Reports and Annual Financial Statements of Bremer Landesbank in accordance with the German Commercial Code as at 31 December 2015

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Bremer Landesbank Management Report

1. Principles of the Bank

1.1 Goals and Strategies

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – is a public institute registered by the Free Hanseatic City of Bremen and the State of Lower Saxony. It is a public lending and Pfandbrief institute and has trustee status. Bremer Landesbank has branches in the two major cities in the metropolitan region of the North-West of Germany, with some 300 employees in Oldenburg and around 800 in Bremen. The North-West of Germany is the business region allocated to the Bank under an interstate agreement.

The owners of Bremer Landesbank are NORD/LB with 54.8343 per cent, the state of Bremen with 41.2 per cent and the Lower Saxony Association of Savings Banks with 3.9657 per cent.

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

Bremer Landesbank has anchored its strategic goals in a customer-oriented business model with the following five strategic segments and the eleven strategic business units (SBUs) assigned to them. In the second half of 2015 it partly restructured its segments and modified its structures. This pooling of areas of competence should increase the specialist know-how and improve the focus on customer needs:

- **Corporate Customers**

The strategic aim of the Corporate Customers segment is to be the leader in corporate customer business in the region and underpin this with a consistently growing market share. The segment wants to operate as a specialist partner and offer individual consultation with tailor-made solutions for its customers. The segment is broken down into the strategic business units of Corporates, Commercial Customers and Social Welfare Facilities. In order to further pool its expertise on key sectors, the Corporate Customers segment was restructured in 2015 based on corresponding fields of competence. In the course of this the Social Welfare Facilities segment, which focuses on financing care homes, was integrated into the segment.

- **Private Customers**

The main strategic focus of the Private Customers segment is its position as the leading provider of financial services in the North-West of Germany for high net-worth private customers. The Private Customers segment is broken down into the strategic business units of Private Banking and Private Customer Support.

- **Special Finance**

After the restructuring of the segments in the second half of 2015, Ship Finance is now a dedicated segment, and the Social Welfare Facilities SBU has been integrated into the Corporate Customers segment. Special Finance continues to cover the strategic business units Refinancing of Equipment Leasing and Factoring Companies, and Renewable Energies with its Wind, Photovoltaics and Biogas subsegments. In the NORD/LB Group Special Finance is part of the value driver Energy and Infrastructure Customers.

- **Ship Finance**

With its important portfolio, Ship Finance now constitutes a dedicated segment and is no longer part of Special Finance.

- **Financial Markets**

The Municipalities, Savings Banks and Institutional Customers SBUs are bundled in the Financial Markets segment. The strategic goal is to consolidate regional market leadership in these markets. In addition, Financial Markets is responsible for the sale of commercial products for customers in other segments (Sales Corporates product SBU). It also handles trading and Treasury transactions.

Bremer Landesbank acts as the landesbank (state bank) for the state of Bremen, is the top savings bank in the area of Lower Saxony and Bremen and is also a business bank with a regional focus and supra-regional and selected international specialist business.

- The strategy of Bremer Landesbank corresponds to its business model.
- Commercial bank with a regional focus and supra-regional specialist business, landesbank and central savings bank.
- A particular focus is on problem-solving consulting for demanding customers and the promotion of the development of the North-West economic area.

The segments are managed with a focus on returns. Profitability targets are set for each segment based on the strategy for the segment. In addition, the Bank attaches particular importance in terms of risk to a sustainably high capital ratio and a correspondingly high degree of risk coverage in its business policy orientation.

The credit policy is therefore designed in a conservative and risk-averse way in all five segments. It is documented in the specific form of the group's internally coordinated risk strategy and financing principles.

Overall, the focus of the Bank's business model on the core business with numerous branches in the region of the North-West and the simultaneous selective use of national and some international market opportunities has the objective of a balanced risk-return ratio.

In terms of content, Bremer Landesbank's business model has been based on the guiding principle of sustainability since the very beginning. As a regional bank with a history of being strongly connected to its home region of North-West Germany and customer relationships that have often lasted for generations, the strategic positioning is based mainly on consistency and reliability together with a long-term approach to customer relationships.

Bremer Landesbank is a reliable partner with a long-term view for the region, the people, its customers and employees. The goal is to ensure the Bank's future success, solid profitability and competitiveness through farsighted action and a business strategy that will preserve the Bank and work over the long term. For this reason, the economy, environment and society are integral components of Bremer Landesbank's understanding of sustainability.

To ensure a sustainable business model, Bremer Landesbank pursues a portfolio approach. This allows it to constantly check and optimise the income structure of the Bank across all strategic business units.

Its capital market competence and local decision-making authority set Bremer Landesbank apart from the regional competition.

1.2 Integrated Bank Management

The Management Board is responsible for the risk-oriented management of returns and productivity at Bremer Landesbank. The goal of this control is the short- and medium-term optimisation of its returns and efficiency with the greatest possible income and cost transparency. Bremer Landesbank's integrated bank management is value and risk-based. It meets the legal requirements and provides decision-makers with key information for management purposes. Central control instruments of the Bank are the Income Statement with the main focus on annual earnings before taxes, the Contribution Margin Statement which is structured along the lines of segments and cost centres, the Cost Type Report, the Monthly Report and the Risk-Bearing Capacity Report (RBC Report) and, from a regulatory perspective, the Common Equity Tier 1 capital ratio. Two key metrics for profitability management at an integrated bank level are return on equity (RoE) [1] and cost-income ratio (CIR) [2].

Integrated bank management therefore guarantees a simultaneous view of externally and internally-oriented management processes.

The management process at Bremer Landesbank commences with a strategy review conducted in the spring of each year by the Management Board and the second management level. In addition to reviewing the Bank's strategy, future areas of business activity – for both the Bank as a whole and for the segments – are identified in a strategic workshop (the subsidiary controlling process also involves the key subsidiaries in the Group's planning and management process).

The strategy workshop defines the top-down targets for the segments. The subsequent process of medium-term planning over a five-year horizon is concluded in the budget meeting in the autumn of each year. The final quantitative budget figures are significant inputs in the bank-wide target-agreement process.

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

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[1] RoE: Profit/loss from ordinary activities less any profits/capital transferred under a profit transfer agreement/ sustainable capital (components: share capital; capital reserves; retained earnings).

[2] CIR: Administrative expenses including depreciation of intangible assets and property and equipment/operating profit/loss excluding administrative expenses.

2. Economic Report

2.1 General Economic and Industry-specific Environment

2.1.1 Economy and Financial Markets

Global economy and outlook for 2016

According to IMF calculations, the global economy is expected to grow by 3.4 per cent after 3.1 per cent in 2015.

The conditions for the development of the global economy are positive overall in 2016. Alongside the global availability of high liquidity and the policy of low interest rates which is anchored in the industrial nations, the low energy and raw-material prices are generating positive impetus for the global economic situation.

Positive and thus far undiscounted accents will be set from mid-2016 by the implementation of the international Seidenstraße infrastructure project. The end of sanctions on Iran and the possibility of an end to sanctions on Russia may stabilise or even slightly boost the global growth path.

The political trouble spots in Ukraine and the Middle East continue to represent latent depressive factors. The waves of refugees resulting from the crisis in the Middle East are putting pressure on the institutional framework of the EU.

In the USA economic growth was disappointing in 2015, with an unexpectedly poor performance by the manufacturing sector. The interest-rate shift ushered in by the US Federal Reserve in December is having a depressive effect on the economy. For 2016 the IMF is expecting US economic output to grow by 2.6 per cent after 2.5 per cent in 2015.

In 2015 Japan's economic growth of 0.6 per cent failed to impress. For 2016 the IMF is expecting growth of 1 per cent.

Economic development in the emerging economies was disappointing with growth of 4 per cent and, according to the IMF's calculations, will remain at a similar level in 2016. Falling raw-material prices coupled with a strong USD had a negative impact on many emerging economies.

The ongoing reorganisation of the Chinese economic model from manufacturing and export to an economy more focused on the domestic market, combined with turbulence in the stock markets and currency markets, is having a dampening effect on the economic situation. According to the IMF, growth in 2015 was 6.9 per cent after 7.3 per cent in 2014. For the current year the IMF expects GDP growth 6.3 per cent.

In 2015 India made a positive contribution with growth of 7.3 per cent. For 2016 the IMF is forecasting growth of 7.5 per cent.

Brazil's economic performance in 2015 was disappointing with a fall in economic output of 3.8 per cent. Government crises due to corruption coupled with a drop in raw-material prices were the key catalysts. The situation is not expected to ease in the short term. The IMF is expecting GDP to contract again by 3.5 per cent in the current year.

Russia's economy continues to be affected by both western sanctions and low raw-material prices. As a result, GDP fell by 3.7 per cent in 2015. For the current year the IMF is forecasting a further contraction of GDP by 1 per cent.

Europe

In 2015 the eurozone bucked the trend of the global economy with GDP growth of 1.5 per cent, the highest rate of growth since 2010. As well as Germany, the successful reforming countries Ireland and Spain are supporting the economic expansion of the eurozone. The economies of France and Italy are picking up. Against this background the International Monetary Fund forecasts an increase in gross domestic product of 1.7 per cent for the current year.

Germany

According to the IMF, the German economy grew by 1.5 per cent in the past year. For 2016 the IMF is expecting an increase of 1.7 per cent in economic output in line with the eurozone. Private and state consumption has been and remains the key driver of positive economic growth alongside rising demand from the eurozone.

Financial markets

The past year was dominated by high volatility in the financial markets, which continued into the start of 2016.

The nervousness was and is due to a number of trouble spots. The latent destabilised security situation and around Ukraine, ongoing instability in the Middle East, collapsed raw-material markets, marked slowdown in the US economy alongside a shift in interest-rate policy of the Federal Reserve as well as the unstable situation in the Chinese stock market and the yuan have continued to have a depressive effect on the mood of the financial markets over the year.

In 2015 the DAX moved from 9,869 to a peak of 12,390 points in April, and adjusted itself to 9,325 points at the start of September 2015.

Since then a range of between 9,300 and 11,400 has become established which is an expression of volatile and nervous markets.

In view of a below-average valuation from a historical perspective and attractive dividend returns of currently more than 3 per cent, as well as the IMF's global growth prognosis of 3.4 per cent, in 2016 the stock market will offer attractive entry opportunities in its weak phases.

In 2015 the return on the ten-year German government bond started on a downward trend and reached a low of 0.05 per cent. Over the further course of the first half of the year this movement was corrected in the long term and maximum returns of just below 1 per cent were achieved. Since that time returns have fallen to around 0.50 per cent due to pronounced volatility.

The negative interest-rate policy of the ECB, which will continue in 2016, limits the scope for rising returns in the capital market.

In 2015 the euro fell in value against the main currencies. Against the USD, the euro fell from just under 1.40 to 1.05 between May 2014 and March 2015 and since that time has moved within a range between 1.05 and 1.14.

The extensive policy of monetary easing by the ECB coupled with a first hesitant step towards a change in the US's interest-rate policy on the one hand as well as the robustness of the eurozone's economy on the other imply a further sideways movement and a bottoming-out of the euro in the currency markets as compared to other leading currencies.

2.1.2 The Region

Bremen and the region are defined by differing economic structures. This divergence results in partially different assessments and considerations for the individual sectors in the various regions of Bremen, Oldenburg and Emden.

Economic growth is currently expected in the three chamber of commerce regions, although it is expected that the rates of growth will differ.

According to the Bremen Chamber of Commerce, in 2015 the Bremen economy enjoyed solid economic growth which is set to continue in the current year at a slightly slower pace due to geopolitical risks. Service providers and industry are experiencing a continued upturn. Export prospects are moderate. Business is satisfactory in the trade and construction sector. The Business Climate Index is above the long-term average.

At the end of 2015 Oldenburg's economy picked up. The economic weak phase was therefore limited to the third quarter of 2015. The Chamber of Commerce's economic climate index recently rose by just under seven points to 116.3 points. In 2016 widespread growth supported by industry, the construction sector, retail and services is again expected.

For most companies in the Emden chamber of commerce region 2015 ended on a successful note. However, business expectations for the current year anticipate a higher level of risk. In particular in the transport industry and the wholesale sector expectations are considerably more negative than in previous economic surveys. One factor for the transport industry is dealing with the “emissions issue” at VW. Retail continues to develop at an above-average level. The economic climate indicator recently fell by ten points to 110 of 200 possible points and is now in the region of the longstanding average.

2.1.3 Industry Groups

According to the Deutsche Bundesbank, the German banking system has long been characterised by structural income weakness which shows up particularly in the decline in interest spreads. The reason for this is the intense level of competition, which makes it difficult to build up capital buffers from retained profits. Furthermore, considerable risks have developed in individual sectors of the credit markets. The risk of default affects in particular ship loans, loans for foreign commercial real estate and old portfolios in the form of securitisations. Another important factor for the German banking system is that in a low-interest environment no disproportionately high risks may build up from the awarding of credit for residential real estate in Germany.

Despite risk provisioning remaining at a high level in the shipping sector, Bremer Landesbank was able to hold its own in this environment. Particularly in the Renewable Energies segment, which is characterised by strong competition between the banks, business was expanded.

As in the previous year the changes to the structure of banking supervision as well as regulatory requirements have had a key influence on the competitiveness of European bank. As well as a high personnel retention rate and the need to create new IT systems, control of the bank is highly important.

The European supervisory authorities EBA and ECB conduct an ongoing re-evaluation of financial institutions and are developing new standards for their control. In 2016 Bremer Landesbank, as a subsidiary of NORD/LB, will undergo a Europe-wide bank stress test, whereby the outcome of the stress test will be determined at Group level. In the last bank stress test conducted by the European supervisory authorities in 2014, NORD/LB had an adequate CET1 capital ratio even in the adverse scenario of a global recession.

In the course of the “Supervisory Review and Evaluation Process” (SREP), a standardised pan-European scheme was further created to evaluate significant financial institutions, which took effect on 1 January 2016. This scheme is associated with an extensive increase in requirements on the banks in the area of business model, internal monitoring systems, risk-bearing capacity and liquidity management. Alongside generally strongly increased capital adequacy requirements and a new model for evaluating the risk-bearing capacity of a financial institution, there are additional liquidity requirements and a range of changes within risk and business management.

The requirements relating to the quality of the IT systems have also risen drastically for European banks. Bremer Landesbank is implementing the necessary changes to risk data retention, evaluation and the associated reporting procedures as a multi-year process within the BCBS 239 project. Bremer Landesbank is therefore proactively facing up to the regulatory requirements and will consistently adapt its risk and income management processes and systems to future requirements.

One way in which the bank is dealing with the increasing competition in lending business is the "BLB2020" project which is investigating not only options for increasing income and reducing costs, but also opportunities for expansion into new segments and optimising the Bank's internal processes.

Given the existing competitive edge offered by its local advisors, short decision-making channels, local capital market and foreign business expertise and an extensive range of products and services, Bremer Landesbank remains confident that it will continue to stand its ground in the face of future challenges.

2.1.4 Markets

North-West

The individual branches of the economy in the North-West of Germany have performed differently. Viewed as a whole, the economic situation is good and the prospects for the future are positive. There is a willingness to invest, but it is defined by Hanseatic caution due to the recent past, so the financing needs of companies in the region are only expanding moderately. Slightly rising employment and income ensure a fundamentally positive assessment of the prospects for private households, which will be expressed in higher consumption. Wealthy private customers are much sought after and are themselves looking for alternative investment options due to low interest rates.

Shipping

In the first half of 2015 recovery trends were apparent in Commercial Shipping in the first instance. Due to falling growth rates in China and other emerging economies, the shipping crisis in the bulker segment intensified in the second half of 2015. The improvements in rates in the container segment were ultimately cancelled out. In the case of smaller container ships, such as those financed by Bremer Landesbank, a sideways movement at a low level was recorded. Falling default rates for ship loans were observed at Bremer Landesbank and other banks operating in this segment over the course of the year. In view of a potential downturn in the global economy, the shipping sector still features high rates of overcapacity and historically high default rates. Bremer Landesbank continues to steel itself against further difficulties in this business segment.

Leasing

Despite the ongoing uncertainty in German companies with respect to new investments throughout of the year, the German leasing economy was able to maintain the level of its new business in 2015 and even increase market share in investment in equipment.

Renewable Energies

The recent amendment to the German Renewable Energies Act (EEG) has provided certainty about the legal principals and the funding regime for this business segment. Despite a reduction of remuneration rates and the direct-marketing obligation for the operators of large energy plants, renewable energies remain a key growth segment for Bremer Landesbank. In this segment the Bank can build on many years of experience and a prominent market position.

Social Welfare Facilities

The market environment for the “Social Welfare Facilities” segment has been defined by the new capacity created in recent years and a stronger competitive situation. The difficult environment at the present time means that the current level of investment in new projects is limited. The acquisition of existing operations is causing increasing concentration in the sector. At the same time, this impacts the continuation of professionalisation. The political discussions on the subject of nursing are leading to the creation of alternative offers such as outpatient residential services or assisted-living. Furthermore, there is a trend toward so-called shared ownership – the sale of partial ownership to investors.

2.1.5 Impact on Bremer Landesbank

The aforementioned developments have an impact on the Bank’s business development due to the globalisation of the economy:

- The development of the global economy impacts the global flow of goods and as a result the transport volumes in the shipping sector with a corresponding impact on charter rates and market prices. One consequence of the length of the crisis in the shipping markets is its effect on the Bank’s level of risk provisioning.
- The stability of the eurozone – particularly the highly indebted countries in southern Europe – has an impact on the euro’s exchange rate against other currencies and therefore the export prospects for the economy as well as the valuation of securities and credit default swaps. In particular, the development of the euro/dollar exchange rate can have a noticeable effect on

the level of loans and advances to customers, the RWA and the total assets, as well as on the Bank's net interest income and risk provisioning.

- The domestic and regional economy has an impact on middle-market corporate customers and their financing needs, as well as Bremer Landesbank's lending business.
- Interest rates may have an impact on achievable margins in the lending business, but – together with the anticipated economic developments – the will also affect the financing needs of companies and private persons in the business region. The continuing period of low interest rates has had no noticeable effect on the Bank's net interest income to date.
- The performance of share indices – particularly the DAX – will have an impact on the behaviour of private customers with respect to their investments in securities, shares and alternative investments and therefore the net commission income of Bremer Landesbank.
- The development of the local real-estate market has an impact on the success of the subsidiaries of BLB that do business in real-estate.

2.2 Business Performance

The business development of Bremer Landesbank remains under significant pressure from the crisis in the shipping segment. The shipping segment continues to face significant difficulties due to falling growth rates in the emerging economies and existing surplus of transport capacity. This is expressed in a significant rise in risk provisioning in the financial year 2015, pressure on equity ratios and the continued need to restructure and reduce commitments in this segment.

A long-term recovery of the shipping sector remains uncertain due to high levels of overcapacity. In the near future, Bremer Landesbank expects that risk provisioning that will only reduce slowly in coming years on the basis of a gradual recovery in charter rates.

With the overarching objective of improved capital ratios in mind, the Bank has taken numerous steps, guaranteed certain commitments and issued a synthetic securitisation as well as two AT1 bonds.

The Bank's underlying profitability continues to be deemed satisfactory and offers a basis from which to face up to the challenges in the shipping segment as well as the increasing regulatory requirements.

2.3 Position of the Bank

2.3.1 Earnings Position

In 2015 the Bank's earnings position was on the whole just about adequate against the background of particularly high risk provisioning, the measures taken to increase the Tier 1 capital ratio and other compensating measures.

Net interest income

For the Bank, net interest income is the balance of interest income and interest expenses, including current income from investment securities, investments and shares in affiliated companies, as well as income from profit-transfer agreements.

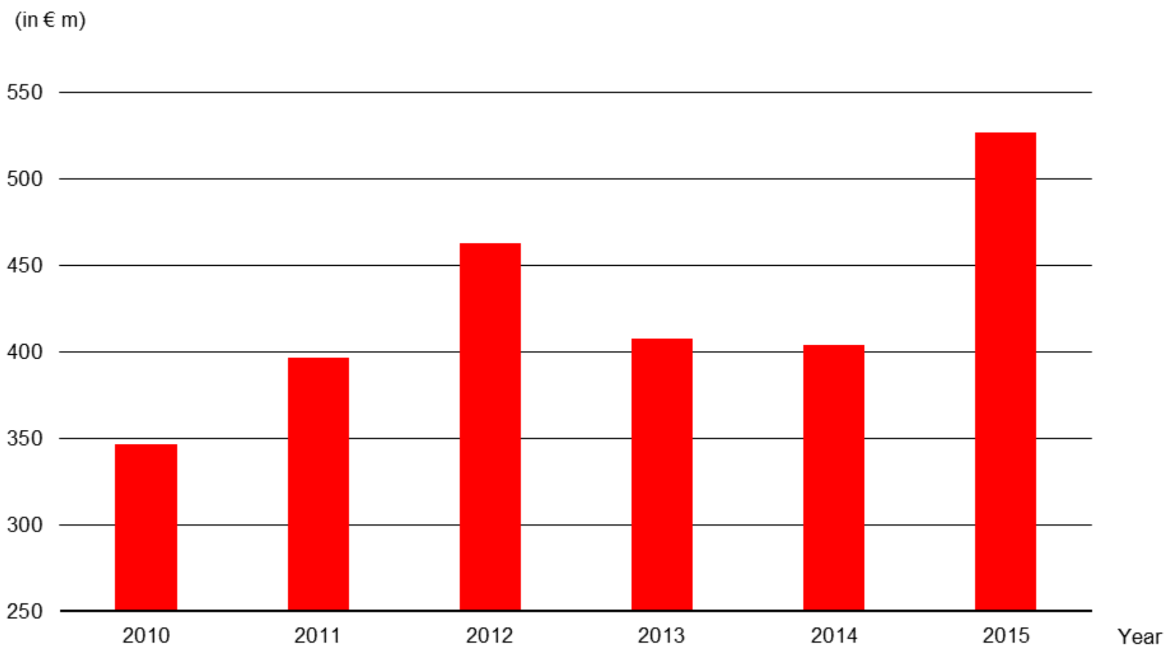
The Bank had forecast that the net interest income would be on a low level in the year under review due to the non-recurrence of special effects from the previous year.

Net interest income rose by 30 per cent from € 404 million to € 527 million as a result of special effects. The sums generated from the Bank's operating business with customers remain at a high level despite intensive competitive pressures. The reason for the rise in net interest income, against the background of the significant interest-rate decision by the US Federal Reserve in December 2015, is in particular one-time income in the amount of € 86 million from the settlement of derivative transactions within the scope of risk management measures. Additionally, profit transfers from subsidiaries increased significantly to € 60 million due to extraordinary income from real-estate transactions and sales of investments.

Ship finance was again a key driver in customer-oriented business. Whilst transactions in the Renewable Energies segment and with regional corporate customers and institutional customers stabilised at a high level, interest income from ship finance was again increased due to the rise in the value of the USD.

In the coming year, net interest income will be on the whole at a lower level due to the non-recurrence of special effects.

Net interest income year-on-year:



Net commission income

In its forecast, the Bank assumed net commission income would stabilise at the level achieved in 2014.

Net commission income fell by 13 per cent from € 45 million to € 39 million. Operationally the core elements continued to develop at a stable rate in line with the previous year's forecast, whilst special factors had a negative effect on profit/loss.

Earnings from guarantee commission fell again due to the gradual reduction of the credit investment portfolio. This development was intensified by ongoing expenses from measures to increase the Bank's Tier 1 capital ratio which took effect for the first time.

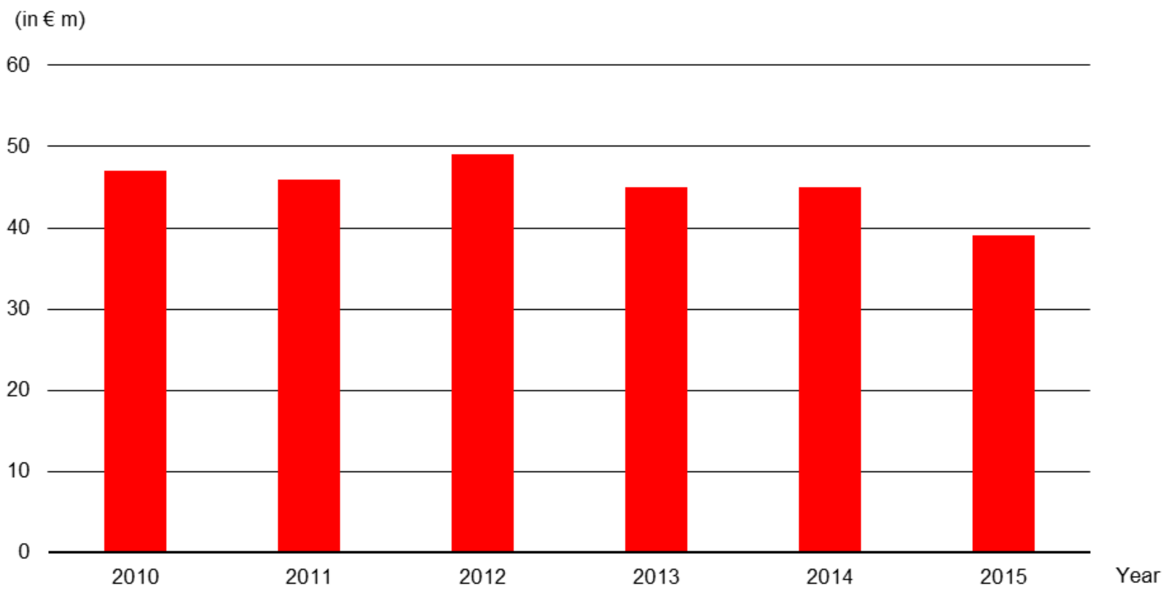
Whilst the positive net return from securities business was almost maintained, the Bank was able to noticeably increase income from foreign payment transactions. Income from loan commissions was moderately below the previous year's level.

In 2015 income from brokerage commission was marked by the one-time expense relating to the placement of a bond to increase regulatory Tier 1 capital.

All remaining components, e.g. from domestic payment transactions, account management and currency exchange business developed stably overall.

In 2016 net commission income should therefore stand lower if the current conditions prevail.

Net commission income year-on-year:



Net income from the trading portfolio

For the trading profit/loss, the Bank continued to see good opportunities in 2015 to act successfully in the financial markets.

The net income from the trading portfolio of 2015 increased from € 11 million to € 21 million compared to the previous year.

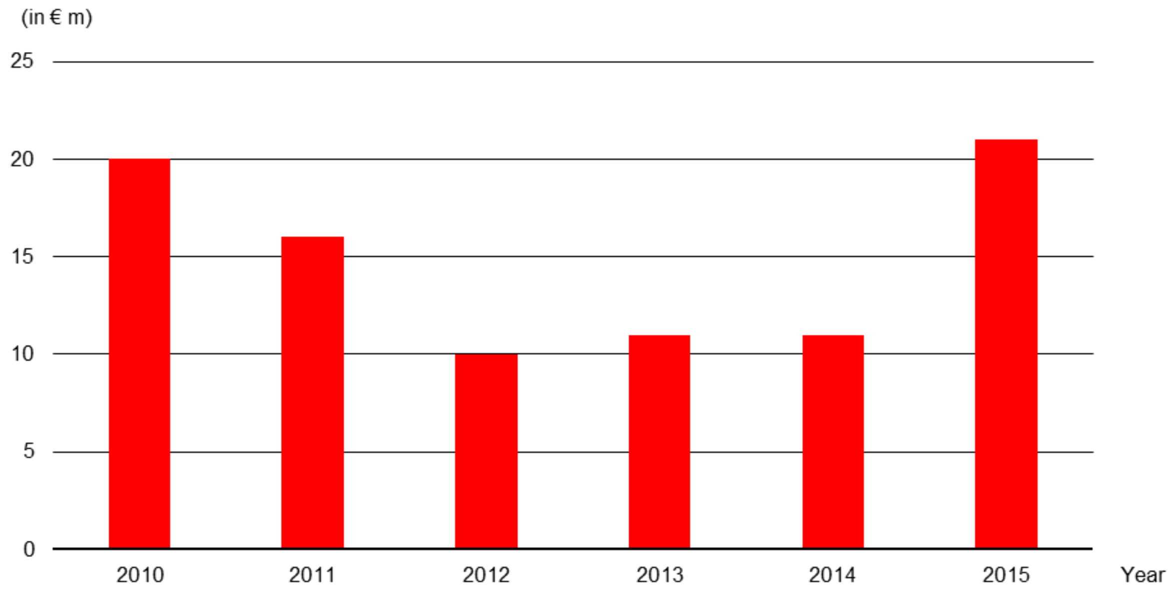
The trading business of Bremer Landesbank is customer-induced and serves to hedge interest rate and foreign currency risks in traditional banking business. Under these general conditions, the Bank was also able to operate successfully in the past year. The net income from the trading portfolio is on the whole very positive.

In terms of products, the Derivatives and Foreign Exchange segments made a more positive contribution to earnings than the previous year, whilst the profit/loss from shares and annuities had a negative impact on results.

The risk adjustment for positive market values or risk premium for negative market values of commercial products and the so-called risk buffer blocked from distribution improved the net income from the trading portfolio by a total of € 0.4 million in 2015 (previous year: € +0.6 million).

The net profit for the trading book will be volatile due to the short-term nature of the business and market fluctuations, making it difficult to forecast. In its planning, however, the Bank assumes a good chance of being able to continue to operate successfully in financial markets in 2016 at a considerably reduced level, as in the previous year.

Net income from the trading portfolio year-on-year:



Other operating income/expenses (net)

The balance of other operating income/expenses of around € -2 million was an improvement of € 13 million compared to 2014 (€-15 million). The special effects described in the following had a significant impact on other operating income.

Other operating expenses totalled € 27 million (previous year: € 21 million). The interest expenses included in the pension provisions at the previous year's level of around € 14 million are also reported there. Additionally, the effect from the reduction of the discount interest rate for pension provisions of around € 6 million (previous year: € 16 million) are now included in other operating expenses (previously in staff expenses). Additionally, in accordance with BFA4 valuation effects attributable to the banking book of €-6 million (previous year: €-4 million) are reported in other operating profit/loss. Regarding the reclassification of expenses for the bank levy, the note on administrative expenses is referred to.

Other operating income rose from € 6 million to € 25 million. This includes income from the reversal of other provisions, rental income, VAT refunds and cost refunds from customers and is on the whole around the previous year's level. The main reason for the increase is earnings of € 18 million accrued in 2015 from the reversal of pension provisions following the transfer of the responsibility for much of the pension obligations of Bremer Landesbank from the company pension scheme to the Bank's "Unterstützungseinrichtung" (provident fund).

It is difficult to plan the balance of other operating income and expenses. The Bank continues to assume a noticeable interest effect in the area of pension provisions and is expecting other operating income to be much lower in the forecast period due to lower special effects.

Administrative expenses

General administrative expenses fell by € 21 million, or 11 per cent, from € 191 million to € 170 million.

In the 2014 financial statements, a significant reduction in staff expenses was expected for 2015.

In 2015 staff expenses totalled around € 87 million and therefore fell by around € 27 million or 24 per cent. Expenses for wages, salaries and social security contributions rose as expected due to the collective bargaining agreements for bank employees entered into in 2014. The reason for the strong fall in staff expenses is the transfer of the responsibility for pension obligations. The pension commitments that were previous met directly are now met indirectly through the Bank's Unterstützungseinrichtung (provident fund).

For other administrative expenses, a gradual consolidation of the cost level over the next few years was forecast in the previous financial statements.

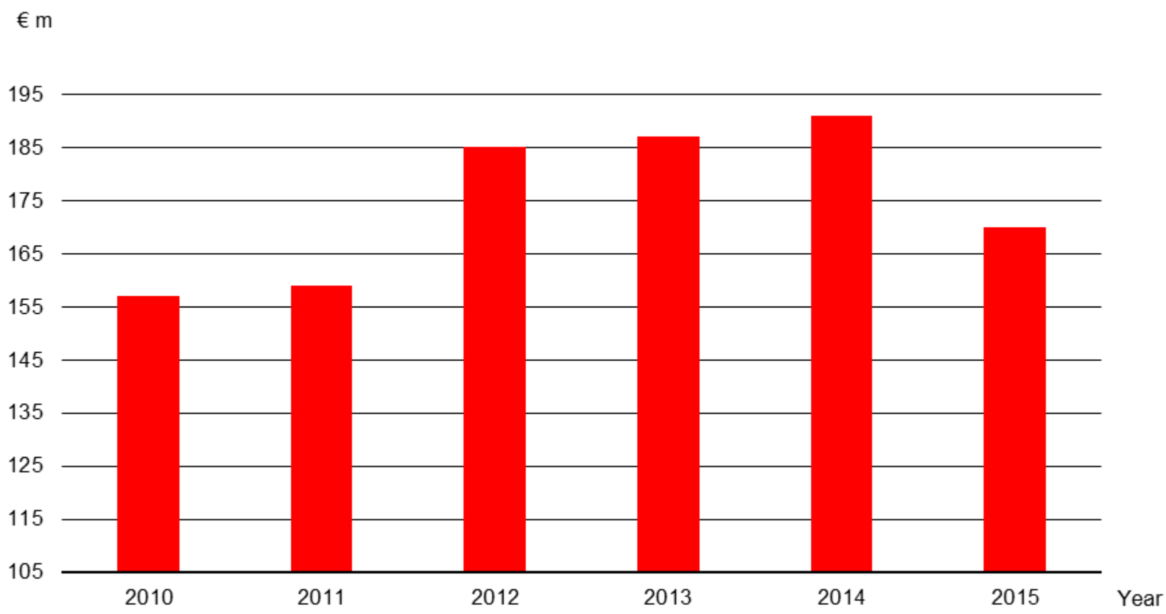
Other administrative expenses rose against expectations by € 6 million to € 83 million (previous year € 77 million). Reductions were recorded in particular in the area of information technology, marketing expenses as well as building costs, which were significantly overcompensated by increases in project-related expenses and legal costs.

Other administrative expenses rose primarily as a result of the decision taken at the 261st meeting of the IDW Bankenfachausschuss (Panel of Banking Experts) that was announced on 6 July 2015 stipulating that the expense for the bank levy of € 6 million (including previous year's value: € 3 million) is to be reported as a component of general administrative expenses (previously "other operating expenses"). Additionally, the expense for the EU deposit guarantee scheme reported in 2015 with the total amount of € 8 million is € 3 million higher than the expenditure of € 5 million incurred as at the previous year's reporting date. Due to the Bank's membership of the bank-related deposit protection scheme for landesbanks and girobanks as well as the bank levy, special payments may also be requested from Bremer Landesbank in the event of compensation and support measures that result in an underfunding of these institutions. Whether and to what level such payments come about cannot currently be foreseen due to the calculation method that is based on a relative development of bank-specific parameters as compared to the industry. However, current payment obligations may result in a fundamental depressive effect on the Bank's earnings, financial and asset position.

Taking the aforementioned effects into account, other administrative expenses developed at a level slightly higher than planned.

For 2016 a clear increase in staff expenses is expected as the current collective bargaining agreement expires in summer. In 2016 other administrative expenses will largely be influenced by large projects. The Bank is expecting a noticeable rise in the coming year.

Administrative expenses year-on-year:



Depreciation and impairments

Depreciation and impairments of intangible assets and property and equipment totalled € 5 million (previous year: € 4 million).

The valuation result in the lending and securities business and from Bremer Landesbank's investments has fallen significantly compared to the previous year and led to a net expense of € 397 million (previous year: € 174 million).

In the 2014 Management Report, the Bank assumed that risk provisioning would be roughly at the level of 2014 if there was no recovery in merchant shipping. Due to the worsening of the crisis in the second half of 2015, in particular in the bulker segment, deductions from the recovery potential of the assumed future charter income of the ships and individual provisions were made, increasing the depressive effects significantly.

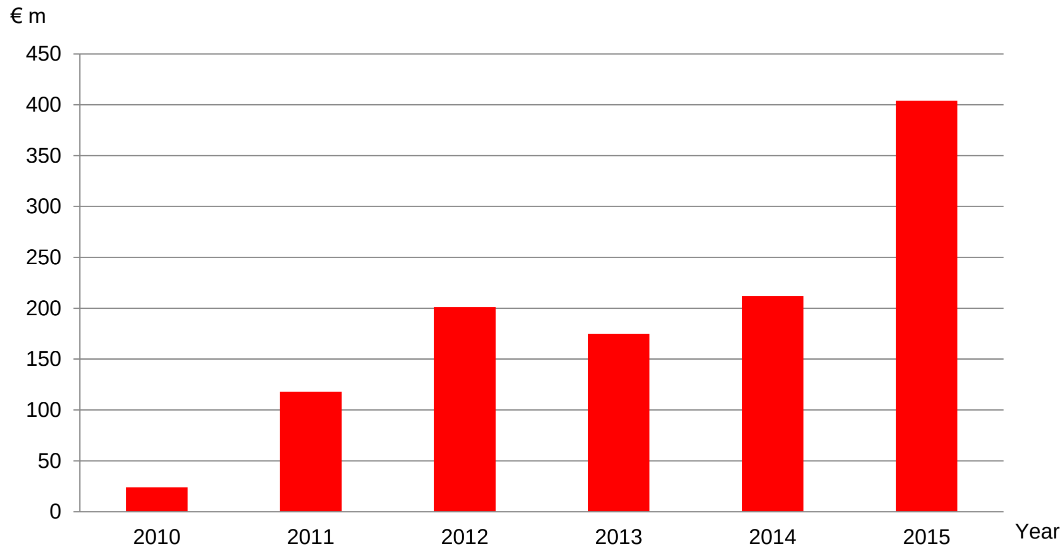
The business development of Bremer Landesbank remains under pressure from the crisis in the shipping segment. Currently the shipping segment is exposed to new depressive factors due to falling growth rates in the emerging economies. This is expressed in a rise in risk provisioning in the financial year 2015, pressure on equity ratios and the continued need to restructure and reduce commitments in this segment. A long-term recovery of the shipping sector remains uncertain due to high levels of overcapacity. In the near future, Bremer Landesbank expects that risk provisioning that will only reduce slowly in coming years on the basis of a gradual recovery in charter rates. The Bank uses external forecasts by the independent valuer Weselmann as well as from the leading market research institutes Marsoft and MSI for the assessments of the future development of shipping.

Value adjustments of € 8 million had to be made on the securities portfolio of the liquidity reserve after no notable amounts were recorded here in the previous year; this is seen alongside realised income from securities of the liquidity reserve (€ 4 million) and from securities of fixed assets (€ 2 million).

In 2015 the sale of an investment and the assumption of losses for a subsidiary produced a net contribution to earnings of € 4 million. In 2014 a one-time investment transaction that realised existing reserves in the region of € 37 million had a significant impact on the Bank's income.

For the risk provisioning in the shipping segment, gradually falling expenses are assumed on the basis of gradually recovering charter rates. Depressive factors from the shipping segment continue to be assumed due to a potential deterioration of the global economic environment. Deviations from the valuation parameters assumed for the shipping sector (e.g. a further delay in the recovery of the market) as well as the sale or reduction of non-performing ship loans could continue to have a significant impact on the level of the risk provisioning.

Expenses for risk provisioning:



Fund for general banking risks

The fund for general banking risks in accordance with § 340g of the German Commercial Code (HGB), which is part of the Common Equity Tier 1, is € 589 million. An allocation to the fund of € 3 million was made in the financial year 2015.

Additionally, in the previous years 10 per cent of net earnings from the trading portfolio was allocated to a separate, sub-item that is barred from distribution under § 340g of the German Commercial Code in accordance with § 340e (4) of the German Commercial Code. With the allocations in previous years, 50 per cent of the average net income from the trading portfolio for the last five years was reached. In the adjustment to the five-year average, € 1 million was taken from this fund. Overall, the fund for general banking risks is now € 596 million (previous year: € 594 million).

Profit/loss from ordinary activities

The profit from ordinary activities in 2015 is € 9 million, compared with € 26 million in the previous year, representing a fall of 65 per cent. Against the background of particularly high risk provisioning in 2015, the measures for increasing the Tier 1 capital ratio and other compensatory measures, the Bank deems the fallen income from ordinary activities to be just about adequate.

Extraordinary result

In 2015, extraordinary earnings totalled approximately € 4 million (previous year: € -6 million).

In 2015 extraordinary expenses of € 6 million for the BilMoG conversion effects for pension provisions (previous year: € 6 million) were recorded.

Due to the assets of the wholly-owned subsidiary “BLB Grundbesitz KG” accruing to Bremer Landesbank within the scope of measures under company law, an extraordinary profit of € 10 million was realised.

Tax expenditure

The tax expenditure for Bremer Landesbank fell to € 13 million (previous year: € 20 million) due to the lower earnings compared to the previous year due to valuation provisions under tax law and the resulting lower taxable income.

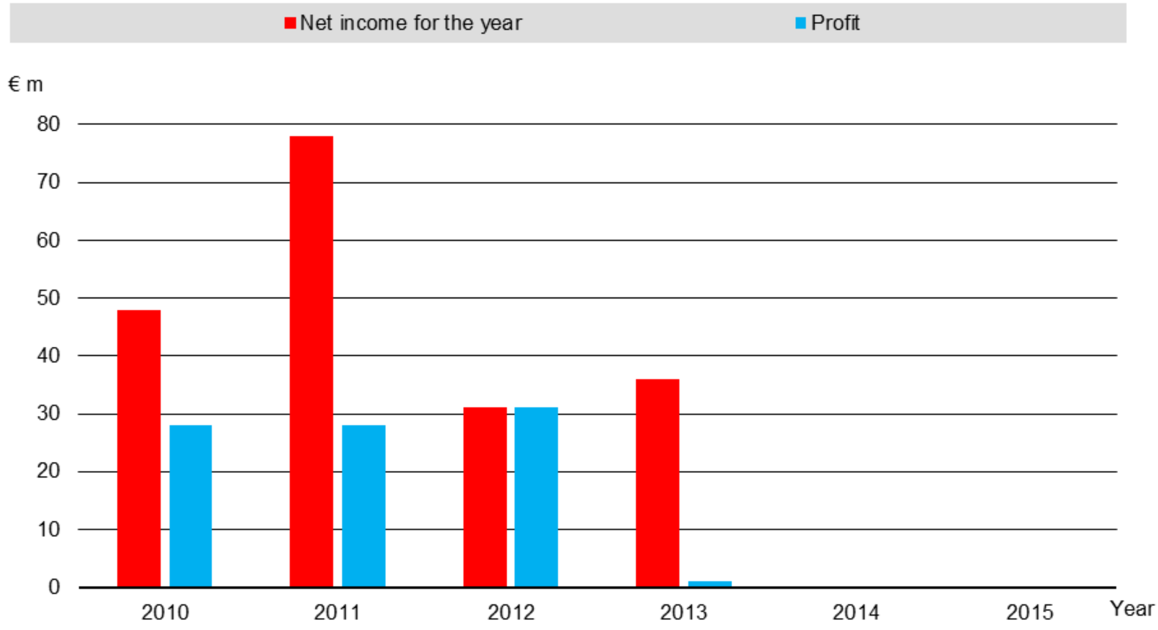
Net income for the year and appropriation of profit

The Bank had forecast a balanced net income for 2015.

Net income for the year stood at € 0 million against € 0 million at the end of 2014. The Bank strengthened its regulatory capital by making taxed reserves. No distribution to the owners can therefore be made.

The Bank believes that the operating profit/loss for 2016 will again be used for portfolio optimisation and therefore also to strengthen regulatory capital indicators. Accordingly, a balanced profit/loss will be achieved in turn. In the medium term, a balanced relationship between appropriate dividends and further increases in capital will be sought.

Net income for the year and profit year-on-year:



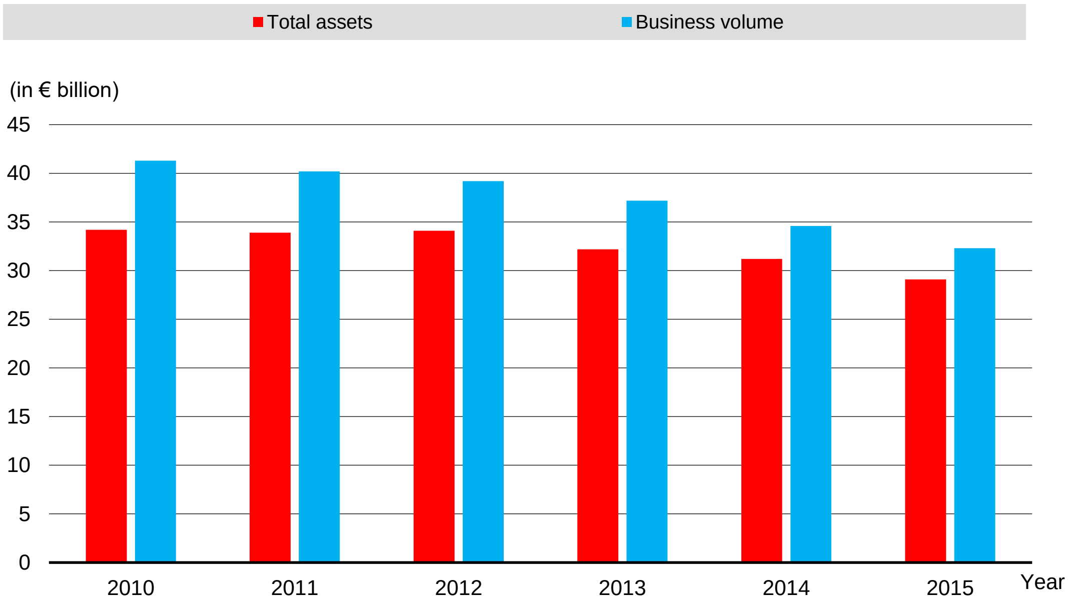
2.3.2 Financial and Assets Position

Total assets and business volume

As in previous years, the Bank concentrated more intensively on business that promised a good balance between profitability and pressure on equity. On the assets side, interbank transactions, and in particular loans and advances to associated savings banks, were down. Similarly, the Bank's own securities reduced gradually. Regarding refinancing, liabilities to banks and securitised liabilities were down.

Overall, total assets decreased to € 29.1 billion (previous year: € 31.2 billion). The business volume also fell by € 2.3 billion or 7 per cent to € 32.3 billion due to lower contingent liabilities.

Total assets and business volume year-on-year:



Loans and advances to banks

In municipal lending business, which is defined by business with associated savings banks, a fall of 5 per cent was reported. Loans and advances to banks fell in total by € 157 million to € 3.494 billion.

Loans and advances to customers

Loans and advances to customers remained constant compared to the previous year at around € 22 billion due to maturing positions in excess of new business and the counteracting upward valuation of USD loans and advances to customers. Loans and advances to customers account for 75.3 per cent of total assets (previous year: 71.5 per cent). Please see the notes on the development of the segments for a more detailed analysis of this balance sheet item.

Debt securities and shares

The Bank incrementally reduced its portfolio of debt securities and other fixed-interest securities over the reporting period by € 1.3 billion to € 2.8 billion. The largest proportion of securities is composed of listed instruments from public issuers with a comparatively low risk. At € 19 million, shares and other non-fixed-interest securities (previous year: € 28 million) continue to play only a minor role.

Trading portfolio

The trading portfolio of Bremer Landesbank with positive market values is € 216 million (previous year: € 292 million). The long-term derivatives are kept in the trading book and act as hedges for interest and foreign currency risks in the banking book. They are usually concluded with offsetting transactions and are open-ended. Therefore, the trading portfolio of a bank usually increases incrementally. As has already been practised on a number of occasions, in 2015 the Bank performed a profit-neutral adjustment of the trading portfolio.

Investments and shares in affiliated companies

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

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

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

In 2015 BLB restructured its investment portfolio. BLB Grundbesitz KG, which to date has acted as an investment holding company, was merged with BLB. The outcome of this transaction was that the portfolio of shares in affiliated companies fell to € 73 million at the end of the year (previous year: € 162 million). As at 31 December 2015 the investment portfolio stood at € 52 million (previous year: € 15 million) due to the addition of the share in BREBAU GmbH previously held by a wholly-owned subsidiary.

Trust assets, liabilities and property and equipment

The trust assets held by the Bank and the corresponding trust liabilities in the same amount fell by € 113 million to the current level of € 15 million. The reason for the fall is in particular the accretion of the assets of "BLB Grundbesitz KG" set referred to in section 2.3.1, following which investments and property held on trust for this company with a total carrying amount of € 89 million are now held directly by the Bank. The growth of property and equipment is a result both of this and the construction progress for the new building at Domshof, Bremen.

Liabilities to banks

The Bank also uses liabilities to banks as a means of refinancing. Over the financial year these fell by € 0.6 billion to € 10.6 billion (previous year: € 11.2 billion). The volume of registered Hypothekenpfandbriefe and registered public securities in circulation as well as the other liabilities to banks reduced.

Liabilities to customers

The refinancing of the Bank under the liability item liabilities to customers totalled € 9.8 billion (previous year: € 8.9 billion). Deposits due on demand rose to € 3.7 billion (previous year: € 2.8 billion). Issued registered public securities fell to € 1.9 billion (previous year: € 2.2 billion). Savings deposits were stable at € 207 million (previous year: € 220 million).

Securitised liabilities

Securitised liabilities are one of the Bank's major sources of finance and decreased by 28.2 per cent to € 5.3 billion, compared with € 7.3 billion in the previous year. A differentiated presentation of refinancing at the Bank via the various issuing programmes is shown in the notes on the Financial Markets segment and in the Financing section.

Trading portfolio

The trading portfolio of Bremer Landesbank with negative market values is € 66 million (previous year: € 244 million). The long-term derivatives are kept in the trading book and act as hedges for interest and foreign currency risks in the banking book. They are usually concluded with offsetting transactions and are open-ended.

Provisions

At year-end 2015, Bremer Landesbank's provisions of € 150 million are well below the level of the previous year (€ 309 million).

Provisions for pensions and similar obligations, which are based on actuarial reports, fell by a total of € 149 million to € 100 million. This development was largely influenced by the transfer of some pension provisions to Bremer Landesbank's Unterstützungserichtung (provident fund).

In 2015 the Bank decided to transfer the responsibility for a further part of the existing pension obligations. If, taking fiscal restrictions into account, a further transfer of pension obligations was transferred to Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen, the pension obligations will be met indirectly via the Unterstützungseinrichtung (provident fund). The proportion of the pension obligations not transferred to the provident fund will remain directly with the Bank and are therefore recognised as liabilities in the balance sheet. This transfer does not relieve the Bank of its original obligation under the company pension arrangements, but instead these remain with the funding company within the scope of subsidiary liability.

Due to the change in the measurement of pension provisions under the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) in the financial year 2010, Bremer Landesbank's pensions provisions need to be increased by making a total allocation of € 93 million. At least one-fifteenth of the allocation amount resulting from the remeasurement of the pension provisions has to be accrued in each financial year until at the latest 31 December 2024 (art. 67 para. 1 of the Introductory Act of the German Commercial Code (EGHGB)). Therefore one-fifteenth (€ 6 million) of the total allocation calculated as at 1 January 2010 was allocated to pension provisions in the financial year 2015. To date a total of € 37 million has been allocated to pension provisions in accordance with this transitional arrangement.

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

At € 16 million, tax provisions are slightly above the previous year (€ 13 million). Other provisions fell by € 13 million to € 34 million in 2015. Large portions of the other provisions are related to staff expenses, such as early retirement obligations (€ 10 million) and completion bonuses (€ 4 million). The loan loss provisions also included here rose moderately from € 8 million to € 9 million.

Subordinated liabilities

Subordinated liabilities fell compared to the end of the previous year due to maturities to € 600 million (previous year: € 750 million).

Instruments of Additional Regulatory Tier 1 Capital

In 2015 subordinated bearer debt securities of a total volume of € 150 million were issued that meet the requirements for the recognition of Additional Regulatory Tier 1 capital. The issued Additional Tier 1 bonds are an entitlement to uncollateralised, subordinated liabilities of Bremer Landesbank with no maturity date.

Equity

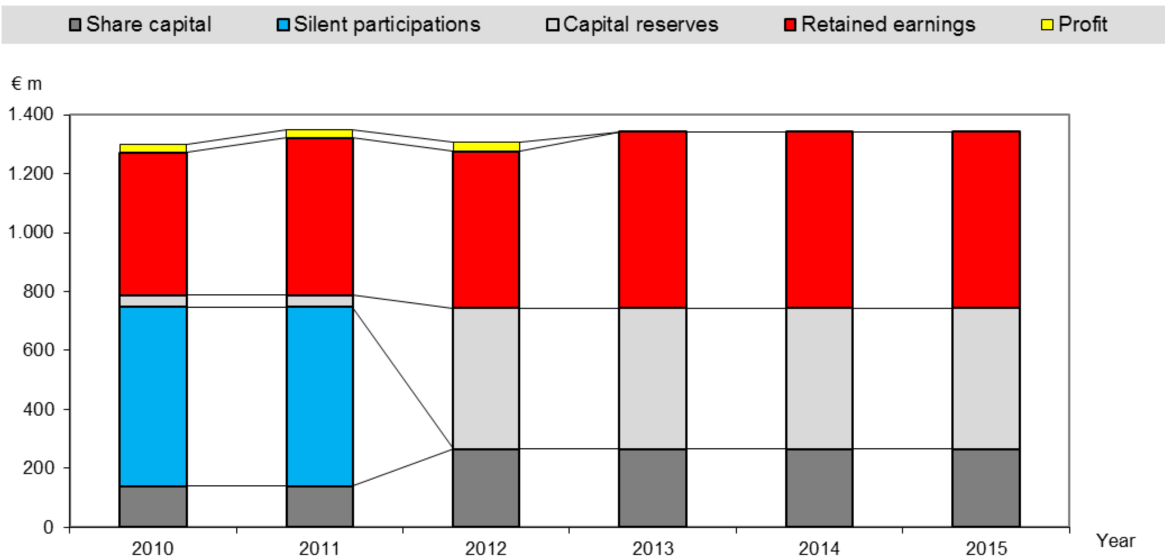
Reported equity totals € 1.343 billion (previous year: € 1.343 billion). Of this € 265 million is again attributable to share capital and € 478 million to capital reserves. Retained earnings remain at € 600 million.

The Bank also opted to strengthen its Common Equity Tier 1 by making taxed reserves in the amount of € 3 million.

At year-end, the Common Equity Tier 1 capital ratio was 10.8 per cent (previous year: 8.0 per cent). The taxed reserves made and the valuation allowances for 2015 audited in the preparation of the Annual Financial Statements are accounted for in the regulatory reporting after the Annual Financial Statements have been adopted. If the valuation allowances audited in the preparation of the Annual Financial Statements had been considered at year-end, the Common Equity Tier 1 capital ratio would have been 11.8 per cent (previous year: 9.0 per cent).

As before, Bremer Landesbank does not require any government aid.

Equity components year-on-year:



Contingent liabilities

Liabilities from guarantees and other indemnity agreements amount to € 1.4 billion (previous year: € 1.5 billion).

While contingent liabilities from traditional off-balance sheet business remained more or less unchanged, the volume of credit default swaps (CDSs) for which Bremer Landesbank is the protection seller decreased as swaps matured and positions were systematically unwound. Due to the difficulties which have arisen in the international financial and capital markets since 2007 and the related increased volatility of credit spreads, the Bank has discontinued all new business in this area except for a small number of selected position liquidations and hedges.

The Spanish bank Bankia has been the subject of a restructuring credit event since mid-2013. The Bank has to date received no credit event notice in relation to the CDS contract on the company for a volume of € 20 million that is still part of the portfolio.

The Irish bank Permanent TSB (formerly Irish Life and Permanent) has been the subject of a restructuring credit event since 2010. No credit event notice has as yet been issued to the Bank in respect of the remaining CDS contract for maturing positions in 2014 (nominally € 20 million) as well as close outs (nominally € 15 million) for € 10 million.

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

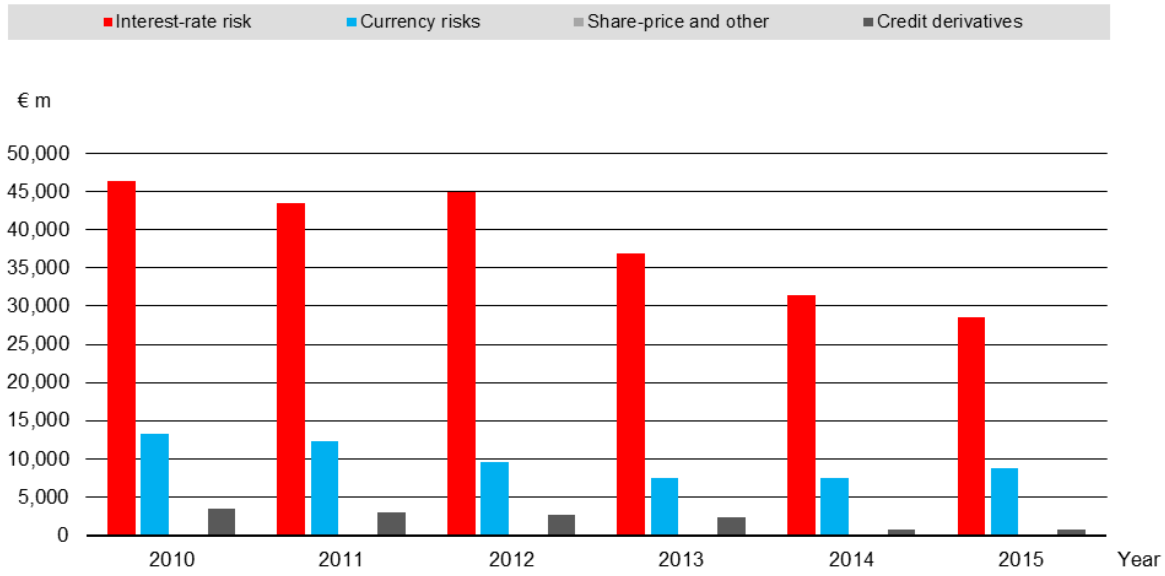
Other obligations

Irrevocable credit commitments which were not taken up amounted to € 1.8 billion on the balance sheet date (previous year: € 1.9 billion).

Derivative financial instruments

Bremer Landesbank enters into derivative transactions mainly for the purpose of managing and hedging interest rate and foreign currency risks. The nominal volume at year-end 2015 amounted to € 38.0 billion, compared with € 39.6 billion in the previous year, i.e., approximately 1.3 times (previous year: 1.3 times) total assets. Compared with other institutions in the sector, Bremer Landesbank only engages in such transactions to a relatively minor extent. Almost all counterparties are banks located in OECD member countries and therefore may be assumed to have a sound financial background. For detailed information on volumes and a maturity and counterparty breakdown, please refer to the information in the Notes to the Annual Financial Statements of Bremer Landesbank.

Derivative volumes year-on-year:



Synthetic securitisation

Securitisation is an instrument available to Bremer Landesbank to control credit risks. The aim of the securitisation activities is to reduce the burden on regulatory equity requirements. To diversify the credit portfolio the existing credit risks on the Bank's own books may be passed to other market participants. In 2015 Bremer Landesbank originated its first securitisation transactions. In year under review Bremer Landesbank structured a securitisation for a credit portfolio with an initial volume of around € 2.145 billion from the asset classes Renewable Energies, Corporate Customers, Social Welfare Facilities, Commercial Real Estate and Ships. A guarantee with an initial volume of around € 106 million with effect of 16 December 2015 was entered into with a private guarantor to hedge the credit risks contained therein. The contractual term of the guarantee is twelve years. The first loss tranche held by Bremer Landesbank totals € 10 million and has not been utilised to date.

2.3.3 Additional Information

Performance indicators

Earnings before taxes were € 13 million (previous year: € 20 million).

The RoE for the financial year 2015, calculated using the formula defined in the Integrated Bank Management section, was 0.7 per cent after 1.9 per cent in the previous year. As in the previous year, the low level is due to the low operating result following the high risk provisioning expense.

The CIR fell slightly to 29.9 per cent after 44.0 per cent in 2014. The fall in the CIR is mainly due to one-time effects that increased operating income.

As at 31 December 2015, the risk ratio (defined as the ratio of risk provisioning (excluding changes in the fund for general banking risks in accordance with § 340f of the German Commercial Code) to risk-weighted assets) is 2.7 per cent (previous year: 1.2 per cent). The rise in the risk ratio is due to the significant increase in risk provisioning expenses with a simultaneous fall in risk-weighted assets.

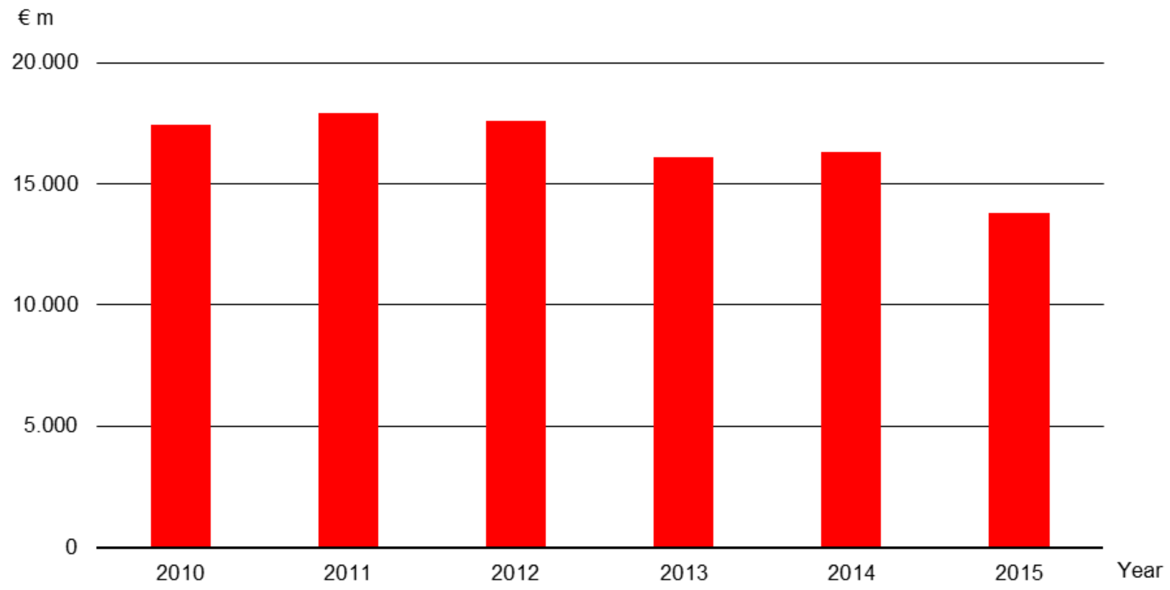
Capital requirements under the Capital Requirement Regulation [(CRR) Basel III] applicable from 2014 are in the region of around € 1.1 billion (previous year: approximately € 1.3 billion), equivalent to risk-weighted assets of approximately € 13.8 billion (previous year: € 16.3 billion). The overall ratio is 13.3 per cent, compared with 9.6 per cent at the previous year-end.

The utilisation rate in the risk-bearing capacity with a confidence level of 95 per cent is 44 per cent as at 31 December 2015 and is therefore well below the level of 94 per cent as at 31 December 2014[3]. This improvement is mainly attributable to the measures for strengthening risk capital implemented in the year under review as well as the reduction of risk-weighted assets such as the issue of long-term subordinated bearer debt securities (AT1-Bonds), issue of an initial synthetic securitisation transaction, restructuring at individual case level for ship finance.

[3] Difference compared to the previous year due to raising of the confidence level to 95 per cent (previous year 90 per cent) and adjustment of the risk capital.

Exposures/risk-weighted assets

Exposures/risk-weighted assets year-on-year:



Financing

In 2015, bearer and registered debt securities were once again the most important source of medium to long-term refinancing for the Bank. The gross volume of issues transacted by Bremer Landesbank was € 1.1 billion (previous year: € 1.4 billion). The volume of debt securities in circulation at year-end 2015 was € 9.8 billion (previous year: € 12.5 billion) and breaks down as follows:

	Debt securities	
€ million	**31.12.2015**	**31.12.2014**
Hypothekenpfandbriefe and Schiffspfandbriefe	925	1,050
Öffentliche Pfandbriefe	3,578	4,552
Other debt securities	4,753	4,697
Medium-term notes	359	2,209
Additional Tier-1 bonds	150	-
Total	**9,765**	**12,508**

The volume of promissory notes was € 1.4 billion as at 31 December 2015 (previous year: € 1.8 billion). The total volume of refinancing loans from the European Investment Bank (EIB loans) was approximately € 0.1 billion as at 31 December 2015 (previous year: € 0.5 billion). As in the previous year, there is no volume in circulation in the European Commercial Paper Programme (ECP Programme) as at 31 December 2015.

As part of refinancing and liquidity management during the year, Bremer Landesbank has also made sporadic use of the various instruments of the European Central Bank, in addition to the interbank and repo markets in 2015.

For more details, please see the Risk Report and Development of Business Segments.

Investment activities

Bremer Landesbank invests substantially in modernising and redesigning its buildings. The construction work on the new bank building in Bremen commenced in 2014 and continues to progress according to plan. The work on the outer shell of the building is complete, and the interior work is progressing rapidly. The building will be used for banking purposes from the middle of 2016. The total investment volume will be in the high double-digit millions.

Staff and sustainability

In financial year 2015 the strategic focus on sustainability continued. The transfer of the guidelines approved by the Management Board into the written rules of procedure is complete.

For the first time in 2015 sustainability issues were included in the target-agreement process and therefore had an impact on the measurement of budgets for variable remuneration. The progress of the sustainability programme for 2015-2016 passed in 2014 was reviewed at the start of the year and the Management Board was informed.

In summer 2015 the Bank introduced an environmental management system to systematically record consumption and derive appropriate measures. In supplement to the Sustainability Report published in 2014 the Bank also signed the Declaration of Conformity with the German Sustainability Code and thus published a current report format. In parallel to this, selected additional environmental and staff figures as well as the Bank's ethical principles were published on the homepage.

The Bank continues to participate regularly in events, workshops and seminars run by external institutions to quickly identify current developments and trends and to continue its progress in the area of sustainability. Additionally, Bremer Landesbank takes part in the regular discussions between sustainability officers of the NORD/LB Group.

Performance indicators for the remuneration system for the Management Board

The remuneration of the Management Board is made up of a fixed annual salary and a variable component.

The Supervisory Board decides on the level of the variable component taking into account the targets and results achieved. The degree to which the Management Board has achieved its targets is measured by comparing results against targets at Bank and individual level. The degree to which individual targets are met is measured by comparing results against not only personal targets, but also departmental targets.

Bank targets comprise the following quantitative targets:

- Annual earnings before taxes (IFRS individual financial statement)
- Annual earnings before taxes before recognising reserves in accordance with § 340 f/g of the German Commercial Code (HGB individual financial statement for a public corporation)
- RWA+[4]
- RWA productivity[5]
- Cost-income ratio
- Common Equity Tier 1 capital ratio

and is weighted 80 per cent overall. The individual target consists of quantitative and qualitative criteria and is weighted 20 per cent. The criteria reflect the Bank's position, the success of the department for which the Management Board member is responsible and the individual tasks and performance taking into account the risks taken.

Since financial year 2014 the variable component of the Management Board remuneration has been spread over a retention period of five years and paid in instalments taking risk criteria into account. 50 per cent of the variable remuneration component is linked to the sustainable rise in the enterprise value.

Further information on the Management Board's remuneration and the structure of the remuneration systems is published in the Disclosure Report in accordance with § 16 of the Institute Remuneration Act (*Institutsvergütungsverordnung*) in conjunction with Article 450 of the CRR.

[4] The Bank understands RWA+ to be the capital requirements converted to risk-weighted assets, increased by the shortfall converted to risk-weighted assets.
[5] The RWA productivity is defined as ((contribution margin 3 + risk provisioning - risk premium) / RWA+ on deadline)

2.3.4 Development of the Segments

Corporate Customers

The Corporate Customers segment comprises business conducted by the Bank with corporate customers in the North-West of Germany. It is a reliable and innovative financial services partner for this target group.

The Corporate Customers segment aims to be the leader in corporate customer business in the region and underpin this with a consistently growing market share. The segment wants to operate as a specialist partner and offer individual consultation with tailor-made solutions for its customers. In order to further pool its expertise on key sectors, the Corporate Customers segment was restructured in the second half of 2015 along corresponding fields of competence. In the course of this the Social Welfare Facilities segment, which focuses on financing care homes, was integrated into the segment.

Traditionally, Bremer Landesbank has a reputation in the region for being a steady, reliable and competent partner. This high level of trust is also regularly confirmed in customer-satisfaction analyses. This is viewed as a strong basis for acquiring new customers and for assuming the role of the house bank for even more renowned companies.

Earnings remained on the whole stable in the past year. However, many customers have very good liquidity levels which resulted in lower utilisation of short-term loans with very high deposits at the same time. Risk costs, on the other hand, developed very positively.

The hedging of agricultural portfolios offered by Bremer Landesbank as part of its agricultural commodity trading continued to develop positively. To expand its product range, as of this year Bremer Landesbank has offered its customers who operate in the milk sector the opportunity to benefit from the hedging opportunities of commodity forward contracts via milk contracts.

Special Finance

In the second half of 2015 Bremer Landesbank partly restructured its segments and modified its structural organisation. This pooling of areas of competence should increase the specialist know-how and improve the focus on customer needs. Ship Finance is a separate segment, and Social Welfare Facilities was integrated into Corporate Customers. Special Finance continues to cover the strategic business units Refinancing of Equipment Leasing and Factoring Companies, and Renewable Energies with its Wind, Photovoltaics and Biogas subsegments. In the NORD/LB Group Special Finance is part of the value driver Energy and Infrastructure Customers.

Bremer Landesbank's Special Finance segment continued to develop well in 2015 and continued along its growth path. Income forecasts were almost met and in future income will be increased with the gradual increase in assets. Renewable Energies are the strongest growth driver in this respect. The segment's risk provisioning is at a moderate level. Only in the Biogas segment were notable valuation allowances recorded – this is currently in a restructuring phase and in the medium term there will be a portfolio reduction. Risk weighting for the segment as a whole remains low.

In the Refinancing of Equipment Leasing Companies, Bremer Landesbank maintained its position as a leading financier of middle-market leasing companies in 2015. New business was moderately below plan due to the in part high levels of liquidity available to leasing companies. The income forecast was not entirely met due to the pleasing syndication business of recent years. Overall the segment is closely linked to the wider economy and investment demand. The refinancing of factoring companies is still being gradually expanded and rounds off the portfolio. Additionally, the refinancing of contracting standard price claims was initiated this year, whereby leasing companies act as intermediaries in the first instance. This has extended the existing product range and places the business approach on an increasingly broad footing meaning, that any reduced potential for new business due to consolidation tendencies of the target SME segment can be compensated for. In the context of KfW global loans, Bremer Landesbank has strengthened its refinancing basis for the segment – an initial tranche was utilised in 2015. The competence centre function within the NORD/LB Group provides further potential for growth – including as a reliable partner for banks and manufacturers' leasing subsidiaries.

In the Renewable Energies segment new business developed positively in 2015 and was above expectations. The amendment of the German Renewable Energies Act (EEG) which took place in mid-2014 continues to provide the requisite planning certainty for project finance and corresponding business potential. Some delayed project implementations resulted in the volume of assets being slightly below plan, although this is gradually being caught up. Earnings remain within the ambitious growth corridor. The subsegment of Onshore Wind Power in Germany, including the increasing share of repowering, remains the main earnings driver and confirmed the strong market position it had predicted. Additionally, a further offshore project was financed in 2015. As expected, due to the EEG amendment the Photovoltaics subsegment offers low potential for new business compared to previous years, with smaller individual projects. Within the NORD/LB Group, Bremer Landesbank is the competence centre for biogas and photovoltaics in Germany. It also supports experienced customers in selected ventures in other European countries. Despite anticipated EEG amendments and increasing market components such as the invitation-to-tender process in the Wind Power segment, strong future growth opportunities also exist in the context of the shift in energy policy, which remains a goal.

Bremer Landesbank's Special Finance segment believes that, with its segments and focus on long-term, reliable customer relationships, it is well positioned and will be able to achieve sustained growth.

Ship Finance

In the second half of 2015 Bremer Landesbank partly restructured its segments and modified its structural organisation. This pooling of areas of competence should increase the specialist know-how and improve the focus on customer needs. With its important portfolio, Ship Finance now constitutes a dedicated segment and is no longer part of Special Finance.

In light of the crisis in the shipping sector, the segment continued its crisis management in 2015. New business is entered into only on a highly selective basis and mainly against the background of restructuring requirements or to maintain or convert the ships and in some cases their revenue options. Whilst the number of financed ships was further reduced, the exposure has risen due to the comparatively strong USD. Income benefited accordingly from currency trends and exceeded expectations. Further, the crisis activities and lending is considered appropriately in the arrangement of terms against the background of the risk situation and capital adequacy requirements. The debt rescheduling and restructuring activities are being driven forward with the ongoing crisis. The ship portfolio was and remains subject to a high level of risk provisioning and the valuation allowances that have been made are being partly utilised for portfolio adjustments.

The slight recovery tendencies in container shipping in the first half of 2015 did not take root and the market slumped again over the course of the year. In the case of smaller units that make up the lion's share of Bremer Landesbank's container portfolio, a sideways movement at a low level was recorded. 2015 was a positive year for the relatively small tanker segment within the segment, charter rates for multi-purpose ships and in particular in bulk shipping on the other hand fell further and no significant recovery is expected for 2016. The oversupply of tonnage will continue to influence the markets and put further pressure on the already low freight and charter rates. Accordingly, ship values will remain at a low level and require further restructuring and reduction measures in the portfolio. New-ship orders for energy-efficient and larger units are fuelling cut-throat competition and providing for additional tonnage capacity and pressure on freight rates. Older ships that remain cheap in the market due to crisis sales and can operate so as to cover the cost of loan servicing do not contribute to the shortage of supply and to some extent desirable scrapping. On the demand side the focus is on the economic prospects and the anticipated world trade volume. Here further growth potential and a continuing high significance of ocean-transport for global trade is evident in the medium term.

Ship finance will remain a key portfolio for Bremer Landesbank. The objective is to further reduce exposure, increase risk-bearing capacity and capital ratios and to reduce the proportion of problematic loans. After further successful restructuring along with stabilising and again more positive market data, increasing redemption payments can again be used for new business. The Bank’s many years of expertise and experience in ship finance will continue to generate business opportunities and sustained earnings for the business model of Bremer Landesbank.

Private Customers

The debt crisis in the European Union and the associated low interest rate policy of the ECB are influencing private customer business. Additionally, the ongoing ripples of the crisis in the global financial markets can still be felt.

In 2015, too, the capital markets temporarily hit new highs on the indices. Private investors reacted in a reserved manner to the positive trend, and uncertainty and caution remained characteristic of customer behaviour.

Interest rates remain at a very low level due to the ongoing sovereign debt crisis in the EU. As a result there is little scope for interest-rate structuring. Customers have an increased need for information, which Bremer Landesbank is actively catering for through its professional customer management.

Customers’ wishes for comprehensive advice can also be seen in a further increase of assets under management. The portfolio of assets under management managed by Asset and Portfolio Management as a competency centre performed impressively with the SIP® investment process designed and implemented in-house. The SIP® investment process also comes to bear in asset management, the SIP® fund product family and also in the consultancy process.

As well as the entrepreneurs’ private life situation, the business aspect is also considered in the comprehensive advice. The Private Customers segment also works with other market divisions of the bank in this consultancy approach under the umbrella term “entrepreneur banking”. This area continues to expand successfully and is cementing existing customer relationships with Bremer Landesbank.

According to research by independent institutions, the core competence of comprehensive advice practised in Private Banking features a high quality of service and is among market leaders in Germany and has received a number of awards.

Activities in lending business are pooled into individual investor and freelancer business. Despite the low interest rates and intense competition, which is noticeable in particular in standard business, high-quality advice and tailor-made solutions have made their mark.

The continuing volatility in the international financial and capital markets affects investor behaviour. Interest rates, which are expected to stay low, are putting pressure on the margins for investors and banks in the deposit and lending business.

The continuing density of regulations is producing further cost pressure and is having a negative effect on the profitability of the business model.

As in previous years, a significant focus of business activities in 2015 was asset management with products related to the umbrella fund concept. These managed volumes increased further in the past year. Initial successes with the umbrella fund concept were also achieved as a risk-insurance wrapper.

Growth was achieved in the complex finance business with investors and freelancers thanks to tailor-made solutions and professional advice.

Financial Markets

Bremer Landesbank's Financial Markets segment provides access to the national and international financial markets for private and institutional customer groups as well as for the Bank's proprietary business. Refinancing measures carried out by Bremer Landesbank both during the year and for periods longer than one year are also carried out by the Financial Markets segment. As part of refinancing and liquidity management during the year, Bremer Landesbank has also continually made use of the various instruments of the European Central Bank, in addition to the interbank and repo markets in 2015.

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

The management of liquidity risks and interest-rate risks, ensuring that the bank has continuous liquidity and providing the above-mentioned commercial customers with money market and capital market products, are the focus of the trading unit.

Money and capital market operations took place in a European market still shaped by international and multi-institutional efforts to contain the consequences of the euro crisis and its impact on the financial and real markets in the countries of the eurozone, especially Greece, in 2015.

In the financial markets, slight rises in interest rates compared to previous years and some record levels in main stock markets were seen in 2015, although the latter came under some pressure during the second half of the year. Despite the difficult market environment, the Treasury, trading and sales activities of Bremer Landesbank's Financial Markets units proved to be stable on the whole.

Public-Sector Customers

An increasing focus of business activities in the network is the refinancing of the public sector, which experienced strong demand in 2015. Apart from offering finance to regional authorities, sales activities for the previous year also included supporting the Savings Bank Network in the area of public-sector finance.

Savings Banks

In the face of an economic environment that remains difficult in 2015 and continued strong competition, the Financial Markets segment nonetheless succeeded in achieving a satisfactory result in business with the Savings Bank Network in the business region with comprehensive support in lending, money and capital market business.

In syndicate business with corporate customers of the Savings Bank Network, sales activities again focused on traditional financing as well as interest and currency management and international documentary business.

Bremer Landesbank also involved the Savings Bank Network in its successful special/project financing business through syndications.

Institutional Customers

In the money and capital market, which continues to be influenced by the economic environment, in 2015 the sales units of the segment recorded sustained, intensive demand for consultancy and hedging for liquidity, interest rate, commodity and currency management for the customers they support.

This has been associated with correspondingly positive revenues in customer business.

In 2016 the Financial Markets division of Bremer Landesbank will support the customer groups it caters for in its sales approach via its Trading, Treasury and Sales units and will perform its tasks required for Bank Management.

This includes the implementation of measures in the Bank’s strategic portfolios and fine-tuning of liquidity levels as required under ALCO.

Business with public-sector customers focuses particularly on new business with strong earnings taking into account a refined credit rating.

The relationship approach is being consistently pursued in business with affiliated savings banks.

The successful Sales SBU concept for a range of customer groups of Bremer Landesbank will be continued. Adjustments will be made on an ongoing basis in strategically-oriented quality assurance measures in order to achieve the continued ambitious sales targets in a business environment that remains difficult due to the volatile conditions. Sales management is performed primarily via products that contribute to service and trading profit.

2.3.5 Overall Assessment

In 2015 the considerable difficulties in the shipping markets again had a significant influence on Bremer Landesbank's result in accordance with the German Commercial Code. Additionally, measures were taken to increase the Tier 1 capital ratio against the background of increasing regulatory requirements. However, the Bank was able to cope with the effects well on account of its strong earnings and the compensating measures implemented. The Bank considers the balanced income achieved under these challenging conditions in 2015 to be just about satisfactory on the whole.

This is an endorsement of Bremer Landesbank's focus as a regional bank – with supra-regional specialist finance business – in and for the North-West of Germany. In close cooperation with the savings banks and its association partners, Bremer Landesbank has firmly positioned and established itself as a leading bank in the region. The Bank is still the most significant partner for small and middle-market businesses in the North-West of Germany. Bremer Landesbank has adopted a position whereby it can stabilise its business growth in 2016 under conditions that will remain challenging and drive it forward in the medium term in line with objectives.

3. Supplementary Report

There were no events of special significance for the economic situation of the Bank between the end of the financial year 2015 and the preparation of the financial statements.

4. Forecast and Opportunities Report

4.1 Opportunities

In 2015 the considerable difficulties in the shipping markets again had a significant influence on Bremer Landesbank's result in accordance with the German Commercial Code.

In all likelihood, this will also be felt sharply in the coming year. If the market recovers more quickly than generally anticipated, there will be opportunities for an improvement in the Bank's result.

Business is also expected to be boosted by the large projects that have now been realised, for example in the port industry as well as the expansion of business in future industries and the more focused positioning of the segments.

Competition in lending business is set to increase further. Major banks have now also turned their attention to the middle market, which has often been neglected in the past.

However, given the competitive edge offered by its local advisors, short lines of decision, local capital market and foreign business expertise and an extensive range of products and services, Bremer Landesbank remains confident that it will not only be able to hold its own in this low-risk, high-income business, but even grow its market share. The sustainably strengthened cooperation with associated savings banks and landesbanks, short lines of decision and quick response times create a promising environment for further sound earnings growth in the Bank's core segments.

Bremer Landesbank has adopted a position whereby it can stabilise its business growth in 2016 under conditions that will remain challenging and drive it forward in the medium term in line with objectives.

4.2 Forecast

Significant assumptions in the forecast

The planning is based on the group-wide “Medium Term Forecast 2020”. Basic assumptions form a framework for: global economic development, real global trade volumes, crude oil price, GDP growth in the USA, economic growth in emerging markets and the performance of the US dollar. Within this framework, the macro forecasts are made for Germany, the eurozone and key foreign markets. The detailed forecast for interest rates and spreads will include individual financial instruments in various maturity bands. The forecast for exchange rates is provided for significant, relevant exchange rates.

For the risk provisioning in the shipping segment, gradually falling expenses are assumed on the basis of gradually recovering charter rates. Depressive factors from the shipping segment continue to be assumed due to a potential deterioration of the global economic environment. The Bank uses external forecasts by the independent valuer Weselmann as well as from the leading market research institutes Marsoft and MSI for the assessments of the future development of shipping.

In the area of other administrative expenses, the forecast is for a price increase in central cost pools such as IT, rent, etc.

Assets, financial and earnings position

In 2015 one-time income resulted in increased net interest income. With the elimination of these special effects and falls in earnings due to reduction measures and restructuring in the shipping portfolio, net interest income will be at a low level over the coming year.

Net commission income has fallen due to measures for increasing risk-bearing capacity as well as the successful performance of a securitisation in 2015 as well as the issue of AT1 bonds. Similarly, for 2016 further measures for increasing capital ratios are planned that have a negative impact on net commission income.

The net profit for the trading book will be volatile due to the short-term nature of the business and market fluctuations, making it difficult to forecast. In its planning, however, the Bank assumes a good chance of being able to continue to operate successfully in financial markets in 2016 at a considerably reduced level, as in the previous year.

For 2016 the Bank anticipates a clear rise in staff expenses as the applicable collective bargaining agreement expires in summer 2016. The remaining administrative expenses will increase notably in line with plans.

Based on an assumption of an increase in charter rates in the shipping markets, a falling yet still high level of risk provisioning is anticipated for the following year. The recovery of the charter rates at different points in time is forecast for the respective shipping segments.

The Bank believes that the operating profit/loss for 2016 will again be used for portfolio optimisation and therefore also to strengthen regulatory capital indicators. Accordingly, a balanced profit/loss will be achieved in turn. In the medium term, a balanced relationship between appropriate dividends and further increases in capital will be sought at Bremer Landesbank.

Performance indicators

The Bank’s annual earnings before taxes in 2016 will again be on a low, slightly positive level.

It is expected that the return on equity and the cost-income ratio will be at the same level as 2015.

Expenses for risk provisioning will fall slightly as compared to 2015; conversely the Bank believes the risk-weighted assets (capital requirements) will increase sharply in 2016.

As a result, the risk ratio in the forecast period is estimated at the level of 2015.

The pressure on the risk-bearing capacity and the capital ratio will remain due to the aforementioned uncertainties and the increasing regulatory requirements in 2016 and 2017. Given the gradually increasing minimum requirements under CRR (Capital Requirements Regulation), the measures introduced as part of RBC and capital management and additional intended measures will be pursued and implemented rigorously. The Bank will therefore continue its active risk management and long-term strengthening of risk-bearing capacity. Overall the aim is to achieve a green traffic light status in the going-concern scenario by the end of 2016 (see the detailed explanation in the Risk Report section).

4.3 Overall Assessment

The ongoing crisis in the shipping sector has resulted in risk provisioning being significantly above plan due to a deteriorating economic environment. For that reason, an earnings surplus could not be achieved. The Bank expects that the operating income before risk provisioning will fall in 2016 due to depressive factors from measures to increase capital ratios and the risk-bearing capacity and to reduce the shipping portfolio. For that reason rising costs are anticipated for regulatory reasons. The plan provides for a balanced result on the basis of lower risk provisioning than expected due to gradually recovering charter rates in the shipping sector.

5. Risk Report

5.1 Management Systems

5.1.1 General Risk Management

Risk management – fundamentals and area of application

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

The Bank implements a risk management process spanning all of its activities at least once a year or as required to determine the overall risk profile according to the Minimum Requirements for Risk Management (MaRisk) AT 2.2 and AT 4.5 (risk inventory). The overall risk profile represents the types of risks that are relevant for the Bank. In addition, there is another differentiation between material and non-material risks. Material risks are all relevant types of risk which could have a material negative effect on capital, the earnings position, liquidity or the attainment of the Bank's strategic objectives.

The major risks for the Bank are counterparty risks (credit and investment risks), market risks, liquidity risks and operational risks. Business and strategic risks, including association risk, reputation risks, real-estate risks and pension risks are considered relevant.

	Risk/sub-risk (risk universe)				relevant	material
Counterparty risks	Credit risks	Traditional credit risks			x	x
		Counterparty risk in trading	Default risk in trading			
			Replacement risk			
			Settlement risk	Advance payment risk		
				Clearing risk		
			Issuer risk			
	Investment risks				x	x
	Market risks	Interest-rate risks	General interest-rate risks		x	x
			Specific interest-rate risk			
		Currency risks				
		Share-price risks				
		Fund-price risks				
		Volatility risks				
		Credit-spread risks				
		Commodity risks			-	-
	Liquidity risks	Traditional liquidity risk			x	x
		Refinancing risk				
		Market-liquidity risk				
	Operational risks	Operational risks (narrow def.)			x	x
		Legal risks				
		Compliance risks				
		Outsourcing risks				
		Misconduct risks				
		Fraud risks				
		Dilution risks				
		Model risks				
		IT risks				
	Other risks	Business and strategic risks, including group risks			x	-
		Reputational risks			x	-
		Real-estate risks			x	-
		Pension risks			x	-
		Syndication risks			-	-
		Residual-value risks			-	-
		Actuarial risks			-	-
		Collective risks			-	-

The framework conditions for the design of the risk management process are set by MaRsik for bank institutions and bank institution groups on the basis of § 25a of the German Banking Act. According to MaRisk, a proper business organisation includes the specification of strategies on the basis of the process for determining and ensuring the risk-bearing capacity, which includes both the risks and the capital available for their coverage.

Risk management – strategies

The risk policy principles of Bremer Landesbank correspond to those of the NORD/LB Group. The handbooks, method manuals and professional concepts of the NORD/LB Group are specified or complemented by the Bremer Landesbank's own specific documents.

Bremer Landesbank promotes the conscious management of risks in line with principles of a risk-oriented corporate culture. The competencies and responsibilities in the Bank are clearly set out. The Management Board has overall responsibility for the key elements of risk management.

The Management Board has set out a sustainable business strategy and a consistent risk strategy. The latter is based on MaRisk and on the NORD/LB Group's risk strategy. The strategy reflects Bremer Landesbank's sustainable risk policy and its business model. It is a guideline for Bremer Landesbank and contains statements on risk policy and the organisation of the risk management process specific to the main banking risk types. The risk strategy is reviewed at least once a year and presented to and discussed with the Supervisory Board of Bremer Landesbank.

Risk management – structure and organisation

The Management Board has installed a risk management system that meets both the legal requirements and internal management requirements. The risk management system includes all organisational arrangements and measures to identify risks and handle the risks relating to the banking business. The risk management process is subject to ongoing review and development in terms of its structures and procedures, the method of risk quantification and the relevance of respective parameters.

In the process of risk identification, the risk types relevant to the Bank are identified and analysed for materiality at least once a year and as required. The material risks then pass through the further process steps of risk assessment, risk reporting and risk control and monitoring. The process steps are conducted regularly at intervals suited to the particular type of risk. Risk management instruments are consistently improved through organisational measures and the adaptation of risk measurement and risk management parameters.

The risk handbook published across the Bank serves as an umbrella document and combines the three dimensions of strategies, methods and processes. It contributes to a uniform understanding of risk within the Bank, is the basis for the further development of risk awareness and creates the necessary transparency. Specification and details are dealt with in risk handbooks, master documents and working instructions for specific risk types and complemented by resolutions that the Management Board adopts. As part of the requirements for written rules of procedure, the documentation of internal regulations of the risk management system are regularly updated.

The Bank has installed early warning indicators specific to the types of risk that enable potential risks to be identified, analysed at an early stage and passed to the relevant decision-makers.

Fundamentally the Management Board and the organisational units (OUs) involved in the risk management system are involved in Group-wide committees to comply with the determinations of the NORD/LB Group's risk strategy. This ensures and develops group-wide methodical standards and enables any deviating rules for specific institutes to be agreed.

At overall bank level, the Risk Control Division is responsible for identifying the various risks, making them measurable, evaluating them and communicating them. In consultation with the NORD/LB Group, the Market Risk/Evaluation Methods, Supervisory/Liquidity Risk and Risk-Bearing Capacity/Credit Risk units develop methods, implement the requisite systems, monitor the overall risk management process and report on risks.

The Process / Project Management Group is responsible for the methodology of the ICS as a part of process-led and risk-oriented structures and procedures and therefore promotes process security and risk awareness in the company. The ICS is uniformly structured at Bremer Landesbank. The ICS framework implemented for this purpose is based on the framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) for internal controls and includes a specific operational and organisational structure. The application of standardised methods and processes should ensure a bank-wide suitable and effective ICS, whilst making it possible to achieve sustainable optimisation.

The Compliance unit acts as a central consultation and monitoring point for complying with the requirements on the Bank, including in the areas of securities compliance, prevention of money laundering, financial sanctions and prevention of other punishable acts and also risk compliance. It reports directly to the Management Board.

Internal Audit is an instrument of the Management Board and in the context of risk management is deemed the Bank's third line of defence. It conducts risk-oriented and process-independent audits on the adequacy, efficiency, cost-effectiveness and correctness of the Bank's commercial operations to foster the further development of the management and monitoring processes. Remaining independent and avoiding conflicts of interest, it supports key projects and acts in an advisory capacity.

The new product process governs dealings with new products, new markets, new sales channels and new services. The main objective of the new product process is to demonstrate, analyse and evaluate all effects of new business activity on the risk profile and risk management prior to commencing business. The Management Board then takes the decision on whether to commence the new business activity.

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

Reports are made to the Risk Committee, a committee of the Supervisory Board, five times a year. In regular meetings, the Risk Committee monitors, in particular, the Management Board's ongoing management in accordance with the Supervisory Board's instructions and prepares the Supervisory Board meetings.

For further information on the organisation of risk management and the individual reports, refer to the following sub-sections for each risk type.

Risk management – risk-bearing capacity model

The risk potential identified from Bremer Landesbank's material risks have to be covered at all times by risk capital. Monitoring takes place on the basis of the risk-bearing capacity model (RBC model).

The RBC model consists of three scenarios:

- The first scenario represents the "going concern" view and assumes continued operations on the basis of the existing business model, even if all available risk cover funds have been depleted by risks coming to pass. This scenario is critical for an assessment of the risk-bearing capacity in accordance with MaRisk. In 2015 risks were measured using a confidence level of 90 per cent and the total economic risk potential is compared with risk capital. On 31 December 2015 the confidence level was raised to 95 per cent as planned. The risk capital is calculated from the free regulatory capital in accordance with CRR at specified minimum ratios (regulatory capital and Common Equity Tier 1) in a bottleneck analysis and adjusted for a range of factors. The focus is on this first scenario.

- The second scenario is structured as a "gone concern" view (liquidation scenario) and is included as a secondary requirement. It assumes that, in the event of a fictitious liquidation (without recourse to liquidation values) creditors can be satisfied in full. The gone-concern scenario includes a higher confidence level of 99.9 per cent for determining risk potential. This assumes severe events that statistically speaking only occur once every 1,000 years at this level. On the capital side, the tests include all the equity and equity-related components as well as hidden liabilities. Effects on risk capital arising during the year are also taken into account. In the event of the capital required to cover risks in the gone-concern scenario being consumed, it would basically no longer be possible for the bank to continue under otherwise changed assumptions.

- In the third scenario (regulatory scenario) the risk-bearing capacity is reviewed on the basis of regulatory provisions. On the capital side, the tests include all regulatory capital components. This perspective has to be complied with as a strict condition.

The design of the RBC model ensures that the gone-concern scenario can provide stimulus for the going-concern scenario, which is relevant for the assessment of the risk-bearing capacity. Operating limits for risk types identified as material are derived from the consideration of risk-bearing capacity taking into account the allocation of risk capital in the risk strategy based on the going-concern scenario. Taking the Bank's risk appetite into account, a buffer for risks that are not explicitly quantifiable is provided for. In parallel, RWA caps for the Bank's segments are specified. The above ratios and limits are monitored as part of the monthly reporting. Diversification effects between individual risk types are not taken into account for conservative valuation reasons.

Risk concentrations, both within a single risk and across risks, are taken into consideration when calculating the risk-bearing capacity. Concentrations within a single risk mainly involve credit risk, Bremer Landesbank's most significant risk. These are integrated into the risk-bearing capacity model via the internal credit risk model. Concentrations across all risk types are regularly monitored with targeted stress tests and reported on.

When selecting the stress scenarios, the Bremer Landesbank's key business areas and risks are consciously used. The selection is based on the extended interview method performed at the NORD/LB Group. These highlighted risk areas are prioritised and, if they are deemed significant, are subjected to a detailed scenario analysis. This scenario analysis is initially triggered by the assumptions concerning concentration and diversification made in the measurement of risk potentials. In this respect this process constitutes an independent method for assessing concentrations. The aim is to develop scenarios in which all of the material consequences can be captured in the bank's relevant key indicators.

The scenarios selected in the Group are rated at Bremer Landesbank in terms of relevance and if required expanded with institute-specific scenarios that are compatible with the individual business focus areas. All of the scenarios and parameters are reviewed regularly and if necessary updated.

The focal points resulting from our business strategy in the shipping and energy sectors are managed to avoid risk concentrations by an industry-group-limiting system derived from the risk-bearing capacity.

Bremer Landesbank aims to achieve a high diversification of the business portfolio with asset classes that have different market cycles. Accordingly, it aims to achieve a portfolio structure in the long term that ensures a balance of large volume special financing business with shipping and energy customers on the one hand and granular business from activities with private and corporate customers on the other. This structure should limit cluster risks and make the portfolio on the whole less vulnerable to cyclical risks.

The monthly Risk-Bearing Capacity Report (RBC Report) is the central instrument of the internal risk reporting at individual institute level for the Management Board and the supervisory bodies. Compliance with the determinations of the risk strategy on risk appetite and on the allocation of risk capital to the material risk types is therefore reviewed regularly. The report also contains a forecast of the development of the key ratios and indicators on the risk-bearing capacity for the current and coming year.

5.1.2 Credit Risk – Management

Credit risk – strategy

Bremer Landesbank is a commercial bank with a regional focus and supra-regional specialist business. For the Bank, lending business and the associated management of credit risk is a core competence which must be permanently enhanced and extended.

In order to do justice to the specific requirements of each individual segment, the Bank has stipulated financing policies for each market segment which are binding guidelines for new lending business in the respective market division. In new lending business, the focus is clearly on concluding agreements with customers with a good credit rating. The credit investment portfolio has been substantially reduced. In the Ships segment, new business was limited to financing within the framework of restructuring existing loan exposures.

Credit risk – structure and organisation

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

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

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

- Default risk in trading is the risk of loss stemming from a debtor's failure to pay or deterioration in a debtor's credit rating. It is equivalent to the traditional credit risk and occurs in money trading, in money market or Treasury activities.
- Replacement risk is the risk that the counterparty is unable to meet the terms of a pending contract with a positive market value and that this contract has to be replaced at a loss.
- Settlement risk comprises pre-settlement and clearing risk. Pre-settlement risk is the risk that, when it comes to settling a contract, the counterparty fails to provide consideration for a contract on which the Bank has already made advance delivery or, when performance is mutually offset, no compensation payment is made. Advance payment risk can be prevented by acquiring the transaction value from the counterparty in advance under good value or on a reciprocal basis or if sufficient cover exists. Clearing risk is the risk of a transaction not being able to be cleared by both parties on or after the contractual settlement date.
- Issuer risk is the risk of loss stemming from an issuer's or reference entity's (credit derivative's) failure to pay or deterioration in an issuer's or reference entity's credit rating.

In accordance with MaRisk, the structures of Bremer Landesbank guarantee a functional separation of market and back office divisions and the Risk Control Division right through to the Management Board level for lending business. Independent back office functions are performed by Back Office Finance, functions relating to the independent monitoring of risks at the portfolio level and to independent reporting are the responsibility of the OU Risk-Bearing Capacity/Credit Risk in the Risk Control Division.

The model chosen by the Bank for the separation of functions in the loan-decision-making process is consistent with its strategic direction of being a business bank with a regional focus and supra-regional specialist business; the loan decision requires a high-quality risk analysis by the market division for its vote as well as a second vote by the Back Office division, which assumes an independent and consistent quality assurance function for risk assessment in lending business. In addition to preparing the second vote, the back office is responsible for reviewing and setting rating levels, reviewing collateral values, processing and supervising debt rescheduling/liquidation of defaulted exposures, risk provisioning and designing processes and rules for the Bank's lending business. The Back Office unit independently monitors the risks at individual borrower or sub-portfolio level independently of the market divisions. This unit is also responsible for optimising and assuring the quality of the entire lending process (market and back office division) and bears central responsibility for regulations and large loan reports in accordance with art. 392 of the CRR or for seven-figure loan reports in accordance with § 14 of the German Banking Act.

Decisions are made by the Management Board, the Risk Committee or its chairman for transacttions above a certain volume.

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

The Risk Control Division is responsible for the methods used (rating, scoring, risk modelling, validation).

Credit risk – collateral

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

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

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

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

The legal portfolio of collateral is stored in a special system for the management of collateral. This also forms the basis for the netting of collateral in the calculation of the capital charge as well as the regulatory notifications.

Standard contracts are generally used. Deviations from standard contracts or individual agreements are produced or approved by the legal department. In individual cases, external appraisers are obtained and the contracts are prepared by authorised law firms. At the same time, the Bank constantly monitors the relevant legal codes. For foreign collateral, this takes place on the basis of monitoring processes at international law firms.

Credit risk – control and monitoring

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

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

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

1. Exposures in rating category 9 and above are closely watched. The causes of deterioration in a situation and the exposure strategy are analysed taking into account costs and benefits. If necessary, collateral is improved, terms are adjusted and the customer's reporting duties are intensified. The market division unit remains responsible for managing the exposure, while the back office unit previously responsible for processing continues to handle it. The new exposure strategy must be discussed with and approved by the organisational unit Back Office Debt Rescheduling (OU BO Debt Rescheduling).
2. From a rating of 12 or higher, an exposure is transferred to Back Office Debt Rescheduling for management and processing. This unit is part of Back Office Finance. It examines the viability and feasibility of debt rescheduling, consulting external advisors if need be. A re-evaluation of the exposure strategy with regard to costs and benefits is required. The rescheduled loan may be secured by further adequate collateral, the terms may be adjusted or a decision to terminate the business relationship made.
3. If acute default risks are identified, the Bank initiates a standard process which ensures the prompt recognition, recording and communication of a specific valuation allowance (SVA). These commitments must be re-evaluated. The steps mentioned above are triggered by this classification. If considerable new or additional risk provisioning is required (from € 2 million or

more in the current year), the Management Board is informed immediately via the head of the back office.

4. Terminated exposures are handled by the Clearing unit.

The Bank uses an LEM (Large Exposure Management) limit model for identifying and monitoring risk concentrations at affiliated customer group level. Limitation is done on the basis of groups of affiliated customers in accordance with art. 4 para. 1 no. 39 of the CRR. The model allows evaluation of the risk concentration of an exposure, taking into account the Bank's available risk capital and management's risk preferences, as well as the creditworthiness of the borrower and the collateral provided for the exposure.

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

Risks are managed at portfolio level on the basis of a sector limit system (BEM). Specified risk parameters exposure at default (EAD), loss at default (LAD) and expected loss (EL) are used to identify the sectors requiring limitation. The level of the sector limit is calculated from the limit capital provided for credit risks in the going-concern scenario (continuation scenario). The limit is reviewed monthly in the RBC Report. The large exposure thresholds and the sector limit are agreed at least once annually by the Management Board and the relevant supervisory bodies.

Credit risk – securitisation

The instrument of synthetic securitisation is available to Bremer Landesbank for managing credit risks. The aim of these securitisation activities is to optimise the yield/risk profile of the loan portfolio and to ease regulatory equity requirements. To diversify the credit portfolio the existing credit risks on the Bank's own books may be passed to other market participants. In 2015 Bremer Landesbank originated a first synthetic securitisation for a credit portfolio with a volume of around € 2.145 billion from the asset classes Renewable Energies, Corporate Customers, Social Welfare Facilities, Commercial Real Estate and Ships. A guarantee with a volume of around € 106 million was entered into with effect from 16 December 2015 with a private guarantor to hedge the credit risks contained therein. The contractual term of the guarantee is twelve years. The first loss tranche held by Bremer Landesbank totals € 10 million and has not been utilised to date. The transaction contributes to an improvement in RWA, the equity ratio and risk-bearing capacity.

Credit risk – valuation

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

With the help of these rating methods, the probability of default of borrowers and counterparties is calculated and allocated to a rating category. Bremer Landesbank uses the master scale of the German Savings and Giro Bank Association (DSGV).

Initiative for Germany as a Financial Location ["Initiative Finanzstandort Deutschland"].	DSGV master scale	Average probability of default	Customer category
Very good to good	1 (AAAA)	0.00 %	
	1 (AAA)	0.01 %	
	1 (AA+)	0.02 %	
	1 (AA)	0.03 %	
	1 (AA-)	0.04 %	
	1 (A+)	0.05 %	Normal
	1 (A)	0.07 %	
	1 (A-)	0.09 %	
	2	0.12 %	
	3	0.17 %	
	4	0.26 %	
Good / satisfactory	5	0.39 %	
	6	0.59 %	
Still good/adequate	7	0.88 %	
	8	1.32 %	
Increased risk	9	1.98 %	
	10	2.96 %	Close watch
High risk	11	4.44 %	
	12	6.67 %	
Very high risk	13	10.00 %	
	14	15.00 %	
	15	20.00 %	
	15B	30.00 %	Debt rescheduling
	15C	45.00 %	
Default	16	100.00 %	
(=Non-performing loans)	17	100.00 %	
	18	100.00 %	Clearing

The rating methods are an instrument for active risk management. The forecast quality of the rating methods for each individual rating component and their interaction is regularly examined by the Bank and the rating service agencies by backtesting and validating using the data pools. These quality controls not only confirm compliance with minimum standards, they also provide input for enhancements.

The rating methods are validated by the two central rating service agencies of the Savings Banks Finance Group, Sparkassen Rating und Risikosysteme GmbH (S Rating), a subsidiary of the DSGV, and Rating Service Unit GmbH & Co. KG (RSU), a company founded with other landesbanks. The two rating service agencies ensure an internal rating in accordance with the regulatory requirements. In a structured process, the banking supervisory authorities are regularly informed of changes to and enhancements of the rating methods and other IRBA systems.

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

The Bank has met the regulatory requirements and since 2008 has secured its default risks based on the Internal Ratings-Based Approach (IRBA) with equity.

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

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

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

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

In addition to quantitative factors, qualitative factors are also considered in the scorecard and simulation methods in the rating modules. Override options for revising a rating are also available; however, rating improvements are only possible to a limited extent. Warning signals and the background of the enterprise are also considered. A final rating result is only obtained once these aspects have been taken into account.

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

Credit exposure is a significant parameter in managing credit risk. This figure reflects the value of all the transactions bearing credit risk concluded with a counterparty. The calculation of the credit exposure is based on utilisation (in the case of guarantees the nominal value and in the case of securities the carrying amount) and the credit equivalents resulting from derivatives (including add-ons and in consideration of netting). Irrevocable and revocable loan commitments are included in the credit exposure on a transaction-specific basis; collateral is not taken into account.

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

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

Unexpected loss is quantified for different confidence levels and a timeframe of one year. In this connection, Bremer Landesbank introduced a Group-wide standard economic credit risk model in 2009, validating and revising it again in 2015 in conjunction with NORD/LB. The model is used to estimate the probability of unexpected losses in combination with portfolio effects (concentration and diversification effects due to correlations in the portfolio). The aim is to monitor and limit credit risks at portfolio level, in particular considering counterparty and industry concentrations. The credit risk model is being constantly enhanced.

Credit risk – reporting

As part of risk reporting, monthly reports are prepared for the Management Board: a report on close watch and problem exposures and on the development of risk provisioning (IPE Report), a report on the monitoring of concentration risks in groups of affiliated customers (LEM Report) and, quarterly, a credit portfolio report.

- In the report on individual borrowers drawn up by Back Office Finance for close watch and problem exposures, the development of potentially problematic and defaulted borrowers is closely monitored. This may also reveal short-term or long-term structural changes in this portfolio or related sub-portfolios and areas where measures to mitigate or reduce risk may be undertaken.
- The report on concentration risks in borrower groups addresses groups of affiliated customers with a notable risk concentration as identified in respect of Bremer Landesbank's available risk capital, its management's risk preferences, the creditworthiness of the borrower in question and the collateralisation of the exposure.
- The Risk Control Division prepares a Credit Portfolio Report containing a differentiated presentation of the credit portfolio. The Bank's quarterly Pfandbrief Report is part of the Credit Portfolio Report and provides information on the risks associated with Pfandbrief business. These reports prepared at individual institute level meet the requirements of § 27 of the Covered Bond Act (*Pfandbriefgesetz,* PfandBG).

5.1.3 Investment Risk – Management

Investment risk – strategy

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

The subsidiary BLB Immobilien GmbH is integrated in the strategic process of the Bank.

Investment risk – structure and organisation

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

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

Investment risk – control and monitoring

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

Investment risk – valuation

The Bank's investments fundamentally undergo a rating process along the lines of the lending process. This does not occur if Bremer Landesbank's share in the carrying amount of strategic investments not involving loans does not exceed € 750,000 in accordance with § 19 para. 2 of the German Banking Act. The complete quantification takes place by means of a scoring model on the risk inventory.

Investment risk – reporting

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

5.1.4 Market Risk – Management

Market risk – strategy

The Bank's activities aimed at the management of market risk focus on selected markets, customers and product segments. Its positioning in the money, foreign exchange and capital markets is primarily geared toward the needs of customers and supporting bank management. Bremer Landesbank does not open speculative positions going beyond this.

With regard to interest-rate risk, the Bank aims to transform maturities and participate in general market developments within the scope of its risk limits.

Market risk – structure and organisation

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

- Interest-rate risk comprises the components of general and specific interest-rate risk. General interest-rate risk occurs when the value of a position or a portfolio reacts to changes in one or more interest rates or in entire yield curves and when such changes may subsequently impair the position. In line with the regulatory definition, specific interest-rate risk includes potential changes in value resulting from rating migrations or the default of issuers (for securities) or reference entities (for credit derivatives). For Bremer Landesbank, specific interest-rate risk is the same as issuer risk.
- Currency (or exchange rate) risk is the risk that the value of a position may react to changes in one or more exchange rates and that such changes subsequently impair the position.
- Share-price risk is the risk that the value of a position may react to changes in one or more equity prices or indices and that such changes subsequently impair the position.
- Fund-price risk is the risk that the value of a position may react to changes in one or more fund prices and that such changes subsequently impair the position.
- Volatility risk is the risk that the value of an option may react to potential changes in value resulting from market movements of the volatilities used to price the option and that such changes subsequently impair the position.
- Credit-spread risk describes potential changes in value arising from changes in the credit spread applicable to the issuer, borrower or reference entity used to mark a position to market.
- Commodity risk is the risk of a loss in value of a position (including indices and derivatives) because of a change in the price of the underlying commodity (e.g., oil, wheat). Commodity risk currently has no relevance for Bremer Landesbank because it does not have any open positions in this area.

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

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

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

The OUs Transaction Banking and Financial Markets Segment Management perform the services. The Transaction Banking unit is responsible for processing and reviewing trade transactions concluded by the market divisions. Its tasks include checking to ensure that the transactions have been completely and correctly entered and assessing them for deviations from specified standards. The reporting on the internal breakdown and usage of the market risk limit for the Financial Markets segment is handled by the Financial Markets Segment Management unit on the basis of data from the daily reports provided by the Market Risk / Valuation Methods unit. In accordance with MaRisk, the Market Risk / Valuation Methods unit is independent of the Market Risk Management units in functional and organisational terms. It performs monitoring, limiting and reporting functions and is responsible for measurement methodology as well as the market compliance of transactions.

Reporting functions are performed via external reports of the market risks in accordance with the CRR. Bremer Landesbank applies the standardised approach prescribed by the supervisory authorities.

Market risk – control and monitoring

The controlling of asset book positions is handled centrally by the Asset Liability Committee (ALCO), whilst the operational implementation is the responsibility of the Financial Markets unit. ALCO is a decision committee with the goal of optimising the risk/returns of the bank portfolios, the long-term funding, controlling of the market and liquidity risk positions and the investment portfolios, balance sheet structure management, income statement control, investment guidelines. The committee consists of the Management Board and representatives of the Financial Markets segment and the Risk Control Division, Finance units and the Financial Markets back office division. The committee usually meets monthly. The Management Board makes the decisions.

The risk concentrations are minimised by means of limits for the various risk categories.

Please refer to sections 1.1 to 1.7 in the notes to the financial statements for information about the instruments for controlling the market risk within the framework of reporting hedging transactions.

Market risk – valuation

Bremer Landesbank uses the process of historical simulation for the internal controlling of specific risk types and the monitoring of credit-spread risks, applying a one-sided confidence level of 95 per cent and a holding period of one day.

The basis for the calculation of the Value at Risk (VaR) consists of the historical changes in the risk factors (interest rates / spreads, exchange rates, stock prices / indices and volatility in value) over the last twelve months. The model implicitly considers correlation effects between the risk factors (including the valuation volatility of option positions), the risk types, the currencies and the (sub-)portfolios.

The value-at-risk models are primarily suited for the measurement of market risks in normal market environments. In order to cover extraordinary market movements, special stress tests are carried out to gauge the sensitivity of the portfolio in relation to large market changes. Group-wide stress parameters are defined for each risk.

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

The daily VaR calculations are checked in the Market Risk / Valuation Methods unit on the basis of backtesting analyses. In the backtesting, the daily fluctuations in the profits/losses of the trading desk are compared with the VaR forecast from the previous day. Forecast models and parameters used for quantifying market risk are regularly reviewed and adapted to current market developments if necessary.

The requirements for a prudent valuation have been expanded and further specified by CRR art. 4 in conjunction with art. 105. Following the removal of a de minimis threshold, the Bank has introduced a valuation reserve for all assets reported at fair value which is deducted from Common Equity Tier 1.

Each month the Bank calculates an interest-rate shock in accordance with the requirements of a circular issued by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). This analyses the effects of a parallel shift of the interest-rate structure curve by 200 base points up and down. BaFin reviews the parallel shift at least once a year and adjusts the amount of the interest-rate shock in the event of significant deviations.

Market risk – reporting

In accordance with MaRisk, the Market Risk / Valuation Methods unit reports to the Management Board on the market risks on a daily basis with regard to Value at Risk and the profits from the assumption of market risks by Bremer Landesbank.

The Management Board receives information about market risks and the results of backtesting and stress testing in the monthly RBC Report. The Risk Committee reports five times a year.

5.1.5 Liquidity Risk – Management

Liquidity risk – strategy

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

Liquidity risk – structure and organisation

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

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

- Traditional liquidity risk is the risk that payment obligations cannot be met or cannot be met in due time. This risk is limited on the basis of the analysis of a dynamic stress scenario, which is characterised by the most likely crisis situation. Such risks may arise due to a general disruption in the liquidity of the money markets affecting individual banks or the entire financial market. Market disruptions can also mean that collateral from significant asset classes can no longer be realised. Alternatively, unexpected events in lending, investment or new issue business may also result in liquidity shortages. Bremer Landesbank's focus is on the next 12 months.

- Refinancing risk constitutes potential losses of earnings resulting from the worsening of the Bank's own refinancing conditions on the money or capital markets. The most significant cause is a change in the estimation of the Bank's credit rating by other market participants. The Bank's focus is on the entire range of maturities.
- Market-liquidity risk describes potential losses to be borne if transactions need to be concluded at conditions which are not in line with the fair market value due to a lack of liquidity in individual market segments. market-liquidity risks result primarily from securities positions in the trading portfolio and banking book.

Money Market and Foreign Exchange Trading, Treasury and the Risk Control Division are involved in the Bank's liquidity risk management process.

Money Market and Foreign Exchange Trading and Treasury are responsible for managing liquidity risk positions and for the profits and losses resulting from changes in the liquidity situation. The basis for Asset Liability Management is the liquidity maturity balance sheet. Refinancing risk is also reported to the ALCO; proposals for strategic planning activities are also discussed if necessary. At operational level, ALCO is situated above the liquidity management working group, which is made up of representatives of Financial Markets and the Risk Control Division. The main tasks of the working group are to optimise liquidity management and clarify related issues promptly, with an emphasis on the fast-reacting management of new business and funding activities. The enhancements developed are implemented in day-to-day management by the Working Group.

The Risk Control Division is responsible for the installation and development of internal procedures for measuring, limiting and monitoring liquidity risk. This unit also calculates refinancing and traditional liquidity risks and monitors compliance with limits. The utilisation of the liquidity ratios defined by the German Liquidity Regulation (*Liquiditätsverordnung*, LiqV) and the Liquidity Coverage Ratio (LCR) defined by the ITS of the CRR is calculated and reported. The reporting acts as a service function in this connection. The Risk Control Division is responsible for ensuring that the liquidity ratio defined by the German Liquidity Regulation is met. A corresponding process for LCR is being prepared.

Refinancing with Pfandbriefe is very significant for the Bank. Statutory requirements of the Covered Bond Act (*Pfandbriefgesetz*, PfandBG) are fully met for all the Bank's issues.

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

Market-liquidity risk is included in market risk. The aim is to restrict the market-liquidity risk by chiefly operating in liquid markets. The differentiated security and liquidity class concept allows specific haircuts to be modelled for managing the liquidity maturity balance sheet, liquidity stress testing and collateral allocation management.

The measurement, management and monitoring of liquidity risks are recorded in the risk handbook.

Liquidity risk – control and monitoring

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

The liquidity contingency plan governs activities and management in crisis situations. The aim of this plan is to preserve the solvency of the Bank should an extreme, unforeseen market situation arise. The contingency plan for liquidity management is also consistent with the contingency plan of the NORD/LB Group.

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

In accordance with the German Liquidity Regulation, the Bank is deemed to have sufficient liquidity if the cash and cash equivalents it has available within the next 30 days at least cover its anticipated liquidity outflows during this period. A comparison of cash and cash equivalents and payment obligations results in the liquidity ratio, which must be at least one.

In addition to the monthly report to the Deutsche Bundesbank, the liquidity ratio is calculated daily and used in money trading to support operational management.

The LCR has to be reported monthly to the Deutsche Bundesbank and as part of Group reporting to NORD/LB. The LCR is a short-term stress ratio (time horizon of 30 days) and requires banks to maintain a liquidity buffer in the form of highly liquid assets in order to be able to compensate for net cash outflows over a period of 30 days in a stress case.

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

Bremer Landesbank has implemented a limit system to mitigate traditional liquidity risk. A traffic light system (number of days of liquidity surplus) triggers the necessary management measures if the simulated liquidity surplus in the dynamic stress scenario is due to last for 90 days or less. At the Bank, management control signals from the static stress test do not automatically trigger countermeasures, prompting instead a more in-depth analysis of the present liquidity situation and a factoring-in of the key drivers of the statistical scenario based on the current probability of the crisis stress scenario.

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

Risk concentrations on the liability side are prevented by a diversified investor basis and product pallet. The focus is on institutional and public sector investors, which corresponds to the risk orientation of the NORD/LB Group. The diversification of refinancing sources is also reinforced by Pfandbrief issues and retail deposits.

Liquidity risk – valuation

In addition to managing liquidity for the aggregate exposure in EUR, the Bank also defines its USD foreign exchange exposure as material. All other foreign currencies are immaterial for the Bank's liquidity management. Refinancing risks from maturity transformation in material foreign currencies are included in the calculation of risk-bearing capacity. Material foreign currencies are also managed in terms of traditional liquidity risk. The materiality of foreign currencies is regularly validated.

Liquidity risk – reporting

Reporting on the liquidity risk situation takes the form of the Risk Control Division's monthly liquidity status report, which is discussed by the Liquidity Management Working Group and in ALCO.

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

The Risk Control Division reports to the Management Board about the refinancing risk on a weekly basis. The management units Money Market and Foreign Exchange Trading and Treasury receive additional structural information about the liquidity maturity balance sheet in all currencies once a week as well as daily structural information about the stress scenarios of traditional liquidity management.

5.1.6 Operational Risk – Management

Operational risk – strategy

The guidelines for handling operational risk are set out in the Bank's risk strategy. The Bank's operational risk strategy is to a large extent one of prevention, reflected, for example, in an internal control system, business continuity management (BCM) or the conclusion of insurance policies.

Operational risk – structure and organisation

Operational risks are possible and, from the point of view of the Bank, consist of unintended events that result from an inappropriate circumstance or the failure of internal workflows, employees or technology, or as a result of external influences, and lead to a loss or serious negative consequences for the Bank (e.g. violation of the law). Legal risks are included, strategic risks and business risks are not.

According to this definition, operational risks include legal risks and risk from changes in the law, compliance risks, outsourcing risks, misconduct risks, dilution risks, fraud risks, model risks, IT risks and vulnerabilities within the scope of the emergency and crisis management.

- Legal risk is the risk of loss caused by failure to comply fully or partly with the legal framework defined by laws and court rulings.
- The risk of changes in the law reflects the risk of a loss due to new laws or requirements, a disadvantageous change in existing laws or requirements and their interpretation or application by courts.
- Compliance risk is the risk of penalties being imposed by courts or authorities or disciplinary measures resulting from non-compliant procedures, processes, etc. (due to failure to comply with laws, regulations, rules of conduct and standards) within the Bank.
- Outsourcing risk is the risk resulting from the outsourcing of activities and processes.
- Misconduct risk is the term used to describe the risks to a bank that might arise as a result of the sale of unsuitable products, conflicts of interest in business relationships, manipulation of reference interest rates or exchange rates, impeding the exchange of financial products and unfair treatment of customer complaints.
- Dilution risk is the risk relating to the existence and realisability of a purchased receivable that the debtor of the purchased receivable is not obliged to perform to the full extent.
- Fraud risk is the risk of an avoidable pecuniary loss or damage to the Bank's reputation resulting from punishable acts against the Bank.

- Model risk refers to "…the potential loss incurred by a bank as the consequence of decisions that may be due to the result of internal models if there are errors in the design, implementation or use of these models."
- IT risks are all risks for the asset and earnings position of the banks that arise as a consequence of defects that affect IT management or control, availability, confidentiality, integrity and authenticity of data, the internal control system of the IT organisation, IT strategy, IT guidelines or the use of information technology.

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

The general requirements of the NORD/LB Group were implemented in the Bank's own security standard due to its responsibility for adequate technical-organisational equipment and for a suitable contingency concept at group level in accordance with §§ 25a and 25c of the German Banking Act. At Bremer Landesbank this is made up of a security strategy embedded in the risk strategy, security guidelines, a catalogue of threats and security policies and contains security stipulations for the topics of information security, data protection, protection of infrastructure and buildings, health and safety at work as well as the cross-departmental processes BCM and emergency and crisis management.

The Bank's BCM and its contingency and crisis management are intended to prepare and handle contingencies and crises. A significant element here is avoiding the interruption of critical business processes and/or the limiting of possible effects. This also includes the preparation for events that result in risks which cannot be reduced or cannot be sufficiently reduced by preventive measures.

Human Resources Management analyses, evaluates and manages the quantity and quality of the various human resources risks such as bottleneck risk, exit risk, adjustment risks, motivation risks and the risk of insufficient and inadequate staffing in an integrated personnel risk management process. Targeted personnel development for employees in line with requirements is the primary responsibility of the respective managers with significant support from Human Resources Management. Human Resources Management advises and supports the departments in their personnel activities. The requirements of the Bank Remuneration Regulation (*Institutsvergütungs-verordnung*) are implemented in the Bremer Landesbank group.

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

The Bank has adequate insurance cover in key risk areas. The structure of insurance cover will be regularly inspected. As regards certain risks, the Bank has chosen not to enter into corresponding insurance solutions having weighed up the risk potential.

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

In order to safeguard against legal risks, the Legal Department is to be consulted for example when legal action to be taken and when contracts which are not based on approved standard contracts are concluded.

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

Operational risk – control and monitoring

The Bank collects data on loss events resulting from operational risks and classifies these events by cause and effect. The loss data collected is entered by the NORD/LB Group in the DakOR data consortium initiated by the Bundesverband Öffentlicher Banken Deutschlands, VÖB (Association of German Public Sector Banks).

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

In order to identify potential risks early on and to take countermeasures, risk indicators are used in the NORD/LB Group. Indicators are chosen with a view to risk and reviewed regularly for relevance.

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

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

In 2016 we will continue to optimise the management of operational risks. The goal is primarily to harmonise the methods used on two lines of defence, leverage efficiencies and further improve the risk management and develop it further in terms of the expanded regulatory requirements.

Operational risk – valuation

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

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

In the refinement of the risk monitoring in 2015, individual risk indicators were revised and amended.

The standardised approach will continue to be used for operational risk capital charges.

Operational risk – reporting

The Governance, Operational Risk and Compliance Report reports on the material operational risks and need for action by the Bank and also complies with the regulatory requirements.

5.2 Internal Control and Risk Management System in Relation to the Group Financial Reporting Process

Bremer Landesbank is a registered public institute (*Anstalt öffentlichen Rechts*) and is treated as a capital market-oriented corporation in accordance with § 264d of the German Commercial Code. Accordingly, it is necessary to describe the significant features of the internal controlling and risk management system with regard to the financial reporting process in accordance with § 289 para. 5 of the German Commercial Code.

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

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

Bremer Landesbank considers information to be significant in terms of § 289 para. 5 of the German Commercial Code if its omission could materially affect the economic decisions made by users on the basis of the Annual Financial Statements and other elements of the financial reporting. Whether information is significant is determined by reference to the issue at hand, and depends on the nature and scope of the issue. When deciding whether an issue is significant, Bremer Landesbank considers its significance in relation to the Annual Financial Statements.

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

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

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

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

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

Bremer Landesbank prepares its financial statements in accordance with the provisions of the German Commercial Code. The provisions specific to banks of § 340 of the German Commercial Code and those of the German Accounting Regulation for Credit and Financial Services Institutions (RechKredV), the German Accounting Standards (DRS) and supplementary provisions in the statutes are also observed.

Finance is primarily responsible for managing and implementing the preparation of the Annual Financial Statements and the financial reporting. It performs the following key functions:

- Monitoring changes in the law
- Preparing and updating financial statement instructions
- Compiling the financial statements and management report
- Providing specific disclosures for the Notes to the Annual Financial Statements

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

- Proper entry and processing of financial reporting data/transactions in the IT applications.
- Calculation of personnel and pension provisions and provision of related disclosures for the Notes to the Annual Financial Statements.
- Draft of decision documents for specific valuation allowances made for German and foreign loans.
- Provision of relevant information for the Notes to the Annual Financial Statement and the Management Report.
- Providing the information to be disclosed about market-price, credit, liquidity and operational risk.

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

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

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

Before being approved, the Annual Financial Statements and Management Report must be audited by the auditor engaged by the Supervisory Board.

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

With regard to the financial reporting process, Bremer Landesbank regards the main features of the ICS and risk management system to be those which may have a significant impact on the accounts and on the overall picture conveyed by the Annual Financial Statements together with the Management Report. These include:

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

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

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

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

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

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

The financial reporting process for the Annual Financial Statements comprises functional transaction support, data entry and processing, reporting and publication of the parts of the financial reporting.

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

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

5.3 Risks from the Strategic Segments

Bremer Landesbank has anchored its strategic goals in a customer-oriented business model with the following five strategic segments and the eleven strategic business units assigned to them:

	BREMER LANDESBANK				
Strategic business segments	Corporate customers	Private customers	Ship finance	Special finance	Financial markets
Strategic business units	• Corporates • Construction industry • Food industry • Commercial customers • Social welfare facilities	• Private Banking • Private customers support	• Shipping	• Renewable energies • Leasing	• Municipalities • Savings banks • Institutional customers

The main risk for Bremer Landesbank lies in the Ships SBU. Risks are managed by risk types, primarily in the central organisational units.

As is standard in the banking industry, the internal risk of credit, market and liquidity risks from the strategic business units is transferred to the central organisational units via the rating of the customers, the associated risk-adjusted acquisition prices and the consideration of liquidity premiums. This is reflected in the strategic business units by way of the consistent use of financing principles and taking into account the rules relating to risk management. Operational, business and strategic risks are managed decentrally in the strategic business units.

The relevant risks arising from the strategic business units and the measures for managing or for supporting the central management of these risks are set out in the following section.

5.3.1 Corporate Customers

The Corporate Customers segment is subject to traditional credit risk.

The increasing changes to regulatory requirements will be accompanied by documentation obligations and the need to adapt internal processes. Operational risks can arise from the non or inadequate implementation of these amendments.

Business and strategic risks lie in the strategic business units Corporates and Commercial Customers, in particular related to economic development and Group restrictions.

Business and strategic risks exist in the Social Welfare Facilities SBU, for example in the form of regulatory interventions in the nursing-care market, increasingly cut-throat competition among customers and competition with local banks.

As part of the strategy for 2016 and the restructuring of the Corporate Customers segment, the business activities of the Commercial Customers SBU and Corporates SBU will be merged.

5.3.2 Private Customers

The Private Customers segment is subject to traditional credit risk.

The increasing changes to regulatory requirements will be accompanied by documentation obligations and the need to adapt internal processes. Operational risks can arise from the non or inadequate implementation of these amendments. Further operational risks may result from the effects of consumer-friendly court rulings and, in the Private Banking SBU, the strong demand for qualified employees and the talent available in the labour market.

In addition, business and strategic risks occur above all as a result of the fierce competition in the deposit and lending business, which is primarily conducted via terms and conditions, as well as Group restrictions at the Oldenburg site in the Private Customers SBU.

5.3.3 Ship Finance

The Ship Finance segment is subject to traditional credit risk. The particular strategic focus of Bremer Landesbank on ships in the past give rise to concentration risks in this segment. A dominant part of the Bank's unexpected loss is due to the ship portfolio. To reduce this risk, Bremer Landesbank is performing a gradual adjustment and restructuring of the portfolio.

The increasing changes to regulatory requirements will be accompanied by documentation obligations and the need to adapt internal processes. Operational risks can arise from the non or inadequate implementation of these amendments. At the level of human resources, it is necessary to overcome particular difficulties due to the crisis.

Commercial and strategic risks lie primarily in the still uncertain development of the shipping market together with the uncertainties regarding the development of the USD exchange rate.

5.3.4 Special Finance

The Special Finance segment is subject to traditional credit risk. In the Renewable Energies SBU the particular strategic focus of Bremer Landesbank on renewable energies and onshore wind power in Germany may give rise to concentration risks in this business unit. In the Leasing SBU the particular strategic focus of Bremer Landesbank has produced a considerable portfolio in the Leasing segment that exhibits only low concentration risks as a result of its broad sector management and high levels of granularity at lessee level.

The increasing changes to regulatory requirements will be accompanied by documentation obligations and the need to adapt internal processes. Operational risks can arise from the non or inadequate implementation of these amendments. Additionally, operational risks may arise in the Renewable Energies SBU due to highly stretched staff resources and the need to build up special expertise. In addition, business and strategic risks due to economic trends exist. In the Renewable Energies SBU business and strategic risks exist above all in the strong competition for good locations in the Onshore Wind Power segment, portfolio concentration on wind power due to the tightening up of the German Renewable Energies Act (EEG) for photovoltaics and biogas as well as the amendment to subsidy terms.

5.3.5 Financial Markets

The Financial Markets business unit is subject to traditional credit risks to a lesser extent. The customer portfolio of the Municipal Customers SBU includes loans and advances to regional and public corporations that are incapable of becoming insolvent or loans and advances to companies that are covered in full by government guarantees for which there is no netting under the current legislation in accordance with the CRR.

The increasing changes to regulatory requirements will be accompanied by documentation obligations and the need to adapt internal processes. Operational risks can arise from the non or inadequate implementation of these amendments. In the Institutional Customers SBU the outsourcing of important services carries further operational risks as additional statutory requirements need to be complied with.

In terms of the business and strategic risk in the Savings Banks SBU, this is a restricted market in which the existing high market shares preclude significant increases in sales and new customer acquisition. The savings banks are increasingly cooperating among themselves in syndicate business and are opening up their own strategic opportunities through mergers. Additionally, increasing competition between landesbanks is evident.

Business and strategic risks exist in the Municipal Customers SBU in particular as a consequence of municipal authorities' obligation to invite tenders, non-competitive cost rates in acquiring new business or a narrowing of the market as a consequence of debt limits at the regional level.

In the Institutional Customers SBU, business and strategic risks exist in the Bank's refinancing business as a result of the potentially declining sales figures of some issues as a consequence of deterioration in the Bank's ratings, a fall in customer relationships or a lack of a rating for Bremer Landesbank's Pfandbriefe.

5.4 Extended Risk Report

5.4.1 Development in the Risk-bearing Capacity in 2015

Development in 2015

There have been adjustments to the consideration of the risk-bearing capacity compared to 31 December 2014.

In managing the risk-bearing capacity, in past years the Bank calculated the risk potential in the management-relevant going-concern scenario on the basis of a confidence level of 90 per cent. In parallel to this management-relevant level, in the Risk Report the potential utilisation rates with a higher Group-wide confidence level of 95 per cent was also regularly presented for information purposes. In view of the increased security demands and requirements regarding the calculation of risk-bearing capacity, the Bank raised the confidence level from 90 per cent to a Group-wide 95 per cent on 31 December 2015.

In the previous year the RBC limit capital from a bottleneck analysis of the risk-bearing capacity of the NORD/LB Group was used in the going-concern scenario, which only considered a part of the actual available risk capital as at 31 December 2014, € 282 million. The total available risk capital of Bremer Landesbank as at 31 December 2014 was € 439 million.

The risk capital was increased in the year under view to € 814 million due in particular to capital-boosting measures. Additionally limits for the individual risk types are used that are derived from the consideration of the Group's risk-bearing capacity. As at 31 December 2015 the total of the approved limits for the current confidence level of 95 per cent is € 504 million.

As at 31 December 2014 the utilisation rate in the going-concern scenario was 78 per cent with a confidence level of 90 per cent. However, the corresponding utilisation rate with the much higher confidence level of 95 per cent was 94 per cent and would have been very close to full utilisation.

The Bank anticipated this in view of the gradual increase in additional minimum capital requirements from CRR (phasing in) to 2018, the corresponding increase in the utilisation of Common Equity Tier 1 due to the proportionate increase in the shortfall deduction and the uncertainties in the development of the shipping markets and the USD exchange rate and used it as grounds to continually implement intensive measures throughout 2015 to boost the risk-bearing capacity at the higher confidence level. At the end of 2015 a utilisation rate of 44 per cent was achieved.

The table below considers the adjusted utilisation rates as at 31 December 2014.

Utilisation rate of risk capital in the going-concern scenario (confidence level of 95 per cent)

Risk-bearing capacity[1)] € million	**31.12.2015**		**31.12.2014[3)]**	
Risk capital	**814**	**100 %**	**439**	**100 %**
Credit risks	365	45 %	417	95 %
Investment risks	17	2 %	16	4 %
Market-price risks	38	5 %	38	9 %
Liquidity risks	20	2 %	19	4 %
Operational risks	15	2 %	13	3 %
Other[2)]	−98	−12 %	−92	−21 %
Total risk potential	**358**		**412**	
Utilisation rate		**44 %**		**94 %**

[1)] Differences between totals are due to rounding.
[2)] Contains corrected items from the comparison of regulatory and economic loss expectations.
[3)] Deviation as compared to the previous year due to the increase of the confidence level to 3 per cent (previous year 90 per cent) as well as adjustment of the risk capital.

The improvement of the RBC utilisation and simultaneous switch to the higher confidence level of 95 per cent was achieved both through direct measures to boost the risk capital as well as the proactive management of risk positions, particularly in Ship Finance. The issue of long-term subordinated bearer debt securities (AT1 bonds) directly strengthened the risk capital. The realisation of an initial synthetic securitisation transaction and targeted restructuring of ship finance transaction at the individual case level enabled additional relieving effects to be achieved by reducing RWA, which, together with increased risk protection in the form of specific valuation allowances, had a positive effect on the level of the available risk capital.

Additionally, in the first quarter of the year the risk-bearing capacity calculation was developed further by removing credit risks that were considered twice in the risk-capital measurement. This eliminated the duplicate inclusion of credit risks both on the risk potential side as well as risk capital side by treating regulatory equity as unexpected credit risks with credit-risk-related RWA. As at 31 December 2015 this produced a relieving effect of € 71 million.

The risk potentials fell to € 358 million as a result of all of the measures.

At Bremer Landesbank a forecast of future development is conducted for the active management of risk-bearing capacity for the current and the coming year. The impact of the planned measures are taken into account in the medium-term plan and the changes resulting from the updating of the rating systems are anticipated.

At the turn of 2015/2016 the increased minimum capital requirements for the Tier 1 capital ratio (+0.625 per cent) and proportionally increased deduction of the shortfall from the Common Equity Tier 1 capital (80 per cent; previous year: 70 per cent) will impact the risk capital measurement and the forecast calculations in the total amount of around € 170 million. Further measures are planned for 2016 in the management of RBC to reduce the risk-weighted assets (e.g. by restructuring at individual case level for ship finance transactions) or to boost the risk capital.

Taking into account all of the measures planned for 2016, the aim is to achieve a comfortable level of risk-bearing capacity at the higher confidence level and as a consequence a green traffic light status in the going-concern scenario by the end of the year. The increasing regulatory requirements for capital resources should also be covered.

In order to achieve improvements in terms of both methods and supervision, NORD/LB is completely revising the RBC concept. The new and extended requirements for risk-bearing capacity in the context of SREP will be taken into account and integrated in the implementation of the model taking into account requirements specific to Bremer Landesbank.

5.4.2 Credit Risk

Credit risk – development in 2015

The Bank's credit exposure totalled approximately € 32.929 billion as at 31 December 2015, down some 5.2 per cent compared to the previous year.

2015 was again marked by high volatility of charter rates in the shipping markets. Charter rates in shipping, which had been falling fast since late summer 2008, reached their first low in the first half of 2010. However, they started to pick up in some important sub-markets later on in 2010. The crisis has worsened again though since the middle of 2011. In crude oil and bulk shipping, the (spot) charter rates were for a time sufficient to cover solely operating costs, while in container and multi-purpose and product tanker shipping, it was possible to pay interest and in some cases make redemption payments. The whole tanker market has recovered due to the global oversupply of oil, whilst the recovery in bulk shipping after a two good quarters in 2015 has again stalled and has fallen to record lows in 2015 as a consequence of the reduced demand for raw materials in the Chinese economy. In the second half of 2015 container ships reverted to the previous year's levels as a consequence of the wave of orders and deliveries for large ships. Nonetheless, prices for used ships in the small classes (< 1,500 TEU) have risen in contrast to larger ships.

The only moderate growth in world trade is still having a negative effect on the ship finance portfolio. In the seventh year of the crisis numerous shipping companies were again no longer support their ships. The need for valuation allowances in the Ship segment therefore remains high. Due to parameter adjustments in the calculation of risk provisioning, the allocation requirement was higher than planned, meaning that risk provisioning was well above the previous year's level.

The continued good market and earnings position in Renewable Energies compensated in part for the problem in shipping. Wind Power remains the most important subsegment in the area of finance for renewable energies, with strong growth in recent years. The conditions for financing wind power remained attractive and reliable in the reporting period. Furthermore, the historically low level of interest rates and more efficient plant technology contributed to an improvement in returns. The risks in wind park project financing have been manageable to date. There were no specific valuation allowances or provisions for wind park project financing.

Analysis of the total exposure

The table below compares the rating structure of the loan portfolio with the previous year. The classification follows the standard IFD ("Initiative Finanzstandort Deutschland": Initiative for Germany as a Financial Location) rating scale which was agreed on by the banks, savings banks and associations participating in the IFD in order to improve comparability between the rating levels of the individual credit institutes.

The rating categories of the 27-step DSGV rating master scale applied at the Bank may be transposed directly to the IFD categories.

Lending business by rating structure

Rating structure[1) 2)] € million	Loans[3)]	Securities[4)]	Derivatives[5)]	Other[6)]	Total 31.12.2015	Total 31.12.2014
	31.12.2015					
Very good to good	11,496	2,631	569	6,242	**20,938**	**22,690**
Good / satisfactory	2,234	-	72	512	**2,818**	**2,448**
Still good/adequate	1,741	-	57	304	**2,102**	**2,536**
Increased risk	767	15	35	95	**912**	**1,324**
High risk	1,005	-	3	143	**1,151**	**826**
Very high risk	1,627	-	3	29	**1,658**	**2,043**
Default (= NPL)	3,336	-	1	14	**3,350**	**2,853**
Total	**22,205**	**2,646**	**739**	**7,338**	**32,929**	**34,720**

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

The high proportion of exposures in the "very good" and "good" categories stems from the significance attached to interbank and public-sector business. The risk structure of the loan portfolio deteriorated overall in 2015. The cause of the rise in exposure for non-performing loans (NPL) is the ongoing crisis in the shipping sector.

Lending business by region

Regions [1)] € million	Loans	Securities	Derivatives	Other	Total 31.12.2015	Total 31.12.2014
	31.12.2015					
Euro countries	21,051	2,556	510	7,338	**31,455**	**33,215**
- of which Germany	19,172	2,320	425	7,093	**29,010**	**30,733**
Rest of Europe	243	75	195	0	**512**	**580**
North America	47	15	35	0	**96**	**146**
Latin America	81	-	-	0	**81**	**35**
Middle East/Africa	117	-	-	-	**117**	**128**
Asia/Australia	667	-	-	-	**667**	**615**
Other	-	-	-	-	**-**	**-**
Total	**22,205**	**2,646**	**739**	**7,338**	**32,929**	**34,720**

1) Country hierarchy altered as compared with previous year-end.

The distribution of the overall exposure by regions shows that the country risk for the Bank is of lesser importance. The eurozone is still by far the Bank's most important business region. The exposure to the PIIGS countries (mainly securities and credit derivatives) declined in comparison to 31 December 2014.

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

Lending business by industry group

Industry groups[1)] € million	Loans	Securities	Derivatives	Other	Total 31.12.2015	Total 31.12.2014
	31.12.2015					
Financial institutions/insurance companies	3,153	378	505	2,712	**6,748**	**8,526**
Service industries/other	6,928	2,258	57	654	**9,897**	**10,487**
- of which real estate and housing	1,374	-	31	178	**1,583**	**1,598**
- of which public administration	3,391	2,258	8	132	**5,789**	**6,339**
Transport, communications	7,244	9	26	154	**7,433**	**7,305**
- of which shipping	6,850	0	17	62	**6,929**	**6,709**
Manufacturing	663	-	29	107	**799**	**812**
Energy, water supply and mining	2,409	-	59	3,345	**5,813**	**5,456**
Trade, maintenance and repairs	1,315	-	62	116	**1,493**	**1,475**
Agriculture, forestry and fishing	114	-	1	191	**306**	**307**
Construction	380	-	1	60	**441**	**352**
Other	-	-	-	-	**-**	**-**
Total	**22,205**	**2,646**	**739**	**7,338**	**32,929**	**34,720**

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

The fall in overall exposure is largely a result of the reduction of the credit investment portfolio. Yet the percentage of financial institutions and insurance companies contained in the aggregate exposure is relatively high, at 20 per cent (previous year: 25 per cent), but remains characterised by institutions with very good to good ratings. Lending volumes in the shipping segment measured in euros have increased compared to the previous year. This rise largely results from the rise in the US dollar over the euro as a substantial part of the shipping portfolio is financed in US dollars. Corrected for these exchange rate effects, there is a reduction of the lending volume in this sector.

Non-performing loans

The Bank makes specific valuation allowances for acute default risks if there are objective indications of such risks. The valuation allowance is based on a present value analysis of expected interest and redemption payments as well as on proceeds from the realisation of collateral. Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.

In 2015 impaired credit exposures rose due to the ongoing crisis in the shipping sector. The balance of specific valuation allowances and loan loss provisions increased substantially in 2015 primarily due to the increase in valuation allowances for the ship portfolio. The specific valuation allowance ratio, the ratio of specific valuation allowances to the total exposure, is 2.79 per cent (previous year: 1.89 per cent).

The past due or impaired receivables at Bremer Landesbank are primarily secured by standard collateral and other credit enhancements valued on the basis of lending principles. The gross book value of the non-performing loans with a need for valuation allowances before deduction of collateral is covered 36.2 per cent (previous year: 32.5 per cent) by risk provisioning.

Risk provisioning was greater than expected with net expenditure of around € 327 million. Taking utilisation into account, the balance of risk provisioning is € 926 million.

Risk provisioning by industry group

Industry groups[1]	Impaired credit exposures		Balance of specific valuation allowances		Balance of provisions for lending business		Changes Specific valuation allowances/ provisions	
€ million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Financial institutions/insurance companies	24	16	10	7	-	-	3	3
Service industries/other	60	52	27	31	1	1	−5	2
- of which real estate and housing	23	12	6	7	-	-	−1	−1
- of which public administration	-	-	-	-	-	-	-	-
Transport, communications	2,343	1,849	807	543	2	0	266	128
- of which shipping	2,339	1,844	787	538	-	-	249	128
Manufacturing	33	35	27	30	0	0	−3	8
Energy, water supply and mining	39	28	25	20	3	4	4	−9
Trade, maintenance and repairs	8	13	5	7	0	0	−2	−4
Agriculture, forestry and fishing	3	2	2	1	0	0	1	−1
Construction	20	24	14	18	1	2	−4	−4
Other	-	-	-	-	-	-	-	-
Total	**2,531**	**2,020**	**917**	**657**	**8**	**8**	**261**	**122**

[1] Differences between totals are due to rounding.

Risk provisioning by region

Regions[1] [2]	Impaired credit exposures		Balance of specific valuation allowances		Balance of provisions for lending business		Changes Specific valuation allowances/ provisions	
€ million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Euro countries	2,298	1,887	857	625	7	8	232	98
Rest of Europe	8	7	4	1	0	0	3	1
North America	-	-	-	-	-	-	-	-
Latin America	-	0	1	1	-	-	0	0
Middle East/Africa	57	-	20	-	-	-	20	-
Asia/Australia	167	126	35	30	1	0	6	24
Other	-	-	-	-	-	-	-	-
Total	**2,531**	**2,020**	**917**	**657**	**8**	**8**	**261**	**122**

[1] Differences between totals are due to rounding.
[2] Country hierarchy changed compared to the previous year-end.

Past due exposures by industry group

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

Industry groups[1)] € million	Past due, unimpaired exposures [2)] 2015	2014
Financial institutions/insurance companies	67	47
Service industries/other	199	183
- of which real estate and housing	38	60
- of which public administration	112	108
Transport, communications	711	776
- of which shipping	708	774
Manufacturing	13	3
Energy, water supply and mining	213	109
Trade, maintenance and repairs	25	1
Agriculture, forestry and fishing	17	15
Construction	16	1
Other	-	-
Total	**1,262**	**1,134**

[1)] Differences between totals are due to rounding.
[2)] The term “impaired” refers here exclusively to specific valuation allowances and lumpsum loan loss provisions. General valuation allowances have not been taken into account.

Past due exposures by region

Regions [1)] € million	Past due, unimpaired exposures [2)] 2015	2014
Euro countries	1,151	1,036
Rest of Europe	51	33
North America	-	-
Latin America	-	0
Middle East/Africa	-	-
Asia/Australia	60	65
Other	-	-
Total	**1,262**	**1,134**

[1)] Differences between totals are due to rounding.
[2)] The term “impaired” refers here exclusively to specific valuation allowances and lumpsum loan loss provisions. General valuation allowances have not been taken into account.

Days past due, unimpaired exposures by region

Regions [1]	Past due, unimpaired exposures									
	Up to 1 month		1 to 3 months		3 to 6 months		Above 6 months		Total	
€ million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Euro countries	738	534	99	115	39	54	275	333	**1,151**	**1,036**
Rest of Europe	46	23	5	-	-	-	-	10	**51**	**33**
North America	-	-	-	-	-	-	-	-	**-**	**-**
Latin America	-	0	-	-	-	-	-	-	**-**	**0**
Middle East/Africa	-	-	-	-	-	-	-	-	**-**	**-**
Asia/Australia	3	38	-	16	-	-	56	11	**60**	**65**
Other	-	-	-	-	-	-	-	-	**-**	**-**
Total	**787**	**595**	**104**	**131**	**39**	**54**	**332**	**354**	**1,262**	**1,134**

[1] Differences between totals are due to rounding.

The exposure of overdue, unimpaired receivables rose overall. The cause lies in an increase in the maturity band “up to a month”. Of the overdue, not impaired receivables, 29 per cent (previous year: 36 per cent) are receivables for which agreed interest payments or repayments are overdue by more than 90 days. 62 per cent (previous year: 52 per cent) of the exposures are past due by up to a month.

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

Days past due[1]	Past due, unimpaired exposures	
€ million	31.12.2015	31.12.2014
< 30 days	787	595
30-90 days	104	131
91-180 days	39	54
> 180 days	332	354
Total	**1,262**	**1,134**

[1] Differences between totals are due to rounding.

In the year under review direct write-offs of loans and advances amounted to € 43 million (previous year: € 12 million). Additions to receivables written off amounted to € 9 million (previous year: € 5 million). No direct write-offs of loans and advances were made for investment securities at Bremer Landesbank.

The deduction of collateral reduced the risk-weighted assets as at 31 December 2015 by € 1.34 billion (previous year: € 1.5 billion), which equates to 10 per cent (previous year: 9 per cent) of the whole credit risk RWA. This primarily involved the netting of government and bank guarantees, financial collateral and mortgages.

The Bank did not acquire any assets in the past financial year in connection with the realisation of collateral held and other credit enhancements as a result of the default of borrowers. Bremer Landesbank has similarly not obtained any assets in the period under review by taking possession of securities obtained in the form collateral or by claiming other collateral for loans.

Credit risk - outlook

The Bank will continue to enhance its credit risk control system in 2016. In this context, the risk parameters and the credit risk model will be validated, as in every year. Additionally, the RWA management will be further structured in line with risk-return management and a buffer created for future crises. The credit-risk analyses focusing on risk concentration at counterparty and loan portfolio level will be intensified and result in further efficiency improvements in credit-risk management at the Bank.

Since 2010, the level of risk provisioning at Bremer Landesbank has been determined largely by developments in the merchant shipping sector. A long-term recovery of the shipping sector remains uncertain due to high levels of overcapacity. For the risk provisioning in the shipping segment, gradually falling expenses are assumed on the basis of gradually recovering charter rates. In its risk management the Bank is for now assuming the uncertain development will continue in merchant shipping in the next few years, is taking adequate measures, is protecting against risks by making an appropriate allocation to risk provisioning and will actively pursue the risk-oriented reduction of the Ship Finance portfolio in the next few years.

5.4.3 Investment Risk

Investment risk – development in 2015

The investment portfolio has been subject to a critical review over the last few years. The Bank has since disposed of some of its investments and continued this process in 2015. As in previous years, in 2015, no investments are deemed material as defined by the Minimum Requirements for Risk Management (MaRisk).

Investment risk - outlook

The investment portfolio has now been largely optimised.

5.4.4 Market Risk

Market risk – development in 2015

In addition, interest-rate risk represents a material market risk in the portfolio of Bremer Landesbank. In 2015 this risk appears more volatile than in previous years. In particular there were significant hikes in interest rates in the second quarter.

The table below shows the Bank's market risk in the year under review and in the previous year. Interest-rate risk includes credit-spread risks of the liquidity reserve and the trading book. Credit-spread risks in the banking book are not a part of this overview:

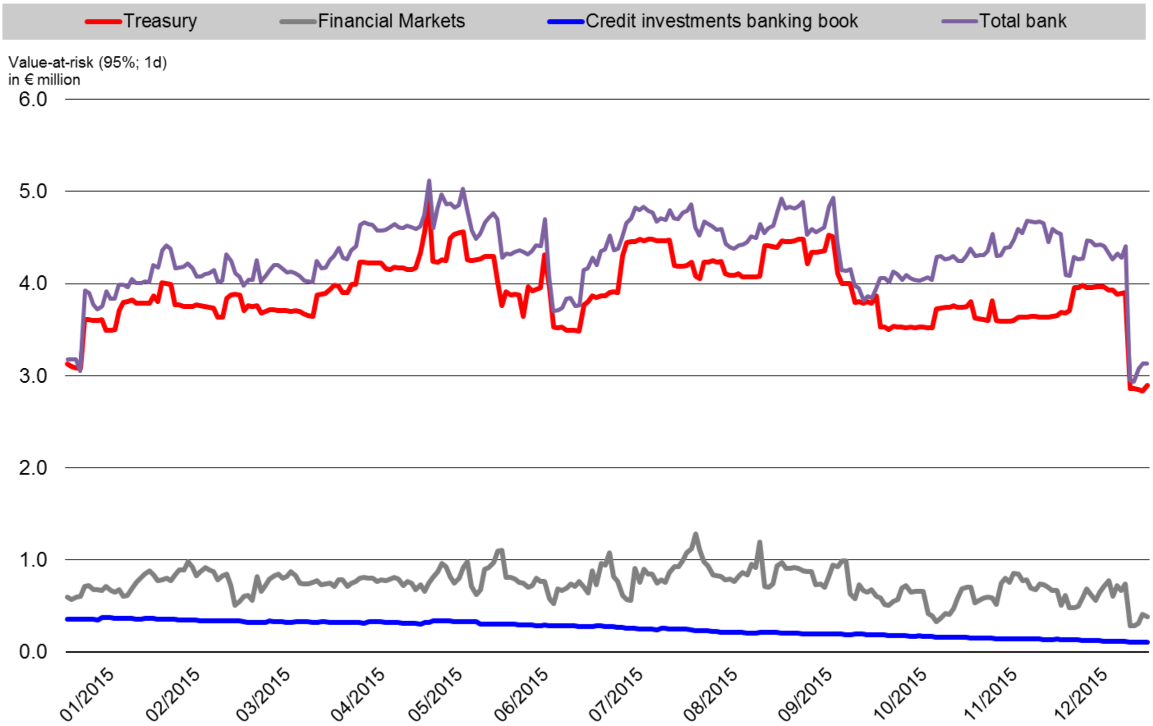
Market risks – overview

	Maximum		Average		Minimum		Year-end	
(in € k)	2015	2014	2015	2014	2015	2014	2015	2014
Interest-rate risk (VaR)	5,270	2,878	4,202	2,397	2,535	1,968	**2,535**	**2,462**
Currency risk (VaR)	118	134	32	33	4	3	**5**	**16**
Share-price and fund-price risk (VaR)	517	385	170	150	16	18	**20**	**376**
Volatility risk (VaR)	85	39	43	21	11	9	**12**	**37**
Total risk (VaR)	**4,770**	**2,914**	**4,043**	**2,367**	**2,563**	**1,891**	**2,563**	**2,421**

The average utilisation of the market risk limit for the Bank was 72 per cent (maximum 96 per cent and minimum 40 per cent). As at 31 December 2015 the Bank's VaR (confidence level of 95 per cent and holding period of one day) was € 2.56 million. In 2015 average utilisation of the risk limit in Financial Markets was 68 per cent; in Treasury it was 72 per cent.

The development of the VaR for the Bank as a whole (including the credit-spread risks of the banking book) is illustrated in the chart for 2015 below. The reduction of the VaR performed at the end of the year is due to interest-rate measures performed.

Market risks value-at-risk



In 2015 the stress tests performed for the Bank as a whole showed a maximum risk of € 120 million and an average of € 92 million, with a minimum of € 58 million. As at 31 December 2015, the stress-tested value for the Bank as a whole was € 61 million.

In 2015 the average interest-rate risk in relation to liable equity was 8.5 per cent, after 11.3 per cent in 2014. The results show that the Bank is far from being classified as a “bank with increased risks from a change in interest rates”. Components of equity which are available to the Bank without any time restrictions are not used to calculate the present value of interest-rate risk.

Market risk – outlook

For 2016 the Bank is expecting a largely stable market environment for the portfolio of Bremer Landesbank. A substantial, long-term shift in levels is not expected for credit spreads or interest rates.

In 2016 focus will again be on the implementation of regulatory requirements such as SREP. In addition, selective method and process improvements are sought in the context of market-risk control.

5.4.5 Liquidity Risk

Liquidity risk - development in 2015

The effects of the financial market crisis and continuing low interest rates can still be observed in the money and capital markets. The Bank continued to have sufficient access to the money and capital markets through reasonably diversified investor groups and products, evident in the fact that it was able to refinance at comparatively good terms in these markets. Long-term refinancing on both a covered and uncovered basis is primarily provided by long-term issues and customer deposits. Close observation of the markets and active liquidity management ensured that the Bank had a sufficient supply of liquidity at all times in financial year 2015 to date.

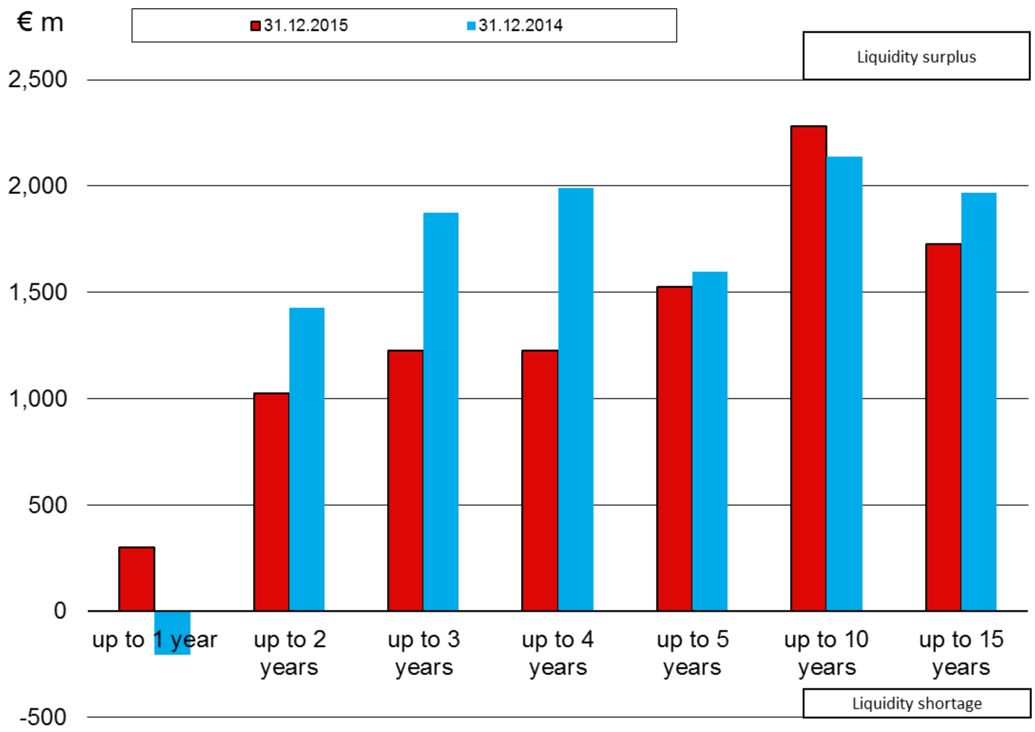
A comparison of cash and cash equivalents and payment obligations results in the liquidity ratio, which must be at least one in accordance with the German Liquidity Regulation. This requirement was met throughout the financial year 2015 and was 1.95 as at 31 December 2015.

In 2015 the Bank's liquidity situation was satisfactory at all times. The dynamic liquidity stress test, a classic liquidity risk management instrument, showed that even under severe stress parameters the amount of liquidity was sufficient. Due to the scheduled reduction of terms on larger issues due to mature at the end of 2015, a foreseeable reduction of the days of positive liquidity fell under the threshold of 180 days (yellow status – early warning threshold) was noted in the dynamic liquidity stress test. The refinancing measures implemented over the rest of the year raised the number of days of positive liquidity to a value greater than 180 days in a cost-effective manner.

The requirements regarding the liquidity buffer to be held in accordance with MaRisk have been complied with; the utilisation of the liquidity buffer for a week was 32 per cent on the reporting date (previous year: 35 per cent). The utilisation of the liquidity buffer for a month was also 38 per cent on the reporting date (previous year: 42 per cent).

Cumulative liquidity maturity

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



Overall, the Bank’s liquidity maturity balance sheet as at 31 December 2015. Additionally, in the short-term range (up to 1 year), a liquidity shortage that existed in 2014 was successfully reduced in the year under review. Liquidity limits employed for management purposes were maintained at all times in the past financial year with one exception (May 2015). The change in method for the volume structure limit resulted in a slight, temporary exceeding of the limit in the short-term range. Appropriate control measures ensured that compliance with the limit was quickly restored.

Liabilities € million	Volume 31.12.2015	Share	Volume 31.12.2014	Share
Banks	10,598	36 %	11,171	36 %
Customers	9,823	34 %	8,899	28 %
Securitised liabilities	5,279	18 %	7,349	24 %
Capital	1,343	5 %	1,343	4 %
Rest	2,022	7 %	2,482	8 %
Total liabilities	**29,065**		**31,244**	
Covered refinancing (total)[1)]	4,513		4,762	
Öffentliche Pfandbriefe	3,587	79 %	3,717	78 %
Hypothekenpfandbriefe	753	17 %	852	18 %
Schiffspfandbriefe	173	4 %	193	4 %

[1)] Covered refinancing: nominal amount reported

The refinancing of Bremer Landesbank essentially consists of liabilities to banks at 36 per cent (previous year: 36 per cent), to customers at 34 per cent (previous year: 28 per cent) and securitised liabilities at 18 per cent (previous year: 24 per cent). As well as unsecured securities, Bremer Landesbank also uses covered securities, including Öffentliche Pfandbriefe, Hypothekenpfandbriefe and Schiffspfandbriefe. The proportion of covered refinancing is 16 per cent (previous year: 15 per cent).

In the past numerous ratings benefited from the assumption that the state would, in all likelihood, support a bank that found itself in economic difficulties. However, the Bank Recovery and Resolution Directive (BRRD) passed by the EU in 2014 now provides that shareholders and bond holders should be liable for a failing bank in the first instance – as opposed to the state (and therefore the tax payer) intervening. For this reason, in March 2014 the ratings agency Fitch re-evaluated the banks on the basis that they are supported by their owners. The outlook was reduced to “negative” for more than 70 banks.

On 19 May 2015 the ratings agency Fitch downgraded numerous banks in Europe. By doing so it was reacting to the reduced willingness of European governments to support the financial institutions in a crisis. The group of landesbanks – and therefore also Bremer Landesbank – is affected by the downgrade. The ratings for Bremer Landesbank have been determined by Fitch as follows:

- The long-term rating has been downgraded from A to A-.
- The outlook was changed from negative to stable.
- The short-term rating remains stable at F1.

Liquidity risk - outlook

The Bank does not expect that the situation in the money and capital markets will change in the foreseeable future. For this reason, the developments between the banks and the liquidity provided by the central bank will continue to be observed closely.

In 2016, the developments will also be focused on the steadily increasing regulatory requirements that began with the financial market crisis and will be taken into account through a systematic refinement of the liquidity management. Here in particular the requirements of Basel III concerning the Liquidity Coverage Ratio (LCR) and der Net Stable Funding Ratio (NSFR) as well as the requirements of SREP and BCBS 239 are of great importance for the Bremer Landesbank.

5.4.6 Operational Risk

Operational risk - development in 2015

The loss events that occurred in 2015 were considered to be immaterial from an overall Bank point of view. All reported losses (including credit risk cases) came to € 2.4 million (gross) in 2015 (previous year: € 3.9 million). Minimisation of losses resulted in a net loss total of € 2.0 million.

Net losses as a percentage of total losses (not including losses relating to lending)

Loss database	Share 31.12.2015[1)]	Share 31.12.2014
External events	25.9 %	4.8 %
Internal processes	39.5 %	56.3 %
Employees	40.8 %	37.3 %
Technology	−6.2 %	1.6 %

[1)] Negative value due to the subsequent reduction of a loss from 2014.

Legal risks on account of the German Federal Supreme Court's ruling on invalid cancellation policies in consumer loan agreements and loan fees cannot be ruled out. Claims against the bank have to date only been made to a manageable extent. Loan fees for loans to private customers were refunded if they were claimed within the limitation period. It has not yet been decided by the Supreme Court whether the ruling is transferable to loans to commercial customers, to date only isolated claims for a refund have been made, and these claims were rejected. It has to date not been considered necessary to make a provision.

Based on the self-assessment results, the risk indicators and entries in the loss database, the Bank does not consider it likely that operational risks could lead to losses that would threaten the existence of the Bank.

Operational risk – outlook

For 2016 the Bank again assumes that loss events arising from operational risks will remain immaterial as in previous years.

5.5 Other Risks

Other risks not included in credit, investment, market-price, liquidity and operational risks are of minor significance for the Bank.

5.6 Overall Assessment

Overall assessment of the risk situation

The Bank's risk position will continue to be influenced significantly by the uncertain developments in the shipping markets. The only moderate growth in world trade is having a negative effect on the ship finance portfolio. In addition, the performance of the US dollar exchange rate though the impact on the RWA and the shortfall has had a significant influence on the capital ratios and the risk-bearing capacity. The utilisation rate in the risk-bearing capacity as at 31 December 2015 at a confidence level of 95 per cent is 44 per cent (31 December 2014: 94 per cent). The Bank's risk-bearing capacity was substantially improved in 2015 due to a range of measures. The issue of long-term subordinated bearer debt securities (AT1 bonds) for € 150 million strengthened Tier 1 capital. Additionally an initial synthetic securitisation transaction was implemented to effect a general reduction of risk. Further, defaulting ships were transferred to a new structure as part of investor solutions. The goal of the new structure is a sustainable transfer of all the ships from a default rating to a rating that frees up capital and simultaneously plays a significant role in the potential for reversal.

The pressure on the risk-bearing capacity and the capital ratio will remain due to the afore-mentioned uncertainties and the increasing regulatory requirements in 2016 and 2017. Given the gradually increasing minimum requirements under CRR (Capital Requirements Regulation), the measures introduced as part of RBC and capital management and additional intended measures will be pursued and implemented rigorously. The Bank will therefore continue its active risk management and long-term strengthening of risk-bearing capacity. Overall the aim is to achieve a green traffic light status in the going-concern scenario by the end of 2016.

The ship portfolio should be further reduced and strategically redimensioned in the primarily non-strategic customer area. Non-performing loans that cannot realistically be recovered are wound up in the course of risk provisioning and active portfolio management.

The continued good market and earnings position in Renewable Energies compensated in part for the problem in shipping. Wind Power remains the most important subsegment. The risks in wind park finance remain manageable.

Interest-rate risk as a significant market risk appeared more volatile than in previous years in particular in the second quarter of 2015. For 2016 the Bank anticipates neither a massive movement in interest rates nor a significant narrowing of the credit spreads. The Bank's liquidity management and -controlling ensured compliance with the liquidity buffer required under MaRisk in the financial year 2015. The liquidity ratio in accordance with the German Liquidity Regulation was 1.95 as at 31 December 2015. The Bank does not expect that the situation in the money and capital markets will change in the foreseeable future. The losses arising in 2015 that are attributable to the operational risk are considered to be immaterial from an overall Bank point of view. The Bank does not anticipate any change in 2016.

Bremer Landesbank will continue to attach great importance to the ongoing monitoring and active management of risk-bearing capacity in future. With the long-term implementation of the further measures introduced, the foreseeable effects of economic influences are considered to be manageable.

6. Disclaimer – Forward-Looking Statements

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

Supervisory Board Report

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

In 2015 the Supervisory Board, with the support of the Nomination Committee, again addressed the structure, size, composition and performance of the Management Board and the Supervisory Board itself as part of an efficiency audit.

KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover, audited the financial statements of Bremer Landesbank for financial year 2015. They comply with legal requirements. The auditors issued an unqualified audit opinion on the financial statements. The auditors also attended the Supervisory Board's financial statements meeting on 30 March 2016 and reported on the results of the audit.

The Supervisory Board approved the results of the audit conducted by the auditors and did not raise any objections on the basis of its own review. At its meeting on 30 March 2016 the Supervisory Board approved the Annual Financial Statements of Bremer Landesbank AöR as at 31 December 2015.

The Supervisory Board proposes to the Owners' Meeting that the acts of the Management Board be ratified.

The following persons left the Supervisory Board:

on 6 October 2015 Senator Martin Günthner

The following persons were appointed to the Supervisory Board:

on 6 October 2015 State Councillor of Senate Chancellery Prof. Matthias Stauch

In accordance with § 2 para. 7 of the Rules of Procedure for the Supervisory Board of Bremer Landesbank, it is necessary to report that a member of the Supervisory Board, in this case Senator Martin Günthner, took part in less than half of the meetings in financial year 2015.

The Supervisory Board would like to thank the Bank's Management Board for the constructive working relationship based on mutual trust and expresses its thanks for the work performed in 2015 by the Management Board and by all of the Bank's employees.

Bremen, 30 March 2016

The Chairwoman of the Supervisory Board

Mayoress Karoline Linnert

Report of the Owners' Meeting

The Owners' Meeting convened three times during the year under review in order to discharge its duties under the law and the Bank's statutes. Furthermore, other resolutions were adopted in the written voting procedure.

On 30 March 2016, the Owners' Meeting ratified the acts of the Management Board of the Bank and the Supervisory Board for financial year 2015.

The following persons left the Owners' Meeting:

on 6 October 2015 State Councillor Ekkehart Siering

The following persons were appointed to the Owners' Meeting:

on 6 October 2015 Mr. Arne Schneider

The Owners' Meeting wishes to thank the Supervisory Board, the Management Board and employees of the Bank for their work in 2015.

Bremen, 30 March 2016

The Chairman of the Owners' Meeting

Dr. Gunter Dunkel

Balance Sheet As at 31 December 2015

Assets

€ million						31.12.2014
1.	**Cash reserve**				**73**	**211**
	a)	Cash on hand		4		4
	b)	Balances at central banks		69		207
		of which: at Deutsche Bundesbank		(69)		(207)
3.	**Loans and advances to banks**				**3,494**	**3,651**
	b)	Municipal loans		2,715		2,851
	c)	Other loans and advances		779		800
		of which: due on demand		(369)		(478)
		against securities		(-)		(-)
4.	**Loans and advances to customers**				**21,884**	**22,346**
	a)	Mortgage loans		1,603		1,609
	b)	Municipal loans		4,526		4,963
	c)	Other loans and advances		15,755		15,774
		of which: against securities		(-)		(-)
5.	**Debt securities and other fixed-interest securities**				**2,823**	**4,100**
	b)	Bonds and debt securities		2,823		4,100
		ba) Issued by the public sector	2,442			2,313
		of which: eligible for collateral with Deutsche Bundesbank	(2,442)			(2,313)
		bb) Issued by other borrowers	381			1,787
		of which: eligible for collateral with Deutsche Bundesbank *)	(340)			(1,751)
6.	**Shares and other non-fixed-interest securities**				**19**	**28**
6a.	**Trading portfolio**				**216**	**292**
7.	**Investments**				**52**	**15**
	of which: in banks				(0)	(0)
	in financial services institutions				(0)	(0)
8.	**Shares in affiliated companies**				**73**	**162**
	of which: in banks				(-)	(-)
	in financial services institutions				(1)	(1)
9.	**Trust assets**				**15**	**128**
	of which: Trust loans				(2)	(3)
11.	**Intangible assets**				**11**	**4**
	b)	Purchased licences, industrial property rights and similar rights and assets as well as licenses in such rights and assets		3		3
	d)	Prepayments		8		1
12.	**Property and equipment**				**101**	**36**
14.	**Other assets**				**295**	**262**
15.	**Deferred items**				**9**	**9**
	a)	From issuing and loan business		8		8
	b)	Other		1		1
Total assets					**29,065**	**31,244**

*) The previous year's value was adjusted from € 1.699 million to € 1,751 million to ensure a uniform standard of comparison.

Liabilities

€ million						31.12.2014
1.	**Liabilities to banks**				**10,598**	**11,171**
	a)	Issued registered Hypothekenpfandbriefe		129		260
	b)	Issued registered Öffentliche Pfandbriefe		252		548
	c)	Other liabilities		10,217		10,363
		of which: due on demand		771		(1,258)
		registered Hypothekenpfandbriefe surrendered to the lender to secure loans raised		0		(0)
		registered Hypothekenpfandbriefe surrendered to the lender to secure loans raised		0		(0)
2.	**Liabilities to customers**				**9,823**	**8,899**
	a)	Issued registered Hypothekenpfandbriefe		326		301
	b)	Issued registered Öffentliche Pfandbriefe		1,933		2,240
	c)	Savings deposits		207		220
	ca)	With an agreed notice period of three months	203			216
	cb)	With an agreed notice period of more than three months	4			4
	d)	Other liabilities		7,357		6,138
		of which: due on demand		3,717		(2,817)
		registered Hypothekenpfandbriefe surrendered to the lender to secure loans raised		0		(0)
		registered Hypothekenpfandbriefe surrendered to the lender to secure loans raised		0		(0)
3.	**Securitised liabilities**				**5,279**	**7,349**
	a)	Issued debt securities		5,279		7,349
	aa)	Hypothekenpfandbriefe	480			502
	ab)	Öffentliche Pfandbriefe	1,435			1,839
	ac)	Other debt securities	3,364			5,008
3a.	**Trading portfolio**				**66**	**244**
4.	**Trust liabilities**				**15**	**128**
		of which: Trust loans			(2)	(3)
5.	**Other liabilities**				**430**	**441**
6.	**Deferred items**				**15**	**16**
	a)	From issuing and loan business		15		16
	b)	Other		0		0
7.	**provisions**				**150**	**309**
	a)	Provisions for pensions and similar obligations		100		249
	b)	Tax provisions		16		13
	c)	Other provisions		34		47
9.	**Subordinated liabilities**				**600**	**750**
10.	**Instruments of Additional Regulatory Tier 1 Capital**				**150**	**0**
11.	**Fund for general banking risks**				**596**	**594**
		of which: for trading portfolio			(7)	(8)
12.	**Equity**				**1,343**	**1,343**
	a)	Subscribed capital		265		265
	aa)	Share capital	265			265
	b)	Capital reserves		478		478
	c)	Retained earnings		600		600
	cc)	Other retained earnings	600			600
	d)	Profit		0		0
Total liabilities					**29,065**	**31,244**

Contingent liabilities and other obligations

€ million			31.12.2014
1. Contingent liabilities		**1,357**	**1,475**
b) Liabilities from guarantees and other indemnity agreements	1,357		1,475
2. Other obligations		**1,830**	**1,895**
c) Irrevocable credit commitments	1,830		1,895

Income Statement

for the period from 1 January to 31 December 2015

€ million				1.1.- 31.12. 2014
1. Interest income from			**952**	**990**
a) Lending and money market business	915			938
less expenses from negative interest rates	0	915		0
b) Fixed-interest securities and debt register claims		37		52
2. Interest expenses	489			**595**
less earnings from positive interest rates	−1	488	**488**	**0**
			464	**395**
3. Current income from			**3**	**7**
a) Shares and other non-fixed-interest securities		0		0
b) Investments		1		3
c) Shares in affiliated companies		2		4
4. Income from profit pooling and profit and loss transfer agreements			**60**	**2**
5. Commission income			**49**	**52**
6. Commission expenses			**10**	**7**
			39	**45**
7. Net income from the trading portfolio			**21**	**11**
of which: Allocations to the fund for general banking risks			−1	(1)
8. Other operating income			**25**	**6**
10. General administrative expenses			**170**	**191**
a) Staff expenses		87		114
aa) Wages and salaries		74		76
ab) Social security, pension and other benefit costs		13		38
of which: for pensions		0		25
b) Other administrative expenses		83		77
11. Depreciation and impairments of intangible assets and property and equipment			**5**	**4**
12. Other operating expenses			**27**	**21**
12a. Allocations to the fund for general banking risks			**3**	**50**
13. Depreciation and impairments of loans and advances and certain securities as well as allocations to loan loss provisions			**404**	**212**
15. Depreciation and impairments of equity investments, shares in affiliates and investment securities			**-**	**0**
16. Income from write-ups of equity investments, shares in affiliates and investment securities			**7**	**38**
19. Profit/loss from ordinary activities			**9**	**26**
20. Extraordinary earnings		**10**		**0**
21. Extraordinary expenses		**6**		**6**
22. Extraordinary result			**4**	**−6**
23. Income taxes		**13**		**20**
24. Other taxes not disclosed in item 12		**0**		**0**
			13	**20**
27. Net income for the year			**0**	**0**
28. Profit/loss carried forward from previous year			**0**	**0**
32. Allocations to retained earnings			**0**	**0**
34. Profit			**0**	**0**

Notes to the Annual Financial Statements

1. General Disclosures concerning the Accounting Policies and Principles for Currency Translation into Euros

1.1 Principles for the Preparation of the Annual Financial Statements

The Annual Financial Statements of Bremer Landesbank as at 31 December 2015 were prepared in accordance with the provisions of the German Commercial Code (HGB), last amended on 22 December 2015, and the German Accounting Regulation for Credit and Financial Services Institutions (*Kreditinstituts-Rechnungslegungsverordnung*, RechKredV).

The format of the balance sheet and income statement is based on the RechKredV. The comparative figures from 2014 are the figures approved, published and audited in the previous year. The balance sheet was prepared in accordance with § 268 para. 1 of the German Commercial Code assuming an appropriation of the profit for the year.

1.2 Accounting Policies – Banking Book

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

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

Identifiable risks in lending business are accounted for by making valuation allowances that are deducted from the relevant balances on the assets side in accordance with the following principles. For off-balance-sheet transactions, this is done by making provisions. To ensure that the risk provisioning covers all identifiable risks, this is calculated in the following steps:

Credit commitments are monitored constantly. For all counterparty risks in lending business identified on a case-by-case basis, specific valuation allowances in the amount of the expected default are made; this is calculated using the carrying amount of the receivable less the present value of all incoming payments that are still expected. The expected incoming payments cover in particular all expected interest and redemption payments as well as receipts from the realisation of securities; this takes into account any recovery costs incurred.

Risks relating to contingent liabilities are assessed on a case-by-case basis applying the principles used for specific valuation allowances. The accounting for country risks includes checking compliance with country limits (rating procedure for country and transfer risks). Specific valuation allowances are calculated on a case-by-case basis. Provisions for country risks are calculated using consistent principles. Reasonable lumpsum valuation allowances are made for other general credit risks. Lumpsum valuation allowances are still calculated on the basis of the communiqués of the BFA 1/1990 and the BMF Circular of 10 January 1994.

If the credit risk no longer applies or reduces, the aforementioned types of risk provisioning are reversed by the corresponding amount. We therefore meet the requirement to reverse impairment losses under tax and commercial law. If the Bank determines that a receivable has to be classified either fully or partly as irrecoverable, the write-down process is triggered.

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

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

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

Investments and shares in affiliated companies are recognised at acquisition cost or at lower net realisable value if they are permanently impaired. The net realisable value is determined fundamentally on the basis of the present value of the future net cash flows to the owners from their share in the entity (future earnings value).

The net earnings of the owners, which are discounted in order to calculate the capitalised earnings value, chiefly stem from the distributions of the net cash flows generated by the entity. The calculation of the fair value of the investment is therefore based on a forecast of earnings development in 2015 and a detailed budget for 2016 and, if applicable, a medium-term forecast for up to four subsequent years (planning phase I). The entity is fundamentally assumed to have a perpetual life for subsequent years beyond the planning horizon. For this purpose, a perpetual annuity is calculated to reflect the sustainable situation of the affiliated company (planning phase II). These expected future earnings are discounted to the balance sheet date taking planned distributions into account.

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

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

Fixed assets with a limited life are depreciated at the maximum rates allowed for tax purposes. Assets whose net acquisition cost is between € 150 and € 1,000 are recognised in a collective item and depreciated over 5 years at a rate of 20 per cent p.a. In the financial year this depreciation came to € 1 million (previous year: € 1 million). Low-value assets whose acquisition cost is less than € 150 (net) are written off completely in the year of acquisition.

Liabilities to customers and banks are recognised at their settlement value. Differences between the amount borrowed and the settlement value that represent interest are shown as deferred items and released as scheduled.

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

Structured issues in the liabilities to customers and banks as well as securitised liabilities are treated in accordance with the principles for uniform or separate accounting of structured financial instruments of the IDW RS HFA 22. If the prerequisites for uniform accounting are not in place, the structured issues are divided into their components base contract and embedded derivatives.

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

The principle of prudence enshrined in German commercial law (proof that the banking book is valued at its net realisable value) must be applied for all financial instruments in the banking book (interest ledgers) by recognising a provision in accordance with § 249 of the German Commercial Code ("provision for potential losses") for any net obligation from the valuation of the entire interest position.

A net obligation exists when the value of Bremer Landesbank's obligation exceeds the value of its claim to consideration. To provide evidence of valuation at net realisable value in accordance with IDW RS BFA 3, Bremer Landesbank uses the present value approach ("present value method").

To test whether a provision is required, the Bank compares the sum total of the interest-induced present values of all interest-bearing reported and off-balance sheet transactions outside the trading portfolio taking into account the anticipated refinancing, risk and administrative costs with the sum total of the carrying amounts of all interest-bearing transactions. As at 31 December 2015 no provision was required.

1.3 Hedge Accounting

In the event of interest-rate hedges of fixed-interest securities in the liquidity reserve in the form of interest-rate swaps for individual transactions, Bremer Landesbank generally applies hedge accounting to economic hedges.

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

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

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

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

1.4 Accounting Policies Trading Portfolio

In accordance with § 340e para. 3 clause 1 of the German Commercial Code, financial instruments in the trading portfolio are valued at their risk-adjusted fair value. The change in fair value compared to the last balance sheet date or compared to cost – the net valuation effect – is recorded in the item net income or net expense from the trading portfolio. In addition to the risk adjustment, income and expenses from the allocation to and reversal of the special item "Fund for general banking risks" are included in this item in accordance with § 340e para. 4 of the German Commercial Code. See the section "Calculation of fair values" for more information on the calculation of fair values.

During the financial year the Bank's internally specified criteria for including financial instruments in the trading portfolio were applied unchanged.

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

The risk adjustment and VaR are determined for the trading portfolio positions as defined in accordance with German commercial law applying the parameters stipulated by the banking supervisory authorities. Bremer Landesbank is not required to calculate a VaR risk in accordance with the CRR. For internal management purposes (daily market-price reports), the internal VaR is applied to trading portfolio and deducted from the trading assets for the risk adjustment in accordance with § 340e para. 3 clause 1 of the German Commercial Code. The VaR parameters used (and therefore also relevant for accounting in accordance with German commercial law) are:

- Using a VaR on the basis of the historical simulation to which historical changes in the risk factors to the current exposure are applied and the potential profit or loss calculated. The value-at-risk can then be taken from the list of profits and losses. This method is also used for Bremer Landesbank's internal market-price risk management.

- Supplementary information: types of market risk considered by Bremer Landesbank:

    - Interest-rate risk
    - Credit-spread risk
    - Currency risk
    - Share-price risk
    - Volatility risk
    - Fund-price risk
    - Commodity risk

- Confidence level: 99 per cent
- Holding period: 10 days
- Observation period: 1 year.

The method for determining the risk adjustment was not changed. It is based on the historical simulation.

1.5 Accounting Policies – Internal Transactions

In cases where risks from the non-trading portfolio are transferred to the trading portfolio, internal transactions are always examined from a commercial law perspective within the scope of the deputisation principle in the same way as external transactions.

1.6 Calculation of Fair Values

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

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

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

Valuation method	Scope	Key input parameters
Discounted cash flow Method	Illiquid interest-bearing securities	Swap curves, credit information
	Credit default swaps	Swap curves, credit spreads, if need be, credit rating information
	Interest-rate swaps, FRAs	Swap curves
	Forward transactions in securities	Contract data, actual securities forward prices, swap curves
	Call money and time deposits	Money-market curves
	Cross-currency interest-rate swaps, forward exchange contracts	Swap curves in the swapped currencies, basis swap spreads, exchange rates
Hull & White model for options	Bermudan swaptions	Volatility of the underlying market price, risk-free interest rate
Garman-Kohlhagen model	Foreign exchange options	Exchange rates, volatility of the underlying market price, risk-free interest rate
Black/Black 76 model	Caps and floors, swaptions, future options	Exchange rates, volatility of the underlying market price, risk-free interest rate

1.7 Currency Translation Principles

The acquisition process itself should have no effect on profit or loss. The different methods applied for subsequent valuation of foreign exchange in the trading portfolio (§ 340e para. 3 and para. 4 of the German Commercial Code) and that in the non-trading portfolio (§ 340h in conjunction with § 256a of the German Commercial Code) call for a strict separation of foreign currency balances.

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

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

- Income from the translation of specially covered transactions must be recognised in profit or loss in accordance with § 340h of the German Commercial Code.
- In accordance with § 256a clause 2 of the German Commercial Code, income from the translation of foreign currency positions with a residual term of one year or less must also be recognised in profit or loss.

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

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

The euro acquisition cost of assets and liabilities is calculated as the acquisition cost in the foreign currency translated into euros on the acquisition date (acquisition has no effect on profit or loss). All foreign currency assets and liabilities are valued on the balance sheet date (subsequent valuation) in the respective currency in accordance with the general principles. In accordance with § 256a of the German Commercial Code, the value thus obtained is translated into euros using the mean spot exchange rate of the balance sheet date. Outstanding spot transactions in foreign currencies are also translated at the mean spot exchange rate. Foreign currency assets of € 4.798 billion (previous year:. € 4.714 billion) and liabilities of € 862 million (previous year: € 989 million) were translated at the mean spot exchange rate of 31 December 2015. The effects on income from the conversion of assets and liabilities denominated in foreign currencies in the trading portfolio are included in the net income from the trading portfolio and those from the investment portfolio in the other operating profit/loss.

Foreign currency transactions in the trading portfolio are accounted for and valued using the rules applicable for the trading portfolio. The profit or loss from currency translation is reported under net income from the trading portfolio.

1.8 Disclosures Concerning Pension Provisions

Pension obligations were calculated using actuarial methods applying the projected unit credit method. The provisions for pensions and similar obligations were discounted using the average market interest rate of the last seven years for the assumed residual term of 15 years, as published by the Deutsche Bundesbank (§ 253 para. 2 clause 2 of the German Commercial Code). As at 31 December 2015 this interest rate was 3.89 per cent (previous year: 4.53 per cent). The effect from the changes to interest rates in the year under review (-0.64 per cent) in the amount of € 6 million as at 31 December 2015 was reported in the income statement for the first time under other operating expenses. In the previous year staff expenses included an interest-rate effect of € 16 million).

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

Parameter	2015	2014
Employee turnover (not including retirement/early retirement)	1.500 %	1.500 %
Pension trend:		
Management Board/permanent employees p.a.	2.400 %	2.500 %
Total benefits p.a.	3.200 %	3.500 %
Add-on benefits p.a.	2.000 %	2.000 %
Defined contribution benefits p.a.	1.000 %	1.000 %
Salary trend:		
Collective wage increases p.a.	2.000 %	2.000 %
Individual salary increases (pensionable) p.a.	0.000 %	0.375 %

The “2005 G Mortality Tables” by Klaus Heubeck were used as the biometric basis for calculation. The age of 65 was used as the earliest possible pensionable age.

In the year under review the change in responsibility for meeting company pension obligations was effected by including the existing “Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH” (provident fund), Bremen, in the financing of benefit entitlements. An amount totalling € 148 million was allocated to the Unterstützungseinrichtung (provident fund) at the expense of pension provisions. Due to the change, BLB has indirect pension obligations from the Unterstützungseinrichtung (provident fund) in accordance with article 28 para. 2 of the EGHGB totalling € 95 million (previous year: € 20 million).

The remaining allocation amount due to the change in the valuation of the obligations in accordance with article 67 para. 2 of the EGHGB (BilMoG) fell due in particular to the aforementioned change to € 9 million as at 31 December 2015 (previous year: € 62 million).

1.9 Deferred Taxes

Deferred taxes were calculated using the current corporate income tax rate in Germany of 15 per cent with the solidarity surcharge of 5.5 per cent and an average trade tax rate of approximately 15.91 per cent (previous year: 15.83 per cent). Deferred taxes were therefore determined using a domestic income tax rate of 31.73 per cent (previous year: 31.65 per cent).

The net deferred tax assets remaining after offsetting of deferred tax assets and liabilities are not recognised in the balance sheet, exercising the option in § 274 para. 1 clause 2 of the German Commercial Code.

2. Notes on the Items of the Balance Sheet and the Income Statement

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

2.1 Balance Sheet

2.1.1 Balance Sheet – Assets

€ million		31.12.2015	31.12.2014
Item 3:	**Loans and advances to banks**		
	Loans and advances to affiliated companies	53	156
	Loans and advances to companies with which there are participation relationships	15	21
	Subordinated loans and advances	-	-
	Loans and advances to associated savings banks	2,715	2,851
	Loans and advances designated as coverage for issued debt securities accordance with § 28 of the PfandBG	302	660
	Loans and advances designated as coverage for issued debt securities for old loans	0	267
Item 4:	**Loans and advances to customers**		
	Loans and advances to affiliated companies	132	128
	Loans and advances to companies with which there are participation relationships	123	113
	Loans and advances designated as coverage for issued debt securities in accordance with § 28 of the PfandBG	4,792	4,519
	Loans and advances designated as coverage for issued debt securities for old loans	0	613
Item 5:	**Debt securities and other fixed-interest securities**		
	b) Bonds and debt securities		
	ba) Issued by the public sector		
	Marketable and listed bonds	2,442	2,313
	Marketable and unlisted bonds	-	-
	bb) Issued by other issuers		
	Marketable and listed bonds	381	1,787
	Marketable and unlisted bonds	0	-
	Of affiliated companies	0	160
	Of companies with which there are participation relationships	-	-
	Sum total of marketable securities not valued at the strict lower of cost or market	279	1,904
	Omitted write-downs to the lower net realisable value		
	Carrying amount	114	260
	Fair value	111	259
	Hidden reserves		
	Carrying amount	1,300	3,349
	Fair value	1,334	3,397
	Loans and advances designated as coverage for issued debt securities in accordance with § 28 of the PfandBG	175	258
	Loans and advances designated as coverage for issued debt securities for old loans	0	25

€ million		31.12.2015	31.12.2014
Item 6:	**Shares and other non-fixed-interest securities**		
	Hidden reserves		
	Carrying amount	19	28
	Fair value	19	29
	Marketable and listed shares	19	28
	Marketable and unlisted shares	0	0
Item 6a:	**Trading portfolio**		
	Derivative financial instruments	131	212
	Debt securities and other fixed-interest securities	85	81
	Of affiliated companies	6	20
	less risk adjustment	−1	−1
Item 7:	**Investments**		
	Marketable and listed shares	3	3
	Marketable and unlisted shares	-	-
Item 8:	**Shares in affiliated companies:**		
	Marketable and listed shares	-	-
	Marketable and unlisted shares	-	-
Item 9:	**Trust assets**		
	Loans and advances to customers	2	3
	Investments	8	72
	Property and equipment	5	53
Item 12:	**Property and equipment**		
	Used in the Bank's own activities		
	- Land and buildings	49	6
	- Operating and office equipment	5	7
Item 14:	**Other assets**		
	Accrued interest for financial swaps	145	227
	Receivables from profit/loss transfer agreements	60	2
	Share rights intended for sale	45	-
	Initial Margin Eurex	15	15
	Cash security deposited with the German Federal Agency for Financial Market Stabilisation in the context of the "bank levy"	3	-
	Other claims against foreign banks	-	8
	Claims to tax refunds	0	0
Item 15	**Deferred items**	0	0
	Premiums and discounts	8	8

Statement of changes in fixed assets

€ million	Acquisition/manufacturing costs 01.01. 2015	Additions	Disposals	Reclassifications	31.12. 2015	Accumulated depreciation 01.01. 2015	Write-downs in FY	Write-ups in FY	Other changes 1)	31.12. 2015	Net carrying amounts 31.12. 2014	31.12. 2015
Investments	19	38	1	0	56	4	0	0	0	4	15	52
Shares in affiliated companies	162	0	89	0	73	0	0	0	0	0	162	73
Investment securities	1,904	95	1,720	0	279	0	0	0	0	0	1,904	279
Intangible assets	16	6	1	2	23	12	1	0	−1	12	4	11
Property and equipment	56	70	1	−2	123	20	4	0	−2	22	36	101

1) Disposals and reclassifications

€ 50 million of the additions to property and equipment are attributable to property of the BLB Grundbesitz KG, which, following the accretion are to be reported at BLB, and € 19 million to prepayments for the head office building under construction in Domshof, Bremen.

The asset items listed below break down by residual terms as follows:

Loans and advances to banks

€ million	Total	Due on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
31.12.2015						
b) Municipal loans	2,715	2	40	191	769	1,713
c) Other loans and advances	779	369	6	56	143	205
Total	**3,494**	**371**	**46**	**247**	**912**	**1,918**
31.12.2014						
b) Municipal loans	2,851	2	131	364	731	1,623
c) Other loans and advances	800	478	10	35	138	139
Total	**3,651**	**480**	**141**	**399**	**869**	**1,762**

Loans and advances to customers

€ million	Total	Due on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
31.12.2015						
a) Mortgage loans	1,603	1	44	73	381	1,104
b) Municipal loans	4,526	37	136	476	1,284	2,593
c) Other loans and advances	15,755	1,423	2,010	1,211	3,987	7,124
Total	**21,884**	**1,461**	**2,190**	**1,760**	**5,652**	**10,821**
31.12.2014						
a) Mortgage loans	1,609	1	54	71	376	1,107
b) Municipal loans	4,963	20	461	311	1,345	2,826
c) Other loans and advances	15,774	1,294	1,952	1,247	4,168	7,113
Total	**22,346**	**1,315**	**2,467**	**1,629**	**5,889**	**11,046**

Of the loans and advances due on demand, € 826 million (previous year: € 754 million) have an indefinite term.

Debt securities and other fixed-interest securities

Debt securities and other fixed-interest securities which will mature next year amount to € 690 million (previous year: € 1,924 million).

The hidden liabilities specified in the explanatory table to balance sheet item 5 “Debt securities and other interest-bearing securities” of € 3 million (previous year: € 1 million) result from the difference of fair value and carrying amount without accounting for the effects from hedges. Any securities or guarantees are also not taken into account when calculating the hidden liabilities.

Any impairments to securities were not permanent, but are likely to be temporary and therefore not due to changes in credit quality, with the result that there was no depreciation of the fair value.

2.1.2 Balance Sheet – Liabilities

€ million		31.12.2015	31.12.2014
Item 1:	**Liabilities to banks**		
	Liabilities to affiliated companies	24	44
	Liabilities to companies with which there are participation relationships	1	18
	Liabilities to associated savings banks	706	756
Item 2:	**Liabilities to customers**		
	Liabilities to affiliated companies	175	6
	Liabilities to companies with which there are participation relationships	24	21
Item 3:	**Securitised liabilities**		
	Liabilities to affiliated companies	767	655
	Liabilities to companies with which there are participation relationships	-	-
Item 3a:	**Trading portfolio**		
	Derivative financial instruments	66	244
	Of affiliated companies	0	5
Item 4:	**Trust liabilities**		
	Liabilities to banks	2	3
	Liabilities to customers	13	125
Item 5:	**Other liabilities**		
	Interest on subordinated liabilities	1	2
	Accrued interest from financial swap transactions	101	166
	Adjustment items from foreign currency derivatives	273	236
	Option premiums received	24	21
	Tax liabilities	1	2
Item 6:	**Deferred items**		
	Premiums and discounts	15	16
Item 9:	**Subordinated liabilities**		
	Liabilities to affiliated companies	201	201
	Liabilities to affiliated companies with which there are participation relationships	-	-
	Expenses for subordinated liabilities	18	20

Specification of subordinated liabilities in accordance with § 35 para. 3 of the RechKredV:

Currency	Amount 31.12.2015 € million	Interest expense 2015 € million	Interest rate % p.a.	End of term
€	65	0	Variable	05.04.2041
€	85	1	Variable	21.03.2031
€	200	1	Variable	28.06.2030
€	50	2	Variable	11.09.2028
€	50	2	Variable	06.12.2027
€	150	5	Variable	16.11.2027
€	0	7	4.875%	15.12.2015
Total	**600**	**18**		

A fixed-interest bearer instrument with a nominal volume of € 150 million expired on 15 December 2015.

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

Liabilities to banks

€ million	Total	Due on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
31.12.2015						
a) Issued registered mortgage securities	129	-	36	51	40	2
b) Issued registered mortgage securities	252	-	56	33	88	75
c) Other liabilities	10,217	771	1,025	1,239	2,815	4,367
Total	**10,598**	**771**	**1,117**	**1,323**	**2,943**	**4,444**
31.12.2014						
a) Issued registered mortgage securities	260	-	1	132	115	12
b) Issued registered mortgage securities	548	-	2	354	110	82
c) Other liabilities	10,363	1,258	981	672	2,641	4,811
Total	**11,171**	**1,258**	**984**	**1,158**	**2,866**	**4,905**

Liabilities to customers

€ million	Total	Due on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
31.12.2015						
a) Issued registered mortgage securities	326	0	2	95	81	148
b) Issued registered public securities	1,933	29	22	172	285	1,425
c) Savings deposits	207	0	0	201	5	1
d) Other liabilities	7,357	3,723	502	1,090	708	1,334
Total	**9,823**	**3,752**	**526**	**1,558**	**1,079**	**2,908**
31.12.2014						
a) Issued registered mortgage securities	301	0	1	5	151	144
b) Issued registered public securities	2,240	34	45	427	389	1,345
c) Savings deposits	220	0	0	214	5	1
d) Other liabilities	6,138	2,817	950	449	647	1,275
Total	**8,899**	**2,851**	**996**	**1,095**	**1,192**	**2,765**

Securitised liabilities

Issued debt securities listed under securitised liabilities which will mature next year amount to € 753 million (previous year: € 2,750 million).

Development of equity and subordinated capital as well as instruments of additional regulatory Tier 1 capital

(in € million)	Equity	Sub. capital Share capital	Capital reserves	Retained earnings	Profit	Fund for general banking risks	Instruments of add. regulatory Tier 1 capital	Subordinated liabilities
31.12.2014	**1,343**	**265**	**478**	**600**	**0**	**594**	**0**	**750**
Dividends paid	-	-	-	-	-	-	-	-
Interim profit	+ 10	-	-	-	+ 10	-	-	-
Issue of AT 1 bond	-	-	-	-	-	-	+ 150	-
Allocation to the fund for general banking risks	-	-	-	-	-	+ 2	-	-
Change to subordinated liabilities	-	-	-	-	-	-	-	−150
31.12.2015	**1,353**	**265**	**478**	**600**	**10**	**596**	**150**	**600**

In 2015 subordinated bearer debt securities of a total volume of € 150 million (of which € 100 million to affiliated companies) were issued that meet the requirements for the recognition of additional regulatory Tier 1 capital. The issued Additional Tier 1 bonds are an entitlement to uncollateralised, subordinated liabilities of Bremer Landesbank with no maturity date.

The purpose of these subordinate bearer debt securities is to provide Bremer Landesbank with additional Tier 1 capital for an indefinite period of time.

The bonds have a fixed-interest rate of 8.50 per cent for the first five years for tranche 1 (€ 50 million) and 9.50 per cent for tranche 2 (€ 100 million), at which point they switch to a variable interest phase.

2.2 Income Statement

Disclosures and Notes to the Income Statement

€ million		2015	2014
Item 7:	**Net income from the trading portfolio**		
	Risk adjustment in accordance with § 340 e (2014) of the German Commercial Code (income from reversals in 2014)	0	−2
	Allocation to the fund for general banking risks	−1	1
Item 8:	**Other operating income**		
	Write-ups of cancelled securities recognised under other assets	0	1
	Reversal of provisions	19	2
	Cost refunds	3	2
Item 10:	**Other administrative expenses**		
	Contribution to the bank restructuring fund (“bank levy”)	6	3
Item 12:	**Other operating expenses**		
	Unwinding of discount on pension provisions	14	14
	Interest-rate effect from pension provisions (triggered by interest rate)	6[1)]	16
	Unwinding of other discounts	0	1
Item 16:	**Income from write-ups of investments, shares in affiliates and investment securities**		
	Investments	4	37
	Investment securities	2	1
Item 20:	**Extraordinary earnings**		
	Earnings from accretion of an investment	10	-
Item 21:	**Extraordinary expenses**		
	BilMoG adjustment for pension provisions	6	6

1) In the previous year the interest-rate effect resulting from the discounting of pension obligations was reported under staff expenses.

Interest income and interest expenses

The expenses from negative interest rates and income from positive interest rates presented in the income statement result from call money and time deposits in interbank business and in business with non-banks as well as securities-lending transactions. In all cases a negative reference interest rate (usually the EURIBOR rate for different maturity ranges) produced the effects described.

Other administrative expenses

Due to the decision taken in the 261st meeting of the IDW banking technical committee that was announced on 6 July 2015 on the proper reporting of the bank levy, this expenses item (including previous year’s value) is now reported as a component of general administrative expenses (previously “other operating expenses”).

Income from write-ups of investments, shares in affiliated companies and investment securities

The income results in particular from the sale of investments to Eurokartensysteme GmbH. The sale generated a profit of € 4 million.

Extraordinary earnings

The assets of the wholly-owned subsidiary "BLB Grundbesitz KG" have accrued to Bremer Landesbank through measures under company law, realising a profit of € 10 million.

Income taxes

Income taxes primarily relate to tax on the profit from ordinary activities.

3. Other Disclosures

3.1 Contingent Liabilities and Other Financial Obligations

For the contingent liabilities from guarantees of € 1.4 billion (previous year: € 1.5 billion), the default risk relating to the guarantee bonds drawn on is assessed during general loan processing. The liabilities from guarantees primarily relate to credit derivatives of € 0.1 billion (previous year: € 0.4 billion). There are no contingent liabilities to affiliated companies (previous year: € 0 million).

The other obligations of € 1.8 billion (previous year: € 1.9 billion) are attributable to credit commitments to customers, of which approximately € 0.1 billion (previous year: € 0.1 billion) relate to the Ship Finance strategic business unit and € 1.2 billion (previous year: € 1.4 billion) to Corporate Customers.

Other financial obligations include the following significant sums:

- The assessment of the contribution for the security reserve for landesbanks and girobanks was changed in the context of the recognition of the security reserve as a bank-related security system under CRR and the assumption of the deposit guarantee role under EinSiG. In addition to contributions already made, there are obligations to make additional contributions in the amount of € 70 million (previous year-end: € 43 million). These additional contributions can be called in when support is required.
- In connection with the redemption of shares in FinanzIT GmbH, Hanover, the withdrawing shareholders NORD/LB, Bremer Landesbank and Landesbank Saar have undertaken to cover the company's risks from the period up to their withdrawal jointly with the remaining FinanzIT shareholders provided these risks actually occur and are not covered by provisions already established.
- Notwithstanding the disposal of the investment in DekaBank Deutsche Girozentrale, Frankfurt am Main, held indirectly through GLB GmbH & Co. OHG, Frankfurt am Main, and the related reduction in the capital of GLB GmbH & Co. OHG, Bremer Landesbank, as a guarantor, is still jointly liable with the other owners for certain liabilities of DekaBank Deutsche Girozentrale.
- There were no securities deposited as collateral for transactions in forward markets, as in the previous year. Instead, a cash security of € 15 million was deposited at Eurex Deutschland, Frankfurt am Main (previous year: € 15 million).
- In accordance with § 12 para. 5 of the German Restructuring Fund Act (*Restrukturierungs-fondsgesetz*, RStruktFG), 30 per cent of the annual contribution for the EU bank levy set in accordance with § 12 para. 2, § 12b and § 12g of the RStruktFG was made from an irrevocable payment obligation of € 3 million. Bremer Landesbank covered this payment obligation in full by providing a cash security.

3.2 Employees

Annual average number of employees

	2015	2014
Male	525	547
Female	514	552
Total	**1,039**	**1,099**

3.3 Remuneration, Advances, Loans and Contingent Liabilities of or to Members of Governing Bodies

3.3.1 Total Remuneration of Members of Governing Bodies

€ thousand	2015	2014
Management Board	2,205	2,749
Supervisory Board[1)]	198	203
Advisory Board[1)]	66	68

1) § 5a of the Senate Law [Senatsgesetz] of the Free Hanseatic City of Bremen provides for a duty of surrender relating to remuneration for activities on Supervisory and Advisory Boards.

Due to the change in responsibility for meeting company pension obligations, part of the direct pension commitments was transferred to the Bank's Unterstützungseinrichtung (provident fund). The indirect pension obligations in accordance with art. 28 para. 2 of the EGHGB for this group of people totalled € 290,000. Detailed explanations can be found in section 1.8 of the notes.

3.3.2 Total Remuneration of Former Members of Governing Bodies and Their Dependents

€ thousand	2015	2014
Management Board	1,657	1,513
Supervisory Board	-	-
Advisory Board	-	-

The responsibility for meeting the pension obligations for the above group of people was transferred in the year under review. Detailed explanations can be found in section 1.8 of the notes. The indirect pension obligations in accordance with art. 28 para. 2 of the EGHGB for this group of people totalled € 22.770 million. Provisions for the remaining direct pension obligations to this group of people totalling € 2.148 million (previous year: € 20.210 million) were recognised. Due to the changes in the valuation of pension obligations due to BilMoG (article 67 para. 2 of the EGHGB) , the remaining allocation as at 31 December 2015 is € 321,000 (previous year: € 4.148 million).

3.3.3 Advances, Loans and Contingent Liabilities

€ thousand	Loans and advances	Liabilities
Advances and loans as at 31.12.2015		
Management Board	639	994
Supervisory Board	780	201
Owners' Meeting	-	-
Advances and loans as at 31.12.2014		
Management Board	386	946
Supervisory Board	1,036	264
Owners' Meeting	253	-

3.4 Other Disclosures

3.4.1 Non-arm's Length Transactions

No non-arm's length transactions were entered into with related parties in financial year 2015.

3.4.2 Services Provided to Third Parties

Services provided to third parties relating to administration and brokerage are of minor significance.

3.4.3 Offsetting of Assets and Liabilities from Pension Obligations

The liabilities from pension obligations are not matched by any assets that would have to be offset in accordance with § 246 para. 2 clause 2 of the German Commercial Code.

3.4.4 Restrictions on Distribution of Assets

No assets were recognised in accordance with § 268 para. 8 of the German Commercial Code which are subject to restrictions on distribution in the financial year 2015.

3.4.5 Securitisation Transactions

Securitisation is an instrument available to Bremer Landesbank to control credit risks. The aim of the securitisation activities is to reduce the burden on regulatory capital requirements. To diversify the credit portfolio the existing credit risks on the Bank's own books may be passed to other market participants. In 2015 Bremer Landesbank originated its first securitisation transactions. In the year under review Bremer Landesbank structured a securitisation for a credit portfolio with an initial volume of around € 2.145 billion from the asset classes Renewable Energies, Corporate Customers, Social Welfare Facilities, Commercial Real Estate and Ships. A guarantee with an initial volume of around € 106 million was entered into with a private guarantor with effect from 16 December 2015 to hedge the credit risks contained therein. The contractual term of the guarantee is twelve years. The initial loss tranche held by Bremer Landesbank totals € 10 million and has not been utilised to date.

3.5 Forward Contracts

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

€ million	Nominal values	Fair values positive	Fair values negative
Forward contracts in the banking book			
Forward contracts in foreign currencies	6,271	14	288
Forward interest-rate contracts	6,670	1	14
	12,941	**15**	**302**
Forward contracts in the trading portfolio			
Forward contracts in foreign currencies	2,055	22	21
Forward interest-rate contracts	21,942	1,129	746
	23,997	**1,151**	**767**

Non-trading forward contracts are used to hedge currency, liquidity and interest-rate risks. In the trading portfolio, forward contracts are used to manage interest-rate and currency risks; open positions are entered into within the defined limits.

The forward interest-rate contracts in the trading portfolio are outstanding futures and forward rate agreements with a nominal volume of € 1.860 billion (previous year: € 1.228 billion).

3.6 Derivative Transactions

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

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

The valuation distinguishes between exchange-traded and off-exchange products. A daily cash settlement (variation margin) is made for exchange-traded futures.

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

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

3.6.1 External Derivatives not at Fair Value – by Risk and Transaction Type (Non-trading Portfolio)

Derivative transactions allocated to the non-trading portfolio are presented below:

€ million	Nominal values	Positive fair values	Negative fair values	Carrying amount	Recorded in balance sheet items
Interest-rate risks					
Interest-rate swaps	4,870	0	14		
F.R.A.	1,800	1	0		
Caps, floors	0	0	0		
Swaptions (purchases)	0	0	-	7	Other assets
Interest-rate risks – total –	**6,670**	**1**	**14**	**7**	
(Previous year)	**(7,536)**	**(9)**	**(31)**	**(7)**	
Currency risks					
Currency swaps	1,054	0	8		
Cross-currency interest-rate swaps	5,205	14	280		
Foreign currency caps and floors	11	0	0		
Currency options (purchases)	0	0	-	-	
Currency risks – total –	**6,270**	**14**	**288**	**-**	
(Previous year)	**(5,275)**	**(6)**	**(247)**	**(-)**	
Credit risks	385	0	1	-	
Credit derivatives – total –	**385**	**0**	**1**	**-**	
(Previous year)	**(385)**	**(0)**	**(5)**	**(-)**	

The nominal values refer to the gross volume of all purchases and sales and long and short positions. Fair values and carrying amounts are shown for all contracts without accrued interest. Positive and negative fair values of contracts with the same counterparty were not offset. The above table also contains those derivatives designated as hedges in accordance with § 254 of the German Commercial Code. In connection with foreign currency translation in accordance with § 340h of the German Commercial Code in conjunction with § 256a of the German Commercial Code, no derivatives with currency risks were recognised as at 31 December 2015 (previous year: € 0 million). All fair values could be reliably determined. See the chapter “Calculation of fair values” for more information on the valuation methods applied.

3.6.2 External Derivatives Reported at Fair Value by Risk and Transaction Type (Trading Portfolio)

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

€ million	Nominal values	Positive fair values	Negative fair values
Interest-rate risks			
Interest-rate swaps	20,218	1,116	713
Swaptions	416	-	20
Purchases	-	-	-
Sales	416	-	20
Caps, floors	1,248	13	13
Futures	60	-	-
Interest-rate risks – total –	**21,942**	**1,129**	**746**
(Previous year)	**(23,835)**	**(1,394)**	**(914)**
Currency risks			
Forward exchange contracts	223	4	5
Currency swaps	533	8	4
Cross-currency interest-rate swaps	1,256	9	12
Caps, floors	34	0	0
Currency options	9	1	0
Purchases	7	1	-
Sales	2	-	0
Currency risks – total –	**2,055**	**22**	**21**
(Previous year)	**(2,235)**	**(26)**	**(32)**
Credit risks	300	1	1
Credit derivatives – total –	**300**	**1**	**1**
(Previous year)	**(300)**	**(1)**	**(1)**

3.6.3 Maturities of Derivatives (Trading Portfolio)

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

€ million	31.12.2015 Interest-rate risks	31.12.2015 Currency risks	31.12.2015 Credit derivatives	31.12.2014 Interest-rate risks	31.12.2014 Currency risks	31.12.2014 Credit derivatives
Residual maturities						
Up to 3 months	438	652	-	1,663	378	-
More than 3 months up to 1 year	2,718	758	160	3,854	663	-
More than 1 year up to 5 years	10,551	483	140	11,551	966	-
More than 5 years	8,235	162	-	6,767	228	300
Total	**21,942**	**2,055**	**300**	**23,835**	**2,235**	**300**

There were no share-price or other price risks as at the balance sheet date of either the financial year or the previous year.

3.6.4 Counterparties of Derivatives (Trading Portfolio)

Trading portfolio derivatives break down by external counterparty as follows:

€ million	31.12.2015 Nominal values	Fair values positive	negative	31.12.2014 Nominal values	Fair values positive	negative
Banks in the OECD (including stock exchange contracts)	21,099	988	760	23,394	1,236	937
Public institutions in the OECD	14	1	0	13	1	-
Other counterparties	3,184	162	8	2,963	186	11
Total	**24,297**	**1,151**	**768**	**26,370**	**1,423**	**948**

3.6.5 Disclosures Concerning Hedges

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

€ million	31.12.2015	31.12.2014
Assets Fixed-interest securities in the liquidity reserve	974	460
Total	**974**	**460**

This involved 31 micro hedges of securities in the liquidity reserve with a nominal value of € 968 million (previous year: 11 hedges with a nominal value of € 463 million), in which the interest-rate risk is hedged against interest-rate swaps in the same amount. The term of each hedging relationship coincides with the maturity of the underlying transaction. The relevant underlying transactions will mature between 2018 and 2027.

The securities in the liquidity reserve are valued applying the strict lower of cost or market principle. Due to the perfect micro hedging relationships, no interest rate-induced negative changes in value of the underlying transactions are taken into account.

For 16 securities in the liquidity reserve in hedges non-interest rate-induced write-downs totalling € 2 million had to be recognised as at 31 December 2015 (previous year: € 0 million). The non-interest rate-induced hidden reserves for the remaining 15 underlying transactions totalled € 8 million (previous year: € 6 million).

3.7 Other Disclosures

3.7.1 Open-market Transactions

Bonds with a carrying amount of € 1.319 billion (previous year: € 1.584 billion) were deposited with Deutsche Bundesbank in open-market transactions.

3.7.2 Repurchase Agreements

As in the previous year, there were no genuine repurchase agreements for securities and other assets as at the balance sheet date.

3.7.3 Transfer of Collateral for the Bank’s own Liabilities

Loans and advances to customers of € 6.617 billion (previous year: € 6.454 billion) were assigned as collateral for the Bank’s own liabilities to banks.

3.7.4 Auditor’s Fees

The table below shows, on an aggregate basis, the services rendered by the auditor KPMG in financial year 2014 and financial year 2015:

€ thousand	2015	2014
a) Services for the audit of the financial statements	1,290	1,181
b) Other confirmation services	534	272
c) Tax services	-	-
d) Other services	41	93

As in previous years, the fees for the auditor’s services in the form of audits of interim financial statements during the financial year are allocated to auditing services in accordance with IDW ERS HFA 36 new ed., para. 12a.

3.7.5 Financial Transactions in Selected European Countries

The tables below show our exposure to European states for which an elevated economic risk is assumed.

31.12.2015 **€ million**	**Nominal**	**Historical acquisition costs**	**Carrying amount accounted for[1)]**	**Valuation allowance in income statement**	**Fair value**
Portugal	**-**	**-**	**-**	**-**	**-**
State	-	-	-	-	-
Financial institutions/ insurance companies	-	-	-	-	-
Companies/other	-	-	-	-	-
Ireland	**20**	**20**	**19**	**-**	**19**
State	-	-	-	-	-
Financial institutions/ insurance companies	0	0	0	0	0
Companies/other	20	20	19	0	19
Italy	**0**	**0**	**0**	**0**	**0**
State	-	-	-	-	-
Financial institutions/ insurance companies	0	0	0	-	0
Companies/other	0	0	0	0	0
Greece	**0**	**0**	**0**	**0**	**0**
State	-	-	-	-	-
Financial institutions/ insurance companies	-	-	-	-	-
Companies/other	0	0	0	0	0
Spain	**20**	**20**	**19**	**0**	**19**
State	-	-	-	-	-
Financial institutions/ insurance companies	20	20	19	0	19
Companies/other	-	-	-	-	-
Total	**40**	**40**	**38**	**0**	**38**

31.12.2014 € million	Nominal	Historical acquisition costs	Carrying amount accounted for[1)]	Valuation allowance in income statement	Fair value
Portugal	**-**	**-**	**-**	**-**	**-**
State	-	-	-	-	-
Financial institutions/ insurance companies	-	-	-	-	-
Companies/other	-	-	-	-	-
Ireland	**132**	**129**	**131**	**-**	**130**
State	-	-	-	-	-
Financial institutions/ insurance companies	107	104	111	-	108
Companies/other	25	25	20	-	22
Italy	**0**	**0**	**0**	**-**	**0**
State	-	-	-	-	-
Financial institutions/ insurance companies	0	0	0	-	0
Companies/other	0	0	0	-	0
Greece	**33**	**33**	**33**	**-**	**33**
State	-	-	-	-	-
Financial institutions/ insurance companies	-	-	-	-	-
Companies/other	33	33	33	-	33
Spain	**19**	**19**	**18**	**-**	**18**
State	-	-	-	-	-
Financial institutions/ insurance companies	19	19	18	-	18
Companies/other	-	-	-	-	-
Total	**184**	**181**	**182**	**-**	**181**

[1)] Including accrued interest, premium, discount, etc.

3.8 Cover Calculation

3.8.1 Cover Calculation in Accordance With § 35 Para. 7 No. 7 of the RechKredV

Coverage of the debt securities in circulation (§ 35 para. 1 no. 7 of the RechKredV)

€ million	Mortgage lending business		Municipal lending business		Shipping	
Liabilities requiring cover		**753**		**3,587**		**173**
Pfandbriefe						
Bearer debt securities	448		1,425		30	
Registered debt securities	305		2,162		143	
Covering assets		**1,187**		**3,855**		**227**
Loans and advances to banks	10		274		18	
Loans and advances to customers	1,127		3,471		194	
Securities issued by the public sector	50		110		15	
Excess coverage		**434**		**268**		**54**

3.8.2 Report in Accordance With § 28 of the Covered Bond Act (*Pfandbriefbankgesetz,* PfandBG) As at 31 December 2015

a. Hypothekenpfandbriefe

Cover in nominal and present values of the Hypothekenpfandbriefe in circulation and the cover pools used (§ 28 para. 1 no. 1 of the PfandBG)

	Nominal value		Present value		Risk-adjusted present value including currency stress *) at least +100bp		Risk-adjusted present value including currency stress *) at least -100bp	
€ million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Total amount of Pfandbriefe in circulation	753	852	812	923	773	894	845	945
Total amount of covering assets	1,187	1,067	1,311	1,197	1,264	1,158	1,335	1,216
Capital surplus	434	215	499	274	491	264	490	271
Excess coverage in %	58	25	61	30	64	30	58	29

*) The dynamic approach in accordance with § 5 para. 1 no. 2 of the PfandBarwertV was used for the calculation of the risk-adjusted present value.

Maturity structure of Hypothekenpfandbriefe in circulation and the cover pools used (§ 28 para. 1 no. 2 of the PfandBG)

	Hypothekenpfandbriefe		Covering assets by fixed-interest periods	
€ million	**2015**	**2014**	**2015**	**2014**
Up to 0.5 year	100	30	152	103
More than 0.5 year up to 1 year	80	187	45	51
More than 1 year up to 1.5 years	25	100	81	99
More than 1.5 years up to 2 years	15	80	45	43
More than 2 years up to 3 years	71	40	135	115
More than 3 years up to 4 years	142	71	114	114
More than 4 years up to 5 years	56	142	117	106
More than 5 years up to 10 years	157	110	447	398
More than 10 years	107	92	51	38
Total	**753**	**852**	**1,187**	**1,067**

Share of derivatives (§ 28 para. 1 no. 3 of the PfandBG)

No derivatives are included in the portfolio.

Breakdown of the receivables used for coverage of Hypothekenpfandbriefe by size classes (§ 28 para. 2 no. 1a of the PfandBG)

	€ million	
Size categories	**2015**	**2014**
Up to € 0.3 million	346	390
More than € 0.3 million up to € 1.0 million	180	177
More than € 1.0 million up to € 10.0 million	495	440
More than € 10.0 million	106	35
Total	**1,127**	**1,042**

Breakdown of the receivables used for coverage of Hypothekenpfandbriefe by usage types (§ 28 para. 2 no. 1b and c of the PfandBG)

	€ million	
	2015	**2014**
Freehold apartments	75	96
One and two-family houses	208	237
Apartment buildings	244	266
New buildings under construction, not yet able to generate income	-	-
Building sites	-	-
Total residential properties	**527**	**599**
Office buildings	87	103
Retail buildings	161	58
Industrial buildings	5	-
Buildings used for other commercial purposes	347	281
New buildings under construction, not yet able to generate income	-	1
Building sites	-	-
Total commercial properties	**600**	**443**
Total	**1,127**	**1,042**

All residential and commercial properties are located in Germany.

Total payments at least 90 days in arrears (§ 28 para. 2 no. 2 of the PfandBG)

There were no payments in arrears by more than 90 days as at 31 December 2015 as in the previous year.

Other covering assets for Hypothekenpfandbriefe (§ 19 para. 1 no. 1, no. 2 and no. 3 of the PfandBG; disclosure in accordance with § 28 para. 1 no. 4, no. 5 and no. 6 of the PfandBG)

€ million		Total	of which Equalisation claims in acc. with § 19 para. 1 no. 1 of the PfandBG	Claims in accordance with § 19 para. 1 no. 2 of the PfandBG Total	of which Mortgage bonds in accordance with art. 129 of Directive (EU) No. 575/2013	Claims in acc. with § 19 para. 1 no. 3 of the PfandBG
State						
Total (all states)	**2015**	60	-	10	-	50
	2014	25	-	25	25	-
Germany	**2015**	60	-	10	-	50
	2014	25	-	25	25	-

Key ratios for Hypothekenpfandbriefe in circulation and the covering assets used for them (disclosure in accordance with § 28 para. 1 nos. 7, 8, 9, 10 and 11 of the PfandBG and § 28 para. 2 no. 3 of the PfandBG)

		2015	2014
Pfandbriefe in circulation	€ million	753	852
of which share of fixed-interest Pfandbriefe; § 28 para. 1 no. 9	%	71	72
Cover pool	€ million	1,187	1,067
of which total amount of claims that exceeds the limits in accordance with § 13 para. 1; § 28 para. 1 no. 7	€ million	-	-
of which total amount of claims that is above the % values in accordance with § 19 para. 1 no. 2; § 28 para. 1 no. 8	€ million	-	-
of which total amount of exposure that is above the % values in accordance with § 19 para. 1 no. 3; § 28 para. 1 no. 8	€ million	-	-
of which share of fixed-interest cover pool; § 28 para. 1 no. 9	%	86	86
Net cash value in accordance with § 6 of the Covered Bond Present Value Regulation (Pfandbrief-Barwertverordnung)	CAD	-	-
for each foreign currency in € million;	CHF	-	-
§ 28 para. 1 no. 10 (balance on asset/liability side)	CZK	-	-
	DKK	-	-
	GBP	-	-
	HKD	-	-
	JPY	-	-
	NOK	-	-
	SEK	-	-
	USD	-	-
Volume-weighted average in age of exposures (seasoning); § 28 para. 1 no. 11	years	9	9
Average weighted loan-to-value ratio; § 28 para. 2 no. 3	%	60	60

b. Öffentliche Pfandbriefe

Cover in nominal and present values of the Öffentliche Pfandbriefe in circulation and the cover pools used (§ 28 (1) no. 1 of the PfandBG)

€ million	Nominal value 2015	Nominal value 2014	Present value 2015	Present value 2014	Risk-adjusted present value including currency stress *) at least +100bp 2015	Risk-adjusted present value including currency stress *) at least +100bp 2014	Risk-adjusted present value including currency stress *) at least -100 bp 2015	Risk-adjusted present value including currency stress *) at least -100 bp 2014
Total amount of Pfandbriefe in circulation	3,587	3,717	4,054	4,281	3,758	4,037	4,338	4,493
Total amount of covering assets	3,855	4,094	4,460	4,780	4,093	4,479	4,823	5,056
Capital surplus	268	377	406	499	335	442	485	563
Excess coverage in %	7	10	10	12	9	11	11	13

*) The dynamic approach in accordance with § 5 para. 1 no. 2 of the PfandBarwertV was used for the calculation of the risk-adjusted present value.

Maturity structure of the Öffentliche Pfandbriefe in circulation and the cover pools used (§ 28 para. 1 no. 2 of the PfandBG)

€ million	Öffentliche Pfandbriefe 2015	Öffentliche Pfandbriefe 2014	Covering assets by fixed-interest periods 2015	Covering assets by fixed-interest periods 2014
Up to 0.5 year	278	204	240	91
More than 0.5 year up to 1 year	205	296	272	799
More than 1 year up to 1.5 years	155	279	184	194
More than 1.5 years up to 2 years	158	195	163	232
More than 2 years up to 3 years	424	313	299	212
More than 3 years up to 4 years	303	424	308	218
More than 4 years up to 5 years	243	303	235	262
More than 5 years up to 10 years	854	760	956	958
More than 10 years	967	943	1,198	1,128
Total	**3,587**	**3,717**	**3,855**	**4,094**

Share of derivatives (§ 28 para. 1 no. 3 of the PfandBG)

No derivatives are included in the portfolio.

Breakdown of the receivables used for coverage of Öffentliche Pfandbriefe by size classes (§ 28 para. 3 no. 1 of the PfandBG)

Size categories	€ million 2015	€ million 2014
Up to € 10.0 million	1,208	1,138
More than € 10.0 million up to € 100.0 million	1,373	1,375
More than € 100.0 million	1,025	1,581
Total	**3,606**	**4,094**

Breakdown of the receivables used for coverage of öffentliche Pfandbriefe by state (§ 28 para. 3 no. 2 of the PfandBG)

€ million		Total	of which				
			Guarantees included in the sum for reasons of export promotion	**Central state**	**Regional authorities**	**Local authorities**	**Other debtors**
State							
Total (all states)	**2015**	**3,606**	-	-	360	2,453	793
	2014	**4,094**	-	-	433	2,404	1,257
Germany	**2015**	**3,606**	-	-	360	2,453	793
	2014	**4,094**	-	-	433	2,404	1,257

Total payments at least 90 days in arrears (§ 28 para. 3 no. 3 of the PfandBG)

There were no payments in arrears by more than 90 days as at 31 December 2015, as in the previous year.

Other covering assets for öffentliche Pfandbriefe (§ 20 para. 2 no. 1 and no. 2 of the PfandBG; disclosure in accordance with § 28 para. 1 no. 4 and no. 5 of the PfandBG)

€ million		Total	of which		
				Claims in accordance with § 20 para. 2 no. 2 of the PfandBG	
					of which
			Equalisation claims in accordance with § 20 para. 2 no. 1 of the PfandBG	**Total**	**Mortgage bonds in accordance with art. 129 of Directive (EU) No. 575/2013**
State					
Total (all states)	**2015**	249	-	249	-
	2014	-	-	-	-
Germany	**2015**	249	-	249	-
	2014	-	-	-	-

Key ratios for Pfandbriefe in circulation and the covering assets used for them (disclosure in accordance with § 28 para. 1 nos. 8, 9 and 10 of the PfandBG)

		2015	2014
Pfandbriefe in circulation	€ million	3,587	3,717
of which share of fixed-interest Pfandbriefe; § 28 para. 1 no. 9	%	88	88
Cover pool	€ million	3,855	4,094
of which total amount of exposure that is above the % values in accordance with § 20 para. 2 no. 2; § 28 para. 1 no. 8	€ million	-	-
of which share of fixed-interest cover pool; § 28 para. 1 no. 9	%	94	80
Net cash value in accordance with § 6 of the Covered Bond Present Value Regulation (Pfandbrief-Barwertverordnung)	CAD	-	-
for each foreign currency in € million;	CHF	-	-
§ 28 para. 1 no. 10 (balance on asset/liability side)	CZK	-	-
	DKK	-	-
	GBP	-	-
	HKD	-	-
	JPY	-	-
	NOK	-	-
	SEK	-	-
	USD	-	-

c. Schiffspfandbriefe

Cover in nominal and present values of the Schiffspfandbriefe in circulation and the cover pools used (§ 28 para. 1 no. 1 of the PfandBG)

	Nominal value		Present value		Risk-adjusted present value including currency stress *) at least +100bp		Risk-adjusted present value including currency stress *) at least -100 bp	
€ million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Total amount of Pfandbriefe in circulation	173	193	186	211	182	205	188	213
Total amount of covering assets	227	276	244	291	214	273	217	275
Capital surplus	54	83	58	80	32	68	29	62
Excess coverage in %	31	43	31	38	18	33	16	29

*) The dynamic approach in accordance with § 5 para. 1 no. 2 of the PfandBarwertV was used for the calculation of the risk-adjusted present value.

Maturity structure of the Schiffspfandbriefe in circulation and the cover pools used (§ 28 para. 1 no. 2 of the PfandBG)

€ million	Schiffspfandbriefe 2015	Schiffspfandbriefe 2014	Covering assets by fixed-interest periods 2015	Covering assets by fixed-interest periods 2014
Up to 0.5 year	7	-	26	57
More than 0.5 year up to 1 year	64	10	16	24
More than 1 year up to 1.5 years	10	17	30	56
More than 1.5 years up to 2 years	10	64	16	14
More than 2 years up to 3 years	23	20	41	42
More than 3 years up to 4 years	-	23	27	26
More than 4 years up to 5 years	20	-	37	23
More than 5 years up to 10 years	39	59	33	33
More than 10 years	-	-	1	1
Total	**173**	**193**	**227**	**276**

Share of derivatives (§ 28 para. 1 no. 3 of the PfandBG)

No derivatives are included in the portfolio.

Breakdown of the receivables used for coverage of Schiffspfandbriefe by size classes (§ 28 para. 4 no. 1a of the PfandBG)

Size categories	€ million 2015	€ million 2014
Up to € 0.5 million	1	3
More than € 0.5 million up to € 5.0 million	133	188
More than € 5.0 million	60	35
Total	**194**	**226**

Breakdown of cover for Schiffspfandbriefe according to the countries in which the ships and ship constructions are registered (§ 28 para. 4 no. 1b of the PfandBG)

Countries	Ocean-going ships € million 2015	Ocean-going ships € million 2014	Inland ships € million 2015	Inland ships € million 2014
Germany	169	188	8	9
Gibraltar	3	4	-	-
Malta	4	4	-	-
Marshall Islands	10	19	-	-
Panama	-	2	-	-
Total	**186**	**217**	**8**	**9**

Total sum of payments at least 90 days in arrears as well as total sum of these receivables, provided the arrears make up at least 5 per cent of the claim § 28 para. 4 no. 2 of the PfandBG

Covering assets	€ million 2015	2014
Total amount of payments at least 90 days in arrears	2	1
Total amount of these claims and the respective amount of the arrears that are at least 5 per cent of the claim	17	2

Other covering assets for Schiffspfandbriefe (§ 26 para. 1 no. 2, no. 3 and no. 4 of the PfandBG; disclosure in accordance with § 28 para. 1 no. 4, no. 5 and no. 6 of the PfandBG)

€ million		Total	of which: Equalisation claims in acc. with § 26 para. 1 no. 2 of the PfandBG	Claims in accordance with § 26 para. 1 no. 3 of the PfandBG: Total	of which: Mortgage bonds in accordance with art. 129 of Directive (EU) No. 575/2013	Loans and advances in acc. with § 26 para. 1 no. 4 of the PfandBG
State						
Total (all states)	**2015**	35	-	5	-	30
	2014	50	-	15	15	35
Germany	**2015**	35	-	5	-	30
	2014	50	-	15	15	35

Key ratios for Schiffspfandbriefe in circulation and the covering assets used for them (disclosure in accordance with § 28 para. 1 nos. 8, 9 and 10 of the PfandBG)

		2015	2014
Pfandbriefe in circulation	€ million	173	193
of which share of fixed-interest Pfandbriefe; § 28 para. 1 no. 9	%	74	77
Cover pool	€ million	227	276
of which total amount of exposure that is above the % values in accordance with § 26 para. 1 no. 3; § 28 para. 1 no. 8	€ million	2	-
of which total amount of exposure that is above the % values in accordance with § 26 para. 1 no. 4; § 28 para. 1 no. 8	€ million	-	-
of which share of fixed-interest cover pool; § 28 para. 1 no. 9	%	15	10
Net cash value in accordance with § 6 of the Covered Bond Present Value Regulation (Pfandbrief-Barwertverordnung)	CAD	-	-
for each foreign currency in € million;	CHF	1	3
§ 28 para. 1 no. 10 (balance on asset/liability side)	CZK	-	-
	DKK	-	-
	GBP	-	-
	HKD	-	-
	JPY	-	1
	NOK	-	-
	SEK	-	-
	USD	177	188

3.8.3 Additional Disclosures Concerning Hypothekenpfandbriefe and Schiffspfandbriefe

a. Hypothekenpfandbriefe (§ 28 para. 2 no. 4 a–c)

	Commercial properties		Residential properties	
	2015	2014	2015	2014
Number of pending forced sales and forced administrations as at 31.12.2015	-	-	-	-
Number of forced sales in the financial year	-	-	-	-
Number of cases in which the Pfandbrief bank had to repossess property in order to prevent mortgage losses in the financial year	-	-	-	-
Total interest in arrears due from mortgage debtors (€ million)	-	-	-	-

b. Schiffspfandbriefe (§ 28 para. 4 nos. 3 a-c)

	Ocean-going ships		Inland ships	
	2015	2014	2015	2014
Number of pending forced sales of ships or ships under construction as at 31.12.2015	-	-	-	-
Number of forced sales in the financial year	-	-	-	-
Number of cases in which the Pfandbrief bank had to repossess ships or ships under construction in order to prevent ship mortgage losses in the financial year	-	-	-	-
Total interest in arrears due from loan debtors (€ million)	1	-	-	-

3.8.4 Old Loans Cover Calculation as at 31 December 2015

The total volume of old covered bonds in circulation was separated off in accordance with § 51 of the PfandBG and maintained separately in the hitherto existing cover register in accordance with the regulations valid until the PfandBG came into force. As at 31 December 2015 the old volume is completely depleted, meaning that no separate disclosure is required.

3.9 Shareholdings

The following list names the shareholdings held by Bremer Landesbank in accordance with §§ 285 No. 11 and 340a para. 4 no. 2 of the German Commercial Code. The most recently approved annual financial statements of each company were used.

Company name and registered office	Shares in Capital in %	Equity € million [1]		Result € million	
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	29		1	
BGG Bremen GmbH & Co. KG, Bremen	100.00	0	3)	0	3)
BGG Oldenburg GmbH & Co, KG, Bremen	100.00	9	3)	1	3)
BLB I Beteiligungs-GmbH, Bremen	100.00	0	3)	0	3)
BLB Immobilien GmbH, Bremen	100.00	17	3)	0	2)3)
BLB Leasing GmbH, Oldenburg	100.00	1	3)	-1	2)3)
BREBAU GmbH, Bremen	48.84	70		9	
BREMER LAGERHAUS-GESELLSCHFT- Aktiengesellschaft von 1877-, Bremen	12.61	19		2	
Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen	49.00	0		1	
Bremische Grundstücks-GmbH, Bremen	100.00	54	3)	0	2)3)
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100.00	1	3)	1	3)
Bremische Grundstücks-GmbH & Co., Wohnanlagen Gross-Bonn, Bremen	100.00	1	3)	1	3)
Bremische Wohnungsbaubeteiligungsgesellschaft mbH, Bremen	50.00	83	4)	0	4)
Gewobau Gesellschaft für Wohnungsbau Vechta mbH, Vechta	20.46	12		0	
GSG Oldenburg Bau- und Wohnungsgesellschaft mbH, Oldenburg	22.22	89		4	
Interessengemeinschaft KATHARINENKLOSTERHOF GbR, Bremen	30.70	0		0	
NBV Beteiligungs-GmbH, Hamburg	21.33	15		1	
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	0	3)	3	3)
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	100.00	1	3)	1	3)
Öffentliche Versicherung Bremen, Bremen	20.00	5		0	
Schiffsbetriebs-Gesellschaft Bremen mbH i. L., Bremen	100.00	0		0	
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen	100.00	29		3	
WLO Wirtschaftsförderungsgesellschaft für den Landkreis Oldenburg mbH, Wildeshausen	23.84	0		0	
Wohnungsbaugesellschaft Wesermarsch mbH, Brake	21.71	19		0	

1) Equity as defined in §§ 266 and 272 of the German Commercial Code
2) Control and profit-and-loss transfer agreement concluded with the company.
3) Figures are from the most recent, but as yet unapproved, annual financial statements for 2015.
4) The company was established in 2015 and has a financial year that is different from the calendar year; the figures are based on the unaudited interim financial statements of the company as at 31 December 2015.

3.10 Disclosures Concerning Investments in Collective Investment Undertakings (CIUs)

The table below shows investment fund shares in accordance with § 285 no. 26 of the German Commercial Code.

€ million	**2015**	**2014**
"Lazard-Sparkassen Rendite-Plus-Fonds", Frankfurt am Main		
Distribution	0	0
Market value	16	16
Carrying amount	16	16
Write-down shortfall	-	-

The fund "Lazard-Sparkassen Rendite-Plus-Fonds" can invest in the assets in accordance with §§ 193 to 198 of the German Capital Investment Code (Kapitalanlagegesetzbuch, KAGB). There are no restrictions on daily redemption.

4. Governing Bodies of Bremer Landesbank

4.1 Members of the Management Board and General Representatives

Management Board	Allocation of functions within the Management Board	
Dr. Stephan-Andreas Kaulvers (Chairman)	Bank Management	Management Board staff department
		Finance
		Communication and Marketing
		Internal Audit
	Risk Management	Risk Control
Heinrich Engelken (Deputy Chairman)	Risk Management	Compliance/money laundering/fraud
		Back Office Financing
		Operations
Dr. Guido Brune	Sales	Financial Markets
		Private Customers
		BLB Immobilien GmbH
Björn Nullmeyer (from 1 April 2015)	Sales	Special Finance
		Ship Finance
		Corporate Customers
		BLB Leasing GmbH
	Bank Management	Human Resources Management
General Representative		
Mathias Barghoorn		
Matthias Hellmann		

4.2 Members of the Supervisory Board

Mayoress
Karoline Linnert
(Chairwoman)
Senator for Finance,
Bremen

Minister
Peter-Jürgen Schneider
(Deputy Chairman)
Lower Saxony Minister of Finance,
Hanover

Thomas S. Bürkle
Member of the Management Board of
NORD/LB Norddeutsche Landesbank
Girozentrale, Hanover

Ursula Carl
Managing Director
ATLANTIC Grand Hotel, Bremen

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

Frank Doods
State Secretary
Lower Saxony Ministry of Finance,
Hanover

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

Heinz Feldmann
Chairman of the Management Board of
Sparkasse Leer Wittmund,
Wittmund

Martin Günthner (from 6 October 2015)
Senator for the Economy, Labour and
Ports,
Bremen

Dr. Olaf Joachim
State Councillor
Senate Chancellery,
Bremen

Andreas Klarmann
Banker
Bremer Landesbank,
Oldenburg

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

Bernhard Reuter
District Administrator of Göttingen District,
Göttingen

Michael Schlüter
Banker
Bremer Landesbank,
Oldenburg

Prof. Matthias Stauch (from 6 October 2015)
State Councillor
Senator for Justice and Constitutional Matters,
Bremen

Jörg Walde
Banker
Bremer Landesbank,
Bremen

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

Eike Westermann
Fully-qualified lawyer
Bremer Landesbank,
Bremen

Markus Westermann
Trade union secretary
Vereinte Dienstleistungsgewerkschaft
ver.di, Hanover

4.3 Mandates in Accordance With 340a Para. 4 No. 1 of the German Commercial Code

Members of Bremer Landesbank exercised the following mandates in accordance with § 340a para. 4 no. 1 of the German Commercial Code as at 31 December 2015. Banks are considered to be large corporations for the purposes of this disclosure.

Members of the Management Board of Bremer Landesbank	Company
Dr. Stephan-Andreas Kaulvers	EUROGATE Geschäftsführungs-GmbH & Co. KGaA, Bremen
	BREMER LAGERHAUS-GESELLSCHAFT – Aktiengesellschaft von 1877, Bremen
	EWE Aktiengesellschaft, Oldenburg
Heinrich Engelken	BREBAU GmbH, Bremen
	GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen
	GSG Oldenburg Bau- und Wohngesellschaft, Oldenburg
Dr. Guido Brune	BREBAU GmbH, Bremen
	DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen
	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover

Employees of Bremer Landesbank	Company
Mathias Barghoorn	GSG OLDENBURG Bau- und Wohngesellschaft, Oldenburg
Harald Groppel	GSG OLDENBURG Bau- und Wohngesellschaft, Oldenburg

4.4 Parent Company

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

Bremen, 15 March 2016

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Management Board

Dr. Stephan-Andreas Kaulvers	Heinrich Engelken
Dr. Guido Brune	Björn Nullmeyer

Responsibility Statement

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

Bremen, 15 March 2016

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Management Board

Dr. Stephan-Andreas Kaulvers	Heinrich Engelken
Dr. Guido Brune	Björn Nullmeyer

Audit Opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, for the financial year from 1 January to 31 December 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Management Board of Bremer Landesbank. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of Bremer Landesbank in accordance with generally accepted accounting principles. The management report is consistent with the annual financial statements and provides on the whole a true and fair view of the position of Bremer Landesbank and accurately presents the opportunities and risks of future development."

Hanover, 16 March 2016

KPMG AG

Wirtschaftsprüfungsgesellschaft

Leitz Mahr

Wirtschaftsprüfer (German Public Auditor) Wirtschaftsprüfer (German Public Auditor)

Bremer Landesbank Declaration of Compliance with the Corporate Governance Code

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

The German Corporate Governance Code was adopted in 2002 by a government commission appointed by the German Federal Ministry of Justice. The current version was last amended on 5 May 2015. The Code aims to make the rules for corporate governance and control in Germany more transparent. It includes nationally and internationally recognised standards of good corporate governance, in particular in relation to the management and organisation of a company, control mechanisms and the cooperation between the Management Board and Supervisory Board.

The Corporate Governance Code is designed for listed companies with a capital market orientation and is not therefore legally binding for banks with the legal form of a registered public institute (Anstalt öffentlichen Rechts). However, together with its Management Board, Bremer Landesbank is particularly concerned with positioning itself as a reliable partner and fostering the confidence of investors, customers, employees and the general public through transparency. For this reason, the Bank has decided to voluntarily commit itself to observing the principles of the Code and to disclose its corporate governance system.

General

Bremer Landesbank is a public institute registered by the Free Hanseatic City of Bremen and the State of Lower Saxony. It is a public lending and Pfandbrief institute. Bremer Landesbank's registered office is in Bremen. It has branch offices in Bremen and Oldenburg.

The Bank's governing bodies are the Management Board, the Supervisory Board and the Owners' Meeting. While the Management Board manages the Bank's business, the Supervisory Board and its committees (Risk Committee, Audit Committee, Nomination Committee, Remuneration Committee and Sponsorship Committee) appoint, advise and monitor the Management Board. The Owners' Meeting is responsible for making decisions on fundamental issues. In 2015 the Supervisory Board, with the support of the Nomination Committee, addressed the structure, size, composition and performance of the Management Board and the Supervisory Board itself as part of an efficiency audit.

Management Board

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

In particular, the Management Board ensures that effective risk management systems are established to recognise any risks to the Bank's ability to continue as a going concern at an early stage. The risk management system must conform to the respective regulatory requirements, for example, of the German Banking Act and the German Federal Financial Supervisory Authority (BaFin). Moreover, the Bank's risk management system must be compatible with the Group-wide risk management and credit risk monitoring systems established by its parent and owner Norddeutsche Landesbank – Girozentrale –.

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

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

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

The remuneration and other employment conditions of the members of the Management Board are set by the Supervisory Board on the basis of the recommendations of the Remuneration Committee. The remuneration comprises fixed and variable components and is reviewed on a regular basis.

Supervisory Board

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

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

The Risk Committee, Audit Committee, Nomination Committee, Remuneration Committee and Sponsorship Committee were created to support the Supervisory Board.

The Risk Committee consists of ten members. It is chaired by the chairman of the Management Board of NORD/LB. The Committee includes another two members for NORD/LB, the Finance Senator of the Free Hanseatic City of Bremen, two other members for the Free Hanseatic City of Bremen, the chairman of the Savings Banks Association of Lower Saxony and three employee representatives. The deputy chairman is a member specified by the Free Hanseatic City of Bremen and elected by the Committee. The Risk Committee advises the Supervisory Board on the Bank's current and future overall readiness for risk and its risk strategy, and supports it in the monitoring of the implementation of this strategy by senior management. The Risk Committee has the task, in regular meetings, of discharging the rights and duties of the Supervisory Board in advising and monitoring the management of the Bank.

The Audit Committee consists of six members, namely two representatives of Norddeutsche Landesbank - Girozentrale - and the Free Hanseatic City of Bremen, the president of the Savings Banks Association of Lower Saxony and an employee of the Bank who sits on the Supervisory Board and who is proposed by the employee representatives on the Supervisory Board and elected by the Supervisory Board. At least one member of the Audit Committee must be independent and have specialist knowledge of accounting or auditing. The Chairman of the Audit Committee may not be the Chairman of the Supervisory Board at the same time. The Audit Committee reports to the Supervisory Board on the basis of the auditors' reports on the outcome of the audit of the annual financial statements. The Audit Committee is also responsible for monitoring the financial reporting process and the effectiveness of the internal control system, the internal audit system and the risk management system, monitoring the audit of the annual and the consolidated financial statements, reviewing and monitoring auditor independence and the additional services provided to the Bank by the auditors.

The Nomination Committee consists of seven members; these are the chairman of the Management Board of NORD/LB, the Finance Senator of the Free Hanseatic City of Bremen, the chairman of the Savings Banks Association of Lower Saxony, a member of the Supervisory Board appointed by NORD/LB, another member of the Supervisory Board, named by the Free Hanseatic City of Bremen, and two employee representatives from the group of the employee representatives on the Supervisory Board. The chairman and deputy chairman are the same as the chairman and deputy chairman of the Risk Committee. The Nomination Committee supports the Supervisory Board, particularly in identifying applicants for appointment as member of the Management Board and in the preparation of the election proposals for the selection of the members of the Supervisory Board and in the regularly, at least annually performed evaluation of the structure, size, composition and performance of the Management Board and the Supervisory Board, and makes recommendations in this regard.

The Remuneration Committee consists of seven members, including the chairman of the Management Board of NORD/LB, the Finance Senator of the Free Hanseatic City of Bremen, the chairman of the Savings Banks Association of Lower Saxony, a member of the Supervisory Board appointed by NORD/LB with sufficient expertise and professional experience in the area of risk management and risk controlling, another member of the Supervisory Board, named by the Free Hanseatic City of Bremen, and two employee representatives from the group of the employee representatives on the Supervisory Board. The chairman and deputy chairman are the same as the chairman and deputy chairman of the Risk Committee. The Remuneration Committee monitors in particular the appropriate design of the remuneration systems and prepares the resolutions of the Supervisory Board on the remuneration and other employment conditions of members of the

Management Board and takes into account in particular the impact on the Bank's risk management.

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

Owners' Meeting

The owners of Bremer Landesbank are NORD/LB Norddeutsche Landesbank – Girozentrale – (54.8343 per cent) and the Federal State of Bremen (41.2 per cent) and the Savings Bank Association of Lower Saxony (3.9657 per cent). Each owner may appoint up to three representatives to the Owners' Meeting. Voting rights are in proportion to the owners' shares in capital. The representatives of each owner may only cast block votes.

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

Conflicts of Interest

The members of the Management Board are bound by a comprehensive non-competition agreement while they work for the Bank.

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

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

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

The assumption of sideline activities by its members, in particular membership of governing bodies or advisory boards of other companies, requires the approval of the Management Board. Accepting a mandate at a company in which the Bank does not hold a stake, or merely an indirect one, requires the additional agreement of the Supervisory Board. Additionally, the Management Board reports once a year to the Supervisory Board and the Risk Committee on the additional employment activities of the members of the Management Board.

Consultancy agreements and other service and work agreements entered into by members of the Bank's Supervisory Board require the Supervisory Board's approval.

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

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