Oldenburgische Landesbank AG

# Oldenburgische Landesbank Group
# Financial Report 2010

*Ihre Kundenbank 2010 Im Dialog Ihre Kundenbank 2010 Im Dialog Ihre Kundenbank 2010 Im Dialog Ihre Kundenbank 2010 Im Dialog*

# The Oldenburgische Landesbank Group at a Glance

| EUR m | 12/31/2010 | 12/31/2009 | Change (%) |
|---|---|---|---|
| **Total assets** | **13,351.0** | **12,248.9** | **9.0** |
| Loans and advances to banks[1] | 1,530.5 | 1,372.5 | 11.5 |
| Loans and advances to customers[1] | 9,451.3 | 8,450.0 | 11.8 |
| Total lendings[1] | 9,442.6 | 8,439.3 | 11.9 |
| Amounts due to banks | 3,816.5 | 3,784.6 | 0.8 |
| Amounts due to customers | 7,208.2 | 6,300.6 | 14.4 |
| Securitized liabilities | 1,099.3 | 1,080.1 | 1.8 |
| Equity | 595.7 | 565.5 | 5.3 |

| EUR m | 1/1/2010 – 12/31/2010 | 1/1/2009 – 12/31/2009 | Change (%) |
|---|---|---|---|
| Net interest income | 238.0 | 206.1 | 15.5 |
| Net commission income | 84.9 | 64.1 | 32.4 |
| Net operating trading income/expense | –0.7 | 2.7 | n/a |
| Personnel expense | 182.2 | 166.6 | 9.4 |
| Office expense | 123.2 | 121.3 | 1.6 |
| Risk provisions | 24.6 | 26.4 | –6.8 |
| Operating profit | 59.6 | 51.4 | 16.0 |
| Profit before taxes | 70.8 | 50.4 | 40.5 |
| **Profit after taxes** | **52.5** | **33.3** | **57.7** |

| | 12/31/2010 | 12/31/2009 | |
|---|---|---|---|
| **Total distributions per no-par share (EUR)[2]** | **1.00** | **0.60** | |
| Cost-income ratio (%) | 78.6 | 78.8 | |
| Aggregate capital ratio (%)[3] | 11.7 | 10.5 | |
| Employees | 2,952 | 2,944 | |
| Full-time equivalents | 2,468 | 2,455 | |
| Branches of Oldenburgische Landesbank AG Regional Bank | 175 | 174 | |
| Branches and specialized agencies of Allianz Bank | 694 | 130 | |

1 Net of risk provisions
2 Per proposed allocation of profits under the German Commercial Code (HGB)
3 Per Sec. 10a of the German Banking Act (KWG)

Oldenburgische Landesbank AG

# Financial Report 2010

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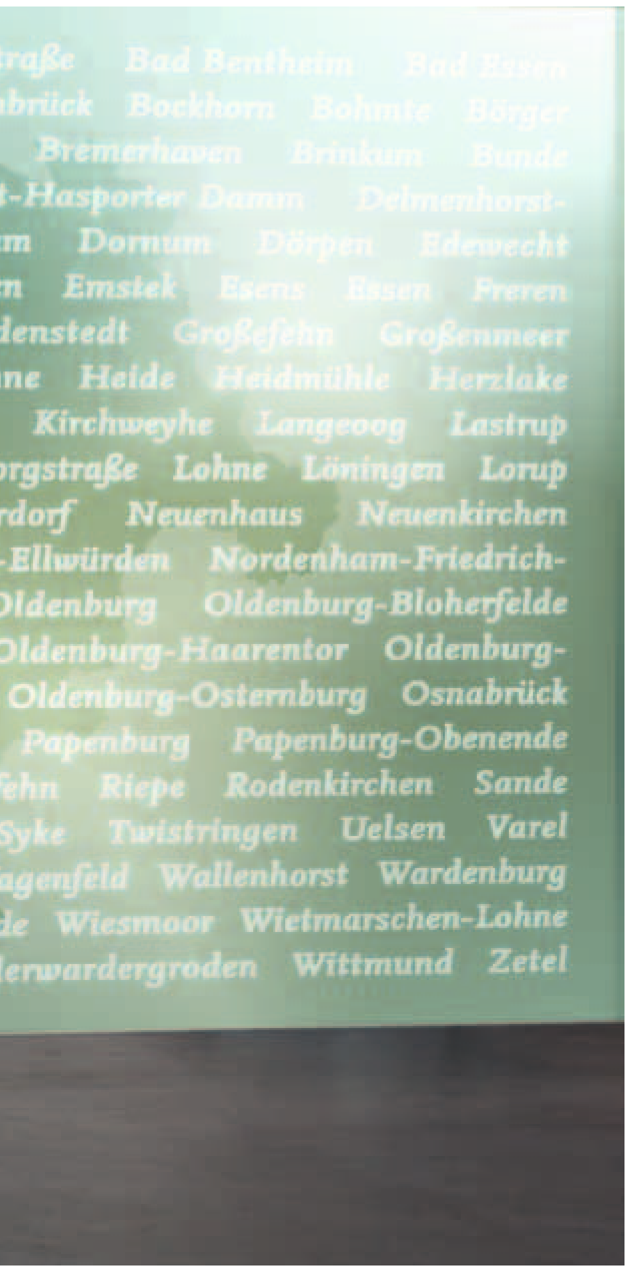
# To Our Shareholders

# Foreword from the Board of Managing Directors

**Dear Shareholders and Friends of OLB,**
Long-lasting relationships with our clients and shareholders have been a top priority at Oldenburgische Landesbank AG (OLB) for more than 140 years. And we have always planned our business strategy to achieve that end. In a market environment where values are regaining importance, and a traditional relationship with a principal bank is enjoying a renaissance, OLB has been especially benefiting from its characteristic strengths. While many banks' reputations suffered during the financial crisis, we strengthened our trusting partnership with the people and enterprises in our business area still further, and the high quality of our advice and service attracted numerous new customers. These developments found expression in a very successful 2010, when above-average growth rates in both the deposit and lending business with our clients further strengthened our market position in the Lower Saxony and Bremen region.

The September opening of our 175th branch, in Bremerhaven, expanded our presence in northwestern Germany once again. The extremely vigorous growth of our Bremen office, which had opened in July 2009, demonstrates the

Left to right: Dr. Stefan Friedmann, Dr. Peter Schinzing (Deputy Spokesman), Benedikt Buhl (Spokesman), Jörg Höhling great potential for growth and earnings that we can draw upon in our regional expansion, especially in our business with corporate customers and independent professionals. For that reason, we will continue to tap new market opportunities in 2011, carrying our services even closer to our customers. In April we'll be opening a new branch in Verden, and Rheine will join the network in the fall.




We are always on the lookout for new ways of reinforcing our established customer orientation still further. By systematically focusing our structures and procedures on benefiting our customers, we aim to maximize customer satisfaction, with optimum results for the Bank, our employees, and our shareholders. In that spirit, last year we intensified our dialog with our clients at a large number of customer workshops. The most valuable finding: OLB is already perceived as a truly customer-oriented bank. All the same, we will make the most of additional suggestions as to how we can meet our clients' needs even better and enhance customer satisfaction. The further evolution of our private banking strategy was also guided by our intent to provide more individualized, more capable, and more suitable advice than any other bank. Our decentralized presence in more than 30 towns and cities across the region, our holistic approach to customer support, and even better qualified consultants, together with an expanded range of products and services, means that OLB Regional Bank can provide complete services and customized solutions for high-asset individuals.

After a year and a half in business, our Allianz Bank affiliate is well established and is growing successfully. In its nationwide banking business through Allianz agencies, with support from an online portal, it is now working to systematically consolidate and expand its market position. As a core product and systems platform, OLB Regional Bank supports the nationwide sales organization of Allianz Deutschland AG, so as to boost its successes in business with customers and tap the potential of the roughly 19 million Allianz clients in Germany.

One challenge for all banks in Germany is the current and projected plans for regulating the financial markets. The higher equity capitalization requirements adopted under "Basel III" must be taken into account in corporate planning. At the same time, we must respond to the regulatory environment's implications for profitability. For that reason, it will be especially important to increase earnings and further enhance cost-effectiveness in fiscal 2011. We will step up our efforts to make the most of cost advantages by optimizing processes and enhancing cooperation within the OLB Group and even beyond.

As Germany's largest private regional bank, in fiscal 2010 we took important steps vigorously and purposefully, and initiated developments with an eye to the future. Our absolutely sound, customer-oriented business model gives us an excellent base for continuing our record of success in the coming years, with the cooperation and for the benefit of our clients and shareholders.

Sincerely yours,

Benedikt Buhl
Spokesman

Dr. Peter Schinzing
Deputy Spokesman

Dr. Stefan Friedmann

Jörg Höhling

# The Share

## Performance of OLB stock

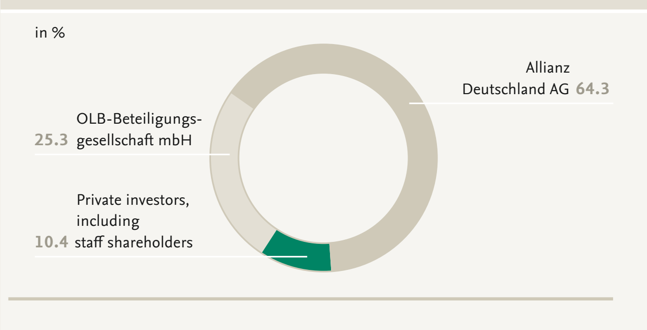
The DAX index had a good year in 2010. In the fourth quarter alone, it picked up about 700 points, nearly reaching the 7,000 mark by year's end. Before that, the German stock market had been relatively volatile. Some countries' debt problems and concerns about the American economy slipping back into another recession helped push the DAX well below 6,000 at times during the year. Not until signs accumulated that the economic recovery would be self-sustaining, with correspondingly positive corporate earnings, did the market's confidence revive. But the DAX finished out the year with a final surge that carried on the momentum from the year before, closing up about 16 percent. While all stock indexes around the world gained ground in 2009, the picture shifted in 2010. Markets in the United States, northern and western Europe, and in the large and medium-sized emerging economies performed well. But southern European exchanges ended the year with losses, some of them substantial. Consequently the broad-based EURO STOXX 50 lost 5 percent, in spite of the German exchanges' good performance.

See Glossary, pp. 148, 151

Though German financial stocks began a vigorous recovery in 2009, they were unable to maintain that pace in 2010. The CDAX Banks, the banking industry index based on the trading prices of private business banks, saw a decline of nearly 10 percent during the year. Rising regulatory requirements were a particular factor here; their expected burden on German banks' profitability and returns darkened investor sentiment.

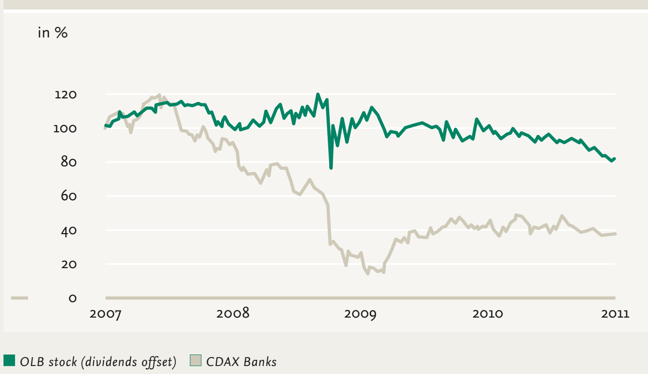
In spite of the Bank's strong business performance and sound capitalization, OLB stock was unable to escape this downpull. It opened the year trading at EUR 46.50, and closed at EUR 37.00, only slightly higher than the year's low of EUR 36.90. As the present report went to press (March 2011), the price had stabilized and was holding its own at EUR 38.50. In a direct multi-year comparison with the banking industry index's performance since 2007, OLB has been relatively stable amid an environment dominated by the financial crisis. OLB stock performed better than the industry average over the period.

*Ownership structure*




*Through its own direct holdings and indirectly through OLB-Beteiligungsgesellschaft mbH, Allianz Deutschland AG holds about 89.6 percent of Oldenburgische Landesbank AG.*

*Performance of OLB stock compared to CDAX Banks, 2007–2011*



## Ownership structure and dividend

The ownership structure of Oldenburgische Landesbank AG comprises Allianz Deutschland AG (64.3 percent), OLB-Beteiligungsgesellschaft mbH (25.3 percent), and private investors, including staff shareholders (10.4 percent). Allianz Deutschland AG is the majority shareholder of OLB-Beteiligungsgesellschaft mbH, holding 98.8 percent; several long-term investors from northwestern Germany hold 1.2 percent (all figures are rounded).

See chart, p. 6

Because of the Bank's good performance in 2010, the Board of Managing Directors and Supervisory Board will propose to the Shareholders' Meeting of Oldenburgische Landesbank AG in Bremen on June 9, 2011, that the dividend for fiscal 2010 should be increased once again, to EUR 1.00 per no-par share (prior year: EUR 0.60). This is equivalent to a payout rate of about 47 percent, measured against the total profit for the period of EUR 49.7 million based on German GAAP. The remaining EUR 26.4 million will serve to bolster retained earnings, and thus make Oldenburgische Landesbank AG even stronger to face the future.

See Glossary, p. 151

Oldenburgische Landesbank AG stock is traded on the regulated market of the Berlin, Hamburg and Hanover exchanges, and over the counter in Düsseldorf and Frankfurt, under German securities identification number (WKN) 808 600. The trading volume for OLB stock in 2010, at 124.6 thousand shares, was slightly higher than for the previous year (117.5 thousand). The principal trading floor with the greatest trading volume was once again the Frankfurt exchange. The number of shares issued is 23.3 million. Multiplied by the trading price per share, this yields a market capitalization of approximately EUR 900 billion.

As one of Germany's most important second-line stocks, the stock of Oldenburgische Landesbank AG also plays a significant role at the regional level. OLB stock is the only bank included in the Lower Saxony Stock Index, the NISAX20, under WKN number 600 788. This regional index, established by NORD/LB Norddeutsche Landesbank in May 2002, includes the 20 largest, most important listed companies in the state of Lower Saxony. With a free-float market capitalization of more than EUR 90 million, OLB stock ranks 14th in the Lower Saxony index. Other stocks listed in the NISAX20 include Berentzen AG, CEWE COLOR Holding AG, Continental AG, EnviTec Biogas AG, Hannover Rück AG, KWS Saat AG, Salzgitter AG, Symrise AG, TUI AG and Volkswagen AG.



*Financial calendar*

| 2011 | |
|---|---|
| Release of interim report as of March 31, 2011 | **May 13, 2011** |
| Shareholders' Meeting in Bremen | **June 9, 2011** |
| Release of interim report as of June 30, 2011 | **August 12, 2011** |
| Release of interim report as of September 30, 2011 | **November 14, 2011** |

*Key information*

| 2011 | |
|---|---|
| German securities ID no. (WKN) | **808 600** |
| ISIN | **DE0008086000** |
| Type of stock | **Bearer shares** |
| Denomination | **No-par common stock** |
| Markets where quoted | **Berlin, Hamburg, Hanover** |
| Number of shares | **23.3 million** |
| Market capitalization as of March 24, 2011 | **EUR 895.4 million** |

# Corporate Governance Report

Good corporate governance is an indispensable requirement for sustainable corporate success. Significant aspects of good corporate governance include trusting, efficient cooperation between the Supervisory Board and the Board of Managing Directors, as integral parts of a dual management system; attention to the best interests of shareholders, lenders, employees, and other groups associated with the Company; and openness and transparency in corporate communications.

The German Corporate Governance Code currently applies in its amended version as of May 26, 2010. It lays down the principal requirements of law for the management and supervision of German companies traded on stock exchanges, and incorporates internationally and nationally recognized standards for proper, responsible corporate management and supervision, in the form of recommendations and suggestions.

It clarifies the obligation of the Board of Managing Directors and Supervisory Board to work toward the Company's survival and its sustainable added value, consistently with the principles of a social market economy.

There is no statutory obligation to comply with the Code's recommendations and suggestions. However, under Sec. 161 of the German Stock Corporation Act, each year the managing board and supervisory board of listed companies must issue a declaration of compliance with the Code's recommendations, under the principle of "comply or explain." Any deviations from the Code's recommendations must be explained. The declaration of compliance issued by the Board of Managing Directors and Supervisory Board in March 2011 updates the periodic declaration from December 2010. It can be found in the Management Declaration on page 14.

## Description of operating procedures of the Board of Managing Directors and the Supervisory Board

In keeping with German corporate law, Oldenburgische Landesbank AG has a dual management and oversight structure, with a Board of Managing Directors and a Supervisory Board. The two boards cooperate closely, in a relationship of confidence and trust, for the Company's benefit.

In addition to the requirements of law for the management and oversight of a stock corporation, the Articles of Incorporation of Oldenburgische Landesbank AG adopted by the Shareholders' Meeting, as well as the rules of procedure for the Board of Managing Directors and the Supervisory Board, also include provisions governing corporate management and oversight.

## Board of Managing Directors

The Board of Managing Directors of Oldenburgische Landesbank AG manages the Company with a focus on sustainable added value, on its own responsibility and in the Company's best interest. It decides the Company's corporate goals, strategic orientation, and business policies. The Board of Managing Directors also coordinates and supervises the business activities of Oldenburgische Landesbank AG's subsidiaries. It must attend to compliance with the requirements of law and the Company's own guidelines, and must also provide for appropriate risk management and risk controlling within the Company.

The Board of Managing Directors is appointed by the Supervisory Board. It must have at least two members. The actual number of members of the Board of Managing Directors is decided by the Supervisory Board. The Board of Managing Directors currently has four members. They are jointly responsible for managing Oldenburgische Landesbank AG. The members of the Board of Managing Directors inform and consult one another on all of the Company's concerns.

The Supervisory Board has appointed one member of the Board of Managing Directors as its Spokesman. He represents the Board of Managing Directors to the Supervisory Board and the public at large. He is also responsible for coordinating his board's work.

The Board of Managing Directors meets regularly, in meetings that are convened by the Spokesman. The full board decides by a simple majority of the board members participating in the vote. In the event of a tie, the Spokesman's vote decides.

The work of the Board of Managing Directors is further structured by the rules of procedure for the Board of Managing Directors, issued by the Supervisory Board. The rules of procedure for the Board of Managing Directors particularly also govern the board's obligations to report to and obtain consent from the Supervisory Board, which serve to limit market risk. The rules of procedure also include a system of authorities for the lending business and for treasury / own-account trading.

See Glossary, p. 151

See p. 14

A business allocation plan governs the areas of responsibility of the members of the Board of Managing Directors, but does not affect all the members' joint responsibility for managing the Company. The business allocation plan, and any amendments, must be promptly brought to the attention of the Supervisory Board. Because of the size of the Board of Managing Directors, it has decided not to establish committees.

The Board of Managing Directors reports regularly, promptly and fully to the Supervisory Board about all matters of business performance, planning, risk position, risk management, internal auditing and compliance that are of consequence for the Company. In its reports, the board explains deviations of business performance from its planned course and goals, explaining reasons.

Transactions of particular importance are subject to the consent of the Supervisory Board or its committees. The consent requirements are laid down by law, the Articles of Incorporation, and the rules of procedure for the Board of Managing Directors and the Supervisory Board. Matters subject to consent include issuing new stock out of authorized capital, entering into intercompany agreements under Secs. 291 et seq. of the German Stock Corporation Act, granting loans to members of governing bodies or employees under Sec. 15 of the Banking Act, acquiring and selling equity interests and real estate for values above certain limits, and establishing or closing branch offices within the meaning of Sec. 13 of the German Commercial Code.

Each member of the Board of Managing Directors must disclose conflicts of interest immediately to the other members of the Board of Managing Directors and to the Supervisory Board. Significant transactions between the Bank and a member of the Board of Managing Directors or parties related to a member of the Board of Managing Directors, or businesses controlled by a member, are subject to the consent of the Executive Committee of the Supervisory Board.

The members of the Board of Managing Directors for fiscal 2010 are listed in the Compensation Report on page 16.



## Supervisory Board

The Supervisory Board of Oldenburgische Landesbank AG has twelve members, and in accordance with the German Co-Determination Act, consists of equal numbers of representatives of the shareholders and of the employees. The shareholder representatives are elected by the Shareholders' Meeting; the other members are elected by the employees. The Supervisory Board elects a Chair and Vice-Chair from among its ranks for the board's entire term of office.

The members of the Supervisory Board are obligated to pursue the Company's best interests; they cannot pursue their personal interests in making their decisions. No former members of the Board of Managing Directors of Oldenburgische Landesbank AG sit on the Supervisory Board.

The Supervisory Board, through its Chairman, maintains regular contact with the Board of Managing Directors, and advises and supervises the Board of Managing Directors in managing the Bank. The Supervisory Board is also responsible for appointing and dismissing members of the Board of Managing Directors, and for determining the total compensation paid to those individual members, as well as for auditing the annual financial statements of Oldenburgische Landesbank AG and the OLB Group, the management reports, the report on relations with affiliated companies, and the proposed allocation of profits. The Supervisory Board adopts the rules of procedure for the Board of Managing Directors, and is responsible for approving certain transactions of major importance, unless that responsibility has been assigned to a committee of the Supervisory Board.

The Supervisory Board holds four regularly scheduled meetings per fiscal year, as required by law. These meetings are convoked by the Chairman of the Supervisory Board. Special meetings are held additionally as needed. The resolutions of the Supervisory Board are adopted by a simple majority vote, except where provided otherwise by law. In the event of a tie, the matter must be brought up for a vote again, and if another tie results, the Chairman of the Supervisory Board has two votes.

The Chairman of the Supervisory Board coordinates the board's work and chairs its meetings.

The Supervisory Board regularly reviews the efficiency of its activities. The efficiency review is prepared by the Audit Committee. Then the full board discusses possible improvements, and where appropriate, decides what steps are to be taken.

Any member of the Supervisory Board who has conflicts of interest, especially those that might arise by way of an advisory or governing-body position with a client, supplier, lender or other business partner, must disclose those conflicts to the Supervisory Board.

See p. 16

## Goals for composition of the Supervisory Board and status of implementation

At its meeting on December 2, 2010, in implementation of Item 5.4.1 of the German Corporate Governance Code, the Supervisory Board adopted the following goals for its composition:

The Supervisory Board seeks a membership that will ensure qualified supervision and advice for the management of Oldenburgische Landesbank AG. Candidates are to be proposed whose integrity, motivation and personality indicate that they will be able to perform the duties of a member of the Supervisory Board of Oldenburgische Landesbank AG. Regarding the requirements listed below, it should be borne in mind that the Supervisory Board has no influence over the nominations for employee representatives.

### 1. Requirements for individual candidates

- Knowledge of the field, particularly
  - business experience;
  - general understanding of the banking business;
  - ability to understand and evaluate preparatory documents for annual financial statements and reports to the Supervisory Board;
  - where possible, specialized knowledge of importance to the Bank's business operations.
- Reliability.
- Age below the regulatory limit of 70.
- Compliance with the limitations on numbers of board positions held, as prescribed by law or recommended by the German Corporate Governance Code.
- Ability and willingness to dedicate sufficient time.
- No business or personal relationships with OLB or its Board of Managing Directors that would constitute a significant and not merely transient conflict of interests.
- No positions on governing bodies or consulting duties for significant OLB competitors.

### 2. Requirements for the entire board

- Sufficient number of independent members as provided under Item 5.4.2 of the German Corporate Governance Code.
- At least one independent member with a knowledge of accounting or auditing as provided under Section 100(5) of the German Stock Corporation Act.
- At least one member with substantial experience in the banking business.
- No more than two former members of the Board of Managing Directors of OLB.
- Reasonable participation of women – i.e., nomination of at least one female candidate each to represent the shareholders and the employees at the next regular election for the Supervisory Board in 2013, on the understanding that the Supervisory Board has no power to choose employee representatives.
- Balanced composition, so that desirable professional knowledge is as widespread as possible within the Supervisory Board.

The members of the Supervisory Board are listed in the Compensation Report on page 22. The present composition of the Supervisory Board already complies with the above requirements, except for the representation of women. Future nominations by the Supervisory Board for the election of its members will take these goals into account. This is particularly the case for the election of the Supervisory Board in the spring of 2013. The Supervisory Board recommends that its members elected by the employees should endeavor, so far as possible, to take the requirements and goals into account for the nominations to be made by the responsible employee committees.

## Description of the composition and working procedures of the committees of the Supervisory Board

To enhance its efficiency, the Supervisory Board has formed several committees: an Executive Committee, a Risk Committee, an Audit Committee, a Nominating Committee, and the Mediation Committee required under Sec. 31(3) of the Co-Determination Act. Until the meeting of the Supervisory Board on March 9, 2010, there were also a Personnel Committee and a Special Committee. These two committees were disbanded so that committee work could be made even more efficient through a greater concentration of responsibilities.

The duties of the Personnel Committee were assigned to the Executive Committee; those of the Special Committee were assumed by the Risk Committee. The committees prepare for the decisions of the Supervisory Board and the proceedings of the full board. In some cases, they also have been delegated decision-making authority. The composition, responsibilities and duties of the committees are governed by the rules of procedure of the Supervisory Board and of the Board of Managing Directors.

See p. 22

The committees meet as needed, and adopt their decisions by a simple majority vote. In the event of a tie, the committee Chair has the right to cast the deciding vote, except in the case of the Mediation Committee.

The Chairs of the various committees report regularly to the Supervisory Board on the committees' work and decisions.

The *Executive Committee* has six members. It includes the Chairman and Vice-Chairman of the Supervisory Board, together with four other members elected by the Supervisory Board, two of them elected by nomination of the employee representatives and two by nomination of the shareholder representatives. The Executive Committee is responsible for personnel matters concerning the members of the Board of Managing Directors and for other personnel matters falling under the authority of the Supervisory Board, other than those referred by law to the full membership of the board. It prepares for the appointment of members of the Board of Managing Directors, and for the full Supervisory Board's decisions on the compensation system and the total compensation to be paid to the individual managing directors, and submits motions for resolutions to the full Supervisory Board. The Executive Committee's duties also include consenting to the appointment of the Bank's representatives with full signing authority, consenting to pension arrangements, approving certain loans made to employees, their spouses and dependent children, and consenting for members of the Board of Managing Directors and employees to hold certain additional offices and engage in certain incidental activities.

The *Risk Committee* comprises the Chairman of the Supervisory Board and up to four additional members of the Supervisory Board, up to two each elected by nomination of the shareholder and employee representatives. The Risk Committee currently has five members. The Risk Committee addresses the risk situation and oversees the efficacy of the Bank's risk management system. The Board of Managing Directors reports to the Risk Committee when the established market risk limits are overrun. This committee also approves loans that the Board of Managing Directors cannot approve on its own authority. Its consent is also required before establishing subsidiaries, except for companies dedicated exclusively to asset management. The Risk Committee approves the Bank's investment plan; the acquisition and disposal of equity investments and real estate for amounts above certain limits are also subject to its consent.

The *Audit Committee* comprises the Chairman of the Supervisory Board and up to four additional members to be elected by the Supervisory Board, up to two each by nomination of the shareholder and employee representatives. It currently has five members. At least one independent member of the Audit Committee must have an expert knowledge of accounting or auditing. The Supervisory Board found that Prof. Dr. Andreas Georgi meets this requirement.

The *Audit Committee* has the responsibility of performing an advance audit of the parent-company and consolidated financial statements, the management reports, the audit reports, the proposed allocation of profits, and the report on relations with affiliated entities. It prepares for the decisions of the full Supervisory Board on adopting the parent company's annual financial statements and approving the consolidated financial statements and the report on relations with affiliated entities. It monitors the accounting process and the efficacy of the internal auditing and compliance system, and is also concerned with the activities that are the particular focus of the latter two systems. The Supervisory Board's decision on nominating independent auditors for appointment by the Shareholders' Meeting is based on a recommendation from the Audit Committee. The committee monitors the process of auditing the financial statements, and especially the independence of the independent auditors, as well as the additional services to be provided by the independent auditors. It engages the auditors, and in this connection concerns itself with the main focuses of the audit and the auditors' fee. It also discusses the semiannual financial report with the Board of Managing Directors before the report is released. Finally, the Audit Committee is also responsible for preparing the Supervisory Board's annual Declaration of Compliance under Sec. 161 of the German Stock Corporation Act, and for auditing the efficiency of the Supervisory Board's activities.

The *Nominating Committee* comprises the Chairman of the Supervisory Board and two additional shareholder representatives. This committee's task is to seek suitable candidates for election to the Supervisory Board as shareholder representatives, and to propose them to the Supervisory Board for nomination at the Shareholders' Meeting.

The *Mediation Committee*, to be formed under Sec. 27(3) of the Co-Determination Act, has four members, as provided by law. These are the Chairman and Vice-Chairman of the Supervisory Board, together with one Supervisory Board member each elected by the shareholders and the employees. The Mediation Committee submits suggestions to the full Supervisory Board for the appointment of members of the Board of Managing Directors if the two-thirds majority vote of the Supervisory Board, as required for the appointment of managing directors, is not achieved in the first round of voting.

The members of the committees of the Supervisory Board are as follows:

**Executive Committee**
- Andree Moschner, Chair
- Manfred Karsten
- Thomas Fischer
- Prof. Dr. Andreas Georgi
- Stefan Lübbe
- Uwe Schröder

**Risk Committee**
- Prof. Dr. Andreas Georgi, Chair
- Carsten Evering
- Stefan Lübbe
- Andree Moschner
- Rainer Schwarz

**Audit Committee**
- Prof. Dr. Andreas Georgi, Chair
- Carsten Evering
- Andree Moschner
- Uwe Schröder
- Rainer Schwarz

**Nominating Committee**
- Andree Moschner, Chair
- Dr. Werner Brinker
- Prof. Dr. Andreas Georgi

**Mediation Committee (Sec. 27(3) Co-Determination Act)**
- Andree Moschner, Chair
- Manfred Karsten
- Prof. Dr. Andreas Georgi
- Jörg Thöle

The Report of the Supervisory Board beginning on page 142 includes details of the meetings held by the Supervisory Board and its committees in fiscal 2010, together with the topics addressed at those meetings.

## Shareholders' Meeting

The shareholders exercise their rights at the Shareholders' Meeting, where they have the right to vote. Each share confers one vote. To facilitate voting, Oldenburgische Landesbank AG offers its shareholders the option of being represented at the Shareholders' Meeting by proxies appointed by the Company, who must vote solely as instructed by the shareholders. Participation and voting at the Shareholders' Meeting are contingent on the shareholder's timely registration for the meeting, and on documentation of the shareholder's rights.

At the regular Annual Shareholders' Meeting, the Board of Managing Directors and the Supervisory Board provide an accounting of the past fiscal year. The Shareholders' Meeting has the rights accorded to it by law. These include deciding on whether to ratify the actions of the Board of Managing Directors and the Supervisory Board, on the allocation of profits, on amendments to the Articles of Incorporation, and on measures to change the Bank's capital. The Shareholders' Meeting also elects the shareholders' representatives on the Supervisory Board. Details on the agenda and on voting procedure are sent to the shareholders together with the notice of the meeting. The reports and documentation needed for the Shareholders' Meeting, together with the agenda, are kept easily accessible at OLB's Web site (www.olb.de).

See p. 142 ff.

## Transparency and information

Shareholders and third parties are notified promptly about the Bank's business performance, by way of the publication of annual financial statements, interim financial statements, and interim reports. These are prepared on the basis of national and international reporting principles. Here the Company follows the "true and fair view" principle, so that the reporting conveys a picture of the Company's net assets, financial condition and earnings situation that conforms to the actual circumstances. In addition, ad-hoc disclosures publish facts that can materially affect the stock price, and any other relevant information is also reported. All information is released through suitable communications media, and is kept available at the Company's Web site (www.olb.de).

Oldenburgische Landesbank AG notifies the public of the dates for major events and publications (such as the Shareholders' Meeting and the release of the Annual Report) in a financial calendar that is published in the Investor Relations section of the Oldenburgische Landesbank AG Web site and on page 7 of the Annual Report.

## Directors' dealings

Under Sec. 15a of the German Securities Trading Act, concerning disclosure and notification of dealings, persons holding management positions in an issuer of stock must report their own dealings in stock of the issuer, or in financial instruments relating thereto, particularly derivatives, to the issuer and to the Federal Financial Supervisory Authority (BaFin), if the total value of the purchase or sales transactions over the course of a calendar year is equal to or greater than EUR 5,000. This obligation applies to members of the Board of Managing Directors and of the Supervisory Board, and to persons who regularly have access to insider information and who are authorized to make significant business decisions. The obligation furthermore applies for persons related to persons in management positions.

During fiscal 2010, Oldenburg Landesbank AG was informed under Sec. 15a of the Securities Trading Act that Prof. Dr. Andreas Georgi, a member of the Supervisory Board of Oldenburgische Landesbank AG, purchased a total of 250 shares of Oldenburgische Landesbank AG on June 21, 25 and 29, 2010, at a price of EUR 43.00 per share. The pertinent disclosures are published in the Investor Relations section of our Web site at www.olb.de.

## Shareholdings of the Board of Managing Directors and Supervisory Board

The total Oldenburgische Landesbank AG stock held by all members of the Board of Managing Directors and Supervisory Board as of May 27, 2010, the date of the Annual Shareholders' Meeting, came to 454,375 shares, equivalent to 1.95370 percent of the Company's issued stock. Of this amount, 534 shares of OLB (equivalent to 0.00230 percent of the issued stock) were held by members of the Board of Managing Directors, and 453,841 shares of OLB (equivalent to 1.95140 percent of the issued stock) were held by members of the Supervisory Board. Dr. Aloys Wobben, a member of the Supervisory Board, held 445,936 shares of OLB indirectly through ENERCON GmbH, equivalent to 1.91742 percent of the issued stock.

Dr. Wobben left the Supervisory Board as of the end of the Shareholders' Meeting on May 27, 2010. Since that time, the total amount of Oldenburgische Landesbank AG stock held by all members of the Board of Managing Directors and the Supervisory Board has been less than 1 percent of the stock issued by the Company.

See Glossary, p. 151
See page 7

# Management Declaration per Sec. 289a of the German Commercial Code

## Declaration of Compliance with the German Corporate Governance Code

Under Sec. 161 of the German Stock Corporation Act, each year the managing board and supervisory board of listed companies must issue a declaration of compliance with the recommendations of the German Corporate Governance Code, under the principle of "comply or explain." Deviations from the recommendations must be disclosed, and their reasons must be given.

In December 2010, the Board of Managing Directors and the Supervisory Board of Oldenburgische Landesbank AG issued the periodic Declaration of Compliance with the German Corporate Governance Code, declaring that the Company has complied and will comply with all recommendations of the German Corporate Governance Code. In March 2011, the Board of Managing Directors and Supervisory Board decided to submit to the Annual Shareholders' Meeting a proposal to change the compensation of the Supervisory Board to a fixed compensation alone, and to waive variable components of compensation. Therefore, since the Company no longer intends to comply with the recommendation under Item 5.4.6(2) Sentence 1 of the German Corporate Governance Code, the Declaration of Compliance of December 2010 was updated in March 2011. The updated Declaration of Compliance of March 2011 reads as follows:

"Update of the Declaration of the Board of Managing Directors and the Supervisory Board of Oldenburgische Landesbank AG on the Recommendations of the Government Commission on the German Corporate Governance Code in Accordance with Sec. 161 of the Stock Corporation Act:

1. Since the last Declaration of Compliance of December 2010, which referred to the German Corporate Governance Code in the version of May 26, 2010, Oldenburgische Landesbank AG has complied with all recommendations of the Government Commission on the German Corporate Governance Code.

2. With the following exceptions, Oldenburgische Landesbank AG will comply in the future with all recommendations of the Government Commission on the German Corporate Governance Code in the version of May 26, 2010:

The members of the Supervisory Board have hitherto received a performance-based component of compensation in addition to a fixed compensation (Item 5.4.6 German Corporate Governance Code). At the Annual Shareholders' Meeting in 2011, the Company intends to submit a proposal to change to a fixed component alone. To that extent, it plans to deviate from Item 5.4.6(2) Sentence 1 of the German Corporate Governance Code. The elimination of variable components of compensation is intended to reinforce the independence of the Supervisory Board still further. In general, the work load and liability risk of members of the Supervisory Board do not evolve in parallel with the Company's business success or financial position. On the contrary, the Supervisory Board members will often need to perform especially intensive supervisory and advisory duties precisely during difficult times when a variable component of compensation may actually decrease.

Oldenburg, March 2010
Oldenburgische Landesbank AG

| | |
|---|---|
| For the Board of Managing Directors: | For the Supervisory Board: |
| (signed) Benedikt Buhl | (signed) |
| (signed) Dr. Peter Schinzing | Andree Moschner" |

This Declaration of Compliance, together with the Declarations of Compliance from past years, are kept permanently available to the public in the Investor Relations section of our Web site (www.olb.de), under the Corporate Governance heading.

Oldenburgische Landesbank AG furthermore complied extensively with the nonbinding suggestions of the German Corporate Governance Code in fiscal 2010.

## Disclosures regarding management practices

Oldenburgische Landesbank depends for its survival on the trust of its clients, shareholders, employees and the public in the OLB Group's performance and integrity. This trust depends significantly on the conduct of employees, executives, and corporate management, and on the way in which they apply their abilities for the benefit of clients and shareholders.

Oldenburgische Landesbank is an Allianz Group company. Allianz integrates sustainability and corporate responsibility into its business through its own initiatives under the UN Global Compact program and by acknowledging the OECD Guidelines for multinationals. The UN Global Compact is an initiative of former UN Secretary-General Kofi Annan and major international corporations to promote the recognition of human rights.

The Allianz Group's principles of conduct (the Code of Conduct for Business Ethics and Compliance), which apply to all employees, executives and members of the Board of Managing Directors of Oldenburgische Landesbank AG, implement the principles of the UN Global Compact. They constitute minimum standards for all employees. These binding principles and rules of conduct are intended to help avoid situations that might weaken confidence in the integrity of Allianz's individual companies and their employees. In addition to matters of corruption, money laundering and discrimination, the principles also especially emphasize potential conflicts of interest and how to avoid them.

The Allianz Group's Code of Conduct for Business Ethics and Compliance, which the OLB Group has adopted, has been published on the Web site of Allianz SE at: www.allianz.com/de/investor_relations/corporate_governance/index.html

### Description of the working procedures of the Board of Managing Directors and Supervisory Board and the composition and working procedures of their committees

The working procedures of the Board of Managing Directors and Supervisory Board are described in the Corporate Governance Report on pages 8 ff.

The members of the Board of Managing Directors are listed on page 135, and those of the Supervisory Board are listed on pages 134 f.

The composition and working procedures of the Supervisory Board are described on pages 10 ff. in the Corporate Governance Report. Since the Board of Managing Directors has only four members, it has formed no committees.

See pages 8 ff., 135 and 134 f.

See page 10 ff.

# Compensation Report

This Compensation Report summarizes the structure, principles and amounts of the compensation of the Board of Managing Directors of Oldenburgische Landesbank AG. It also presents the composition and amount of the compensation of the Supervisory Board. It furthermore describes the structure of the compensation systems for Oldenburgische Landesbank AG employees, and the total amounts of all compensation.

This information is to be considered an integral part of the Group Management Report, and is therefore not repeated in the Notes to the Consolidated Financial Statements.

## Compensation of the Board of Managing Directors

The concept for the compensation of the Board of Managing Directors aims for fairness, sustainability and competitiveness. Its structure is deliberated and regularly reviewed by the Supervisory Board. This procedure was most recently carried out in December 2010. The Supervisory Board decided at that time to maintain the compensation system for the Board of Managing Directors that has been in effect since January 2010.

The following principles are central to the compensation of the Board of Managing Directors:

- Total compensation must be sufficient to attract highly qualified executives and keep them with the Company for the long term.
- The compensation structure must ensure a balance between short-term, medium-term and long-term components of compensation.
- The incentive system must be designed in such a way as to be effective even if the business environment changes.
- The variable results-based and performance-based components of compensation must be consistent with the strategic and financial interests of Oldenburgische Landesbank AG.
- Total compensation must be consistent with the individual board members' duties and responsibilities, as well as their achievements.

The compensation system currently in effect for the Board of Managing Directors consists of the following components:

### Non-performance-based compensation

The non-performance-based component of compensation comprises a fixed component and other elements:

a) *Fixed component.* The base compensation is a fixed amount disbursed in twelve monthly payments. The amount of this component depends in part on the board member's position and responsibilities, and in part on external market conditions.

b) *Other components of compensation.* Non-cash benefits provided as compensation in kind and perquisites are accorded in variable amounts depending on the individual's duties and position, and must be taxed individually. These are primarily insurance benefits commonly provided in the market, and the use of company cars. Additionally, in 2010 members of the Board of Managing Directors received payments for holding positions on the supervisory bodies of companies owned by the Group.

### Performance-based compensation

The performance-based component of compensation has several elements, and ensures an appropriate balance between short-term and medium-term financial targets, longer-term results, and a sustainable increase in corporate value. All elements of performance-based compensation are described in a model that applies throughout the Allianz Group, the Allianz Sustained Performance Plan (ASPP). To determine the performance-based component, each year the Supervisory Board makes a goal agreement with the individual members of the Board of Managing Directors that sets forth quantitative and qualitative targets. Both the annual targets and – in the case of the Spokesman of the Board of Managing Directors – the three-year medium-term targets are set forth in a uniform goal agreement form. In assessing the achievement of targets, the Supervisory Board may set the performance-based component within a range of 0 percent to 165 percent of the variable target compensation.

The performance-based compensation comprises the following components:

a) *Annual bonus.* The members of the Board of Managing Directors receive an annual bonus depending on the degree to which the targets under a personal goal agreement are achieved. The targets are defined at the beginning of the performance period. At the end of that period, the degree to which these goals have been achieved is assessed, and that assessment serves as a basis for the amount of the annual bonus to be paid out following the Shareholders' Meeting in the subsequent year.

See Glossary, pp. 148, 150

b) *Medium-term bonus.* In addition to the annual bonus, the Spokesman of the Board of Managing Directors is accorded a three-year bonus under a separate goal agreement. For that purpose, an amount equal to the fixed annual bonus will be set aside for each year over a three-year period, beginning with fiscal 2010. The total of these contributions provides the preliminary basis for the medium-term bonus. After each three-year period expires, the Supervisory Board will review how sustainably the goals were achieved, and will determine the amount of the medium-term bonus on that basis.

c) *Share-based payments.* The members of the Board of Managing Directors furthermore participate in Allianz's Group-wide program for share-based compensation (the Allianz Equity Initiative, AEI). Share-based compensation is awarded in the form of virtual stock, known as Restricted Stock Units (RSUs), after the end of the fiscal year, at the time when the annual bonus is determined. The number of RSUs is calculated from the amount of the annual bonus for the past year, divided by the calculated market value of an RSU as of the date of the award. The RSUs are subject to a holding term of four years after they are awarded. After that period expires, the RSUs are automatically exercised by the Company in accordance with the terms of the plan. For each RSU, the member of the Board of Managing Directors receives the equivalent of one share of Allianz SE at the exercise price defined in the terms of the plan. This amount is paid out in cash, in Allianz SE stock, or in other equivalent securities. Moreover, the potential appreciation of RSUs is limited to 200 percent of the stock price as of their grant date.

Under the Allianz share-based compensation plan that was in effect until 2010 (the Group Equity Incentive, GEI), employees were also awarded Stock Appreciation Rights (SARs) in addition to RSUs. These are virtual options that carry the entitlement to collect the difference between the trading price of Allianz SE stock on the exercise date and the price at the award date, in cash. The maximum difference is limited to 150 percent of the price at the grant date. The SARs granted up until 2008 may be exercised after a vesting period of two years. The vesting period for SARs issued from 2009 onward is four years. A first requirement for exercise of an SAR is that the trading price of Allianz SE stock must be at least 20 percent above the price at the grant date. The stock price must also have exceeded the Dow Jones EURO STOXX Price Index (600) at least once for a period of five successive trading days during the plan period. The SARs expire after seven years if they have not been exercised under the terms of the plan by then. The SARs awarded up to 2010 that have not been exercised will remain valid until the associated plan expires. No further SARs will be issued under the new Allianz Equity Incentive Program.

Concerning the measurement of these rights or the evolution of their value, please see the information in the Notes to the Consolidated Financial Statements of the OLB Group.

### Company retirement plan

Under their employment agreements, the members of the Board of Managing Directors receive a company retirement plan, either in the form of a defined-benefit commitment, or in the form of a defined-contribution arrangement. The pension agreement for Dr. Friedmann consists of a grant of a defined benefit, as a percentage of his fixed compensation, depending on the number of years of service completed; consequently, his benefits are not linked to changes in the variable component of compensation. Mr. Buhl, Dr. Schinzing and Mr. Höhling will each receive pension benefits under defined-contribution pension agreements.



See Glossary, pp. 148, 150, 151

### Individualized 2010 compensation of the Board of Managing Directors

Individualized details of the compensation paid to the Board of Managing Directors in fiscal 2010 can be found in the table below.

### Compensation paid to members of the Board of Managing Directors

| EUR k | | Non-performance-based components | | Performance-based components | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | Fixed component | Other components of compensation | Annual bonus (short-term)[1] | Three-year bonus (medium-term) | Share-based payments (long-term)[2] SARs[3] | RSUs[4] | |
| Benedikt Buhl | **2010** | **300** | **25** | **198.5** | **198.5**[5] | **—** | **198.5** | **920.5** |
| | 2009 | 199 | 18 | 289 | 96[6] | 65 | 138 | 805 |
| Dr. Stefan Friedmann | **2010** | **220** | **23** | **214.6** | **—** | **—** | **214.6** | **672.2** |
| | 2009 | 162 | 21 | 294 | — | 55 | 117 | 649 |
| Dr. Peter Schinzing | **2010** | **235** | **23** | **223.3** | **—** | **—** | **223.3** | **704.6** |
| | 2009 | 180 | 21 | 294 | — | 57 | 121 | 673 |
| Jörg Höhling starting 2/1/2010 | **2010** | **202** | **6** | **211.4** | **—** | **—** | **211.4** | **630.8** |
| | 2009 | | | | | | | |
| **Total** | **2010** | **957** | **77** | **847.8** | **198.5** | **—** | **847.8** | **2,928.1** |
| | 2009 | 541 | 60 | 877 | 96 | 177 | 376 | 2,127 |

1 Pertains to the bonus granted in 2011 (or the prior year) for fiscal 2010 (or the prior year)
2 In the prior year's annual report, the share-based components of compensation awarded in 2009 were shown in this position for the 2009 payment year.
3 The SARs shown for 2009 pertain to the SARs awarded in 2010 for the 2009 payment year at the notional value as of the grant date. As of the 2010 payment year, no further SARs will be issued under the new Allianz Equity Incentive Program.
4 Pertains to the RSUs awarded in 2011 (or the prior year) for the 2010 payment year (or the prior year) at the notional value as of the date of grant
5 Pertains to the indicative endowment of the three-year bonus for fiscal 2010
6 Share of three-year bonus for the 2007–2009 period

As of December 31, 2010, the number of rights held by members of the Board of Managing Directors totaled 76,277 SARs and 24,637 RSUs. Regarding the measurement of these rights and the evolution of their value, see the Note to the consolidated financial statements regarding share-based payments.

The total compensation paid to the Board of Managing Directors in fiscal 2010 came to EUR 2.9 million (prior year: EUR 2.1 million).

Credit granted to members of the Board of Managing Directors was as follows as of December 31, 2010: Approved credit lines totaled EUR 472 thousand, and had not been used as of December 31, 2010. The interest rate for each line was 6.00 percent. There was also a guarantee line of EUR 2 thousand, for which a commission of 2.70 percent was paid. The interest rate and terms are those commonly applied in the market. Loans of EUR 150 thousand were paid back during the past fiscal year. These loans were at an interest rate of 3.80 percent.

Members of the Board of Managing Directors received a total of EUR 21 thousand (including value-added tax) in 2010 for memberships on governing bodies of companies owned by the Group.

Payments for company retirement plans and comparable benefits in fiscal 2010 came to EUR 111 thousand for Mr. Buhl, EUR 16 thousand for Dr. Schinzing, EUR 92 thousand for Dr. Friedmann, and EUR 82 thousand for Mr. Höhling, which were recognized as current service cost under IAS 19.

On December 31, 2009, the actuarial net present value of pension obligations, on an IFRS basis, for members of the Board of Managing Directors who were active at that date, came to EUR 2.7 million (prior year: EUR 1.8 million). Of this amount, EUR 842 thousand was for Mr. Buhl, EUR 513 thousand for Dr. Schinzing, EUR 1,097 thousand for Dr. Friedmann, and EUR 240 thousand for Mr. Höhling.

A total of EUR 1.6 million was paid to former members of the Board of Managing Directors or their survivors; the actuarial net present value of pension obligations for this group, on an IFRS basis, came to EUR 14.8 million (prior year: EUR 13.4 million).

See p. 124
See Glossary, pp. 148, 149

## Compensation systems for employees of Oldenburgische Landesbank AG

### Compensation system

The compensation system at Oldenburgische Landesbank AG provides in principle for a payment of twelve monthly gross salary installments, each of which is paid in the middle of the month.

If an employee's contract is governed by the collective bargaining agreement for the private banking industry, in general the employee is entitled to a contractually guaranteed extra payment in the amount of one month's gross salary (known as the "thirteenth month's gross salary"), which as a rule is paid in November of each year. General terms apply to this extra payment, and are published shortly before the disbursement.

Other components of salaries as a rule include:

- Asset-building benefits of EUR 40.00 per month (for full-time employees)
- Components of the company retirement plan
- Commission payments (for brokering home loan and savings agreements, insurance, real estate)

The compensation systems for trainees, and for employees both covered and not covered by collective bargaining agreements, are explained below.

### Trainees

Trainees receive a monthly trainee's pay as provided under the collective bargaining agreement for the private banking industry. They can also earn commissions on brokerage of home loan and savings agreements, insurance, and real estate.

Any extra payments above and beyond the "thirteenth month's gross salary" are generally only optional. These include, for example, the possible payment of a bonus on completing training. The decision whether to pay this bonus is made by the Board of Managing Directors, taking the business position of the Bank into account. The applicable terms are announced in due time before the payment date in April.

### Employees under collective bargaining agreements

Under collective bargaining agreements, the amount of the monthly gross salary is guided by salary group classification and the number of years on the job, according to the current salary table in the collective bargaining agreement for the private banking industry.

Employees in this group can also earn commissions on brokerage of home loan and savings agreements, insurance, and real estate. No variable components of compensation under goal agreements are provided for this group of employees.

Any additional payments above and beyond the "thirteenth month's gross salary" are covered by the same terms as for trainees.

### Employees not covered by collective bargaining agreements, and authorized company representatives

For employees not covered by collective bargaining agreements, the Bank pays a monthly gross base salary not included in any salary schedule. In addition, under goal agreements, it pays a variable component for which the achievement level may range from 70 percent to 120 percent, equivalent to from 1.5 to 3.5 times a monthly gross base salary payment. Employees in this group can also earn commissions on brokerage of home loan and savings agreements, insurance, and real estate.

### Second-level management employees

Second-level management employees (members of regional management and heads of central and executive support units) receive a fixed compensation in the form of a monthly gross salary. They are also covered by a profit-sharing plan based on goal agreements, which includes levels of attainment between 60 percent and 140 percent. The target bonus is graduated between EUR 35 thousand and EUR 50 thousand per year. Employees in this group cannot earn commissions on brokerage of home loan and savings agreements, insurance, and real estate.

### Total compensation

Total compensation paid within the Oldenburgische Landesbank Group is broken down below by business segment:

| EUR | 2010 total compensation | | | |
|---|---|---|---|---|
| | Fixed component | Variable component | Commissions | Total |
| OLB Regional Bank | 88,484,366 | 19,234,810 | 2,997,082 | 110,716,258 |
| Allianz Bank | 24,813,041 | 5,552,752 | 605 | 30,366,398 |
| **Total Oldenburgische Landesbank AG** | **113,297,407** | **24,787,562** | **2,997,687** | **141,082,656** |
| Münsterländische Bank Thie & Co. KG | 1,268,332 | 349,488 | — | 1,617,820 |
| W. Fortmann & Söhne KG | 1,789,673 | 265,218 | 52,025 | 2,106,916 |
| OLB-Immobiliendienst-GmbH | 233,770 | 93,201 | — | 326,971 |
| Grundstücks-Gesellschaft mit beschränkter Haftung | 50,284 | 10,825 | — | 61,109 |
| OLB-Service-Gesellschaft mit beschränkter Haftung | 1,494,085 | 122,643 | — | 1,616,728 |
| **Total subsidiaries** | **4,836,144** | **841,375** | **52,025** | **5,729,544** |
| **Total Oldenburgische Landesbank Group** | **118,133,551** | **25,628,937** | **3,049,712** | **146,812,200** |

In general, all employees participate in the variable component except for persons in marginal jobs and temporary workers.

## Compensation of the Supervisory Board

### Compensation system

The compensation of the Supervisory Board was decided by the Shareholders' Meeting. It is governed by Art. 13 of the Articles of Incorporation. The compensation of the Supervisory Board is based on the board members' responsibilities and scope of activities, and on the Company's economic condition and results.

### Base compensation

The base compensation of a member of the Supervisory Board has three elements – the fixed component and two performance-based components. The base amount does not include the additional compensation for the Chairman, Vice-Chairman, or members of committees:

- The fixed component is EUR 25,000 per fiscal year.
- One performance-based component has a short-term focus. It depends on the increase in the OLB Group's consolidated earnings per share for the past fiscal year. This component is EUR 75 for each tenth of a percentage point by which the consolidated earnings per share increase from the previous year. The maximum amount for this component is EUR 24,000.
- The second performance-based component depends on the increase in OLB's consolidated earnings per share compared to the same figure three years earlier, and therefore focuses on long-term performance. This component comes to EUR 30 for each tenth of a percentage point by which consolidated earnings per share have improved over the previous three years. This component too is limited to a maximum of EUR 24,000.

If the consolidated earnings per share are less than EUR 1 for the year preceding payment of the compensation, in the case of the short-term performance-based component, or for the third year preceding the year of payment, in the case of the long-term performance-based component, the consolidated earnings per share on the basis of which that component is calculated for the years concerned is set at EUR 1.

The Chairman and Vice-Chairman of the Supervisory Board receive additional compensation. The Chairman of the Supervisory Board receives twice the compensation of a regular member of the Supervisory Board, and each Vice-Chairman receives one and a half times the compensation of a regular member.

### Compensation for committee work

Members of the Audit Committee receive an additional annual fixed compensation of EUR 15,000, and the committee chairman receives EUR 22,500. The regular members of the other committees receive an additional 25 percent of a regular board member's base compensation per committee on which they sit; the committee chairs receive 50 percent. See footnote below

### Meeting honorarium

The members of the Supervisory Board receive an honorarium of EUR 500 for each meeting of the Supervisory Board or its committees that they attend in person. No additional honorarium is paid if multiple meetings are held on one day or on successive days.

### Maximum limit

There is an upper limit on the total compensation for each member of the Supervisory Board. For the Chairman, the limit is three times the maximum base compensation of a regular member, and for the other members it is twice the maximum base compensation. The maximum base compensation of a regular member of the Supervisory Board, with the fixed component of EUR 25,000 and the two variable components, each limited to EUR 24,000, comes to EUR 73,000 per fiscal year.

### Individualized compensation of the Supervisory Board in 2010

Earnings per share for 2010 were EUR 2.25. This yields the maximum of EUR 24,000 for the short-term performance-based component. However, no component based on long-term company performance will be paid for 2010.

Supervisory Board members Moschner, Fischer and Schwarz also hold positions on the managing boards of other Allianz Group companies, and therefore waive compensation for their work on the Supervisory Board.

This rule applies without restrictions only for the Executive and Audit Committees. Compensation was paid for work on the Personnel and Special Committees only until they were disbanded in March 2010. From June 2010 onward, the Articles of Incorporation do not provide for any special compensation for members of the Nominating or Mediation Committees.

## Individualized compensation of members of the Supervisory Board at a glance

| EUR | | Base compensation | | | | | Total compensation |
|---|---|---|---|---|---|---|---|
| | | Fixed component | Short-term performance-based component[1] | Long-term performance-based component | Committee work | Meeting honorarium | |
| Andree Moschner[2], Chair | **2010** | **—** | **—** | **—** | **—** | **—** | **—** |
| | 2009 | — | — | — | — | — | — |
| Manfred Karsten, Vice-Chair | **2010** | **37,500.00** | **36,000.00** | **—** | **20,416.67** | **1,500.00** | **95,416.67** |
| | 2009 | 37,500.00 | 36,000.00 | — | 36,750.00 | 3,000.00 | 113,250.00 |
| Dr. Werner Brinker | **2010** | **25,000.00** | **24,000.00** | **—** | **5,104.17** | **2,000.00** | **56,104.17** |
| | 2009 | 25,000.00 | 24,000.00 | — | 12,250.00 | 2,500.00 | 63,750.00 |
| Claas E. Daun | **2010** | **25,000.00** | **24,000.00** | **—** | **3,062.50** | **2,000.00** | **54,062.50** |
| | 2009 | 25,000.00 | 24,000.00 | — | 12,250.00 | 2,500.00 | 63,750.00 |
| Carsten Evering | **2010** | **25,000.00** | **24,000.00** | **—** | **28,270.83** | **2,500.00** | **79,770.83** |
| | 2009 | 25,000.00 | 24,000.00 | — | 27,250.00 | 3,500.00 | 79,750.00 |
| Thomas Fischer[2] | **2010** | **—** | **—** | **—** | **—** | **—** | **—** |
| | 2009 | — | — | — | — | — | — |
| Prof. Dr. Andreas Georgi | **2010** | **25,000.00** | **24,000.00** | **—** | **72,520.84** | **2,500.00** | **124,020.84** |
| | 2009 | 25,000.00 | 24,000.00 | — | 96,000.00 | 3,500.00 | 148,500.00 |
| Stefan Lübbe | **2010** | **25,000.00** | **24,000.00** | **—** | **24,500.00** | **2,000.00** | **75,500.00** |
| | 2009 | 25,000.00 | 24,000.00 | — | 24,500.00 | 3,000.00 | 76,500.00 |
| Horst Reglin | **2010** | **25,000.00** | **24,000.00** | **—** | **3,062.50** | **2,000.00** | **54,062.50** |
| | 2009 | 25,000.00 | 24,000.00 | — | 12,250.00 | 3,000.00 | 64,250.00 |
| Uwe Schröder | **2010** | **25,000.00** | **24,000.00** | **—** | **28,270.83** | **2,500.00** | **79,770.83** |
| | 2009 | 25,000.00 | 24,000.00 | — | 27,250.00 | 3,500.00 | 79,750.00 |
| Jörg Thöle | **2010** | **25,000.00** | **24,000.00** | **—** | **5,104.17** | **2,000.00** | **56,104.17** |
| | 2009 | 25,000.00 | 24,000.00 | — | 12,250.00 | 3,000.00 | 64,250.00 |
| Dr. Aloys Wobben[3] (until 5/27/2010) | **2010** | **10,416.67** | **10,000.00** | **—** | **—** | **—** | **20,416.67** |
| | 2009 | 25,000.00 | 24,000.00 | — | — | 500.00 | 49,500.00 |
| Rainer Schwarz[2] (since 5/27/2010) | **2010** | **—** | **—** | **—** | **—** | **—** | **—** |
| | 2009 | — | — | — | — | — | — |
| **Total** | **2010** | **247,916.67** | **238,000.00** | **—** | **190,312.51** | **19,000.00** | **695,229.18** |
| | 2009 | 262,500.00 | 252,000.00 | — | 260,750.00 | 28,000.00 | 803,250.00 |

1 The short-term performance-based component was limited to the maximum amount per Art. 13(1) of the Articles of Incorporation.
2 Waiver per Art. 13(7) of the Articles of Incorporation
3 Dr. Wobben left the Supervisory Board as of May 27, 2010. Consequently, in accordance with Art. 13(4) of the Articles of Incorporation, his compensation as a board member for fiscal 2010 amounts to 5/12 of his hypothetical compensation for the full year.

Total compensation paid to the Supervisory Board for fiscal 2010, including meeting honoraria, came to EUR 695,229 (prior year: EUR 803,250).

The statutory value-added tax applicable to total compensation and meeting honoraria came to EUR 132,094 and was reimbursed.

Furthermore, Dr. Aloys Wobben and Claas E. Daun each received EUR 2,000 as compensation for sitting on the Advisory Board of Oldenburgische Landesbank AG.

## Loans to members of the Supervisory Board

Credit granted to members of the Supervisory Board was as follows as of December 31, 2010: Approved credit lines totaled EUR 206 thousand, EUR 58 thousand of which had been used as of December 31, 2010. The interest rates were between 6.00 percent and 6.60 percent. In addition there were guarantee lines of EUR 47 thousand, for which commissions of 0.50 percent and 3.25 percent were paid.

There were further loans of EUR 576 thousand, at interest rates between 3.81 percentand 5.30 percent. The interest rate and terms are those commonly applied in the market. Loans of EUR 154 thousand were paid back during the past fiscal year. Interest rates on these loans were between 3.55 percent and 5.06 percent.

## Compensation of the Advisory Board

Total compensation paid to the members of the Advisory Board in 2010 came to EUR 101.5 thousand (prior year: EUR 92.5 thousand).

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# Group Management Report

# Economic Conditions

In 2010, the German economy began a stunning course of recovery, making up for a portion of the sharp drop in GDP from the year before. Total production in Germany is expected to return to pre-crisis levels in 2011.

Major factors behind the steep real 3.6 percent rise in gross domestic product during 2010 included foreign demand for German goods and services (+14.2 percent) and the revival of domestic investment. The Economic Packages I and II adopted by the German federal government in 2008 and 2009 likewise continued to show their effects in 2010, and thus acted procyclically to further reinforce German economic growth. Consumer spending remained largely stable, gaining 0.5 percent without contributing any significant impetus to growth.

For the medium and long-term outlook, the rise in domestic capital spending demand is especially encouraging. Many companies had cut back their investment plans during the crisis in 2009 because of uncertainty about future development, but finally carried out those plans in 2010. Capital equipment spending rose an impressive 9.4 percent, while construction spending was less dynamic, gaining 2.8 percent. The economic packages initiated by the federal government also included significant measures to renovate and expand public infrastructure. Thus, the German economy is making up for some of the investment backlog that had accumulated in past years. It would be desirable for this development to continue in future years in order to maintain Germany's international competitiveness, and even to improve it substantially in some regards.

Exports also concentrated on German capital goods, for which demand remained solid in the still-booming emerging economies, especially China. Although Germany lost its world leadership in exports to China in 2009, the continuing demand shows that products "made in Germany" still enjoy a high reputation worldwide.

Following the impressive growth of 2010, we expect the upswing in the German economy to continue in 2011, though not quite at so fast a pace. A variety of growth drivers are now running down. For example, the effects of the government's economic programs are likely to decline. Budding concerns about inflation may well cause the European Central Bank to raise interest rates. But that will depend primarily on how commodity prices evolve – which we believe have to some degree been driven by speculation, and may be overvalued in some subsegments – and also on the growth of wages, especially in Germany. If these factors interact adversely, the ECB may be forced to raise interest rates, which might slow investment activity in Germany, and most importantly hinder the recovery in other, economically weaker countries of the euro zone. We also assume that economic growth will taper off slightly in some developing countries, so that German export growth is likely to settle into a steady course. At the same time, the USA may well have gradually overcome its weak growth, and thus may resume a stronger driving role in the world economy.

See Glossary, p. 148

### *The economy in northwestern Germany*

The economy in northwestern Germany likewise benefited from the recovery of the world economy last year. All in all, the economy in Lower Saxony and Bremen is on a stable growth track, although even here, the speed and strength of the economic recovery came as a surprise. The uptrend extended into virtually every sector here, encouraging local companies to step up their investment and hiring plans.

Economic indicators from the chambers of commerce in our business territory have been trending steeply upward since as early as the beginning of 2009, and most are above the averages from the past few years. Current surveys confirm that this trend remains stable, and give reason to hope that the economic expansion will continue.

Despite local companies' relatively low export ratio, the initial impetus in the spring of last year came from the sharp rise in demand from other countries. Over the further course of the year, sectors that focus more on the domestic economy also benefited from the general revival. Investment activity contributed significantly to growth rates in our territory as it did elsewhere. Consumption likewise improved, amid moderate unemployment figures.

Many medium-sized and family-owned companies in northwestern Germany – including a few "hidden champions" – have taken advantage of the crisis over the past couple of years to reexamine and sometimes reposition their products and processes. They have thus improved their competitiveness further (including on an international plane), and set a course for another successful year in 2011.

### *The banking environment*

The banking landscape in Germany is undergoing a phase of upheaval. Many banks have already overcome the immediate consequences of the financial crisis, but the state-supported banks and regional state banks in particular are facing a review of their business model. The consolidation of the banking industry continues. Political intervention from the German government and the EU is also increasing the pressure to act. The Basel III rules adopted in 2010 will have a fundamental impact on banks' business models. Higher equity and liquidity requirements will lower banks' prospects for returns, and will generate a substantially higher demand for capital. The financial markets are further troubled by the euro crisis and concerns about defaults by debtor states.

The banks' operating performance is enjoying support from the excellent performance of the economy. In combination with ongoing low interest rates, demand for credit has risen sharply as a consequence, resulting in substantial improvements in banks' interest income. Moreover, the economic recovery has also led to substantial earnings improvements because of lower risk provisioning. Improved profitability offers the chance for banks to gird themselves for the substantial challenges they face.



See Glossary, p. 148

# Business Performance

## Results of operations

### Consolidated profit

The following table compares the OLB Group's statements of consolidated income for 2010 and 2009. In the comparison, it should be noted that Allianz Bank has been recognized as a segment of the OLB Group since June 2009, and thus was only included in the full-year income statement for the first time in 2010.

| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| Interest and similar income | 501.7 | 492.0 | 9.7 | 2.0 |
| Interest expense and similar charges | 263.7 | 285.9 | – 22.2 | – 7.8 |
| Net interest income | 238.0 | 206.1 | 31.9 | 15.5 |
| Commission income | 135.7 | 95.4 | 40.3 | 42.2 |
| Commission expense | 50.8 | 31.3 | 19.5 | 62.3 |
| Net commission income | 84.9 | 64.1 | 20.8 | 32.4 |
| Net operating trading income | – 0.7 | 2.7 | – 3.4 | n/a |
| Other income | 70.7 | 94.5 | – 23.8 | – 25.2 |
| **Operating income** | **392.9** | **367.4** | **25.5** | **6.9** |
| Personnel expense | 182.2 | 166.6 | 15.6 | 9.4 |
| Office expense | 123.2 | 121.3 | 1.9 | 1.6 |
| Administrative expenses | 305.4 | 287.9 | 17.5 | 6.1 |
| Other expenses | 3.3 | 1.7 | 1.6 | 94.1 |
| **Operating expenses** | **308.7** | **289.6** | **19.1** | **6.6** |
| Risk provisions for credit business | 24.6 | 26.4 | – 1.8 | – 6.8 |
| **Operating profit** | **59.6** | **51.4** | **8.2** | **16.0** |
| Realized net income / loss from financial assets | 12.9 | 8.7 | 4.2 | 48.3 |
| Net nonoperating trading income / expense | 1.2 | – 9.7 | 10.9 | n/a |
| Net income / loss from financial assets | 14.1 | – 1.0 | 15.1 | n/a |
| Restructuring expense | 2.9 | — | 2.9 | n/a |
| **Profit before taxes** | **70.8** | **50.4** | **20.4** | **40.5** |
| Taxes | 18.3 | 17.1 | 1.2 | 7.0 |
| **Profit after taxes** | **52.5** | **33.3** | **19.2** | **57.7** |

| | | | | |
|---|---|---|---|---|
| **Basic and diluted earnings per share (EUR)** | **2.25** | **1.43** | **0.82** | **57.34** |

The OLB Group's earnings situation in 2010 significantly exceeded expectations. OLB enjoyed above-average growth and set new records in total lendings and operating income. The pretax profit was EUR 70.8 million. This represents a 40.5 percent increase from the previous year, and more than twice the figure from 2008. The OLB Group's dynamic performance was supported by exceptional growth in income from business with customers. Both segments – OLB Regional Bank and Allianz Bank – significantly increased their operating income.

OLB took systematic advantage of the market opportunities offered by the economy and the change in the environment for the banking market. Thanks to its financial soundness and close customer relations, it is very well positioned to further expand its market position during the continuing economic upswing.

Details of the individual components of profits:

### Net interest income

| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| Interest and similar income | 501.7 | 492.0 | 9.7 | 2.0 |
| Interest expense and similar charges | 263.7 | 285.9 | – 22.2 | – 7.8 |
| **Net interest income** | **238.0** | **206.1** | **31.9** | **15.5** |
| Customer lending volume at end of period (before risk provisions) | 9,513.0 | 8,499.9 | 1,013.1 | 11.9 |
| Interest rate margin in % | 2.50 | 2.42 | 0.08 | n / a |

In spite of the changes in interest rates triggered by the euro crisis, the market environment was favorable for net interest income, thanks to a consistently steep yield curve. The rising demand for credit because of the economic recovery particularly benefited OLB's Regional Bank segment because of its long-standing position as a reliable partner for medium-sized businesses, leading to record growth of 11.9 percent in total lendings (EUR 9,513.0 million, compared to the prior year's EUR 8,499.9 million). Here it should be emphasized that this increase was achieved while maintaining strict requirements for creditworthiness and collateral. Allianz Bank, which appeared in the income statement for a full year for the first time in 2010, also contributed to earnings with a substantial improvement in its interest rate margin. Lower interest rates offered advantageous refinancing opportunities, and raised maturity transformation income while keeping the previous rigorous risk limits intact. As a consequence, the OLB Group's net interest income rose a substantial EUR 31.9 million, to EUR 238.0 million (prior year: EUR 206.1 million).

## Net commission income

| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| Securities business | 57.6 | 28.7 | 28.9 | n / a |
| Asset management | 8.0 | 3.5 | 4.5 | n / a |
| Payment traffic | 24.9 | 21.0 | 3.9 | 18.6 |
| Foreign business | 3.5 | 3.4 | 0.1 | 2.9 |
| Insurance, home loan and savings, real estate business | 12.7 | 11.7 | 1.0 | 8.5 |
| Credit card business | 2.5 | 1.5 | 1.0 | 66.7 |
| Trustee and other fiduciary activities | 0.1 | 0.1 | — | — |
| Other | – 24.4 | – 5.8 | – 18.6 | n / a |
| **Net commission income** | **84.9** | **64.1** | **20.8** | **32.4** |

Most of the change in net commission income was driven by the securities business. Amid the given market environment, the German stock market and categories of investments like precious metals and commodities offered particular opportunities. On the other side, private investors were concerned about the turbulence caused by the crisis in the euro. Nevertheless, the securities business saw a revival in 2010 – which also indicated our customers' strong confidence as a result of our systematic implementation of more stringent consumer protection requirements. The integration of the Allianz Bank business and the expansion of our customer business – especially Allianz Bank's newly arranged support for fund deposit customers from Allianz Global Investors (AGI) – increased net commission income from the securities business to EUR 57.6 million for the year (prior year: EUR 28.7 million). Most of the increase in net commission income from payment traffic, from EUR 21.0 million in 2009 to EUR 24.9 million in 2010, came from lower costs of supplying cash to Allianz Bank customers due to bilateral agreements with other banks. Other net commission income was lowered by the increase in brokerage commissions paid to Allianz in Germany (Allianz Beratungs- und Vertriebs-AG) for successful business referrals.

### Net operating and nonoperating trading income

The foreign currency business with our customers performed well in 2010, and nearly compensated for the generally weaker earnings performance in the Bank's own trading in interest-rate, stock and currency products. OLB uses swaps to manage exposure to the risk of changes in interest rates. These transactions are measured within the narrow bounds set by IAS 39 (hedge accounting). The ineffective portions of hedges that result from the application of the rules yielded an expense of EUR 2.1 million. The total income from trading for clients and on the Bank's own account, together with the measurement of hedges, yielded an operating trading loss of EUR –0.7 million for 2010 (prior year: income of EUR 2.7 million).

Nonoperating trading income includes the measurement of derivatives in the Ammerland and Weser-Ems special funds, both of which are categorized among noncurrent financial assets. After a net expense of EUR –9.7 million for the prior year, the Group showed consolidated net income of EUR 1.2 million here in 2010.

The OLB Group does not make use of the option to designate financial assets or liabilities at fair value through profit or loss.

See Glossary, pp. 149, 151

### Other income
The other income for the year primarily comprised cost reimbursements from Allianz Deutschland AG for assuming the current loss of Allianz Bank.

### Administrative expenses

| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| Personnel expense | 182.2 | 166.6 | 15.6 | 9.4 |
| Office expense | 123.2 | 121.3 | 1.9 | — |
| **Administrative expenses** | **305.4** | **287.9** | **17.5** | **6.1** |
| Employees at 12/31 | 2,952 | 2,944 | 8 | 0.3 |
| Full-time equivalents at 12/31 | 2,468 | 2,455 | 13 | 0.5 |
| Cost-income ratio (%) | 78.6 | 78.8 | n/a | n/a |

The administrative expenses include operating expenses for Allianz Bank for a full year for the first time. Consequently, the results at the Group level for 2010 are not comparable in amount or structure with the prior year. For that reason, the segment reporting explains in detail the development of costs within the segments.

### Risk provisions for credit business
The OLB Group needed risk provisions of EUR 24.6 million in 2010, an improvement of EUR 1.8 million from the year before. This change for the better was in part because of the improvement in the economy, with the associated stable economic condition of our clients, and in part because of the quality of OLB's lending procedures. OLB maintained its traditional conservative standards in measuring risk provisions.

### Net income from financial assets
In its restructuring of investments in special funds – with the aim of reducing fluctuations in earnings due to market movements – the Bank took advantage of opportunities in the first half of 2010 to realize gains, particularly in the stock markets. The other liquidity reserve also achieved trading gains in the bond market as part of the normal management of positions. In all, financial assets generated net income of EUR 12.9 million (prior year: EUR 8.7 million).

### Profit / taxes
The pretax profit for fiscal 2010 came to EUR 70.8 million – an increase of EUR 20.4 million from the prior year's figure of EUR 50.4 million. The consequent tax expense was EUR 18.3 million, yielding a net profit of EUR 52.5 million, corresponding to a 57.3 percent increase in earnings per share, to EUR 2.25 (prior year: EUR 1.43). In accordance with the proposed allocation of profits referred to the Bank's single-entity financial statements under the German Commercial Code, OLB will apply EUR 23.3 million for the payment of a dividend of EUR 1.00 per no-par share for fiscal 2010.

## Segment results

The following discussion breaks down the OLB Group's earnings performance between two segments: OLB Regional Bank, which reflects the classic regional business of the Oldenburgische Landesbank Group and its 175 branches within its territory, and Allianz Bank, which offers banking products through Allianz Bank agencies nationwide. More information about segment reporting is provided in Note 13 to the Consolidated Financial Statements.

### Segment: OLB Regional Bank

| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| Net interest income | 223.8 | 206.9 | 16.9 | 8.2 |
| Net commission income | 69.7 | 63.7 | 6.0 | 9.4 |
| Net operating trading income | – 0.8 | 2.7 | – 3.5 | n/a |
| Other income | 0.8 | 0.6 | 0.2 | 33.3 |
| **Operating income** | **293.5** | **273.9** | **19.6** | **7.2** |
| Personnel expense | 146.0 | 139.3 | 6.7 | 4.8 |
| Direct office expense | 80.9 | 72.7 | 8.2 | 11.3 |
| Intersegment cost offsetting | – 13.3 | – 14.0 | 0.7 | – 5.0 |
| Administrative expenses | 213.6 | 198.0 | 15.6 | 7.9 |
| Other expenses | 1.0 | 1.3 | – 0.3 | – 23.1 |
| **Operating expenses** | **214.6** | **199.3** | **15.3** | **7.7** |
| Risk provisions for credit business | 19.6 | 22.8 | – 3.2 | – 14.0 |
| **Operating profit** | **59.3** | **51.8** | **7.5** | **14.5** |
| Realized net income from financial assets | 9.4 | 8.7 | 0.7 | 8.0 |
| Net nonoperating trading income / expense | 1.2 | – 9.7 | 10.9 | n/a |
| Net gain / loss from financial assets | 10.6 | – 1.0 | 11.6 | n/a |
| Restructuring expense | 2.9 | — | 2.9 | n/a |
| **Profit before taxes** | **67.0** | **50.8** | **16.2** | **31.9** |
| Segment assets (EUR bn) | 11.9 | 10.9 | 1.0 | 9.2 |
| Segment liabilities (EUR bn) | 11.3 | 10.4 | 0.9 | 8.7 |
| Cost-income ratio (%) | 73.1 | 72.8 | 0.3 | 0.4 |
| Risk capital (average) | 430.0 | 376.9 | 53.1 | 14.1 |
| Risk assets (average) | 5,931.0 | 5,199.4 | 731.6 | 14.1 |

Operating income at the OLB Regional Bank segment increased again substantially in 2010. An important driver of this development was net interest income, which grew from the prior year's EUR 206.9 million to EUR 223.8 million in 2010. Total lendings had already increased 8.1 percent in 2009, and the full-year net interest income saw the effects for the first time in 2010. Total lendings expanded further (+12.0 percent) with a better margin, with correspondingly positive effects on net interest income.

See p. 90

Most of the increase in net commission income (EUR +6.0 million) at OLB Regional Bank came from the securities business and payment traffic. The net figure from own-account trading and trading for customers, together with the measurement of hedges against interest rate risks, came to EUR –0.8 million for 2010 (prior year: EUR 2.7 million).

The increase in operating expenses in 2010 must be viewed amid the setting of vigorous business growth, the implementation of increasingly complex regulatory requirements, and the opening of new branches to round out the Bank's business territory, as well as other investments in the Bank's future. Thirteen new full-time jobs were created to manage these tasks. The small increase in staff, together with higher pension provisions and higher performance-based compensation, resulted in a EUR 6.7 million increase in personnel expenses. During 2010, OLB Regional Bank made significant investments in improving its fundamental IT systems, most of the effects of which are reflected in the year's results. The Bank also incurred higher costs than in the year before from projects intended to make OLB the best customer bank in Germany. In addition, direct office expenses felt the impact of general inflation, which particularly affected expenditures for infrastructure and energy costs.

In spite of the substantial rise in total lendings, risk provisions, at EUR 19.6 million, were less than a year earlier (EUR 22.8 million). OLB Regional Bank continues to apply conservative standards in assessing potential defaults. The welcome change in provisions was favored by the good economic conditions within the Regional Bank's territory. Judged against historic figures, the current level must be viewed as low.

The restructuring expense pertains to future payments for partial and early retirement arrangements, as well as severance payments.

All in all, OLB Regional Bank improved its operating profit by a substantial 14.5 percent, and thus continued on the growth course it had begun in 2009. Noncurrent financial assets took advantage of market opportunities for reallocations, so that the segment showed a pretax profit of EUR 67.9 million, well above expectations.

### Segment: Allianz Bank (an affiliate of Oldenburgische Landesbank AG)

| EUR m | 1/1/2010 – 12/31/2010 | 6/2/2009 – 12/31/2009 |
|---|---|---|
| Net interest income | 14.2 | 3.1 |
| Commission income (gross) | 50.9 | 17.8 |
| **Gross income** | **65.1** | **20.9** |
| Commission expense for payment traffic | 5.7 | 7.6 |
| Brokerage commissions | 30.0 | 9.8 |
| Other income | 70.9 | 94.6 |
| **Operating income** | **100.3** | **98.1** |
| Personnel expense | 36.2 | 27.3 |
| Direct office expense | 43.2 | 53.2 |
| Intersegment cost offsetting | 13.3 | 14.0 |
| Other expenses | 2.3 | 0.4 |
| **Operating expenses** | **95.0** | **94.9** |
| Risk provisions for credit business | 5.0 | 3.6 |
| **Operating profit / loss** | **0.3** | **–0.4** |
| Net profit from financial assets | 3.5 | — |
| **Profit / loss before taxes** | **3.8** | **–0.4** |
| Segment assets (EUR bn) | 1.5 | 1.3 |
| Segment liabilities (EUR bn) | 1.5 | 1.3 |
| Cost-income ratio (%) | 94.7 | 96.7 |
| Risk capital (average) | 23.7 | 12.8 |
| Risk assets (average) | 326.8 | 176.4 |

The Allianz Bank segment, which has been an affiliate of Oldenburgische Landesbank since June 2, 2009, has established itself well amid a difficult market environment. Further developments in an already-attractive product range, combined with the selling strength of Allianz, helped with the successful introduction of new products: The Allianz Bank Sparschatz savings plan brought in more than EUR 500 million with five-year maturities. To anchor the banking business still more firmly within the Allianz sales network, in 2010 we introduced a new three-stage sales concept. The agency format with the highest level of specialization is our bank branches that include an Allianz Bank advisor. In addition to bank branches, the "specialized agencies" for Allianz Bank are a further agency format that aims to expand the sale of financial products by offering attractive terms. The specialized agencies, certified for the banking business by the TÜV Rheinland certification organization, are supported by Allianz Bank specialists both personally on location, and via video. At the end of 2010, there were a total of 694 bank branches and specialized agencies for Allianz Bank. At the remaining Allianz agencies, the banking business is conducted as a sideline, offering core products like accounts and deposits.

Since January 1, 2010, a contract has provided that in addition to its own customers, Allianz Bank will serve an additional roughly 242,000 customers (business volume of EUR 2.1 billion) from Allianz main agents with a fund deposit account from Allianz Global Investors (AGI). This has increased the number of Allianz Bank customers by 279,000 since it entered the market in June 2009, to a total of 609,000. The business volume under management grew by EUR 2.1 billion, to about EUR 5.3 billion.

Profits in the Allianz Bank segment developed as planned in 2010.

Net interest income improved appreciably, with an expansion of volumes and margins.

Most of the substantial increase in net commission income from the year before is attributable to the 2010 assumption of asset management for Allianz customers who have an AGI fund deposit. The net result from securities reflects this change.

Another positive effect on Allianz Bank's profits came from the decrease in commission expenses for payment traffic. Brokerage commissions paid to the Allianz sales organization grew substantially because of the expansion of business.

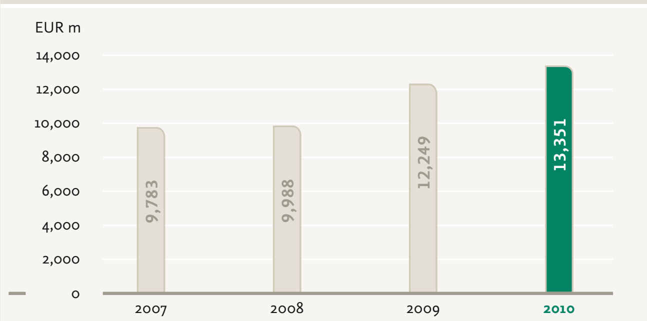
Other income largely comprises the absorption of Allianz Bank's loss by Allianz Deutschland AG.

The operating expense side was increased for the first time in 2010 by the assumption of the costs of providing service for AGI fund deposit customers.

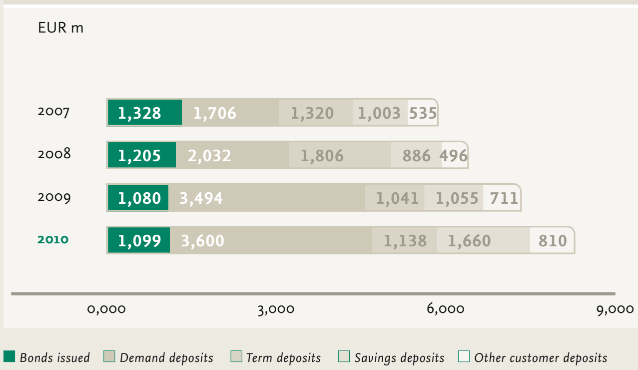
Risk provisions were EUR 5.0 million.

The compensation for Allianz Bank's net loss under German GAAP, guaranteed by a contract with Allianz Deutschland AG, yielded a net positive effect on earnings of EUR 3.8 million, because of the different measurement approach under IFRS.

**Total assets**




**Customer deposits and OLB bonds**



## Changes in the balance sheet

Total assets grew again substantially in 2010 because of the vigorous growth of the lending business and the successful increase in total deposits (+ 9.0 percent, to EUR 13,351 million). See chart, p. 34 left

### Total lendings

The OLB Regional Bank segment had already increased total lendings by 8.1 percent in 2009, and saw further growth in 2010 by 12.0 percent, to EUR 9,148.0 million. This means that total lendings have grown EUR 1,593.5 million net (21.1 percent) in the past two years. Including Allianz Bank's lending business, the increase from the prior year was EUR 1,003.3 million, to EUR 9,442.6 million.

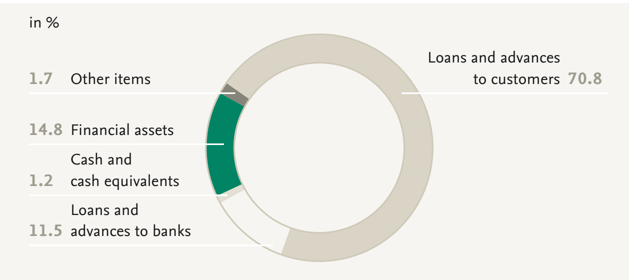
| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| Customer lending / Germany | 9,444.0 | 8,439.6 | 1,004.4 | 11.9 |
| Customer lending / outside Germany | 69.0 | 60.3 | 8.7 | 14.4 |
| **Total lending volume (before risk provisions)** | **9,513.0** | **8,499.9** | **1,013.1** | **11.9** |
| Less: risk provisions | 70.4 | 60.6 | 9.8 | 16.2 |
| **Total lendings (after risk provisions)** | **9,442.6** | **8,439.3** | **1,003.3** | **11.9** |

### Financial assets

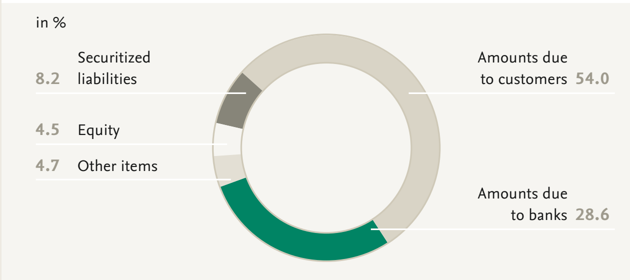
OLB invests in first-class securities (primarily government bonds and Pfandbrief bonds). There are no significant investments in securities issued by the governments of countries affected by the euro crisis, or in subprime paper. To take advantage of opportunities for long-term returns, OLB invested EUR 82.7 million in a special fund that primarily holds stocks. Equity interests of 50 percent or less, and investments in unconsolidated subsidiaries, accounted for a total of EUR 0.9 million. See chart, p. 35 left



*Balance sheet ratios for assets*




*Balance sheet ratios for equity and liabilities*



## Deposits and borrowed funds

| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| **Customer deposits** | **7,208.2** | **6,300.6** | **907.6** | **14.4** |
| Demand deposits | 3,626.4 | 3,518.9 | 107.5 | 3.1 |
| Term deposits | 1,921.5 | 1,726.7 | 194.8 | 11.3 |
| Savings deposits | 1,660.3 | 1,055.0 | 605.3 | 57.4 |
| **Interbank money** | **3,816.5** | **3,784.6** | **31.9** | **0.8** |
| Demand deposits | 25.1 | 353.4 | – 328.3 | – 92.9 |
| Term deposits | 3,791.4 | 3,431.2 | 360.2 | 10.5 |
| **Securitized liabilities** | **1,099.3** | **1,080.1** | **19.2** | **1.8** |
| **Subordinated debt** | **254.4** | **172.7** | **81.7** | **47.3** |
| **Total deposits and borrowed funds** | **12,378.4** | **11,338.0** | **1,040.4** | **9.2** |

See chart, p. 35 right

### Equity

On May 27, 2010, the Annual Shareholders' Meeting of OLB decided to reinforce the Bank's equity capitalization still further by allocating EUR 30.7 million to retained earnings. It was thus possible to continue backing the growth in lendings with a sound equity base. Realization of valuation reserves as part of the process of reallocation to financial assets reduced the revaluation reserve by EUR 8.3 million, to EUR 21.3 million.

### Events after the reporting date

There were no events of particular significance after the reporting date.

### Disclosures under Sec. 315(4) of the German Commercial Code (HGB), and explanations

*Composition of issued capital*

The issued capital of Oldenburgische Landesbank AG, in the amount of EUR 60,468,571.80, is divided into 23,257,143 no-par bearer shares. The shares are fully paid in. All shares carry the same rights and obligations. Each share confers one vote. The shareholders' participation in the Company's profits are proportionate to their holdings of the share capital (Sec. 60 of the German Stock Corporation Act – AktG). Treasury stock held by the Company itself is not eligible to vote or to participate in profits (Sec. 71b AktG). Under Art. 5(2) Sentence 2 of the Articles of Incorporation, shareholders are not entitled to have their shares certificated. Details of the shareholders' rights and duties are specified by the Stock Corporation Act, particularly Sections 12, 53a et seq., 118 et seq., and 186.

*Restrictions on voting rights or on the transfer of shares*

So far as the Board of Managing Directors is aware, there are no restrictions on voting rights or on the transfer of shares.

*Capital holdings in excess of 10 percent of voting rights*

Allianz Deutschland AG, of Munich, holds approximately 64.3 percent of the stock of Oldenburgische Landesbank AG; OLB-Beteiligungsgesellschaft mbH, of Oldenburg, holds approximately 25.3 percent (as of December 31, 2010). The majority shareholder of OLB-Beteiligungsgesellschaft mbH, in turn, is Allianz Deutschland AG, which holds approximately 98.8 percent. The sole shareholder of Allianz Deutschland AG is Allianz SE, of Munich.

*Shares with special rights conferring control*
There are no shares with special rights conferring control.

*Nature of control of voting rights for shares held by employees*
Those employees who hold interests in the capital of Oldenburgische Landesbank AG exercise their rights of control directly.

*Provisions of law and of the Articles of Incorporation for the appointment and dismissal of members of the Board of Managing Directors, and for amending the Articles of Incorporation*
The members of the Board of Managing Directors are appointed and dismissed by the Supervisory Board, in accordance with Sec. 84 of the German Stock Corporation Act (AktG). Members of the Board of Managing Directors are appointed for terms of no more than five years. Their terms may be extended, and reappointments are permitted. In appointing members of the Board of Managing Directors, particular care must be taken that they are reliable and professionally qualified to manage a banking institution (Sec. 33(1) No. 4 of the German Banking Act – KWG). The Federal Financial Supervisory Authority (BaFin) must be notified of the intent to appoint a new member to the Board of Managing Directors, and of the appointment proper, in accordance with Sec. 24(1) No. 1 of the German Banking Act. If the Board of Managing Directors lacks a necessary member, in emergencies an interested party may petition the court to appoint that member, in accordance with Sec. 85 of the Stock Corporation Act.

Under Art. 7 of the Articles of Incorporation, the Board of Managing Directors must have at least two members. Otherwise, the Supervisory Board may decide the number of members.

The Supervisory Board of Oldenburgische Landesbank AG is covered by the requirements of the German Co-Determination Act (MitbestG). Under Sec. 31(2) of that act, a member of the Board of Managing Directors must be appointed by a majority of at least two-thirds of the vote by the members of the Supervisory Board. If no such majority is obtained, the further procedure is governed by Sec. 31(3) and (4) of the Co-Determination Act.

Members of the Board of Managing Directors may be dismissed by the Supervisory Board for cause (Sec. 84(3) Stock Corporation Act). The resolution is to be adopted by the same rules as for an appointment. BaFin must be informed of the departure of a member of the Board of Managing Directors in accordance with Sec. 24(1) No. 2 of the Banking Act. Under certain circumstances, Sec. 36 of the Banking Act authorizes BaFin to demand the dismissal of members of the Board of Managing Directors. Dismissal may be demanded particularly in cases of unreliability or if a board member lacks the necessary professional qualifications.

Amendments of the Articles of Incorporation must be adopted by the Shareholders' Meeting. The amending resolution must be adopted by a simple majority of votes cast and by a majority of at least three-quarters of the share capital represented at the vote (Secs. 133(1) and 179(2) Sentence 1 of the Stock Corporation Act, respectively). Under Art. 16(5) Sentence 2 of the Articles of Incorporation, a simple majority is sufficient in place of the capital majority required under Sec. 179(2) Sentence 1 of the Stock Corporation Act (at least three-quarters of the share capital represented at the vote), if permitted by law. Under Art. 12 of the Articles of Incorporation, the Supervisory Board is authorized to make purely editorial amendments to the Articles.

*Authorization of the Board of Managing Directors to issue or buy back stock*
Under a resolution by the Shareholders' Meeting of May 27, 2010, the Board of Managing Directors is authorized until May 26, 2015, to acquire treasury shares of Oldenburgische Landesbank AG for purposes of securities trading, subject to the proviso that the trading portfolio of the stock to be acquired for this purpose cannot exceed 5 percent of the share capital at the end of any day. This authorization will enable the Board of Managing Directors to trade in the Company's stock on the Bank's own account.

Under Art. 6 of the Articles of Incorporation, the Board of Managing Directors is furthermore authorized to increase the Company's share capital on one or more occasions on or before May 21, 2012, subject to the consent of the Supervisory Board, by issuing new no-par shares in return for cash contributions, for a total of not more than EUR 15 million. The shareholders are to be given preemptive rights; however, the Board of Managing Directors is authorized to exclude fractional amounts from the shareholders' preemptive rights, subject to the consent of the Supervisory Board. This authorization enables the Board of Managing Directors to cover any capital needs quickly and flexibly.

Otherwise, the authority of the Board of Managing Directors to issue or repurchase stock is governed by the terms of law.

*Material agreements of the Company subject to a change of control due to a takeover bid*

Oldenburgische Landesbank AG is a party to the following agreements that provide special conditions in the event of a change of control due to a takeover bid:

- Under the Allianz Sustained Performance Plan (ASPP), Restricted Stock Units (RSUs) – in other words, virtual Allianz stock – are distributed as a share-based component of compensation to top management of the Allianz Group worldwide, including at Oldenburgische Landesbank AG. Additionally, until 2010, Stock Appreciation Rights (SARs) – virtual options on Allianz stock – were issued under the Group Equity Incentive (GEI) plan, and some of these still remain valid. The terms of these RSUs and SARs include change of control clauses. These apply if the majority of the voting capital in Oldenburgische Landesbank AG is acquired directly or indirectly by one or more third parties who do not belong to the Allianz Group. The change of control clauses provide for an exception from the usual exercise periods. In accordance with the terms of the RSU plans, RSUs are exercised by the Company for plan participants on the change of control date, waiving the vesting period that would otherwise apply. The cash payment per RSU must at least be equal to the price offered in the preceding takeover bid. In accordance with the SAR plan terms, SARs are exercised by the Company for the plan participants concerned on the change of control date, waiving the normal exercise dates. However, exercise of the SARs presupposes that the performance thresholds must have been met. The elimination of the vesting period in the event of a change of control takes account of the fact that the terms for stock price performance will change substantially in the event of a change of control.

- There is an agreement between Allianz Deutschland AG and Oldenburgische Landesbank AG under which Allianz Deutschland AG will assume all pretax losses incurred by the Allianz Bank segment of Oldenburgische Landesbank AG until the end of the fiscal year ending December 31, 2014. If Oldenburgische Landesbank AG ceases to be a member of the Allianz Group, this represents good cause for extraordinary termination of the loss takeover agreement. If the loss takeover agreement is terminated, Oldenburgische Landesbank AG will decide whether to continue operating the Allianz Bank segment without compensation for losses, or to relinquish it. If the segment is relinquished, Allianz Deutschland AG will assume the resulting costs.

*Indemnification agreements in the event of a takeover bid*

There are no indemnification agreements with members of the Board of Managing Directors or employees for the event of a takeover bid.

See Glossary, pp. 148, 149, 150

Regulatory capital (Sec. 10a of the German Banking Act – KWG)

| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| **Tier 1 capital** | **514.0** | **482.0** | **32.0** | **6.6** |
| Tier 2 capital[1] | 262.0 | 152.0 | 110.0 | 72.4 |
| **Share capital and reserves (Sec. 10a KWG)** | **776.0** | **634.0** | **142.0** | **22.4** |
| Risk assets for counterparty risks | 6,108.0 | 5,547.0 | 561.0 | 10.1 |
| Risk assets for market risks | 54.0 | 40.0 | 14.0 | 35.0 |
| Risk assets for operational risks | 463.0 | 463.0 | — | — |
| **Risk assets** | **6,625.0** | **6,050.0** | **575.0** | **9.5** |

1 Not more than 100 percent of tier 1 capital

| % | 2010 | 2009 |
|---|---|---|
| Core capital ratio[1] | 7.8 | 8.0 |
| Aggregate capital ratio[1] | 11.7 | 10.5 |

1 Calculated including eligible amounts for operational risks and market risk positions

The regulatory capital of the OLB Group consists of tier 1 and tier 2 capital. Tier 1 capital primarily comprises issued capital, reserves, and the special item for general banking risks under Sec. 340g of the German Commercial Code.

After the adoption of the balance sheet, the tier 1 capital will come to EUR 514.0 million as of December 31, 2010. Tier 2 capital will come to EUR 262.0 million, and will be composed of subordinated debt and unrealized reserves in securities. Thus, following the adoption of the balance sheet, the share capital and reserves will come to EUR 776.0 million (prior year: EUR 634.0 million).

The vigorous growth of total lendings caused risk assets to rise from the prior year's figure of EUR 6,050.0 million to EUR 6,625.0 million as of December 31, 2010. Following the adoption of the balance sheet, the core capital ratio under Sec. 10a of the Banking Act will be 7.8 percent as of December 31, 2010 (prior year: 8.0 percent), and the aggregate capital ratio will be 11.7 percent, following 10.5 percent the year before.

# Compensation Report

The Compensation Report is a part of the Management Report, and can be found in the Corporate Governance Report. For simplicity's sake, that report is not reproduced here.

# Report of Anticipated Developments

Economic conditions in Germany offer a positive environment for the further recovery of German banks' profitability. If the economic recovery continues, with the associated demand for credit, and if the stock markets continue to rise, conditions will be right for a further improvement in interest and commission income. The coming year will see charges due to the introduction of a bank tax, and the need to work toward compliance with the Basel III requirements. Further stresses may result from the risk of an intensifying euro crisis, with the associated possibility of at least a partial default of one of the euro countries.

OLB had a very successful year in 2010. In our classic business with private and corporate customers in northwestern Germany, a sustainable customer orientation brought us above-average growth. Since Allianz Bank was first integrated in June 2009, it has become firmly established as an independent business segment of the OLB Group. Its products and service have improved further, and it has taken steps to do an even better job of utilizing the full sales potential of Allianz Deutschland for the banking segment. On that basis, OLB is well positioned to meet the numerous challenges of fiscal 2011.

The evolution of credit risk remains highly important for OLB's profit situation. OLB benefits from strong demand for credit, especially in the business with corporate customers, which is being buoyed up by the strong economy. The expected continued improvement in economic conditions therefore offers a chance for further growth, while risk provisions will also need to be adjusted accordingly.

Apart from the performance of the real economy in 2011, the future evolution of the euro crisis induced by the budget crises in some euro countries will also play an important role for OLB. Even though OLB has not invested to any significant degree in securities from the states affected by the crisis, interest rate changes in the markets relevant for OLB will be heavily influenced by the shifts that the crisis triggers. In addition to the potential effects of these interest rate changes on valuations, there is a potential risk that if the crisis becomes acute, the liquidity situation in the money and capital markets may deteriorate again drastically. Nevertheless, for purposes of our planning, we assume that the picture will remain essentially stable, with no crisis-induced aggravations. Fundamentally, we expect interest rates to rise, along with a steady, steep yield curve. That scenario would mean no significant reductions in income from maturity transformations, and no significant increase in the premiums OLB must pay on refinancing, in comparison to the swap rate. We assume conditions will remain auspicious for the stock markets. That has been the basis for our estimates in the securities business for 2011.

The competitive situation will remain very intense in 2011, especially in the retail banking business. Pressures on margins will remain high. And the new Investor Protection Act currently making its way through the legislative process will also have effects. The new bill aims to protect investors better against incorrect advice, among other goals. It includes measures to improve the qualifications of financial advisors, and to ensure better information about the risks and costs of financial products. The implementation of the act will further strengthen consumer protection, and necessitate a large number of organizational adjustments.

In response to the financial crisis, both international standard-setters and German legislators have enacted many new rules that will affect banks' business operations. The bank tax, which takes effect in 2011, will directly affect OLB's earnings situation. Because of OLB's good equity capitalization, the more stringent regulations on share capital and reserves (Basel III) will have no short-term impact on OLB's growth targets. Preparing the technical and organizational groundwork to implement the new regulations will entail expenses.

The future economic performance of the OLB Group will depend on the performance of its two segments, OLB Regional Bank and Allianz Bank. Since each of the segments is affected by its own specific situations in addition to the above influences, they are discussed separately below.

See Glossary, p. 151

## OLB Regional Bank

OLB Regional Bank will continue to build its future on the firm foundation it has established over its more than 140 years in existence: deep roots in the Lower Saxony / Bremen region, with an area-wide network of branches, a full range of advisory skills and customer orientation in the retail and corporate business, highly qualified employees, and a high-performance range of products. With the aim of focusing even more sharply on the customer, a variety of initiatives will be launched or continued in the coming year to develop the Regional Bank further. These include introducing a private banking strategy, continuing the Bank's regional expansion by opening new branches in strategic locations, and restructuring processes for the customer's benefit. On that basis, we are confident that we will be able to continue the Bank's outstanding profit performance in the years to come.

In 2010, we attracted a net total of 19,291 new clients to OLB. This extraordinary success is particularly the result of an attractively designed short-term investment opportunity in the deposit business. Successful customer recruitment is expected to continue in coming years, to safeguard and expand OLB's market share, but the target for new customers will not be based on 2010, which was an exception.

OLB Regional Bank's total lendings for the year increased 12.0 percent, to a record volume of EUR 9,148.0 million. Here OLB proved a particularly reliable partner for corporate clients, and more than exceeded its adopted goals. If the economic recovery continues and as the Bank's territory is rounded out further, we foresee that good growth opportunities will also arise in the future. Given the likely increase in requirements for equity capitalization, OLB will somewhat cut back the pace of lending growth in favor of higher margins.

Last year, an attractive product in term deposits achieved substantial growth in the deposit business. For the coming year, we expect to be able to attract clients for other products in the deposit or securities business. Because of intense competition for deposits, however, an outflow of some funds is to be assumed. We expect a moderate decrease in savings deposits.

Net commission income will be determined primarily by the evolution of the securities business. In 2011, OLB will further expand and intensify its securities business with an area-wide entry into private banking. Given the strong stock market, we expect to be able to convince more and more clients of the opportunities offered by investing in securities.

We are confident that we will be able to achieve our targets for product sales, volumes, and margins over the next two years. If we are able to do as planned, and if interest rates perform as we anticipate for 2011 and 2012, we expect net interest and commission income to grow further.

In own-account and client trading, we tentatively assume a small positive contribution to earnings.

On the expenses side, we must expect cost pressure to keep up in the next few years, because of higher wages, necessary investments, the introduction of the bank tax, and general inflation. A number of OLB's headquarters units are at work to optimize existing processes and cost structures. We hope this approach will help significantly limit the increase in administrative expenses for the next two years.

In spite of the favorable outlook for the economy, we will still adhere to a conservative risk assessment. We expect risk provisions to increase slightly in 2011 and 2012 compared to 2010, in part because of the considerable rise in total lendings.

Based on the anticipated performance of the stock and bond markets, we foresee further potential for realizing gains on our securities investments in the coming year. But we will exploit those opportunities only cautiously in the next two years, so that investment income will probably be substantially lower than in 2010.

If the Regional Bank remains able to make the most of its market opportunities, and assuming there is no unexpected deterioration in the economy, the operating profit may well increase substantially in the coming year. However, we project that the pretax profit will increase only slightly, because 2010 benefited from exceptionally high net investment income.

## Allianz Bank

A year and a half after it entered the market, Allianz Bank is performing well. It will continue to develop its range of products and become even better integrated into the Allianz sales organization. The further expansion of the new specialized agencies for Allianz Bank will also serve this purpose. At the end of 2010, there were a total of 694 bank branches and specialized agencies for Allianz Bank. The sales network for banking products is assumed to expand to as many as 1,000 specialized agencies in the course of 2011.

These steps are intended to take even better advantage of the potential of Allianz's unique sales network in Germany (more than 10,000 Allianz agencies). We expect Allianz Bank's clientele and business volume to grow steadily in subsequent years.

In terms of earnings, Allianz Bank is bound to gain further ground in both the securities and the lending business. Still-low interest rates will hamper growth in the deposit business.

An ongoing optimization of processes will enhance cost efficiency still further. For that reason, we expect costs to rise only to a limited degree in subsequent years. Increases in risk provisions have been incorporated into our plans, in connection with the expansion of the lending business and general economic conditions.

Rising operating income combined with almost constant costs will yield a further increase in operating profit.

In sum, Allianz Bank still anticipates a pretax loss in the next two years, but the figure should improve steadily. The structural reorganization and the reinforcement of our role as a bank for Allianz clients has laid the groundwork to achieve our growth and profit targets.

Based on the expected performance of the Group's two business segments, the OLB Group will probably see a substantial expansion of net interest and commission income in the next two years. Better utilization of existing capacity and an exploitation of the potential for efficiency should make it possible to keep administrative expenses at the same level as 2010 over the next few years. The OLB Group's risk provisions will increase slightly, in part because of the predicted continued growth in lending. Allianz Deutschland AG will compensate for the startup losses in the Allianz Bank segment. Hence this segment has no effect on pretax profit, and the results for the OLB Group as a whole will come under the same expectations as for OLB Regional Bank: Operating profits will improve substantially, with a slight increase in pretax profit.

# Group Risk Report

## Principles of Bank-wide risk management

### Risk strategy

The risk strategy provides the business policy foundation for all of Oldenburgische Landesbank AG's business activities that entail risk. It is adopted by the Board of Managing Directors of Oldenburgische Landesbank AG, and is reviewed at least once a year to take timely account of changing conditions. In designing the strategy, the Board of Managing Directors draws on the general principles in effect for the Allianz Group. Specific aspects relevant to OLB are adopted as part of the Bank's own risk strategy.

The framework for fundamental risk disposition in the various areas of risk depends on the business strategy. The risk strategy is derived from planned and current business operations. It ensures

- that risk aspects are taken into account in deciding on the Company's business strategy;
- that future risk-carrying capacity is assured, and that the risks resulting from the planned business strategy are covered;
- that the risk management process ensures that significant risks will be independently identified and assessed through suitable risk measurement procedures, and that the Company has appropriate risk reporting and monitoring capabilities in place.

The defined goal is to manage all incurred risks, so as to safeguard the capital base and optimize the risk-return ratio. Unfavorable concentrations of risks are to be avoided, seeking a diversified portfolio structure.

As part of the risk strategy, we define counterparty risk, market price risk, liquidity risk and operational risks as four of the significant risks that must actively be managed. The decision about a strategic approach is made while taking due account of the opportunities associated with the risks, or in the case of operational risks, considering the costs associated with reducing or avoiding the risks. In general, risks can be incurred only if the available risk coverage potential is sufficient.

To ensure consistency of the risk strategy within their part of the Group, subsidiaries coordinate their pertinent strategies and concepts with Oldenburgische Landesbank AG.

### Definition of types of risk

*Counterparty risks*

Counterparty risk is defined as the potential loss inherent in the deterioration of a business partner's creditworthiness, or that partner's default – whether a counterparty or other partner to a contract, or an issuer of a security – in other words, the party's potential inability or unwillingness to meet contractual obligations.

Country risk, a subcategory of counterparty risk, represents the transfer and convertibility risk for receivables from borrowers domiciled outside Germany. It serves to measure how political or economic conditions in the country under consideration may affect a debtor's payment practices. Country risk is not founded in a debtor's creditworthiness or solvency. Examples of country risks include prohibitions on payments, devaluations of the local currency, or embargos.

In addition, credit spread risk must also be considered a type of counterparty risk. This refers to the risk that credit spreads in the capital market may increase when the perception of counterparty risk changes, so that securities entailing a counterparty risk may be downgraded even though the issuers' credit rating holds steady.

*Market price risks*

Market price risk refers to the risk that the Bank may suffer losses because of changes in market prices, or in parameters that affect market prices. Examples include unexpected changes in stock prices, interest rates, or the prices of commodities, precious metals and real estate. It also includes the risk of changes in value that may occur if large positions can be bought or sold within a given time only at prices that are not consistent with the market.

See Glossary, p. 148

*Liquidity risks*

Liquidity risk is the risk that it may be impossible to meet payment obligations, either at all or without assuming elevated covering costs (refinancing risk).

*Operational risks*

Operational risk is the risk of a direct or indirect loss through inadequacies or omissions in projects, processes or controls, due to technical, staffing, organizational or external factors. It also includes the risk of criminal conduct – losses due to criminal acts internally by employees and / or by external third parties. Examples of operational risks include transaction processing errors, computer failures, natural catastrophes, and fraud.

*Legal risks*

A legal risk is the risk of a loss due to the adoption of new laws or regulations, or the amendment of existing ones, or due to adverse court interpretations or applications of laws or regulations. It also includes the risk that contractual agreements may be legally unenforceable, or that a court may decide that other, less advantageous provisions apply to the Bank instead.

*Reputation risks*

Reputation risk is the risk of a direct or indirect loss caused by deterioration of the Bank's reputation in the eyes of shareholders, customers, employees, business partners, or the public at large.

*Strategic risks / business risks*

Strategic risk is the risk that long-term business objectives may not be achieved because of an inappropriate strategic decision-making process, or because of inadequate oversight of the implementation of strategies. Business risk furthermore includes risks that result from changes in external conditions, such as changes in the market environment or customer behavior, as well as technical advances.

*Concentration risks*

Concentration risks are not a risk category of their own, but may occur as an additional characteristic of the types of risk described above. They arise when a single risk position, or multiple correlated risk positions, within one or more types of risk take on such importance for a bank that the realization of that risk jeopardizes the bank's existence. Examples might include default on a single large exposure or multiple exposures in a single sector.

## Risk-carrying capacity

OLB applies two approaches in determining its risk-carrying capacity: a value-based approach and a regulatory-type approach based on the balance sheet.

*Value-based risk-carrying capacity*

To determine its value-based risk-carrying capacity, the Bank's net assets are calculated using the present values of asset positions less the present values of liability positions. For the sake of prudence, the "core" assets that are indispensable to business operations are left out in calculating net assets. For risk-carrying capacity to be confirmed, the Bank's net assets must always exceed the aggregate risk the Bank has incurred.

The Whole Bank risk is determined by adding up the risk contributions of the individual types of risk. Under this conservative approach, diversification effects among risk types are left out of consideration. In calculating risk, OLB defines a confidence level of 99.93 percent for the various risk types, and a holding period of one year; in other words, a loss greater than the calculated risk will occur in only 0.07 percent of all cases.

See Glossary, p. 150

*Regulatory risk-carrying capacity based on the balance sheet*

Regulatory risk-carrying capacity based on the balance sheet follows the regulatory requirements of the Solvency Regulation. Banks are obligated to assess their risks in the form of weightings and to set them against the regulatory equity capital. The weightings must not exceed the regulatory capital. In determining counterparty risk, OLB particularly uses the advanced approach based on internal ratings. This is the most rigorous measurement approach for counterparty risks under the Solvency Regulation.

Risk-carrying capacity must be safeguarded in general under normal market conditions, but also under extreme conditions. For this determination, OLB considers various scenarios and examines their impact on the Bank's risk-carrying capacity and earnings position. It also defines extreme but not improbable scenarios for the economy, in order to study their impact on multiple risk factors simultaneously, and on the valuation of portfolios. The impact for the Bank on the basis of the various assumptions for the stress tests are assessed on the basis of a "stoplight system."

## Organization of risk management and controlling

The Risk Committee is the central body that discusses and coordinates all strategically risk-relevant decisions. The Risk Committee includes the full Board of Managing Directors, the Auditing Manager, and the heads of every department that is involved in managing and controlling the Bank's major risks. The Board of Managing Directors makes the final decision on aspects strategically relevant to risk. Its decisions are bound by the rules of procedure issued by the Supervisory Board, which define the required conditions. Any decisions outside the authority of the Board of Managing Directors are made in consultation with the Supervisory Board.

### Risk management

The managers of the following corporate departments are responsible for risk management:

| Type of risk | Corporate department |
|---|---|
| Counterparty risks | Whole Bank Credit Management |
| Market price risks and liquidity risks | Treasury / Own-Account Trading |
| Operational risks | Organization |
| Legal risks | Legal Department |
| Strategic risks and business risks | Finance / Controlling |
| Reputation risks | Corporate Communications |

In keeping with the strategic focus and goals defined by the Board of Managing Directors in the Business and Risk Strategy, and within the bounds of their assigned areas of authority, these units have the task of duly controlling risk on the basis of their analyses and assessments. This includes adequately designing organizational structures, processes and goal agreements in general, as well as individual credit decisions in particular.



See Glossary, p. 150

### Risk monitoring

Risk monitoring is headed by the managing director who has been assigned that responsibility, and includes the departments for Risk Controlling and Compliance / Money Laundering. These are implemented as units organizationally independent from the risk management system. The task of risk controlling is to fully and consistently analyze, measure and monitor risks. It provides the risk analyses and risk information (such as limit utilizations) that risk management needs for active management adequate to the risk at hand. The Compliance / Money Laundering office is responsible for monitoring compliance with various laws and guidelines, such as the regulations to prevent insider trading, money laundering or fraud.

In addition, Internal Auditing performs an assessment of the adequacy of the risk management and controlling system from outside the process, so as to test the effective functioning of the entire risk process and the other processes associated with it.

### Risk reporting

In risk reporting, the risk controlling system reports regularly to decision makers (Supervisory Board, Board of Managing Directors, Risk Committee, pertinent department managers). The frequency of reporting depends on the significance of the risk and on regulatory requirements.

Filing external risk reports with Deutsche Bundesbank regarding the lending business is the task of the Whole Bank Credit Management and Finance / Controlling departments.

The subsidiary banks of Oldenburgische Landesbank AG have implemented organizational procedures appropriate to their size.

## Management and controlling of specific risks

### Counterparty risks

*Risk management in the customer lending business*

Managing all counterparty risks in the customer lending business is the province of the Whole Bank Credit Management department. It is based on an integrated concept of clearly defined guidelines, authority structures, and incentive systems that is consistent with the Bank's strategic focus and objectives.

The loan decision process is structured consistently with this concept. An organizational and disciplinary separation between front office and back office is ensured at all levels. Credit management is divided into regional and central units.

Various organizational rules have been adopted depending on the credit risk to be decided. The aim is for the structure and the distribution of duties to ensure that decision-making and processing for credit commitments are both adequate to risk and efficient, as a function of lot sizes, risk content, and complexity. For example, for corporate and retail customers, OLB defines a total borrower-specific exposure volume of up to EUR 250 thousand as a homogeneous, low-risk transaction. These exposures are covered by simplified approval, decision-making and monitoring processes. Exposures in the nonhomogeneous portfolio (total exposure above EUR 250 thousand, and all special financing) are approved, decided and monitored individually on the basis of their specific risk content, in compliance with firmly defined rules.

Provided the credit ratings are adequate, the risk assessment and extension of loans in the homogeneous business is carried out by the front office for loans of up to EUR 50 thousand and private construction financing of up to EUR 250 thousand. For all other commitments, risk is assessed in cooperation between the front office and back office. In new business, the risk of insolvency is determined for each borrower, in the form of a credit rating category, on the basis of statistical creditworthiness procedures. The collateral furnished by the customer is appraised in parallel. Depending on its scope and complexity, this may be done in cooperation with the back office, or by internal and external certified appraisers. The loan volume, credit rating and collateral together provide an absolute measurement of the customer's credit risk.

During the life of the credit, exposures are continuously monitored. For exposures of more than EUR 250 thousand (not including private construction financing), the individual credit rating is updated annually, and the appraisal of the collateral is reviewed. In addition, all exposures undergo various computerized monitoring procedures that trigger an individual reassessment when risk signals arise.

Since land plays such an important role as collateral for OLB, a central real estate monitoring unit has been set up that tracks regional changes in prices in the real estate market, and likewise triggers an individual reassessment of pertinent exposures when material changes occur.

Approval and monitoring of exposures is also coupled to risk. Depending on volume and credit rating, spheres of authority are defined so that credit decisions are always made at a level adequate to the risk involved.

Systems of incentives and requirements have been established to keep the risk of the credit portfolio as a whole within reasonable bounds. For example, there are guidelines for the acceptance of collateral. Limits, for example for each borrower or for each provision of financing, mean that appropriate syndication partners may be brought in as needed. Risk-dependent prices, in conjunction with risk-adjusted measurement of sales units' earnings, create incentives to engage in new business only where there is adequate creditworthiness and appropriate collateral.

To ensure an adequate assessment of risk over the long term, an emphasis is placed on high-quality processes. Here extensive initial and continuing training for employees plays a crucial role, as does a regular review of processes. Moreover, follow-up analyses and validations make it possible to judge how meaningful the results of a credit assessment and collateral appraisal actually are, and permit projections about the future risk picture.

To avert risk concentration at the portfolio level, single-exposure and partial-portfolio limits are established above and beyond areas of authority. Monitoring these limits is the task of the Risk Controlling staff office.

In addition, Risk Controlling reviews the evolution of credit risks as a whole each quarter. It performs structural analyses of the portfolio (ratings, collateral, size classes, economic sectors, new business, etc.), and investigates the impact on expected loss and on equity requirements. The results are incorporated into the quarterly risk report to the Risk Committee, the Board of Managing Directors, and the Supervisory Board.

*Risk management in own-account trading*

OLB is not an investment bank. It sets its own-account trading apart in a trading portfolio, which is rather secondary in terms of both scope and risk. That portfolio includes securities and contracts that are held with the aim of generating economic results through short-term trading activities. The Bank also conducts own-account trading transactions in the non-trading portfolio when they are intended to safeguard the Bank's long-term liquidity and to control the risk of changes in interest rates within the defined limits. Thus, they serve to safeguard the Bank's long-term survival.

The principal lines of business included in the non-trading portfolio are money trading and trading in or issuing bonds. They are complemented by derivative transactions to hedge interest risks. The portfolio is completed by investments in two special funds that invest largely in bonds and stocks, which diversify risk.

OLB counters issuer and counterparty default risks in the trading business with banks, and in securities investments, by limiting its dealings fundamentally to trading partners who have first-class credit ratings, maintaining a defined limit system, and pursuing a broadly diversified portfolio. The strategic orientation is defined in the Bank's Treasury Strategy.

In terms of the approval process, credit risks from the trading business are treated analogously to the commercial business.

*Risk measurement*

To measure credit risk as a whole internally, OLB applies a method based on the IRB approach under the Solvency Regulation. This method calculates an expected loss on the credit portfolio over a one-year horizon.

Using that as a foundation, OLB has implemented a portfolio model that makes it possible to model all credit risks in the form of a value at risk. Here value at risk is defined as the potential loss that will not be exceeded with a defined probability (confidence level) under normal market conditions over a given period. The result for value at risk with a 99.93 percent confidence level and a 1 year holding period represents the risk position for counterparty risk in the analysis of risk-carrying capacity.

This portfolio model was developed further during the year to include credit spread risks in the calculation. These risks refer to the risk that credit spreads in the capital market may increase when the perception of counterparty risk changes, so that securities entailing a counterparty risk may be downgraded even though the issuer's credit rating holds steady.

See Glossary, pp. 149, 151

## Market price risks

OLB is exposed to market price risks primarily in its customer business and in trading on its own account. Noteworthy factors here include

- changes in interest rates and yield curves;
- the price of traded stocks;
- currency parities;

as well as fluctuations (volatility) in these parameters.

A distinction is made between trading and non-trading portfolios in measuring and limiting market price risks. OLB's trading portfolio is restricted to stock, currency and interest rate transactions, and is thus limited to these risk categories. The risk from the non-trading portfolio derives primarily from changes in interest rates. It also includes, to a limited degree, stock risks and foreign currency risks from the OLB investment funds.

*Risk measurement*

Market price risks are quantified and limited at the Whole Bank level, primarily using statistical value-at-risk models.

The value-at-risk model for the non-trading portfolio is based on a historical simulation that incorporates changes in interest rates and stocks, equally weighted over time since 1988. To quantify the interest rate risk, the method calculates how the present value of the interest rate portfolio would change if the historically observed changes in interest rates were to occur. For variable-rate products, a fictive maturity scenario is estimated on the basis of their historical interest rate adjustment behavior.

The value at risk for the trading portfolio is calculated using a delta-normal method. Risk positions are calculated for the trading portfolio as a whole, and also for stocks, interest rates and currencies separately. Here the risk factors taken into account are stock prices and indexes, foreign exchange rates, and yield curves. These are modeled using the RiskMetrics method. The holding period, volatility and the stochastic distribution of the associated risk factor are taken into account.

The correlations needed to calculate value at risk are taken into account by way of a correlation matrix. Nonlinear risks (such as for stock options) are treated using the delta-plus method as prescribed by the Solvency Regulation, and are allocated to the appropriate portfolios as an add-on.



See Glossary, pp. 149, 151

The simulations use the following parameters:

| | Trading portfolio | Non-trading portfolio |
|---|---|---|
| Type of risk | Stock price, interest rate, and currency risks | Interest rate and stock price risks |
| Market data | 250 trading days, equally weighted | Since beginning of 1988, equally weighted |
| Holding period of portfolio | 10 days | 1 year |
| Confidence level | 99 % | 99.93 % |

Back-testing of the simulation results for the trading portfolio must still be implemented.

*Risk management*

The Treasury / Own-Account Trading department is responsible for controlling market price risk. Positioning in the non-trading portfolio is additionally deliberated in the Risk Committee, and the decisions are made by the Board of Managing Directors.

Limits are defined for risk as a whole. The measuring parameters are

- value at risk for the non-trading portfolio;
- value at risk for the trading portfolio;
- the present-value loss in the non-trading portfolio that would result from a parallel shift of the yield curve by one basis point (basis point value); and
- the economic loss in the trading book.

Some changes were made in the trading portfolio during 2010. The limit of EUR 20 million for the weighting under the Solvency Regulation was replaced at the Whole Bank level by a new value-at-risk limit of EUR 4 million (99 percent confidence level, 10-day holding period). Additionally, the limit for economic loss was lowered from a total of EUR 4 million to EUR 3 million, and for the individual areas of the trading portfolio (stocks, bonds and foreign currencies) a new limit of EUR 3 million each was set for the economic loss.

## Risk limits at the Whole Bank level as of December 31, 2010

| Type of risk | Measurement parameter | Limit |
|---|---|---|
| Market price risks / non-trading portfolio | Value at risk (99.93 % / 1 year) | EUR 95.0 million |
| Interest rate risks / non-trading portfolio | Basis point value | EUR 0.85 million |
| Market price risks / trading portfolio | Value at risk (99 % / 10 days) | EUR 4.0 million |
| | Total economic loss | EUR 3.0 million |
| | Economic loss for one trading sector (stocks, bonds or foreign currencies) | EUR 3.0 million |

In addition to the limits for the Whole Bank, the non-trading portfolio includes the following individual limits for the OLB Regional Bank and Allianz Bank segments.

See Glossary, p. 148

### Non-trading portfolio limits by segment

| Segment | Value at risk (99.93 % / 1 year) | Basis point value |
|---|---|---|
| OLB Regional Bank | 70 | 0.70 |
| Allianz Bank | 25 | 0.15 |
| **Whole Bank** | **95** | **0.85** |

Above and beyond these limits, there are further internal operating limits that serve to ensure compliance with the above global limits. For example, for the trading portfolio, a loss notification rule has been adopted that promptly points up losses in own-account trading and affords an opportunity to take early countermeasures. A diversification limit also applies, so as to avert risk concentrations.

Apart from the utilization of the above limits, various stress scenarios are also computed for market price risks. For example, the regulatory outlier figure is applied for the non-trading portfolio. A variety of scenarios are defined for the trading portfolio that especially consider changes in stock prices and foreign exchange rates, interest rates, and their volatilities.

*Risk monitoring*

The risk positions are monitored by Risk Controlling. Risk Controlling determines the utilization of the prescribed risk limits for the trading portfolio every day on the basis of end-of-day holdings. The Board of Managing Directors is informed at the beginning of each trading day about the evolution of market price risk, the utilization of limits, and gains and losses. Reports on market price risks in the non-trading portfolio are filed monthly.

### Liquidity risks

*Risk measurement*

Short-term liquidity risks are measured and controlled on the basis of the liquidity key ratio under the Liquidity Regulation. This approach serves to ensure that the Bank is able to meet payments every day, especially by holding an appropriate liquidity reserve.

Additionally, OLB uses an application to measure and control medium-term to long-term liquidity risks. Risk Controlling uses this to monitor the liquidity situation each month, on the basis of analyses of future liquidity cash flow, among other factors. The liquidity cash flow here is the net figure for all future incoming and outgoing payments up to a given date.

The analysis takes account of business performance both under normal conditions ("normal case") and under stress scenarios ("recession," "downgrade").

In the "normal case," a constant business volume is assumed for the entire customer business. This scenario represents the liquidity situation under normal business conditions.

The "recession" scenario describes the consequences of an economic recession. Increasing loan defaults, larger drawdowns on credit lines, and declining savings ratios would cause cash outflows over the medium term. The assumption of additional higher measurement discounts on securities in the liquidity reserve furthermore incorporates components of a market crisis into the scenario.

The "downgrade" scenario assumes a deterioration in OLB's credit rating. It assumes a short-term cash outflow for time deposits, demand deposits and savings deposits, as well as OLB bonds. Thus, this scenario incorporates elements of a bank run.

The Board of Managing Directors is informed of the results of the analyses each month.

*Risk management*

Short-term liquidity risks are limited on the basis of the regulatory key ratio under the Liquidity Regulation. Receivables and liabilities are assigned to maturity ranges for this purpose. According to regulatory requirements, the ratio of cash funds to liabilities in the first maturity range (daily or up to one month) cannot be less than 1. To ensure that this requirement is met at all times, an internal limit is defined, and appropriate risk-reducing measures are taken when it is reached. The Risk Committee is regularly informed of the evolution of this key ratio.



See Glossary, p. 150

New limits for medium-to long-term liquidity risks were implemented during the year. The limits are based on cumulative relative liquidity surpluses as the key indicator. These represent the liquidity cash flow for defined maturity ranges relative to total liabilities. Limits have been defined for the "recession" and "downgrade" stress scenarios. If liquidity falls below the limit, risk-reducing measures are initiated.

Liquidity risk is controlled by the Treasury / Own-Account Trading department. If needed, management can draw at any time on the securities held in the liquidity reserve, or cover additional liquidity needs through sales, pledges for Bundesbank refinancing facilities, or forward sales under repo arrangements. Long-term liquidity needs are covered not only through customer business, but by taking out refinancing loans or placing borrower's note loans.

The details for measuring, limiting and controlling liquidity risk are defined in OLB's Liquidity Strategy.

### Operational risks

*Risk measurement*

The OLB Group uses uniform, coordinated instruments to identify and measure operational risks. These are based on a classification of the Bank's business processes, which then serves as a foundation for a systematic collection and allocation of loss and risk data.

Relevant loss data on operating losses have been collected in a database since January 2003. The history from those losses forms the basis for a focused, detailed analysis and remediation of causes.

Annual scenario analyses are performed at the OLB Group to calculate the risk potential from operational risks. Critical scenarios are selected which, though their probabilities are low, would have a severe financial impact on the OLB Group.

The scenarios are discussed with the appropriate process officers, and assessed by them in regard to the potential amount and frequency of losses. The potential of operational risks for the current calculation of risk-carrying capacity is determined on the basis of the scenario analysis.

Following approval by the Federal Financial Supervisory Authority (BaFin), the regulatory capital requirements for operational risks will be calculated using the standard approach. A progressive measurement approach for calculating operational risk is currently being tested.

*Risk management*

Management of operational risks is based on the scenario analyses, on analyses of losses actually incurred, and on the risk indicators for significant operational risks. Depending on the importance of the recognized risk fields, it may be necessary to take steps to limit risks, taking cost-benefit considerations into account. Such steps include optimizing processes and informing employees adequately (including through continuing training and by using up-to-date communication methods), as well as taking out insurance against major losses (for example, a fire at headquarters) and establishing an appropriate backup system for computer data.

For risks of criminal conduct, threat analyses were conducted during the year by a task force under the guidance of the Compliance / Money Laundering department. Management of these risks is governed by the fraud prevention guideline and an anti-corruption guideline.

### Legal risks

The process for identifying, measuring and controlling legal risks is identical to that for operational risks. Scenario analyses are used to quantify the risks of changes in the law, and depending on those risks' importance, appropriate steps are taken to limit them.

Managing legal risks is the responsibility of the Legal Department. For example, reviewed standard contracts are used to limit risk for established products. In this connection, the Legal Department supports the appropriate specialized departments in designing products so that the employed contracts always conform to the current legal environment, and any necessary consequences from changes in legislation or current case law can be implemented promptly.

In the case of individual contracts, moreover, the legal risks of the specific case are reviewed and limited by appropriate contract terms.

See Glossary, p. 150

### Reputation risks

The process for identifying, measuring and controlling reputation risks is likewise identical to that for operational risks. It is the responsibility of Corporate Communications. Here too, scenarios are developed and suitable measures are instituted to limit damage. These include preventive measures, such as defining corporate guidelines and rules of conduct for employees that will promote a positive image of the OLB Group among the public, as well as consciously avoiding transactions that might cause damage to the Bank's reputation. In addition, steps have been defined to limit potential damage if various damage scenarios arise.

### Strategic risks and business risks

To estimate strategic risks, the OLB Group uses the classic instruments of simulating the balance sheet and income statement. Business strategy undergoes continuous critical review, and is revised to meet changing conditions as needed.

### Concentration risks

Concentration risk is managed by the responsible departments as part of their controlling of individual risk types.

## Risk situation

### Risk-carrying capacity

The following risk positions are used in determining OLB's risk-carrying capacity:

| EUR m | 2010 | 2009 |
|---|---|---|
| Counterparty risk | 421.4 | 283.7 |
| Market price risk / non-trading portfolio | 49.1 | 68.2 |
| Market price risk / trading portfolio | 5.5 | 4.0 |
| Operational risk | 33.3 | 28.8 |
| Liquidity risk | — | — |
| Strategic risk | 94.7 | 54.9 |
| **Whole Bank risk** | **604.0** | **439.6** |

A comparison of Whole Bank risk with the risk-covering potential computed on a value basis shows that OLB has risk-carrying capacity with a confidence level of 99.93 percent.

*Counterparty risk*

Counterparty risk is calculated on the basis of a credit value at risk for a credit portfolio model based on CreditMetrics™ (99.93 percent confidence level, 1-year holding period). One reason for the increase in 2010 was a methodological refinement of the portfolio model. The credit spread risk was taken into account for the first time this year. Other factors that increased the amount of risk capital were the growth of the credit portfolio, and adjustments resulting from the annual review of risk parameters.

*Market price risk in the non-trading portfolio*

Market price risk in the non-trading portfolio is assessed on a value basis through historical changes in interest rates and stock prices (value at risk, 99.93 percent confidence level, 1-year holding period). The substantial decrease in risk amounts during 2010 is the consequence of extensive refinancing during the second half.

*Market price risk in the trading portfolio*

Market price risk in the trading portfolio in 2009 was evaluated using a stop-loss limit of EUR 4 million. A new value-at-risk limit (99 percent / 10 days) was implemented for the trading portfolio during 2010. This limit, scaled to the confidence level of the consideration of risk-carrying capacity (99.93 percent), is taken into account here.

*Operational risk*

The amount for operational risk was calculated on the basis of a value at risk from a customized OLB scenario analysis. The increase in the risk amount in 2010 resulted principally from the integration of the Allianz Bank segment into existing and new scenarios.

*Liquidity risk*

The amount for liquidity risk is set at zero. Analyses of medium-term to long-term liquidity risk showed that OLB is not exposed to a measurable liquidity risk from its portfolio, even under stress scenarios, because the cumulative liquidity cash flows are positive in all maturity ranges considered.

*Strategic risk*

Strategic risk is calculated using a comprehensive approach that calculates the risk amount on the basis of an analysis of the deviation between actual and projected figures for the principal items in the income statement. This consideration is supplemented with strategic factors.

*Whole Bank risk*

Whole Bank risk results from adding up the individual risk positions. This conservative approach to calculating risk thus makes no allowance for diversification effects between risk types. Under this assumption, the Whole Bank risk as of December 31, 2010, came to EUR 604.0 million.

## Counterparty risks

As a result of the ongoing credit approval and monitoring process, the structure of the OLB Group's credit portfolio can be described as follows. The volumes shown here represent the maximum counterparty default risk within the meaning of IFRS 7.36 (a) (carrying amounts after deduction of risk provisions):

### Credit portfolio by class of receivable

| EUR m | 2010 | 2009 |
|---|---:|---:|
| Loans and advances to customers | 9,451.3 | 8,450.0 |
| Loans and advances to banks | 1,530.5 | 1,372.5 |
| Financial assets [1] | 1,983.1 | 2,050.4 |
| Trading assets | 20.0 | 13.7 |
| Financial guarantees | 360.3 | 383.8 |
| Open credit commitments | 620.5 | 644.6 |
| **Total** | **13,965.7** | **12,915.0** |

1 Including investments in entities recognized at equity (December 31, 2009)

Most of the OLB Group's credit portfolio (75 percent, compared to the prior year's 73 percent) is made up of the customer credit business. This includes the items for loans and advances to customers, financial guarantees, and open credit commitments.

### Credit portfolio by quality of receivable

| EUR m | Loans and advances to customers | Financial guarantees | Open credit commitments | Other categories | Total | Prior-year total |
|---|---|---|---|---|---|---|
| Not overdue, no specific loan loss provision | 9,053.7 | 351.0 | 617.8 | 3,533.6 | 13,556.1 | 12,562.0 |
| Overdue, but no specific loan loss provision | 209.8 | 5.0 | 1.2 | — | 216.0 | 146.5 |
| Overdue with specific loan loss provision | 187.8 | 4.3 | 1.5 | — | 193.6 | 206.5 |
| **Total** | **9,451.3** | **360.3** | **620.5** | **3,533.6** | **13,965.7** | **12,915.0** |

Clients are categorized as "overdue" when they have a significant overdraft under the terms of Basel II. This has been defined as an account overdraft or loan arrears of at least EUR 100 and at least 2.5 percent of the customer's approved credit volume. In addition, OLB categorizes overdrafts and arrears of EUR 250 thousand or more as material, irrespective of the customer's credit volume.

If a significant overdraft persists for more than 90 days, the customer is considered in default. The customer is included in the procedure for recognizing specific loan loss provisions, and is written down if needed (category: overdue with specific loan loss provision).

The Bank has EUR 3.9 million in restructured receivables within the meaning of IFRS 7.36 (d) (prior year: EUR 5.4 million).

### Receivables not overdue, with no specific loan loss provision – breakdown by credit rating –

| EUR m | Loans and advances to customers | Loans and advances to banks | Financial assets | Trading assets | Financial guarantees | Open credit commitments | Total | Prior-year total |
|---|---|---|---|---|---|---|---|---|
| I–II | 419.4 | 256.7 | 940.4 | — | 4.2 | 9.8 | 1,630.5 | 1,728.0 |
| III–IV | 787.5 | 1,265.6 | 992.3 | 7.9 | 40.2 | 34.5 | 3,128.0 | 2,487.8 |
| V–VI | 1,714.2 | 5.1 | 10.0 | 1.6 | 149.1 | 140.6 | 2,020.6 | 2,281.7 |
| VII–VIII | 2,956.5 | — | 1.6 | 2.2 | 79.0 | 279.1 | 3,318.4 | 3,055.2 |
| IX–X | 2,452.3 | — | — | 1.1 | 59.8 | 119.4 | 2,632.6 | 2,241.2 |
| XI–XII | 664.5 | — | — | 0.4 | 17.4 | 33.0 | 715.3 | 650.3 |
| XIII–XIV | 36.3 | — | — | — | 0.2 | 1.3 | 37.8 | 36.7 |
| n/a | 23.0 | 3.1 | 38.8 | 6.8 | 1.1 | 0.1 | 72.9 | 81.1 |
| **Total** | **9,053.7** | **1,530.5** | **1,983.1** | **20.0** | **351.0** | **617.8** | **13,556.1** | **12,562.0** |

See Glossary, p. 148

| Credit rating | Explanation |
|---|---|
| I – II | Undoubted ability to meet payment obligation |
| III – IV | Extensive ability to meet payment obligation |
| V – VI | Ability to meet payment obligation even in difficult economic phases |
| VII – VIII | Ability to meet payment obligation with minor limitations |
| IX – X | Ability to meet payment obligation with limitations |
| XI – XII | Impaired ability to meet payment obligation |
| XIII – XIV | Increased or severe vulnerability to delinquency |

About 94 percent (prior year: 94 percent) of the volume in the category of receivables not overdue and with no specific loan loss provision is viewed as able to meet payment obligations (credit ratings I – X). An impaired ability to pay under adverse circumstances (credit ratings XI – XII) must be assumed for 5.3 percent (prior year: 5.2 percent). Inability to pay is considered probable (credit rating XIII – XIV) for only 0.3 percent (prior year: 0.3 percent).

*Collateral*

Collateral in the OLB Group's credit portfolio derives primarily from the customer lending business, and is allocated, as applicable, to the categories of loans and advances to customers, financial guarantees, and open credit commitments. Additionally, some financial assets are covered by government guarantees. Volumes in the other categories of receivables are unsecured.

About 51 percent (prior year: 53 percent) of the volume in the category of receivables not overdue with no loan loss provision in the customer lending business is secured. Most of this collateral, at 81 percent (prior year: 84 percent), is liens on residential and commercial property, followed by cash collateral such as deposit accounts, home loan and savings agreements, life insurance policies, etc., at 9 percent (prior year: 8 percent). About 10 percent is other collateral, primarily assignments as security and suretyships (prior year: 8 percent).

**Overdue receivables with no specific loan loss provision – breakdown by length of arrears –**

| EUR m | Loans and advances to customers | Financial guarantees | Open credit commitments | Total | Prior-year total |
|---|---|---|---|---|---|
| Up to 30 days | 198.4 | 4.9 | 0.9 | 204.2 | 136.5 |
| 31 – 60 days | 10.2 | 0.1 | 0.3 | 10.6 | 4.3 |
| 61 – 90 days | 1.2 | — | — | 1.2 | 5.7 |
| **Total** | **209.8** | **5.0** | **1.2** | **216.0** | **146.5** |

Most receivables in the category of overdue with no specific loan loss provisions (94.5 percent; prior year: 93.2 percent) are less than 30 days in arrears. The remaining 5.5 percent have been in arrears for longer (prior year: 6.8 percent).

### Overdue receivables with no specific loan loss provision

| EUR m | Loans and advances to customers | Financial guarantees | Open credit commitments | Total | Prior-year total |
|---|---|---|---|---|---|
| Volume in receivable category | 209.8 | 5.0 | 1.2 | **216.0** | 146.5 |
| Allocated collateral | 76.3 | 1.9 | 0.2 | **78.4** | 58.1 |

About 36 percent (prior year: 40 percent) of the receivables in the category of overdue with no specific loan loss provision are secured.

### Overdue receivables with specific loan loss provision

| EUR m | Loans and advances to customers | Financial guarantees | Open credit commitments | Total | Prior-year total |
|---|---|---|---|---|---|
| Volume in receivable category | 187.8 | 4.3 | 1.5 | **193.6** | 206.5 |
| Allocated collateral | 168.8 | 4.7 | 0.1 | **173.6** | 185.0 |

Almost all of the outstanding receivables after write-downs and write-offs in the "overdue with specific loan loss provision" category – about 90 percent (prior year: 90 percent) – are covered by the furnished collateral.

During the past fiscal year, the OLB Group did not take possession of either financial or nonfinancial assets that served as collateral for credit extended to customers. Thus, there are no matters of relevance under IFRS 7.38.

*Concentration risks*

Concentration risks in regard to counterparty risks are analyzed as part of the quarterly risk reporting. This includes analyses on the basis of individual exposures (concentration of volume), sectors, or other defined partial portfolios.

In terms of concentration of volume, the customer credit portfolio at December 31, 2010, includes three significant individual exposures – whose credit ratings are stable – with credit volumes exceeding the regulatory reporting limit for large loans under Sec. 13a of the German Banking Act.

The distribution of the credit portfolio by sector is characterized by the clientele resident in the Bank's business region. The credit business in renewable energies, especially project financing for wind power and biogas installations, as well as the financing of oceangoing vessels, has gained considerably in significance over the past few years, generating quite considerable volumes in the OLB Group's credit portfolio. This evolution reflects OLB's superior skills in these lines of business.

Partial-portfolio limits were set for project financing for wind power and biogas installations and for oceangoing vessels, so as to limit concentration risks in the OLB Group's credit portfolio.

### Project financing

| EUR m | Drawn | Open credit commitments | Total credit volume | Prior-year total credit volume | Limit |
|---|---|---|---|---|---|
| Wind power installations[1] | 592.8 | 53.8 | **646.6** | 572.6 | 830 |
| Biogas installations | 249.6 | 44.7 | **294.3** | 224.6 | 450 |
| Oceangoing vessels | 277.1 | 60.4 | **337.5** | 365.8 | 450 |

1 Actual risk for OLB after adjustment for third-party risk components (syndications)

Because of the growth of the renewable energy sector, limits for wind power and biogas installations were revised during the year. The increase in both sub-portfolios was based particularly on growth during the year, and on substantial specific demand for financing for 2011, which was supported by emphatic confirmation from industry experts. In the wind power financing segment, the industry experts reconfirmed the projected growth track in spite of the below-average yield from wind during 2010 and the previous year.

The limit for financing wind farms was raised from EUR 600 million to EUR 830 million, and the limit for financing biogas plants was raised from EUR 250 million to EUR 450 million. The sub-portfolio for oceangoing vessels was kept unchanged at EUR 450 million. In spite of the tendency toward recovery that became evident during the year, this financing segment remains vulnerable to elevated risk.

All limits were maintained for the full fiscal year.

To ensure an adequate risk profile with attractive income, the OLB Group pursues a selective approach to acquisitions in project financing, which is reflected in the application of robust overall terms and conditions that are modified analogously to conditions in the industry itself. In that sense, the Bank actively declines to become involved in structurally compromised risk profiles, or in project risks that are otherwise incompatible with the target range for the associated sub-portfolio. To avoid concentrating risk, the risk guidelines for the sub-portfolios each include adequate upper limits for individual transactions.

The management of the sub-portfolios is supplemented with high-performance portfolio monitoring and professional portfolio control, in addition to regular individual credit checks and monitoring of borrower accounts in the early-warning system (watch list). The sub-portfolio monitoring systems review and assess not only the evolution of commitments and accounts, but a wide variety of other risk parameters, including the credit ratings of the parties involved in the projects (e. g., the Dynamar rating for oceangoing ship charterers) and the evolution of the industry (e. g., changes in charter rates). This information is ultimately incorporated into the rating of the particular project, and may be reflected accordingly in revisions of the overall terms (equity requirements, valuation of collateral, contract wording).

Apart from concentration on individual borrowers, concentration risks may also arise from a focus on individual providers of security. However, since collateral and security derives from the broadly diversified customer lending portfolio, we do not foresee any relevant concentration risks for the OLB Group there.

*Banks*

On the whole, the counterparty risks from loans and advances to banks and bonds issued by banks are low: The entire volume has investment grade ratings (I–VI), and 99.8 percent of the receivables are in the I–IV range. See chart, p. 58

The counterparty risk-specific impact of the financial crisis on this sub-portfolio remained manageable in fiscal 2010, especially in light of the Bank's anticipatory risk-limiting measures, the government's rescue measures, and the supporting steps taken by the central banks. The credit rating structure improved from 2009. Nevertheless, uncertainty in the financial markets cannot be ruled out in 2011, so that the Bank continues to pursue a conservative risk policy in this segment as well.

For that reason, the current matrix of authorities in the Treasury strategy defines upper limits on transactions for own-account trading – based on credit ratings and maturities (at least investment grade) – that correspond with a selective approach in choosing counterparties. This context ensures that risk concentrations in this line of business will be either limited or avoided entirely.

*Country risks*

Country risks, as a specific type of counterparty risk, do not play a material role for the OLB Group.

## Market price risks

*Trading portfolio*

**Value at risk in the trading portfolio (99 percent / 10 days) by risk category in 2010:**

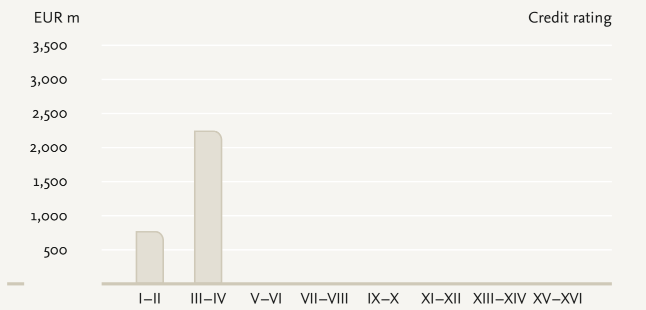
| EUR m | Stock risks | Currency risks | Interest rate risks | Total trading |
|---|---|---|---|---|
| Mean | 1.0 | 0.3 | 0.8 | **1.4** |
| Minimum | 0.2 | — | — | **0.2** |
| Maximum | 2.5 | 0.7 | 2.2 | **3.2** |

The market price risks in the trading portfolio (VaR model 99 percent / 10 days) for 2010 remained consistently within the limit of EUR 4 million. The average utilization was 35 percent of the limit. The maximum utilization, at 80 percent, came in April.

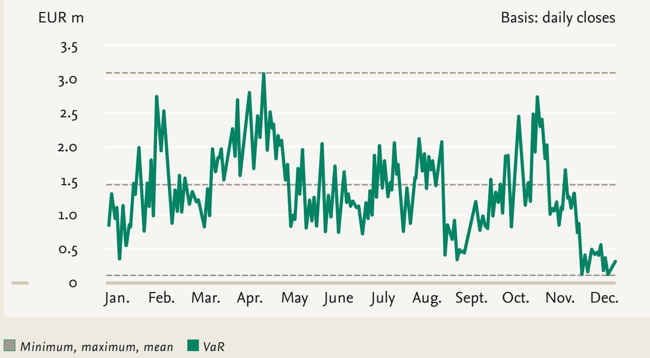
The market environment in 2010 was dominated by crises in several European countries. The utilization of limits reflects the Bank's conservative trading strategy. See chart below



***Credit rating categories of receivables from banks and bank bonds as of December 31, 2010***




***VaR for the trading portfolio in 2010 (99 percent / 10 days)***



*Non-trading portfolio*

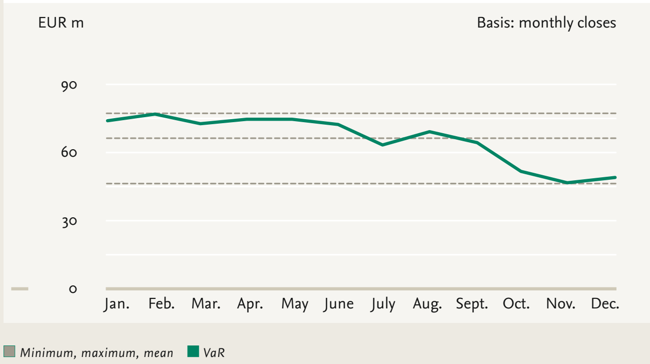
**Value at risk for the non-trading portfolio (99.93 percent / 1 year) in 2010:**

| EUR m | OLB Regional Bank | Allianz Bank | OLB Whole Bank |
|---|---|---|---|
| Mean | 65.5 | 5.4 | **66.1** |
| Minimum | 46.8 | 0.9 | **46.8** |
| Maximum | 77.3 | 16.1 | **77.4** |

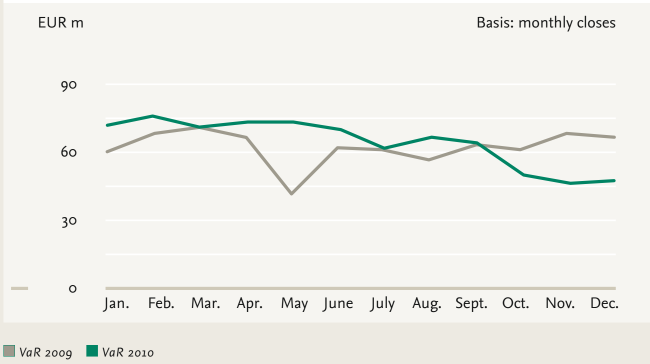
The market price risks for the non-trading portfolio (VaR model 99.93 percent / 1 year) for 2010 stayed above the prior-year level for OLB as a whole. The average value at risk, at EUR 66.1 million (utilization: 70 percent) was slightly above the 2009 figure of EUR 63.5 million (utilization: 67 percent). But the Whole Bank limit of EUR 95 million was maintained throughout.

There were several overruns of limits in the OLB Regional Bank segment in 2010 (maximum in May 2010: EUR 77.3 million / 110 percent utilization). Extensive new business in customer lending, combined with a declining yield curve, resulted in substantial increases in the measured value at risk. This change was countered with extensive refinancing in the second half, which substantially reduced the risk indicators. There were no limit overruns for the Allianz Bank segment during the year. See charts below

*VaR for non-trading portfolio, Whole Bank, 2010 (99.3 percent / 1 year)*




*Comparison of VaR for non-trading portfolio, Whole Bank, 2009 / 2010 (99.3 percent / 1 year)*



**Liquidity risks**
**Changes in key regulatory ratio**

| EUR m | 2010 | 2009 |
| --- | --- | --- |
| Mean | 1.44 | 1.35 |
| Minimum | 1.26 | 1.17 |
| Maximum | 1.71 | 1.62 |

The minimum value of 1 for the key regulatory ratio was maintained throughout the year. On average, the key ratio was 44 percent above the required minimum. At December 31, 2010, the key ratio was 1.62.

*Maturities*

Various assumptions about the maturities of receivables and payables must be made in order to measure and control liquidity risks. In this regard, OLB follows the assumptions of the Liquidity Regulation. This implies that for certain liabilities, repayment is assumed to take place later than the earliest possible date. For demand deposits, for example, 10 percent of the repayments for customers, and 40 percent for banks, are expected in the following month.

For the remainder, OLB assumes repayment at more than one year. On the other side, the assumptions under the Liquidity Regulation presume that part of the unused credit commitments will not be drawn. For 20 percent, a drawdown is assumed within the next month. For the remaining 80 percent, no drawdown is expected within the next year.

Irrespective of the assumptions from the Liquidity Regulation, the following tables show the breakdown of the actual remaining terms of receivables and liabilities. The figures are carrying amounts before deduction of risk provisions.

## 2010 receivables

| EUR m | 3 months or less | over 3 months to 1 year | over 1 year to 5 years | over 5 years | Total |
|---|---|---|---|---|---|
| | | | | | 2010 |
| Term loans and advances to banks | 1,400.7 | 50.0 | — | — | 1,450.7 |
| Loans and advances to customers[1] | 1,591.7 | 595.3 | 2,351.6 | 4,983.1 | 9,521.7 |
| **Receivables at 12/31/2010** | **2,992.4** | **645.3** | **2,351.6** | **4,983.1** | **10,972.4** |

1 The receivables from customers with remaining terms of three months or less include receivables of EUR 1,029.9 million with indeterminate terms.

## 2010 liabilities

| EUR m | 3 months or less | over 3 months to 1 year | over 1 year to 5 years | over 5 years | Total |
|---|---|---|---|---|---|
| | | | | | 2010 |
| Bank demand deposits | 25.1 | — | — | — | 25.1 |
| Term liabilities to banks | 1,015.9 | 270.8 | 989.1 | 1,515.6 | 3,791.4 |
| Customer demand deposits | 3,626.4 | — | — | — | 3,626.4 |
| Savings deposits | 924.5 | 625.6 | 110.2 | — | 1,660.3 |
| Other term liabilities to customers | 924.5 | 161.5 | 314.5 | 521.0 | 1,921.5 |
| Securitized liabilities | 10.0 | 72.6 | 329.5 | 687.2 | 1,099.3 |
| Provisions and other liabilities | 87.7 | 35.5 | 73.2 | 153.9 | 350.3 |
| Tax liabilities | — | — | 13.5 | — | 13.5 |
| Subordinated debt | — | — | 117.9 | 136.5 | 254.4 |
| **Liabilities at 12/31/2010** | **6,614.1** | **1,166.0** | **1,947.9** | **3,014.2** | **12,742.2** |

There are also receivables and liabilities arising from derivative financial instruments. The following table shows the liabilities arising from derivatives. Negative market values are suspended as of their maturity date.

## 2010 liabilities from derivatives

| EUR m | 3 months or less | over 3 months to 1 year | over 1 year to 5 years | over 5 years | Total |
|---|---|---|---|---|---|
| | | | | | 2010 |
| Interest rate swaps | — | 0.1 | 42.8 | 51.6 | 94.5 |
| Currency forwards/currency swaps | 2.6 | 1.1 | 0.2 | — | 3.9 |
| Currency options | 0.1 | 0.1 | — | — | 0.2 |
| Stock index options | 0.3 | — | — | — | 0.3 |
| Futures options | — | — | — | — | — |
| Stock options | 0.3 | 0.1 | — | — | 0.4 |
| Caps | — | — | — | 0.2 | 0.2 |
| **Total at 12/31/2010** | **3.3** | **1.4** | **43.0** | **51.8** | **99.5** |

## 2009 receivables

| EUR m | 3 months or less | over 3 months to 1 year | over 1 year to 5 years | over 5 years | Total |
|---|---|---|---|---|---|
| | | | | | 2009 |
| Term loans and advances to banks | 1,215.5 | — | — | — | 1,215.5 |
| Loans and advances to customers[1] | 1,208.5 | 546.7 | 2,241.4 | 4,514.0 | 8,510.6 |
| **Receivables at 12/31/2009** | **2,424.0** | **546.7** | **2,241.4** | **4,514.0** | **9,726.1** |

1 The receivables from customers with remaining terms of three months or less include receivables of EUR 695.4 million with indeterminate terms.

## 2009 liabilities

| EUR m | 3 months or less | over 3 months to 1 year | over 1 year to 5 years | over 5 years | Total |
|---|---|---|---|---|---|
| | | | | | 2009 |
| Bank demand deposits | 353.4 | — | — | — | 353.4 |
| Term liabilities to banks | 1,045.0 | 266.1 | 788.4 | 1,331.7 | 3,431.2 |
| Customer demand deposits | 3,518.9 | — | — | — | 3,518.9 |
| Savings deposits | 810.2 | 187.4 | 57.4 | — | 1,055.0 |
| Other term liabilities to customers | 749.1 | 209.5 | 295.2 | 472.9 | 1,726.7 |
| Securitized liabilities | 106.0 | 109.9 | 142.2 | 722.0 | 1,080.1 |
| Provisions and other liabilities | 85.1 | 31.5 | 55.8 | 142.1 | 314.5 |
| Tax liabilities | — | — | 21.8 | — | 21.8 |
| Subordinated debt | 20.0 | — | 117.8 | 34.9 | 172.7 |
| **Liabilities at 12/31/2009** | **6,687.7** | **804.4** | **1,478.6** | **2,703.6** | **11,674.3** |

There are also receivables and liabilities arising from derivative financial instruments. The following table shows the liabilities arising from derivatives. Negative market values are suspended as of their maturity date.

## 2009 liabilities from derivatives

| EUR m | 3 months or less | over 3 months to 1 year | over 1 year to 5 years | over 5 years | Total |
|---|---|---|---|---|---|
| | | | | | 2009 |
| Interest rate swaps | — | 0.3 | 30.1 | 44.5 | 74.9 |
| Currency forwards/currency swaps | 1.5 | 1.3 | 0.3 | — | 3.1 |
| Currency options | 0.1 | 0.4 | — | — | 0.5 |
| Stock index options | — | 0.2 | — | — | 0.2 |
| Futures options | — | — | — | — | — |
| Stock options | 0.1 | — | — | — | 0.1 |
| Caps | — | — | 0.1 | 0.2 | 0.3 |
| **Total at 12/31/2009** | **1.7** | **2.2** | **30.5** | **44.7** | **79.1** |

*Coverage of liabilities*

Liabilities as a whole are covered by on-balance-sheet assets such as cash, deposits at central banks, securities and covered bonds, shares in special funds, and receivables from customers and banks.

The bonds, which are allocated to the available-for-sale (AfS) category, have a total value of EUR 1,927 million. Consequently, any liquidity requirements for existing liabilities can be covered by way of a sale out of this position. If a sale is not possible because of the market situation, the bonds may alternatively be used to procure short-term liquidity through open-market transactions with the ECB.

OLB, with more than 750,000 customers, has very diverse financing sources, and because of this highly granular exposure it has no material concentration of liquidity risk, either in assets or in financing sources.

*Liquidity cash flows at December 31, 2010*

In addition to the above surveys of the structure of remaining terms of receivables and liabilities, the following chart shows the liquidity cash flows for a 15-year period. Here it is assumed that the liquidity reserve, as soon as it is available, will be used to generate liquidity. See chart below

The liquidity cash flow shows significant surplus liquidity in all scenarios. OLB's liquidity is adequately assured even in economic recessions, which represent the most important stress scenario.

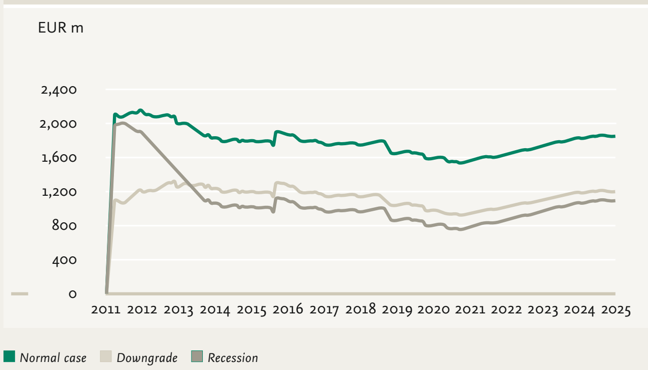
## Principal features of the internal controlling system and risk management process with regard to the accounting process

Sections 289(5) and 315(2) No. 5 of the German Commercial Code, introduced by the Accounting Law Modernization Act and transposing the requirements of an EU Directive into German law, require publicly traded entities to describe, in their single-entity or group management report, as the case may be, the principal features of their internal controlling and risk management system with regard to their single-entity or group accounting process. The readership of the financial statements should be able to get a view of the main features of the controlling and risk management system that pertain to the individual company's or group's accounting process.

According to the statement of reasons for the Accounting Law Modernization Act, the internal controlling system comprises the principles, procedures and measures that ensure that the financial reporting process is effective and economical, that financial reports are reliable, and that the pertinent requirements of law are complied with. It also includes the internal auditing system insofar as it relates to accounting. The risk management system, with regard to the accounting process, is a part of the internal controlling system, and like that system, it relates to processes for monitoring and supervising accounting and financial reporting.

See Glossary, p. 148

*15-year liquidity cash flows*



OLB's Board of Managing Directors, on its own responsibility and on the basis of the Bank's own specific requirements, decides the scope and focus of the systems that have been established. In establishing and assessing the internal controlling system with regard to the accounting process, it applies the criteria of the "Internal Control – Integrated Framework" released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO framework is founded on several components: monitoring, information and communication, efficacy of control activities, risk assessment, and the corporate control environment.

The internal controlling system for the accounting process, and the IT systems that OLB uses, have the aim of identifying, assessing and reviewing risks in regard to financial reporting, and mitigating those risks by suitable measures. It includes guidelines and defined procedures for providing full data and documentation to reflect an appropriate and accurate picture of OLB's business transactions and net assets. These guidelines and procedures likewise ensure the ability to comply with the applied accounting regulations. All disposals and expenditures are subject to specific procedures for approval by OLB corporate management. There is a reasonable assurance that abuses that might materially impact the Bank's earnings and assets situation can be prevented.

Among the main components of the guidelines and procedures are compliance with the two-man rule for important controlling activities, a separation of functions within the organizational structure, and transparency.

In addition to the consolidated subsidiaries, the accounting process essentially includes the corporate Finance / Controlling department, with its Financial Reporting, Financial Accounting, Controlling and Allianz Bank Controlling groups, as well as the corporate Risk Controlling and Information Technology departments. The Financial Accounting group is in charge of organizing and overseeing accounting. The Financial Reporting group is in charge of organizing and overseeing the preparation of financial statements, with the support of the Financial Accounting group. The Controlling and Allianz Bank Controlling groups support the reporting process with quality assurance work, especially at the interfaces between internal and external reporting. The corporate Risk Controlling department particularly provides data for the measurement of transactions that are recognized at present value in the accounting process. The corporate Information Technology department provides the infrastructure for the systems participating in the accounting process. The systems employed are protected by appropriate IT safeguards against unauthorized access. Standard software is used for these systems wherever possible.

Compliance with guidelines and defined procedures is regularly monitored in internal audits by the Auditing and Organization departments, and by external audits. The results are reported to the Audit Committee of the Supervisory Board.

With the appointment of a CFO, the corporate Finance / Controlling, Risk Controlling and Audit departments are overseen by different members of the Board of Managing Directors.

It should be pointed out, however, that even appropriate, properly functioning systems cannot offer an absolute assurance that risks will be identified and managed.

Oldenburg, February 23, 2011
Oldenburgische Landesbank AG

Benedikt Buhl
Spokesman

Dr. Peter Schinzing
Deputy Spokesman

Dr. Stefan Friedmann

Jörg Höhling

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# Consolidated Financial Statements

# Consolidated Statement of Comprehensive Income of the Oldenburgische Landesbank Group for the period January 1 – December 31, 2010

| EUR m | 2010 | 2009 | Change | Change (%) | Note / Page |
|---|---|---|---|---|---|
| Interest and similar income | 501.7 | 492.0 | 9.7 | 2.0 | |
| Interest expense and similar charges | 263.7 | 285.9 | – 22.2 | – 7.8 | |
| Net interest income | 238.0 | 206.1 | 31.9 | 15.5 | 02 / 084 |
| Commission income | 135.7 | 95.4 | 40.3 | 42.2 | |
| Commission expense | 50.8 | 31.3 | 19.5 | 62.3 | |
| Net commission income | 84.9 | 64.1 | 20.8 | 32.4 | 03 / 085 |
| Net operating trading income | – 0.7 | 2.7 | – 3.4 | n/a | 04 / 086 |
| Other income | 70.7 | 94.5 | – 23.8 | – 25.2 | 05 / 087 |
| **Operating income** | **392.9** | **367.4** | **25.5** | **6.9** | |
| Personnel expense | 182.2 | 166.6 | 15.6 | 9.4 | |
| Office expense | 123.2 | 121.3 | 1.9 | 1.6 | |
| Administrative expenses | 305.4 | 287.9 | 17.5 | 6.1 | 06 / 087 |
| Other expenses | 3.3 | 1.7 | 1.6 | 94.1 | 07 / 087 |
| **Operating expenses** | **308.7** | **289.6** | **19.1** | **6.6** | |
| Risk provisions for credit business | 24.6 | 26.4 | – 1.8 | – 6.8 | 08 / 088 |
| **Operating profit** | **59.6** | **51.4** | **8.2** | **16.0** | |
| Realized net income / loss from financial assets | 12.9 | 8.7 | 4.2 | 48.3 | |
| Net nonoperating trading income / expense | 1.2 | – 9.7 | 10.9 | n/a | |
| Net income / loss from financial assets | 14.1 | – 1.0 | 15.1 | n/a | 09 / 088 |
| Restructuring expense | 2.9 | — | 2.9 | n/a | 10 / 089 |
| **Profit before taxes** | **70.8** | **50.4** | **20.4** | **40.5** | |
| Taxes | 18.3 | 17.1 | 1.2 | 7.0 | 11 / 089 |
| **Profit after taxes** | **52.5** | **33.3** | **19.2** | **57.7** | |
| **Basic and diluted earnings per share (EUR)** | **2.25** | **1.43** | **0.82** | **57.34** | 12 / 089 |

# Consolidated Statement of Comprehensive Income – Other Income of the Oldenburgische Landesbank Group for the period January 1 – December 31, 2010

| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| **Profit after taxes** | **52.5** | **33.3** | **19.2** | **57.7** |
| Unrealized changes in market value (gross) | 0.9 | 48.6 | – 47.7 | – 98.1 |
| Reclassification to statement of comprehensive income because of realization (gross) | | | | |
| because of realized gains and losses | – 14.6 | – 11.6 | – 3.0 | 25.9 |
| because of impairment | 1.0 | 3.1 | – 2.1 | – 67.7 |
| Taxes on unrealized changes in fair value | 2.4 | – 9.0 | 11.4 | n/a |
| Taxes on reclassification to statement of comprehensive income because of realization | 2.0 | 0.8 | 1.2 | n/a |
| Other changes in capital | — | 6.1 | – 6.1 | – 100.0 |
| **Total income and expenses recognized outside profit or loss** | **– 8.3** | **38.0** | **– 46.3** | **n/a** |
| **Total income and expenses** | **44.2** | **71.3** | **– 27.1** | **– 38.0** |

# Consolidated Statement of Financial Position (Balance Sheet) of the Oldenburgische Landesbank Group at December 31, 2010

| Assets EUR m | 12/31/2010 | 12/31/2009 | Change | Change (%) | Note / Page |
|---|---|---|---|---|---|
| Cash and cash equivalents | 158.8 | 120.2 | 38.6 | 32.1 | 14 / 094 |
| Trading assets | 20.0 | 13.7 | 6.3 | 46.0 | 15 / 094 |
| Loans and advances to banks (net after risk provisions of EUR 0.3 million; prior year: EUR 0.3 million) | 1,530.5 | 1,372.5 | 158.0 | 11.5 | 16 / 095 |
| Loans and advances to customers (net after risk provisions of EUR 70.4 million; prior year: EUR 60.6 million) | 9,451.3 | 8,450.0 | 1,001.3 | 11.8 | 17 / 095 |
| Financial assets | 1,983.1 | 2,050.4 | – 67.3 | – 3.3 | 20 / 098 |
| Property, plant and equipment | 100.7 | 104.1 | – 3.4 | – 3.3 | 21 / 099 |
| Intangible assets | 8.0 | 6.3 | 1.7 | 27.0 | 22 / 100 |
| Other assets (net after risk provisions of EUR 0.1 million; prior year: EUR 0.4 million) | 80.0 | 121.1 | – 41.1 | – 33.9 | 23 / 100 |
| Tax refund entitlements | 6.6 | 5.9 | 0.7 | 11.9 | 24 / 101 |
| Deferred tax assets | 12.0 | 4.7 | 7.3 | n/a | 34 / 107 |
| **Total assets** | **13,351.0** | **12,248.9** | **1,102.1** | **9.0** | |

| **Liabilities** EUR m | **12/31/2010** | **12/31/2009** | Change | Change (%) | Note / Page |
|---|---|---|---|---|---|
| Trading liabilities | 13.1 | 9.1 | 4.0 | 44.0 | 26 / 102 |
| Due to banks | 3,816.5 | 3,784.6 | 31.9 | 0.8 | 27 / 102 |
| Due to customers | 7,208.2 | 6,300.6 | 907.6 | 14.4 | 28 / 102 |
| Securitized liabilities | 1,099.3 | 1,080.1 | 19.2 | 1.8 | 29 / 103 |
| Provisions and other liabilities | 350.3 | 314.5 | 35.8 | 11.4 | 30 / 103 |
| Tax liabilities | 13.5 | 21.8 | – 8.3 | – 38.1 | 33 / 106 |
| Subordinated debt | 254.4 | 172.7 | 81.7 | 47.3 | 35 / 108 |
| **Equity** | **595.7** | **565.5** | **30.2** | **5.3** | 36 / 108 |
| Issued capital | 60.5 | 60.5 | — | — | |
| Additional paid-in capital | 202.9 | 202.9 | — | — | |
| Retained earnings | 244.8 | 214.2 | 30.6 | 14.3 | |
| Cumulative effect of measurement of available-for-sale financial instruments | 21.3 | 29.6 | – 8.3 | – 28.0 | |
| Distributable profit | 66.2 | 58.3 | 7.9 | 13.6 | |
| **Total equity and liabilities** | **13,351.0** | **12,248.9** | **1,102.1** | **9.0** | |

# Statement of Changes in Consolidated Equity of the Oldenburgische Landesbank Group at December 31, 2010

| EUR m | Issued capital | Additional paid-in capital | Retained earnings | Cumulative effect of measurement | Distributable profit | Total equity |
|---|---|---|---|---|---|---|
| **12/31/2008** | **60.5** | **202.9** | **189.1** | **– 8.4** | **63.4** | **507.5** |
| Dividend distribution from profit carried forward | — | — | — | — | – 7.0 | – 7.0 |
| Profit for period | — | — | — | — | 33.3 | 33.3 |
| Change in measurement of available-for-sale financial instruments | — | — | — | 31.9 | — | 31.9 |
| Transfer to retained earnings | — | — | 31.4 | — | – 31.4 | — |
| Other changes in capital | — | — | – 6.3 | 6.1 | — | – 0.2 |
| **12/31/2009** | **60.5** | **202.9** | **214.2** | **29.6** | **58.3** | **565.5** |
| Dividend distribution from profit carried forward | — | — | — | — | – 14.0 | – 14.0 |
| Profit for period | — | — | — | — | 52.5 | 52.5 |
| Change in measurement of available-for-sale financial instruments | — | — | — | – 8.3 | — | – 8.3 |
| Transfer to retained earnings | — | — | 30.6 | — | – 30.6 | — |
| Other changes in capital | — | — | — | — | — | — |
| **12/31/2010** | **60.5** | **202.9** | **244.8** | **21.3** | **66.2** | **595.7** |

A dividend of EUR 0.60 per share was distributed during the year (prior year: EUR 0.30 per share).

Further information on constituents of equity is provided under Note 36 below.

# Consolidated Cash Flow Statement of the Oldenburgische Landesbank Group at December 31, 2010

| EUR m | 2010 | 2009 | Note / Page |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | 52.5 | 33.3 | |
| Write-downs of investments | 1.0 | 3.1 | |
| Write-ups of investments | — | — | |
| Write-downs and write-ups of property, plant and equipment and intangible assets | 17.4 | 14.1 | 21, 22 / 099, 100 |
| Change in provisons and risk provisions for credit business | 52.3 | 76.9 | 08, 30 / 088, 103 |
| Changes in other noncash items | –46.1 | –113.0 | |
| Proceeds from sale of property, plant and equipment and of financial assets | –14.5 | –11.6 | |
| Change in loans and advances to banks | –158.0 | –328.2 | 16 / 095 |
| Change in loans and advances to customers | –1,011.1 | –893.2 | 17 / 095 |
| Change in trading assets | –2.2 | 6.7 | 15, 26 / 094, 102 |
| Change in other assets | 45.7 | –51.2 | |
| Change in amounts due to banks | 31.9 | 1,199.2 | 27 / 102 |
| Change in amounts due to customers | 907.6 | 1,080.0 | 28 / 102 |
| Change in securitized liabilities | 19.2 | –125.1 | 29 / 103 |
| Change in other liabilities | 15.6 | 35.8 | 30 / 103 |
| **Cash flow from operating activities** | **–88.7** | **926.8** | |
| **Investing activities** | | | |
| Proceeds from the disposal of financial assets | 767.7 | 243.3 | |
| Proceeds from disposal of property, plant and equipment | 0.1 | 0.7 | |
| Payments for the acquisition of financial assets | –692.1 | –1,173.4 | |
| Payments for the acquisition of property, plant and equipment and intangible assets | –16.1 | –18.1 | 21, 22 / 099, 100 |
| **Cash flow from investing activities** | **59.6** | **–947.5** | |
| **Financing activities** | | | |
| Proceeds from changes in capital | — | — | |
| Dividends paid | –14.0 | –7.0 | |
| Change in subordinated debt | 81.7 | — | 35 / 108 |
| Net issue of profit participation rights | — | — | |
| Interest expense for profit participation rights | — | — | |
| Changes in cash from other financing activities | — | –6.4 | |
| **Cash flow from financing activities** | **67.7** | **–13.4** | |
| **Cash and cash equivalents** | | | |
| Cash and cash equivalents as of 1/1 | 120.2 | 154.3 | 14 / 094 |
| Cash and cash equivalents as of 12/31 | 158.8 | 120.2 | 14 / 094 |
| **Change in cash and cash equivalents** | **38.6** | **–34.1** | |
| **Supplementary information to the cash flow statement** | | | |
| Interest received | 495.2 | 443.8 | 02 / 084 |
| Dividends received | 1.6 | 1.7 | 02 / 084 |
| Interest paid | 261.2 | 264.5 | 02 / 084 |
| Income tax paid | 30.3 | 10.3 | |

# Notes to the Consolidated Financial Statements

## Summary of significant accounting policies

### 01 Basis of preparation

Under Sec. 290 (1) of the German Commercial Code (HGB), Oldenburgische Landesbank AG (OLB) is required to prepare consolidated financial statements for the OLB subgroup, because the conditions for exemption under Sec. 291 (1) of the Commercial Code do not apply as a consequence of the exclusion clause under Sec. 291 (3) No. 1 of the code.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as the consolidated accounts required under Art. 4 of the IAS Regulation. In addition, Sec. 340i (2) of the German Commercial Code, in conjunction with Sec. 315a (1) of that code, governs the application of the above code requirements, such as those for the Group management report, that are also to be applied to the IFRS consolidated financial statements, together with further explicit additional disclosures.

All standards whose application was mandatory for the fiscal years concerned and that were relevant to the OLB Group were applied in the preparation of these consolidated financial statements.

Application of the following amendments or additions to existing standards was mandatory for the first time for fiscal 2010, insofar as they were relevant to the OLB Group:

- Improvement to IFRSs 2009
- Amendments to IAS 39 – Eligible Hedged Items
- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions

The changes had no material effect on the presentation of the OLB Group's net assets, financial position or results of operations.

The Group decided against the optional early application of revised standard IAS 24, Related Party Disclosures, which is mandatory for fiscal years beginning on or after January 1, 2011. No material effects on reporting, measurement or presentation are expected from this revision.

IAS 39 / IFRS 7 – Reclassification of Financial Instruments – of July 1, 2008, was not applied. The consolidated financial statements are an integral part of the annual financial report within the meaning of the German Act Implementing the Transparency Directive (Sec. 37v of the German Securities Trading Act – WpHG) of January 5, 2007.

The accounting policies applied within the OLB Group are consistent with the standards of European reporting directives. The additional disclosures required under the EU Directives have been incorporated into the Notes to the financial statements. The provisions of the German Stock Corporation Act (AktG) and of the Balance Sheet Reform Act have been applied. The reporting currency is the euro. The reporting year is the calendar year. As a rule, amounts are expressed in million euros (EUR m), rounded to one decimal place according to common commercial practice.

In accordance with Art. 3 of its Articles of Incorporation, the purpose of the Bank is to conduct banking transactions of all kinds, except for the investment business within the meaning of Sec. 1 (1) Sentence 2 No. 6 of the German Banking Act (KWG), old version.

### Consolidated entities

The Bank consolidates all subsidiaries in which it holds all voting rights and all shares of capital, using the purchase method. The following were consolidated:

- W. Fortmann & Söhne KG, Oldenburg,
- Münsterländische Bank Thie & Co. KG, Münster,
- Grundstücks-Gesellschaft mit beschränkter Haftung, Oldenburg,
- OLB Service Gesellschaft mit beschränkter Haftung, Oldenburg.

**Special funds**

Special funds are consolidated in accordance with SIC 12. These funds are:
- AGI-Fonds Ammerland,
- AGI-Fonds Weser-Ems.

They are managed by Allianz Global Investors (AGI).

All receivables and payables, income and expenses, and internal profits resulting from intra-Group transactions have been eliminated.

**Financial instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Purchases and sales of financial assets with counterparties in Germany are recognized (or derecognized, as the case may be) as of the trade date.

**Categories of financial instruments**

According to IAS 39, all financial instruments must be recognized in the balance sheet, must be classified in specified categories, and must be measured as a function of that classification:
- Financial assets or liabilities held for trading serve primarily to generate profits from short-term price fluctuations or dealer's margins.
- Financial investments held to maturity are assets with fixed payments and fixed terms, which the Bank can and will hold to maturity. The intent and ability to hold them must be documented at the time of acquisition and at the end of each reporting period. The Bank had not classified any assets in this category as of the reporting date.
- Loans and receivables extended by the Company are financial assets with fixed or determinable payments that are not quoted in an active market. This category primarily comprises loans and advances to banks and to customers.
- Available-for-sale financial assets are what remains – i. e., all financial assets that cannot be assigned to one of the foregoing categories; in other words, the Bank does not actively designate assets to this category. It recognizes such amounts as financial assets.
- The Bank does not exercise the option to designate financial assets or liabilities at fair value through profit or loss.

Financial liabilities not held for trading particularly include amounts due to banks and customers, and securitized liabilities.

All financial instruments are initially measured at cost, which is equivalent to the fair value of the consideration paid (for the acquisition of financial assets) or the consideration received (for the acquisition of financial liabilities). Thereafter, financial assets are normally measured at fair value. Exceptions include loans and receivables not held for trading, and certain financial assets whose fair value cannot be determined reliably. These exceptions are measured at amortized cost. If they are equity instruments, these financial assets are measured at cost. Except for trading liabilities measured at fair value, financial liabilities are likewise recognized at amortized cost. OLB does not apply the fair-value option.

Financial assets and liabilities are assigned to the above categories at initial recognition. There were no reclassifications during the year.

A financial asset is derecognized at the time when the Bank loses control over the contractual rights proceeding from the asset. A financial liability is derecognized when it is extinguished.

See the Notes below for the accounting policies governing the individual items of the balance sheet and statement of comprehensive income.

**Foreign currency translation**

Foreign currency is translated in accordance with IAS 21. This requires monetary assets and liabilities denominated in foreign currency, as well as cash transactions still unsettled at the end of the reporting period, to be converted to euros at the spot rates as of the end of the reporting period. Forward-exchange transactions are measured at the current forward rates applicable for the remaining term. Nonmonetary assets carried at fair value are converted to euros at the current exchange rate.

Expenses and income resulting from foreign currency translation are normally recognized in the appropriate items of the statement of comprehensive income. There were no material open net foreign currency positions at the end of the fiscal year.

**Offsetting**

Financial assets and liabilities are offset and shown as a net amount in the balance sheet if the Bank has a legally enforceable right in regard to its business partner to set off the amounts, and if the transactions are settled on a net basis, or if the liability is settled simultaneously with the realization of the asset.

**Net interest income**

Interest income and interest expenses are recognized on an accrual basis. Interest income includes interest income from receivables and securities, as well as accrued premiums and discounts on treasury bills and other discount securities.

Current income includes dividends from stocks, dividends from investments in associates, and equity investments in which interests of 50 percent or less are held.

Dividends are recognized in profit or loss as of the date when the legal entitlement to the dividend arises. Rental income is recognized on an accrual basis. Interest on financial assets and liabilities not measured at fair value through profit or loss is measured using the effective-interest method.

Unwinding, as a change in the present value of written-down or written-off receivables, is carried out by way of an adjustment account, in favor of interest income. In that sense, the gross receivable does not change.

**Net commission income**

This item includes commissions from the securities business, asset management, payment traffic, foreign transactions, and commissions for services for trust business, as well as from brokerage of banking transactions, insurance policies, credit cards, home savings and loan contracts, and real estate. Commissions are credited to income at the date when the service is provided.

**Net operating trading income**

The net operating trading income includes all realized and unrealized gains and losses on trading assets and liabilities attributed to operating activities. It also includes commissions and all interest income and expenses, as well as dividend income, that result from operating trading activities. The ineffective portions of hedges under hedge accounting, within the narrowly defined bounds of IAS 39, are also reflected in the net operating trading income.

**Fair-value hedge accounting**

The Bank recognizes hedge relationships under the strict rules of IAS 39.

Only fair-value hedges are formed, to hedge against changes in the market value of recognized assets due to interest rate risk. The hedged risk is defined as the risk of a change in fair value of the hedged items due to a change in the underlying reference interest rate. The reference interest rate for hedged interest-bearing transactions denominated in euros is based on the EURIBOR swap curve.

Interest rate swaps with defined maturities are used as hedging derivatives. The fixed-interest side is fixed over the term of the swap. The variable interest rate is coupled to the reference interest rate (EURIBOR) as the index.

The associated yield curve corresponds in maturity with the contractual maturity of the variable side of the swap. The same thing applies accordingly for the hedged items.

The hedged items pertain to homogeneous portfolios of loans of the same type in the “Loans and receivables” category, as well as individual investment securities in the available-for-sale category.

For these fair-value hedges, both the measurement of the hedging derivatives and the measurement of the underlying transactions in regard to interest rate risk are recognized in the net income for the current fiscal year. Contrary changes in measurement offset one another; ineffective portions within the narrowly defined bounds of IAS 39 are recognized in the net operating trading income.

Positive market values of hedging derivatives under hedge accounting are recognized under other assets. Positive market values from non-trading derivatives that do not meet the strict criteria of IAS 39 are recognized under trading assets.

Negative market values of hedging derivatives under hedge accounting are recognized as other liabilities, in the item for provisions and other liabilities. Negative market values from non-trading derivatives that do not meet the strict criteria of IAS 39 are recognized under trading liabilities.

**Net nonoperating trading income / expense**

The result from the management of financial assets is recognized as net nonoperating income or expense. For this purpose, hedges on these nonoperating financial assets are reflected in net nonoperating trading income (or expense). Net nonoperating trading income is combined with the realized income from financial assets in the net income or loss from financial assets.

**Restructuring expense**

Restructuring expenses are recognized as of the date on which the Bank adopts a detailed restructuring plan for certain programs, and that plan has received formal approval and its implementation has begun. The recognized expenses are measured on the basis of qualified estimates of the expected costs of the individual measures.

Future liabilities beyond the horizon of one year are discounted to the underlying present value. Estimates are regularly evaluated to make sure that they are still reasonable, and are revised if necessary. Restructuring costs that cannot be covered with provisions are recognized in the period when they are incurred.

**Taxes**

Income tax to be paid on profits, on the basis of the applicable tax legislation, is expensed on an accrual basis. Deferred income tax assets and liabilities are recognized in full in the financial statements irrespective of their reversal date, using the balance-sheet-oriented approach, for temporary differences between the carrying amount of assets and liabilities and their tax base. They are recognized at the tax rates that have already been enacted or substantially enacted and that are expected to apply when the related tax asset or liability is reversed. Tax refund assets and tax liabilities are recognized for additional tax payments or tax refunds due. Deferred tax assets are recognized in the amount for which it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Other taxes are recognized under the administrative expenses.

**Information about segment reporting**

The OLB Group distinguishes two segments, OLB Regional Bank and Allianz Bank. The OLB Regional Bank segment reflects the Oldenburgische Landesbank Group's traditional regional business, with its branches in its familiar business territory. The Allianz Bank segment reflects the Allianz Bank business, including consulting and sales for banking products (sale of investment funds and securities, lending and deposit business) through Allianz agencies nationwide.

The segment reporting is based on the Group management accounts, as a tool that is prepared monthly and oriented to decision-making, intended to support corporate management and control and to reflect risks and opportunities. Changes in organizational structure, and modifications in the allocation of income and costs, are recognized retroactively in the reporting of the current year and in the presentation of the previous year.

A segment's net interest income is calculated by measuring the segment's assets and liabilities on the basis of an offsetting concept oriented to market interest rates. Capital is allocated on the basis of the risk capital attributed to the segments. The benefit resulting from the investment of allocated capital is attributed to the segments on the basis of an imputed interest rate. Administrative expenses include both direct costs and those costs that are allocated by netting between segments on the basis of an intra-Group exchange of services.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, balances with central banks, treasury bills that are not recognized as trading assets, and other bills eligible for refinancing from central banks. The maximum term is six months from the acquisition date. Holdings are measured at their nominal value.

**Trading assets and liabilities**

Trading assets comprise debt securities, stocks and derivatives (positive market values). Trading liabilities comprise only negative market values from derivatives. Market values from hedge derivatives that are used for internal risk management but do not qualify for hedge accounting under IAS 39 are likewise included here.

Trading assets and liabilities are recognized at fair value at the trade date, and thereafter are likewise measured at fair value. In cases where there is no market quotation, the fair value is determined on the basis of the market prices of comparable instruments, or using recognized valuation models (especially present valuing and option pricing models). Reasonable adjustments are applied for measurement risks. Gains or losses from measurement are included in net trading income.

**Fair-value option**

Assets and liabilities designated for measurement under the fair-value option: The Bank does not apply this category at present.

## Financial assets

The Group's financial assets consist of bonds, including other fixed-income securities; stocks, including other non-fixed-income securities; equity interests in entities in which 50 percent or less is held; and investments in unconsolidated associates.

The investments in associates pertain to a company in which the OLB Group holds a majority interest, but which it does not include in the consolidated financial statements because of its minor importance.

Equity interests are entities in which the Bank holds interests of 50 percent or less that serve to establish a lasting relationship with the entities concerned, and that are not recognized at equity.

Financial assets are viewed as financial assets available for sale at any time, and are accordingly normally measured at fair value. However, if neither a liquid market price nor the relevant factors for valuation models can be determined reliably for stocks not listed on a stock exchange, and for investments in associates and equity interests, these are recognized at cost.

For available-for-sale assets, the OLB Group recognizes measurement gains and losses in a separate equity item, outside profit or loss. In the event of the sale or impairment of an available-for-sale financial instrument, the amount of the accumulated valuation gains and losses hitherto recognized in equity is realized by reclassification to the income statement.

Securities classified as available for sale are regularly tested for impairment. In that testing, a distinction as to indicators is made between stocks and debt securities.

Equity instruments in the available-for-sale category are considered impaired if their fair value has decreased either significantly or permanently below their acquisition cost; either criterion by itself is an indicator of impairment. Significance exists if the fair value is at least 20 percent below the amortized cost. Permanence exists if the fair value has been consistently below the amortized cost for at least nine months. The amount of the impairment is recognized in the statement of comprehensive income under the item for net income or loss from financial assets. When the reason for the impairment no longer applies, equity instruments in the available-for-sale category cannot be written back up to their original cost, with an impact on profit or loss. Instead, recoveries of value are recognized in equity, outside profit or loss. The reserve is not recycled to profit or loss until the time of sale of an asset, in the item for net income or loss from financial assets.

If the market value (fair value) of debt securities in the available-for-sale category is significantly below the (amortized) cost, that is an indicator of permanent impairment. Here "significantly" means that the fair value has consistently been at least 20 percent below the amortized cost for more than six months. To objectively demonstrate a need for impairment, as triggering criteria the Bank likewise analyzes significant financial difficulties of the issuer, breach of contract, concessions to the issuer for economic or legal reasons connected with its financial difficulties, the probability of the issuer's insolvency or need for reorganization, or the disappearance of an active market for the financial asset because of financial difficulties. Impairments of fixed-income securities that may be sold at any time are recognized in profit or loss if there is objective evidence that a loss event has occurred that will reduce expected cash flows. A reduction in fair value below amortized cost due to changes in the risk-free interest rate does not constitute objective evidence of a loss event. The amount of the impairment is recognized in profit or loss, under the item for net income/loss from financial assets. If the reasons for the previous impairment no longer exist, value is recovered subsequently in profit or loss up to a maximum equal to the amortized original cost, under the item for net income or loss from financial assets.

Current income from bonds, including premiums or discounts accrued over the term, is recognized in the net interest income. Dividend income from stocks and income from investments in associates and equity interests are recognized in the same item. The gains and losses on the sale of these securities are recognized in the net income or loss from financial assets. The effects on earnings from derivatives that are economically classifiable as nonoperating financial assets, and that do not qualify for hedge accounting, are recognized under the net nonoperating trading income or loss.

**Repurchase agreements**

In a repurchase agreement ("repo"), the Group sells securities and at the same time agrees to buy them back at an agreed-upon price at a certain date. The Group retains the risks and rewards associated with the securities as a consequence of changes in interest rates or defaults, for the life of the transaction. Accordingly, the securities continue to be recognized in the Group's balance sheet as trading assets or financial assets. The value of the legal sale is included in the balance sheet item for amounts due to banks or amounts due to customers, as the case may be, and is recognized as a liability from a repurchase agreement.

Interest expenses for repurchase agreements are amortized on an accrual basis and included in the net interest income.

**Loans and advances to banks and to customers**

Loans and advances to banks and customers that originate with the Bank, as well as acquired receivables that are not used for trading purposes and that are not quoted on an active market, are measured at amortized cost, less impairment if applicable. Interest income is recognized using the effective-interest method. Any differences between the nominal amount and the amount actually disbursed, and any loan processing fees, if they have the nature of interest, are recognized in profit or loss using the effective-interest method. Loans and advances are considered at risk of default if current information or events indicate a probability that a customer will not make an interest or principal payment when due under the agreement. Irrespective of any legal claims, interest is no longer recognized on outstanding receivables if a repayment of principal seems doubtful, and is therefore covered by a risk provision. From that time on, all payments are initially used to retire the receivable capital. Please see the discussion of net interest income for the procedure used in unwinding.

Through hedge accounting, the change in fair value of the hedged items that is applicable to the hedged risk is recognized in the item for loans and advances to customers, as a counter-item to the change in fair value of the corresponding interest rate swaps. The fair value of the interest rate swaps is recognized in the items for other assets or other liabilities, as the case may be.

**Impairment and provisions in the lending business (risk provisions)**

To determine objectively if there is a need for impairment, the Bank analyzes certain triggering criteria: significant financial difficulties of the issuer or debtor, breach of contract, concessions to the borrower for economic or legal reasons in connection with its financial difficulties, the probability of the borrower's insolvency or need for reorganization, or indications from observable data that there has been a measurable reduction in expected future cash flows from a group of financial assets since their initial recognition, even though the reduction cannot be attributed to any particular asset in the group.

A customer's probability of default must particularly be examined if there are indications that the Bank will not receive as scheduled all receivables defined and payable under the loan agreement. A probability of default exists if the Bank finds it probable, on the basis of current information and events, that it will not receive as scheduled all receivables defined and payable under the loan agreement. Here there may be concerns about whether principal will be repaid in the amount provided under the loan agreement or at the date specified in the agreement.

Risk provisions represent the expected value of the impairment of credit receivables, taking account of not only actual impairments but also potential risks that derive from the structure and quality of the credit portfolio. Because of the methods employed, the size of the risk provision is subject to an estimation uncertainty. We believe the recognized risk provisions are adequate.

Normally, the method of deciding their amount may be allowed to depend on the significance of the receivable to the Bank (significant vs. non-significant receivables). For that reason, OLB distinguishes between the standardized loan business, in which risk is distributed almost uniformly (homogeneous loan portfolio), the customized loan business, which has an individualized risk exposure (nonhomogeneous loan portfolio), and country risks (see below), with their associated forms of provisioning.

**Nonhomogeneous portfolio**

Specific loan loss provisions (SLLPs) are recognized in the nonhomogeneous portfolio to take account of any individually significant defaults that are discovered. The amount, allowing for the discounted value of collateral, is determined from the difference between the carrying amount of the receivable and the present value of expected payments to be received on that receivable. In addition, general loan loss provisions (GLLPs) are recognized for impairments of receivables for which no individual provisions have been formed, since it must be expected that some defaults may have already occurred that could not yet be identified as of the end of the reporting period. The amount of the risk provision is based on the historical default probabilities and the derived losses given default, allowing for the discounted value of collateral.

**Homogeneous portfolio**

The discovered defaults in the homogeneous portfolio are covered with global loan loss provisions. Global loan loss provisions are also formed for defaults that may have already occurred but could not yet be identified as of the end of the reporting period. The two amounts together constitute the portfolio loan loss provision (PLLP). The amount is based on the historical default probabilities and the derived losses given default, allowing for the value of collateral.

**Annual estimation of parameters**

The parameters for determining the GLLP, PLLP and guarantee provisions are updated annually. In computing the GLLP and PLLP, an additional risk markup under IAS 39 AG 89 is included, if necessary, to take account of higher insolvency probabilities due to economic conditions.

**Country risks**

The country risk provision reflects the risk related to transfers and convertibility of receivables in regard to borrowers domiciled outside Germany. Allowing for valid collateral and any customer risk provisions already in existence, the amount of the provision is computed as an expected loss given default (country risk provisioning ratio) on the customer's usage of facilities.

No country risk provisions were necessary as of the balance sheet date.

Risk provisions are normally deducted from the associated item in the balance sheet. However, if the risk provision pertains to off-balance-sheet credit operations (financial guarantees, loan commitments), the risk provision is recognized among provisions.

**Derecognition of receivables**

As soon as a receivable becomes uncollectible, it is derecognized by taking a charge against any associated specific loan loss provision that has been established, or else directly against the statement of comprehensive income.

Written-down loans are considered uncollectible for accounting purposes no later than the expiration of longer terms. The length of the terms depends in particular on the collateral and our experience. This does not affect the validity or prosecution of our legal claims.

Amounts received for receivables that have been written off are recognized in the item for risk provisions for the credit business, with an impact on profit and loss.

**Restructuring of receivables**

In certain significant exceptional cases, for certain receivables that would otherwise be delinquent or impaired because the borrower's economic circumstances have deteriorated, the Bank agrees to renegotiate the contract terms. As part of troubled debt restructuring, the Bank may make concessions to borrowers such as deferring deadlines, waiving interest or principal, extending maturities, or the like, so that a specific loan loss provision can be averted. The risk report includes further details.

**Property, plant and equipment**

Land and buildings, as well as business and office equipment, are recognized at amortized cost. Subsequent costs are capitalized, provided they increase the future economic benefits of the associated assets. Repairs, maintenance and other costs of upkeep are recognized as expenses for the period in which they arise. Property, plant and equipment are depreciated on a straight-line basis over the following periods, in keeping with their estimated useful lives:

- Buildings 25–50 years
- Business and office equipment 4–13 years.

Depreciation is charged to administrative expenses. Gains or losses on disposals of property, plant and equipment or for land or buildings used by the Bank itself are recognized under other income or other expenses.

**Finance leases**

In 2010, OLB entered into a contract to lease automated teller machines and service terminals that is to be categorized as a finance lease. It is recognized in property, plant and equipment. The net carrying amount of equipment acquired during the year came to EUR 80 thousand as of December 31, 2010. The agreements, which have minimum lease payments of EUR 85 thousand, have terms of four to five years. The present value of these minimum lease payments was calculated at EUR 80 thousand, on the basis of an imputed interest rate determined from the terms of the lease. No contingent lease payments are recognized in the income statement. There were no finance leases in the prior year.

**Intangible assets**

This item includes acquired software, which is amortized on a straight-line basis under other administrative expenses over its expected useful life. Normally, host applications are amortized over seven years and client-server applications are amortized over five years. Costs of maintenance for software programs are recognized in profit or loss as they are incurred.

**Interest-bearing and non-interest-bearing liabilities**

Interest-bearing and non-interest-bearing liabilities are normally recognized at amortized cost, taking directly attributable transaction costs into account. Amortization of discounts is expensed on a prorated basis over time, using the effective-interest method.

**Provisions**

Provisions are recognized in accordance with IAS 37 when the Group has present legal or constructive obligations that have arisen as a result of past transactions or events. For these provisions, it is probable that settlement of the obligation will result in an outflow of resources with economic benefit, and the amount of the obligation can be estimated reliably. Provisions must be reviewed and adjusted annually.

Provisions for credit risks in off-balance-sheet credit commitments are charged to the risk provisions for the credit business; provisions for restructuring are charged to the restructuring expense. Other allocations to provisions are normally charged to administrative expenses. Write-backs are recognized in the same items to which the provisions were originally applied.

**Retirement plan obligations**

Most of the Group's employees are included under a company retirement plan that is paid out in the form of retirement, disability and survivors' pensions. The rest of the employees are entitled to a lump-sum payment when they reach retirement age, become disabled, or upon their death.

In general, pension plans are financed by payments from the pertinent Group companies; in addition, there are arrangements involving individual contributions from the employees.

For the actuarial calculation of the present value of earned pension entitlements, the net pension expense, and any additional costs for changes in defined-benefit pension plans, pension obligations are calculated annually by independent qualified actuaries using the projected unit credit method; this is an accrual method.

The pension obligation is measured at the present value of the pension entitlements earned as of the measurement date. Here account is taken of an interest rate consistent with current market conditions (for prime-grade fixed-yield industrial bonds with matching maturities), and of assumed increases in wages and salaries, pension trends, and expected income from the plan assets. Actuarial gains and losses, which result from experience-based adjustments, changes in actuarial assumptions and changes in the plans themselves, are recognized over the employees' average remaining service times if the gains or losses exceed the higher of either 10 percent of the present value of defined-benefit obligations or 10 percent of the fair value of the plan assets. The pension expense is recognized under administrative expenses, as expenses for retirement plans.

In addition, employees acquire an entitlement to benefits under an indirect benefits commitment. These are financed by premiums paid, with employee participation, to outside benefits providers (including the Versicherungsverein des Bankgewerbes a. G., Berlin). Premiums paid to outside benefits providers are recognized as a current expense, and are included under the administrative expenses, as expenses for retirement plans.

**Trust business**

Assets and liabilities that the Group holds in its own name but on behalf of others are not included in the balance sheet. Compensation paid for this business is recognized as commission income in the statement of comprehensive income.

**Information about the cash flow statement**

The cash flow statement shows the changes in the OLB Group's cash and cash equivalents due to cash flows from operating activities, investing activities, and financing activities. The cash flow from operating activities is generated using the indirect method from the consolidated financial statements. The cash flow from investing activities, which is determined by the direct method, primarily includes proceeds from the sale, and payments for the acquisition, of financial assets and property, plant and equipment. Financing activities, which are likewise determined by the direct method, reflect all cash flows from transactions in senior capital and from transactions in junior capital and profit participation rights. In keeping with general international banking practice, all other cash flows are attributed to operating activities. The shown cash and cash equivalents comprise cash on hand and balances with central banks.

**Estimation uncertainties and critical accounting judgments**

Estimation uncertainties and critical accounting judgments particularly arise in regard to forward-looking assumptions and in calculating pension obligations, determining assumed payment dates and cash flows and the necessary amounts for provisions, in calculating risk provisions and in recognizing deferred tax.

**Information about the nature and extent of risk**

In addition to the discussions of risks from the use of financial instruments as described in the individual Notes to the financial statements, the risk report also includes further qualitative and quantitative information, particularly about credit risks, market risks, and liquidity risks.

## Notes to the Statement of Comprehensive Income and Segment Reporting for the period from January 1 to December 31, 2010

### 02 Net interest income

| EUR m | 2010 | 2009 |
|---|---|---|
| Interest income from | | |
| Lending and money market transactions | 441.8 | 427.7 |
| Written-down financial assets[1] | 0.1 | 0.1 |
| Written-off financial assets[1] | 0.3 | 0.4 |
| Fixed-income securities and book-entry securities | 43.8 | 43.7 |
| Interest rate swaps | 13.5 | 17.8 |
| Current income from | | |
| Stocks and other non-fixed-income securities, equity interests of 50 percent or less, and investments in associates | 1.6 | 1.7 |
| Other | 0.6 | 0.6 |
| **Total interest income** | **501.7** | **492.0** |
| Interest expenses for | | |
| Deposits | 185.0 | 198.9 |
| Securitized liabilities | 23.3 | 39.4 |
| Subordinated debt | 9.8 | 9.0 |
| Interest rate swaps | 41.9 | 36.9 |
| Other | 3.7 | 1.7 |
| **Total interest expenses** | **263.7** | **285.9** |
| **Net interest income** | **238.0** | **206.1** |

1 Accrued per IAS 39 (unwinding)

The total interest income from financial assets not measured at fair value through profit or loss was EUR 488.2 million (prior year: EUR 474.2 million). The total interest expense for financial liabilities not measured at fair value through profit or loss was EUR 221.8 million (prior year: EUR 249.0 million).

03 Net commission income

| EUR m | 2010 | 2009 |
|---|---|---|
| **Securities business** | **57.6** | **28.7** |
| Income | 60.7 | 30.3 |
| Expenses | 3.1 | 1.6 |
| **Asset management** | **8.0** | **3.5** |
| Income | 8.0 | 3.5 |
| Expenses | — | — |
| **Payment traffic** | **24.9** | **21.0** |
| Income | 31.2 | 29.8 |
| Expenses | 6.3 | 8.8 |
| **Foreign business** | **3.5** | **3.4** |
| Income | 3.5 | 3.4 |
| Expenses | — | — |
| **Insurance, home loan and savings, real estate business** | **12.7** | **11.7** |
| Income | 16.7 | 16.5 |
| Expenses | 4.0 | 4.8 |
| **Credit card business** | **2.5** | **1.5** |
| Income | 6.7 | 5.1 |
| Expenses | 4.2 | 3.6 |
| **Trustee and other fiduciary activities** | **0.1** | **0.1** |
| Income | 0.1 | 0.1 |
| Expenses | — | — |
| **Other** | **– 24.4** | **– 5.8** |
| Income | 8.8 | 6.7 |
| Expenses | 33.2 | 12.5 |
| **Net commission income** | **84.9** | **64.1** |
| Income | 135.7 | 95.4 |
| Expenses | 50.8 | 31.3 |

The “Other” commission expense pertains primarily to EUR 30.0 million in compensation for the Allianz sales organization in Germany for their successful conduct of business (prior year: EUR 9.8 million).

As an adjustment to conform more closely to internal reporting, portions of the account management fees recognized in the commission income from payment traffic have been reclassified to other commission income. The pertinent amount for the prior year came to EUR 1.2 million.

In the prior year, OLB Regional Bank’s commission expense of EUR 0.9 million for sales support from Allianz Beratungs- und Vertriebs-AG was included in the other commission expense. As an adjustment to conform more closely to internal reporting, this amount is now reported in the commission expense for insurance.

Last year’s figures for other commission income included EUR 0.2 million in commission payments from Allianz Beratungs- und Vertriebs-AG for brokered insurance business. As an adjustment to conform more closely to internal reporting, this amount is now recognized in the commission income from insurance.

In the prior year, out-of-period commission income of EUR 1.3 million and out-of-period commission expenses of EUR 1.0 million – both resulting from the insurance business – were recognized as part of other net commission income. As an adjustment to conform more closely to internal reporting, these are now taken into account in the net commission income from insurance.

The prior-year figures have been adjusted accordingly in all cases. The adjustments to internal reporting provide a more accurate presentation.

The total commission income from financial assets not measured at fair value through profit or loss was EUR 6.2 million (prior year: EUR 4.5 million).

## 04 Net operating trading income / expense

Normally, market trading prices are used in determining the fair value of trading assets and trading liabilities. For products not quoted on a market, fair values are determined using present valuing or suitable option pricing models. The net trading income includes both realized net income and the net measurement result from trading activities.

The net interest and dividend income results from current expenses and income for interest-rate and stock products, and from non-trading derivatives.

Trading-related commissions consist of the Bank's expenses for stock market settlements and of earned margins in the foreign-exchange and precious-metals business.

The effect of non-trading derivatives this year reflects the recognition of the mutually compensating hedge adjustments for hedged items and hedging transactions under hedge accounting, including any ineffective portions within the narrowly defined bounds of IAS 39. Hedge adjustments represent the changes in present value on the basis of clean closeouts (excluding interest accrued), less amortization (at constant effective rates) resulting from the difference between the initial carrying amount and the maturity value.

Hitherto, when measuring interest rate swaps, the Bank followed standard banking practice in using the swap rates for a 6-month fixing in determining the fair value of swaps. Because of the crisis in the financial markets, swap rates for 1-month, 3-month and 6-month fixings diverged. For that reason, convention now prescribes a more differentiated approach, to which OLB has also adjusted. Depending on the underlying contractual arrangement, different yield curves are included in the measurement of the swap. This approach has been applied prospectively. At the transition date, the resulting effect was EUR 0.4 million.

The "Other" item primarily reflects income and expenses from hedging transactions for share-based payments to the Board of Managing Directors.

### 04 a Net operating trading income by product

| EUR m | 2010 | 2009 |
|---|---|---|
| Trading in interest-rate products | – 2.8 | – 1.1 |
| Trading in stock products | 1.7 | 1.0 |
| Foreign-currency and precious-metals business | 2.4 | 2.1 |
| Effects of non-trading derivatives | – 2.1 | 0.2 |
| Other | 0.1 | 0.5 |
| **Net operating trading income** | **– 0.7** | **2.7** |

## 04 b Net operating trading income by net realized income and net measurement income

| EUR m | 2010 | 2009 |
|---|---|---|
| Realized income (net) | — | 0.8 |
| Measurement income (net)[1] | – 2.9 | 0.1 |
| Net interest and dividend income from trading | 0.3 | 0.3 |
| Trading-related commissions | 1.9 | 1.5 |
| **Net operating trading income** | **– 0.7** | **2.7** |

1 Including effects from the application of IAS 39

The ineffective portions from hedge accounting recognized in net trading income are explained in the Note concerning the derivatives business.

## 05 Other income

| EUR m | 2010 | 2009 |
|---|---|---|
| Other income | 70.7 | 94.5 |

The other income for the year primarily comprised cost reimbursements from Allianz Deutschland AG for assuming the current loss of Allianz Bank. In the prior year, costs incurred for setting up Allianz Bank were likewise reimbursed.

## 06 Administrative expenses

The other administrative expenses are primarily Allianz Bank expenses for sales support and services from within the Allianz Group, expenses for corporate law services, and the cost of promotional, auditing and consulting services.

On average for the year, we had 2,973 employees (prior year: 2,802), not including apprentices and trainees.

| EUR m | 2010 | 2009 |
|---|---|---|
| Wages and salaries | 119.9 | 104.4 |
| Social security | 24.9 | 22.2 |
| Bonuses | 22.9 | 22.2 |
| Pensions and other post-retirement benefits | 14.5 | 17.8 |
| **Total personnel expenses** | **182.2** | **166.6** |
| Occupancy expenses | 16.2 | 15.4 |
| Business and office equipment | 5.2 | 4.6 |
| IT expenses | 22.8 | 21.5 |
| Office expense for setting up Allianz Bank | — | 31.7 |
| Other administrative expenses | 63.2 | 34.0 |
| **Office expense before current depreciation and amortization** | **107.4** | **107.2** |
| **Current depreciation and amortization** | **15.8** | **14.1** |
| **Administrative expense** | **305.4** | **287.9** |

## 07 Other expenses

| EUR m | 2010 | 2009 |
|---|---|---|
| **Other expenses** | **3.3** | **1.7** |

## 08 Risk provisions for credit business

| EUR m | 2010 | 2009 |
|---|---|---|
| Net result of impairment provisions | 42.4 | 46.5 |
| Additions to impairment provisions | 48.1 | 50.6 |
| Write-backs of impairment provisions | 5.7 | 4.1 |
| Net results from provisions | 0.9 | –0.6 |
| Additions to provisions | 3.0 | 1.7 |
| Write-backs of provisions | 2.1 | 2.3 |
| Direct write-downs | 0.3 | 0.1 |
| Receipts on written-off receivables | 19.0 | 19.6 |
| **Risk provisions for credit business** | **24.6** | **26.4** |

In the prior year, additions, write-backs and direct write-downs were reflected on the basis of borrower units. For the current year, these changes are reflected and managed at the client level. The prior-year figures have been adjusted accordingly in all cases. The adjustments to conform more closely to internal management provide a more accurate presentation.

## 09 Realized income / loss from financial assets and net nonoperating trading income / expense

The net income or loss from financial assets shows the results from sales and measurements of investment securities, equity interests of 50 percent or less, and investments in unconsolidated subsidiaries, as well as the nonoperating portion of the net trading income.

The item for net nonoperating trading income includes the components that are not attributable to net operating trading income. This reflects contributions from trading for the AGI-Fonds Weser-Ems and Ammerland special funds, resulting from derivative transactions to hedge market-price and exchange-rate risks on items held by the funds.

| EUR m | 2010 | 2009 |
|---|---|---|
| Realized income (net) | 13.9 | 11.8 |
| Measurement loss (net) | –1.0 | –3.1 |
| **Realized net income / loss from financial assets** | **12.9** | **8.7** |
| Realized income (net) | 1.2 | –9.7 |
| Measurement loss (net) | — | — |
| **Net nonoperating trading income / expense** | **1.2** | **–9.7** |
| **Net income / loss from financial assets** | **14.1** | **–1.0** |

The net realized income of EUR 13.9 million from financial assets comes from realizations of securities in the available-for-sale category (AfS). The measurement loss of EUR –1.0 million relates entirely to write-downs on AfS holdings.

The realized income of EUR 1.2 million from nonoperating trading results from the maturity of derivatives in the special funds.

| EUR m | 2010 | 2009 |
|---|---|---|
| Net income / loss on available-for-sale securities | 12.9 | 8.7 |
| Net income / loss on disposals and measurements at associates | — | — |
| Net income / loss from other financial assets | — | — |
| Net nonoperating trading income | 1.2 | – 9.7 |
| **Net loss from financial assets** | **14.1** | **– 1.0** |

## 10 Restructuring expense

To strengthen its market position amid competition on cost, the Bank has taken steps under its "ProFil II" and "Cost Benchmarking" projects. A Company-wide labor agreement was signed between management and the Company-wide labor council of Oldenburgische Landesbank AG, and was communicated to the employees concerned. Given the estimated payment dates, the projected payments will result in a restructuring expense of EUR 2.9 million. The measures pertain to future payments for partial and early retirement arrangements, as well as severance payments.

| EUR m | 2010 | 2009 |
|---|---|---|
| **Restructuring expense** | **2.9** | **—** |

## 11 Taxes

| EUR m | 2010 | 2009 |
|---|---|---|
| Current taxes | 21.1 | 21.5 |
| Deferred taxes | – 2.8 | – 4.4 |
| **Taxes** | **18.3** | **17.1** |

## 12 Basic and diluted earnings per share

For *Basic and undiluted earnings per share*, the profit is divided by the average weighted number of shares of stock outstanding during the year.

| | 2010 | 2009 |
|---|---|---|
| Profit (EUR m) | 52.5 | 33.3 |
| Average number of shares outstanding (million) | 23.3 | 23.3 |
| **Basic and diluted earnings per share (EUR)** | **2.25** | **1.43** |

There are no dilution effects in the OLB Group. For that reason, no distinction is made in reporting the earnings per share.

## 13 Segment reporting

For the bases and methods of segment reporting, please see the significant accounting policies in Note 1.

| | | | | 2010 |
|---|---|---|---|---|
| EUR m | OLB Regional Bank segment | Allianz Bank segment | Consolidation | OLB Group total |
| Operating income | 293.5 | 100.3 | – 0.9 | 392.9 |
| Operating expenses | 214.6 | 95.0 | – 0.9 | 308.7 |
| Risk provisions for credit business | 19.6 | 5.0 | — | 24.6 |
| Operating profit | 59.3 | 0.3 | — | 59.6 |
| Net income from financial assets | 10.6 | 3.5 | — | 14.1 |
| Restructuring expense | 2.9 | — | — | 2.9 |
| **Profit before taxes** | **67.0** | **3.8** | **—** | **70.8** |
| Segment assets (EUR bn) | 11.9 | 1.5 | — | 13.4 |
| Segment liabilities (EUR bn) | 11.3 | 1.5 | — | 12.8 |
| Cost-income ratio (%) | 73.1 | 94.7 | — | 78.6 |
| Adjusted risk capital (average) | 430.0 | 23.7 | — | 453.7 |
| Risk assets (average) | 5,931.0 | 326.8 | — | 6,257.8 |

| | | | | 2009 |
|---|---|---|---|---|
| EUR m | OLB Regional Bank segment | Allianz Bank segment | Consolidation | OLB Group total |
| Operating income | 273.9 | 98.1 | – 4.6 | 367.4 |
| Operating expenses | 199.3 | 94.9 | – 4.6 | 289.6 |
| Risk provisions for credit business | 22.8 | 3.6 | — | 26.4 |
| Operating profit | 51.8 | – 0.4 | — | 51.4 |
| Net income from financial assets | – 1.0 | — | — | – 1.0 |
| Restructuring expense | — | — | — | — |
| **Profit before taxes** | **50.8** | **– 0.4** | **—** | **50.4** |
| Segment assets (EUR bn) | 10.9 | 1.3 | — | 12.2 |
| Segment liabilities (EUR bn) | 10.4 | 1.3 | — | 11.7 |
| Cost-income ratio (%) | 72.8 | 96.7 | — | 78.8 |
| Adjusted risk capital (average) | 376.9 | 12.8 | — | 389.7 |
| Risk assets (average) | 5,199.4 | 176.4 | — | 5,375.8 |

The performance of the segments is shown below:

Segment: OLB Regional Bank

| EUR m | 2010 | 2009 | Change | Change (%) |
|---|---|---|---|---|
| Net interest income | 223.8 | 206.9 | 16.9 | 8.2 |
| Net commission income | 69.7 | 63.7 | 6.0 | 9.4 |
| Net operating trading income / expense | – 0.8 | 2.7 | – 3.5 | n/a |
| Other income | 0.8 | 0.6 | 0.2 | 33.3 |
| **Operating income** | **293.5** | **273.9** | **19.6** | **7.2** |
| Personnel expense | 146.0 | 139.3 | 6.7 | 4.8 |
| Direct office expense | 80.9 | 72.7 | 8.2 | 11.3 |
| Inter-segment cost offsetting | – 13.3 | – 14.0 | 0.7 | – 5.0 |
| Administrative expenses | 213.6 | 198.0 | 15.6 | 7.9 |
| Other expenses | 1.0 | 1.3 | – 0.3 | – 23.1 |
| **Operating expenses** | **214.6** | **199.3** | **15.3** | **7.7** |
| Risk provisions for credit business | 19.6 | 22.8 | – 3.2 | – 14.0 |
| **Operating profit** | **59.3** | **51.8** | **7.5** | **14.5** |
| Realized net income / loss from financial assets | 9.4 | 8.7 | 0.7 | 8.0 |
| Net nonoperating trading income / expense | 1.2 | – 9.7 | 10.9 | n/a |
| Net income / loss from financial assets | 10.6 | – 1.0 | 11.6 | n/a |
| Restructuring expense | 2.9 | — | 2.9 | n/a |
| **Profit before taxes** | **67.0** | **50.8** | **16.2** | **31.9** |
| Segment assets (EUR bn) | 11.9 | 10.9 | 1.0 | 9.2 |
| Segment liabilities (EUR bn) | 11.3 | 10.4 | 0.9 | 8.7 |
| Cost-income ratio (%) | 73.1 | 72.8 | 0.3 | 0.4 |
| Risk capital (average) | 430.0 | 376.9 | 53.1 | 14.1 |
| Risk assets (average) | 5,931.0 | 5,199.4 | 731.6 | 14.1 |

Significant noncash items before taxes that do not involve scheduled write-downs:

| EUR m | 2010 | 2009 |
|---|---|---|
| Allocations to asset-side risk provisions | 42.7 | 49.1 |
| Reversals of asset-side risk provisions | 5.6 | 4.9 |
| Allocations to provisions | 40.4 | 33.1 |
| Reversals of provisions | 4.4 | 6.4 |
| Net write-ups and write-downs on trading instruments | – 2.9 | 0.1 |
| Net write-ups and write-downs on financial assets | – 1.0 | – 3.1 |
| Interest income from accrued interest | 36.6 | 37.9 |
| Interest expense from accrued interest | 40.4 | 27.5 |

The scheduled depreciation and amortization of EUR 13.9 million on property, plant and equipment and on intangible assets (prior year: EUR 11.7 million) and the unscheduled write-downs of EUR 1.5 million (prior year: EUR 0.0 million) were for the OLB Regional Bank segment.

The results for the OLB Regional Bank segment can be found in the qualitative explanations of the Group's main earnings components.

Segment: Allianz Bank (an affiliate of Oldenburgische Landesbank AG)

| EUR m | 1/1/2010 – 12/31/2010 | 6/2/2009 – 12/31/2009 |
|---|---|---|
| Net interest income | 14.2 | 3.1 |
| Commission income (gross) | 50.9 | 17.8 |
| **Gross income** | **65.1** | **20.9** |
| Commission expense for payment traffic | 5.7 | 7.6 |
| Brokerage commissions | 30.0 | 9.8 |
| Other income | 70.9 | 94.6 |
| **Operating income** | **100.3** | **98.1** |
| Personnel expense | 36.2 | 27.3 |
| Direct office expense | 43.2 | 53.2 |
| Inter-segment cost offsetting | 13.3 | 14.0 |
| Other expenses | 2.3 | 0.4 |
| **Operating expenses** | **95.0** | **94.9** |
| Risk provisions for credit business | 5.0 | 3.6 |
| **Operating profit/loss** | **0.3** | – 0.4 |
| Net profit from financial assets | 3.5 | — |
| **Profit/loss before taxes** | **3.8** | **– 0.4** |
| Segment assets (EUR bn) | 1.5 | 1.3 |
| Segment liabilities (EUR bn) | 1.5 | 1.3 |
| Cost-income ratio (%) | 94.7 | 96.7 |
| Risk capital (average) | 23.7 | 12.8 |
| Risk assets (average) | 326.8 | 176.4 |

Significant noncash items before taxes that do not involve scheduled write-downs:

| EUR m | 1/1/2010 – 12/31/2010 | 6/2/2009 – 12/31/2009 |
|---|---|---|
| Allocations to asset-side risk provisions | 5.4 | 3.6 |
| Reversals of asset-side risk provisions | 0.2 | — |
| Allocations to provisions | 16.3 | 11.0 |
| Reversals of provisions | 2.5 | — |
| Net write-ups and write-downs on trading instruments | — | — |
| Net write-ups and write-downs on financial assets | — | — |
| Interest income from accrued interest | 7.0 | 0.8 |
| Interest expense from accrued interest | 11.7 | 22.1 |

The scheduled depreciation and amortization of EUR 1.9 million on property, plant and equipment and on intangible assets (prior year: EUR 0.8 million) was for the Allianz Bank segment.

## Notes to the Statement of Financial Position (Balance Sheet) – Assets

### 14 Cash and cash equivalents

| EUR m | 2010 | 2009 |
|---|---|---|
| Cash on hand | 69.6 | 67.6 |
| Balances with central banks | 89.2 | 52.6 |
| including: eligible for Deutsche Bundesbank refinancing | 89.2 | 52.6 |
| **Cash and cash equivalents** | **158.8** | **120.2** |

The balances with Deutsche Bundesbank serve to meet minimum reserve requirements, among other purposes.

### 15 Trading assets

Trading assets include trading in bonds and other fixed-income securities, stocks and other non-fixed-income securities, foreign currency, and derivative financial instruments. All trading portfolios are measured at fair value.

Positive market values from derivative financial instruments are recognized as trading assets. Interest payments on interest rate swaps in the non-trading portfolio, used as hedging instruments, are recognized in the net interest income.

| EUR m | 2010 | 2009 |
|---|---|---|
| Stocks and other non-fixed-income securities | 4.9 | 1.6 |
| Positive market values from derivative financial instruments in the trading portfolio | 12.6 | 9.5 |
| Positive market values of interest rate swaps in the non-trading portfolio used as hedging instruments | — | — |
| Positive market values from hedging of share-based payments | 2.5 | 2.6 |
| Other trading portfolios | — | — |
| **Trading assets** | **20.0** | **13.7** |

All stocks and other non-fixed-income securities recognized as trading assets are both tradable and quoted on a stock exchange.

16 Loans and advances to banks

| EUR m | 2010 Germany | 2010 Outside Germany | 2010 Total | 2009 Germany | 2009 Outside Germany | 2009 Total |
|---|---|---|---|---|---|---|
| Market and payment transactions in course of settlement | 7.1 | 3.8 | 10.9 | 23.9 | 9.9 | 33.8 |
| Other receivables | 1,254.9 | 265.0 | 1,519.9 | 998.5 | 340.5 | 1,339.0 |
| Loans | — | — | — | — | — | — |
| **Loans and advances to banks** | **1,262.0** | **268.8** | **1,530.8** | **1,022.4** | **350.4** | **1,372.8** |
| less: risk provisions | 0.3 | — | 0.3 | 0.3 | — | 0.3 |
| **Loans and advances to banks (after risk provisions)** | **1,261.7** | **268.8** | **1,530.5** | **1,022.1** | **350.4** | **1,372.5** |

17 Loans and advances to customers

| EUR m | 2010 Germany | 2010 Outside Germany | 2010 Total | 2009 Germany | 2009 Outside Germany | 2009 Total |
|---|---|---|---|---|---|---|
| Corporate customers | 3,750.1 | 23.2 | 3,773.3 | 3,105.3 | 17.5 | 3,122.8 |
| Public-sector entities | 8.7 | — | 8.7 | 10.3 | — | 10.3 |
| Retail customers | 5,694.0 | 45.7 | 5,739.7 | 5,334.7 | 42.8 | 5,377.5 |
| **Loans and advances to customers** | **9,452.8** | **68.9** | **9,521.7** | **8,450.3** | **60.3** | **8,510.6** |
| less: risk provisions | 70.4 | — | 70.4 | 60.6 | — | 60.6 |
| **Loans and advances to customers (after risk provisions)** | **9,382.4** | **68.9** | **9,451.3** | **8,389.7** | **60.3** | **8,450.0** |

*Loans and advances to customers* are secured with collateral per standard banking practice. This collateral primarily consists of real-estate liens, contractual security agreements, securities accounts, and other cash collateral.

As part of hedge accounting, positive adjusted changes in market value of EUR 54.4 million (prior year: EUR 44.1 million) since the hedge relationships began were allocated to amortized cost.

17 a **Breakdown by industry (before risk provisions)**

| EUR m | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Germany | Outside Germany | Total | Germany | Outside Germany | Total |
| Manufacturing | 517.0 | 6.5 | 523.5 | 460.8 | 5.3 | 466.1 |
| Construction | 117.2 | 0.1 | 117.3 | 98.9 | 0.1 | 99.0 |
| Retail | 385.9 | 2.5 | 388.4 | 375.2 | 2.7 | 377.9 |
| Financial institutions and insurance companies | 5.1 | — | 5.1 | 33.7 | — | 33.7 |
| Transportation | 482.1 | 9.6 | 491.7 | 292.2 | 5.1 | 297.3 |
| Services | 910.1 | 4.1 | 914.2 | 756.0 | 3.6 | 759.6 |
| Other | 1,332.7 | 0.4 | 1,333.1 | 1,088.5 | 0.7 | 1,089.2 |
| Corporate customers | 3,750.1 | 23.2 | 3,773.3 | 3,105.3 | 17.5 | 3,122.8 |
| Public-sector entities | 8.7 | — | 8.7 | 10.3 | — | 10.3 |
| Private individuals | 5,694.0 | 45.7 | 5,739.7 | 5,334.7 | 42.8 | 5,377.5 |
| **Loans and advances to customers** | **9,452.8** | **68.9** | **9,521.7** | **8,450.3** | **60.3** | **8,510.6** |

The "Other" item includes receivables of EUR 1,128.3 million from clients in the segment of energy and water utilities, mining and quarrying (prior year: EUR 897.6 million).

17 b **Breakdown by type of transaction (before risk provisions)**

| EUR m | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Germany | Outside Germany | Total | Germany | Outside Germany | Total |
| Loans | 9,432.2 | 68.9 | 9,501.1 | 8,426.6 | 60.3 | 8,486.9 |
| including: mortgages | — | — | — | — | — | — |
| including: public-sector loans | 91.2 | 1.6 | 92.8 | 79.6 | 0.4 | 80.0 |
| including: other loans secured with real-estate liens | 4,684.2 | 28.7 | 4,712.9 | 2,258.7 | 16.0 | 2,274.7 |
| Other receivables | 20.6 | — | 20.6 | 23.7 | — | 23.7 |
| **Loans and advances to customers** | **9,452.8** | **68.9** | **9,521.7** | **8,450.3** | **60.3** | **8,510.6** |

Loans and advances to customers in the amount of EUR 3,066.1 million (prior year: EUR 2,824.8 million) were assigned as security for the Bank's own liabilities.

An optimized method of offsetting collateral for certain classes of receivables was introduced in 2010. This allowed significantly more land liens to be allocated to the indicated loans. The reallocation did not alter the portfolio of collateral, or its valuation.

In contrast to the items for loans and advances, the total lendings do not include "Other receivables."

| EUR m | 2010 Germany | 2010 Outside Germany | 2010 Total | 2009 Germany | 2009 Outside Germany | 2009 Total |
|---|---|---|---|---|---|---|
| Bills discounted | — | — | — | — | — | — |
| Corporate customers | 3,742.5 | 23.2 | 3,765.7 | 3,097.4 | 17.5 | 3,114.9 |
| Public-sector entities | 8.7 | — | 8.7 | 10.3 | — | 10.3 |
| Retail customers | 5,692.8 | 45.8 | 5,738.6 | 5,331.9 | 42.8 | 5,374.7 |
| Loans to customers | 9,444.0 | 69.0 | 9,513.0 | 8,439.6 | 60.3 | 8,499.9 |
| Loans to banks | — | — | — | — | — | — |
| **Total lendings** | **9,444.0** | **69.0** | **9,513.0** | **8,439.6** | **60.3** | **8,499.9** |
| less: risk provisions | 70.4 | — | 70.4 | 60.6 | — | 60.6 |
| **Total lendings (after risk provisions)** | **9,373.6** | **69.0** | **9,442.6** | **8,379.0** | **60.3** | **8,439.3** |

## 19 Changes in risk provisioning

In addition to the risk provisions of EUR 70.8 million recognized as deductions from assets (prior year: EUR 61.4 million), the risk provisions also include the provisions of EUR 6.3 million (prior year: EUR 5.5 million) for contingent liabilities, which are included on the liabilities side.

| EUR m | SLLP | PLLP | GLLP | Provisions | Total |
|---|---|---|---|---|---|
| **At 1/1/2010** | **18.5** | **20.1** | **22.8** | **5.5** | **66.9** |
| Used | 19.1 | 13.8 | — | — | 32.9 |
| Written back[1] | 5.0 | — | 0.7 | 2.1 | 7.8 |
| Written back through unwinding[2] | 0.1 | — | — | — | 0.1 |
| Additions | 33.9 | 11.5 | 2.7 | 3.0 | 51.1 |
| Additions to provisions outside profit and loss | — | — | — | — | — |
| **At 12/31/2010** | **28.2** | **17.8** | **24.8** | **6.4** | **77.2** |

1 Not including unwinding
2 In favor of interest income from impaired financial assets, accrued under IAS 39 (unwinding)

## 20 Financial assets

Financial assets allocated to the available-for-sale category (AfS portfolio) comprise bonds and other fixed-income securities, stocks and other non-fixed-income securities, equity interests of 50 percent or less, and investments in unconsolidated subsidiaries.

As of December 31, 2010, bonds and other fixed-income securities (fair value) included securities for a value of EUR 943.7 million that were financed from the net borrowings for the assumed customer business of Allianz Bank.

Financial assets and their respective measurements are assigned to the following measurement categories for financial instruments as defined under IAS 39:

| EUR m | 2010 | 2009 |
|---|---|---|
| Bonds and other fixed-income securities (fair value) | 1,927.4 | 1,986.1 |
| Stocks (fair value) | 46.7 | 60.0 |
| Stocks (at cost) | 1.9 | 1.9 |
| Investment funds (fair value) | 6.2 | 1.6 |
| Total securities | 1,982.2 | 2,049.6 |
| Equity interests (at cost) | 0.9 | 0.8 |
| Investments in unconsolidated subsidiaries (at cost) | — | — |
| **Financial assets** | **1,983.1** | **2,050.4** |

The financial assets are measured primarily at market value. Measurement at cost is applied if there is no active market and a fair value also cannot be determined reliably otherwise, because the range of fluctuation of estimates of fair value is significant, and the probability of the various estimates within this range cannot be reasonably determined. The carrying amounts of equity interests measured at cost was EUR 0.9 million (prior year: EUR 0.8 million).

### 20 a Breakdown of bonds and other fixed-income securities

| EUR m | 2010 | 2009 |
|---|---|---|
| Bonds and other debt instruments from government issuers | 508.9 | 380.0 |
| Bonds and other debt instruments from other issuers | 1,418.5 | 1,606.1 |
| **Bonds and other fixed-income securities** | **1,927.4** | **1,986.1** |
| including: marketable securities | 1,914.5 | 1,986.1 |
| including: quoted in a market | 1,914.5 | 1,981.0 |

Bonds and other fixed-income securities with a nominal total value of EUR 370.7 million will mature in 2011 (prior year: EUR 347.9 million).

### 20 b Breakdown of stocks and other non-fixed-income securities

| EUR m | 2010 | 2009 |
|---|---|---|
| Stocks | 48.6 | 61.9 |
| Other | 7.1 | 2.4 |
| **Stocks and other non-fixed-income securities** | **55.7** | **64.3** |
| including: marketable securities | 54.8 | 63.5 |
| including: quoted in a market | 52.9 | 61.6 |

## 20 c Changes in portfolio

| EUR m | Investments | Investments in unconsolidated associates |
|---|---|---|
| Historical acquisition costs | 1.6 | — |
| Historical write-ups | — | — |
| Historical write-downs | 0.8 | — |
| **Carrying amount at 1/1/2010** | **0.8** | **—** |
| Additions measured at cost | 0.1 | — |
| Disposals measured at cost | — | — |
| Historical write-ups included in disposals for the year | — | — |
| Historical write-downs included in disposals for the year | — | — |
| Additions through reclassification | — | — |
| Disposals through reclassification | — | — |
| **Changes in portfolio during the year** | **0.1** | **—** |
| Write-ups during the year | — | — |
| Write-downs during the year | — | — |
| **Changes in measurement during the year** | **—** | **—** |
| **Carrying amount at 12/31/2010** | **0.9** | **—** |

Investments in unconsolidated associates at December 31, 2010, included the carrying amount of a wholly-owned unconsolidated subsidiary, OLB-Immobiliendienst-GmbH, of Oldenburg, for an amount of EUR 26 thousand.

## 21 Property, plant and equipment

| EUR m | Land and buildings | Business and office equipment | Total |
|---|---|---|---|
| Historical acquisition costs | 149.7 | 138.1 | 287.8 |
| Historical write-ups | — | — | — |
| Historical write-downs | 80.4 | 103.3 | 183.7 |
| **Carrying amount at 1/1/2010** | **69.3** | **34.8** | **104.1** |
| Additions measured at cost | — | 12.0 | 12.0 |
| Disposals measured at cost | 0.3 | 32.7 | 33.0 |
| Historical write-ups included in diposals for the year | — | — | — |
| Historical write-downs included in disposals for the year | 0.2 | 32.4 | 32.6 |
| Additions through reclassification | — | — | — |
| Disposal through reclassification | — | — | — |
| **Changes in portfolio during the year** | **– 0.1** | **11.7** | **11.6** |
| Write-ups during the year | — | — | — |
| Write-downs during the year (scheduled) | 3.5 | 10.0 | 13.5 |
| Write-downs during the year (unscheduled) | — | 1.5 | 1.5 |
| **Changes in measurement during the year** | **– 3.5** | **– 11.5** | **– 15.0** |
| **Carrying amount at 12/31/2010** | **65.7** | **35.0** | **100.7** |

The Group used land and buildings with a carrying amount of EUR 65.7 million (prior year: EUR 69.2 million).

No write-ups (recoveries of value) were recognized in fiscal 2010 for previous write-downs (impairments). As of the reporting date, as in the prior year, no property, plant or equipment had been assigned as collateral for the Bank's own liabilities.

## 21 a Finance leases

In 2010, OLB entered into a contract to lease automated teller machines and service terminals that is to be categorized as a finance lease. The net carrying amount of equipment acquired during the year came to EUR 80 thousand as of December 31, 2010. The agreements, which have minimum lease payments of EUR 85 thousand, have terms of four to five years. The present value of these minimum lease payments was calculated at EUR 80 thousand, on the basis of an imputed interest rate determined from the terms of the lease. No contingent lease payments are recognized in the income statement. There were no finance leases in the prior year.

## 22 Intangible assets

| EUR m | Intangible assets |
|---|---|
| Historical acquisition costs | 24.8 |
| Historical write-ups | — |
| Historical write-downs | 18.5 |
| **Carrying amount at 1/1/2010** | **6.3** |
| Additions measured at cost | 4.1 |
| Disposals measured at cost | 5.2 |
| Historical write-ups included in disposals for the year | — |
| Historical write-downs included in disposals for the year | 5.2 |
| Additions through reclassification | — |
| Disposals through reclassification | — |
| **Changes in portfolio during the year** | **4.1** |
| Write-ups during the year | — |
| Write-downs during the year (scheduled) | 2.4 |
| Write-downs during the year (unscheduled) | — |
| **Changes in measurement during the year** | **– 2.4** |
| **Carrying amount at 12/31/2010** | **8.0** |

The intangible assets are software.

## 23 Other assets

| EUR m | 2010 | 2009 |
|---|---|---|
| Deferred interest | 43.6 | 38.7 |
| Positive market values of hedge derivatives in the non-trading portfolio | 0.5 | — |
| Miscellaneous other assets | 35.9 | 82.4 |
| **Other assets** | **80.0** | **121.1** |

The *Miscellaneous other assets* include not only receivables of EUR 10.2 million from Allianz Deutschland AG for reimbursable expenses for operating the Allianz Bank business, but receivables of EUR 1.7 million in the personnel segment (phased retirement). In 2010, there were EUR 3.3 million in outsourced plan assets for phased retirement obligations under a "contractual trust agreement" (CTA), which were netted against other assets under the item for other provisions.

This item also includes various commission receivables and paper received for collection.

## 24 Tax refund entitlements

| EUR m | 2010 | 2009 |
|---|---|---|
| **Tax refund entitlements** | **6.6** | **5.9** |

The tax refund entitlements pertain to tax items under IAS 12 – in other words, these items reflect income tax refund entitlements (corporate income tax and local business income tax). Other tax credits for other taxes are recognized in the item for "Other assets."

## 25 Assigned assets

At the reporting date, there were repurchase obligations for assets sold under repurchase agreements. Bonds were transferred whose risk exposure for interest rate changes and counterparty defaults was retained by the Bank. The Bank fair-values these bonds among its financial assets at EUR 797.9 million (prior year: EUR 986.7 million). The full carrying amount of the original assets is EUR 789.5 million (prior year: EUR 966.7 million); the amount of assigned assets still recognized is EUR 789.5 million (prior year: EUR 966.7 million). The associated liability for cash funds received is EUR 809.7 million (prior year: EUR 1,002.4 million). These are recognized among the liabilities due to banks.

## Notes to the Statement of Financial Position (Balance Sheet) – Liabilities

### 26 Trading liabilities

| EUR m | 2010 | 2009 |
|---|---|---|
| Negative market values from derivative financial instruments in the trading portfolio | 13.1 | 9.1 |
| Negative market values from interest rate swaps in the non-trading portfolio used as hedging instruments | — | — |
| Negative market values from hedging of share-based payments | — | — |
| **Trading liabilities** | **13.1** | **9.1** |

### 27 Amounts due to banks

| EUR m | 2010 | 2009 |
|---|---|---|
| Demand deposits | 20.0 | 332.6 |
| Liabilities from repurchase agreements | 809.7 | 1,002.4 |
| Borrower’s note loans and registered mortgage bonds | 100.0 | 105.0 |
| Market and payment transactions in course of settlement | 5.1 | 20.8 |
| Term deposits | 592.6 | 472.6 |
| Other term liabilities | 2,289.1 | 1,851.2 |
| **Due to banks** | **3,816.5** | **3,784.6** |
| including: banks in Germany | 3,813.1 | 3,767.7 |
| including: banks outside Germany | 3.4 | 16.9 |

*Amounts due to banks* include fixed-interest liabilities of EUR 3,791.4 million (prior year: EUR 3,456.5 million) and variable-interest liabilities of EUR 25.1 million (prior year: EUR 328.1 million).

Cash received in the assignment of assets with a simultaneous agreement to repurchase them (repo agreements) came to EUR 809.7 million (prior year: EUR 1,002.4 million).

### 28 Amounts due to customers

| EUR m | 2010 | 2009 |
|---|---|---|
| Demand deposits | 3,599.7 | 3,493.9 |
| Savings deposits | 1,660.3 | 1,055.0 |
| Borrower’s note loans and registered mortgage bonds | 768.8 | 665.8 |
| Market and payment transactions in course of settlement | 26.7 | 25.0 |
| Term deposits | 1,138.2 | 1,041.1 |
| Other term liabilities | 14.5 | 19.8 |
| **Due to customers** | **7,208.2** | **6,300.6** |

### 28 a Breakdown by customer group

| EUR m | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Germany | Outside Germany | Total | Germany | Outside Germany | Total |
| Corporate customers | 2,282.8 | 46.5 | 2,329.3 | 2,179.2 | 7.1 | 2,186.3 |
| Public-sector entities | 193.1 | — | 193.1 | 242.6 | — | 242.6 |
| Retail customers | 4,641.4 | 44.4 | 4,685.8 | 3,832.0 | 39.7 | 3,871.7 |
| **Due to customers** | **7,117.3** | **90.9** | **7,208.2** | **6,253.8** | **46.8** | **6,300.6** |

*Amounts due to customers* include fixed-interest liabilities of EUR 3,177.3 million (prior year: EUR 2,384.2 million) and variable-interest liabilities of EUR 4,030.9 million (prior year: EUR 3,916.4 million). As in the prior year, there were no repo agreements with customers during the year.

### 29 Securitized liabilities

| EUR m | 2010 | 2009 |
|---|---|---|
| Bonds issued | 1,099.3 | 1,080.1 |
| **Securitized liabilities** | **1,099.3** | **1,080.1** |

*Securitized liabilities* consist solely of the Bank's own bond issues. Of the outstanding bonds, tranches with a nominal value of EUR 82.6 million (prior year: EUR 216.8 million) will mature in 2011. The securitized liabilities include variable-rate bonds for an amount of EUR 712.9 million (prior year: EUR 750.2 million).

### 30 Provisions and other liabilities

| EUR m | 2010 | 2009 |
|---|---|---|
| Provisions for pensions and similar obligations | 128.6 | 122.1 |
| Other provisions | 56.2 | 45.0 |
| Deferred interest | 52.1 | 49.6 |
| Negative market values of hedge derivatives in the non-trading portfolio | 89.0 | 70.2 |
| Other liabilities | 24.4 | 27.6 |
| **Provisions and other liabilities** | **350.3** | **314.5** |

The provisions are predominantly medium- to long-term in nature.

The other provisions are primarily fees for preparation of the annual accounts, business plan compensation for Allianz Bank sales, phased retirement accounts, and provisions for commitments under guarantees.

The *Other liabilities* include goods and services not yet billed and payroll withholdings not yet forwarded to the authorities. The other liabilities also include tax liabilities of EUR 4.8 million (prior year: EUR 4.3 million).

## 31 Provisions for pensions and similar obligations

| EUR m | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Pension obligations at 1/1** | **131.7** | **112.4** | **120.0** | **120.3** | **118.6** |
| Less actuarial loss at 1/1 | 9.6 | 5.6 | 19.0 | 24.9 | 27.6 |
| **Pension provisions recognized at 1/1** | **122.1** | **106.8** | **101.0** | **95.4** | **91.0** |
| Current service cost | 3.4 | 2.8 | 3.1 | 2.7 | 3.0 |
| Imputed interest expense | 6.9 | 6.6 | 6.5 | 5.3 | 4.3 |
| Expected return on assets | – 0.1 | — | — | — | — |
| Repayment of costs from plan change | 1.6 | — | — | — | — |
| Repayment of actuarial gains (–)/losses (+) | — | 0.1 | — | — | — |
| **Net pension expense** | **11.8** | **9.5** | **9.6** | **8.0** | **7.3** |
| Amortization and transfer | 0.4 | 11.1 | 0.5 | 1.6 | 1.1 |
| Pension commitments through deferred compensation | – 0.7 | – 0.6 | 0.3 | 0.3 | — |
| Pension benefits paid during year | – 5.0 | – 4.7 | – 4.6 | – 4.3 | – 4.0 |
| **Pension provisions recognized at 12/31** | **128.6** | **122.1** | **106.8** | **101.0** | **95.4** |
| Actuarial loss at 12/31 | 26.7 | 9.6 | 5.6 | 19.0 | 24.9 |
| **Total pension obligations at 12/31** | **155.3** | **131.7** | **112.4** | **120.0** | **120.3** |

The changes in the scope of obligations and in the fair value of fund assets are shown below, together with the current balance sheet values for the various defined-benefit pension plans.

| EUR m | 2010 | 2009 |
|---|---|---|
| **Change in scope of obligations** | | |
| Present value of earned pension entitlements at 1/1 | 133.2 | 111.7 |
| Current service cost | 3.4 | 2.8 |
| Theoretical interest expense | 6.9 | 6.9 |
| Employee contributions | 0.5 | 0.1 |
| Cost of plan changes | 1.6 | — |
| Actuarial gains (–)/losses (+) | 18.4 | 4.0 |
| Pension payments | – 5.0 | – 4.9 |
| Acquisitions | 1.4 | 12.1 |
| Additions | 0.4 | 0.5 |
| **Present value of earned pension entitlements at 12/31** | **160.8** | **133.2** |
| **Change in fair value of fund assets** | | |
| Fair value of fund assets at 1/1 | 1.5 | — |
| Expected return on assets | 0.1 | — |
| Actuarial gains (+)/losses (–) | 1.3 | — |
| Employer contributions | 0.7 | — |
| Employee contributions | 0.5 | — |
| Transfers | 1.4 | 1.5 |
| Fair value of fund assets at 12/31 | 5.5 | 1.5 |
| Funding status at 12/31 | 155.3 | 131.7 |
| Actuarial gains (+)/losses (–) not repaid | – 26.7 | – 9.6 |
| **Balance sheet value at 12/31** | **128.6** | **122.1** |

The increase in actuarial losses is primarily the result of the decrease in the assumed rate of interest. This was also the principal reason for the overrun of the 10-percent limit as of December 31, 2010.

The most important key figures for defined-benefit pension plans:

| EUR m | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Present value of earned pension entitlements | 160.8 | 133.2 | 112.4 | 120.0 | 120.3 |
| Fair value of fund assets | 5.5 | 1.5 | — | — | — |
| Funding status | 155.3 | 131.7 | 112.4 | 120.0 | 120.3 |
| Actuarial gains (–) / losses (+) from experience-based adjustments for: | | | | | |
| Scope of obligations | 4.6 | – 4.0 | – 0.6 | 0.3 | 6.0 |
| Fund assets | – 1.2 | — | — | — | — |

## Measurement assumptions

Calculations were based on current biometric probabilities developed by actuaries. Assumptions about future staff turnover are also applied, as a function of age and years of service, along with probabilities for retirement within the Group.

The weighted assumptions in calculating the present value of earned pension entitlements and in calculating the net pension expense were as follows:

| % | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Interest rate for discounting | 4.75 | 5.25 | 6.00 | 5.50 | 4.60 |
| Expected return on assets | 4.70 | 5.40 | — | — | — |
| Expected salary increases | 2.50 | 2.30 | 3.30 | 2.50 | 1.90 |
| Expected pension increases | 1.90 | 1.70 | 2.30 | 2.00 | 1.50 |

The net pension expense is based in each case on the assumptions as of the end of the previous reporting period. For assumptions about the expected return on assets, the value from the current year is applied.

The assumed interest rate reflects market conditions at the end of the reporting period for first-class fixed-yield bonds matching the currency and duration of the pension obligations.

The assumed interest rate especially is associated with uncertainty and entails a substantial risk. A change of 0.25 percentage points in the assumed interest rate would have an effect of EUR 6.3 million on the present value of earned pension entitlements.

The effect of changes in the underlying interest rate for discounting contributes to increase the actuarial loss by EUR 17 million (prior year: EUR 4.0 million).

The calculations are based on the “2005 G Guideline Tables” of Heubeck-Richttafeln-GmbH, Cologne. As in the prior year, the actuarial assumptions applied for employees both covered and not covered by collective bargaining agreements.

To finance pension commitments through deferred compensation, reinsurance policies were taken out with Allianz Lebensversicherungs-AG. Benefits from pension commitments correspond to the benefits from the reinsurance. Benefits from this reinsurance policy are pledged as collateral for benefits entitlements under pension commitments to employees and their entitled survivors.

**Contributions paid**

For fiscal 2011, the Group expects to pay employer contributions of EUR 0.7 million into the fund assets for defined-benefit pension plans, and EUR 5.0 million in direct pension payments to beneficiaries.

**Contributions promised**

Contribution commitments are financed through external provident funds or similar institutions. Fixed contributions (for example, referred to applicable income) are paid into these institutions, and the beneficiary's claim is against the institutions, while the employer constructively has no further obligation other than to pay the contributions.

During fiscal 2010, expenses for contribution commitments of EUR 4.0 million (prior year: EUR 3.8 million) were paid into the Versicherungsverein des Bankgewerbes a. G., of Berlin, as contributions for employees. Contributions of EUR 13.2 million (prior year: EUR 11.4 million) were paid into the public pension insurance system.

## 32 Other provisions

| EUR m | Restructuring provisions | Provisions for credit business | Other provisions for personnel operations | Miscellaneous other provisions | Total |
|---|---|---|---|---|---|
| **At 1/1/2010** | **—** | **5.5** | **28.4** | **11.1** | **45.0** |
| Used | — | — | 18.1 | 4.8 | 22.9 |
| Write-backs | — | 2.1 | 2.3 | 2.4 | 6.8 |
| Additions | 2.9 | 2.9 | 20.4 | 16.1 | 42.3 |
| Reclassification | — | — | –1.4 | — | –1.4 |
| **At 12/31/2010** | **2.9** | **6.3** | **27.0** | **20.0** | **56.2** |

The "Miscellaneous other provisions" include provisions of EUR 6.7 million (prior year: EUR 3.1 million) with a term of more than one year; these were discounted. Otherwise no discounting was applied.

In 2010, there were outsourced plan assets of EUR 3.3 million for phased retirement obligations under a contractual trust agreement (CTA). These were netted against other assets under the item for other provisions.

## 33 Tax liabilities

| EUR m | 2010 | 2009 |
|---|---|---|
| **At 1/1** | **21.8** | **17.0** |
| Used | 13.2 | 0.2 |
| Write-backs | 0.2 | 1.1 |
| Additions | 5.1 | 6.1 |
| **At 12/31** | **13.5** | **21.8** |

The tax liabilities pertain to tax items under IAS 12 – in other words, these items reflect income tax liabilities (corporate income tax and local business income tax). Other tax liabilities are recognized in the item for provisions and other liabilities.

## 34 Deferred taxes and income taxes

Deferred tax assets and provisions for deferred taxes were formed for differences between the recognized measurements and the tax bases for the following balance sheet items:

### 34 a Deferred tax assets and tax liabilities

| EUR m | 2010 | 2009 |
|---|---|---|
| Deferred tax assets resulting from | | |
| Financial assets | 12.1 | 9.9 |
| including: cumulative measurement effect of AfS financial instruments | 3.2 | 2.1 |
| Pension provisions | 9.3 | 9.8 |
| Other provisions | 4.7 | 1.5 |
| Other | 0.7 | 0.4 |
| **Deferred tax assets before netting** | **26.8** | **21.6** |
| Deferred tax liabilities resulting from | | |
| Financial assets | 13.9 | 15.2 |
| including: cumulative measurement effect of AfS financial instruments | 5.2 | 8.6 |
| Trading portfolios | 0.5 | 1.7 |
| Other provisions | — | – 0.1 |
| Other | 0.4 | 0.1 |
| **Provisions for deferred taxes before netting** | **14.8** | **16.9** |
| **Net deferred taxes** | **12.0** | **4.7** |

Asset and liability items for deferred taxes were offset in the balance sheet at the Company level, provided they concerned income taxes payable to the same tax authorities. On balance, the offset deferred tax assets of EUR 26.8 million (prior year: EUR 21.6 million) and the provisions for deferred taxes of EUR 14.8 million (prior year: EUR 16.9 million) yielded a deferred tax asset of EUR 12.0 million (prior year: EUR 4.7 million).

### 34 b Income taxes

*Income taxes* include current income taxes and the amount of the deferred tax expense / income:

| EUR m | 2010 | 2009 |
|---|---|---|
| Current taxes | 21.1 | 21.5 |
| Deferred taxes | – 2.8 | – 4.4 |
| **Recognized income taxes** | **18.3** | **17.1** |

The deferred taxes for 2010 are computed on the basis of an effective corporate income tax rate, including the reunification surcharge, of 15.8 percent (prior year: 15.8 percent), plus an effective rate of 15.2 percent (prior year: 15.2 percent) for local business income tax (“trade tax”).

## 34 c Reconciliation accounts

The following table shows a reconciliation of the expected income tax expense and the effectively recognized tax expense.

| EUR m | 2010 | 2009 |
|---|---|---|
| Profit before taxes | 70.8 | 50.4 |
| Applicable tax rate in % | 31.000 | 31.000 |
| Theoretical income tax | 21.9 | 15.6 |
| Tax effects | | |
| Local business income tax | – 0.8 | – 0.9 |
| Nontaxable income | – 2.2 | – 0.7 |
| Other tax additions and deductions | – 0.1 | – 1.3 |
| Corporate income tax credit | – 0.2 | – 0.2 |
| Taxes from prior years | – 0.3 | 4.6 |
| **Recognized income taxes** | **18.3** | **17.1** |

## 35 Subordinated debt

The *subordinated debt* of EUR 254.4 million (prior year: EUR 172.7 million) consists of EUR 186.2 million in subordinated borrower's note loans from customers (prior year: EUR 152.8 million) and subordinated OLB bearer notes of EUR 68.2 million (prior year: 19.9 million). In the event of the Bank's insolvency or liquidation, this debt can be repaid only after all non-subordinated creditors have been satisfied. There is no early redemption obligation.

The interest expense for subordinated debt during the year came to EUR 9.9 million (prior year: EUR 9.1 million). The interest rates for fixed-rate subordinated debt are in the range from 4.00 percent to 6.00 percent. The average interest rate is 5.06 percent.

| | Bearer notes 2010 | Borrower's note loans 2010 |
|---|---|---|
| Year issued | 2010 | 2003 / 2004 / 2010 |
| Nominal amount (EUR m) | 68.0 | 186.5 |
| Issuer | OLB | OLB |
| Interest rate in % | 4.0 – 5.1 | 4.8 – 6.0 |
| Maturity | 2017 / 2020 | 2013 – 2025 |

## 36 Equity

*Issued capital.* The issued capital of EUR 60.5 million was divided into 23,257,143 no-par bearer shares at December 31, 2010. Each share represents a notional portion of the share capital, and confers one vote in the Shareholders' Meeting. The shares are fully paid in.

In accordance with Sec. 271 (2) of the German Commercial Code, the Bank is an associate of Allianz SE and is included in Allianz's consolidated financial statements. Those financial statements can be obtained from Allianz SE in 80802 Munich, Germany, Königinstrasse 28, and are published in the electronic version of Germany's Federal Gazette, the Bundesanzeiger.

*Authorized capital.* The Board of Managing Directors is authorized to increase the Company's share capital on one or more occasions on or before May 21, 2012, subject to the consent of the Supervisory Board, by issuing new no-par shares in return for cash contributions, for a total of not more than EUR 15 million. The shareholders are to be given preemptive rights; however, the Board of Managing Directors is authorized to exclude fractional amounts from the shareholders' preemptive rights, subject to the consent of the Supervisory Board.

The authorization to increase the share capital by issuing new shares, which expires on May 21, 2012, was not exercised during the year.

*Additional paid-in capital.* The additional paid-in capital consists of the additional proceeds (premium) received on the issue of the Bank's own stock.

*Retained earnings.* The retained earnings comprise the Group's retained profits and all consolidation measures that affect profit or loss.

*Allocation of profits in the single-entity financial statements under the German Commercial Code.* The proposal for the allocation of profits for Oldenburgische Landesbank AG calls for a dividend of EUR 1.00 per no-par bearer share to be paid for fiscal 2010, and for EUR 26.4 million to be allocated to retained earnings.

## 36 a Cumulative measurement effect of available-for-sale financial instruments

This item comprises the effects from changes in the measurement of available-for-sale financial instruments; at the date of actual realization, or in the event of an impairment, these changes are reclassified to the statement of comprehensive income. Likewise, changes in value from financial instruments covered by hedge accounting that were initially included in the cumulative effect of measurement are reclassified to the statement of comprehensive income.

| EUR m | 2010 | 2009 |
|---|---|---|
| **At 1/1** | **29.6** | **–8.4** |
| Unrealized changes in market value (gross) | 0.9 | 48.6 |
| Reclassification to statement of comprehensive income because of realization (gross) | | |
| because of realized gains and losses | –14.6 | –11.6 |
| because of impairment | 1.0 | 3.1 |
| Taxes on unrealized changes in fair value | 2.4 | –9.0 |
| Taxes on reclassification to statement of comprehensive income because of realization | 2.0 | 0.8 |
| Other changes in capital | — | 6.1 |
| **At 12/31** | **21.3** | **29.6** |

## 36 b Capital management, equity and risk assets under Sec. 10a of the German Banking Act (KWG)

OLB's equity capitalization is subject to the regulatory requirements of the German Banking Act (KWG), which requires at least 8 percent of risk assets to be backed with share capital and reserves. Regulatory capital may consist of three categories: tier 1 and tier 2 capital, which together constitute the capital and reserves, and tier 3 capital. The tier 1 capital consists of the Group's equity capital and additional adjustments. The tier 2 capital consists primarily of longer-term subordinated debt. There is no tier 3 capital at present. At least 4 percent of risk assets must be backed with tier 1 capital (core capital ratio).

In managing capital and equity, the emphasis is on complying with minimum capital requirements for the Group and its individual companies. An effort is made to ensure through suitable measures that there is sufficient leeway in equity capitalization to allow the Bank to act freely and remain on course for growth.

The basis for the allocation of capital is OLB's fundamental business policy focus. The emphases for capital allocation are determined taking account of an integrated risk-return consideration for the strategies pursued in each own-account trading and client-business line.

| EUR m | 2010 | 2009 |
|---|---|---|
| **Tier 1 capital** | **514.0** | **482.0** |
| including: deductions[1] | 3.0 | 9.0 |
| Tier 2 capital[2] | 262.0 | 152.0 |
| including: subordinated debt | 254.0 | 160.0 |
| including: securities revaluation reserves (of which 45 percent) | 11.0 | — |
| including: deductions[1] | 3.0 | 8.0 |
| **Share capital and reserves (Sec. 10a KWG)** | **776.0** | **634.0** |
| Risk assets for counterparty risks | 6,108.0 | 5,547.0 |
| Risk assets for market risks | 54.0 | 40.0 |
| Risk assets for operational risks | 463.0 | 463.0 |
| **Risk assets** | **6,625.0** | **6,050.0** |

1 Per Sec. 10(6a) KWG in conjunction with Sec. 10a KWG
2 Not more than 100 percent of tier 1 capital

The growth of total lendings caused risk assets to rise from the prior year's figure of EUR 6,050.0 million to EUR 6,625.0 million as of December 31, 2010.

The regulatory requirements for equity capitalization were met at all times.

## 36 c Capital ratios per Sec. 10 a of the German Banking Act (KWG)

| % | 2010 | 2009 |
|---|---|---|
| Core capital ratio[1] | 7.8 | 8.0 |
| **Aggregate capital ratio[1]** | **11.7** | **10.5** |

1 Calculated including eligible amounts for operational risks and market risk positions

## Notes to the Balance Sheet – Miscellaneous

### 37 Collateral furnished for own debt

Assets in the indicated amounts were furnished as collateral for the following debts:

| EUR m | 2010 | 2009 |
|---|---|---|
| Amounts due to banks | 3,065.2 | 2,823.9 |
| Amounts due to customers | 0.9 | 0.9 |
| **Secured liabilities** | **3,066.1** | **2,824.8** |

The total amount of collateral furnished is made up of the following assets:

| EUR m | 2010 | 2009 |
|---|---|---|
| Loans and advances to customers | 2,278.4 | 2,824.8 |
| Bonds | 789.5 | 966.7 |
| **Furnished collateral**[1] | **3,067.9** | **3,791.5** |

1 Includes assets sold under repurchase agreements

The transferred loans and advances to customers are refinanced loans only. OLB works primarily with KfW, NBank and LRB as refinancing banks. Under their general terms and conditions, OLB fundamentally assigns the receivables from customers to the refinancing bank, together with all incidental rights, including collateral furnished by the customer for the refinanced receivable.

### 38 Amounts in foreign currency

| EUR m | 2010 | 2009 |
|---|---|---|
| Assets in: | | |
| USD | 42.4 | 18.3 |
| GBP | 6.5 | 12.2 |
| Other | 33.2 | 29.9 |
| **Total assets** | **82.1** | **60.4** |
| Liabilities in: | | |
| USD | 24.3 | 18.0 |
| GBP | 1.2 | 1.3 |
| Other | 3.7 | 3.9 |
| **Total liabilities** | **29.2** | **23.2** |

All amounts are totals of the euro equivalents of the currencies from outside the euro zone.

## 39 a Remaining terms of receivables and payables

Amounts receivable and payable are classified in the maturities table by bullet maturities and termination dates, as the case may be.

| | 2010 | | | | |
|---|---|---|---|---|---|
| EUR m | 3 months or less | > 3 months to 1 year | > 1 year to 5 years | > 5 years | Total |
| Term loans and advances to banks | 1,400.7 | 50.0 | — | — | 1,450.7 |
| Loans and advances to customers | 1,591.7 | 595.3 | 2,351.6 | 4,983.1 | 9,521.7 |
| **Receivables at 12/31/2010** | **2,992.4** | **645.3** | **2,351.6** | **4,983.1** | **10,972.4** |

| | 2009 | | | | |
|---|---|---|---|---|---|
| EUR m | 3 months or less | > 3 months to 1 year | > 1 year to 5 years | > 5 years | Total |
| Term loans and advances to banks | 1,215.5 | — | — | — | 1,215.5 |
| Loans and advances to customers | 1,208.5 | 546.7 | 2,241.4 | 4,514.0 | 8,510.6 |
| **Receivables at 12/31/2009** | **2,424.0** | **546.7** | **2,241.4** | **4,514.0** | **9,726.1** |

The receivables from customers with remaining terms of three months or less include receivables of EUR 1,029.9 million (prior year: EUR 695.4 million) with indeterminate terms.

| | 2010 | | | | |
|---|---|---|---|---|---|
| EUR m | 3 months or less | > 3 months to 1 year | > 1 year to 5 years | > 5 years | Total |
| Bank demand deposits | 25.1 | — | — | — | 25.1 |
| Term liabilities to banks | 1,015.9 | 270.8 | 989.1 | 1,515.6 | 3,791.4 |
| Customer demand deposits | 3,626.4 | — | — | — | 3,626.4 |
| Savings deposits | 924.5 | 625.6 | 110.2 | — | 1,660.3 |
| Other term liabilities to customers | 924.5 | 161.5 | 314.5 | 521.0 | 1,921.5 |
| Securitized liabilities | 10.0 | 72.6 | 329.5 | 687.2 | 1,099.3 |
| Provisions and other liabilities | 87.7 | 35.5 | 73.2 | 153.9 | 350.3 |
| Tax liabilities | — | — | 13.5 | — | 13.5 |
| Subordinated debt | — | — | 117.9 | 136.5 | 254.4 |
| **Liabilities at 12/31/2010** | **6,614.1** | **1,166.0** | **1,947.9** | **3,014.2** | **12,742.2** |

| EUR m | 3 months or less | > 3 months to 1 year | > 1 year to 5 years | > 5 years | Total 2009 |
|---|---|---|---|---|---|
| Bank demand deposits | 353.4 | — | — | — | 353.4 |
| Term liabilities to banks | 1,045.0 | 266.1 | 788.4 | 1,331.7 | 3,431.2 |
| Customer demand deposits | 3,518.9 | — | — | — | 3,518.9 |
| Savings deposits | 810.2 | 187.4 | 57.4 | — | 1,055.0 |
| Other term liabilities to customers | 749.1 | 209.5 | 295.2 | 472.9 | 1,726.7 |
| Securitized liabilities | 106.0 | 109.9 | 142.2 | 722.0 | 1,080.1 |
| Provisions and other liabilities | 85.1 | 31.5 | 55.8 | 142.1 | 314.5 |
| Tax liabilities | — | — | 21.8 | — | 21.8 |
| Subordinated debt | 20.0 | — | 117.8 | 34.9 | 172.7 |
| **Liabilities at 12/31/2009** | **6,687.7** | **804.4** | **1,478.6** | **2,703.6** | **11,674.3** |

## 39 b Classification of total liabilities by remaining terms

Under IFRS 7, the classification of total liabilities by remaining terms must also be disclosed.

This is provided in the following tables:

| EUR m | 3 months or less | > 3 months to 1 year | > 1 year to 5 years | > 5 years | Total 2010 |
|---|---|---|---|---|---|
| Bank demand deposits | 25.1 | — | — | — | 25.1 |
| Term liabilities to banks | 1,022.5 | 272.5 | 995.5 | 1,525.4 | 3,815.9 |
| Customer demand deposits | 3,626.4 | — | — | — | 3,626.4 |
| Savings deposits | 924.5 | 625.6 | 110.2 | — | 1,660.3 |
| Other term liabilities to customers | 924.5 | 161.5 | 314.5 | 521.0 | 1,921.5 |
| Securitized liabilities | 10.0 | 72.9 | 339.0 | 686.9 | 1,108.8 |
| Provisions and other liabilities | 87.7 | 35.5 | 32.5 | 106.1 | 261.8 |
| Tax liabilities | — | — | 13.5 | — | 13.5 |
| Subordinated debt | — | — | 118.0 | 136.5 | 254.5 |
| **Balance sheet item** | **6,620.7** | **1,168.0** | **1,923.2** | **2,975.9** | **12,687.8** |
| Contingent liabilities and other obligations | 980.8 | — | — | — | 980.8 |
| **Total liabilities at 12/31/2010** | **7,601.5** | **1,168.0** | **1,923.2** | **2,975.9** | **13,668.6** |

| EUR m | 3 months or less | > 3 months to 1 year | > 1 year to 5 years | > 5 years | Total 2009 |
|---|---|---|---|---|---|
| Bank demand deposits | 353.4 | — | — | — | 353.4 |
| Term liabilities to banks | 1,050.7 | 267.5 | 792.7 | 1,338.9 | 3,449.8 |
| Customer demand deposits | 3,518.9 | — | — | — | 3,518.9 |
| Savings deposits | 810.2 | 187.4 | 57.4 | — | 1,055.0 |
| Other term liabilities to customers | 749.1 | 209.5 | 295.2 | 472.9 | 1,726.7 |
| Securitized liabilities | 106.3 | 110.5 | 182.1 | 692.6 | 1,091.5 |
| Provisions and other liabilities | 85.1 | 31.5 | 27.9 | 99.8 | 244.3 |
| Tax liabilities | — | — | 21.8 | — | 21.8 |
| Subordinated debt | 20.0 | — | 118.0 | 35.0 | 173.0 |
| **Balance sheet item** | **6,693.7** | **806.4** | **1,495.1** | **2,639.2** | **11,634.4** |
| Contingent liabilities and other obligations | 1,028.4 | — | — | — | 1,028.4 |
| **Total liabilities at 12/31/2009** | **7,722.1** | **806.4** | **1,495.1** | **2,639.2** | **12,662.8** |

## 40 Derivative transactions

Derivative financial instruments that make it possible for market and credit risks to be transferred between different parties derive their values from such factors as interest rates and indexes, as well as from the trading prices of stocks and foreign exchange rates. The most important derivative products include swaps, forward-rate agreements, currency forwards, stock options, and credit derivatives. Derivatives may be standardized contracts on the exchange, or may take the form of bilaterally bargained over-the-counter (OTC) transactions.

Derivatives are used both for the Bank's internal risk management for our trading positions, and also in our assets and liabilities management.

For measurement purposes, a distinction is made between exchange-traded and OTC products.

Exchange-traded contracts are settled in cash daily (only for the exercise of index options).

Positive and negative market values are recognized only if the contract terms provide that settlement in full will not take place until the maturity date (only for European options; Eurex products = American options), or if the variation margin (only in the case of futures) has not been settled at the balance sheet date (for example, because of the stock markets' different time zones).

If no market price is quoted (OTC derivatives), the estimation methods established in the financial markets (including present valuing and option pricing models) are applied. The market value of a derivative here is equivalent to the total of all future cash flows discounted to the measurement date (present value or dirty closeout value). The following table shows the nominal volumes by remaining terms of the derivative transactions we have entered into, together with their positive and negative fair values.

The nominal amounts normally serve only as a reference figure for the calculation of the mutually agreed settlement payments (for example, interest entitlements and / or obligations in the case of interest rate swaps), and thus do not represent receivables and / or payables in the balance-sheet sense.

| EUR m | Positive fair values | Negative fair values | Nominal volume / maturity < 1 year | < 1 year to 5 years | > 5 years | Total 2010 | 2009 |
|---|---|---|---|---|---|---|---|
| Interest-related derivatives | 6.7 | – 94.7 | 29.0 | 738.5 | 569.9 | 1,337.4 | 1,392.0 |
| including: interest rate swaps (non-trading portfolio) | 0.5 | – 89.0 | — | 583.0 | 435.0 | 1,018.0 | 993.0 |
| Currency-related derivatives | 5.9 | – 6.6 | 422.5 | 32.1 | — | 454.6 | 218.6 |
| including: foreign currency options: calls | 0.2 | — | 8.9 | 0.7 | — | 9.6 | 21.6 |
| including: foreign currency options: puts | — | – 0.2 | 8.9 | 0.7 | — | 9.6 | 21.6 |
| Stock-related / index-related derivatives | 3.0 | – 0.8 | 60.2 | — | — | 60.2 | 17.5 |
| Credit derivatives | — | — | — | — | — | — | — |
| Other derivatives | — | — | — | — | — | — | — |
| **Total derivatives** | **15.6** | **– 102.1** | **511.7** | **770.6** | **569.9** | **1,852.2** | **1,628.1** |
| including: products in EUR | 7.8 | – 96.2 | 123.2 | 738.5 | 569.9 | 1,431.6 | 1,409.7 |
| including: products in USD | 3.5 | – 3.4 | 166.3 | 30.8 | — | 197.1 | 150.9 |
| including: products in GBP | 0.3 | – 0.2 | 31.2 | 0.1 | — | 31.3 | 6.9 |
| including: products in JPY | 0.3 | – 0.2 | 47.7 | — | — | 47.7 | 2.6 |

At year's end, interest rate swaps with a nominal volume of EUR 1,018.0 million were designated for hedge accounting. In the prior year, interest rate swaps with a nominal volume of EUR 993.0 million were used for managing the non-trading portfolio; they likewise qualified for hedge accounting.

In hedge accounting under IAS 39, interest rate swaps in the non-trading portfolio underwent adjusted negative changes of EUR 28.5 million in market value. Corresponding receivables from clients underwent adjusted positive changes of EUR 25.6 million in market value. The net effect of EUR 2.9 million is recognized in net operating trading income.

## Off-balance-sheet business

### 41 Contingent liabilities and other obligations

The contingent liabilities and other obligations include potential future obligations of the Group deriving from limited-term credit lines extended to customers but not yet drawn upon. Through credit facilities, the Group allows its customers to have rapid access to funds that they need to meet their short-term obligations and for long-term financing needs. Additionally, this item shows obligations under suretyships and guarantees, as well as documentary credits. Income from suretyships is included in the net commission income, and the amount is determined by applying agreed rates to the nominal amount of the suretyships.

The figures do not permit direct conclusions as to the resulting liquidity needs. Further information about liquidity risks and their management and oversight is included in the risk report.

| EUR m | 2010 | 2009 |
|---|---|---|
| **Obligations under suretyships and guarantees** | | |
| Credit suretyships | 17.1 | 16.2 |
| Other suretyships and guarantees | 337.0 | 357.7 |
| Documentary credits | 6.2 | 9.9 |
| including: credit openings | 6.1 | 8.0 |
| including: credit confirmations | 0.1 | 1.9 |
| **Contingent liabilities** | **360.3** | **383.8** |
| **Committed credit facilities** | | |
| Current account credits | 473.2 | 477.6 |
| Guarantee lines | 88.6 | 99.0 |
| Mortgage loans / public-sector loans | 58.7 | 68.0 |
| **Other obligations** | **620.5** | **644.6** |

The risk provisions for off-balance-sheet obligations are recognized under “Other provisions.”

The figures in the tables reflect the amounts that would have to be written off if the customer fully utilized the facilities and then became delinquent, assuming no collateral had been furnished. A large portion of these obligations may expire without having been drawn. The figures are not representative of actual future credit commitments, or of liquidity needs arising from these obligations. Collateral, where applicable, serves for the aggregate exposure to customers under loans and guarantees. In addition, there are third-party subinterests in irrevocable credit commitments and guarantees.

### 42 Other financial obligations

| EUR m | 2010 | 2009 |
|---|---|---|
| Obligations under leases | 149.2 | 207.6 |
| Obligations for maintenance of information technology | 7.6 | 8.9 |
| Obligations under commenced capital spending projects | 4.3 | 4.5 |
| Call commitments and joint liability | 2.1 | 2.6 |
| **Other financial obligations** | **163.2** | **223.6** |

Call obligations for stocks, bonds and other shares came to EUR 0.1 million (prior year: EUR 0.1 million); joint liability obligations under Sec. 26 of the German Act on Limited Liability Companies in GmbH Form (GmbH-Gesetz) came to EUR 2.0 million (prior year: EUR 2.0 million).

The joint liability commitments pertain to Liquiditäts-Konsortialbank GmbH (LIKO). The carrying amount of the OLB Group's equity interest comes to EUR 0.3 million. The OLB Group is conditionally liable for additional commitments to LIKO up to an amount of EUR 2.0 million. Furthermore, under Art. 5(4) of the LIKO Articles of Association, OLB may also be jointly liable if other shareholders fail to meet their obligations to provide additional payments. Where joint liability exists, the creditworthiness of the joint shareholders is beyond doubt in every case.

A liability for Munich Filmpartners (MFP) under Sec. 172(4) of the German Commercial Code has revived, in the amount of EUR 69 thousand.

In addition, Oldenburgische Landesbank AG is a member of a deposit insurance fund that covers liabilities to creditors up to a defined maximum amount. As a member of the deposit insurance fund, which itself is a shareholder in LIKO, Oldenburgische Landesbank AG and the other fund members are separately liable for additional capital payments up to a maximum of the annual contribution of Oldenburgische Landesbank AG. For 2010, Oldenburgische Landesbank AG was charged a contribution of EUR 4.2 million (prior year: EUR 3.5 million).

Under Art. 5(10) of the statute of the deposit insurance fund, we have agreed to hold the Bundesverband deutscher Banken e.V. harmless from any losses that may occur as a result of measures in favor of banks in which we hold majority ownership.

In the case of subsidiaries within the meaning of Sec. 290(1) and (2) of the German Commercial Code which conduct banking business or perform functions supplemental to the banking business, Oldenburgische Landesbank AG is careful to see, proportionally to the interest it holds, that – apart from political risks – these companies can meet their obligations.

## 43 Trust business

| EUR m | 2010 | 2009 |
|---|---|---|
| Trust receivables from customers | 19.1 | 24.3 |
| **Trust assets**[1] | **19.1** | **24.3** |
| Trust payables to banks | 13.6 | 16.7 |
| Trust payables to customers | 5.5 | 7.6 |
| **Trust liabilities** | **19.1** | **24.3** |

1 Including EUR 19.1 million (prior year: EUR 24.3 million) in trustee loans

## Supplementary information

### 44 Fair values and carrying amounts of financial instruments by measurement class and balance sheet item

The financial instruments in the following table are primarily on-balance-sheet and off-balance-sheet financial assets and liabilities to which IFRS 7 applies. For these financial instruments, classes have been formed that make it possible to decide whether amortized cost or fair value should be applied as the relevant measurement standard under IAS 39. Cash and cash equivalents are shown separately, because they are measured at their nominal value and therefore are not classified as either financial assets at amortized cost or financial assets at fair value. The fair values for each measurement class of financial instruments are compared to carrying amounts, and a reconciliation to the items on the assets and liabilities side of the balance sheet is carried out.

## 44a Financial assets

| EUR m | Category[1] | At nominal value: Carrying amount | At nominal value: Fair value | At amortized cost: Carrying amount | At amortized cost: Fair value | At fair value: Carrying amount | At fair value: Fair value | Total: Carrying amount | Total: Fair value |
|---|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | | |
| Cash and cash equivalents | LaR | 158.8 | 158.8 | | | | | 158.8 | 158.8 |
| Trading assets | HfT | | | | | 20.0 | 20.0 | 20.0 | 20.0 |
| Loans and advances to banks (net after risk provisions) | LaR | | | 1,530.5 | 1,532.8 | | | 1,530.5 | 1,532.8 |
| Loans and advances to customers (net after risk provisions) | LaR | | | 9,451.3 | 8,974.1 | | | 9,451.3 | 8,974.1 |
| Financial assets (fair value) | AfS | | | | | 1,980.3 | 1,980.3 | 1,980.3 | 1,980.3 |
| Financial assets (at cost) | AfS | | | 2.8 | 2.8 | | | 2.8 | 2.8 |
| Other assets[2] | LaR | | | 43.6 | 43.6 | 0.5 | 0.5 | 44.1 | 44.1 |
| **Total loans and receivables (LaR)** | | **158.8** | **158.8** | **11,025.4** | **10,550.5** | **0.5** | **0.5** | **11,184.7** | **10,709.8** |
| **Total held for trading (HfT)** | | **—** | **—** | **—** | **—** | **20.0** | **20.0** | **20.0** | **20.0** |
| **Total available for sale (AfS)** | | **—** | **—** | **2.8** | **2.8** | **1,980.3** | **1,980.3** | **1,983.1** | **1,983.1** |
| **Total for all measurement categories** | | **158.8** | **158.8** | **11,028.2** | **10,553.3** | **2,000.8** | **2,000.8** | **13,187.8** | **12,712.9** |

1 LaR = Loans and Receivables, HfT = Held for Trading, AfS = Available for Sale
2 EUR 0.5 million of other liabilities measured at fair value pertain to positive market values from hedging transactions that qualify for hedge accounting under IAS 39.

| EUR m | Category[1] | At nominal value: Carrying amount | At nominal value: Fair value | At amortized cost: Carrying amount | At amortized cost: Fair value | At fair value: Carrying amount | At fair value: Fair value | Total: Carrying amount | Total: Fair value |
|---|---|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | | | |
| Cash and cash equivalents | LaR | 120.2 | 120.2 | | | | | 120.2 | 120.2 |
| Trading assets | HfT | | | | | 13.7 | 13.7 | 13.7 | 13.7 |
| Loans and advances to banks (net after risk provisions) | LaR | | | 1,372.5 | 1,374.4 | | | 1,372.5 | 1,374.4 |
| Loans and advances to customers (net after risk provisions) | LaR | | | 8,450.0 | 7,999.5 | | | 8,450.0 | 7,999.5 |
| Financial assets (fair value) | AfS | | | | | 2,047.7 | 2,047.7 | 2,047.7 | 2,047.7 |
| Financial assets (at cost) | AfS | | | 2.7 | 2.7 | | | 2.7 | 2.7 |
| Other assets | LaR | | | 38.7 | 38.7 | — | — | 38.7 | 38.7 |
| **Total loans and receivables (LaR)** | | **120.2** | **120.2** | **9,861.2** | **9,412.6** | **—** | **—** | **9,981.4** | **9,532.8** |
| **Total held for trading (HfT)** | | **—** | **—** | **—** | **—** | **13.7** | **13.7** | **13.7** | **13.7** |
| **Total available for sale (AfS)** | | **—** | **—** | **2.7** | **2.7** | **2,047.7** | **2,047.7** | **2,050.4** | **2,050.4** |
| **Total for all measurement categories** | | **120.2** | **120.2** | **9,863.9** | **9,415.3** | **2,061.4** | **2,061.4** | **12,045.5** | **11,596.9** |

1 LaR = Loans and Receivables, HfT = Held for Trading, AfS = Available for Sale

The amount of the impairment loss for trading assets is shown in the Notes on net trading income. The impairment loss for financial assets can be found in the Notes on the net income or loss on financial assets and on the cumulative effect of measurement of available-for-sale financial instruments. Impairments on loans and advances to customers and banks are reflected in the Notes on risk provisions for the credit business. Net income or losses on the specified classes of financial instruments are also shown there.

## 44 b Financial liabilities

| EUR m | Category[1] | At nominal value | | At amortized cost | | At fair value | | Total 2010 | |
|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Trading liabilities | HfT | | | | | 13.1 | 13.1 | 13.1 | 13.1 |
| Amount due to banks | OL | | | 3,816.5 | 3,904.5 | | | 3,816.5 | 3,904.5 |
| Amount due to customers | OL | | | 7,208.2 | 7,325.9 | | | 7,208.2 | 7,325.9 |
| Securitized liabilities | OL | | | 1,099.3 | 1,119.9 | | | 1,099.3 | 1,119.9 |
| Provisions and other liabilities[2] | OL | | | 141.1 | 141.1 | 89.0 | 89.0 | 230.1 | 230.1 |
| Subordinated debt | OL | | | 254.4 | 289.2 | | | 254.4 | 289.2 |
| **Total held for trading (HfT)** | | — | — | — | — | **13.1** | **13.1** | **13.1** | **13.1** |
| **Total other liabilities (OL)** | | — | — | **12,519.5** | **12,780.6** | **89.0** | **89.0** | **12,608.5** | **12,869.6** |
| **Total for all measurement categories** | | — | — | **12,519.5** | **12,780.6** | **102.1** | **102.1** | **12,621.6** | **12,882.7** |

1 HfT = Held-for-Trading, OL = Other Liabilities
2 Other liabilities measured at fair value pertain to accrued interest and to EUR 89.0 million in negative market values from hedging transactions that qualify for hedge accounting under IAS 39.

| EUR m | Category[1] | At nominal value | | At amortized cost | | At fair value | | Total 2009 | |
|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Trading liabilities | HfT | | | | | 9.1 | 9.1 | 9.1 | 9.1 |
| Amount due to banks | OL | | | 3,784.6 | 3,617.4 | | | 3,784.6 | 3,617.4 |
| Amount due to customers | OL | | | 6,300.6 | 6,172.3 | | | 6,300.6 | 6,172.3 |
| Securitized liabilities | OL | | | 1,080.1 | 1,080.1 | | | 1,080.1 | 1,080.1 |
| Provisions and other liabilities[2] | OL | | | 119.8 | 119.8 | 70.2 | 70.2 | 190.0 | 190.0 |
| Subordinated debt | OL | | | 172.7 | 172.7 | | | 172.7 | 172.7 |
| **Total held for trading (HfT)** | | — | — | — | — | **9.1** | **9.1** | **9.1** | **9.1** |
| **Total other liabilities (OL)** | | — | — | **11,457.8** | **11,162.3** | **70.2** | **70.2** | **11,528.0** | **11,232.5** |
| **Total for all measurement categories** | | — | — | **11,457.8** | **11,162.3** | **79.3** | **79.3** | **11,537.1** | **11,241.6** |

1 HfT = Held-for-Trading, OL = Other Liabilities
2 Other liabilities measured at fair value pertain to accrued interest and to EUR 70.2 million in negative market values from hedging transactions that qualify for hedge accounting under IAS 39.



The fair value is the amount obtainable from the trading of a financial instrument in a bargained transaction between knowledgeable, willing, independent parties. Fair value is best expressed by a market value, if a market price is available. Financial instruments primarily comprise securities, receivables, liabilities and derivatives.

For most financial instruments, and primarily for loans, deposits and non-marketable derivatives, no market prices are directly available because there is no organized market on which these instruments are traded. For these instruments, fair value was determined using measurement methods accepted in financial mathematics, applying current market parameters. The present-value method and option pricing models were used in particular. Accordingly, fair value is a model value referred to the reporting date, and can only be viewed as an indicator for the amount recoverable in a future sale. Further explanations of the methods of measuring risk associated with financial instruments are provided in the risk report in the section on risk position, under risk-bearing capacity and counterparty risks.

**Financial instruments that mature daily**

Financial instruments that mature daily are recognized at nominal value. These instruments include cash on hand, as well as overdraft facilities and demand deposits of banks and customers.

**Receivables and liabilities**

To determine market value, future cash flows defined by contract are calculated and discounted at suitable market interest rates. Borrowers' creditworthiness is taken into account with an appropriate adjustment of the discount rates.

**Trading assets and liabilities**

The Group measures trading assets and liabilities, including debt securities, stocks, derivative financial instruments and foreign exchange transactions, at their market value or derived fair value. If no price quotation is available, fair values are measured using financial mathematics.

**Securities**

Securities held as financial assets are categorized as available-for-sale financial instruments in accordance with IAS 39, and are measured at fair value. If no price quotation is available, fair values are measured using financial mathematics.

**Long-term liabilities**

Securitized liabilities and subordinated debt are measured on the basis of quoted market prices where available, and taking various factors into account, including current market interest rates and the Group's credit rating. If no price quotation is available, fair values are measured using financial mathematics.

## 44 c Fair-value hierarchy

The following table ranks financial instruments recognized at fair value in the three fair-value categories according to the IFRS fair-value hierarchy.

**Financial instruments held as assets**

| Carrying amount in EUR m | 2010<br>Financial instruments traded in an active market (Level 1) | Measurement models based on market data (Level 2) | Measurement models not based on market data (Level 3) | Total |
|---|---|---|---|---|
| Trading assets | 4.9 | — | — | 4.9 |
| Trading assets (derivative) | 0.4 | 14.7 | — | 15.1 |
| Financial assets (fair value) | 1,120.3 | 860.0 | — | 1,980.3 |
| Other financial instruments at fair value held as assets | — | 0.5 | — | 0.5 |
| **Financial instruments at fair value held as assets** | **1,125.6** | **875.2** | **—** | **2,000.8** |

| Carrying amount in EUR m | Financial instruments traded in an active market (Level 1) | Measurement models based on market data (Level 2) | Measurement models not based on market data (Level 3) | Total |
|---|---|---|---|---|
| | | | | **2009** |
| Trading assets | 1.6 | — | — | 1.6 |
| Trading assets (derivative) | 2.3 | 9.8 | — | 12.1 |
| Financial assets (fair value) | 1,055.1 | 992.6 | — | 2,047.7 |
| Other financial instruments at fair value held as assets | — | — | — | — |
| **Financial instruments at fair value held as assets** | **1,059.0** | **1,002.4** | **—** | **2,061.4** |

**Financial instruments held as liabilities**

| Carrying amount in EUR m | Financial instruments traded in an active market (Level 1) | Measurement models based on market data (Level 2) | Measurement models not based on market data (Level 3) | Total |
|---|---|---|---|---|
| | | | | **2010** |
| Trading liabilities | 0.7 | 12.4 | — | 13.1 |
| Other financial liabilities at fair value | — | 89.0 | — | 89.0 |
| **Total financial instruments at fair value held as liabilities** | **0.7** | **101.4** | **—** | **102.1** |

| Carrying amount in EUR m | Financial instruments traded in an active market (Level 1) | Measurement models based on market data (Level 2) | Measurement models not based on market data (Level 3) | Total |
|---|---|---|---|---|
| | | | | **2009** |
| Trading liabilities (derivative) | 0.3 | 8.8 | — | 9.1 |
| Other financial liabilities at fair value | — | 70.2 | — | 70.2 |
| **Total financial instruments at fair value held as liabilities** | **0.3** | **79.0** | **—** | **79.3** |

In compliance with IFRS specifications, the OLB has followed the reporting practices of its parent company, Allianz, to ensure a uniform categorization of financial instruments in the various levels of the fair value hierarchy throughout the Group.

One major characteristic is that Pfandbrief mortgage bonds are normally assigned to Level 2 throughout the Group, because of their low trading volume on exchanges. However, this should not be construed as indicating any adverse change in their probability of redemption. The market values of derivatives entered into in OTC trading are likewise included in Level 2 even where the market presented identical comparable prices.

For all financial instruments that were not already assigned to the first two levels, the price connection was also checked. Where quoted market prices existed, they were taken as a basis, and the instruments were categorized in Level 1. Where price models from the market information provider Bloomberg were used, the instruments were categorized in Level 2.

## 45 Related-party transactions

Allianz Deutschland AG holds approximately 64.3 percent of the stock of Oldenburgische Landesbank AG; OLB-Beteiligungsgesellschaft mbH holds approximately 25.3 percent (as of December 31, 2010). The majority shareholder of OLB-Beteiligungsgesellschaft mbH, in turn, is Allianz Deutschland AG, which holds approximately 98.8 percent. The sole shareholder of Allianz Deutschland AG is Allianz SE.

In the course of normal business operations, transactions are conducted with related parties on arm's-length terms. The scope of these transactions is shown below; transactions eliminated in the consolidation process are not included. Persons considered related parties are members of the Board of Managing Directors and Supervisory Board of Oldenburgische Landesbank AG and its parent companies Allianz Deutschland AG and Allianz SE, as well as their family members. The Board of Managing Directors and Supervisory Board of Oldenburgische Landesbank AG are considered persons in key positions. Entities considered related parties are unconsolidated subsidiaries of Oldenburgische Landesbank AG (shown in the list of subsidiaries), entities in which members of the Bank's Supervisory Board hold a management position, the Bank's majority shareholder Allianz Deutschland AG (shown as a parent company) and other Allianz Group companies for which Allianz SE is the ultimate parent.

### Receivables and liabilities

| EUR m | 2010 | 2009 |
|---|---|---|
| Loans and advances to customers | | |
| Persons in key positions | 0.6 | 0.9 |
| Subsidiaries | 1.2 | 1.5 |
| Other related parties | 68.4 | 61.6 |
| Other assets | | |
| Parent companies | 10.2 | 67.2 |
| Other related parties | 16.6 | 6.1 |
| **Total receivables** | **97.0** | **137.3** |
| Amounts due to customers | | |
| Persons in key positions | 0.8 | 2.3 |
| Subsidiaries | 0.2 | 0.2 |
| Other related parties | 119.8 | 316.5 |
| Provisions and other liabilities | | |
| Parent companies | 1.4 | 2.6 |
| Other related parties | 9.1 | 3.9 |
| **Total liabilities** | **131.3** | **325.5** |

The above receivables from and liabilities to customers concern money market transactions, loans and deposits, and refinancing funds. Additionally, there were guarantee lines of EUR 27.3 million to other related entities at December 31, 2010 (prior year: EUR 26.1 million). The Bank also conducts service, securities, foreign-currency trading and forward-rate transactions with related parties.

Oldenburgische Landesbank AG established a new business segment, Allianz Bank, as of June 1, 2009. Allianz Bank is operated as an affiliate of Oldenburgische Landesbank AG, under the combined responsibility of the OLB Board of Managing Directors. In accordance with the Allianz Bank business plan, the setup costs and expected startup losses will cause Allianz Bank to show a net loss in the first few years. In this regard, Oldenburgische Landesbank AG and Allianz Deutschland AG have agreed that Allianz Deutschland AG will compensate for potential losses at Allianz Bank. This agreement applies through December 31, 2014. Oldenburgische Landesbank AG holds a right of termination linked to the expiration of the obligation to compensate for losses.

However, Oldenburgische Landesbank AG is entitled to all profits from the Allianz Bank affiliate. No partial profit transfer agreement on the profits from Allianz Bank has been entered into. In its business plan for Allianz Bank, Oldenburgische Landesbank AG assumes that Allianz Bank will show a profit in the medium to long term.

The computation of profits includes EUR 132.4 million in income (prior year: EUR 119.0 million) and EUR 64.3 million in expenses (prior year: EUR 18.1 million) for related-party transactions. The income is principally Allianz Deutschland AG's compensation for the loss on ongoing business operations at Allianz Bank, and commissions from Allianz Group companies for brokering and managing portfolios of fund and insurance products. The expenses are principally Allianz Bank's costs for sales compensation paid to Allianz agencies, and for services provided from within the Allianz Group. The terms and conditions for the interest and commissions business, including collateral, as well as the intra-Group charges, are those commonly applied in the market.

Credit granted to members of the Board of Managing Directors was as follows as of December 31, 2010: Approved credit lines totaled EUR 472 thousand, and had not been used as of December 31, 2010. The interest rate for each line was 6.00 percent. There was also a guarantee line of EUR 2 thousand, for which a commission of 2.70 percent was paid. The interest rates and terms are those commonly applied in the market. Loans of EUR 150 thousand were paid back during the past fiscal year. These loans were at an interest rate of 3.80 percent.

Credit granted to members of the Supervisory Board was as follows as of December 31, 2010: Approved credit lines totaled EUR 206 thousand, EUR 58 thousand of which had been used as of December 31, 2010. The interest rates were between 6.00 percent and 6.60 percent. In addition, there were guarantee lines of EUR 47 thousand, for which commissions of 0.50 percent and 3.25 percent were paid. There were further loans of EUR 576 thousand, for which the rates were between 3.81 percent and 5.30 percent. The interest rates and terms are those commonly applied in the market. Loans of EUR 154 thousand were paid back during the past fiscal year. Interest rates on these loans were between 3.55 percent and 5.06 percent.

Compensation paid to the Board of Managing Directors in fiscal 2010 came to EUR 2.9 million (prior year: EUR 2.1 million). This figure includes RSUs with a total fair value of EUR 0.8 million (prior year: EUR 0.4 million). Members of the Board of Managing Directors received a total of EUR 21 thousand (including value-added tax) in 2010 for memberships on governing bodies of companies owned by the Group. On December 31, 2010, the actuarial net present value of pension obligations, on an IFRS basis, for members of the Board of Managing Directors who were active at that date, came to EUR 3.0 million (prior year: EUR 1.8 million).

Compensation paid to former members of the Board of Managing Directors and their survivors came to EUR 1.6 million (prior year: EUR 1.1 million). The actuarial net present value of pensions for former members of the Board of Managing Directors and their survivors came to EUR 14.8 million for the year (prior year: EUR 13.4 million).

Compensation paid to the Supervisory Board in fiscal 2010 came to EUR 0.7 million (prior year: EUR 0.8 million).

Compensation paid to the Advisory Board came to EUR 101.5 thousand (prior year: EUR 92.5 thousand). The compensation of the Board of Managing Directors and the Supervisory Board is reported individually in the Group management report.

## 46 Share-based payments

*Employee stock purchase plans.* Stock of Allianz SE is also offered to entitled employees of the OLB Group on preferred terms, within a specified time period. To be entitled to participate, employees must normally have been in an uninterrupted, unterminated employment or training relationship with the Bank for at least six months before the stock is offered; moreover, the purchase is subject to limitations on the amount that employees may invest in the stock acquisition. The amount of stock of the OLB Group issued under these offerings came to 32,082 shares for the fiscal year; the difference of EUR 0.5 million between the strike price and the market price for 2010 is recognized under the personnel expense.

*Group Equity Incentive plans (GEI plans).* The Allianz Group’s GEI plans are intended for upper management, so as to acknowledge their contribution toward enhancing corporate value and to promote long-term corporate success. The GEIs include “virtual stock options” (Stock Appreciation Rights) and “virtual shares” (Restricted Stock Units):

*1. Stock Appreciation Rights (SARs).* Under this plan, entitled individuals are granted rights in the appreciation of stock. The conferred rights are subject to a four-year vesting period (two years for grants up to 2008) and expire after seven years.

Stock Appreciation Rights may be exercised at almost any time between the second and seventh year after they are issued, provided that the trading price of Allianz SE stock exceeds the Dow Jones EURO STOXX Price Index (600) for a period of five successive trading days at least once during the term, and the price of Allianz SE stock at the time of exercise exceeds the reference price by at least 20 percent.

Under the terms of the SARs, the Bank is required to pay in cash the difference between the trading price of Allianz SE stock on the exercise date and the reference price specified in the associated plan. The maximum difference is limited to 150 percent of the reference price. After the SARs are exercised, the payment is made in the applicable local currency by the company that conferred the rights. Rights not exercised on the last date of the plan are exercised automatically if the requirements have been met. If the requirements have not been met, or if a participant in the plan has left the company's employ, the rights expire.

The fair value of SARs is determined using a Cox-Rubinstein binomial model. Option valuation models call for an input of subjective assumptions, for example concerning expected volatility of stock prices and the expected option term. The volatility is derived from observable historical market prices. If no historical information is available in regard to the exercise of SARs, it is assumed that the expected term is the same as the term until the SARs expire.

The following table shows the assumptions for computing the fair value of SARs:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Expected volatility in % | 29.0 | 60.0 | 32.0 | 27.9 | 28.0 |
| Risk-free interest rate in % | 2.7 | 2.6 | 3.6 | 3.9 | 4.1 |
| Expected dividend yield in % | 5.6 | 6.2 | 5.3 | 3.0 | 1.6 |
| Stock price in EUR | 88.09 | 55.19 | 112.80 | 158.01 | 123.67 |
| Expected term in years | 7 | 7 | 7 | 7 | 7 |

Overview of performance of granted SARs:

| | Units [1] | Eligible for exercise | Weighted average strike price | Weighted average fair value at measurement date | Weighted average remaining term in years |
|---|---|---|---|---|---|
| **At 12/31/2008** | **45,704** | **—** | **115.84** | **8.13** | **4.1** |
| Granted | 2,202 | — | 51.95 | 35.56 | — |
| Exercised | — | — | — | — | — |
| Reassignment within Group | 10,480 | — | 115.52 | — | — |
| **At 12/31/2009** | **58,386** | **—** | **113.37** | **8.06** | **3.1** |
| Granted | 16,346 | — | 87.36 | 17.31 | — |
| Exercised | | — | — | — | — |
| Reassignment within Group | 2,606 | — | 104.02 | — | — |
| **At 12/31/2010** | **77,338** | **—** | **107.56** | **7.48** | **3.1** |

1 The units granted are those granted during the given year for the previous year.

No SARs expired or were forfeited during the reporting period. The range of strike prices for outstanding SARs was between EUR 51.95 and EUR 160.13 on December 31, 2010. No SARs were exercised in 2010.

The total personnel expense for SARs is calculated as the amount by which the trading price of Allianz SE exceeds the SAR reference price. The total personnel expense is recalculated for each reporting period on the basis of changes in the price of Allianz SE stock, and is accrued over the two-year or four-year vesting period, as the case may be. Provisions for unexercised SARs as of December 31, 2010, totaled EUR 0.3 million (prior year: EUR 0.4 million).

Hedges were entered into with Allianz SE to avert risks from changing stock prices. All SARs are covered by such transactions.

*2. Restricted Stock Units (RSUs).* In 2003, the Group established its first incentive plan that grants performance-based compensation in the form of "virtual" stock, known as Restricted Stock Units (RSUs). The aim of the RSU plan is to enhance the Company's value and bring shareholders' and management's interests into line with one another by linking the compensation of key executives to the performance of the price of Allianz SE stock. The stock has a five-year vesting period. The rights are exercised uniformly for all plan participants on the first trading day after the end of the five-year vesting period. At the exercise date, the Company can choose one of the following forms of redemption: making a cash payment to the holders in the amount of the average closing price of Allianz SE on the exercise date, or issuing the holders one share of Allianz SE stock or an equivalent capital instrument for each RSU.

The fair value of RSUs corresponds to the price of Allianz SE stock less the dividends expected until the exercise date.

Overview of performance of granted RSUs:

| | Units[1] | Weighted average value | Weighted average strike price |
|---|---|---|---|
| **At 12/31/2008** | **25,868** | **62.50** | **—** |
| Granted | 1,082 | 68.99 | — |
| Exercised | – 6,521 | — | 72.45 |
| Reassignment within Group | 5,238 | — | — |
| **At 12/31/2009** | **25,667** | **79.68** | **—** |
| Granted | 8,114 | 68.54 | — |
| Exercised | – 9,888 | — | 82.87 |
| Reassignment within Group | 1,269 | — | — |
| **At 12/31/2010** | **25,162** | **78.05** | **—** |

1 The units granted are those granted during the given year for the previous year.

The aggregate personnel expense for the RSU plan is determined on the basis of the trading price of Allianz SE stock, and is recalculated for each reporting period on the basis of changes in that price. It is also recognized on an accrual basis over the five-year vesting period. A total of EUR 0.8 million was added to provisions as of December 31, 2010; the total provisions for unexercised RSUs as of December 31, 2010, came to EUR 1.4 million (prior year: EUR 1.4 million). RSUs with a value of EUR 0.8 million were exercised in 2010.

Hedges were entered into with Allianz SE to avert risks from changing stock prices. All RSUs are covered by such transactions. The hedges resulted in an expense of EUR 0.1 million in 2010, which is recognized in net operating trading income.

## 47 Independent auditors' fees

| EUR m | 2010[2] | 2009 |
|---|---|---|
| Audit of financial statements | 0.7 | 0.7 |
| Other confirmation and valuation services | 0.5 | 0.5 |
| **Total**[1] | **1.2** | **1.2** |

1 EUR 1.0 million of the 2010 total pertains to the prior year.
2 In contrast to the prior year, fees for 2010 are indicated without value-added tax.

## 48 Risk of changes in market price

In the interest of greater clarity, for information on market risks associated with the trading and non-trading portfolios we refer the reader to the risk report in the Group management report, particularly the section on "risk of changes in market price" in the discussion of risk-bearing capacity under "risk situation."

## 49 Concentration of credit risk

In the interest of greater clarity, for information on the concentration of credit risk we refer the reader to the risk report in the Group management report, particularly the section on concentration risks under the definition of risk types.

## 50 List of shareholdings

| | Share of capital held | Equity | Profit for period | Profit for period |
|---|---|---|---|---|
| | | 12/31/2010 | 1/1–12/31/2010 | 1/1–12/31/2009 |
| Name and registered office of the company | % | EUR m | EUR m | EUR m |
| W. Fortmann & Söhne KG, Oldenburg | 100 | 8.04 | 0.45 | 0.55 |
| Münsterländische Bank Thie & Co. KG, Münster | 100 | 7.67 | 0.48 | 0.48 |
| Grundstücksgesellschaft mit beschränkter Haftung, Oldenburg | 100 | 0.03 | — | — |
| OLB-Service Gesellschaft mit beschränkter Haftung, Oldenburg | 100 | 0.03 | — | — |
| OLB-Immobiliendienst-GmbH, Oldenburg | 100 | 0.03 | — | — |
| AGI-Fonds Ammerland[1] | 100 | n/a | 6.69 | 0.91 |
| AGI-Fonds Weser-Ems[1] | 100 | n/a | 4.30 | 2.81 |

1 Managed by Allianz Global Investors, Frankfurt am Main

The Group has profit and loss transfer agreements with the following subsidiaries:
- Grundstücksgesellschaft mit beschränkter Haftung, Oldenburg
- OLB-Immobiliendienst-GmbH, Oldenburg
- OLB-Service Gesellschaft mit beschränkter Haftung, Oldenburg.

In addition to Oldenburgische Landesbank AG, headquartered in 26122 Oldenburg, Stau 15/17 – entered in the Commercial Register of Oldenburg Local Court under No. HRB 3003 – the consolidated financial statements include the companies and special funds listed in the list of shareholdings, as described under Note 1. OLB-Immobiliendienst-GmbH, of Oldenburg, is excepted.

## 51 Employees

On average for the year, we had 2,973 employees (prior year: 2,802). They comprised the following categories:

| Number | 2010 | 2009 |
|---|---|---|
| Full-time employees (average) | | |
| Women | 971 | 928 |
| Men | 1,317 | 1,227 |
| Part-time employees (average) | | |
| Women | 654 | 618 |
| Men | 31 | 29 |
| **Total employees** | **2,973** | **2,802** |

The number of employees at December 31, 2010, was 2,952; the OLB Group also had 227 apprentices and trainees (146 of them women).

### 52 Corporate governance

The Declaration of Compliance with the Recommendations of the Government Commission on the German Corporate Governance Code has been issued by the Board of Managing Directors and the Supervisory Board as required under Sec. 161 of the German Stock Corporation Act, and is kept permanently available to shareholders on the Internet, in the Investor Relations area of our Web site, www.olb.de (path: www.olb.de / dieolb / 2613.php).

### 53 Dividend payment

A recommendation will be submitted to the Shareholders' Meeting of Oldenburgische Landesbank AG to utilize an amount of EUR 23.3 million for payment of a dividend of EUR 1.00 per no-par share for fiscal 2010, and to allocate EUR 26.4 million to retained earnings.

### 54 Date of release for publication

The present consolidated financial statements were released by the full Board of Managing Directors of Oldenburgische Landesbank AG for publication on February 23, 2011. Events from the balance sheet date until the release date may be included in consideration. Thereafter, under Sec. 173 of the Stock Corporation Act, changes in the consolidated financial statements may be made only by resolution of the Shareholders' Meeting.

Oldenburg, February 23, 2011

Oldenburgische Landesbank AG

| Benedikt Buhl | Dr. Peter Schinzing | Dr. Stefan Friedmann | Jörg Höhling |
|---|---|---|---|
| Spokesman | Deputy Spokesman | | |

# Management's Statement of Responsibility

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position, and results of operations, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Oldenburg, February 23, 2011

Oldenburgische Landesbank AG

Benedikt Buhl
Spokesman

Dr. Peter Schinzing
Deputy Spokesman

Dr. Stefan Friedmann

Jörg Höhling

# Independent Auditor's Opinion

We have audited the consolidated financial statements prepared by Oldenburgische Landesbank Aktiengesellschaft, of Oldenburg – comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes to the consolidated financial statements – together with the Group management report, for the period from January 1 through December 31, 2010. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a(1) HGB, are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, March 15, 2011

KPMG AG Wirtschaftsprüfungsgesellschaft

Leitz
Wirtschaftsprüfer

Schmidt
Wirtschaftsprüfer

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# Additional Information

# Other Offices Held by Corporate Officers

## Honorary Chairman of the Supervisory Board

**Dr. Bernd W. Voss**

## Supervisory Board (as of March 15, 2011)

The members of the Supervisory Board held the positions listed below.

**Andree Moschner**
*Chair*
Member of the Board of Management of Allianz Deutschland AG, Munich; CEO of Allianz Beratungs- und Vertriebs-AG, Munich

**Manfred Karsten**
*Vice-Chair*
Banker, Oldenburgische Landesbank AG, Oldenburg; Chairman of the Corporate Employee Council

**Dr. Werner Brinker**
Chairman of the Board of Management, EWE Aktiengesellschaft, Oldenburg
*Positions on other legally required supervisory boards of German companies:*
- VNG Verbundnetz Gas Aktiengesellschaft, Leipzig

*Positions within the corporate group:*
- BTC Business Technology Consulting AG, Oldenburg (until May 11, 2011)
- EWE ENERGIE AG, Oldenburg (Chairman)
- EWE NETZ GmbH, Oldenburg (until March 31, 2011)
- EWE TEL GmbH, Oldenburg (Chairman)
- swb AG, Bremen (Chairman)

*Memberships in comparable supervisory bodies:*
- Werder Bremen GmbH & Co. KG aA, Bremen

*Positions within the corporate group:*
- EWE ENRJI A. S., Bursa, Turkey
- Kayserigaz AS, Turkey (starting Q2 2011)
- Bursagaz AS, Turkey (starting Q2 2011)

**Claas E. Daun**
Chairman of the Board of Management, Daun & Cie. AG, Rastede
*Positions on other legally required supervisory boards of German companies:*
- KAP Beteiligungs-AG, Stadtallendorf (Chairman)
- Mehler AG, Fulda (Chairman)
- Stöhr & Co. AG, Mönchengladbach (Chairman)
- KAP International Holdings Ltd., Johannesburg, South Africa (Chairman)
- Steinhoff International Holdings Ltd., Johannesburg, South Africa
- Zimbabwe Spinners & Weavers Ltd., Harare, Zimbabwe

**Carsten Evering**
Branch Manager, Oldenburg-Süd Region, Oldenburgische Landesbank AG, Friesoythe and Gehlenberg

**Thomas Fischer**
Member of the Board of Management, Allianz Beratungs- und Vertriebs-AG, Munich
*Memberships in comparable supervisory bodies:*
*Positions within the corporate group:*
- Allianz Autowelt GmbH, Munich (Chairman)
- esa EuroShip GmbH, Bad Friedrichshall

**Prof. Dr. Andreas Georgi**
Consultant, Starnberg
*Positions on other legally required supervisory boards of German companies:*
- Asea Brown Boveri AG, Mannheim
- Rheinmetall AG, Düsseldorf
- RWE Dea AG, Hamburg

*Memberships in comparable supervisory bodies:*
- Felix Schoeller Holding GmbH & Co. KG, Osnabrück

**Stefan Lübbe**
Director, Member of the Management, Oldenburg-Süd Region, Oldenburgische Landesbank AG, Cloppenburg

**Horst Reglin**
Union Secretary, Vereinte Dienstleistungsgewerkschaft, Oldenburg
*Positions on other legally required supervisory boards of German companies:*
- Öffentliche Lebensversicherungsanstalt Oldenburg
- Oldenburgische Landesbrandkasse

**Uwe Schröder**
Banker, Oldenburgische Landesbank AG, Oldenburg

**Rainer Schwarz** (since May 27, 2010)
Member of the Board of Management of Allianz Deutschland AG, Munich
*Positions on other legally required supervisory boards of German companies:*
*Positions within the corporate group:*
- Vereinte Spezial Krankenversicherung AG, Munich

*Memberships in comparable supervisory bodies:*
*Positions within the corporate group:*
- Allianz Prozess-Finanz GmbH, Munich

**Jörg Thöle**
Customer Support Officer, Osnabrück / Osnabrücker Land Region, Oldenburgische Landesbank AG, Osnabrück; Representative of the Deutscher Bankangestellten-Verband

**Dr. Aloys Wobben** (until May 27, 2010)
Managing Sole Shareholder, Enercon Group, Aurich

## Board of Managing Directors

The members of the Board of Managing Directors held the positions listed below.

**Benedikt Buhl**
Spokesman of the Board of Managing Directors, Oldenburgische Landesbank AG
*Memberships in comparable supervisory bodies:*
*Positions within the corporate group:*
- W. Fortmann & Söhne KG, Oldenburg (Chairman)
- Münsterländische Bank Thie & Co. KG, Münster (Chairman)

**Dr. Stefan Friedmann**
Member of the Board of Managing Directors, Oldenburgische Landesbank AG
*Memberships in comparable supervisory bodies:*
*Positions within the corporate group:*
- Münsterländische Bank Thie & Co. KG, Münster
- OLB-Immobiliendienst-GmbH, Oldenburg (Chairman)

**Dr. Peter Schinzing**
Deputy Spokesman of the Board of Managing Directors, Oldenburgische Landesbank AG
*Memberships in comparable supervisory bodies:*
*Positions within the corporate group:*
- W. Fortmann & Söhne KG, Oldenburg

**Jörg Höhling**
Member of the Board of Managing Directors, Oldenburgische Landesbank AG (since February 1, 2010)

# Advisory Board

**Dr. Carl Ulfert Stegmann – Chair**
Vice-Chairman of the Supervisory Board, Aktiengesellschaft Reederei Norden-Frisia, Norderney

**Karl-Heinz Diekmann – Vice-Chair**
Lohne

**Manfred Adrian**
Publisher, Wilhelmshavener Zeitung, Wilhelmshaven

**Dr. Maria Apel**
General Partner, Pöppelmann GmbH & Co. KG, Lohne

**Prof. Dr. Heinz-W. Appelhoff**
Shareholder in Treuhand Oldenburg GmbH, Oldenburg

**Christian Basse**
Managing Partner, SKN Druck und Verlag GmbH & Co. KG, Norden

**Harald Beenen**
Managing Partner, BZN BAUSTOFF ZENTRALE NORD GmbH & Co. KG, Aurich

**Dr. Jan Bernd Berentzen**
Managing Shareholder, Berentzen Mally Marketing plus Services GmbH, Greven

**Clemens van den Berg**
Shareholder, van den Berg-Holding, Lingen

**Dr. Fritz Blume**
Shareholder, Ostfriesen-Zeitung, Jever

**Dr. Franz J. Bönkhoff**
Partner, Wirtschafts- und Steuerberaterkanzlei Dr. Bönkhoff & Partner, Oldenburg

**Dr. Bernhard Brons**
Member of the Board of Management, Reederei Aktien-Gesellschaft "EMS," Emden

**Heiner Bröring**
former Managing Director, H. Bröring GmbH und Co. KG, Dinklage

**Heinz Buse**
Owner and Managing Director, Heinz Buse Corporate Group, Leer

**Philip Freiherr von dem Bussche**
Spokesman of the Board of Management, KWS SAAT AG, and Farmer, Einbeck

**Dr. Markus Connemann**
Managing Director, Hammerlit GmbH, Leer

**Claas E. Daun**
Chairman of the Board of Management, Daun & Cie. AG, Rastede

**Stefan Delkeskamp**
Managing Shareholder, Delkeskamp Verpackungswerke GmbH, Nortrup

**Inge Gehring**
Wildeshausen

**Manfred-Wilhelm Göddeke**
Managing Director (ret.), Rhein-Umschlag GmbH & Co. KG, Oldenburg

**Isabel Hüppe**
Attorney-at-law, Hamburg

**Heinz Josef Imsiecke**
Publisher, Münsterländische Tageszeitung, Cloppenburg

**Werner zu Jeddeloh**
Managing Director, Büsing & Fasch GmbH & Co. Holding, Oldenburg

**Prof. Dr. Dr. h. c. Hans Kaminski**
Institute Director and Managing Director, Institut für Ökonomische Bildung, Oldenburg

**Hans-Dieter Kettwig**
Managing Director, ENERCON GmbH, Aurich

**Jörg-Peter Knochen**
Managing Partner, Oldenburgische Volkszeitung Druckerei und Verlag KG, Vechta

**Reinhard Köser**
Publisher, Nordwest-Zeitung, Oldenburg

**Dr. Dieter Köster**
CEO, Köster GmbH, Osnabrück

**Angela Krüger-Steinhoff**
Managing Director, Steinhoff Familienholding GmbH, Westerstede

**Dr. Andreas Kühnl**
Managing Director, H. Kemper GmbH & Co. KG, Nortrup

**Friedhelm Freiherr von Landsberg-Velen**
Managing Partner, Ferienzentrum Schloss Dankern, Haren

**Hermann Lanfer**
Managing Shareholder, Lanfer Logistik GmbH, Meppen

**Prof. Dr. Dirk Lepelmeier**
Managing Director, Nordrheinische Ärzteversorgung, Düsseldorf

**Johannes van der Linde**
Managing Partner, LUDWIG FREYTAG GmbH & Co. Kommanditgesellschaft, Oldenburg

**Dirk Lütvogt**
Managing Partner, Friedrich Lütvogt GmbH & Co. KG, Wagenfeld

**Peter Mager**
Steinfeld

**Bernd Meerpohl**
CEO, Big Dutchman AG, Vechta

**Bernard Meyer**
Managing Director, MEYER-WERFT GmbH, Papenburg

**Consul Friedrich A. Meyer**
Managing Shareholder, F. A. Meyer Beteiligungs-GmbH, Wilhelmshaven

**Harald Müller**
Managing Shareholder, Erwin Müller Gruppe Lingen, Lingen

**Markus Müller**
Generalintendant, Oldenburgisches Staatstheater, Oldenburg

**Eske Nannen**
Managing Director, Kunsthalle Emden Stiftung Henri und Eske Nannen und Schenkung Otto van de Loo, Emden

**Holger Neumann**
Managing Director, Pallas Group, Diepholz

**Dieter Niederste-Hollenberg**
Chairman of the Supervisory Board, BauKing AG, Hanover

**Fritz-Dieter Nordmann**
Managing Shareholder, Nordmann corporate group, Wildeshausen

**Peter Pickel**
Managing Partner, August Pickel GmbH & Co. KG, Oldenburg

**Christian Rauffus**
Managing Partner, Rügenwalder Wurstfabrik Carl Müller GmbH & Co. KG, Bad Zwischenahn

**Hubert Rothärmel**
Chairman of the Supervisory Board, CEWE COLOR Holding AG, Oldenburg

**Klaus Rücker**
Managing Shareholder, Rücker Group, Aurich and Wismar

**Ralf Schu**
Managing Director, Papier- u. Kartonfabrik Varel GmbH & Co. KG, Varel

**Dirk Schulte Strathaus**
Publisher, Delmenhorster Kreisblatt, Delmenhorst

**Herbert Siedenbiedel**
Managing Director, Nordwest Medien GmbH & Co. KG, Oldenburg

**Carl Ulfert Stegmann**
Board of Management, Aktiengesellschaft Reederei Norden-Frisia, Norderney

**Franz Thiele jun.**
Managing Director, Thiele & Freese GmbH & Co. KG, Emden

**Harald Vogelsang**
Managing Director, Hugo Vogelsang Maschinenbau GmbH, Essen (Oldenburg)

**Klaas Wachtendorf**
Managing Director, Berthold Wachtendorf GmbH & Co. KG, Jever

**Michael Wagener**
Member of the Board of Management, EWE AG, Oldenburg

**Heidi Gräfin von Wedel**
Wilhelmshaven

**Manfred Wendt**
Speaker for the Management, Johann Bunte Bauunternehmung GmbH & Co. KG, Papenburg

**Doris Wesjohann**
Member of the Board of Management, PHW Group, Visbek

**Dr. Aloys Wobben**
Managing Sole Shareholder, ENERCON Group, Aurich

**Roland Zerhusen**
Managing Director, ZERHUSEN Kartonagen GmbH, Damme

as of March 15, 2011

# Managers

## Members of Regional Management (as of March 15, 2011)

### Corporate customers

**Michael Glade**
Weser Region

**Ludger Greten**
Aurich / Emden Region

**Rainer Grewing**
Oldenburg-Süd Region

**Jürgen Hindersmann**
Ems-Vechte Region

**Josef Kordt**
Oldenburg / Bad Zwischenahn Region

**Diedrich Kück**
Jade Region

**Ralph Schröder**
Münsterland / Grafschaft Diepholz Region

**Peter Schulz**
Osnabrück / Osnabrücker Land Region

**Horst Söker**
Ems-Hümmling Region

**Wolfgang Thole**
Coast Region

**Fritz-Hannes van Beckum**
Leer / Westerstede Region

### Retail customers

**Marc Arkenau**
Jade Region

**Joachim Fecht**
Aurich / Emden Region

**Günther Florack**
Weser Region

**Holger Kesten**
Oldenburg / Bad Zwischenahn Region

**Robert Kösters**
Coast Region

**Stefan Lübbe**
Oldenburg-Süd Region

**Andreas Poppen**
Ems-Hümmling Region

**Ludger Pott**
Ems-Vechte Region

**Horst Rammler**
Münsterland / Grafschaft Diepholz Region

**Rainer Schröder**
Leer / Westerstede Region

**Frank Uhlhorn**
Osnabrück / Osnabrücker Land Region

## Corporate Department Heads (as of March 15, 2011)

**Katja Aus dem Moore**
Compliance / Money Laundering

**Torsten Buja**
Corporate Business Operations

**Peter Cordes**
Information Technology

**Uwe Eickermann**
Compliance / Money Laundering

**Dr. Wolf-Dieter Flöge**
Legal

**Thomas Fritzsche**
Sales Management

**Markus Graw**
Organization

**Holger Heithorst**
Risk Controlling

**Hilger Koenig**
Human Resources

**Thomas Lotz**
Finance / Controlling

**Olaf Mohrschladt**
Product Management

**Dr. Thomas Ostendorf**
Chief Economist / Office of the Board of Managing Directors

**Heiko Panning**
Whole Bank Credit Management

**Rainer Schulte-Göbel**
Headquarters Customer Support

**Britta Silchmüller**
Corporate Communications

**Michael Tietz**
Auditing

**Helmut van Osten**
Treasury / Own-Account Trading

**Frank Willers**
Whole Bank Credit Management

## Allianz Bank (as of March 15, 2011)

### General Manager

**Oliver Klink**

### Banking Managers

**Claudia Birnbaum**
**Patrick Ohrdorf**
**Stefan Reder**
**Harald Schaal**
**Kurt-Georg Weggler**

### Service Unit Managers

**Torsten Buja**
**Markus Graw**
**Manfred Köckhuber**
**Sabine Lippl**

### Staff Managers

**Thomas Cordes**
Sales Programs

**Katja Heymann**
Products

**Alexander Walter**
Online Banking

# We mourn the passing of:

## Former members of the Board of Managing Directors:

**Helmut Vogt**
Oldenburg

## and of the following employees:

**Bernhard Kuhlmann**
Oldenburg

**Egon Bracksieker**
Oldenburg

**Hildburg Kahlen**
Delmenhorst

**Andrea Großepieper**
Nordhorn

## and of the following retirees:

**Heidemarie Boden**
Oldenburg

**Albert de Freese**
Wilhelmshaven

**Heinrich Freese**
Varel

**Paul Heskamp**
Lingen

**Werner Jansen**
Vechta

**Alfred Kellermann**
Oldenburg

**Herbert Krisch**
Oldenburg

**Herbert Larisch**
Oldenburg

**Franz Liening-Ewert**
Cloppenburg

**Meinhardt Meierkord**
Osnabrück

**Hildegard Oltmanns**
Oldenburg

**Helmut Riehemann**
Osnabrück

**Elfriede Samsel**
Oldenburg

**Herbert Süßmuth**
Varel

**Dieter Trümpener**
Varel

**Gerhard Wedermann**
Jever

**Frieda Wiemken**
Oldenburg

January 2010 through March 2011

# Report of the Supervisory Board

The Supervisory Board continuously monitored the management of the Bank during the year, advised the Board of Managing Directors on running the institution, and participated directly in decisions of fundamental importance. The organization of activities and the areas of responsibility of the Supervisory Board are set forth in the rules of procedure of the Supervisory Board and those of the Board of Managing Directors.

The Supervisory Board was regularly, timely and fully informed by the Board of Managing Directors about the course of business and the condition and performance of Oldenburgische Landesbank AG (OLB) and its subsidiaries. We also obtained information about the Bank's strategic focus, major business events, and the risk situation. We furthermore participated in the planning by the Board of Managing Directors for fiscal 2011. We also obtained reports on deviations of actual business developments from previously reported goals, together with an explanation of the reasons. The Supervisory Board monitored and advised management on the basis of the written and oral information provided by the Board of Managing Directors. Matters of particular significance were thoroughly examined and discussed with the Board of Managing Directors. In addition to the reports from the Board of Managing Directors, we also obtained reports from the Internal Auditing department and the independent auditors.

The Supervisory Board met four times in fiscal 2010. The meetings were held in March, May, September and December. The Chairman of the Supervisory Board also maintained contact with the Board of Managing Directors between meetings, and with them regularly discussed the Bank's strategy, business performance, risk management and other matters of importance.

The reports by the Board of Managing Directors on business performance and other reports on special issues were accompanied by written presentations and documentation that were made available as preparation to every member of the Supervisory Board in good time before each meeting. The same applied for all documentation for the financial statements, and the audit reports of the independent auditors. Where acts of management were subject to the consent of the Supervisory Board or one of its committees, the matters were duly resolved upon.

## Matters addressed by the full board

The Supervisory Board's regular deliberations concerned the economic condition of Oldenburgische Landesbank AG and the Group. The Supervisory Board obtained information about earnings performance at every meeting, and discussed full details of the course of business development in the Regional Bank and Allianz Bank segments with the Board of Managing Directors. In addition to regular reports on the risk situation and on Internal Auditing activities, we also obtained a comprehensive separate report from the Board of Managing Directors on the Company's business and risk strategy, which we discussed with the Board of Managing Directors.

We addressed matters of compensation on several occasions. For example, we decided the level of goal achievement for each member of the Board of Managing Directors for the past fiscal year, and set the new goals for 2011. We also reviewed the compensation system for the Board of Managing Directors, and obtained further information from the Board of Managing Directors about the structure of compensation systems for OLB employees.

We dealt in great detail with updating the internal rules for corporate governance. We revised the rules of procedure for the Board of Managing Directors and the Supervisory Board to comply with current developments in the law and general events. The Supervisory Board and Board of Managing Directors furthermore decided to propose an amended version of the Articles of Incorporation to the Shareholders' Meeting in 2010; the Shareholders' Meeting accepted this proposal.

The Supervisory Board gave detailed attention to the new recommendations under the German Corporate Governance Code, which call for due attention to diversity in the composition of the Board of Managing Directors and Supervisory Board. In this connection, we adopted specific goals for the future composition of the Supervisory Board, which can be found in the Corporate Governance Report on page 10.

See p. 10

The Board of Managing Directors presented its ideas for a prudent expansion of the business territory of OLB Regional Bank. We approved the suggestion of slightly rounding out the business territory.

## Work in the committees of the Supervisory Board

The Supervisory Board has established five committees to assist it in performing its duties efficiently: the Executive Committee, the Audit Committee, the Risk Committee, the Nominating Committee, and the Mediation Committee. To streamline working procedures, at its meeting of March 9, 2010, the Supervisory Board decided to disband the Personnel Committee and the Special Committee, effective immediately. The duties of the Personnel Committee were assigned to the Executive Committee; those of the Special Committee were assumed by the Risk Committee.

The Committees prepare the decisions of the Supervisory Board and the work of the full meetings of the Board. In addition, where appropriate and permitted by law, the Supervisory Board transferred some of its decision-making authority to committees. The committee chairs regularly and fully informed the Supervisory Board of the committees' work. The membership of the individual committees can be found on page 12 of this Annual Report, in the Corporate Governance Report.

See p. 12

During 2010, the *Executive Committee* held four meetings, one via teleconferencing. It dealt primarily with matters concerning the Board of Managing Directors, including the structure and amount of that board's compensation. The Executive Committee prepared the review of the compensation system for the Board of Managing Directors, and developed a proposal for the full membership of the Supervisory Board about setting goals for variable compensation for the current fiscal year. The committee also discussed the degree of achievement of the goals set for the members of the Board of Managing Directors for the past fiscal year, and presented a corresponding recommendation to the full Supervisory Board. It furthermore discussed a new provision of the German Corporate Governance Code regarding the appropriate inclusion of women in the Board of Managing Directors. In this connection, the Board of Managing Directors also gave us an overview of personnel development and the number of women in management positions at OLB. Finally, the committee approved credit lines for members of governing bodies, in accordance with Sec. 15 of the German Banking Act.

The *Audit Committee* met three times in fiscal 2010, including once by way of teleconferencing. With the independent auditors attending, who first presented the principal results of their audit, the committee discussed and reviewed the annual financial statements of Oldenburgische Landesbank AG and the Group, as well as the management reports and audit reports. The committee also addressed the Report on Relations with Affiliated Companies and the associated audit report. The Audit Committee found no cause for objection in either the documents of the financial statements or the Report on Relations with Affiliated Companies. It also satisfied itself of the independence of the independent auditors, decided the main emphases for the audit, and engaged the auditors. The committee furthermore submitted a recommendation to the full Supervisory Board for the Supervisory Board's recommendation to the Shareholders' Meeting regarding the election of the independent auditors. The Audit Committee gave special attention to the Bank's internal controlling systems. In this connection, it obtained detailed explanations of the financial accounting system. It reviewed the internal auditing and compliance system and furthermore obtained descriptions of the principal activities of these two units. It discussed the semiannual financial report with the Board of Managing Directors before publication. Finally, the Audit Committee submitted a suggestion to the full Supervisory Board for the Declaration of Compliance with the German Corporate Governance Code.

The *Risk Committee* held four meetings last year. It concerned itself in depth with the Bank's current risk position. Quarterly risk reports addressed such matters as credit risks, market price risks, liquidity risks and operational risks. The Risk Committee satisfied itself that OLB has only insignificant financial exposures in the five euro countries Portugal, Italy, Ireland, Greece and Spain.

It furthermore satisfied itself, on the basis of several stress scenarios presented by the Board of Managing Directors, that OLB is well prepared for crisis situations. A further matter in its deliberations was the more rigorous equity capital requirements and the impact on OLB of the core capital ratio under Basel III. The committee also reviewed the Bank's risk management system.

The *Nominating Committee* agreed by telephone on a nomination for a successor for Dr. Aloys Wobben, who had resigned from his seat on the Supervisory Board. Via teleconferencing the committee also addressed a new recommendation under the German Corporate Governance Code, calling for the Supervisory Board to set specific goals for its composition. The committee developed an appropriate proposal for a resolution to be submitted to the full Supervisory Board in this regard.

At the last meeting before it was disbanded, the *Personnel Committee* discussed the training completion bonus for Company employees.

There was no occasion to convene the *Mediation Committee* formed under Sec. 31(3) of the German Co-Determination Act, or the Special Committee, which has now been disbanded.

### Corporate Governance and Declaration of Compliance

The Supervisory Board and the Board of Managing Directors thoroughly discussed the implementation of the provisions of the German Corporate Governance Code, with particular attention to the new recommendations added to the Code in May 2010. At the end of 2010, both bodies issued an unrestricted Declaration of Compliance with the German Corporate Governance Code in accordance with Sec. 161 of the German Stock Corporation Act. In March 2011, the Board of Managing Directors and the Supervisory Board adopted a proposal to be made to the Shareholders' Meeting that the compensation of the Supervisory Board should no longer include performance-based components, and instead should be converted to a fixed component only. Since this currently represents a deviation from a recommendation under the German Corporate Governance Code, the Declaration of Compliance of December 2010 was updated accordingly. The Declaration of Compliance of December 2010 and the update of March 2011 were published on OLB's Web site. The update is also reproduced in the Management Declaration per Sec. 289a of the German Commercial Code on page 14 of this Annual Report. The above Management Declaration also includes the Corporate Governance Report and additional explanations about corporate governance at Oldenburgische Landesbank AG.

See p. 14

The Supervisory Board again reviewed the efficiency of its activities in the past year. We particularly discussed implementing the efficacy improvement measures adopted in the prior year.

### Parent-company and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, of Hamburg, has audited the parent-company and consolidated financial statements of Oldenburgische Landesbank AG as of December 31, 2010, together with the management reports for the parent company and the Group, and has granted them an unqualified audit opinion. The parent company's financial statements were prepared in accordance with the German Commercial Code (HGB); the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in the form applicable in the European Union, together with the supplementary provisions of commercial law to be applied under Sec. 315a(1) of the German Commercial Code.

The documents for the financial statements and KPMG's audit reports for fiscal 2010 were forwarded to all members of the Supervisory Board in a timely manner. These documents were discussed in detail by the Audit Committee at its meeting of March 9, 2011, and by the full Supervisory Board at its meeting of March 15. The auditors participated in both of these discussions. They reported to us on the material results of their audits and were available to answer questions and provide additional information.

The independent auditors furthermore confirmed that OLB's internal control systems are appropriate and that management has taken appropriate steps for the early detection of developments that might jeopardize the Company's continued existence.

On the basis of its own audit and review of the parent-company and consolidated financial statements and the parent-company and Group management reports, as well as the proposed allocation of profits, the Supervisory Board found no objections, and concurred in the results of KPMG's audit of the financial statements. The Supervisory Board approved the parent-company and consolidated financial statements prepared by the Board of Managing Directors; the annual financial statements of the parent company are thereby adopted. We concur in the allocation of profits proposed by the Board of Managing Directors.

## Report on Relations with Affiliated Companies

The Board of Managing Directors furthermore submitted to the Supervisory Board the Report on Relations with Affiliated Companies, together with the associated audit report prepared by KPMG. On the basis of their audit, completed without finding objections, the independent auditors provided the following audit opinion:

"Following our conscientious audit and assessment, we confirm that
1. the factual details of the report are correct,
2. in the transactions detailed in the report, the consideration furnished by the company was not excessive,
3. there are no circumstances that argue for an assessment materially different from that of the Board of Managing Directors in regard to the measures detailed in the report."

The Report on Relations with Affiliated Companies, together with the associated audit report, was forwarded to all members of the Supervisory Board. These documents were discussed by the Audit Committee and by the full board, with the independent auditors attending. The independent auditors reported on the material findings of their audit. On the basis of its own review, the Supervisory Board approved the Report on Relations with Affiliated Companies. We have noted with approval the associated report by the independent auditors.

In accordance with the final results of its own audit, the Supervisory Board has no objections to the declaration by the Board of Managing Directors at the end of the Report on Relations with Affiliated Companies.

## Changes in the Supervisory Board and Board of Managing Directors

Dr. Aloys Wobben resigned from his seat on the Supervisory Board as of the end of the Annual Shareholders' Meeting on May 27, 2010. The Shareholders' Meeting elected Mr. Rainer Schwarz, a member of the Board of Management of Allianz Deutschland AG, to succeed him. The Supervisory Board thanked Dr. Wobben for his work on the board.

Effective February 1, 2010, Jörg Höhling was appointed to the Board of Managing Directors. He assumed responsibility for Finance / Controlling, Treasury / Own-Account Trading and Compliance / Money Laundering.

The Supervisory Board wishes to thank every employee of Oldenburgische Landesbank AG and the OLB Group companies for their dedication and for their successful hard work.

Oldenburg, March 15, 2011
For the Supervisory Board

Andree Moschner
Chairman

# Branch Offices

**A**
Ahlhorn
Ankum
Apen
Aschendorf
Augustfehn
Aurich
Aurich-Esenser Str.

**B**
Bad Bentheim
Badbergen
Bad Essen
Bad Zwischenahn
Bakum
Barnstorf
Barßel
Bassum
Berne
Bersenbrück
Bockhorn
Bohmte
Borkum
Brake
Bramsche
Bramsche-Engter
Bramsche-Gartenstadt
Bremen
Bremerhaven
Brinkum
Bunde
Börger

**C**
Cloppenburg

**D**
Damme
Delmenhorst
Delmenhorst-Bremer Str.
Delmenhorst, Hasporter Damm
Delmenhorst-Oldenburger Str.
Delmenhorst-Stedinger Str.
Diepholz
Dinklage
Ditzum
Dornum
Dörpen

**E**
Edewecht
Elsfleth
Emden
Emden-Auricher Str.
Emden-Borssum
Emlichheim
Emsbüren
Emstek
Esens
Essen

**F**
Freren
Friedrichsfehn
Friesoythe
Fürstenau

**G**
Ganderkesee
Garrel
Gehlenberg
Goldenstedt
Großefehn
Großenmeer
Großheide

**H**
Hage
Hagen a.T.W.
Hahn-Lehmden
Haren
Harpstedt
Haselünne
Heide
Heidmühle
Herzlake
Holdorf
Holte-Lähden
Horumersiel
Hude

**J**
Jaderberg
Jemgum
Jever
Juist

**K**
Kirchweyhe

**L**
Langeoog
Lastrup
Lathen
Leer
Leer-Heisfelde
Leer-Loga
Lemwerder
Lindern
Lingen
Lingen-Georgstr.
Lohne
Lorup
Löningen

**M**
Marienhafe
Melle
Meppen
Meppen-Esterfeld
Merzen
Molbergen
Moordorf

**N**
Neuenhaus
Neuenkirchen
Neuenkirchen-Bramsche
Norden
Nordenham
Nordenham-Blexen
Nordenham-Ellwürden
Nordenham-Friedrich-August-Hütte
Norderney
Nordhorn
Nordhorn-Blanke
Nortrup

**O**
Ocholt
Oldenburg
Oldenburg-Donnerschweer Str.
Oldenburg-Lange Str.
Oldenburg-Bloherfelde
Oldenburg-Bürgerfelde
Oldenburg-Eversten
Oldenburg-Haarentor
Oldenburg-Kreyenbrück
Oldenburg-Nadorst
Oldenburg-Ofenerdiek
Oldenburg-Osternburg
Osnabrück
Osnabrück-Rosenplatz
Osnabrück-Sedanplatz
Osnabrück-Lüstringen
Osterfeine

**P**
Papenburg
Papenburg-Obenende
Pewsum

**Q**
Quakenbrück
Quakenbrück-Friedrichstr.

**R**
Rastede
Remels
Rhauderfehn
Rheine (opening Q4 2011)
Riepe
Rodenkirchen

**S**
Sande
Sandkrug
Saterland
Schüttorf
Sögel
Spelle
Steinfeld
Stuhr
Sulingen
Syke

**T**
Twistringen

**U**
Uelsen

**V**
Varel
Varel-Dangast
Varel-Obenstrohe
Vechta
Vechta-Langförden
Verden (opening Q2 2011)
Visbek

**W**
Wagenfeld
Wallenhorst
Wardenburg
Warsingsfehn
Weener
Werlte
Westerholt
Westerstede
Westoverledingen
Wiefelstede
Wiesmoor
Wietmarschen-Lohne
Wildeshausen
Wilhelmshaven
Wilhelmshaven-Altengroden
Wilhelmshaven-Fedderwardergroden
Wittmund

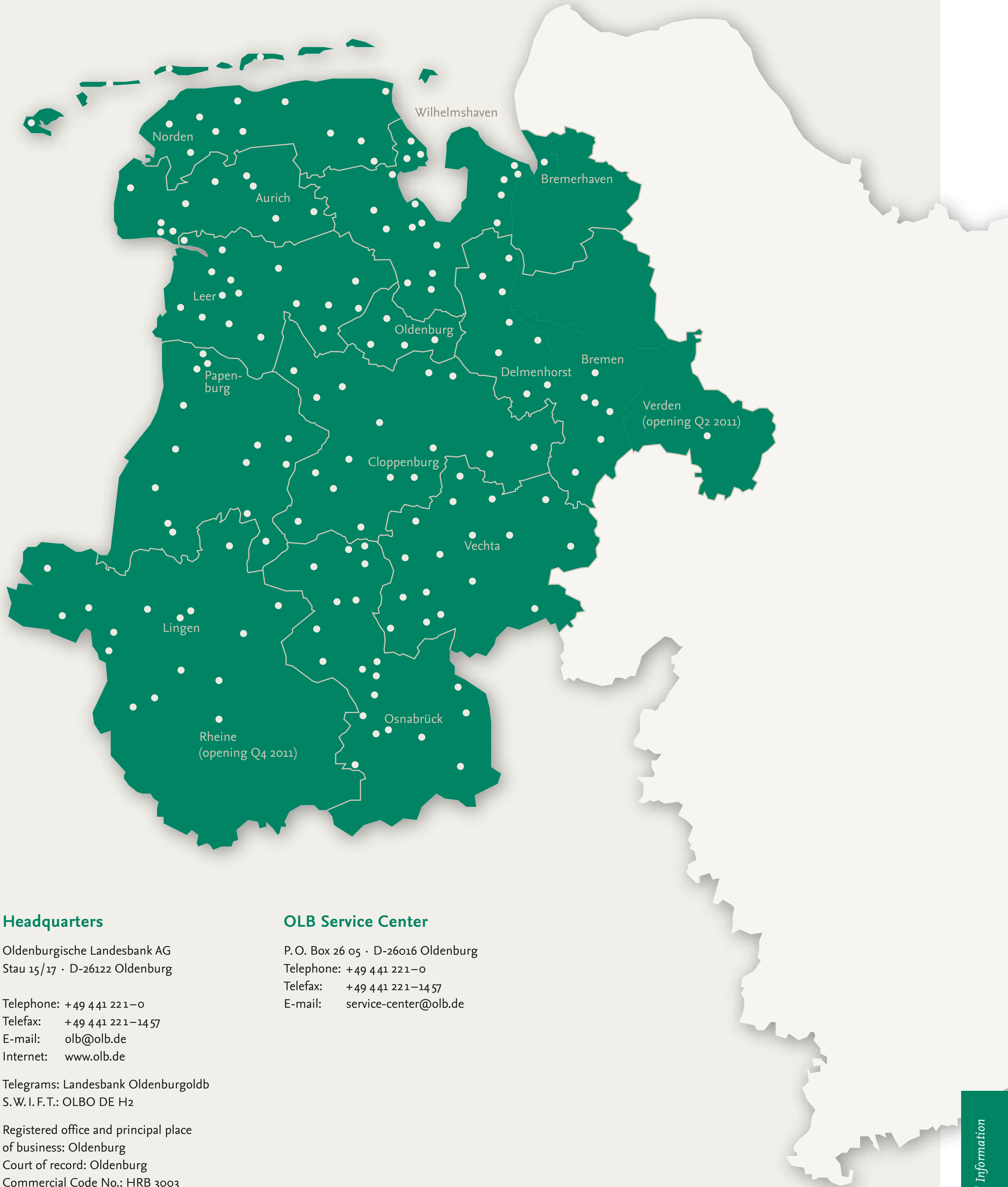
**Z**
Zetel

## Additional automated tellers

Ankum, EDEKA-Neukauf · Bad Zwischenahn, filling station · Bösel · Eltern-Herzlake, rest stop with Esso station · Goldenstedt-Lutten · Harkebrügge, AVIA station · Hohenkirchen · Jever, CARO filling station and car wash center · Lingen, Famila market · Neulehe, Bäckerei Bruns · Norddeich Harbor, ticket dispenser · Oldenburg, Alexanderstrasse · Oldenburg, Edewechter Landstrasse · Oldenburg, IKEA · Oldenburg, Scheideweg · Oldenburg-Wechloy, Famila market · Osnabrück, L+T market · Papenburg, Dever-Park · Papenburg-Rhede, Bankshop · Rostrup · Sedelsberg, filling station · Wildeshausen, Famila market · Wilhelmshaven, Bismarck · Wilhelmshaven, Gökerstrasse · Wilhelmshaven, Leffers, Bahnhofstrasse · Wilhelmshaven, Vosslapp

as of March 31, 2011

# OLB's Business Territory




## Headquarters

Oldenburgische Landesbank AG
Stau 15/17 · D-26122 Oldenburg

Telephone: +49 441 221–0
Telefax: +49 441 221–1457
E-mail: olb@olb.de
Internet: www.olb.de

Telegrams: Landesbank Oldenburgoldb
S.W.I.F.T.: OLBO DE H2

Registered office and principal place
of business: Oldenburg
Court of record: Oldenburg
Commercial Code No.: HRB 3003

## OLB Service Center

P.O. Box 26 05 · D-26016 Oldenburg
Telephone: +49 441 221–0
Telefax: +49 441 221–1457
E-mail: service-center@olb.de

# Glossary

## A

**Allianz Equity Incentive = AEI** An instrument by which an Allianz company establishes a long-term bond with executives by issuing company stock to them and thus strengthening their identification with the company, or bringing their interests into line with its own.

**Allianz Sustained Performance Plan** All elements of performance-based compensation are governed by a simplified, uniform goal agreement form, and are described in a model that applies throughout the Allianz Group, the Allianz Sustained Performance Plan (ASPP). The goal agreement form establishes both the goals for each year and the three-year medium-term goals.

**Available for sale** Refers to financial assets available for sale.

## B

**Back testing** A method of quality assurance for value-at-risk (VaR) models. It compares the potential losses predicted by the value at risk against actual losses. Over an extended period, it checks whether in retrospect, potential losses were exceeded significantly more often than should have been expected according to the established probability (confidence level).

**Basel II / III** New regulatory standards set by the Basel Committee on Banking Supervision.

**Basis point value** The basis point value (BPV) indicates the absolute change in the price of a bond if the bond's yield is varied by one basis point (0.01 points).

**Gross domestic product (GDP)** All economic output of a country within a given period.

## C

**CDAX Banks** Also CDAX-Banken. A stock index calculated and published by Deutsche Börse AG. It includes a number of German bank stocks that are listed for trading in the official segment of the market.

**Confidence level** A way of expressing the probability that a potential loss will not exceed an upper limit defined by the value at risk.

**Cost-income ratio** A key performance indicator: administrative expenses divided by the total of net interest and commission income plus net trading income.

**Cox-Rubinstein binomial model** Strictly speaking, the Cox-Ross-Rubinstein (1979) model or binomial model. A model for pricing options consistently with the market, based on a binary structure that reflects the decrease or increase in a stock's trading price per unit of time.

**Credit spread** The credit spread refers to the risk premium that the issuer must pay to the buyer of a bond at risk of default. It may take the form of markdowns on the bond's price, or premiums on yield, whose amount is determined by the issuer's credit standing.

**Current service cost** A current expense that derives from employee pension entitlements, and that is distributed linearly according to actuarial assumptions across the periods in which the employee performs work. Used as a basis for calculating a present value for a given period, such as a fiscal year.

D E F G

**Delta** The delta of an option indicates how the option's price responds to changes in the price of the "underlying" (the underlying security or price).

**Delta-plus approach** Under the delta-plus approach, option positions are recognized at their delta equivalents, plus additional amounts for the gamma and vega risks, in order to determine total equity capitalization requirements.

**Discount** A discount is the amount by which the issue price of a security, such as a stock, falls below its par value. Discount is also the term for an amount deducted from the nominal amount of a loan before it is disbursed.

**Dow Jones EURO STOXX Price Index**
A stock index of the 50 largest, most important stocks in the European Monetary Union. The index has been maintained in Zürich since February 26, 1998.

**Expected loss** Expected loss refers to the loss expected on a risk position within a given holding time.

**Fair value** The amount obtainable from the trading of a financial instrument in a bargained transaction between knowledgeable, independent parties.

**Future** A forward agreement that is standardized in quantity, quality and settlement date, under which a commodity traded on the money market, precious metals market or foreign exchange market must be delivered or accepted at a fixed price at a specified future date.

**Gamma** The gamma of an option indicates how the option's delta responds to changes in the price of the "underlying" (the underlying security or price).

G H

**GLLP** General Loan Loss Provision; see Risk provisions.

**Group Equity Incentive plan (GEI plan)**
This Allianz program for share-based compensation applied only until 2010, and was replaced by the new share-based Allianz Equity Incentive program (see p. 148 of this Glossary).

**Guarantee** Includes suretyships and guaranties.

**Hedge accounting** OLB uses hedge accounting as part of its risk strategy, to limit exposure to interest rate risks. For this purpose hedged items (such as loans or securities) are compared to hedging transactions (such as interest rate swaps).

Under international accounting standards, the hedged item and the hedging transaction are to be measured using different approaches. To reflect these valuation differences in an economically more appropriate way in the income statement, OLB uses the separately applicable rules of IAS 39 for hedge accounting. These require the hedged item and the hedging transaction to be combined into a single measurement unit, which is measured at fair value in such a way that changes in value compensate for one another.

OLB uses only the fair-value hedge accounting method.

H I

**Hedging** Safeguarding asset items against exposure to the risk of fluctuations in stock prices, interest rates, and foreign exchange rates. By taking a contrary position in the forward market (using futures and options), hedging attempts to compensate for losses of value in a cash position (purchase of securities, currencies, merchandise). Hedging strategies using futures or options are subject to a wide variety of imponderables; the efficiency of the entire position must be monitored constantly.

**IAS / IFRS** In 1973, the International Accounting Standards Committee (IASC) was founded as a private association of national associations of accountants and auditors to advance the international comparability of accounting. In 2000, the EU decided to cooperate with the IASC in further developing accounting regulations. After the IASC was restructured in 2001, it was renamed the IASB (International Accounting Standards Board). All International Accounting Standards (IASs) adopted to that date by the IASC remained in effect for the time being, and are being gradually amended or replaced with new standards by the IASB. These new accounting standards developed by the IASB are the International Financial Reporting Standards (IFRSs). In order for these standards to take effect, the European Union adopts them in what is known as an "endorsement" process. Ratification by the various national legislatures is not necessary, since the EU Directives apply directly to all accession countries of the European Union.

**Impairment** An unscheduled reduction in the recognized value of assets, such as goodwill, loan receivables, securities, or property, plant and equipment, due to a presumably permanent loss of value of the associated items.

## K L N

**Loss notification** The loss notification rule is an early-warning and alarm system for recognizing and avoiding adverse changes in profits on the own-account trading portfolio. Calculations are based on the percentage between the economic profit for the year and the individual measurement basis for each portfolio.

**No-par share** A share of company stock without a par value. Dividing the nominal share capital by the total number of no-par shares issued yields a notional par value, which must come to at least one euro according to the No-Par Shares Act.

**Non-trading book** Also referred to as the bank book. Items carrying risk that are not allocated to the trading book.

**Non-trading portfolio** Sometimes called the "bank book"; the portfolio of all banking transactions not attributable to the trading portfolio – in other words, transactions that cannot be traded.

## O P

**Option** The right to buy (in a call option) or sell (in a put option) a commodity such as securities or currency to or from another party, at a fixed price, within a certain period or at a certain date.

**OTC (over the counter)** Pertaining to financial instruments (derivatives): not traded in a standardized manner, on a stock exchange, but directly between market participants (over the counter).

**Performance** For a security, a percentage indicating the positive or negative change in the security's value over a defined period.

**PLLP** Portfolio Loan Loss Provision; see Risk provisions.

**Premium** A markup, in percent or units of currency, on securities, loans and other financial instruments and transactions. For newly issued securities, this is the amount by which the issue price exceeds the par value, or the amount by which the trading price exceeds the intrinsic value of the investment. When many funds are acquired, this is the compensation paid for advisory services, or also a sales fee paid, as a percentage, to a bank, financial advisor, or fund company. For loans, the premium is the markup to be paid by the debtor in addition to the interest. The opposite is called a discount.

**Projected unit credit method** An actuarial method of determining the present value of expectancies in order to determine the value of pension provisions.

## R

**Rating** A standardized method for independent agencies to evaluate the creditworthiness of companies (issuer rating) and the bonds and money-market paper they issue (issue rating). The procedures used by banks to determine borrowers' creditworthiness are also called rating methods.

**Repo agreements** In a repurchase agreement ("repo"), the Group sells securities and at the same time agrees to buy them back at an agreed-upon price at a certain date. The Group retains the risks and rewards associated with the securities for the entire duration of the arrangement. Accordingly, the securities continue to be recognized in the Group's balance sheet as trading assets or financial assets. The value of the legal sale is included in the balance sheet item for amounts due to banks or amounts due to customers, as the case may be, and is recognized as a liability from a repurchase agreement.

**Restricted Stock Units (RSUs)** Virtual shares that are issued, for example under a Group Equity Incentive Plan, as share-based payments from the company to its employees. As a rule, RSUs are exercised after certain goals set by the company are met, or after the expiration of a vesting period. They may also be exercised in the form of an equivalent amount in cash, or other equivalents.

R

**Risk controlling** Ongoing measurement and monitoring of risk, including the development of methods and the associated system for risk analysis and reporting, by a neutral, independent unit.

**Risk management** Operating management of business in specific portfolios from the viewpoint of risk and return.

**Risk provisions** Recognizable risks of default are taken into account by forming Specific Loan Loss Provisions and other provisions. Specific Loan Loss Provisions (SLLPs) are determined taking all expected discounted future cash flows into account. For counterparty risks on lending transactions that may have already arisen at the reporting date, but that have not been identified yet, portfolio loan loss provisions are formed, whose amount depends on the empirical calculation of historical probabilities of default and loss ratios on loan portfolios that are not otherwise covered by provisions. Particular Loan Loss Provisions (PLLPs) are formed for the homogeneous credit portfolio. General Loan Loss Provisions (GLLP) are formed for the non-homogeneous portfolio.

S

**Scoring** A method in which the risk factors of an investment or loan are used in qualitative and quantitative methods to obtain a measurement by way of a risk profile.

**SLLP** Specific Loan Loss Provision; see Risk provisions.

**Stock Appreciation Rights (SARs)** Virtual options that are granted, for example under a Group Equity Incentive Plan, as share-based payments from the company to its employees. The exercise of the options is directly linked to the company's results, usually the price of its stock. Options may be exercised in the form of cash payments, stock or other equivalents.

**Swap** The general term for an exchange of property, rights, etc., especially for exchanges of cash flows in the same currency (= interest rate swap) or in different currencies (= currency swap).

T V

**Trading portfolio** A banking regulatory term for positions in financial instruments, bonds and negotiable receivables that are held by banking institutions for the purpose of short-term resale, taking advantage of fluctuations in prices and interest rates.

**"True and fair view" principle** Under Sec. 264 (2) of the German Commercial Code (HGB), accounting information, such as in an annual report, must provide a "true and fair view" of the actual condition of the company's net assets, financial position and results of operations.

**Value at risk (VaR)** Value at risk is defined as the potential loss on a risk position that will not be exceeded with a defined probability (confidence level) under normal market conditions, for a given holding period.

**Vega** The vega of an option indicates how the option price responds to changes in volatility (the range of fluctuation in the value of the "underlying").

**Volatility** A measure of the past (historical) or expected (implicit) range of fluctuation of the value of stocks, currencies and interest rates. If a stock's price fluctuates widely, the stock has a high volatility. For investors, this means an opportunity for fast, large trading gains – but also a risk of losses that can be just as fast.

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