**	**11,574,307**
a) Issued registered mortgage Pfandbriefe			471,823		486,580
b) Issued registered public Pfandbriefe			1,083,105		984,214
c) Other liabilities			9,418,345		10,103,513
thereof: payable on demand	779,973				(772,963)
public Pfandbriefe surrendered to the lender to secure loans raised	0				(237,178)
2. Liabilities to customers				**10,492,577**	**10,096,202**
a) Issued registered mortgage Pfandbriefe			**304,359**		310,854
b) Issued registered public Pfandbriefe			**2,871,218**		2,872,172
c) Savings deposits			190,866		212,655
ca) with an agreed period of notice of three months		173,431			199,066
cb) with an agreed period of notice of more than three months		17,435			13,588
d) Other liabilities			7,126,134		6,700,521
thereof: payable on demand	2,332,800				(2,180,895)
3. Securitized liabilities				**8,771,503**	**8,984,583**
a) Debt securities issued			8,771,503		8,984,583
aa) Mortgage Pfandbriefe		633,099			694,310
ab) Public Pfandbriefe		2,203,732			2,264,964
ac) Other debt securities		5,934,672			6,025,309
b) Other securitized liabilities			0		0
thereof: money market securities	0				(0)
own acceptances and promissory notes outstanding	0				(0)
3a. Trading book positions				**448,199**	**428,800**
4. Trust liabilities				**87,150**	**96,472**
thereof: trust loans	35,724				(40,965)
5. Other liabilities				**589,697**	**535,051**
6. Deferred income				**16,597**	**14,567**
a) From issuing and loan business			**16,558**		14,521
b) Other			**39**		46
7. Provisions				**259,338**	**257,240**
a) Provisions for pensions and similar obligations			172,739		165,845
b) Tax provisions			31,882		31,827
c) Other provisions			54,717		59,568
8. Subordinated liabilities				**500,000**	**500,000**
9. Participation certificate capital				**0**	**0**
10. Fund for general banking risks				**443,967**	**442,195**
thereof: for trading book positions	**3,967**				(2,195)
11. Equity				**1,348,677**	**1,298,677**
a) Subscribed capital			747,904		747,904
aa) Share capital		140,000			140,000
ab) Other capital contribution		607,904			607,904
b) Capital reserves			40,000		40,000
c) Retained earnings			532,773		482,773
ca) Legal reserves		0			0
cb) Reserves required by the statutes		229,000			204,000
cc) Other retained earnings		303,773			278,773
d) Accumulated profits			28,000		28,000
Total liabilities and equity				**33,930,978**	**34,228,094**

Contingent liabilities and other obligations

EUR k		31 Dec 2010		
1. Contingent liabilities			**3,620,011**	**4,207,020**
a) Acceptances and endorsements		0		0
b) Guarantees		3,620,011		4,207,020
c) Assets pledged as collateral for third-party liabilities		0		0
2. Other obligations			**2,642,636**	**2,820,804**
a) Commitments arising out of sale and repurchase transactions		0		0
b) Placement and underwriting commitments		0		0
c) Irrevocable loan commitments		2,642,636		2,820,804

Income statement

for the period from 1 January to 31 December 2011

EUR k				31 Dec 2010
1. Interest income from			**1,209,088**	**1,172,104**
a) Lending and money market business		1,082,558		1,057,038
b) Fixed-income securities and government-inscribed debt		126,530		115,066
2. Interest expenses			**828,681**	**831,411**
			380,407	**340,693**
3. Current income from			**11,535**	**3,676**
a) Shares and other variable-yield securities		318		529
b) Equity investments		9,576		2,986
c) Shares in affiliates		1,641		161
4. Income from profit pooling and profit and loss transfer agreements			**4,585**	**2,877**
5. Commission income			**53,856**	**55,466**
6. Commission expenses			**7,529**	**8,458**
			46,327	**47,008**
7. Net income from trading book positions			**15,945**	**19,757**
thereof: allocations to the fund for general banking risks	1,772			(2,195)
8. Other operating income			**9,055**	**17,197**
9. General and administrative expenses			**159,188**	**157,355**
a) Personnel expenses			86,750	91,567
aa) Wages and salaries		70,486		71,611
ab) Social security, pension and other benefit costs		16,264		19,956
thereof: for old-age pensions	4,454			(7,600)
b) Other administrative expenses			72,438	65,788
10. Amortization, depreciation and impairment of intangible assets and property and equipment			**4,404**	**3,958**
11. Other operating expenses			**21,951**	**16,728**
12. Allocations to the fund for general banking risks			**0**	**110,000**
13. Impairment of and allowances on loans and advances and certain securities as well as allocations to loan loss provisions			**117,883**	**24,115**
14. Impairment of and allowances on equity investments, shares in affiliates and investment securities			**742**	**0**
15. Income from write-ups of equity investments, shares in affiliates and investment securities			**0**	**8,649**
16. Expenses from loss absorption			**0**	**0**
17. Profit/loss from ordinary activities			**163,686**	**127,701**
18. Extraordinary income		**0**		**1,198,643**
19. Extraordinary expenses		**6,215**		**1,203,228**
20. Extraordinary result			**–6,215**	**–4,585**
21. Income taxes		**47,616**		**39,992**
22. Other taxes not disclosed in item 11		175		–444
			47,791	**39,548**
23. Profits transferred under profit pooling and profit and loss transfer agreements			**31,680**	**35,568**
24. Profit for the year			**78,000**	**48,000**
25. Profit carryforward from the prior year			**0**	**0**
26. Allocations to retained earnings			**50,000**	**20,000**
a) To the legal reserve		0		0
b) To the reserve for treasury shares		0		0
c) To the reserves required by the statutes		25,000		10,000
d) To other retained earnings		25,000		10,000
27. Advance distribution			**0**	**0**
28. Accumulated profits			**28,000**	**28,000**

Notes to the financial statements

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

1. Basis of preparation of the financial statements

The annual financial statements of Bremer Landesbank as of 31 December 2011 were prepared in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code], last amended on 22 December 2011, and the RechKredV ["Verordnung über die Rechnungslegung der Kreditinstitute": German Bank Accounting Directive].

The format of the balance sheet and income statement is based on the RechKredV. The comparative figures are the figures published and audited in the prior year. The balance sheet was prepared in accordance with Sec. 268 (1) HGB assuming a partial appropriation of the profit for the year.

2. Accounting policies applied – banking book

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

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

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

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

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

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

Equity investments and shares in affiliates are recognized at acquisition cost or at lower net realizable value if they are permanently impaired. The net realizable value is determined on the basis of the present value of the future net cash flows to the owners from their share in the entity (future earnings value).

The net earnings of the owners, which are discounted in order to calculate the capitalized earnings value, chiefly stem from the distributions of the net cash flows generated by the entity. The calculation of the net realizable value of the equity investment is therefore based on a forecast of earnings development in 2011 and a detailed budget for 2012 and, if applicable, a medium-term forecast for up to four subsequent years (planning phase I). The entity is generally assumed to have a perpetual life for subsequent years beyond the planning horizon. For this purpose, a perpetual annuity is calculated to reflect the long-term situation of the investee (planning phase II). These expected future earnings are discounted to the balance sheet date taking planned distributions into account.

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

To value equity investments in unlisted companies, groups of comparable listed instruments are formed (peer groups) and the beta factor is calculated for each position in relation to the respective national index. The beta factor of the peer group so calculated is used as a key multiplier to determine the capitalization rate. Raw beta is the historical beta factor of a company derived from a linear regression of the share return against the return on the market portfolio. The Bank uses an adjusted beta for valuing equity investments. Unlike the traditional beta, the adjusted beta takes into account future trends as well as historical data. Adjusted beta (adjusted beta = raw beta x 0.67 + 0.33) is used to smooth out the volatility of the valuation over the course of time.

Non-current assets with a limited life are depreciated at the maximum rates allowed for tax purposes. Assets costing between EUR 150 and EUR 1,000 are recognized in a collective item and depreciated over 5 years at a rate of 20% p.a. This depreciation came to EUR 0.8m (prior year: EUR 0.6m) in the fiscal year. Low-value assets costing less than EUR 150 are fully expensed in the year of acquisition.

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

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

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

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

To test whether a provision is required, the Bank compares the sum total of the interest-induced present values (discounted using the swap curve) of all interest-bearing transactions with the total carrying amounts of all interest-bearing transactions. Administrative expenses are taken into account in calculating present values by discounting the administrative expenses attributable to the banking book over the total maturity (using derived market interest rates). The standard risk costs from direct costing are used as the present values of risk costs. In order to allow for potential costs due to increased refinancing requirements, credit spreads for bonds (assets) and own issues (liabilities) are taken into account. As of 31 December 2011, the defined interest ledgers have positive present values (allowing for costs) and thus no provisions are required.

3. Hedge accounting

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

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

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

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

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

All of Bremer Landesbank’s hedges are effective micro hedges, i.e., hedges in which the cash flow-determining parameters of the underlying and hedging transaction are a perfect match (nominal amount, maturity, currency, coupon date and fixed interest rate of underlying and hedging instrument are all identical). When the hedge is first accounted for and during its term, a back office function checks that the cash flow-determining parameters of the underlying and hedging transaction match. As the hedges are perfect matches, their effectiveness is tested prospectively using the critical terms match method. The critical terms match method is also used to retroactively test for historical hedge ineffectiveness. In addition, the relevant changes in value due to unhedged risks are calculated. Bremer Landesbank chooses whether to apply hedge accounting in each case, ensuring consistency of measurement. If it chooses not to apply hedge accounting, the interest rate risks associated with the transactions in question are fully included in the valuation of the banking book at net realizable value.

4. Accounting policies applied – trading book positions

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

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

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

- Use of value-at-risk on the basis of the variance-covariance method which, in addition to factoring in the individual risk types, contains premiums for risks from non-linear products (add-ons). This method is also used for Bremer Landesbank’s internal market price risk management.

- Supplementary information: types of risk considered by Bremer Landesbank:
  - General interest rate risk
  - Specific interest rate risk (issuer-specific risk)
  - Currency risk
  - Equity price risk
  - Option price risk
- Confidence level: 99%
- Holding period: 10 days
- Observation period: 1 year

5. Accounting policies applied – internal transactions

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

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

In order to avoid a biased presentation of net assets due to the fair value accounting for internal derivatives in the trading book, Bremer Landesbank offsets the trading assets resulting from the fair value accounting for internal transactions against the trading liabilities from the fair value accounting for external transactions (and vice versa). In accordance with prevailing accounting practice, the trading assets of EUR 1,268.5m and trading liabilities of EUR 767.2m from internal derivatives were netted with the trading assets and liabilities from external derivatives in the balance sheet as of 31 December 2011.

6. Calculation of fair values

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

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

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

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

The key input parameters could be reliably determined for all of Bremer Landesbank's OTC derivatives except for cases in which the fair value could not be determined.

7. Currency translation principles

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

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

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

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

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

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

The euro acquisition cost of assets and liabilities is calculated as the acquisition cost in the foreign currency translated into euros on the acquisition date (acquisition has no effect on profit or loss). All foreign currency assets and liabilities are valued on the balance sheet date (subsequent valuation) in the respective currency in accordance with the general principles. In accordance with Sec. 256a HGB, the value thus obtained is translated into euros using the mean spot exchange rate of the balance sheet date. Outstanding spot transactions in foreign currencies are also translated at the mean spot exchange rate. Foreign currency assets of EUR 5,122m (prior year: EUR 5,131.2m) and liabilities of EUR 2,276m (prior year: EUR 2,043.1m) were translated at the mean spot exchange rate of 31 December 2011.

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

8. Information on the pension provisions

Pension obligations were calculated using actuarial methods applying the projected unit credit method. The provisions for pensions and similar obligations were discounted using the average market interest rate of the last 7 years for the assumed residual term of 15 years, as published by Deutsche Bundesbank (Sec. 253 (2) Sentence 2 HGB). As of 31 December 2011, this interest rate was 5.14% (prior year: 5.15%).

When determining the provisions for pensions and similar obligations, the following valuation parameters were also used:

Parameter	2011	2010
Employee turnover (excl. retirement/early retirement)	**1.500%**	**1.500%**
Pension trend:		
Management Board/permanent employees p.a.	**2.500%**	**2.500%**
Total benefits p.a.	**3.500%**	**3.500%**
Add-on benefits p.a.	**2.000%**	**2.000%**
Defined contribution benefits p.a.	**1.000%**	**1.000%**
Salary trend:		
Collective wage increases p.a.	**2.000%**	**2.000%**
Individual salary increases (pensionable) p.a.	**0.375%**	**0.375%**

The “2005 G Mortality Tables” by Klaus Heubeck were used as the biometric basis for calculation. Calculations were based on the earliest possible pensionable age under the German pension reform implemented in 2007 to adjust pensionable ages.

The allocation amount remaining as a result of the change in the valuation of pension obligations totaled EUR 80,794k as of 31 December 2011 (Art. 67 (2) EGHGB) (prior year: EUR 87,009k). Indirect benefit obligations in accordance with Art. 28 (2) EGHGB amount to EUR 18,072k (prior year: EUR 18,636k).

9. Deferred taxes

Deferred taxes were calculated using the current corporate income tax rate in Germany of 15% with the solidarity surcharge of 5.5% and an average trade tax rate of approximately 15.31%. Deferred taxes were therefore determined using a domestic income tax rate of 31.14%.

Deferred tax liabilities on differences in carrying amounts between the statutory accounts and the tax accounts were offset against deferred tax assets from differences in carrying amounts of pension provisions and other provisions.

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

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

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

1. Balance sheet

Balance sheet – assets

EUR k		31 Dec 2011	31 Dec 2010
Item 3:	**Loans and advances to banks**		
	Loans and advances to affiliates	452,254	282,367
	Loans and advances to other investees and investors	19,908	23,018
	Subordinated loans and advances	27,065	35,415
	Loans and advances to associated savings banks	3,245,778	3,451,399
	Loans and advances designated as coverage for issued debt securities in accordance with Sec. 28 PfandBG	1,304,617	1,650,226
	Old loans and advances designated as coverage for issued debt securities	1,017,411	1,107,825
Item 4:	**Loans and advances to customers**		
	Loans and advances to affiliates	54,615	54,409
	Loans and advances to other investees and investors	123,862	147,041
Item 5:	**Debt securities and other fixed-income securities**		
	b) Bonds and debt securities		
	ba) Issued by the public sector		
	Marketable and listed	1,381,782	1,383,776
	bb) Issued by other borrowers		
	Marketable and listed	3,642,120	3,974,834
	Marketable and unlisted	206,220	181,042
	Of affiliates	237,076	237,007
	Of other investees and investors	–	551,052
	c) Own debt securities		
	Marketable and listed	–	10,870
	Marketable and unlisted	–	–
	Omitted write-downs to the lower net realizable value		
	Carrying amount	2,959,242	3,300,112
	Fair value	2,858,505	3,246,096
	Hidden reserves		
	Carrying amount	2,132,067	989,552
	Fair value	2,226,220	1,045,948

EUR k		31 Dec 2011	31 Dec 2010
	Loans and advances designated as coverage for issued debt securities in accordance with Sec. 28 PfandBG	110,000	185,000
	Old loans and advances designated as coverage for issued debt securities	417,500	347,500
Item 6:	**Shares and other variable-yield securities**		
	Hidden reserves		
	Carrying amount	8	8
	Fair value	12	11
Item 6a:	**Trading book positions**		
	Derivative financial instruments	438,917	442,343
	Debt securities and other fixed-income securities	184,684	93,950
	Of affiliates	10,170	–
	Less risk adjustment	–3,753	–2,081
Item 7:	**Equity investments**		
	Marketable and listed shares	2,794	2,794
	Marketable and unlisted shares	–	–
Item 9:	**Trust assets**		
	Loans and advances to customers	35,724	40,965
	Equity investments	46,559	46,559
	Property and equipment	4,867	8,948
Item 12:	**Property and equipment**		
	Used in the Bank's own activities		
	– Land and buildings	26,669	24,719
	– Furniture, fixtures and office equipment	7,448	6,775
Item 13:	**Other assets**		
	Accrued interest for financial swaps	363,364	316,064
	Other claims against foreign banks	7,400	8,350
	Claims to tax refunds	5,423	7,408
	Premiums for option transactions	550	257

Statement of changes in non-current assets

EUR k	Cost	Changes Additions	Disposals	Re-classifi-cations	Accum-ulated amortiz-ation, deprec-iation and impair-ment	Net carrying amount 31 Dec 2011	Net carrying amount 31 Dec 2010	Amortiz-ation, deprec-iation and impair-ment in the fiscal year	Write-ups in the fiscal year
Equity investments	155,095	–	130,503	–	4,214	20,378	152,342	1,972	511
Shares in affiliates	81,382	850	850	–	451	80,931	80,930	–	–
Investment securities	4,355,257	180,416	375,937	–	–	4,159,736	4,355,257	–	–
Intangible assets	12,524	1,235	–	–	11,636	2,123	1,977	1,089	–
Property and equipment	111,572	8,284	739	–	79,954	39,163	34,806	3,315	–

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

Loans and advances to banks as of 31 December 2011

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Loans and advances to banks						
b) Public-sector loans	3,301,053	11,802	52,574	197,523	1,445,102	1,594,052
c) Other loans and advances	1,555,899	479,797	327,038	569,177	159,375	20,512
Total	**4,856,952**	**491,599**	**379,612**	**766,700**	**1,604,477**	**1,614,564**

Loans and advances to banks as of 31 December 2010

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

Loans and advances to customers as of 31 December 2011

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Loans and advances to customers						
a) Mortgage loans	1,586,277	409	53,588	67,928	370,949	1,093,403
b) Public-sector loans	5,013,031	45	135,117	358,023	1,617,703	2,902,143
c) Other loans and advances	15,756,693	946,690	1,996,410	848,740	4,040,149	7,924,704
Total	**22,356,001**	**947,144**	**2,185,115**	**1,274,691**	**6,028,801**	**11,920,250**

Loans and advances to customers as of 31 December 2010

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

Of the loans and advances payable on demand, EUR 714,528k (prior year: EUR 683,722k) have an indefinite term.

Debt securities

Debt securities which will mature next year amount to EUR 485,571k (prior year: EUR 846,301k).

Balance sheet – liabilities and equity

EUR k		31 Dec 2011	31 Dec 2010
Item 1:	**Liabilities to banks**		
	Liabilities to affiliates	249,505	486,245
	Liabilities to other investees and investors	1,931	757
	Liabilities to associated savings banks	436,173	664,052
Item 2:	**Liabilities to customers**		
	Liabilities to affiliates	14,740	29,034
	Liabilities to other investees and investors	29,737	23,572
Item 3:	**Securitized liabilities**		
	Liabilities to affiliates	160,000	238,335
	Liabilities to other investees and investors	–	–
Item 3a:	**Trading book positions**		
	Derivative financial instruments	448,199	428,800
Item 4:	**Trust liabilities**		
	Liabilities to banks	35,566	40,747
	Liabilities to customers	51,584	55,725
Item 5:	**Other liabilities**		
	Interest on silent participations	31,680	35,568
	Interest on subordinated liabilities	1,227	984
	Accrued interest from financial swap transactions	307,322	274,344
	Option premiums received	5,894	6,199
	Tax liabilities	1,735	2,721
	Currency translation of foreign exchange derivatives	232,067	211,734
Item 8:	**Subordinated liabilities**		
	Expenses for subordinated liabilities	13,956	12,232

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

Currency	Amount as of 31 Dec 2011 EUR k	Interest expense 2011 EUR k	Interest rate % p.a.	End of term
EUR	200,000	3,825	Variable	28 Jun 2030
EUR	85,000	1,574	Variable	21 Mar 2031
EUR	65,000	1,245	Variable	5 Apr 2041
EUR	150,000	7,312	4.875	15 Dec 2015
Total	**500,000**	**13,956**		

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

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

Liabilities to banks as of 31 December 2011

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Liabilities to banks						
a) Issued registered mortgage Pfandbriefe	471,823	–	956	102,867	333,000	35,000
b) Issued public registered securities	1,083,105	–	89,886	145,719	767,500	80,000
c) Other liabilities	9,418,345	779,973	1,041,816	492,452	2,422,824	4,681,280
Total	**10,973,273**	**779,973**	**1,132,658**	**741,038**	**3,523,324**	**4,796,280**

Liabilities to banks as of 31 December 2010

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Liabilities to banks						
a) Issued registered mortgage Pfandbriefe	486,580	–	10,895	62,685	328,000	85,000
b) Issued public registered securities	984,214	402	34,800	64,399	809,613	75,000
c) Other liabilities	10,103,513	772,963	2,491,032	346,246	2,262,536	4,230,736
Total	**11,574,307**	**773,365**	**2,536,727**	**473,330**	**3,400,149**	**4,390,736**

Liabilities to customers as of 31 December 2011

EUR k	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Liabilities to customers						
a) Issued registered mortgage Pfandbriefe	304,359	327	3,351	42,072	100,909	157,700
b) Issued public registered securities	2,871,218	673	79,024	273,789	1,489,689	1,028,043
c) Savings deposits	190,866	–	4,308	180,396	5,777	385
d) Other liabilities	7,126,134	2,332,800	1,726,191	351,053	1,155,268	1,560,822
Total	**10,492,577**	**2,333,800**	**1,812,874**	**847,310**	**2,751,643**	**2,746,950**

Liabilities to customers as of 31 December 2010

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

Securitized liabilities

Securitized liabilities which will mature next year amount to EUR 2,188,820k (prior year: EUR 1,935,227k).

2. Income statement

Disclosures and notes to the income statement

EUR k		31 Dec 2011	31 Dec 2010
Item 2:	**Interest expenses**		
	Unwinding of discount on provisions	–	364
Item 7:	**Net income from trading book positions**		
	Risk adjustment pursuant to Sec. 340e (3) HGB	1,672	–1,222
	Allocations to the fund for general banking risks	1,772	2,195
Item 8:	**Other operating income**		
	Sales of loans and advances	–	7,209
	Write-ups of canceled securities recognized under other assets	–	3,924
	Reversal of provisions	5,425	2,906
	Cost refunds	1,216	1,154
	Rental income	1,030	844
Item 11:	**Other operating expenses**		
	Contribution to the bank restructuring fund (“bank levy”)	4,901	–
	Allocations to other provisions	400	663
	Unwinding of discount on pension provisions	13,022	12,769
	Unwinding of other discounts	974	1,569
Item 18:	**Extraordinary income**		
	Effect of the first-time application of the BilMoG on trades (derivatives and own issues and securities)	–	1,198,643
Item 19:	**Extraordinary expenses**		
	BilMoG adjustment for pension provisions	6,215	6,215
	BilMoG adjustment for early retirement and long-service award obligations	–	497
	Effect of the first-time application of the BilMoG on derivatives	–	1,193,213
	Risk adjustment pursuant to Sec. 340e (3) HGB (effect of first-time application)	–	3,303

Income taxes

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

III. Other disclosures

1. Contingent liabilities and other financial obligations

For the contingent liabilities from guarantees of EUR 3.6b (prior year: EUR 4.2b), the credit risk relating to the guarantee bonds drawn on is assessed during general loan processing. Most of the guarantees (EUR 2.6b; prior year: EUR 3.0b) relate to credit derivatives.

The other obligations of EUR 2.6b (prior year: EUR 2.8b) are attributable to loan commitments to customers, of which approximately EUR 0.5b (prior year: EUR 1.1b) relate to ship finance and EUR 1.9b (prior year: EUR 1.6b) to corporate customers.

The following significant other financial obligations exist:

- An obligation to contribute capital to M Cap Finance Deutsche Mezzanine Fonds Zweite GmbH & Co. KG, Leipzig, amounts to EUR 4,124k (prior year: EUR 4,124k).
- Another obligation to make additional capital contributions and additional joint liability for other shareholders relating to Liquiditäts-Konsortialbank GmbH, Frankfurt, amounts to EUR 3,300k (prior year: EUR 3,300k).
- Contributions to the security reserve of the Landesbanken and girobanks were re-calculated on the basis of risk principles, resulting in obligations to make additional contributions of EUR 54,092k (prior year: EUR 43,139k). These additional contributions can be called in when support is required.
- In connection with the redemption of shares in FinanzIT GmbH, the withdrawing 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.
- Independent of the disposal of the equity investment in DekaBank Deutsche Girozentrale, held indirectly through GLB GmbH & Co. OHG, and the related reduction in the capital of GLB GmbH & Co. OHG, Bremer Landesbank, as a guarantor, is still jointly liable with the other owners for certain liabilities of DekaBank Deutsche Girozentrale.
- Securities amounting to EUR 20,400k (prior year: EUR 26,080k) were deposited as collateral for transactions on forwards markets, of which EUR 20,400k (prior year: EUR 21,072k) were deposited with Eurex.

2. Employees

Annual average number of employees

	2011	2010
Male	511	497
Female	525	509
Total	**1,036**	**1,006**

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

3.1 Total remuneration of governing bodies[1)]

EUR k	2011	2010
Management Board	2,228	2,357
Supervisory Board	165	157
Advisory Board	71	69

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

EUR k	2011	2010
Management Board	1,999	2,024
Supervisory Board	–	–
Advisory Board	–	–

Provisions for pensions to this group of people amounting to EUR 16,342k (prior year: EUR 17,713k) were recognized. The allocation amount remaining as a result of the change in the valuation of pension obligations totaled EUR 5,449k as of 31 December 2011 (Art. 67 (2) EGHGB) (prior year: EUR 5,869k).

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

3.3 Advances, loans and contingent liabilities

A total of EUR 2,184k (prior year: EUR 2,443k) was granted to members of governing bodies in advances, loans and contingent liabilities.

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

4. Other disclosures

Non-arm's length transactions

No non-arm's length transactions were entered into with related parties in fiscal year 2011.

Services provided to third parties

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

Offsetting of assets and liabilities from pension obligations

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

Restrictions on the distribution of assets

No assets were recognized in fiscal year 2011 in accordance with Sec. 268 (8) HGB which are subject to restrictions on distribution.

5. Forward contracts

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

EUR m	Nominal values	Fair values Positive	Fair values Negative
Forward contracts in the banking book			
Forward exchange contracts	6,348	36	242
Forward interest rate contracts	9,413	33	107
	15,761	**69**	**349**
Forward contracts in the trading book			
Forward exchange contracts	6,028	139	129
Forward interest rate contracts	34,380	1,549	1,067
	40,408	**1,688**	**1,196**

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

The forward interest rate contracts in the trading book are outstanding futures and forward rate agreements with a nominal volume of EUR 358m (prior year: EUR 168m).

6. Derivative transactions

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

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

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

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

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

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

Derivative transactions allocated to the banking book are presented below:

EUR m	Nominal values	Positive fair values	Negative fair values	Carrying amount	Recorded in balance sheet item
Interest rate risk					
Interest rate swaps	9,381	33	107	–	–
Interest rate options (call)	32	1	–	6	Other liabilities
Interest rate risk – total –	**9,413**	**34**	**107**	**–**	**–**
(Prior year)	**(10,596)**	**(29)**	**(87)**	**(6)**	**(–)**
Currency risk					
Currency swaps and cross-currency interest rate swaps	6,343	36	242	232	Other liabilities
Foreign currency caps and floors	5	–	–	–	–
Currency risk – total –	**6,348**	**36**	**242**	**232**	**–**
(Prior year)	**(7,808)**	**(64)**	**(270)**	**(212)**	**(–)**
Credit risk					
Credit derivatives – total –	**2,606**	**0**	**253**	**–**	**–**
(Prior year)	**(3,072)**	**(–)**	**(233)**	**(–)**	**(–)**

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

In connection with foreign currency translation in accordance with Sec. 340h HGB in conjunction with Sec. 256a HGB, as of 31 December 2011, EUR 232m was recognized on the liabilities side for derivatives with currency risks (prior year: EUR 212m).

All fair values could be reliably determined. See the chapter "Calculation of fair values" for more information on the valuation methods applied.

6.2 Nominal volumes of derivatives (trading book)

The nominal values refer to the gross volume of all purchases and sales and long and short positions. They break down as follows:

EUR m	31 Dec 2011	31 Dec 2010
Interest rate risk		
Interest rate swaps	32,134	34,320
Interest rate options	170	171
Purchases	3	3
Sales	167	168
Caps, floors	1,718	1,184
Other forward interest rate transactions	–	168
Interest rate risk – total –	**34,022**	**35,843**
Currency risk		
Forward exchange contracts	341	777
Currency swaps and cross-currency interest rate swaps	5,113	4,190
Caps, floors	184	185
Currency options	390	275
Purchases	200	145
Sales	190	130
Currency risk – total –	**6,028**	**5,427**
Credit risk	344	344
Credit derivatives – total –	**344**	**344**

6.3 Maturities of derivatives (trading book)

Trading book derivatives (nominal values) break down by maturity as follows:

	31 Dec 2011			31 Dec 2010		
EUR m	Interest rate risk	Currency risk	Credit derivatives	Interest rate risk	Currency risk	Credit derivatives
Residual maturities						
Up to 3 months	2,018	2,367	–	2,122	1,075	–
More than 3 months up to 1 year	3,601	1,130	20	4,130	1,312	–
More than 1 year up to 5 years	16,205	2,262	184	17,408	2,628	24
More than 5 years	12,198	269	140	12,183	412	320
Total	**34,022**	**6,028**	**344**	**35,843**	**5,427**	**344**

There were no equity or other price risks as of the balance sheet date of either the fiscal year or the prior year.

6.4 Counterparties of derivatives (trading book)

Trading book derivatives break down by external counterparty as follows:

EUR m	31 Dec 2011			31 Dec 2010		
	Nominal values	Fair values		Nominal values	Fair values	
		Positive	Negative		Positive	Negative
Banks in the OECD	35,489	1,492	1,191	36,814	1,106	916
Public institutions in the OECD	10	1	–	10	1	–
Other counterparties (including stock exchange contracts)	4,895	214	24	4,790	139	42
Total	**40,394**	**1,707**	**1,215**	**41,614**	**1,246**	**958**

6.5 Information on hedges

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

EUR k	31 Dec 2011	31 Dec 2010
Assets		
Fixed-income securities in the liquidity reserve	75,000	–
Fixed-income investment securities	–	867,248
Borrower's note loans	–	55,689
Total	**75,000**	**922,937**

There are three micro hedges of securities in the liquidity reserve of EUR 75,000k which hedge the interest rate with interest rate swaps in the same amount. The term of each hedging relationship coincides with the maturity of the underlying transaction. The underlyings will mature in fiscal year 2018.

The securities in the liquidity reserve are valued applying the strict lower of cost or market principle. Due to the perfect micro hedging relationships, no interest rate-induced negative changes in value are taken into account. The non-interest rate-induced hidden reserves for the underlyings amount to EUR 1,697k. No interest rate-induced impairment losses had to be recognized on hedged securities in the liquidity reserve as of 31 December 2011.

7. Other disclosures

7.1 Open market transactions

Bonds with a carrying amount of EUR 2,293.7m (prior year: EUR 2,533.3m) were deposited with Deutsche Bundesbank in open market transactions.

7.2 Repurchase agreements

The carrying amount of securities and other assets sold under genuine agreements to repurchase amounted to EUR 0m (prior year: EUR: 787m).

7.3 Transfer of collateral for the Bank's own liabilities

Loans and advances to customers of EUR 5,195.7m (prior year: EUR 4,240.0m) were assigned as collateral for the Bank's own liabilities to banks.

7.4 Auditor's fees

The following fees were paid to the auditor:

EUR k	2011	2010
a) Audit services	956	966
b) Audit-related services	511	278
c) Tax services	–	–
d) Other services	43	19

8. Cover calculation

8.1 Report pursuant to Sec. 28 PfandBG as of 31 December 2011

8.1.1. Mortgage Pfandbriefe

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

EUR m	Nominal value		Present value		Risk-adjusted present value, dynamic method, at least +100bp		Risk-adjusted present value, dynamic method, at least -100bp	
	2011	2010	2011	2010	2011	2010	2011	2010
Total amount of Pfandbriefe outstanding	850.5	658.8	892.3	667.7	854.9	642.4	933.6	694.3
Total amount of covering assets	1,111.7	924.2	1,218.3	996.6	1,176.8	959.5	1,262.3	1,035.9
Excess coverage	261.2	265.4	326.0	328.9	321.9	317.1	328.7	341.6
Excess coverage in %	30.7	40.3	36.5	49.3	37.7	49.4	35.2	49.2

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

EUR m	Mortgage Pfandbriefe		Covering assets by fixed-interest periods	
	2011	2010	2011	2010
Up to 1 year	106.3	67.0	231.7	201.5
More than 1 year up to 2 years	40.0	101.3	134.7	66.0
More than 2 years up to 3 years	231.1	40.0	97.6	121.2
More than 3 years up to 4 years	207.0	169.5	109.4	77.8
More than 4 years up to 5 years	100.0	147.0	109.8	81.3
More than 5 years up to 10 years	84.0	134.0	383.2	351.1
More than 10 years	82.1	0.0	45.3	25.3

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

No derivatives are included in the portfolio.

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

EUR m	Nominal values	
	2011	2010
Other covering assets	0.0	25.0

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

Size categories	EUR m		in %	
	2011	2010	2011	2010
Up to EUR 0.3m	399.7	376.8	36.0	40.8
More than EUR 0.3m up to EUR 5.0m	514.5	420.4	46.3	45.5
More than EUR 5.0m	77.5	32.0	6.9	3.4
Excess coverage	120.0	95.0	10.8	10.3
Total	**1,111.7**	**924.2**	**100.0**	**100.0**

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

	EUR m		in %	
	2011	2010	2011	2010
Apartments	102.3	97.4	9.2	10.5
Detached houses	234.7	216.7	21.1	23.4
Apartment buildings	254.2	209.6	22.9	22.7
New buildings under construction, not yet profitable	0.0	0.0	0.0	0.0
Building sites	0.4	0.6	0.0	0.1
Total residential properties	**591.6**	**524.3**	**53.2**	**56.7**
Office buildings	48.3	33.3	4.4	3.6
Retail buildings	22.6	19.6	2.0	2.1
Industrial buildings	2.0	1.9	0.2	0.2
Buildings used for other commercial purposes	327.2	250.1	29.4	27.1
New buildings under construction, not yet profitable	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
Total commercial properties	**400.1**	**304.9**	**36.0**	**33.0**
Total residential and commercial properties	991.7	829.2	89.2	89.7
Excess coverage, liquidity coverage pursuant to Sec. 4 (1a) PfandBG, other coverage	120.0	95.0	10.8	10.3
Total	**1,111.7**	**924.2**	**100.0**	**100.0**

All residential and commercial properties are located in Germany.

Payments in arrears (> 90 days) (Sec. 28 (2) No. 2 PfandBG)
Payments in arrears by more than 90 days amounted to EUR 0.1k as of 31 December 2011 (prior year: EUR 0.6k).

8.1.2 Public Pfandbriefe

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

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	
	2011	2010	2011	2010	2011	2010	2011	2010
Total amount of Pfandbriefe outstanding	3,649.6	3,336.9	3,962.5	3,511.7	3,758.6	3,335.7	4,191.9	3,706.2
Total amount of covering assets	3,971.3	4,200.5	4,313.1	4,382.0	4,093.6	4,194.3	4,564.7	4,594.0
Excess coverage	321.7	863.6	350.6	870.3	335.0	858.6	372.8	887.8
Excess coverage in %	8.8	25.9	8.8	24.8	8.9	25.7	8.9	24.0

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

EUR m	Public Pfandbriefe		Covering assets by fixed-interest periods	
	2011	2010	2011	2010
Up to 1 year	501.8	276.5	332.5	697.9
More than 1 year up to 2 years	311.1	401.8	315.5	377.1
More than 2 years up to 3 years	667.8	311.1	323.4	275.3
More than 3 years up to 4 years	455.2	586.6	1,148.1	274.3
More than 4 years up to 5 years	324.7	454.6	272.9	1,242.7
More than 5 years up to 10 years	674.3	897.0	888.7	755.2
More than 10 years	714.7	409.3	690.2	578.0

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

No derivatives are included in the portfolio.

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

EUR m	Nominal values	
	2011	2010
Other covering assets	114.4	115.0

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

EUR m	Sovereigns		Regional authorities		Local authorities		Other debtors	
	2011	2010	2011	2010	2011	2010	2011	2010
Germany	0.0	0.0	346.8	387.5	1,991.2	1,819.5	1,418.9	1,943.5
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0

Payments in arrears (> 90 days)

As of 31 December 2011 and 31 December 2010, there were no payments in arrears by more than 90 days.

8.1.3 Ship Pfandbriefe

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

EUR m	Nominal value		Present value		Risk-adjusted present value, dynamic method, at least +100bp		Risk-adjusted present value, dynamic method, at least -100bp	
	2011	2010	2011	2010	2011	2010	2011	2010
Total amount of Pfandbriefe outstanding	360.6	413.8	383.6	430.7	373.0	417.3	394.9	445.0
Total amount of covering assets	594.2	799.6	624.2	800.0	532.0	676.3	569.8	749.1
Excess coverage	233.6	385.8	240.6	369.3	159.0	259.0	174.9	304.1
Excess coverage in %	64.8	93.2	62.7	85.7	42.6	62.1	44.3	68.3

In addition to the stated nominal value of the total covering assets (EUR 594.2m), a time deposit of EUR 100.0m was entered in the cover register in 2011 (prior year: EUR 0.0m) in accordance with Sec. 4 (1a) PfandBG, exclusively to safeguard liquidity.

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

EUR m	Ship Pfandbriefe		Covering assets by fixed-interest periods	
	2011	2010	2011	2010
Up to 1 year	153.0	101.3	563.7	767.1
More than 1 year up to 2 years	42.0	118.0	5.4	13.1
More than 2 years up to 3 years	58.5	45.0	10.7	4.0
More than 3 years up to 4 years	0.0	50.0	5.5	4.9
More than 4 years up to 5 years	55.5	10.0	8.9	9.4
More than 5 years up to 10 years	48.6	86.5	0.0	1.1
More than 10 years	3.0	3.0	0.0	0.0

Share of derivatives (Sec. 28 (1) No. 3 PfandBG)
No derivatives are included in the portfolio.

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

EUR m	Nominal values	
	2011	2010
Other covering assets	0.0	0.0

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

Size categories	EUR m		in %	
	2011	2010	2011	2010
Up to EUR 0.5m	1.9	2.4	0.3	0.3
More than EUR 0.5m up to EUR 5.0m	323.6	401.3	54.5	50.2
More than EUR 5.0m	218.7	345.9	36.8	43.3
Excess coverage	50.0	50.0	8.4	6.2
Total	**594.2**	**799.6**	**100.0**	**100.0**

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

Countries	Ocean-going vessels				Inland vessels				Excess coverage			
	EUR m		in %*		EUR m		in %*		EUR m		in %*	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Bahamas	0.0	7.3	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Germany	441.5	591.4	74.3	74.0	11.3	0.0	1.9	0.0	50.0	50.0	8.4	6.2
Gibraltar	6.8	11.6	1.2	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Greece	22.2	23.5	3.7	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Malta	12.7	27.3	2.1	3.4	3.2	3.5	0.5	0.4	0.0	0.0	0.0	0.0
Marshall Islands	13.4	41.2	2.3	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	15.1	18.0	2.6	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Panama	4.2	4.6	0.7	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cyprus	13.8	21.2	2.3	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**529.7**	**746.1**	**89.2**	**93.4**	**14.5**	**3.5**	**2.4**	**0.4**	**50.0**	**50.0**	**8.4**	**6.2**

*) In relation to the total amount of covering assets of EUR 594.2m as of 31 December 2011 and of EUR 799.6m as of 31 December 2010.

8.2 Additional disclosures on mortgage and ship Pfandbriefe

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

	Commercial properties		Residential properties	
	2011	2010	2011	2010
Number of pending foreclosure and sequestration proceedings as of 31 December 2011	0.0	0.0	0.0	0.0
Number of foreclosure sales in the fiscal year	0.0	0.0	0.0	0.0
Number of cases in which the Pfandbrief bank had to repossess property in order to prevent mortgage losses in the fiscal year	0.0	0.0	0.0	0.0
Total interest in arrears due from mortgage debtors (in EUR m)	0.0	0.0	0.1	0.1

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

	Ocean-going vessels		Inland vessels	
	2011	2010	2011	2010
Number of pending foreclosure proceedings for ships or ship constructions as of 31 December 2011	0.0	0.0	0.0	0.0
Number of foreclosure sales in the fiscal year	0.0	0.0	0.0	0.0
Number of cases in which the Pfandbrief bank had to repossess ships or ship constructions in order to prevent ship mortgage losses in the fiscal year	0.0	0.0	0.0	0.0
Total interest in arrears due from loan debtors (EUR m)	0.0	0.0	0.0	0.0

8.3 Old loans cover calculation

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

EUR k	Mortgage lending business		Public-sector loans	
Liabilities requiring cover				
Pfandbriefe				
Bearer debt securities	59,968		282,280	
Registered debt securities	124,678	**184,646**	2,331,303	**2,613,583**
Covering assets				
Loans and advances to banks	0		1,017,411	
Loans and advances to customers	304,315		1,405,434	
Securities issued by the public sector	17,500	**321,815**	400,000	**2,822,845**
Excess coverage		**137,169**		**209,262**

9. Shareholdings

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

No.	Company name and registered office	Share in capital held (%)	Equity[1] EUR k	Profit/loss EUR k
1	Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	28,247	1,416
2	BGG Bremen GmbH & Co. KG, Bremen	100.00	2,090[4]	174[4]
3	BGG Oldenburg GmbH & Co. KG, Bremen	100.00	8,615[4]	914[4]
4	BLB I Beteiligungs-GmbH, Bremen	100.00	51[4]	8[4]
5	BLB Immobilien GmbH, Bremen	100.00	44,695[4]	0[2)4)]
6	BLB Leasing GmbH, Oldenburg	100.00	511[4]	0[2)4)]
7	BREBAU GmbH, Bremen	48.84	44,777	4,793
8	BREMER LAGERHAUS-GESELLSCHAFT -Aktiengesellschaft von 1877-, Bremen	12.61	16,043	1,300
9	Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen	49.00	–[3]	–[3]
10	Bremer Toto und Lotto GmbH, Bremen	33.33	4,283	3
11	Bremische Grundstücks-GmbH, Bremen	100.00	59,025[4]	2,792[4]
12	Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100.00	4,980[4]	790[4]
13	Bremische Grundstücks-GmbH & Co. Wohnanlagen Gross-Bonn, Bremen	100.00	150[4]	52[4]
14	Deutsch-Indonesische Tabak-Handelsgesellschaft mbH, Bremen	24.53	435	0
15	GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen	7.75	307,848	30,610
16	Gewobau Gesellschaft für Wohnungsbau Vechta mbH, Vechta	20.46	9,602	561
17	Grundstücksgemeinschaft Escherweg 5 GbR, Bremen	50.00	–1,564[4]	–382[4]
18	Grundstücksgemeinschaft Escherweg 8 GbR, Bremen	50.00	–197[4]	–287[4]
19	GSG Oldenburg Bau- und Wohnungsgesellschaft mbH, Oldenburg	22.22	63,131	3,654
20	Interessengemeinschaft KATHARINENKLOSTERHOF GbR, Bremen	30.70	706[4]	–64[4]
21	NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	4,528[4]	1,816[4]
22	NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	100.00	1,107[4]	648[4]
23	Öffentliche Versicherung Bremen, Bremen	20.00	6,020	360
24	Schiffsbetriebs-Gesellschaft Bremen mbH, Bremen	100.00	1,082	12
25	Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen	100.00	35,513	2,796
26	WLO Wirtschaftsförderungsgesellschaft für den Landkreis Oldenburg mbH, Wildeshausen	23.84	41	0
27	Wohnungsbaugesellschaft Wesermarsch mbH, Brake	21.71	18,266	225

Notes:
1) Equity as defined in Secs. 266 and 272 HGB.
2) Profit and loss transfer agreement concluded with the company.
3) Not stated as allowed by Sec. 286 (3) Sentence 2 HGB.
4) Figures are from the most recent, but as yet unapproved, financial statements for 2011.

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

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

"Lazard-Sparkassen Rendite-Plus-Fonds", Frankfurt am Main, "IShares Dax ®"	**EUR k**	
	2011	**2010**
Distribution	317	510
Market value	25,223	16,721
Carrying amount	25,223	16,721
Omitted write-downs	–	–

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

IV. Governing bodies of Bremer Landesbank

1. Members of the Management Board

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

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

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

2. Members of the Supervisory Board

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

Hartmut Möllring
(Deputy Chairman)
Lower Saxony Minister of Finance

Hermann Bröring
Meppen

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

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

Annette Düring (until 30 June 2011)
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 (until 30 June 2011)
Qualified banker
Bremer Landesbank

Martin Grapentin
Chairman of the Management Board of
Landessparkasse zu Oldenburg

Elke Heinig
Qualified banker
Bremer Landesbank

Cora Hermenau
State Secretary of the
Lower Saxony Ministry of Finance

Andreas Klarmann
Qualified banker
Bremer Landesbank

Thomas Mang
President of the Lower Saxony Association of
Savings Banks

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

Jürgen Scheller (until 30 June 2011)
Qualified banker
Bremer Landesbank

Lutz Stratmann
Lawyer
Oldenburg

Jörg Walde (since 1 July 2011)
Qualified banker
Bremer Landesbank

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

Eike Westermann (since 1 July 2011)
Fully qualified lawyer
Bremer Landesbank

Markus Westermann (since 1 July 2011)
Trade union secretary
Vereinte Dienstleistungsgewerkschaft ver.di

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

Members of Bremer Landesbank exercised the following mandates in accordance with Sec. 340a (4) No. 1 HGB as of 31 December 2011. Banks are considered to be large corporations for the purposes of this disclosure.

Members of the Management Board of Bremer Landesbank	**Company**
Dr. Stephan-Andreas Kaulvers	NORD Holding Unternehmensbeteiligungsgesellschaft mbH, Hanover DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen BREMER LAGERHAUS-GESELLSCHAFT – Aktiengesellschaft von 1877, Bremen GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen DekaBank Deutsche Girozentrale, Frankfurt am Main (until 8 June 2011) EWE Aktiengesellschaft, Oldenburg LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover
Heinrich Engelken	BREBAU GmbH, Bremen GSG Oldenburg Bau- und Wohngesellschaft, Oldenburg
Dr. Guido Brune	BREBAU GmbH, Bremen DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen
Employees of Bremer Landesbank	
Mathias Barghoorn	GSG OLDENBURG Bau- und Wohngesellschaft, Oldenburg
Harald Groppel	GSG OLDENBURG Bau- und Wohngesellschaft, Oldenburg

4. Parent company

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

Bremen, 28 March 2012

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Responsibility statement

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

Bremen, 28 March 2012

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Audit opinion[2]

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, for the fiscal year from 1 January to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the statutes 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 supplementary provisions of the statutes and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Hamburg, 30 March 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

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

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

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

The German Corporate Governance Code was adopted in 2002 by a government commission appointed by the German Federal Ministry of Justice. The current version was last amended on 26 May 2010. The Code aims to make the rules for governing companies in Germany more transparent. It includes nationally and internationally recognized standards of good corporate governance, in particular in relation to the management and organization of a company, control mechanisms and the cooperation between the management board and supervisory board.

The Corporate Governance Code is designed for listed companies and is not therefore legally binding for banks incorporated under public law. However, together with its Management Board, Bremer Landesbank is particularly concerned with positioning itself as a reliable partner and fostering the confidence of investors, customers, employees and the general public through transparency. For this reason, the Bank has decided to voluntarily commit itself to observing the principles of the Code as far as is possible and appropriate for its legal form and ownership structure and to disclose its corporate governance system.

General

Bremer Landesbank is a corporation under public law incorporated by the Free Hanseatic City of Bremen and the State of Lower Saxony. It is a public lending and Pfandbrief (covered bond) institution. Bremer Landesbank has its registered office in Bremen and has branches in Bremen and Oldenburg.

The Bank's governing bodies are the Management Board, the Supervisory Board and the Owners' Meeting. While the Management Board manages the Bank's business, the Supervisory Board and its committees (General Working and Credit Committee, Audit Committee and Sponsorship Committee) appoint, advise and monitor the Management Board. The Owners' Meeting is responsible for making decisions on fundamental issues.

Management Board

The Management Board manages the Bank's business in accordance with the legal requirements, the Bank's statutes and the policies and principles adopted by the Supervisory Board and Owners' Meeting for the Bank's business and its own rules of procedure. It is bound by the Bank's interests and committed to increasing the Bank's sustainable value.

In particular, the Management Board ensures that effective risk management systems are established to recognize any risks to the Bank's ability to continue as a going concern at an early stage. The risk management system must conform to the respective regulatory requirements of the KWG ["Kreditwesengesetz": German Banking Act] and the BaFin [“Bundesanstalt für Finanzdienstleistungsaufsicht”: German Federal Financial Authority].

Moreover, the Bank's risk management system must be compatible with the group-wide risk management and credit risk monitoring systems established by its parent and owner Norddeutsche Landesbank – Girozentrale –.

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

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

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

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

Supervisory Board

The Supervisory Board advises the Management Board and monitors its management. It decides on the appointment and removal of members of the Management Board, the general policies for the Bank's operations, the corporate planning proposal made to the Owners' Meeting, the rules of procedure for the Management Board, policies governing the employment of staff, the election and engagement of the auditor, the approval of the financial statements, the acquisition and sale of equity investments within the meaning of Sec. 271 HGB ["Handelsgesetzbuch": German Commercial Code], as well as the establishment and dissolution of branches. The Supervisory Board may determine that further transactions and measures which are of particular significance for the Bank require its approval.

The Supervisory Board has 18 members, including 12 owner representatives and six employee representatives, who are directly elected by the Bank's employees in accordance with the provisions of the Bremen Staff Representation Act. The term of office is four years. The Finance Senator of the Free Hanseatic City of Bremen chairs the Supervisory Board. Every two years, the deputy chair alternates between the Lower Saxony Finance Minister and the chairman of the Lower Saxony Savings and Giro Bank Association (DSGV).

The General Working and Credit Committee, the Audit Committee and the Sponsorship Committee were formed to support the Supervisory Board.

The General Working and Credit Committee has eight members. It is chaired by the chairman of the management board of Norddeutsche Landesbank – Girozentrale –. The Committee includes another three members for Norddeutsche Landesbank – Girozentrale –, the Finance Senator of the Free Hanseatic City of Bremen and three employee representatives. In regular meetings, the General Working and Credit Committee monitors, in particular, the Management Board's ongoing management in accordance with the Supervisory Board's instructions and prepares the Supervisory Board meetings. The General Working and Credit Committee is also responsible for specifying the employment conditions for the Management Board.

The Audit Committee comprises three to five members and, in each case, at least one representative of the owners, one of the Bank's employees who sits on the Supervisory Board and is elected by the Supervisory Board on the employee representatives' nomination and up to two further members to be elected by the Supervisory Board. At least one member of the Audit Committee must be independent and have specialist knowledge of accounting or auditing. The Audit Committee reports to the Supervisory Board on the findings of the audit of the financial statements on the basis of the auditors' reports. The Audit Committee is also responsible for monitoring the financial reporting process and the effectiveness of the internal control system, the internal audit system and the risk management system, monitoring the audit of the annual and the consolidated financial statements, reviewing and monitoring auditor independence and the additional services provided to the Bank by the auditors.

The Sponsorship Committee comprises the chairperson of the Supervisory Board, a member elected from within the Supervisory Board from the business area of the Bank as well as a member nominated by the chairman of General Working and Credit Committee. It advises the Management Board on the Bank's sponsorship through donations and sponsoring within the scope assigned to it by the Owners' Meeting.

Owners' Meeting

The owners of Bremer Landesbank are NORD/LB Norddeutsche Landesbank – Girozentrale – (92.5%) and the Federal State of Bremen (7.5%). Each owner may appoint up to three representatives to the Owners' Meeting. Voting rights are in proportion to the owners' shares in capital. The representatives of each owner may only cast block votes.

The Owners' Meeting decides on the general principles of business policy, changes to the statutes, the amount and changes to share capital, changes in ownership, the raising and setting of the amount and conditions of other liable equity, the conclusion, amendment and termination of profit and loss transfer and domination agreements, the exoneration of the Management Board, approval for branches, the corporate planning for the following fiscal year and the multiple-year forecast, the determination of remuneration for members of the Supervisory Board, committees and advisory boards as well as all other matters which are assigned to the Owners' Meeting by the statutes.

Conflicts of interests

The members of the Management Board are bound by a comprehensive non-compete agreement during their work for the Bank.

The members of the Supervisory Board have the function of advising and monitoring the Management Board. Members of the Supervisory Board are not bound by orders or instructions.

Members of governing bodies and employees may not demand or accept any inducements or other benefits from third parties for themselves or others or grant any unjustified advantages to third parties in connection with their work. Moreover, no member of a governing body may pursue personal interests in his/her decisions or use any business opportunities open to the Company for themselves. Potential conflicts of interests must be reported to the Supervisory Board immediately.

All transactions between the Company on the one hand and the Management Board, the Supervisory Board and its committees, related parties or enterprises in which the member has personal interests on the other hand must be conducted on arm's length terms.

The assumption of sideline activities by its members, in particular membership of governing bodies or advisory boards of other companies, requires the approval of the entire Management Board. The Management Board regularly informs the Supervisory Board of the sideline activities of its members.

Consultant agreements and other service and work agreements of a member of the Supervisory Board with the Bank require the Supervisory Board's approval.

The members of the Management Board must apply the diligence of a prudent and conscientious manager in their management activities. If members of the Management Board are in breach of their duties, they must compensate the Bank for the resulting loss. This applies accordingly to the due diligence and responsibility of members of the Supervisory Board.

Imprint

Issued by
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

Concept, text and design
Bremer Landesbank
Gestalt und Form, Bremen

Dated: May 2012