Reports and Annual Financial Statements of Bremer Landesbank in accordance with the German Commercial Code as at 31 December 2014

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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 corporation under public law incorporated by the Free Hanseatic City of Bremen and the State of Lower Saxony. It is a public lending and Pfandbrief 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 almost 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 %, the state of Bremen with 41.2 % and the Lower Saxony Association of Savings Banks with 3.9657 %.

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 four strategic business segments and the eleven strategic business units (SBUs) assigned to them:

- **Corporate Customers**

  The strategic goal of the Corporate Customers segment is the consolidation of Bremer Landesbank as a leading business and regional bank in the North-West of Germany. The business segment is broken down into the Corporates and Commercial Customers SBUs.

- **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 Private Banking and Private Customer Support SBUs.

- **Special Finance**

  The Special Finance segment is focused on long-term property financing for fundamentally middle-market regional, national and selected international customer groups, with the inclusion of short-term construction time financing. The properties are fungible and have sustainable income potential. The goal is to use the existing and constantly updated sector know-how to make middle-market target customers loyal. These customers include shipping customers, domestic leasing and factoring companies, operating companies and significant plant producers from the area of renewable energies and the owners and operators of nursing institutions that are handled in the respective SBUs.

- **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 (product SBU Sales Corporate). It also handles trading and treasury transactions.

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

- The strategy of the Bremer Landesbank corresponds to its business model.
- Business bank with a regional focus and specialist international operations, 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 business segments are managed with a focus on returns. Profitability targets are set for each business segment on the basis of the strategy for the business 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 four business 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 ensures the objective of a balanced risk-return ratio.

In terms of content, Bremer Landesbank's business model has always been based on the guiding principle of sustainability. 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. Its success as a regional bank and a public-sector landesbank show that the Bank is following the right strategy and is successfully positioned.

1.2 Integrated Bank Management

The Managing 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], direct costing, which is structured along the lines of business segments and cost centres, the Cost Type Report, the Monthly Report and the Risk-Bearing Capacity Report (RBC). 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 links the following management processes:

- Commercial law metrics such as the ongoing comparison of Contribution Margin Statement and the Income Statement
- Regulatory metrics such as the monitoring and management of risk-weighted assets
- Value and risk-based metrics such as the use of cost of capital and expected loss

The management process at Bremer Landesbank commences with a strategy review conducted in the spring of each year by the Managing Board and senior management. In addition to reviewing the Bank's strategy, future areas of business activity – for both the Bank as a whole and for the

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

[2] CIR: Administrative expenses including amortisation of intangible assets and property and equipment/operating profit/loss not including administrative expenses.

business 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 business 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 goal definition process.

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

2. Economic Report

2.1 General Economic and Industry-specific Environment

2.1.1 Economic Situation and Financial Markets

Global Economy

The global economy grew by 3.3 % in 2014, according to the IMF, after expanding by 3.3 % in 2013. At the beginning of the year the IMF forecast was 3.8%.

China's economy grew by 7.4% in 2014, having expanded by 7.8% in 2013. Over the course of the year Russia's economy was hit by sanctions due to the Ukraine crisis. At the beginning of 2014 the US economy suffered from harsh winter conditions, but then recovered over the course of the year.

Europe

Political risks, in particular those emanating from Ukraine, slowed economic growth in Europe significantly. The national debt crisis in the eurozone also continued to ease in 2014. The quantitative measures announced by the ECB supported the refinancing of national budgets. The Ukraine conflict had a negative effect on economic growth from the 2nd quarter of 2014.

Germany

At the start of 2104 the German economy experienced dynamic growth, thanks in part to mild weather. A weaker phase followed in the 2nd and 3rd quarters, which was not overcome until the 4th quarter. Private consumption again made a sustained contribution to growth. In 2014 economic output grew by 1.5%, after 0.2% in the previous year.

Outlook for 2015

The conditions for the development of the global economy are positive overall in 2015. The eurozone is benefitting from a substantial fall in the value of the euro, which boosts its international competitiveness.

In 2105 Germany's economic output is being bolstered by the exogenous factors of the low value of the euro, extremely low interest rates and the steep fall in raw-material prices. However, the Ukraine crisis represents a latent risk in terms of willingness to invest in Germany. The Bundesbank is expecting economic output to grow by 1.3% in 2015.

Financial Markets

Decreasing risk aversion with some high volatility was observed in the financial markets over the course of 2014 and at the start of 2015. The ECB lowered its base interest rate to a new record low. In addition, a bond-purchase programme with a volume of at least € 1,140 billion was agreed.

In 2014 the DAX rallied from 9,552 points to 9,805 points. A good start to 2015 followed. The returns on the ten-year German government bonds experienced an unexpected downward trend in 2014. This tendency intensified at the start of 2015. The yield curve is expected to flatten further in 2105.

In 2014 and at the start of 2015 the euro fell in value against the main currencies. Over the last 16 months the euro/dollar exchange rate fell from its peak value of just under € 1.40 to € 1.11.

2.1.2 The Region

According to the current valuations of the three chamber of commerce areas, there was on the whole a convergence in terms of economic development in Germany in 2014. After a good start to the year, the economy dipped in the 2nd and 3rd quarter of 2014, culminating in a slight upturn in the 4th quarter.

Compared to 2014, the current and future economic position in 2015 is regarded as moderately positive to positive in all three areas. As at the 4th quarter of 2014, the economic climate indices of the three chambers of industry and commerce exhibited stable levels above the long-term average.

The economy in Bremen in 2014 was increasingly affected by the slight decline in global economic growth due to the political crises. As a result the autumn recovery was slowed above all in the industry and logistics sectors. Conversely, the trend in the construction, services and tourism sectors was essentially positive. The labour market remained stable in 2014.

The outlook for 2015 in Bremen was marked by mixed developments in the manufacturing sector, a stable to positive situation in the main construction industry, a subdued outlook in trade and export, a favourable business outlook in the services sector, positive willingness to invest as well as a stable employment situation.

In the Oldenburg region, the economy rallied after a temporary downturn in 2014. This applied across all industry groups. Companies on the whole are looking positively to the future. At the turn of the year the business climate index rose significantly and was up by eight points to 119.3.

The regional economy as a whole in the Ostfriesland and Papenburg region followed the national trend. Business expectations for 2015 developed positively in the fourth quarter. At the end of the year the business climate index rose by three points to 118 points and is therefore at the same level as at the start of 2014. Companies are concerned about both current economic policy and the issues surrounding the geopolitical risks. Expectations in retail, the transport industry, export and industry are predominantly positive, but are reserved in the wholesale sector. The job market and propensity to invest were stable.

2.1.3 Industry Groups

In 2014 audits and stress tests by the European Central Bank and the Bundesbank showed that the German banks are able to withstand greater levels of stress.

At the same time, the European Central Bank reports that the credit services sector finds itself in a difficult macroeconomic and financial environment which is putting pressure on the earnings position and therefore also its capability to strengthen its capital basis.

According to the German Bundesbank,[3] German banks have taken renewed steps to improve their capital and earnings position. Specifically in terms of the unweighted capital ratio and the leverage ratio, German banks are reported to have room for improvement as regards the European comparison. The structural earnings weakness of German banks persists. This means that the banks remain vulnerable to critical developments in the financial markets and to a sustained period of low interest rates. It is further reported that there are indications that the search for returns in certain market segments is resulting in overstatements. In the past overstatements in the real-estate markets have often been the trigger for financial crises. At present in Germany it is striking that a high proportion of real-estate loans with a loan-to-value in excess of 100% can be found in cities where prices are rising strongly.

The Bremer Landesbank was able to hold its own in what the central banks describe as a difficult environment for banks, and was able to strengthen its regulatory capital base despite the high risk provisioning in the shipping sector.

In addition to the risks listed by the central banks, Bremer Landesbank also faces the significant requirements of the regulatory scenario. The banks must make significant investments in order to meet regulatory requirements in rapid succession with short implementation periods. The required resources tied up by this are significant.

With effect of the 4 November 2014, the supervisory role for some banks was transferred from the national supervisory authorities (in Germany the Bundesbank and the German Federal Financial Supervisory Authority (BaFin)) to the European Central Bank. Among the banks overseen directly by the ECB are the parent company of Bremer Landesbank, NORD/LB, and Bremer Landesbank itself.

In the context of the Europe-wide standardisation of supervision for the finance sector, the EBA (European Banking Authority) published in 2014 a draft guideline for the Supervisory Review and Evaluation Process (SREP). This document details how the supervisory authority envisages the finance sector will be monitored in future. There will be a uniform approach involving the assessment of key indicators, the business model, governance and the capital and liquidity risks. The supervisory authority would like to form its own qualitative and quantitative view of a bank's

[3] 2014 Deutsche Bundesbank Financial Stability Report.

capital and liquidity risks and award scores for each of the key indicators. These will then be summarised with an overall score.

<table>
<tr><td colspan="4">Categorisation of banks
(not explicitly provided for in the German Banking Act or MaRisk)</td></tr>
<tr><td colspan="4">Monitoring of key indicators
(not explicitly provided for in the German Banking Act or MaRisk)</td></tr>
<tr><td>Analysis of business model
(§6b (2) no. 10 of the German Banking Act)</td><td>Assessment of governance and control
(§6b (2) no. 5 of the German Banking Act; various references to MaRisk: AT 4, AT 5, BT)</td><td>Assessment of capital risks
(§6b (2) no. 12 of the German Banking Act, §25a of the German Banking Act; AT 4.1 MaRisk for the most part)</td><td>Assessment of liquidity risks
(§6b (2) no. 7 of the German Banking Act; BTR 3 MaRisk)</td></tr>
<tr><td colspan="4">Summarising SREP conclusion
(§6b (2) of the German Banking Act)</td></tr>
<tr><td colspan="4">Supervisory measures (capital, liquidity, other)
(§10 para. 3 of the German Banking Act, §11 para. 3 of the German Banking Act, §45 of the German Banking Act, §46b of the German Banking Act, §46 of the German Banking Act)</td></tr>
<tr><td colspan="4">Early intervention
(§36ff of the Bank Recovery and Resolution Directive Implementation Act-Draft (BRRD-Umsetzungsgesetz-Entwurf))</td></tr>
</table>

Based on: EBA/CP/2014/14

The approach illustrated above is likely to have a significant impact on the supervision of the banks by the ECB.

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. Given the 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 not only be able to stand its ground in this low-risk, high-income business, but even grow its market share.

2.1.4 Markets

North-West

The individual sectors of the economy in the North-West of Germany have experienced mixed developments.

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

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 submarkets 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. In the meantime, the entire tanker market has recovered due to the global oversupply of oil, while the recovery in bulk shipping stalled again after a few good quarters at the end of 2014. Container ships up to the Panamax class and the multi-purpose ships are mostly not capable of making repayments. Nonetheless, the prices for new ships and scrap rose, and the decline in prices for used ships was stopped.

In ship finance, the Bremer Landesbank did not observe a noticeable recovery in the various market segments in 2014. The recovery of the shipping markets observed in the first half of 2014 and partially rising charter rates did not persist in the second half year. Charter rates and ship values are still at crisis level and a sustainable recovery is not expected for 2015 as the excess supply of tonnage will only be reduced in the medium term. Against this background new business will continue to be concluded only selectively and largely in the course of ongoing crisis management. The risk-provisioning requirement will remain high for the time being in light of reduced revenue options and low exposure.

Leasing

In the refinancing of vehicle and equipment leasing companies, Bremer Landesbank maintained its position as a leading financier of middle-market leasing companies in 2014. Whilst new business fell moderately short of the budget, the income forecast was exceeded. The competence centre function within the NORD/LB Group and the broad customer base provide further potential for growth – including as a reliable partner for leasing companies with bank functions. The further consolidation of the target segment of small and mid-sized companies may result in reduced potential for new business. The portfolio is rounded off by the refinancing of factoring companies and enables further diversification. Overall the segment is closely linked to the wider economy and investment demand.

Renewable Energies

In the Renewable Energies segment, new business developed favourably throughout 2014, even if it remained below original expectations given that some reticence was apparent regarding project initiation in the context of the amendment of the Renewable Energies Act (Erneuerbare

Energiengesetz (EEG)), and the assumed pulling forward of business was lower than initially anticipated. Earnings were therefore below the original plan for 2014, which, however, can be partly offset by future new business due to the planning certainty that will take hold once the EEG amendment is passed. The subsegment of Onshore Wind Power in Germany, including the increasing share of repowering, remained the main earnings driver and confirmed the strong market position it had predicted. As expected, due to the EEG amendment the Photovoltaics subsegment offers low potential for new business compared to previous years. Within the NORD/LB Group, Bremer Landesbank is the competence centre for biogas and photovoltaics in Germany. Experienced customers are also supported selectively as they expand into Europe. Despite the pending EEG amendments with increasing market components such as the invitation-to-tender process, strong future growth potential also exists in the context of the shift in energy policy, which remains a goal.

Social Welfare Facilities

The focus of Bremer Landesbank's Social Welfare Facilities segment is finance for nursing homes.

The positive new business performance in the first half year continued in the remainder of the year, exceeding the forecast. Earnings are below budget for reasons relating to customer structure and competition. Demographic trends and the growing demand for in-patient nursing highlight the strategic importance of this segment and in future will enable new business at a constant level with moderate portfolio growth.

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, and the monetary measures of the ECB have 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.

- The level of interest rates may have an impact on the margins that can be achieved in lending business, but – in connection with the anticipated economic developments – it will also affect the financing needs of companies and private persons in the area of business. The continuing period of low interest rates has had no noticeable effect on the Bank's net interest income to date.
- The performance of stock exchanges – particularly the DAX – will have an impact on the behaviour of private customers with respect to their investments in securities, equities and alternative investments and therefore the net commission income of Bremer Landesbank.

2.2 Business Performance

The Bank's business in the financial year may have produced solid income, but was again defined by the continued difficult situation in the shipping markets. The high number of new vessels delivered due to increasing supply continued to apply pressure to charter rates and shipping prices. Economic growth and transport volume was unable to keep up with this. Consequently, the ongoing crisis has again had a significant impact on the Bank's operating result as in previous years.

An investment transaction that realised existing reserves in the region of € 37 million had a significant impact on the Bank's income.

One-time extraordinary income in the region of € 50 million received in 2013 was reported in 2014.

Bremer Landesbank considers the income in the financial year 2014 to be satisfactory given the prevailing conditions. The owners have agreed to the operating earnings being used in full to boost regulatory capital, there will therefore be no distribution. As before, Bremer Landesbank does not require any government aid.

Below we report in detail on the business performance of Bremer Landesbank in 2014.

2.3 Position of the Bank

2.3.1 Earnings Position

On the whole, the Bank's earnings position was again satisfactory in 2014.

Net Interest Income

For the Bank, net interest income is the balance of interest income and interest expense, 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 nonrecurrence of special effects.

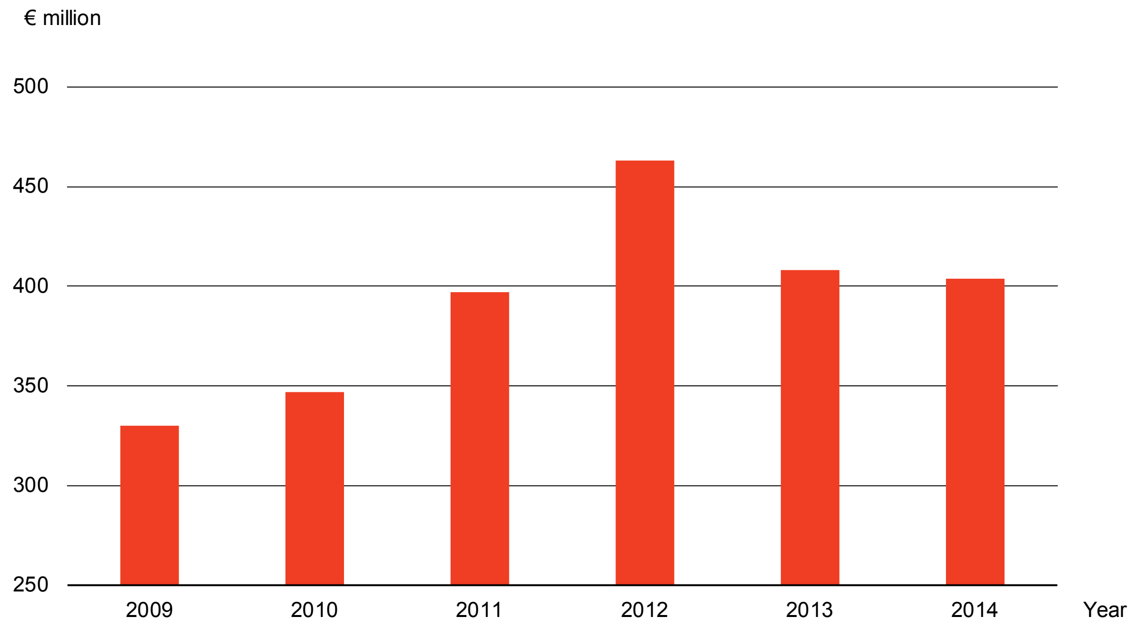
Net interest income fell by 1% from € 408 million to € 404 million. The contributions achieved from operating business with customers of the Bank remained high, despite intensive competitive pressure. The main cause of the slight decline in net interest income is the falling volume of profit transferred by subsidiaries, which was affected in the previous year by one-time extraordinary income from a real-estate transaction of € 26 million.

Over 2014 the Bank implemented a standard software system across the Group for mapping risk provisioning. This enables interest on impaired loans and advances to be calculated at individual transaction level and no longer at customer level as previously. The first application of the software to the risk-provisioning volume produced a positive net effect of € 17 million – a sum that had not been anticipated. In future, no further notable effects on income from the use of the software are anticipated.

The key driver was again the Special Finance segment, while business transacted with regional corporate customers stabilised at a high level.

In the coming year, net interest income will be at a slightly lower level as the special effects as a whole will no longer apply.

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 2013.

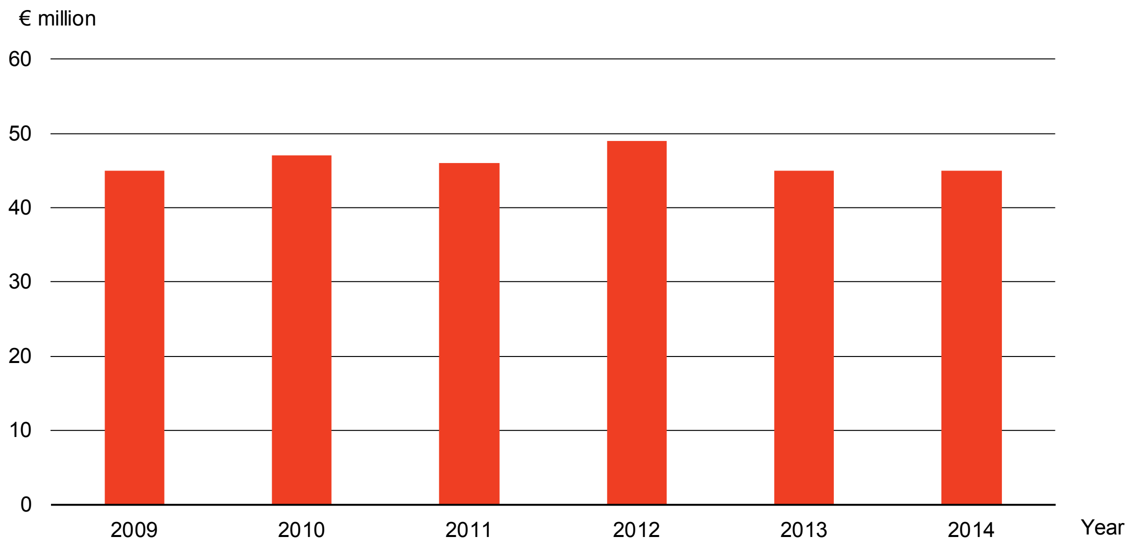
Net commission income remained constant at around € 45 million and developed stably despite the difficult environment.

Whilst earnings from guarantees fell in terms of the targeted reduction of the credit investment portfolio, the net income from securities transactions and in particular from the area of asset management was significantly increased. Earnings from loans remained at the same level as the previous year due to the continued high fees for designing finance arrangements for renewable energies.

Slight falls were recorded in the area of brokerage commission and commission income for foreign payment transactions. All remaining components, e.g. from domestic payment transactions, account management and currency exchange business developed stably overall.

In 2015 net commission income should stabilise at the level reached in 2014, 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 2014 to act successfully in the financial markets.

The net income from the trading portfolio of 2014 remains unchanged compared to the previous year at € 11 million.

The trading business of Bremer Landesbank is customer-induced or 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 money and capital markets in the past year. The net income from the trading portfolio is on the whole very positive.

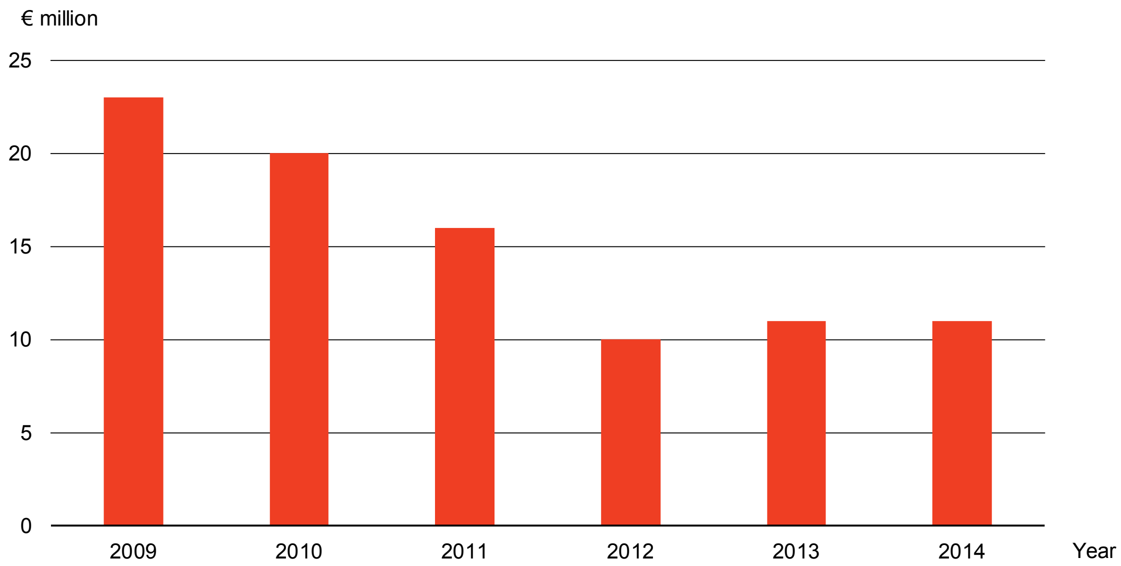
While the valuation result and the current result made negative contributions due to low short-term interest rates, the realised profit, particularly from interest rate derivatives, developed positively.

In terms of products, the shares and annuities and also currency transaction segments made a positive contribution, whilst the profit/loss from derivatives, in particular from interest rate hedging of securities, 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 € 1 million in 2014 (previous year: € -3 million).

The net income from the trading portfolio is 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 operate successfully on financial markets in 2015, as in 2014.

Net Income from the Trading Portfolio Year-on-Year:



Net Other Operating Income/Expenses

Net other operating income/expenses totalled € -18 million, falling by € 25 million compared to 2013 (€ 7 million). The special effects described below had a significant impact on other operating income.

Other operating expenses totalled € 24 million (previous year: € 30 million). The interest effects of around € 14.0 million in the pension provisions (previous year: € 13 million) increased compared to the previous year. Furthermore, costs from the bank levy of € 3 million (previous year: € 4 million) were reported. Interest effects from other personnel provisions and other provisions of € 1 million (previous year: € 1 million) are also reported under other operating expenses. Additionally, under BFA4 valuation effects accruing to the banking book of € -4 million (previous year: € 0 million) must be reported in the other operating profit/loss.

Other operating income fell from € 37 million to € 6 million. This includes income from the reversal of personnel and other provisions, rental income, VAT refunds and cost refunds from customers that is on the level of 2012. The cause of the decline is primarily the result of earnings achieved in 2013 from a real-estate transaction totalling some € 25 million.

It is difficult to plan net 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 rose by € 1 million or 1%, from € 187 million to € 188 million.

In the 2013 Annual Financial Statements, a significant decline in staff expenses was expected for 2014.

In 2014 staff expenses totalled around € 114 million and hence rose by € 9 million or 9%. Expenses for wages, salaries and social security contributions rose as expected due to the collective bargaining agreements for bank employees in the previous year. Significant deviations from the budgeted decrease in staff expenses are primarily a result of higher allocations to the pension provisions due to interest.

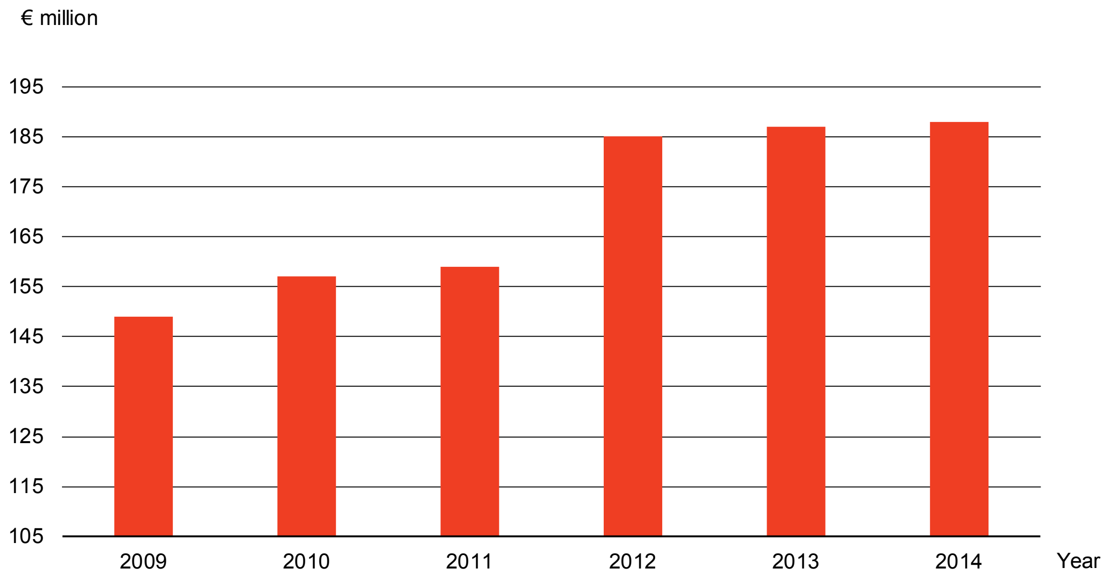
For other administrative expenses, a gradual consolidation of the cost level over the next few years was forecast in the 2013 Annual Financial Statements.

The other administrative expenses fell by € 7 million to € 75 million. There were reductions in particular in the area of information technology, project-related expenses and building costs, which were not offset by any compensatory effects other than an increase of the allocation volume for the joint liability scheme of savings banks and landesbanks. On the whole, other administrative expenses remained below the budgeted level.

Another noticeable increase in staff expenses is expected in 2015 as the current collective bargaining agreement will expire in the summer and the calculation interest rate for pension provisions will continue to fall.

In 2015 other administrative expenses will largely be influenced by large projects. Nonetheless, the Bank is expecting a slight fall in the coming year.

Administrative Expenses Year-on-Year:



Depreciation and Impairments

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

The valuation result in the lending and securities business and from Bremer Landesbank's investments led to a net expense of € 174 million (previous year: 179 million €).

In the 2013 Management Report, the Bank assumed that the risk provisioning would be roughly at the level of 2013 if there were no recovery in commercial shipping.

In 2014, the negative effects of the ongoing crisis in the shipping sector had the expected impact on the Bank's risk provisioning. In some segments (e.g. container feeder, handysize and chemical tankers), the ongoing excess supply of tonnage resulted in continued low charter rates. Declining growth rates in China and the slow economic recovery in large parts of the world were met by another increase in tonnage in 2014. In the sixth year of the crisis, many shipping companies were no longer able to sustain their ships. The Bank continually analysed its financing portfolio as part of its stringent risk management and allocated risk provisions accordingly.

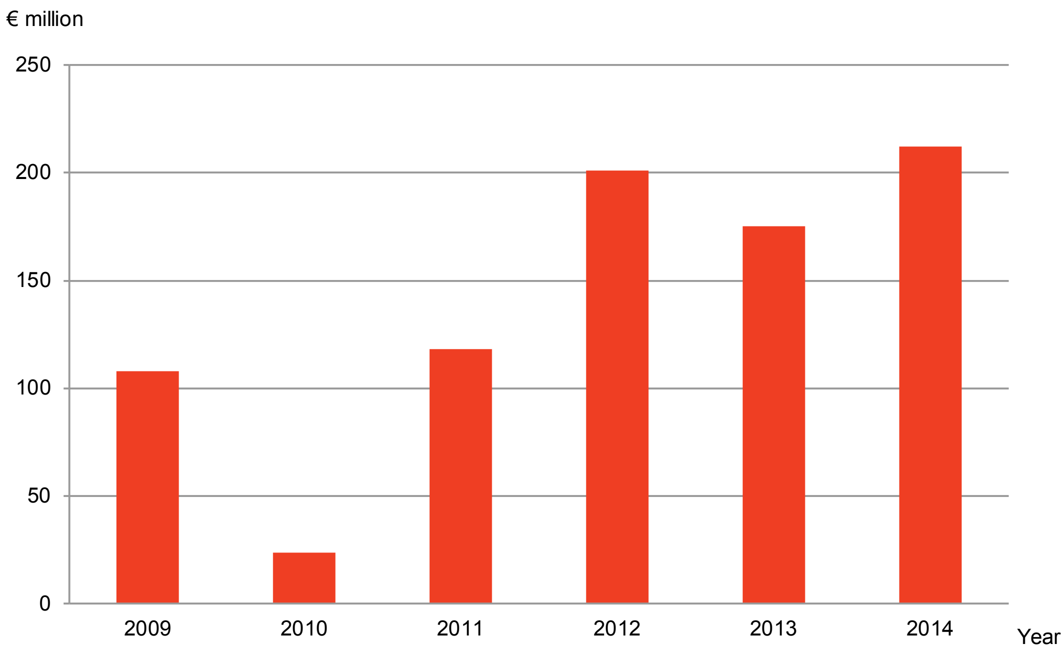
There were no notable impairments on the Bank's own securities in the financial year. Only the sale of a bond from PTSB (formerly Anglo Irish) received from a credit event caused the Bank to incur a loss of roughly € 0.4 million.

An investment transaction that realised existing reserves in the region of € 37 million had a significant impact on the Bank's income. Otherwise, adjustments to the carrying amounts of investments led to no appreciable net contributions in 2014, as in the previous year.

The requirements for risk provisioning in 2015 will continue to be defined by the significant difficulties in the shipping markets, in the view of the Bank. The recovery everyone is hoping for will only take hold slowly. Since 2010, risk provisioning at Bremer Landesbank has been determined largely by developments in the commercial shipping sector.

If the market does not recover in 2015, it is likely that the risk provisioning will be at a high level again. The Bank’s measures for RWA optimisation could result in the risk provisioning being at a level similar to that of 2014. Deviations from the valuation parameters assumed for the shipping sector (e.g. an ongoing delay in the recovery of the market) and the liquidation or reduction of non-performing ship loans could 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, which is part of the Common Equity Tier 1, is € 586 million. An allocation of € 50 million was made in the financial year 2014.

Additionally, in accordance with the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG), 10 % of the net income from the trading portfolio (€ 1 million; previous year: € 1 million) was allocated to a separate sub-item which is blocked from distribution in accordance with § 340g of the German Commercial Code. Overall the Fund Now Totals € 594 Million.

Profit/Loss from Ordinary Activities

The profit from ordinary activities in 2014 is € 26 million, compared to € 54 million in the previous year, representing a fall of 52%. It should be noted that in the previous year a € 14 million higher volume of one-time income was recorded. Additionally, in 2014 € 4 million more was allocated to the fund for general banking risks in accordance with § 340g of the German Commercial Code, therefore bolstering the Bank's regulatory Common Equity Tier 1.

Extraordinary Earnings

In 2014, extraordinary earnings totalled approximately € -6 million (previous year: € -6 million). For 2014 this item only comprises the BilMoG conversion effects relating to pension provisions.

Tax Expense

The tax expense for Bremer Landesbank rose to € 20 million despite the lower earnings compared to the previous year due to valuation provisions under tax law and the resulting higher taxable income (previous year: € 12 million).

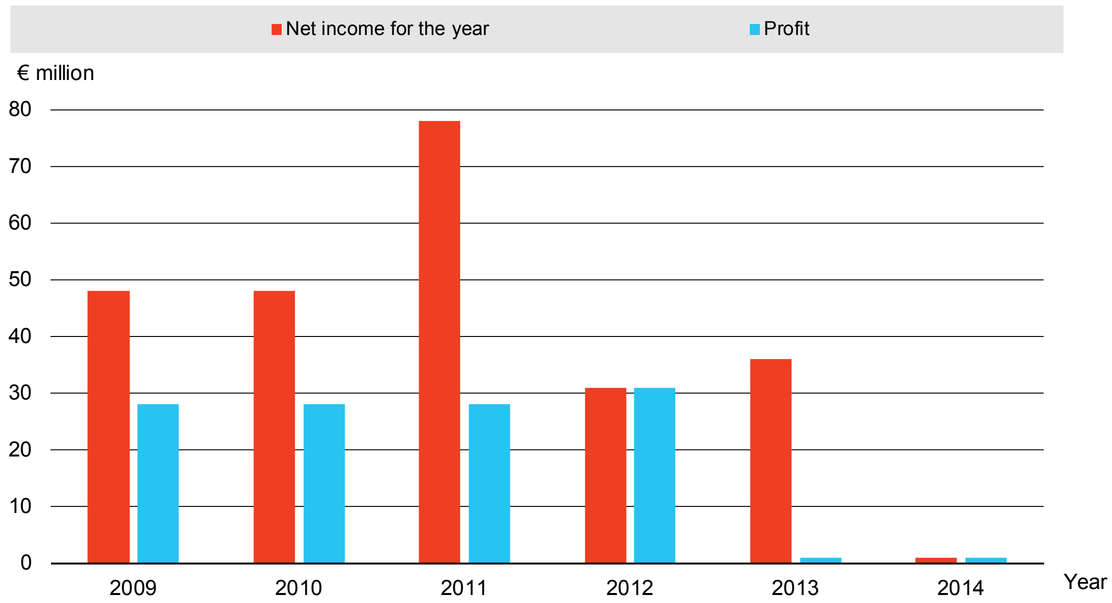
Net Income for the Year and Appropriation of Profit

The Bank had forecast an increase in net income for 2014.

The net income for the year was € 0 million following € 36 million for 2013. 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 2015 will be used for portfolio optimisation and therefore 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 and Profit Year-on-Year:



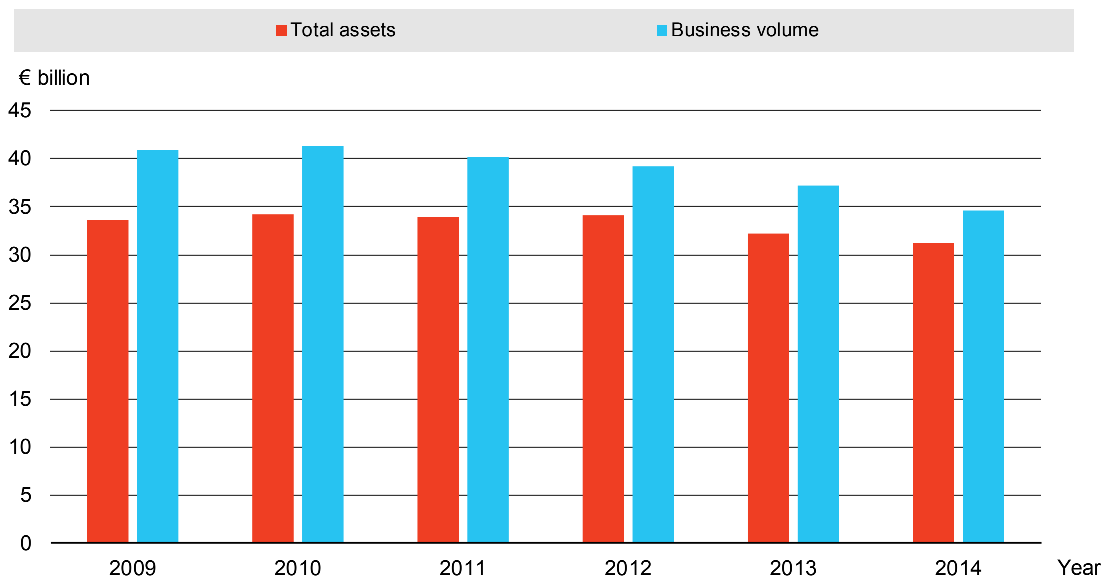
2.3.2 Assets and Financial Position

Total Assets and Business Volume

As in previous years, the Bank focused closely on high-yield business. 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 customers and banks and securitised liabilities were down.

Overall, total assets decreased to € 31.2 billion (previous year: € 32.2 billion). The business volume also fell by € 2.6 billion or 7% to € 34.6 billion due to slightly 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 18% was reported. Despite a slight rise in other loans and advances, loans and advances to banks fell by a total of € 542 million to € 3,651 million.

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 71.5% of total assets (previous year: 69.1%). Please see the notes on the development of the business segments for a more detailed analysis of this balance sheet item.

Debt Securities and Shares

The Bank reduced its portfolio of debt securities and other fixed-interest securities gradually during the year under review by € 0.8 billion to € 4.1 billion. The largest proportion of securities is composed of listed instruments from public issuers with a comparatively low risk. At € 28 million, shares and other non-fixed-interest securities (previous year: € 18 million) continue to play only a minor role.

Trading Portfolio

The trading portfolio of Bremer Landesbank with positive market values totals € 292 million as at the balance sheet date (previous year: € 146 million). The long-term derivatives are kept in the trading portfolio 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 increases incrementally.

Investments and Shares in Affiliated Companies

Traditionally, Bremer Landesbank meets its obligations under public law and towards the Savings Bank Network 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 2014 BLB Grundbesitz KG, which acts as an investment holding company, acquired a further investment in a bank. The investment portfolio at year-end was € 15 million (previous year: € 19 million). Shares in affiliated companies increased in particular due to the transfer of existing bank investments to a subsidiary that holds them in trust.

Liabilities to Banks

The Bank also uses liabilities to other banks as a means of refinancing. Over the financial year these rose by € 0.3 billion to € 11.2 billion (previous year: € 10.9 billion). While the volume of Hypothekenpfandbriefe, registered Pfandbriefe and public registered securities in circulation fell overall, the liabilities in the interbank sector and, to a somewhat lesser degree, investments by associated savings banks rose. However, this decline was largely concentrated on the payable-on-demand area.

Liabilities to Customers

The refinancing of the Bank under the liability item liabilities to customers totalled € 8.9 billion (previous year: € 9.9 billion). Deposits payable on demand fell to € 2.8 billion (previous year: € 3.2 billion). Issued public registered securities fell to € 2.2 billion (previous year: € 2.5 billion). Savings deposits were stable at € 220 million (previous year: € 218 million).

Securitised Liabilities

Securitised liabilities are one of the Bank's major sources of finance and decreased by 8.4 % to € 7.3 billion, compared to € 8.0 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 totals € 244 million as at the balance sheet date (previous year: € 40 million). The long-term derivatives are kept in the trading portfolio 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 increases incrementally.

Provisions

At the end of 2014, Bremer Landesbank's provisions (€ 309 million) are above the previous year (€ 294 million).

Provisions for pensions and similar obligations, which are based on actuarial reports, increased by a total of € 31 million to € 249 million. This development is mainly influenced by a reduced discount interest rate due to the continuing period of low interest rates.

Due to the change in the measurement of pension provisions under the BilMoG in the financial year 2010, Bremer Landesbank's provisions for pensions 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 by 31 December 2024 (Art. 67 para. 1 of the Introductory Act of the German Commercial Code (*Einführungsgesetz zum Handelsgesetzbuch*, EGHGB). Therefore one fifteenth (€ 6 million) of the total allocation calculated as at 1 January 2010 was allocated to pension provisions in financial year 2014. To date a total of € 31 million has been allocated to pension provisions in accordance with this transitional provision.

Further disclosures on pension provisions can be found in the Notes to the Annual Financial Statements.

At € 13 million, tax provisions are slightly below the previous year (€ 16 million). Other provisions fell by € 13 million to € 47 million in 2014. Large portions of the other provisions are related to staff expenses, such as early retirement obligations (€ 14 million) and bonuses (€ 7 million). The loan loss provisions also included here fell from € 20 million to € 8 million.

Subordinated Liabilities

Subordinated liabilities remained unchanged at € 750 million as at the end of the year.

Equity

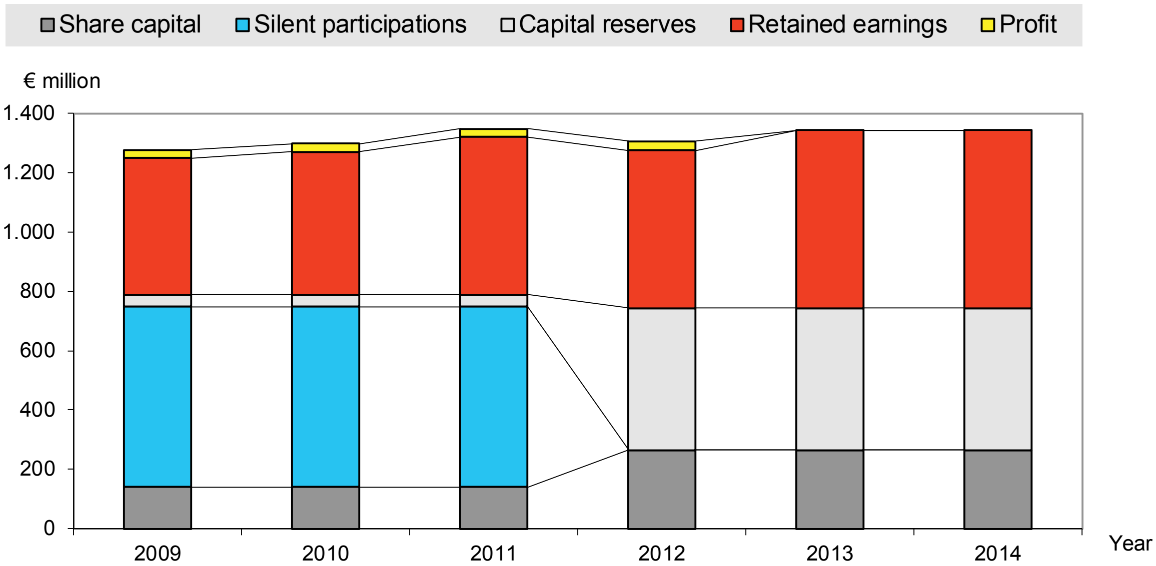
Reported equity totals € 1,343 million, the same as last year. Of this, share capital again accounts for € 265 million and capital reserves for € 478 million. Retained earnings remain at € 600 million.

The Bank also opted to strengthen its Common Equity Tier 1 by making taxed reserves in the amount of € 50 million.

At year-end, the Tier 1 capital ratio was 8.0% (previous year: 9.1%). The taxed reserves made and the valuation allowances for 2014 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 appropriated profit and valuation allowances audited in the preparation of the Annual Financial Statements had been considered at year-end, the Tier 1 capital ratio would have been 9.0% (previous year: 9.5%), although the Tier 1 capital ratio is not directly comparable with the previous year's value as from 1 January 2014 it is calculated in accordance with Basel III.

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 € 1.5 billion (previous year: € 3.0 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

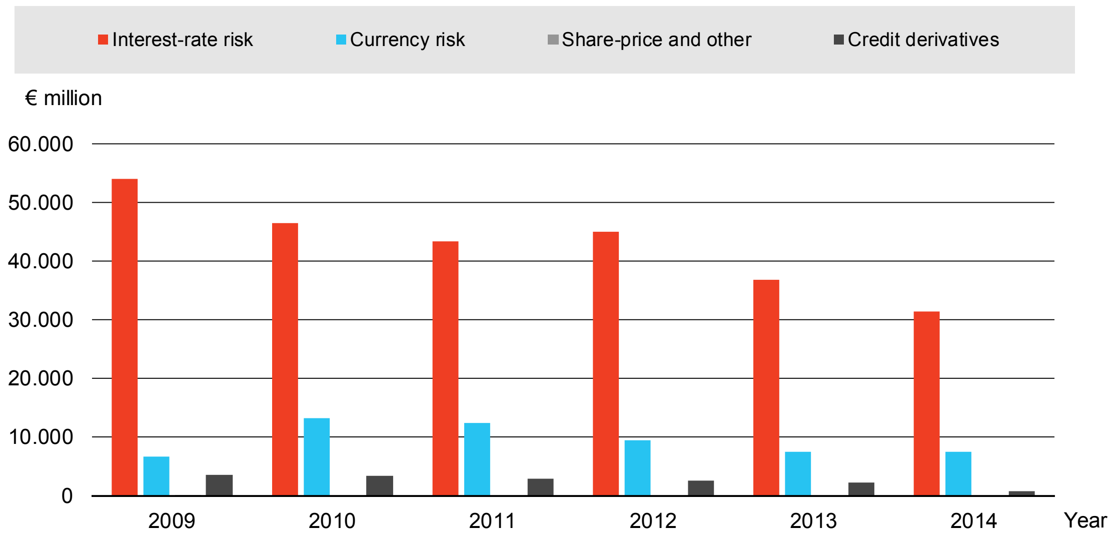
Irrevocable loan commitments which were not taken up again amounted to € 1.9 billion as at the balance sheet date (same as previous year).

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 as at the end of 2014 amounted to € 39.6 billion, compared to € 46.6 billion in the previous year, i.e., approximately 1.3 times (previous year: 1.4 times) total assets. Compared to other institutions in the sector, Bremer Landesbank only engages in such transactions to a relatively minor degree. 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

Derivative Volumes Year-on-Year:



2.3.3 Additional Information

Performance Indicators

Earnings before taxes were € 20 million (previous year: € 48 million).

The ROE for the financial year 2014, calculated using the formula defined in the Integrated Bank Management section, was 1.9% after 4.0% 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 rose slightly to 43.6% after 40.8% in 2013. The increase in the CIR is mainly due to one-time effects that increased operating income in 2013 and did not recur in 2014.

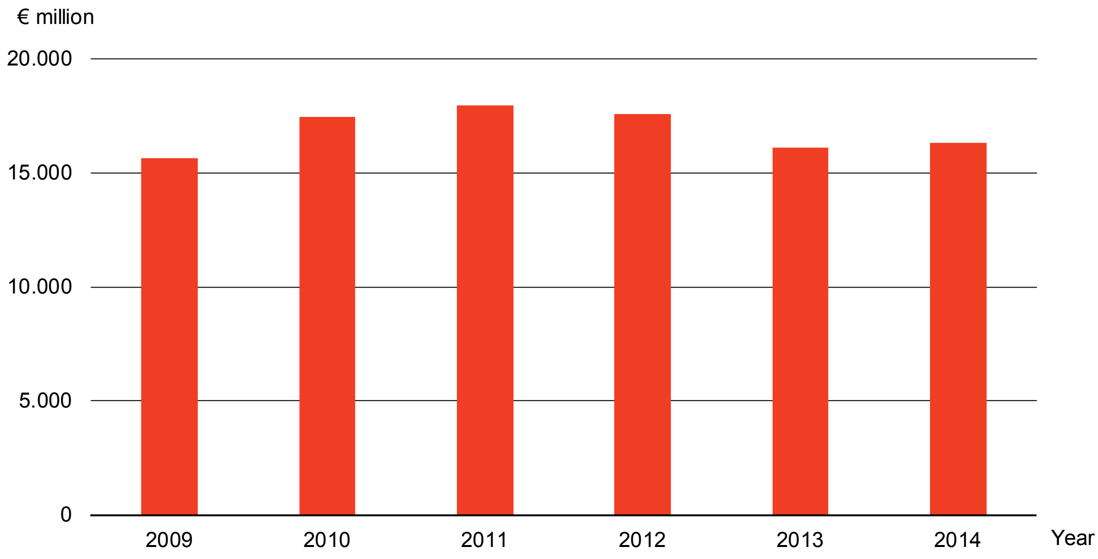
The risk ratio (defined as the ratio of loan loss provisions (not including changes in the fund for general banking risks in accordance with § 340f of the German Commercial Code) to risk-weighted assets) is 1.20% as at 31 December 2014 (previous year: 1.24%). The slight fall in the risk ratio is due to the slight reduction in risk provisioning expenses with a simultaneous rise in risk-weighted assets.

Capital requirements under the Capital Requirement Regulation [(CRR) Basel III] applicable from 2014 remain unchanged compared to the previous year and total some € 1.3 billion, which equates to risk-weighted assets in the region of around € 16.3 billion (previous year: around € 16.1 billion). The overall ratio is 9.6%, compared to 10.9% at the end of the previous year.

Capacity utilisation in the risk-bearing capacity, at a confidence level of 90% as at 31 December 2014, is 78% and is therefore above the previous year's level of 58% as at 31 December 2013. The reason for the increase is partly the increasing strain on the risk-bearing capacity due to the ongoing crisis in the shipping sector as well as the new parameterisation of the credit portfolio model as at 31 December 2014. Secondly, the RBC limit agreed across the Group is considered and as a result only a partial amount of € 282 million of the free capital of € 439 million included in the calculation. The utilisation rate is 50%, taking into account the entire risk capital.

Exposures/Risk-weighted Assets

Exposures / Risk-weighted Assets Year-on-Year:



Financing

In 2014, bearer and registered debt securities are 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 € 1.4 billion as in the previous year. The volume of debt securities outstanding at the end of 2014 was € 12.5 billion (previous year: € 13.8 billion) and breaks down as follows:

€ billion	Debt securities 31 Dec 2014	 31 Dec 2013
Hypothekenpfandbriefe and Schiffspfandbriefe	1.1	1.2
Öffentliche Pfandbriefe	4.5	5.4
Other debt securities	4.7	4.9
Medium-term notes	2.2	2.3
Total	**12.5**	**13.8**

The volume of promissory notes was € 1.8 billion as at 31 December 2014 (previous year: € 2.4 billion). The total volume of refinancing loans from the European Investment Bank (EIB loans) was approximately € 0.5 billion as at 31 December 2014 billion (previous year: € 0.7 billion). The European Commercial Paper Programme (ECP Programme) was not utilised as at 31 December 2014 (previous year: € 60 million).

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 2014.

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

Investment Activities

Bremer Landesbank invests substantially in modernising and redesigning its buildings. In Bremen, the reconstruction of the Bank’s building was commenced in 2014. In 2015 the interior construction work will be completed. The building is expected to be ready for use by the Bank in mid-2016. The total investment volume will be in the high double-digit millions.

Staff and Sustainability

For Bremer Landesbank, being close to the markets and to the people who live and work in the region is both a privilege and an obligation. This is reflected, for example, in its public and social engagement initiatives, in its sponsorship of the “NordWest Award”, as well as the fact that the Bremer Landesbank employed, on average, 1,099 employees (previous year: 1,084), and is therefore a major economic factor in the State of Bremen and the North-West region. The Bank offers attractive jobs, as is shown by the employee turnover rate, which, at 0.9% (previous year: 1.1%), is low for the industry, and a relatively high average length of service of 16.8 years (previous year: 16.3 years).

As a leading regional bank in the North-West, Bremer Landesbank is committed to setting a good example, not least as a family-friendly employer, enabling a better work-family balance for its employees Its efforts were again rewarded with the “berufundfamilie” (work and family) audit certificate issued by berufundfamilie gemeinnützige GmbH in Berlin. Since 2012 the Bank’s employees have been able to spend up to 25% of their working hours at home under certain conditions. Cooperation agreements for places in daycare centres in Bremen and Oldenburg were concluded in 2013 represent a further measure implemented by Bremer Landesbank in this regard.

These are just some of Bremer Landesbank’s efforts to make its activities economically, socially and ecologically sustainable. In 2014 the Bank extended its efforts to operate sustainably. For example, in 2014 the Group Sustainability Strategy was agreed and the Sustainability Programme 2013/2014 continued to be implemented at an operational level. In December 2014 the Managing Board also agreed the follow-on programme for 2015/2016.

The rules for the sustainable conduct of BLB were further extended in 2014 and the policies were fully integrated into the Bank’s written rules. Their inclusion in the Bank’s working instructions is almost complete.

In addition to the guidelines agreed in 2012 and 2013, the following (financing) guidelines were agreed in 2014:

- Guideline for responsible handling of renewable resources
- Guideline for responsible handling of non-renewable resources
- Guideline for sustainable real-estate financing
- Guideline for sustainable ship financing

In early 2014 Bremer Landesbank published (after the Status Report 2011) its first Sustainability Report that offers additional comprehensive information on the subject.

Bremer Landesbank remains involved in the “Sustainability Management Committee” of the NORD/LB Group. Additionally, the Bank regularly takes part in events, workshops and seminars held by external institutions to accelerate the Bank’s development with best-practice experience.

Performance Indicators for the Remuneration System for the Managing Board

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

From financial year 2014 the variable component of the Managing Board remuneration will be spread over a retention period of five years and paid in instalments taking into account risk criteria. 50% of the variable remuneration component is linked to the sustainable rise in the enterprise value.

Further information on the Managing 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 § 450 of the CRR.

2.3.4 Development of the Business 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.

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 the customer-satisfaction analyses regularly conducted by the Bank. 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.

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[4] The Bank understands RWA+ to be the capital requirements converted to risk-weighted assets, increased by the shortfall converted to risk-weighted assets.

Earnings remained on the whole stable in the past year. However, many customers have very good liquidity levels. This resulted in a fall in the utilisation of short-term loans, with at the same time very high deposits. 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.

In order to expand its product range, Bremer Landesbank has, since the end 2014, also offered its customers the option of conducting transacting business with their Chinese business partners in renminbi. As well as holding an account in the local currency, customers can also benefit from conducting payment transactions, currency transactions and trade finance in renminbi.

Special Finance

The Special Finance segment at Bremer Landesbank covers Ship Finance, and the strategic business units that contribute to the value driver of Energy and Infrastructure Customers, i.e. Refinancing of Equipment Leasing and Factoring Companies, and Renewable Energies with its Wind, Photovoltaics and Biogas subsegments. The Social Welfare Facilities SBU is also part of Real Estate Banking Customers in the NORD/LB Group.

Bremer Landesbank's Special Finance segment continued to develop positively on the whole in 2014 given the challenges presented by the crisis in the shipping sector and met its earnings expectations. Since the financial and economic crisis, the rate of growth in Special Finance has been mixed. While the Ship Financing portfolio was to be deliberately reduced, Renewable Energies continued to expand and generate earnings growth. The business segment's risk provisioning remained at a high level due to the ongoing crisis in the shipping sector.

Bremer Landesbank's Special Finance segment believes that, with its consistent focus on long-term, reliable customer relationships, primarily with middle-market customers, its segments are well positioned and will be able to achieve moderate growth. The Bank's exposure is gradually shifting towards renewable energies and away from shipping, which will lead to a further improvement in the portfolio balance.

Financial Markets

The Financial Markets division of Bremer Landesbank provides access to national and international financial markets for private and institutional customers and for the bank's own business.

The long and short-term refinancing measures of Bremer Landesbank are also performed by the Financial Markets segment.

For the short-term refinancing and liquidity control, Bremer Landesbank continually used the various instruments of the European Central Bank in addition to the interbank and repo markets in 2014.

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[5] The RWA productivity is defined as ((contribution margin 3 + risk provisioning - risk premium) / RWA+ on deadline)

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 Group's balance sheet.

Activity focused on 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.

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 in 2014.

In terms of the global economy, a slight upturn was in evidence following a subdued first half of the year, despite ongoing disruptive geopolitical factors.

In the financial markets, lower interest rates and higher index fluctuation were witnessed in the main stock markets compared to 2013.

Despite the difficult market environment, the treasury, trading and sales activities of Bremer Landesbank's Financial Markets units proved to be on the whole stable.

The business segment is broken down into strategic business units: Municipalities, Savings Banks and Institutional Customers.

Municipalities

Another focus of business activity in the Savings Bank Network is on public-sector refinancing. Apart from offering finance to regional authorities, sales activities 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 2014 and continued strong competition, the Financial Markets business 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

The sales unit responsible for the Institutional Customers business segment recorded a constantly high level of demand for advice and support in liquidity, interest and currency management throughout 2014, although sales were subdued due to market reasons.

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 affluent private customers. As a premium supplier for all private customer groups, the business segment also specialises in freelancers and foundations.

The market division is broken down into the Private Banking and Private Customer Support SBUs. Its focus is on the consolidation and expansion of market share in the Private Banking segment.

A core competence of the business segment is the comprehensive support of private and commercial customers. In the latter case the business segment cooperates very closely with the Bank's other market divisions. The Private Customers segment also possesses, with its asset and portfolio management the area of capital market transactions and asset management, a competence centre in the region and the Group.

A key challenge in the Private Customers business segment in 2014 was not only the stringent requirements due to regulatory stipulations, but also the continuing period of low interest rates that affects customers' investment behaviour and demands alternative solutions. This includes a sustained high demand for tailor-made asset management. Private Banking at Bremer Landesbank was recognised for the eleventh time in a row by the Elite Report as one of the best asset managers in the German-speaking world.

2.3.5 Overall Assessment

In 2014 the considerable difficulties in the shipping markets again had a significant influence on Bremer Landesbank's result in accordance with the German Commercial Code. However, the Bank was able to absorb the effects due to its good operating profit. The Bank considers the result achieved under these difficult conditions in 2014 to be satisfactory. This is an endorsement of Bremer Landesbank's focus as a regional bank – with international special finance business – in and for the North-West of Germany. In close cooperation with the Savings Bank Network and 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 positioned itself well to pursue business growth in 2015 under conditions that will remain difficult.

3. Supplementary Report

There were no events of special significance for the economic situation of the Bank between the end of the financial year 2014 and the preparation of the Annual Financial Statements, with the exception of those described below.

The crisis in the shipping markets continues. A customer’s ship not financed by Bremer Landesbank was arrested in a foreign port in March 2015 at the instigation of another lender. The bank’s current assessment is that this action also an effect on this customer’s ships financed by Bremer Landesbank. As a result, the bank took firm action for this event and made a provision of € 15 million.

4. Forecast and Opportunities Report

4.1 Opportunities

The difficult economic situation in the shipping markets had a significant impact on Bremer Landesbank's earnings in 2014.

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

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.

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 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 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 the Savings Bank Network and landesbanks, short decision-making channels and quick reaction times create a promising environment for a continued strong earnings performance in the Bank's core segments.

Bremer Landesbank has positioned itself well and taken further measures to pursue business growth in 2015 under conditions that will remain difficult.

4.2 Forecast

Significant Assumptions in the Forecast

The planning is based on the group-wide "Medium Term Forecast 2019". 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 sector, a slow recovery in charter rates is expected. The level of the boom years will not be reached in the medium term.

In the area of other administrative expenses, the forecast is for a price increase in central cost blocks such as data processing, rents, etc.

Assets, Financial and Earnings Position

The Bank believes that the operating profit/loss for 2015 will be used for portfolio optimisation and therefore 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. According to the Bank's forecasts, it will not need to make use of any state aid.

In the coming year, net interest income will be at a slightly lower level as the special effects as a whole will no longer apply.

In 2015 net commission income should stabilise at the level reached in 2014, if the current conditions prevail.

The net income from the trading portfolio is 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 operate successfully in the financial markets in 2015, as in 2014.

It is difficult to plan net 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.

Another noticeable increase in staff expenses is expected in 2015 due to collective bargaining agreements. A further reduction in the calculation interest rate for pension provisions is also expected. In 2015 other administrative expenses will largely be influenced by large projects. Nonetheless, the Bank is expecting a slight fall in the coming year.

The requirements for risk provisioning in 2015 will continue to be defined by the significant difficulties in the shipping markets, in the view of the Bank. The recovery everyone is hoping for will only take hold slowly. Since 2010, risk provisioning at Bremer Landesbank has been determined largely by developments in the commercial shipping sector.

If the market does not recover in 2015, it is likely that the risk provisioning will be at a high level again. The Bank's measures for RWA optimisation could result in the risk provisioning being at a level similar to that of 2014. Deviations from the valuation parameters assumed for the shipping sector (e.g. an ongoing delay in the recovery of the market) could have a significant impact on the level of the risk provisioning.

Performance Indicators

The Bank’s annual earnings before taxes in 2015 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 2014.

The risk ratio in the forecast period is estimated at the level of 2014.

The Bank believes that risk-weighted assets (capital requirements) will rise noticeably in 2015.

With regard to the future course of 2015 and 2016, pressure on the risk-bearing capacity and capital ratio will continue. The expected increases in the minimum requirements according to CRR mean that it will be necessary to intensify the measures introduced within the scope of the RWA and shortfall management. Among others, defaulting ships should be 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. In addition, the ship portfolio should be subject to less stress and adjusted in the primarily non-strategic customer area. The issue of an AT1 bond, a long-term subordinated bearer debt security should strengthen Tier 1 capital. Taking into account these measures, at the end of 2015 a continued green light status is again expected in the going concern. Further measures such as guarantees for loans and advances are also available.

4.3 Overall Assessment

In 2014 the difficulties in the shipping markets as well as capital-boosting measures had a significant influence on Bremer Landesbank’s earnings in accordance with the German Commercial Code. The Bank is expecting that the operating income will also remain stable in 2015 and that the difficult conditions in the shipping markets and the USD exchange rate will continue to affect the bank.

5. Risk Report

5.1 Control 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, syndication risks, model risks, real-estate risks and pension risks are considered relevant.

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

Basic conditions for structuring this risk management process are specified for banks and groups of banks in the Minimum Requirements for Risk Management on the basis of § 25a of the German Banking Act. In accordance with these requirements, proper business organisation includes the specification of strategies on the basis of procedures for ascertaining and securing risk-bearing capacity, which comprises both risks and the capital available for covering these risks.

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 embraces an open risk culture and thereby a conscious approach to risks. The competencies and responsibilities in the Bank are clearly specified. The Managing Board bears overall responsibility for risk management, including the methods and procedures for risk measurement, management and monitoring to be used.

The Managing 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 risks. 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 Managing 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 management 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 Managing Board adopts. As part of the requirements for written rules of procedure, the documents 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 Managing Board and the organisational units (OUs) involved in the risk management system are involved in Group-wide committees to comply with the specifications 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. Risk management is handled in the four business segments and the area of Back Office Financing within specified framework conditions.

Internal Audit reviews the effectiveness and appropriateness of the whole risk management process and the internal control system (ICS) as well as the propriety of business operations in a risk-oriented and process-independent manner. Remaining independent and avoiding conflicts of interest, it supports key projects and acts in an advisory capacity.

Bank Organisation 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 area 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, prevention of other punishable acts and risk compliance. It reports directly to the Managing Board.

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 Managing 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 Managing 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 Managing 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 arising from Bremer Landesbank's significant risks have to be covered at all times by available risk capital. Monitoring takes place on the basis of the risk-bearing capacity model (RBC model).

The RBC model consists of three pillars:

- The first pillar represents the "going concern" view and assumes continued operations on the basis of the existing business model, even if all available cover funds have been depleted. This pillar is critical for an assessment of the risk-bearing capacity in accordance with MaRisk. Risks are measured using a defined confidence level of 90% and the total economic risk potential is compared with risk capital. The risk capital is determined from the free regulatory capital in accordance with CRR at specified minimum rates (regulatory capital and Tier 1 capital) during a bottleneck analysis and adjusted subject to a range of factors. The focus is on this first pillar.

- The second pillar was devised from a "gone concern" view (liquidation scenario). It will continue as a secondary requirement. The gone-concern pillar includes a higher confidence level of 99.9% for determining risk potential. Risks are measured on the basis of serious events of the kind that occur statistically about once every 1,000 years. On the capital side, the tests include all the equity and equity-related components as well as hidden liabilities. Effects on risk capital arising during the year are also taken into account. On depletion of the capital required to cover the risks, continued operation of the Bank on the basis of otherwise unchanged assumptions would no longer be possible.

- In the third pillar, regulatory measures, the risk-bearing capacity is assessed on the basis of regulatory provisions. On the capital side, the tests include all regulatory capital components. This perspective must 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 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.

The risk-capital allocation reflects the Bank's risk appetite after a buffer has been deducted. At the same time capital is allocated to the Bank's business segments in the form of ceilings for risk-weighted assets. The above ratios and limits are monitored as part of the monthly reporting.

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 kinds of risk 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 as guidelines for selection. 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 sectors of shipping, energy and the decreasing old portfolios with banks are limited to avoid risk concentrations with an industry limit system derived from the risk-bearing capacity.

Bremer Landesbank strives for the high diversification of the entire portfolio by controlling asset classes that are subject to different market cycles. Accordingly, it aims to achieve a business mix 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 mix 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 Managing Board and the supervisory bodies. Compliance with the specifications 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

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

In order to do justice to the specific requirements of each business segment, the Bank has stipulated financing policies for each market segment which are binding guidelines for new lending business in the respective market division. In new lending business, the focus is clearly on concluding agreements with customers with a good credit rating. No new business may be transacted for the credit investment portfolio. 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 counter-party'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 from trading is the risk of loss stemming from an obligor's failure to pay or deterioration in an obligor's credit rating. It is equivalent to the traditional credit risk and occurs in money trading, in money market or treasury activities.
    - Replacement risk is the risk that the counterparty is unable to meet the terms of a pending contract with a positive present value and that this contract has to be replaced 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. Pre-settlement risk can be prevented by acquiring the transaction value from the counterparty in advance under good value or on a reciprocal basis or if sufficient cover exists. Actual settlement risk is the risk of a transaction not being mutually settled on or after the contractual settlement date.
    - Issuer risk is the risk of loss stemming from an issuer's or reference entity's (credit derivative's) failure to pay or deterioration in an issuer's or reference entity's credit rating.

For lending business, the structures of Bremer Landesbank guarantee a functional separation of market and back office divisions and the Risk Control Division right through to the Managing Board level. Independent back office functions are performed by Back Office Financing, 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 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 regional bank with international specialty finance operations; 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 verifying and stipulating rating levels, verifying collateral values, processing and supervising debt rescheduling and work-out cases and risk provisions as well as designing processes and rules for the Bank's lending business. 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 reports in accordance with Art. 392 of the CRR or for seven-figure loans in accordance with § 14 of the German Banking Act.

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

The procedural 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 methodologies (rating, scoring, risk modelling).

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 individual transaction level. The significant parameters applied in setting such limits are the borrower's creditworthiness, expressed as a rating, and funds available for making principal repayments.

The risk of the exposure is valued in a rating procedure and in defined lending processes. In existing business, any need to take action is identified in operational 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 Managing 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 front office unit remains responsible for managing the exposure, while the back office unit previously responsible for processing continues to process it. The new exposure strategy must be discussed with and approved by 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 Financing. It examines the viability and feasibility of debt rescheduling, consulting external advisors if need be. A reevaluation of the exposure strategy with regard to costs and benefits is required. The rescheduled loan may be secured by further adequate collateral, the terms may be adjusted or a decision to terminate the business relationship made.

3. If acute default risks are identified, the Bank initiates a standard process which ensures the prompt recognition, recording and communication of a specific valuation allowance (SVA). These commitments must be re-evaluated. The steps mentioned above are triggered by this classification. If considerable new or additional risk provisions are required (from € 2.0 million or more in the current year), the Managing Board is informed immediately via the head of the back office.

4. Terminated exposures are handled by the Liquidated unit.

The Bank uses an LEM (Large Exposure Management) limit model for identifying and monitoring risk concentrations at borrower 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 available risk capital is calculated from the going-concern case. The large exposure thresholds and the sector limit are agreed at least once annually by the Managing Board and the relevant supervisory bodies.

Credit Risk – Securitisation

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

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 Banks Association (Deutscher Sparkassen- und Giroverband, DSGV).

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

The rating methods are an instrument for active risk management. The forecast quality of the rating methods for each individual rating component and their interaction is regularly examined by 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 Sparkasse Financial Group, Sparkassen Rating und Risikosysteme GmbH (S Rating), a subsidiary of the German Savings and Giro Bank Association (DSGV), and Rating Service Unit GmbH & Co. KG (RSU), a company founded with other 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 capital.

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 properties are valued with the help of cash flow simulation models. The main source of income for the repayment of liabilities is generated by the financed asset. Credit risk is therefore 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, the Bank introduced a Group-wide standard economic credit risk model in 2009, validating and revising it again in 2014 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 Managing 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 borrower groups (LEM Report) and, quarterly, a credit portfolio report.

- In the report on individual borrowers drawn up by the Back Office Financing for close watch and problem exposures, the development of potentially problematic and defaulted borrowers is closely monitored. This may also reveal short-term or long-term structural changes in this portfolio or related sub-portfolios and areas where measures to mitigate or reduce risk may be undertaken.

- The report on concentration risks in borrower groups addresses borrower groups with a notable risk concentration as identified in respect of Bremer Landesbank's available risk capital, its management's risk preferences, the creditworthiness of the borrower in question and the 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 towards 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 Managing 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 € 1 million 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. Credit risks associated with investments are communicated in the monthly risk-bearing capacity report. In addition to this report, the Managing Board is informed at least twice a year 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 towards 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. Also, significant credit-spread risks result from strategic investments in securities refinanced with matching maturities. Business was mainly pursued in accordance with the "buy & hold" strategy. Fundamentally, the Bank pursues the strategy of closely monitoring the individual counterparties and the market development as well as individual disinvestments in the case of a pending lowering of the credit rating.

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 share 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 Managing 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 procedural 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 12 months, while Foreign Exchange Trading is responsible for foreign currency of all maturities.

The OUs Transaction Banking and Financial Markets Business 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 Business 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 Managing 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 decisions are made by the whole Managing Board. ALCO is also responsible for controlling the credit investment book.

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

Please refer to sections 1.2 to 1.7 in the Notes to the Annual Financial Statements for information about the instruments for controlling the market risk within the framework of reporting hedges.

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% 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 (incl. 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 Managing 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 relating to a prudent valuation were expanded and defined in more specific terms by the CRR which has been in force since January 2014. 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.

The Bank calculates the interest rate shock required by Basel II on a monthly basis. In accordance with the requirements of a circular issued by the German Federal Financial Supervisory Authority (BaFin), the interest-rate shock entails a parallel shift of the yield curve by 200 BP upward and downward. 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 whole Managing 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 Managing Board receives information about market risks and the results of backtesting and stress testing in the monthly risk-bearing capacity 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 profit from the "liquidity spread" profit source typical of banking business are taken into account when measuring liquidity risk limits. Liquidity risk limits provide the Bank's business segments with the operational framework essential for reaching targets.

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 in the money or capital markets. The most significant cause is a change in the assessment of the Bank's credit rating by other market participants. The Bank focuses on the entire range of maturities.

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

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. It calculates refinancing and traditional liquidity risks and monitors compliance with the limits. The reporting includes the calculation and monitoring of the liquidity ratio in accordance with the German Liquidity Regulation (*Liquiditätsverordnung*, LiqV) and exercises service and control in this regard.

Refinancing with covered bonds is very significant for the Bank. Statutory requirements of the Covered Bond Act (*Pfandbriefgesetz,* PfandBG) are fully met for all of 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 control in 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 manual.

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 notably involves the specification of goals and responsibilities for liquidity management in different scenarios. Both the liquidity policy and the Global Group Liquidity Policy are updated annually.

The liquidity contingency plan governs activities and management in crisis situations. The aim of this plan is to preserve the solvency of the Bank should an extreme, unforeseen market situation arise. 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 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 less than 90 days. 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 liabilities side are prevented by a diversified investor base and product range. 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 strengthened by covered bond 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 Managing Board is also informed on a monthly basis of liquidity risks in the context of the Bank's risk-bearing capacity. In addition, the Credit Portfolio Report informs the Managing Board about the risks related to the Pfandbrief business.

The Risk Control Division reports to the Managing 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 forward liquidity exposures 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, unintended events that result from an inappropriate circumstance or the failure of internal workflows, employees or technology, or occur as a result of external influences, and lead to a loss or serious negative consequences for the Bank (e.g. violation of the law).

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 and vulnerabilities within the scope of the emergency and crisis management. Strategic risks and business risks are not a part of operational risk.

- 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 obligor of the purchased receivable is not obliged to perform to the full extent.
- Fraud risk is the risk of an avoidable pecuniary loss or damage to the Bank's reputation resulting from punishable acts against the Bank.

The Bank's Managing Board, the Risk Control Division and all other units are involved in the process of managing operational risk. The Managing 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 on the Group level in accordance with §§ 25a and 25c of the German Banking Act. This consists of a security strategy, a catalogue of threats and security guidelines for IT, information security (including data protection), infrastructure, personnel, external service providers, special equipment and the cross-departmental business continuity management and contingency/crisis management processes.

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 (Instituts-vergütungsverordnung) are implemented in the Bremer Landesbank Group.

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

The Bank has adequate insurance 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 § 25c 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 Managing 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 Managing 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 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 detailed insight into the risk situation of the individual functional departments and allow any required steps to be taken. 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.

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

The results from the loss database, the collected risk indicators and 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.

Bremer Landesbank continued to move towards integrated OpRisk management in 2014. The main aim of this was to revise the current reporting channels and formats and to make them interlink more.

In 2015 we will continue to take a more integrated approach to the management of operational risks. The goal is primarily to harmonised the methods used on two lines of defence, leverage efficiencies and further improve the risk management.

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 2014, the fundamental usage of a risk matrix was adopted as a uniform valuation and control instrument for all types of operational risks. By setting risk tolerances and information thresholds, it also serves as a central control and reporting instrument. The previously separate reporting to the Managing Board and Supervisory Board on individual risk issues in the second line of defence (the Risk Control Division, ICS, Security, Compliance) has been consolidated in a combined governance, operational risk and compliance report since 2014.

In the refinement of the risk monitoring in 2014, individual risk indicators were revised and amended.

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

Operational Risk – Reporting

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

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 Accounting-related Internal Control and Risk Management System

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 accounting-related internal control and risk management system 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 Managing Board is responsible for preparing the Annual 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 Annual Financial Statements in accordance with the provisions of the German Commercial Code (HGB). 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 Annual 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 Statements and the Management Report.
- Provision of information to be disclosed about market-price, credit, liquidity and operational risk.

The Supervisory Board oversees the Managing 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 accounting, 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 Managing Board it conducts audits in all parts of the organisation, reporting directly to the Managing 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 procedural 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 business segments and operating processes which generate key information for preparing the Annual 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 Business Segments

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

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

The main risks lie 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 Private Customers

Private Banking

Private Banking is subject to traditional credit risk. The anticipated amendments to statutory and legal provisions will be accompanied by documentation obligations. Operational risks can arise from the non or inadequate implementation of these documentation obligations. A further operational risk arises as a result of the strong demand for qualified employees and existing talent in the labour market. A risk is seen in inefficient processes and internal procedures. 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.

Private Customers

The Private Customers SBU is subject to traditional credit risk. The anticipated amendments to statutory and legal provisions will be accompanied by the need to adapt internal processes. Operational risks can arise from the non or inadequate implementation of these process adjustments. 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.

5.3.2 Corporate Customers

Corporates

The Corporates SBU is subject to traditional credit risk. The anticipated amendments to statutory and legal provisions will be accompanied by documentation obligations. Operational risks can arise from the non or inadequate implementation of these documentation obligations. In addition, business and strategic risks exist as a consequence of the dependence between the economic development and Group restrictions.

Commercial Customers

The Commercial Customers SBU is subject to traditional credit risk. The anticipated changes to regulatory requirements will be accompanied by the need to adapt internal processes. Operational risks can arise from the non or inadequate implementation of these process adjustments. In addition, business and strategic risks exist as a consequence of the dependence between the economic development and Group restrictions.

5.3.3 Financial Markets

Savings Banks

The Savings Banks SBU is subject to traditional credit risk. In terms of the business and strategic risk, 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 cooperating increasingly with each other in syndicate business. Additionally, increasing competition between landesbanks is evident.

Municipal Customers

The Municipal Customers SBU is subject to traditional credit risk. Because the customer portfolio 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, there is no netting under the current legislation in accordance with the CRR. The anticipated amendments to statutory and legal provisions will be accompanied by documentation obligations. Operational risks can arise from the non or inadequate implementation of these documentation obligations. Additionally, business risks exist 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.

Institutional Customers

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. With anticipated changes to regulatory requirements, operational risks may arise as a consequence of the non or inadequate implementation of these reforms. The outsourcing of important services carries further operational risks as additional statutory requirements need to be complied with. Additionally, traditional credit risk is a factor, albeit to a limited extent.

5.3.4 Special Finance

Shipping

The Ships SBU is subject to traditional credit risk. The particular strategic focus of Bremer Landesbank on shipping in the past and the associated increased income opportunities give rise to concentration risks in this segment. Increasing regulatory requirements with repercussions are anticipated after a recovery of the cyclical shipping markets. Operational risks can arise from the non or inadequate implementation of these requirements. At the level of human resources, it is necessary to overcome particular difficulties due to the crisis. In addition, there are high business and strategic risks due to the continued strain on the shipping market and the development of charter rates and shipping values as well as the loss of or complex negotiations with syndication partners. The finance is issued primarily in USD.

Renewable Energies

The Renewable Energies SBU is subject to traditional credit risk. The particular strategic focus of Bremer Landesbank on renewable energies and onshore wind energy in Germany can give rise to concentration risks in this business unit. With an anticipated tightening of the regulatory framework and possible changes in the eligibility conditions, operational risks may arise as a consequence of the non or inadequate implementation of these reforms. Severely stretched personnel resources can give rise to operational risks. Additionally, establishing the requisite specialist expertise and the knowledge transfer in this context can be a slow process both internally and externally. The high level of competition in the renewable energies sector represents a business and strategic risk. Amendments to the German Renewable Energies Act (EEG) are resulting in competitors focusing increasingly on wind energy.

Leasing

The Leasing SBU is subject to traditional credit risk. The particular strategic focus of Bremer Landesbank on leases has produced a considerable portfolio in this segment that exhibits only low concentration risks as a result of its broad sector management and high levels of granularity at lessee level. With the anticipated amendments to statutory and legal provisions as well as regulatory framework conditions, operational risks may arise as a consequence of the non or inadequate implementation of these reforms may arise for Bremer Landesbank and its customers, which, as leasing or factoring companies, are classified as financial services institutions. In addition, business and strategic risks exist, in particular as a consequence of the economic development.

Social Welfare Facilities

The Social Welfare Facilities SBU is subject to traditional credit risk. The anticipated amendments to statutory and legal provisions will be accompanied by the need to adapt internal processes. Operational risks can arise from the non or inadequate implementation of these process adjustments. Additionally, business and strategic risks exist, for example in the form of regulatory interventions in the nursing-care market, by increasingly predatory competition of (potential) customers and due to competition with regional institutes on the ground and the associated pressure on profit margins.

5.4 Extended Risk Report

5.4.1 Development of Risk-Bearing Capacity in 2014

Development in 2014

Potential Utilisation Rate of available Risk Capital in the Going Concern

	Risk-bearing capacity			
€ million	**31 Dec 2014**		**31 Dec 2013**	
Risk capital	282	100%	282	100%
Credit risk	246	87%	169	60%
Investment risk	12	4%	6	2%
Market-price risk	29	10%	28	10%
Liquidity risk	15	5%	11	4%
Operational risks	9	3%	9	3%
Others	-92	-33%	-60	-21%
Total risk potential	**221**		**163**	
Utilisation rate		**78%**		**58%**

The utilisation rate as at 31 December 2014 is 78% with a confidence level of 90% and therefore significantly above the previous year's level. The reason for the increase is partly the increasing strain on the risk-bearing capacity due to the ongoing crisis in the shipping sector. This is reflected in a rise in the risk potential due to credit risks. This effect is intensified by the new parameterisation of the credit portfolio model as at 31 December 2014. Additionally, the going-concern analysis continues to take into account the RBC limit agreed across the Group. For that reason, only a partial amount of the free capital of € 282 million in the risk-bearing capacity was recognised as risk capital for the going-concern case. Without this restriction, the risk capital in the going-concern case is € 439 million. The utilisation rate is 50%, taking into account the entire risk capital.

At Bremer Landesbank a two-year forecast of future development is conducted for the active management of risk-bearing capacity. The impacts of the planned measures within the scope of the medium-term plan are taken into account, and the changes resulting from the updating of the rating system are anticipated. In the course of this management, measures for the reduction of risk-weighted assets (e.g. due to restructuring at the level of individual cases for ship finance) and for strengthening the risk capital (e.g., recognition of provision reserves in accordance with § 340g of the German Commercial Code) were proposed and implemented. Taking into account the effect of these planned measures, at the end of 2015 a continued green light status is expected in the going concern. This should also cover the increasing regulatory requirements concerning capital resources. A first communication with the European supervisory authority took place within the scope of the change in the supervisory authority. The minimum capital ratios planned in the context of the SREP (Supervisory Review and Evaluation Process) are planned and currently met by the bank.

5.4.2 Credit Risk

Credit risk – Development in 2014

The Bank's credit exposure came to approximately € 34.72 billion as at 31 December 2014, down some 5.9% compared to the end of the previous year.

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 submarkets 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. In the meantime, the entire tanker market has recovered due to the global oversupply of oil, while the recovery in bulk shipping stalled again after a few good quarters at the end of 2014. Container ships up to the Panamax class and the multi-purpose ships are mostly not capable of making repayments. Nonetheless, the prices for new ships and scrap rose, and the decline in prices for used ships was stopped.

The global financial market and economic crisis had a particularly negative impact on the Ship Finance portfolio. The ongoing excess supply of tonnage led to falling charter rates. Declining growth rates in China and the recession in parts of the eurozone were met by a relatively high level of surplus tonnage. In the sixth year of the crisis, numerous shipping companies could no longer support their ships in 2014. Similar to 2013, therefore, risk provisioning remained at a high level.

The good market and earnings position in renewable energies largely compensated for the problem in shipping. Wind energy continues to be the most significant subsegment in the area of finance for renewable energies, with strong growth in recent years. Despite attempts to amend the German Renewable Energies Act (EEG), the framework conditions for financing wind energy were attractive and reliable. Furthermore, the historically low level of interest rates 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.

The debt crisis of many euro countries, in particular of those termed the PIIGS countries, continued to relax considerably in 2014. The returns on the bonds of the PIIGS countries have fallen substantially. The decline in the spreads of the government bonds has had an effect on the spreads in the banking portfolio of Bremer Landesbank. The key benchmark here, the Itraxx Financial 5y Senior, fell to 66 BP by the end of 2014 (previous year: 86 BP). The banks in Europe have stabilised by raising capital increases and reducing risks. However, many banks are suffering from the low interest rates and the increase in non-performing loans due to the still difficult economic situation in the eurozone.

The investment portfolio is made up exclusively of securities and credit derivatives mainly from European banks. The portfolio is well diversified. The risk of default is estimated to be fairly low. Credit events on credit derivatives are called because of the restructuring of subordinated capital and not because of a downgrade in the credit rating.

The investment portfolio was repaid in 2014 through scheduled maturities and premature repurchases of € 2.3 billion. This includes € 1.5 billion in securities from landesbanks with Gewährträgerhaftung (public guarantee under which the owners of savings banks are jointly and severally liable to the banks' creditors). This means that the investment portfolio is no longer a focal point of risk at the Bank.

Analysis of the Total Exposure

The following table 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)]	Loans [3)]	Securities[4)]	Derivatives[5)]	Other [6)]	Total	
€ million		31 Dec 2014			31 Dec 2014	31 Dec 2013
Very good to good	11,725	4,002	894	6,069	**22,690**	**23,976**
Good/satisfactory	1,862	0	87	498	**2,448**	**3,279**
Still good/adequate	2,080	26	117	312	**2,536**	**3,500**
Increased risk	949	100	81	194	**1,324**	**1,517**
High risk	708	-	10	108	**826**	**620**
Very high risk	2,001	-	7	34	**2,043**	**1,451**
Default (= NPL)	2,837	-	5	12	**2,853**	**2,556**
Total	**22,162**	**4,128**	**1,202**	**7,228**	**34,720**	**36,899**

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 further overall in 2014, as is shown by the rising probabilities of default and a significant increase in non-performing loans.

Lending Business by Region

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

Regions [1]	Loans	Securities	Derivatives	Others	Total	
€ million		31 Dec 2014			31 Dec 2014	31 Dec 2013
Euro countries	21,067	4,029	890	7,224	**33,210**	**34,777**
- of which Germany	19,555	3,657	567	6,954	**30,733**	**31,145**
Rest of Europe	253	84	244	4	**584**	**1,114**
North America	63	15	68	-	**146**	**210**
Latin America	35	-	-	-	**35**	**43**
Middle East/Africa	128	-	0	-	**128**	**123**
Asia / Australia	615	-	0	-	**615**	**631**
Other	-	-	-	-	**-**	**-**
Total	**22,162**	**4,128**	**1,202**	**7,228**	**34,720**	**36,899**

[1] Differences between totals are due to rounding.

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

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

The exposure to the PIIGS countries (mainly securities and credit derivatives) declined in comparison to 31 December 2013. The credit spreads narrowed considerably in 2014. Given the substantial political will to keep the eurozone together, the international measures introduced and steps taken in individual countries (other savings and reform programs), the risk of a break-up of the eurozone was considerably reduced. The scaling back of the portfolio will continue as scheduled by means of scheduled repayments in 2015.

The percentage of financial institutions and insurance companies contained in the aggregate exposure is relatively high, at 25% (previous year: 30%), but includes institutions with very good to good ratings. The most significant credit risks still stem from Special Finance and Corporate Customers activities.

Lending Business by Industry Group

Industry groups [1)]	Loans	Securities	Derivatives	Others	Total	
€ million		31 Dec 2014			31 Dec 2014	31 Dec 2013
Financial institutions/insurance companies	3,125	1,805	897	2,699	**8,526**	**11,066**
Service industries/other	7,441	2,313	82	651	**10,487**	**10,294**
- of which real estate and housing	1,401	-	39	158	**1,598**	**1,506**
- of which public administration	3,863	2,313	18	145	**6,339**	**5,870**
Transport, communications	7,082	9	44	169	**7,305**	**7,175**
- of which shipping	6,605	0	36	68	**6,709**	**6,531**
Manufacturing	682	-	39	92	**812**	**811**
Energy, water and mining	2,195	-	67	3,194	**5,456**	**5,352**
Trade, maintenance and repairs	1,223	-	72	180	**1,475**	**1,502**
Agriculture, forestry and fishing	121	-	0	186	**307**	**323**
Construction	294	-	1	58	**352**	**376**
Other	-	-	-	-	**-**	**-**
Total	**22,162**	**4,128**	**1,202**	**7,228**	**34,720**	**36,899**

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

Non-performing Loans

The Bank makes specific valuation allowances for acute default risks if there are objective indications of such risks. The risk provisioning requirement is based on a present value analysis of expected interest and redemption payments as well as on proceeds from the realisation of collateral.

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 by risk provisioning up to 32.5% (previous year[6]: 28.4%).

Specific valuation allowances and loan loss provisions rose significantly yet again in 2014, above all because of the ongoing crisis in the shipping sector. The specific valuation allowance ratio, expressed as the ratio of specific valuation allowances to the aggregate exposure, is 1.89% (previous year: 1.41%).

Risk provisioning for the bank as a whole was greater than expected with net specific valuation allowances of around € 182 million.

[6] Figures were corrected in comparison to the previous year's report.

Risk Provisioning by Industry Group

Industry groups [1)]	Impaired credit exposures[2)]		Specific valuation allowances		Loan loss provisions		Net allocations/ reversals of specific allowances/ provisions	
€ million	2014	2013	2014	2013	2014	2013	2014	2013
Financial institutions/insurance companies	16	19	7	3	-	-	3	-7
Service industries/other	52	69	31	28	1	3	2	-7
- of which real estate and housing	12	23	7	8	-	0	-1	-3
- of which public administration	-	-	-	-	-	-	-	-
Transport, communications	1,849	1,608	543	415	0	0	128	104
- of which shipping	1,844	1,602	538	410	-	0	128	104
Manufacturing	35	34	30	21	0	1	8	12
Energy, water and mining	28	43	20	28	4	5	-10	-5
Trade, maintenance and repairs	13	39	7	9	0	3	-4	-5
Agriculture, forestry and fishing	2	3	1	2	0	0	-1	0
Construction	24	24	18	15	2	8	-4	-7
Other	-	-	-	-	-	-	-	-
Total	**2,020**	**1,841**	**657**	**522**	**8**	**20**	**122**	**86**

1) Differences between totals are due to rounding.
2) Explanatory information: Gross book value of non-performing loans with a need for valuation allowances (explanation of possible differences).
Definition of gross book value: Gross loan portfolio before impairment (specific valuation allowances/lumpsum loan loss provisions) including owed and outstanding interest and benefits (BIS value).

Risk Provisioning by Region

Regions [1)]	Impaired credit exposures		Specific valuation allowances		Loan loss provisions		Net allocations/ reversals of specific allowances/ provisions	
€ million	2014	2013	2014	2013	2014	2013	2014	2013
Euro countries	1,887	1,780	625	516	8	20	97	100
Rest of Europe	7	0	1	0	0	0	1	-13
North America	-	-	-	-	-	-	-	-
Latin America	0	0	1	1	-	-	0	-8
Middle East/Africa	-	-	-	-	-	-	-	-
Asia / Australia	126	60	30	6	0	0	24	6
Other	-	-	-	-	-	-	-	-
Total	**2,020**	**1,841**	**657**	**522**	**8**	**20**	**122**	**86**

1) Differences between totals are due to rounding.

Past Due Exposures by Industry Group

The following tables 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)3)] 2014	 2013
Financial institutions/insurance companies	47	19
Service industries/other	183	52
- of which real estate and housing	60	20
- of which public administration	108	10
Transport, communications	776	675
- of which shipping	774	673
Manufacturing	3	18
Energy, water and mining	109	104
Trade, maintenance and repairs	1	49
Agriculture, forestry and fishing	15	5
Construction	1	1
Other	-	-
Total	**1,134**	**923**

[1)] Differences between totals are due to rounding.
[2)] The term “impaired” refers here exclusively to specific valuation allowances and lumpsum specific loan loss provisions. General loan loss provisions have not been taken into account.
[3)] Receivables past due > 0 days that have not been impaired.

Past Due Exposures by Region

Regions [1)] € million	Past due, unimpaired exposures [2)3)] 2014	 2013
Euro countries	1,036	881
Rest of Europe	33	2
North America	-	0
Latin America	0	-
Middle East/Africa	-	-
Asia / Australia	65	40
Other	-	-
Total	**1,134**	**923**

[1)] Differences between totals are due to rounding.
[2)] The term “impaired” refers here exclusively to specific valuation allowances and lumpsum specific loan loss provisions. General loan loss provisions have not been taken into account.
[3)] Receivables past due > 0 days that have not been impaired.

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	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Euro countries	534	437	115	53	54	103	333	288	1,036	881
Rest of Europe	23	0	-	-	-	-	10	1	33	2
North America	-	0	-	-	-	-	-	-	-	0
Latin America	0	-	-	-	-	-	-	-	0	-
Middle East/Africa	-	-	-	-	-	-	-	-	-	-
Asia / Australia	38	12	16	11	-	-	11	17	65	40
Other	-	-	-	-	-	-	-	-	-	-
Total	**595**	**449**	**131**	**64**	**54**	**103**	**354**	**306**	**1,134**	**923**

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

The exposure to overdue, but not impaired receivables increased with the exception of those in the third maturity band. Of the overdue, not impaired receivables, 36% (previous year: 44%) are receivables for which agreed interest payments or repayments are overdue by more than 90 days. 52% (previous year: 49%) of the receivables are past due by up to one 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 Dec 2014	31 Dec 2013
< 30 days	595	449
30-90 days	131	64
90-180 days	54	103
> 180 days	354	306
Total	**1,134**	**923**

[1] Differences between totals are due to rounding.

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

In the year under review direct write-offs of loans and advances amounted to € 12 million (previous year: € 9 million). Recoveries on loans and advances previously written off amounted to € 5 million (previous year: € 4 million). No direct write-downs were made for investment securities at Bremer Landesbank.

The deduction of collateral reduced the risk-weighted assets as at 31 December 2014 by € 1.5 billion (previous year: € 1.7 billion), corresponding to a proportion of 9% (previous year: 10%) of the total credit risk RWA. This primarily involved the netting of government and bank guarantees, financial collateral and mortgages.

Bremer Landesbank has 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 2015. In this context, the risk parameters and the credit risk model will be validated, as in every year. The RWA management process will also be enhanced to optimise risk-return planning and build a buffer 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, risk provisioning at Bremer Landesbank has been determined largely by developments in the commercial shipping sector. In its risk management, the Bank is preparing for a continued crisis in commercial shipping during the next two years and is taking adequate measures, making appropriate provisions and actively managing its portfolio in order to work out non-performing loans that cannot realistically be recovered.

5.4.3 Investment Risk

Investment Risk - Development in 2014

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 2014. The background for the increase in the investment volume is the contribution of assets to a subsidiary. As in previous years, in 2014, 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 2014

The credit investment portfolio developed largely in accordance with expectations in 2014. Besides the scheduled maturities of € 0.8 billion, there was also a strategic reduction of € 1.8 billion as a contribution to the RWA reduction. The remaining portfolio of € 2.3 billion no longer represents a significant risk position for the Bank, in particular because € 1.5 billion was spent on securities from landesbanks with Gewährträgerhaftung (public guarantee under which the owners of savings banks are jointly and severally liable to the banks' creditors). The remaining portfolio of € 0.8 billion is mainly distributed across systemic banks in Western Europe and will be reduced to € 0.3 billion through scheduled repayments by the end of 2015.

In the course of 2014 a clear narrowing of the spread and reduced spread volatility were observed. These effects have favoured the fall in the market risk in the credit investment portfolio.

In addition, interest-rate risk represents a material market risk in the portfolio of Bremer Landesbank. In 2014 this risk appeared very stable at a moderate level as both the interest rate as well as the corresponding volatility have not moved substantially.

The following table shows the Bank's market risk in the year under review and in the previous year: Credit-spread risks in the banking book are not a part of this overview:

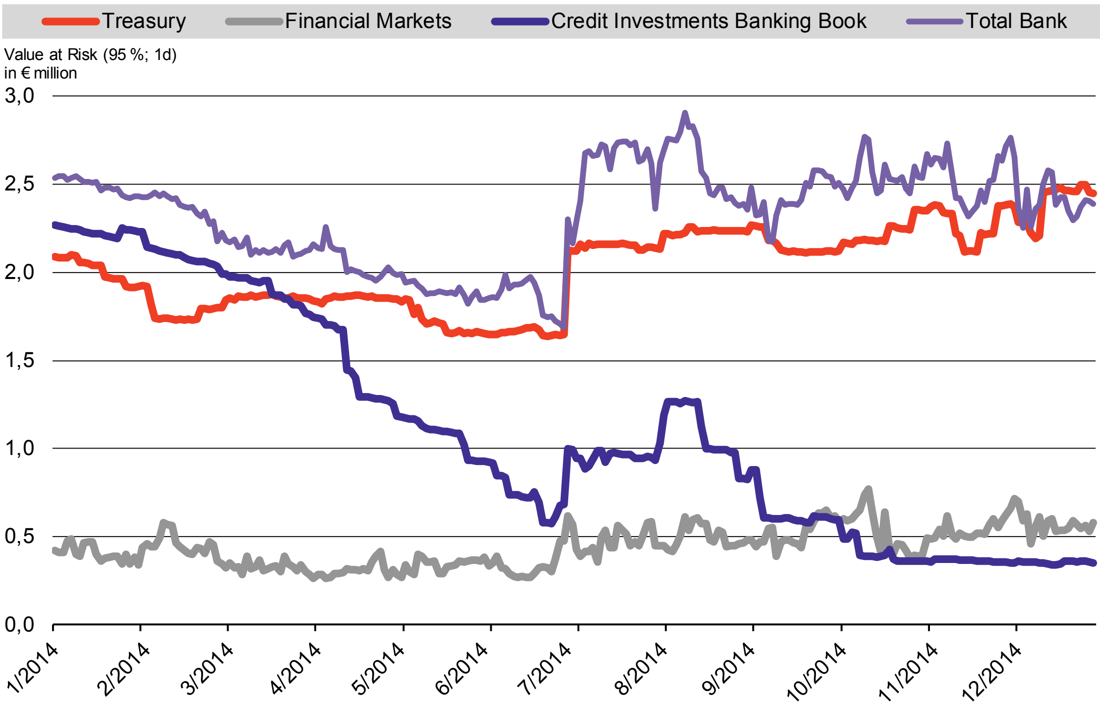
Market-Price Risks – Overview

	Maximum		Average		Minimum		Year-end	
€ million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Interest-rate risk (VaR)	2.88	3.53	2.40	2.81	1.97	1.97	2.46	2.00
Currency risk (VaR)	0.13	0.10	0.03	0.04	0.00	0.00	0.02	0,06
Share-price and fund-price risk (VaR)	0.39	0.31	0,15	0,15	0.02	0.02	0.38	0.02
Volatility risk (VaR)	0.04	0.04	0.02	0.02	0.01	0.01	0.04	0.01
Total risk (VaR)	**2.91**	**3.53**	**2.37**	**2.78**	**1.89**	**1.87**	**2.42**	**2.04**

The average utilisation of the market-risk limit for the overall Bank was 39% (maximum 47% and minimum 31%). As at 31 December 2014, the Bank's VaR (confidence level of 95% and a holding period of one day) was € 2.42 million. In financial year 2014 the average utilisation of the risk limit for the Financial Markets unit was 21%, and that of Treasury was 45%.

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 2014 below.

Market Risks - Value at Risk



In 2014 the stress tests performed for the Bank as a whole showed a maximum risk of € 69.68 million and an average of € 65.07 million, with a minimum of € 57.44 million. As at 31 December 2014, the stress-tested value for the Bank as a whole was € 65.55 million. The increase in the VaR values as at 1 July 2014 (as can be seen in the graphic above) results from a simplification of the market-risk limit derivation. The introduction of the simplified methodology increases the market-risk limits and the VaR values. The degree to which the limit is utilised remains the same.

In 2014 the average interest-rate risk in relation to liable equity was 11.3%. The results show that the Bank is far from being classified as a "bank with increased risks from a change in interest rates". Equity components 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

The Bank is anticipating a continued stable market environment for 2015. A further substantial narrowing of the credit spreads is considered just as unlikely as a massive movement on interest rates.

The focus in 2015 will be on the handling of future regulatory requirements. In particular, it is important to note the new regulatory technical standards (RTS) and the Implementing Technical Standards (ITS) of the European Banking Authority (EBA) or the impact resulting from the Single Supervisory Mechanism (SSM). In addition, selective methodological and process improvements are sought in the context of market-risk control.

5.4.5 Liquidity Risk

Liquidity Risk – Development in 2014

The effects of the financial market crisis 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 2014.

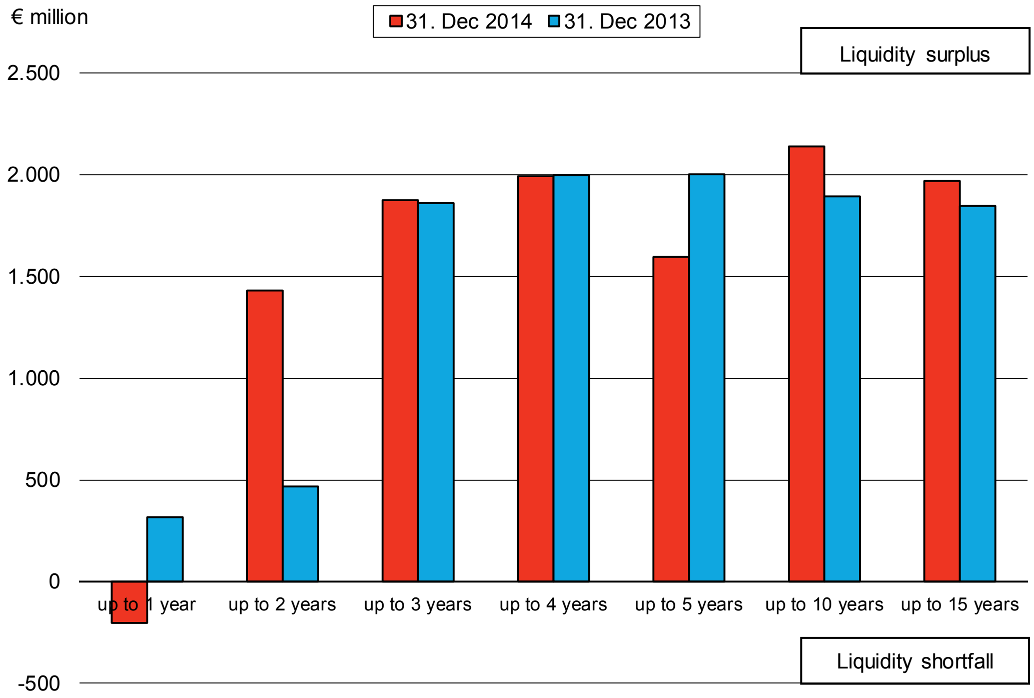
A comparison of cash and cash equivalents and payment obligations results in the liquidity ratio, which must be at least one in accordance with the German Liquidity Regulation. This requirement was met throughout financial year 2014 and was at 1.74 on 31 December 2014.

In 2014, the Bank had sufficient liquidity at all times. The dynamic liquidity stress test, which acts as a control instrument for traditional liquidity risk, showed that even under severe stress conditions the amount of liquidity was sufficient.

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 35% on the reporting date (previous year: 20%). The utilisation of the liquidity buffer for a month was also 42% on the reporting date (previous year: 22%).

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 2014 shows that the liquidity situation remains comfortable. Liquidity limits employed for management purposes were maintained at all times in the financial year.

Liabilities	**Volume**	**Share**	**Volume**	**Share**
€ million	**31 Dec 2014**		**31 Dec 2013**	
Banks	11,171	36%	10,943	34%
Customers	8,899	28%	9,909	31%
Securitised liabilities	7,349	24%	8,023	25%
Capital	1,343	4%	1,343	4%
Rest	2,482	8%	2,017	6%
Total liabilities	**31,244**		**32,235**	
Covered refinancing (total)	4,762		5,030	
Öffentliche Pfandbriefe	3,717	78%	3,822	76%
Hypothekenpfandbriefe	852	18%	957	19%
Schiffspfandbriefe	193	4%	251	5%

The refinancing of Bremer Landesbank essentially consists of liabilities to banks at 36% (previous year: 34%), to customers at 28% (previous year: 31%) and securitised liabilities at 24% (previous year: 25%). As well as unsecured securities, Bremer Landesbank also uses covered securities, including Öffentliche Pfandbriefe, Hypothekenpfandbriefe and Schiffspfandbriefe. The proportion of Pfandbrief refinancing is 15% (previous year: 16%).

In 2014 Bremer Landesbank changed its rating strategy due to the change in capital market conditions. The Bank decided only to be rated by the Fitch rating agency in future. The contractual relationship with the Moody's rating agency was therefore terminated at the end of February 2014. In the year under review, Fitch maintained the long-term rating of the bank at A and the short-term rating at F1. The outlook for the long-term rating was moved from "stable" to "negative" in March 2014. Possible consequences of the refinancing are analysed and evaluated in the course of the liquidity management.

The Bank addressed these more exacting demands in 2014 by further expanding its liquidity management and control system as part of a project. One focus was on systematically including liquidity costs and liquidity risk costs in integrated bank management instruments at an early stage of the preliminary and actual costing process for the lending business. The Bank is systematically enhancing its liquidity risk management methods and models in close consultation with the NORD/LB Group.

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 2015, 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) are of great importance for the Bremer Landesbank.

5.4.6 Operational Risk

Operational Risk - Development in 2014

The loss events that occurred in 2014 were considered to be immaterial from an overall Bank point of view. All reported losses (including credit-risk cases) came to € 3.9 million (gross) in 2014 (previous year: € 2.2 million). Minimisation of losses resulted in a net loss total of € 3.6 million.

Net Losses as a Percentage of Total Losses (not including Losses relating to Lending)

Loss database	Share 31 Dec 2014	Share 31 Dec 2013
External events	4.8%	8.9%
Internal processes	56.3%	0.0%
Employees	37.3%	90.5%
Technology	1,6%	0.6%

Legal risks on account of the German Federal Supreme Court's case law on invalid revocation instructions in consumer loan agreements and loan fees cannot be ruled out. Claims against the bank have only been enforced to a manageable extent. Loan fees for loans to private customers were reimbursed if they were enforced at an unexpired time. Whether the case law is transferable to loans to commercial customers, has not yet been decided by the supreme court; to date, only isolated repayments have been requested, and these claims were rejected. The formation of a provision is not considered necessary so far.

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

Operational Risk - Outlook

For 2015 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 risk are of secondary importance for the Bank.

5.6 Overall Assessment

Overall Assessment of the Risk Situation

The Bank pursues a sustainable risk policy. It has taken measures to limit all material risks. The loss potential is, considering the measures taken, in reasonable proportion to the risk-bearing capacity of the Bank. The risk management systems proved their effectiveness in the liquidity and credit crisis which took hold of the markets. The findings gleaned are being used to enhance the risk management systems used for all risk types.

Capacity utilisation in the risk-bearing capacity, at a confidence level of 90% as at 31 December 2014, is 78% and is therefore above the previous year's level of 58% as at 31 December 2013. The reason for the increase is partly the increasing strain on the risk-bearing capacity due to the ongoing crisis in the shipping sector as well as the new parameterisation of the credit portfolio model as at 31 December 2014. Secondly, the RBC limit agreed across the Group is considered and as a result only a partial amount of € 282 million of the free capital of € 439 million included in the calculation. The utilisation rate is 50%, taking into account the entire risk capital.

With regard to the future course in 2015 and 2016, pressure on the risk-bearing capacity and capital ratio will continue. The expected increases in the minimum requirements according to CRR mean that it will be necessary to intensify the measures introduced within the scope of the RWA and shortfall management. Among others, defaulting ships should be 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. In addition, the ship portfolio should be subject to less stress and adjusted in the primarily non-strategic customer area. The issue of an AT1 bond, a long-term subordinated bearer debt security should strengthen Tier 1 capital. Taking into account these measures, at the end of 2015 a continued green light status is again expected in the going concern.

The global financial market and economic crisis had a particularly negative impact on the Ship Finance portfolio. Numerous shipping companies could no longer support their ships, and risk provisioning remained at a high level, similar to 2013. In its risk management, the Bank is preparing for a continued crisis in commercial shipping during the next two years and is taking adequate measures, making appropriate provisions and actively managing its portfolio in order to work out non-performing loans that cannot realistically be recovered. The good market and earnings position in renewable energies largely compensated for the problem in shipping. Wind energy remains the most important partial segment. 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.

As positions will mature and no new business will be transacted, the investment portfolio will be continually scaled back, falling below € 0.3 billion by the end of 2015, and therefore no longer representing a significant risk position. The debt crisis of many euro countries, in particular of those termed the PIIGS countries, continued to relax considerably in 2014. The decline in the spreads of the government bonds has had an effect on the spreads in the banking portfolio of Bremer Landesbank. Credit investment is well diversified. The risk of default is estimated to be fairly low. Credit events on credit derivatives are called because of the restructuring of subordinated capital and not because of a downgrade in the credit rating.

During 2014 another substantial narrowing of the spreads and reduced spread volatility have favoured the decline in market risk in the credit investment portfolio. A further substantial narrowing of the credit spreads in 2015 is considered just as unlikely as a massive movement in interest rates. The focus in 2015 will be on the handling of future regulatory requirements. In particular, it is important to note the new regulatory technical standards (RTS) and the Implementing Technical Standards (ITS) of the European Banking Authority (EBA) or the impact resulting from the Single Supervisory Mechanism (SSM). In addition, selective methodological and process improvements are sought in the context of market-risk control.

The Bank addressed these more exacting demands in the financial year 2014 by further expanding its liquidity management and control system as part of a project. The requirements for the liquidity buffer to be held in accordance with MaRisk have been complied with. The liquidity ratio in accordance with the German Liquidity Regulation (LiqV) was at 1.74 on 31 December 2014.

The Bank does not anticipate any sustained change in the money and capital markets, and the developments between the banks and the market liquidity provided by the central bank will continue to be observed closely.

The losses arising in 2014 that are attributable to the operational risk are considered to be immaterial from an overall Bank point of view. For 2015 the Bank again assumes that loss events arising from operational risks will remain immaterial as in previous years.

The development of Bremer Landesbank is still dependent on the continued uncertain development in the shipping markets. In addition, the current performance of the US dollar exchange rate though the impact on the RWA had a significant influence on the capital ratios and the risk-bearing capacity. In addition, the ongoing discussion about the EU periphery countries will have an impact on the future situation. Bremer Landesbank considers these influences to be manageable on account of the measures specified in the medium-term plan and will continue to carefully monitor and analyse the developments.

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 Managing Board regularly informed the Supervisory Board and the Committees it used about the Bank's performance and situation. In financial year 2014, it was necessary to apply modified committee structures on account of statutory requirements. The Risk Committee assumed the tasks of the former General Work and Credit Committee as well as other responsibilities. The Nomination and Remuneration Committee were created. In addition, the Audit Committee and the Sponsorship Committee continued without any changes. In the five Supervisory Board meetings, five Risk Committee meetings, three Audit Committee meetings, two 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.

Due to the changes in law, the Supervisory Board, with the support of the Nomination Committee, addressed the structure, size, composition and performance of the Managing Board and the Supervisory Board itself in 2014, for the first time as part of an efficiency audit.

KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover, audited the Annual Financial Statements of Bremer Landesbank for the financial year 2014. They meet the legal requirements. The auditors issued an unqualified audit opinion on the Annual Financial Statements. The auditors also attended the Supervisory Board's Annual Financial Statements meeting on 30 March 2015 and reported on the results of the audit.

The Supervisory Board approved the results of the audit conducted by the auditors and did not raise any objections on the basis of its own review. In its meeting on 30 March 2015, the Supervisory Board approved and adopted the Annual Financial Statements as at 31 December 2014.

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

The following persons left the Supervisory Board:

on 28 February 2014 Dr. Johannes-Jörg Riegler

on 31 October 2014 Martin Grapentin

The following persons were appointed to the Supervisory Board:

on 1 March 2014 Mr. Thomas S. Bürkle

on 1 November 2014 Mr. Heinz Feldmann

In accordance with § 10 para. 4 of the statutes and § 3 para. 1 clause 2 of the rules of procedure for the Supervisory Board of Bremer Landesbank, the deputy chair of the Supervisory Board of the Bremer Landesbank will be held alternatingly by the Lower Saxony Finance Minister for two years and then by the Chairman of the Lower Saxony Savings and Giro Bank Association (DSGV) for two years. After the change in the Supervisory Board and its committees on 1 November 2012, Mr. Mang was the deputy chairman of the Supervisory Board. Following the end of the two-year term, the deputy chair of the Supervisory Board of Bremer Landesbank was transferred to Minister Schneider on 1 November 2014.

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 Prof. Dr. Wolfgang Däubler, took part in less than half of the meetings in financial year 2014.

The Supervisory Board would like to thank the Bank's Managing Board for the constructive working relationship based on mutual trust and expresses its thanks for the work performed in 2014 by the Managing Board and by all of the Bank's employees.

Bremen, 30 March 2015

Chairwoman of the Supervisory Board

Mayoress Karoline Linnert

Owners' Meeting Report

The Owners' Meeting convened once 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 2015, the Owners' Meeting ratified the acts of the Managing Board of the Bank and the Supervisory Board for financial year 2014.

The following persons left the Owners' Meeting:

on 31 December 2013	Mr. Bernhard Günthert
on 1 October 2014	Mr. Heinz Feldmann

The following persons were appointed to the Owners' Meeting:

on 1 January 2014	Mr. Ekkehart Siering
on 1 November 2014	Mr. Gerhard Fiand

The Owners' Meeting wishes to thank the Supervisory Board, the Managing Board and employees of the Bank for their work in 2014.

Bremen, 30 March 2015

The Chairman of the Owners' Meeting

Dr. Gunter Dunkel

Balance Sheet as at 31 December 2014

Assets

€ million				31 Dec 2013
1. Cash reserve			**211**	**65**
a) Cash on hand		4		5
b) Balances at central banks		207		60
of which: at Deutsche Bundesbank		(207)		(60)
3. Loans and Advances to Banks			**3,651**	**4,193**
b) Public-sector loans		2,851		3,475
c) Other loans and advances		800		718
of which: payable on demand		(478)		(270)
against securities		(-)		(-)
4. Loans and Advances to Customers			**22,346**	**22,266**
a) Mortgage loans		1,609		1,633
b) Public-sector loans		4,963		4,697
c) Other loans and advances		15,774		15,936
of which: against securities		(-)		(-)
5. Debt securities and other fixed-interest securities			**4,100**	**4,861**
b) Bonds and debt securities		4,100		4,861
ba) Issued by the public sector	2,313			2,109
of which: eligible for collateral with Deutsche Bundesbank	(2,313)			(2,109)
bb) Issued by other borrowers	1,787			2,752
of which: eligible for collateral with Deutsche Bundesbank	(1,699)			(2,545)
6. Shares and other non-fixed-interest securities			**28**	**18**
6a. Trading Portfolio			**292**	**146**
7. Investments			**15**	**19**
of which: in banks			(0)	(5)
in financial services institutions			(0)	(0)
8. Shares in affiliates			**162**	**119**
of which: in banks			(-)	(-)
in financial services institutions			(1)	(1)
9. Trust assets			**128**	**87**
of which: trust loans			(3)	(3)
11. Intangible assets			**4**	**2**
b) Purchased franchises, industrial property rights and similar rights and assets as well as licenses to such rights and assets		3		2
d) Prepayments		1		0
12. Property and equipment			**36**	**27**
14. Other assets			**262**	**421**
15. Prepaid expenses			**9**	**11**
a) From issuing and loan business		8		10
b) Other		1		1
Total assets			**31,244**	**32,235**

Liabilities

€ million				31 Dec 2013
1. Liabilities to banks			**11,171**	**10,943**
a) Issued registered Hypothekenpfandbriefe		260		336
b) Issued registered öffentliche Pfandbriefe		548		889
c) Other liabilities		10,363		9,718
of which: payable on demand		(1,258)		(1,020)
registered Hypothekenpfandbriefe surrendered to the lender to secure loans raised		(0)		(0)
registered öffentliche Pfandbriefe surrendered to the lender to secure loans raised		(0)		(111)
2. Liabilities to customers			**8,899**	**9,909**
a) Issued registered Hypothekenpfandbriefe		301		319
b) Issued registered öffentliche Pfandbriefe		2,240		2,469
c) Savings deposits		220		218
ca) with an agreed period of notice of three months	216			213
cb) with an agreed period of notice of more than three months	4			5
d) Other liabilities		6,138		6,903
of which: payable on demand		(2,817)		(3,168)
registered öffentliche Pfandbriefe surrendered to the lender to secure loans raised		(-)		(-)
registered öffentliche Pfandbriefe surrendered to the lender to secure loans raised		(-)		(-)
3. Securitised liabilities			**7,349**	**8,023**
a) Debt securities issued		7,349		8,023
aa) Hypothekenpfandbriefe	502			581
ab) öffentliche Pfandbriefe	1,839			2,052
ac) Other debt securities	5,008			5,390
3a. Trading portfolio			**244**	**40**
4. Trust liabilities			**128**	**87**
of which: trust loans			(3)	(3)
5. Other liabilities			**441**	**287**
6. Prepaid expenses			**16**	**17**
a) From issuing and loan business		16		17
7. Provisions			**309**	**294**
a) Provisions for pensions and similar obligations		249		218
b) Tax provisions		13		16
c) Other provisions		47		60
9. Subordinated liabilities			**750**	**750**
11. Fund for General Banking Risks			**594**	**542**
of which: for trading portfolio			(8)	(6)
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
Total liabilities			**31,244**	**32,235**

Contingent Liabilities and Other Obligations

€ million			31 Dec 2013
1. Contingent liabilities		**1,475**	**3,013**
b) Guarantees	1,475		3,013
2. Other obligations		**1,895**	**1,937**
c) Irrevocable loan commitments	1,895		1,937

Income Statement

for the period from 1 January to 31 December 2014

€ million			1. Jan - 31 Dec 2013
1. Interest income from		**990**	**1,047**
a) Lending and money market business	938		970
b) Fixed-interest securities and debt register claims	52		77
2. Interest expenses		**595**	**676**
		395	**371**
3. Current income from		**7**	**7**
a) Shares and other non-fixed-interest securities	0		0
b) Investments	3		3
c) Shares in affiliates	4		4
4. Income from profit pooling and profit-and- loss transfer agreements		**2**	**30**
5. Commission income		**52**	**53**
6. Commission expenses		**7**	**8**
		45	**45**
7. Net income from the trading portfolio		**11**	**11**
of which: Allocations to the fund for general banking risks		(1)	(1)
8. Other operating income		**6**	**37**
10. Other administrative expenses		**188**	**187**
a) Staff expenses	114		105
aa) Wages and salaries	76		74
ab) Social security, pension and other benefit costs	38		31
of which: for old-age pensions	(25)		(19)
b) Other administrative expenses	74		82
11. Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		**4**	**5**
12. Other operating expenses		**24**	**30**
12a. Allocations to the fund for general banking risks		**50**	**46**
13. Impairment of and valuation allowances on loans and advances and certain securities as well as allocations to loan loss provisions		**212**	**175**
15. Impairment of and valuation allowances on investments, shares in affiliates and investment securities Securities		**-**	**4**
16. Income from write-ups of investments, shares in affiliates and investment securities		**38**	**-**
19. Profit/loss from ordinary activities		**26**	**54**
21. Extraordinary expenses		**6**	**6**
22 Extraordinary Earnings		**-6**	**-6**
23. Income taxes		**20**	**12**
24. Other taxes not disclosed in item 12		**0**	**0**
		20	**12**
27. Net income for the year		**0**	**36**
28. Profit/loss carried forward from previous year		**0**	**31**
32. Allocations to retained earnings		**0**	**67**
d) to other retained earnings	0		67
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 2014 were prepared in accordance with the provisions of the German Commercial Code (HGB), last amended on 22 December 2014, and the German Accounting Regulation for Credit and Financial Services Institutions (*Kreditinstituts-Rechnungslegungsverordnung*, RechKredV).

The layout of the balance sheet and the Income Statement is based on the RechKredV. The comparative figures from 2013 are the figures approved, published and audited in the previous year. The balance sheet was prepared in accordance with § 268 para. 1 of the 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 loan loss provisions if necessary.

Sufficient consideration is given to identifiable risks in lending business by making specific valuation allowances and loan loss provisions. 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. Appropriate lumpsum loan loss provisions have been made for other general credit risks. Lumpsum loan loss provisions are still calculated in accordance with the communiqués of the BFA 1/1990 and the BMF Circular of 10 January 1994.

Securities in the liquidity reserve are valued in accordance with the strict lower-of-cost-or-market principle. 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 performance in 2014 and a detailed budget for 2015 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% p.a. In the year under review 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 line with the principles for uniform or separate accounting of structured financial instruments from 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 as per 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 2014 no provision was required.

1.3 Hedge Accounting

In the event of interest-rate hedges of fixed-income 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 foregoing hedging relationships for which hedge accounting is applied, the following economic hedges are accounted for as follows:

- Currency hedges in the banking book: the economic hedge is accounted for by translating foreign currency assets, foreign currency liabilities and pending currency transactions in accordance with § 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). When the hedge is first accounted for, a back office function checks that the cash flow-determining parameters of the underlying and hedging transaction match. As the hedges are perfect matches, their effectiveness is tested prospectively 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 the acquisition cost – the valuation result – 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 Value at Risk are determined for the trading portfolio as defined in accordance with German commercial law applying the parameters stipulated by the banking supervisory authorities. Bremer Landesbank is not required to calculate Value at Risk in accordance with the German Solvency Regulation. 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 value-at-risk 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 risk considered by Bremer Landesbank:
    - General interest-rate risk
    - Specific interest-rate risk (issuer-specific risk)
    - Currency risk
    - Share-price risk
    - Option-price risk
- Confidence level: 99%
- Holding period: 10 days
- Observation period: 1 year

The method for calculating the risk adjustment was not changed. It was calculated on the basis of 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
	Cross-currency interest-rate swaps, forward exchange contracts	Swap curves in the swapped currencies, basis swap spreads, exchange rates
Hull & White model for options	Bermudan swaptions	Volatility of the underlying market price, risk-free interest rate
Black-Scholes model	Foreign exchange options	Exchange rates, volatility of the underlying market price, risk-free interest rate
	OTC equity options	Volatility of the underlying market price
Black-76 model	Caps and floors, swaptions, bond options	Exchange rates, volatility of the underlying market price, risk-free interest rate

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.

- The same applies in accordance with § 256a clause 2 of the German Commercial Code to income from the translation of foreign currency positions with a residual term of one year or less.

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 thereby 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 € 4,714 million (previous year: € 4,591 million) and liabilities of € 989 million (previous year: € 1,223 million) were translated at the mean spot exchange rate as at 31 December 2014. The effects on income from the conversion of assets and liabilities denominated in foreign currencies are included in the net income from the trading portfolio.

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 2014 this interest rate was 4.53% (previous year: 4.88%).

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

Parameter	2014	2013
Employee turnover (excl. retirement/early retirement)	1.500%	1.500%
Pension trend:		
Managing Board/permanent employees p.a.	2.500%	2.500%
Total benefits p.a.	3.500%	3.500%
Add-on benefits p.a.	2.000%	2.000%
Defined contribution benefits p.a.	1.000%	1.000%
Salary trend:		
Collective wage increases p.a.	2.000%	2.000%
Individual salary increases (pensionable) p.a.	0.375%	0.375%

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

The allocation amount remaining as a result of the change in the valuation of pension obligations totalled € 62 million as at 31 December 2014 in accordance with Art. 67 para. 2 of the EGHGB (previous year: € 68 million). Indirect benefit obligations in accordance with Art. 28 para. 2 of the EGHGB amount to € 20 million (previous year: € 19 million).

1.9 Deferred Taxes

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

Deferred tax liabilities on differences in carrying amounts between the accounts prepared under commercial and tax law were offset against deferred tax assets from differences in carrying amounts of pension provisions and property and equipment.

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 Annual Financial Statements:

2.1 Balance Sheet

2.1.1 Balance Sheet – Assets

€ million		31 Dec 2014	31 Dec 2013
Item 3:	**Loans and advances to banks**		
	Loans and advances to affiliates	156	178
	Loans and advances to other investees and investors	21	32
	Subordinated loans and advances	-	-
	Loans and advances to associated savings banks	2,851	3,475
	Loans and advances designated as coverage for issued debt securities in accordance with § 28 of the PfandBG	660	1,099
	Loans and advances designated as coverage for issued debt securities	267	535
Item 4:	**Loans and advances to customers**		
	Loans and advances to affiliates	128	98
	Loans and advances to other investees and investors	113	111
	Loans and advances designated as coverage for issued debt securities in accordance with § 28 of the PfandBG	4,519	4,729
	Loans and advances designated as coverage for issued debt securities	613	963
Item 5:	**Debt securities and other fixed-interest securities**		
	b) Bonds and debt securities		
	ba) Issued by the public sector		
	Marketable and listed bonds	2,313	2,109
	bb) Issued by other borrowers		
	Marketable and listed bonds	1,787	2,722
	Marketable and unlisted bonds	-	30
	Of affiliates	160	237
	Sum total of marketable securities not valued at the strict lower of cost or market	1,904	2,975
	Omitted write-downs to the lower net realisable value		
	Carrying amount	260	529
	Fair value	259	512
	Hidden reserves		
	Carrying amount	3,349	4,262
	Fair value	3,397	4,342
	Loans and advances designated as coverage for issued debt securities in accordance with § 28 of the PfandBG	258	362
	Loans and advances designated as coverage for issued debt securities	25	475

€ million		31 Dec 2014	31 Dec 2013
Item 6:	**Shares and other non-fixed-interest securities**		
	Hidden reserves		
	Carrying amount	28	1
	Fair value	29	1
	Marketable and listed shares	28	1
	Marketable and unlisted shares	0	0
Item 6a:	**Trading portfolio**		
	Derivative Financial Instruments	212	12
	Debt securities and other fixed-interest securities	81	138
	Of affiliates	20	10
	less risk adjustment	-1	-3
Item 7:	**Investments**		
	Marketable and listed shares	0	3
	Marketable and unlisted shares	-	-
Item 8:	**Shares in affiliates:**		
	Marketable and listed shares	-	-
	Marketable and unlisted shares	-	-
Item 9:	**Trust assets**		
	Loans and Advances to Customers	3	3
	Investments	72	31
	Property and equipment	53	53
Item 12:	**Property and equipment**		
	Used in the Bank's own activities		
	- Land and buildings	6	7
	- Furniture, fixtures and office equipment	7	9
Item 14:	**Other assets**		
	Accrued interest for financial swaps	227	284
	Adjustment items from foreign currency derivatives	-	64
	Other claims against foreign banks	8	8
	Claims to tax refunds	0	10
Item 15	**Prepaid expenses**		
	Premiums and discounts	8	10

Statement of Changes in Fixed Assets

€ million	Purchasing / Manufacturing costs	Additions	Disposals	Reclassifications	Accumulated write-downs	Residual carrying amount 31 Dec 2014	Residual carrying amount 31 Dec 2013	Write-downs in the financial year	Write-ups in the financial year
		-------------Changes-------------							
Investments	23	0	4	0	4	15	19	0	-
Shares in affiliates	119	43	0	0	0	162	119	-	0
Investment securities	2,975	0	1,071	0	0	1,904	2,975	-	-
Intangible assets	14	4	2	-	12	4	2	1	-
Property and equipment	73	14	31	-	20	36	27	3	-

The asset items shown break down by residual terms to maturity as follows:

Loans and Advances to Banks

€ million	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
31 Dec 2014						
b) Public-sector 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**
31 Dec 2013						
b) Public-sector loans	3,475	423	25	361	1,032	1,634
c) Other loans and advances	718	270	85	175	129	59
Total	**4,193**	**693**	**110**	**536**	**1,161**	**1,693**

Loans and Advances to Customers

€ million	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
31 Dec 2014						
a) Mortgage loans	1,609	1	54	71	376	1,107
b) Public-sector 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**
31 Dec 2013						
a) Mortgage loans	1,633	1	56	66	385	1,125
b) Public-sector loans	4,697	1	62	339	1,480	2,815
c) Other loans and advances	15,936	1,257	1,891	1,324	4,142	7,322
Total	**22,266**	**1,259**	**2,009**	**1,729**	**6,007**	**11,262**

Of the loans and advances payable on demand, € 754 million (previous year: € 820 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 € 1,924 million (previous year: € 711 million).

The hidden liabilities specified in the explanatory table to balance sheet item 5 “Debt securities and other fixed-interest securities” of € 1 million (previous year: € 17 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 Dec 2014	31 Dec 2013
Item 1:	**Liabilities to banks**		
	Liabilities to affiliates	44	119
	Liabilities to other investees and investors	18	2
	Liabilities to associated savings banks	756	521
Item 2:	**Liabilities to customers**		
	Liabilities to affiliates	6	7
	Liabilities to other investees and investors	21	22
Item 3:	**Securitised liabilities**		
	Liabilities to affiliates	655	417
	Liabilities to other investees and investors	-	-
Item 3a:	**Trading portfolio**		
	Derivative Financial Instruments	244	40
	Of affiliates	5	-
Item 4:	**Trust liabilities**		
	Liabilities to banks	3	3
	Liabilities to customers	125	84
Item 5:	**Other liabilities**		
	Interest on subordinated liabilities	2	2
	Accrued interest from financial swap transactions	166	216
	Adjustment items from foreign currency derivatives	236	-
	Option premiums received	21	18
	Tax liabilities	2	1
Item 6:	**Prepaid expenses**		
	Premiums and discounts	16	17
Item 9:	**Subordinated liabilities**		
	Liabilities to affiliates	201	200
	Liabilities to other affiliated investees and investors	-	-
	Expenses for subordinated liabilities	20	18

Specification of Subordinated Liabilities in accordance with § 35 para. 3 of the RechKredV:

Currency	Amount 31 Dec 2014 € million	Interest expense 2014 € million	Interest rate % p.a.	End of term
€	65	1	Variable	5 Apr 2041
€	85	1	Variable	21 Mar 2031
€	200	1	Variable	28 Jun 2030
€	50	2	Variable	11 Sept 2028
€	50	2	Variable	6 Dec 2027
€	150	6	Variable	16 Nov 2027
€	150	7	4.875%	15 Dec 2015
Total	**750**	**20**		

An obligation to make premature repayment cannot arise for these borrowed funds. The subordinated liabilities meet the requirements for subordination in accordance with § 10 para. 5a of the German Banking Act. The original term in each case is not less than ten years. There are no other subordinated liabilities.

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

Liabilities to Banks

€ million	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
31 Dec 2014						
a) Issued registered Hypothekenpfandbriefe	260	-	1	132	115	12
b) Issued registered public 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**
31 Dec 2013						
a) Issued registered Hypothekenpfandbriefe	336	-	1	80	245	10
b) Issued registered public securities	889	-	177	150	481	81
c) Other liabilities	9,718	1,020	341	678	2,599	5,080
Total	**10,943**	**1,020**	**519**	**908**	**3,325**	**5,171**

Liabilities to Customers

€ million	Total	Payable on demand	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
31 Dec 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**
31 Dec 2013						
a) Issued registered mortgage securities	319	-	2	6	94	217
b) Issued registered public securities	2,469	39	84	409	729	1,208
c) Savings deposits	218	-	169	43	5	1
d) Other liabilities	6,903	3,168	1,297	272	722	1,444
Total	**9,909**	**3,207**	**1,552**	**730**	**1,550**	**2,870**

Securitised Liabilities

Debt securities listed under securitised liabilities which will mature next year amount to € 2,750 million (previous year: € 1,745 million).

2.2 Income Statement

Disclosures and Notes to the Income Statement

€ million		2014	2013
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)	-2	1
	Allocation to the fund for general banking risks	1	1
Item 8:	**Other Operating Income**		
	Write-ups of cancelled securities recognised under other assets	1	0
	Reversal of provisions	2	7
	Cost refunds	2	2
	Rental income	0	1
Item 12:	**Other operating expenses**		
	Contribution to the bank restructuring fund (“bank levy”)	3	4
	Unwinding of discount on pension provisions	14	13
	Unwinding of other discounts	1	1
Item 16:	**Income from write-ups of investments, shares in affiliates and investment securities**		
	Investments	37	0
	Investment securities	1	1
Item 21:	**Extraordinary expenses**		
	BilMoG adjustment for pension provisions	6	6

Income from Write-ups of Investments, Shares in Affiliates and Investment Securities

Bremer Landesbank made an investment in the wholly-owned subsidiary “BLB Grundbesitz KG”, realising a profit of € 37 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 € 1.5 billion (previous year: € 3.0 billion), the credit risk relating to the guarantee bonds drawn on is assessed during general loan processing. The liabilities from guarantees primarily relate to credit derivatives of € 0.4 billion (previous year: € 2.0 billion). There are no contingent liabilities to affiliated companies (previous year: € 0).

The other obligations of € 1.9 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 strategic business unit of ship finance and € 1.4 billion (previous year: € 1.5 billion) to corporate customers.

Other financial obligations include the following significant sums:

- An obligation to contribute to M Cap Finance Deutsche Mezzanine Fonds Zweite GmbH & Co. KG, Leipzig, amounts to € 4 million (previous year: € 4 million).
- Another obligation to make additional contributions and additional joint liability for other shareholders relating to Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, amounts to € 3 million (previous year: € 3 million).
- Contributions to the security reserve for landesbanks and giro centres were re-calculated on the basis of risk principles. This resulted in obligations to make additional contributions of € 43 million (previous year: € 55 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 on 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).

3.2 Employees

Annual Average Number of Employees

	2014	2013
Male	547	531
Female	552	553
Total	**1,099**	**1,084**

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

3.3.1 Total Remuneration of Board Members

€ thousands	2014	2013
Managing Board	2,749	2,144
Supervisory Board [1)]	203	171
Advisory Board [1)]	68	73

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.

In 2014 the salary structure of the Managing Board was changed due to the new form of employment agreements on account of regulatory requirements. This resulted in higher fixed remuneration in 2014 with the simultaneous distribution of the variable remuneration from old agreements. The reduction in the variable remuneration will first take effect in 2015.

The contractual remuneration of the members of the Managing Board remains unchanged overall.

3.3.2 Total Remuneration of former Board Members and their Surviving Dependents

€ thousands	2014	2013
Managing Board	1,513	1,587
Supervisory Board	-	-
Advisory Board	-	-

Provisions for pensions to this group of people amounting to € 20,210k (previous year: € 16,674k) were recognised. The allocation amount remaining as a result of the change in the valuation of pension obligations totalled € 4,148 thousand as at 31 December 2014 (Art. 67 (2) EGHGB) (previous year: € 4,563 thousand).

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

3.3.3 Advances, Loans and Contingent Liabilities

€ thousands	Loans and advances	Liabilities
Advances and loans as at 31 December 2014		
Managing Board	386	946
Supervisory Board	1,036	264
Owners' Meeting	253	-
Advances and loans as at 31 December 2013		
Managing Board	466	436
Supervisory Board	1,087	1,500
Owners' Meeting	-	64

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 2014.

3.4.2 Services Provided to Third Parties

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

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 which are blocked from distribution in accordance with § 268 para. 8 of the German Commercial Code were recognised in the financial year 2014.

3.5 Forward Contracts

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

€ million	Nominal values	Fair values positive	Fair values negative
Forward contracts in the banking book			
Forward exchange contracts	5,275	6	247
Forward interest-rate contracts	7,536	10	30
	12,811	**16**	**277**
Forward contracts in the trading portfolio			
Forward exchange contracts	2,235	27	32
Forward interest-rate contracts	23,835	1,394	914
	26,070	**1,421**	**946**

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

The forward interest-rate contracts in the trading portfolio are outstanding futures and forward rate agreements with a nominal volume of € 1,228 million (previous year: € 212 million).

3.6 Derivative Transactions

The value of the derivative instruments listed in the following tables, which serve to transfer market-price and credit risk between various parties, depends on interest rates, indices and exchange rates. Bremer Landesbank's derivative products are 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 as at 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 Reported 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 risk					
Interest-rate swaps	7,151	7	30		
FRA	200	0	-		
Caps, floors	37	0	1		
Forward issue	-	-	-		
Swaptions (purchases)	148	2	-	7	Others Assets
Interest-rate risk – total –	**7,536**	**9**	**31**	**7**	
(previous year)	**(9,964)**	**(22)**	**(65)**	**(6)**	
Currency risk					
Currency swaps	1,305	0	35		
Cross-currency interest-rate swaps	3,959	6	212		
Foreign currency caps and floors	10	0	0		
Currency options (purchases)	1	0	-	-	
Currency risk – total –	**5,275**	**6**	**247**	**-**	
(previous year)	**(5,062)**	**(109)**	**(63)**	**(-)**	
Credit risk	385	0	5	-	
Credit derivatives – total –	**385**	**0**	**5**	**-**	
(previous year)	**(1,968)**	**(0)**	**(18)**	**(-)**	

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 2014 (previous year: € 0). 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 risk			
Interest-rate swaps	21,210	1,379	884
Swaptions	367	0	15
Purchases	3	0	-
Sales	364	-	15
Caps, floors	1,230	15	15
Futures	1,028	-	-
Interest-rate risk – total –	**23,835**	**1,394**	**914**
(previous year)	**(26,877)**	**(1,099)**	**(691)**
Currency risk			
Forward exchange contracts	256	5	7
Currency swaps	202	5	2
Cross-currency interest-rate swaps	1,714	15	22
Caps, floors	50	0	0
Currency options	13	1	1
Purchases	7	1	-
Sales	6	-	1
Currency risk – total –	**2,235**	**26**	**32**
(previous year)	**(2,477)**	**(35)**	**(42)**
Credit risk	300	1	1
Credit derivatives – total –	**300**	**1**	**1**
(previous year)	**(300)**	**(3)**	**(3)**

3.6.3 Maturities of Derivatives (Trading Portfolio)

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

	31 Dec 2014			31 Dec 2013		
€ million	Interest-rate risks	Currency risks	Credit derivatives	Interest-rate risks	Currency risks	Credit derivatives
Residual maturities						
Up to 3 months	1,663	378	-	2,678	699	-
More than 3 months up to 1 year	3,854	663	-	3,107	401	0
More than 1 year up to 5 years	11,551	966	-	13,086	1,160	300
More than 5 years	6,767	228	300	8,006	217	0
Total	**23,835**	**2,235**	**300**	**26,877**	**2,477**	**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 Dec 2014 Nominal values	31 Dec 2014 fair values positive	31 Dec 2014 fair values negative	31 Dec 2013 Nominal values	31 Dec 2013 fair values positive	31 Dec 2013 fair values negative
Banks in the OECD (including stock exchange contracts)	23,394	1,236	937	25,945	986	725
Public institutions in the OECD	13	1	-	19	0	0
Other counterparties	2,963	186	11	3,690	151	12
Total	**26,370**	**1,423**	**948**	**29,654**	**1,137**	**737**

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 Dec 2014	31 Dec 2013
Assets		
Fixed-interest securities in the liquidity reserve	460	281
Total	**460**	**281**

There are eleven micro hedges of securities in the liquidity reserve of € 463 million which hedge the interest rate with interest-rate swaps in the same amount. The term of each hedging relationship coincides with the maturity of the underlying transaction. The relevant underlying transactions will mature between 2018 and 2024.

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. The non-interest rate-induced hidden reserves for the underlying transactions amount to € 6 million. No interest-rate-induced impairment losses had to be recognised on hedged securities in the liquidity reserve as at 31 December 2014.

3.7 Other Disclosures

3.7.1 Open-market Transactions

Bonds with a carrying amount of € 1,584 million (previous year: € 1,562 million) 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 € 6,454 million (previous year: € 6,441 million) were assigned as collateral for the Bank's own liabilities to banks.

3.7.4 Auditor's Fees

The following table shows, on an aggregate basis, the services rendered by the auditor KPMG in financial year 2013 and financial year 2014:

€ thousands	2014	2013
a) Services for the audit of the financial statements	764	646
b) Other confirmation services	689	534
c) Tax services	-	-
d) Other services	93	-

3.7.5 Financial Transactions in Selected European Countries

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

31 Dec 2014 € million	Nominal	Historical acquisition cost	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**	**183**	**-**	**181**

31 Dec 2013 € million	Nominal	Historical acquisition cost	Carrying amount accounted for 1)	Valuation allowance in Income Statement	Fair value
Portugal	**0**	**0**	**0**	**-**	**0**
State	-	-	-	-	-
Financial institutions, insurance companies	0	0	0	-	0
Companies/other	0	0	0	-	0
Ireland	**170**	**170**	**171**	**-**	**171**
State	-	-	-	-	-
Financial institutions, insurance companies	146	146	149	-	148
Companies/other	24	24	22	-	23
Italy	**82**	**82**	**81**	**-**	**81**
State	0	0	0	-	0
Financial institutions, insurance companies	81	81	81	-	81
Companies/other	1	1	0	-	0
Greece	**31**	**31**	**31**	**-**	**31**
State	-	-	-	-	-
Financial institutions, insurance companies	-	-	-	-	-
Companies/other	31	31	31	-	31
Spain	**44**	**44**	**44**	**-**	**41**
State	-	-	-	-	-
Financial institutions, insurance companies	44	44	44	-	41
Companies/other	0	0	0	-	0
Total	**327**	**327**	**327**	**-**	**324**

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

3.8 Cover Calculation

3.8.1 Cover Calculation in Accordance with § 1 Para. 1 No. 7 of the RechKredV

Cover of the Debt Securities in Circulation (§ 35 para. 1 no. 7 of the RechKredV)

€ million	Mortgage lending business		Public-sector business		Shipping	
Liabilities requiring cover		**852**		**3,717**		**193**
Pfandbriefe						
Bearer debt securities	457		1,628		40	
Registered debt securities	395		2,089		153	
Covering assets		**1,067**		**4,094**		**276**
Loans and Advances to Banks	-		660		0	
Loans and Advances to Customers	1,042		3,251		226	
Securities issued by the public sector	25		183		50	
Excess coverage		**215**		**377**		**83**

3.8.2 Report in Accordance with § 28 of the PfandBG As at 31 December 2014

a. Hypothekenpfandbriefe

Cover for Hypothekenpfandbriefe in Nominal and Present Values
(§ 28 para. 1 no. 1 of the PfandBG)

€ million	Nominal value		Present value		Risk-adjusted present value, dynamic method at least +100bp		Risk-adjusted present value, dynamic method at least -100bp	
	2014	2013	2014	2013	2014	2013	2014	2013
Total amount of Pfandbriefe in circulation	852	957	923	1,011	894	980	945	1,040
Total amount of covering assets	1,067	1,268	1,197	1,392	1,158	1,341	1,216	1,443
Excess coverage	215	311	274	381	264	361	271	403
Excess coverage in %	25	32	30	38	30	37	29	39

Term Structure of the Hypothekenpfandbriefe Cover Register
(§ 28 para. 1 no. 2 of the PfandBG)

€ million	Hypothekenpfandbriefe		Covering assets by fixed-interest periods	
	2014	2013	2014	2013
Up to 1 year	217	231	154	199
More than 1 year up to 2 years	180	217	143	139
More than 2 years up to 3 years	40	180	115	183
More than 3 years up to 4 years	71	40	114	122
More than 4 years up to 5 years	142	67	106	132
More than 5 years up to 10 years	110	129	398	454
More than 10 years	92	93	37	39
Total	**852**	**957**	**1,067**	**1,268**

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

No derivatives are included in the portfolio.

Other Covering Assets in accordance with § 19 para. 1 nos. 2 and 3 of the PfandBG
(§ 28 para. 1 no. 4 of the PfandBG)

€ million	Nominal values	
	2014	2013
Other covering assets	25	-

Breakdown of the Mortgage Register by Size Category
(§ 28 para. 2 no. 1a of the PfandBG)

The size categories above € 0.3 million were redefined on account of the amendment to the PfandBG. For this reason, the amounts from the previous year are provided in a separate table.

	€ million		in %	
Size categories	**2014**	**2013**	**2014**	**2013**
Up to € 0.3 million	390		38	
More than € 0.3 million up to € 1.0 million	177		17	
More than € 1.0 million up to € 10.0 million	440		42	
More than € 10.0 million	35		3	
Total	**1,042**		**100**	

	€ million		in %	
Size categories	**2014**	**2013**	**2014**	**2013**
Up to € 0.3 million		438		34
More than € 0.3 million up to € 5.0 million		644		51
More than € 5.0 million		151		12
Excess coverage		35		3
Total		**1,268**		**100**

Breakdown of the Mortgage Register by Type of Use
(§ 28 para. 2 no. 1b and c of the PfandBG)

	€ million		in %	
	2014	**2013**	**2014**	**2013**
Apartments	96	107	9	8
Detached houses	237	265	22	21
Apartment buildings	266	310	25	25
New buildings under construction, not yet profitable	-	-	-	-
Building sites	0	0	0	0
Total residential properties	**599**	**682**	**56**	**54**
Office buildings	103	109	10	8
Retail buildings	58	73	6	6
Industrial buildings	0	0	0	0
Buildings used for other commercial purposes	281	369	26	29
New buildings under construction, not yet profitable	1	-	-	-
Building sites	-	-	-	-
Total commercial properties	**443**	**551**	**42**	**43**
Total residential and commercial properties	1,042	1,233	98	97
Excess coverage, liquidity coverage in accordance with § 4 para. 1a of the PfandBG, other coverage	25	35	2	3
Total	**1,067**	**1,268**	**100**	**100**

All residential and commercial properties are located in Germany.

Payments in Arrears (> 90 days) (§ 28 para. 2 no. 2 of the PfandBG)

As at 31 December 2014, there were no payments in arrears by more than 90 days (previous year: € 0).

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)

The details of the other covering assets will start being included as at the second quarter of 2014; there is no suitable information for the preceding quarters to date.

€ million		Total	of which			
			Equalisation claims in accordance with § 19 para. 1 no. 1 of the PfandBG	claims in accordance with § 19 para. 1 no. 2 of the PfandBG		claims in accordance with § 19 para. 1 no. 3 of the PfandBG
				Total	of which Mortgage bonds in accordance with Art. 129 of Directive (EU) No. 575/2013	
State						
Total (all sovereigns)	**2014**	25	-	25	25	-
	2013	-	-	-	-	-
Germany	**2014**	25	-	25	25	-
	2013	-	-	-	-	-

Performance Indicators 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)

The details of the other covering assets will start being included as at the second quarter of 2014; there is no suitable information for the preceding quarters to date.

		2014	2013
Pfandbriefe in circulation	€ million	852	957
of which share of fixed-interest Pfandbriefe; § 28 para. 1 no. 9	%	72	-
Cover pool	€ million	1,067	1,268
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 % amounts in accordance with § 19 para. 1 no. 2; § 28 para. 1 no. 8	€ million	-	-
of which total amount of exposure that is above the % amounts 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	-
Net cash value in accordance with § 6 of the Covered Bond Present Value Regulation (Pfandbrief-Barwertverordnung) for each foreign currency in € million; § 28 para. 1 no. 10 (balance on asset/liability side)	CAD	-	-
	CHF	-	-
	CZK	-	-
	DKK	-	-
	GBP	-	-
	HKD	-	-
	JPY	-	-
	NOK	-	-
	SEK	-	-
	USD	-	-
Volume-weighted average in age of exposures (seasoning); § 28 para. 1 no. 11	years	9	-
Average weighted loan-to-value ratio; § 28 para. 2 no. 3	%	60	-

b. Öffentliche Pfandbriefe

Cover for Öffentliche Pfandbriefe in Nominal and Present Values
(§ 28 para. 1 no. 1 of the PfandBG)

€ million	Nominal value 2014	Nominal value 2013	Present value 2014	Present value 2013	Risk-adjusted present value, dynamic method at least +100bp 2014	Risk-adjusted present value, dynamic method at least +100bp 2013	Risk-adjusted present value, dynamic method at least -100 bp 2014	Risk-adjusted present value, dynamic method at least -100 bp 2013
Total amount of Pfandbriefe in circulation	3,717	3,822	4,281	4,149	4,037	3,950	4,493	4,357
Total amount of covering assets	4,094	4,563	4,780	4,930	4,479	4,662	5,056	5,220
Excess coverage	377	741	499	781	442	712	563	863
Excess coverage in %	10	19	12	19	11	18	13	20

Term Structure of the Öffentliche Pfandbriefe Cover Register
(§ 28 para. 1 no. 2 of the PfandBG)

€ million	Öffentliche Pfandbriefe 2014	Öffentliche Pfandbriefe 2013	Covering assets by fixed-interest periods 2014	Covering assets by fixed-interest periods 2013
Up to 1 year	500	668	890	450
More than 1 year up to 2 years	474	500	426	1,052
More than 2 years up to 3 years	313	474	212	454
More than 3 years up to 4 years	424	302	218	258
More than 4 years up to 5 years	303	349	262	300
More than 5 years up to 10 years	760	746	958	1,079
More than 10 years	943	783	1,128	970
Total	**3,717**	**3,822**	**4,094**	**4,563**

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

No derivatives are included in the portfolio.

Other Covering Assets in accordance with § 20 para. 2 no. 2 of the PfandBG
(§ 28 para. 1 no. 4 of the PfandBG)

€ million	Nominal values 2014	Nominal values 2013
Other covering assets	-	164

Breakdown of cover for Pfandbriefe by Size Category
(Voluntary disclosure in accordance with Article 4 of the draft bill of 9 May 2014 for the Bank Recovery and Resolution Directive Implementation Act (BRRD-Umsetzungsgesetz) [amendment of § 28 para. 3 no. 1 number 1 of the PfandBG-E] in conjunction with Article [7] of Directive [EU] No. 575/2013 [CRR])

	€ million		in %	
Size categories	**2014**	**2013**	**2014**	**2013**
Up to € 10.0 million	1,138		28	
More than € 10.0 million up to € 100.0 million	1,375		33	
More than € 100.0 million	1,581		39	
Total	**4,094**		**100**	

Breakdown of the Öffentliche Pfandbriefe Cover Register
(§ 28 para. 3 no. 1 of the PfandBG)

	State		Regional authorities		Local authorities		Other debtors	
€ million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Germany	-	-	433	455	2,404	2,334	1,257	1,410

Payments in Arrears (> 90 Days)

There were no payments in arrears by more than 90 days as at 31 December 2014, 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, no. 5 and no. 6 of the PfandBG)

The details of the other covering assets will start being included as at the second quarter of 2014; there is no suitable information for the preceding quarters to date.

€ million		**Total**	of which **Equalisation claims in accordance with § 20 para. 2 no. 1 of the PfandBG**	**claims in accordance with § 20 para. 2 no. 2 of the PfandBG** **Total**	of which **Mortgage bonds in accordance with Art. 129 of Directive (EU) No. 575/2013**
Country					
Total (all sovereigns)	**2014**	-	-	-	-
	2013	-	-	-	-
Germany	**2014**	-	-	-	-
	2013	-	-	-	-

Performance indicators for öffentliche 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)

The details of the other covering assets will start being included as at the second quarter of 2014; there is no suitable information for the preceding quarters to date.

		2014	2013
Pfandbriefe in circulation	€ million	3,717	3,822
of which share of fixed-interest Pfandbriefe; § 28 para. 1 no. 9	%	88	-
Cover pool	€ million	4,094	4,563
of which total amount of exposure that is above the % amounts 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	%	80	-
Net cash value in accordance with § 6 of the Covered Bond Present Value Regulation (Pfandbrief-Barwertverordnung) for each foreign currency in € million;	CAD	-	-
	CHF	-	-
	CZK	-	-
§ 28 para. 1 no. 10 (balance on asset/liability side)	DKK	-	-
	GBP	-	-
	HKD	-	-
	JPY	-	-
	NOK	-	-
	SEK	-	-
	USD	-	-

c. Schiffspfandbriefe

Cover for Schiffspfandbriefe in Nominal and Present Values (§ 28 para. 1 no. 1 of the PfandBG)

€ million	Nominal value 2014	Nominal value 2013	Present value 2014	Present value 2013	Risk-adjusted present value, dynamic method at least +100bp 2014	Risk-adjusted present value, dynamic method at least +100bp 2013	Risk-adjusted present value, dynamic method at least -100 bp 2014	Risk-adjusted present value, dynamic method at least -100 bp 2013
Total amount of Pfandbriefe in circulation	193	251	211	266	205	257	213	275
Total amount of covering assets	276	359	291	370	273	333	275	354
Excess coverage	83	108	80	104	68	76	62	79
Excess coverage in %	43	43	38	39	33	30	29	29

Term Structure of the Schiffspfandbriefe Cover Register (§ 28 para. 1 no. 2 of the PfandBG)

€ million	Schiffspfandbriefe 2014	Schiffspfandbriefe 2013	Covering assets by fixed-interest periods 2014	Covering assets by fixed-interest periods 2013
Up to 1 year	10	103	81	342
More than 1 year up to 2 years	81	10	70	14
More than 2 years up to 3 years	20	46	42	3
More than 3 years up to 4 years	23	20	26	-
More than 4 years up to 5 years	-	23	23	-
More than 5 years up to 10 years	59	46	33	-
More than 10 years	-	3	1	-
Total	**193**	**251**	**276**	**359**

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

No derivatives are included in the portfolio.

Other Covering Assets in accordance with § 26 para. 1 no. 3 and 4 of the PfandBG
(§ 28 para. 1 no. 4 of the PfandBG)

€ million	Nominal values 2014	2013
Other covering assets	50	17

Breakdown of the Ship Register by Size Category (§ 28 para. 4 no. 1a of the PfandBG)

	€ million		in %	
Size categories	2014	2013	2014	2013
Up to € 0.5 million	3	2	1	1
More than € 0.5 million up to € 5.0 million	188	245	68	68
More than € 5.0 million	35	45	13	12
Excess coverage	50	67	18	19
Total	**276**	**359**	**100**	**100**

Breakdown of Covering Assets by Country in which the Ships and Ships under Construction are registered (§ 28 para. 4 no. 1b of the PfandBG)

	Ocean-going vessels				Inland vessels				Excess coverage			
	€ million		in % *)		€ million		in % *)		€ million		in % *)	
Country	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Germany	188	248	69	69	9	10	3	3	50	67	18	19
Gibraltar	4	4	1	1	-	-	-	-	-	-	-	-
Malta	4	8	1	2	-	-	-	-	-	-	-	-
Marshall Islands	19	19	7	5	-	-	-	-	-	-	-	-
Panama	2	3	1	1	-	-	-	-	-	-	-	-
Total	**217**	**282**	**79**	**78**	**9**	**10**	**3**	**3**	**50**	**67**	**18**	**19**

*) Based on the total amount of covering assets of € 276 million as at 31 December 2014 and of € 359 million as at 31 December 2013.

Payments in Arrears (>90 days) along with the Total Amount of these Claims if the respective Payment in Arrears is at least 5% of the Claim
(Voluntary disclosure in accordance with Article 4 of the draft bill of 9 May 2014 for the Bank Recovery and Resolution Directive Implementation Act (BRRD-Umsetzungsgesetz) [amendment of § 28 para. 4 no. 1 number 2 of the PfandBG-E] in conjunction with Article [7] of Directive [EU] No. 575/2013 [CRR])

Covering assets	€ million 2014	2013
Total amount of payments at least 90 days in arrears	1	-
Total amount of these claims and the respective amount of the arrears that are at least 5% of the claim	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)

The details of the other covering assets will start being included as at the second quarter of 2014; there is no suitable information for the preceding quarters to date.

€ million		Total	of which			
			Equalisation claims in accordance with § 26 para. 1 no. 2 of the PfandBG	claims in accordance with § 26 para. 1 no. 3 of the PfandBG		claims in accordance with § 26 para. 1 no. 4 of the PfandBG
				Total	of which Mortgage bonds in accordance with Art. 129 of Directive (EU) No. 575/2013	
Country						
Total (all sovereigns)	**2014**	50	-	15	15	35
	2013	-	-	-	-	-
Germany	**2014**	50	-	15	15	35
	2013	-	-	-	-	-

Performance Indicators 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)

The details of the other covering assets will start being included as at the second quarter of 2014; there is no suitable information for the preceding quarters to date.

		2014	2013
Pfandbriefe in circulation	€ million	193	251
of which share of fixed-interest Pfandbriefe; § 28 para. 1 no. 9	%	77	-
Cover pool	€ million	276	359
of which total amount of exposure that is above the % amounts in accordance with § 26 para. 1 no. 3; § 28 para. 1 no. 8	€ million	-	-
of which total amount of exposure that is above the % amounts 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	%	10	-
Net cash value in accordance with § 6 of the Covered Bond Present Value Regulation (Pfandbrief-Barwertverordnung) for each foreign currency in € million; § 28 para. 1 no. 10 (balance on asset/liability side)	CAD	-	-
	CHF	3	-
	CZK	-	-
	DKK	-	-
	GBP	-	-
	HKD	-	-
	JPY	1	-
	NOK	-	-
	SEK	-	-
	USD	188	-

3.8.3 Additional Disclosures Concerning Hypothekenpfandbriefe and Schiffspfandbriefe

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

	Commercial properties		Residential properties	
	2014	2013	2014	2013
Number of pending foreclosure and sequestration proceedings as at 31 December 2014	-	-	-	-
Number of foreclosure 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)	-	-	0	0

b. Schiffspfandbriefe (§ 28 para. 4 no. 2a-c)

	Ocean-going vessels		Inland vessels	
	2014	2013	2014	2013
Number of pending foreclosure proceedings for ships or ships under construction as at 31 December 2014	-	-	-	-
Number of foreclosure 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)	0	-	-	-

3.8.4 Old Loans Cover Calculation as at 31 December 2014

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

€ million	Mortgage lending business		Public-sector business	
Liabilities requiring cover		**5**		**835**
Pfandbriefe				
Bearer debt securities	-		176	
Registered debt securities	5		659	
Covering assets		**30**		**876**
Loans and Advances to Banks	-		267	
Loans and Advances to Customers	25		589	
Securities issued by the public sector	5		20	
Excess coverage		**25**		**41**

€ million	Mortgage lending business		Public-sector business	
Liabilities requiring cover		**5**		**835**
Pfandbriefe				
Bearer debt securities	-		176	
Registered debt securities	5		659	
Covering assets		**30**		**876**
Loans and Advances to Banks	-		267	
Loans and Advances to Customers	25		589	
Securities issued by the public sector	5		20	
Excess coverage		**25**		**41**

3.9 Shareholdings

The following list names the shareholdings held by Bremer Landesbank in accordance with § 285 No. 11 and § 340a (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 in € million[1]	Profit/loss € million
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	28	0
BGG Bremen GmbH & Co. KG, Bremen	100.00	0 [3]	0 [3]
BGG Oldenburg GmbH & Co. KG, Bremen	100.00	8 [3]	1 [3]
BLB Grundbesitz KG, Bremen	100.00	89 [3]	2 [3]
BLB I Beteiligungs-GmbH, Bremen	100.00	0 [3]	0 [3]
BLBI Investment GmbH & Co. KG, Bremen	100.00	42 [3]	4 [3]
BLB Immobilien GmbH, Bremen	100.00	17 [3]	0 [2][3]
BLB Leasing GmbH, Oldenburg	100.00	1 [3]	0 [2][3]
BREBAU GmbH, Bremen	48.84	61	8
BREMER LAGERHAUS-GESELLSCHFT- Aktiengesellschaft von 1877-, Bremen	12.61	19	2
Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen	49.00	0 [3]	0 [3]
Bremische Grundstücks-GmbH, Bremen	100.00	56 [3]	1 [3]
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100.00	0 [3]	1 [3]
Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen	100.00	0 [3]	0 [3]
GEWOBA Aktiengesellschaft Wohnen und Bauen, Bremen	7.75	364	34
Gewobau Gesellschaft für Wohnungsbau Vechta mbH, Vechta	20.46	11	0
Grundstücksgemeinschaft Escherweg 5 GbR, Bremen	50.00	-3 [3]	0 [3]
Grundstücksgemeinschaft Escherweg 8 GbR, Bremen	50.00	-1 [3]	0 [3]
GSG Oldenburg Bau- und Wohnungsgesellschaft mbH, Oldenburg	22.22	86	4
Interessengemeinschaft KATHARINENKLOSTERHOF GbR, Bremen	30.70	1	0
NBV Beteiligungs-GmbH, Hamburg	21.33	15	2
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]	0 [3]
Öffentliche Versicherung Bremen, Bremen	20.00	5	-1
Schiffsbetriebs-Gesellschaft Bremen mbH, Bremen	100.00	0	0
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen	100.00	31	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) Profit-and-loss-transfer agreement concluded with the company.
3) Figures are from the most recent, but as yet unapproved, financial statements for 2014.

3.10 Disclosures Concerning Investments in Collective Investment Undertakings (CIUs)

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

€ million	2014	2013
“Lazard Sparkassen Rendite-Plus-Fonds”, Frankfurt am Main, “IShares Dax ®”		
Distribution	0	0
Market value	16	17
Carrying amount	16	17
Omitted write-downs	-	-
“ISHS Core Dax UCITS ETF”, Frankfurt am Main, “Ishares Dax®”		
Distribution	0	-
Market value	11	-
Carrying amount	10	-
Omitted write-downs	-	-

The Lazard Sparkassen Rendite-Plus Fonds as well as the funds “ISHS Core Dax UCITS ETF” can invest in assets in accordance with § 193 and 198 of the German Capital Investment Act (KAGB). There are no restrictions on daily redemption.

4 Governing Bodies of Bremer Landesbank

4.1 Members of the Managing Board and General Agents

Managing Board	Allocation of functions within the Managing Board	
Dr. Stephan-Andreas Kaulvers Chairman	Bank Management	Finances
		Communication and Marketing
		Human Resources Management
		Internal Audit
		Managing Board staff department
Heinrich Engelken (Deputy Chairman)	Risk Management	Compliance
		Back Office Financing
		Operations
		Risk Control
Dr. Guido Brune	Sales	Financial Markets
		Corporate Customers
		Private Customers
		Special Finance
		BLB Leasing GmbH
		BLB Immobilien GmbH

General Agent	
Mathias Barghoorn	
Matthias Hellmann	
Björn Nullmeyer	

4.2 Members of the Supervisory Board

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

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

Thomas S. Bürkle (from 1 March 2014)
Member of the Managing 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, Breman

Frank Doods
State Secretary of the
Lower Saxony Ministry of Finance
Hanover

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

Heinz Feldmann (from 1 November 2014)
Chairman of the Managing Board of
Sparkasse LeerWittmund,
Wittmund

Martin Grapentin (until 31 October 2014)
Chairman of the Managing Board of
Landessparkasse zu Oldenburg,
Oldenburg

Martin Günthner
Senator for Economics, Labour and Ports
of the Free Hanseatic City of Bremen,
Bremen

Dr. Olaf Joachim
State Councillor of Senate Chancellery
of the Free Hanseatic City of
Bremen, Bremen

Andreas Klarmann
Qualified banker
Bremer Landesbank,
Bremen

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

Bernhard Reuter
District Administrator of Göttingen District,
Göttingen

Dr. Johannes-Jörg Riegler
(until 28 February 2014)
Deputy Chairman of the Managing Board of
NORD/LB Norddeutsche Landesbank
Girozentrale, Hanover

Michael Schlüter
Qualified banker
Bremer Landesbank,
Bremen

Jörg Walde
Qualified banker
Bremer Landesbank,
Bremen

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

Eike Westermann
Fully qualified lawyer
Bremer Landesbank,
Bremen

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

4.3 Mandates in Accordance with 340a (4) No. 1 of the German Commercial Code

As at 31 December 2014, Members of Bremer Landesbank exercised the following mandates in accordance with § 340a para. 4 no. 1 of the German Commercial Code. Banks are considered to be large corporations for the purposes of this disclosure.

Members of the Managing 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, 17 March 2015

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Managing Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Responsibility Statement

"We confirm that, to the best of our knowledge and in accordance with the applicable accounting framework, the financial statements provide a true and fair view of the assets, financial and earnings position 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, 17 March 2015

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – The Managing Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Audit Opinion

“We have audited the Annual Financial Statements, comprising the Balance Sheet, the Income Statement and the Notes to the Annual 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 2014. 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 Managing 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 assets, financial and earnings position 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 Managing 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 assets, financial and earnings position 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, 18 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Leitz	Mahr
German Public Auditor	German Public Auditor

Bremer Landesbank Statements on 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 24 June 2014. 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 Managing 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 that have the legal form of a registered public institute (Anstalt öffentlichen Rechts). However, together with its Managing 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 registered public institute established by the Free Hanseatic City of Bremen and the State of Lower Saxony. It is a public lending and Pfandbrief (covered bond) institute. Bremer Landesbank's registered office is in Bremen. It has branch offices in Bremen and Oldenburg.

The Bank's governing bodies are the Managing Board, the Supervisory Board and the Owners' Meeting. While the Managing 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 Managing Board. The Owners' Meeting is responsible for making decisions on fundamental issues. Due to the changes in law, the Supervisory Board, with the support of the Nomination Committee, addressed the structure, size, composition and performance of the Managing Board and the Supervisory Board itself in 2014, for the first time as part of an efficiency audit.

Managing Board

The Managing 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 Managing 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 Managing Board consists of the chairman, deputy chairman, if one has been appointed, and other members and deputy members. The chairman of the Managing Board manages the allocation of functions in consultation with the other members of the Managing Board. The Supervisory Board must be informed of the allocation of functions. Each member of the Managing 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 Managing Board can transfer its decision-making authority to a member of the Managing Board or allow the participation of a further member of the Managing Board, generally the deputy.

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

The Managing 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 Managing 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 Managing 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 Managing 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 Managing Board and monitors its management activities. It decides on the appointment and removal of members of the Managing Board, the general policies for the Bank's operations, the corporate planning proposal made to the Owners' Meeting, the rules of procedure for the Managing 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 in accordance with § 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 Managing 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 accounting 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 Managing Board of NORD/LB, the finance senator, 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 Managing 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 Managing Board and the Supervisory Board, and makes recommendations in this regard.

The Remuneration Committee consists of seven members, including the Chairman of the Managing 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 Managing 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 Managing 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%) and the Federal State of Bremen (41.2%) and the Savings Bank Association of Lower Saxony (3.9657%). 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 Managing 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 Managing Board are bound by a comprehensive non-compete agreement during their work for the Bank.

The members of the Supervisory Board have the function of advising and monitoring the Managing 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 interest must be reported to the Supervisory Board immediately.

All transactions between the Company on the one hand and the Managing 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 Managing 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 Managing Board reports once a year to the Supervisory Board and the Risk Committee on the additional employment activities of the members of the Managing 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 Managing Board must apply the diligence of a prudent and conscientious manager in their management activities. If members of the Managing Board are in breach of their duties, they must compensate the Bank for the resulting loss. This applies accordingly to the due diligence and responsibility of members of the Supervisory Board.

Imprint

Issued by

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