Consolidated Financial Statements and Group Management Report of Bremer Landesbank in accordance with IFRSs as at 31 December 2014

The Bremer Landesbank Group at a glance

Consolidated profit statement	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change € m	 %
Net interest income	437	430	7	2
Loan loss provisions	-271	-263	-8	3
Net commission income	43	41	2	5
Profit/loss from financial instruments at fair value through profit or loss (including hedge accounting)	-4	48	-52	<-100
Other operating profit/loss	2	-6	8	>100
Administrative expenses	179	186	-7	-4
Profit/loss from financial investments	10	-4	14	>100
Profit/loss from financial assets accounted for using the equity method	5	8	-3	-37
Earnings before taxes	**43**	**68**	**-25**	**-37**
Income taxes	12	19	-7	-37
Consolidated profit	**31**	**49**	**-18**	**-37**
Key ratios				
Cost-income ratio (CIR)	36.50%	36.00%	-	1
Return on equity (before taxes)	2.60%	4.00%	-	-35
Balance sheet figures	**31.12.2014**	**31.12.2013**	**Change**	
Reported equity	1,691	1,748	-57	-3
Regulatory equity	1,557	1,752	-195	-11
of which Tier 1 capital[1)]	1,306	1,838	-532	-29
Risk-weighted assets	16,287	16,107	180	1
Reported equity ratio	10.38%	10.85%	-	-4
Regulatory capital ratio	9.56%	10.87%	-	-12
Tier 1 capital ratio	8.02%	9.09%	-	-12
Loans and advances to banks	3,637	4,180	-543	-13
Loans and advances to customers	22,933	22,726	207	1
Risk provisioning	-857	-664	-193	29
Financial assets at fair value through profit or loss	780	1,048	-268	-26
Financial assets	4,255	4,919	-664	-13
Financial assets accounted for using the equity method	93	92	1	1
Other assets	1,298	714	584	82
Total assets	**32,139**	**33,015**	**-876**	**-3**
Liabilities to banks	11,186	10,972	214	2
Liabilities to customers	9,027	10,009	-982	-10
Securitised liabilities	7,355	8,000	-645	-8
Financial liabilities at fair value through profit or loss	1,006	791	215	27
Provisions	536	426	110	26
Other liabilities	583	311	272	87
Subordinated capital	755	758	-3	0
Reported equity including non-controlling interests	1,691	1,748	-57	-3
Total liabilities	**32,139**	**33,015**	**-876**	**-3**
Number of employees				
Total	1,156	1,137	-	2
Current ratings (long-term ratings)				
Fitch Ratings	A	A		

1) The comparable figures from the previous year (31 December 2013) are based on the provisions of the German Banking Act (Kreditwesengesetz) that applied to the end of 2013. Calculations for 31 December 2014 were based on the logic of the CRR.

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Group Management Report

In the following text the terms “Bank” and “Bremer Landesbank” are used. In all cases they refer to the Bremer Landesbank Group. The development of the Group is fundamentally determined by the parent company.

1. Principles of the Group

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 per cent, the state of Bremen with 41.2 per cent and the Lower Saxony Association of Savings Banks with 3.9657 per cent.

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

The basis of consolidation, determined in accordance with IFRS 10, is as follows in the financial year:

Parent company:

- Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Subsidiaries and investment funds in which Bremer Landesbank directly or indirectly holds more than 50 per cent of the voting rights or may otherwise control:

- BLB Immobilien GmbH, Bremen
- BLB Leasing GmbH, Oldenburg
- Bremische Grundstücks-GmbH, Bremen
- NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen
- NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen
- BLBI Investment GmbH Co. KG, Bremen
- BLB Grundbesitz KG, Bremen

In 2014 BLB Grundbesitz KG, Oldenburg, which acts as an investment holding company, acquired a further investment in a bank.

As in the previous year, the following affiliated companies were accounted for using the equity method in accordance with IAS 28:

- DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen
- BREBAU GmbH, Bremen
- Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede
- GSG Oldenburg Bau- und Wohngesellschaft, Oldenburg
- Lazard-Sparkassen Rendite-Plus-Fonds

As the parent company, Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale - is represented in the management and/or supervisory bodies. Significant interests from the Group's point of view are coordinated by involving the subsidiaries in the planning process.

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 (SBU) 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 real-estate 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). Furthermore, it handles the retail and treasury business.

In addition, the Bank also does business with indirect and direct subsidiaries in the leasing and real estate business.

- **BLB Leasing GmbH**

  BLB Leasing operates the leasing business and hire-purchase financing for movable assets, e.g. machines and machine equipment, construction equipment and vehicles of all kinds.

- **BLB Immobilien GmbH**

  The real estate activities of the Bremer Landesbank Group are bundled in this company. The business activity consists of both the management of multiple, primarily group-owned, but also leased commercial real estate in the city centre of Bremer and in the holding of investments in the real estate companies with the legal form of GmbH or KG.

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, Bremer Landesbank combines the dimensions of economics, ecology and social matters as integral components in its 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 SBUs.

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 Report). 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:

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

[1] RoE: Earnings before taxes / Sustainable capital (components: share capital; capital reserves; retained earnings).
[2] CIR: Administrative expenses / Total income before risk provisioning + other comprehensive income.

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 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 improved 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 per cent in 2014, according to the IMF, after expanding by 3.3 per cent in 2013. At the beginning of the year the IMF forecast was 3.8 per cent.

China's economy grew by 7.4 per cent in 2014, having expanded by 7.8 per cent 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 per cent, after 0.2 per cent 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 per cent 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, both the current and the 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 per cent 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 from 4 November 2014, the supervision for certain banks has been transferred from national supervisory authorities (in Germany the Bundesbank and Federal Financial Supervisory Authority) to the European Central Bank. The banks supervised directly by the ECB include the parent company of Bremer Landesbank, NORD/LB, as well as Bremer Landesbank itself.

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[3] 2014 Deutsche Bundesbank Financial Stability Report.

In the context of the supervisory system for the financial sector which is being standardised across Europe, the EBA (European Banking Authority) published a draft guideline for the Supervisory Review and Evaluation Process (SREP) in 2014. This document shows how the supervisory authority envisages the financial sector will be monitored in future. A standard approach will be followed that entails the assessment of key indicators, the business model, governance and the capital and liquidity risks. The supervisory authority would like to gain their own qualitative and quantitative picture of a bank's capital and liquidity risks and to complete this picture by scoring each of the key indicators. This should 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
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(§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
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<tr><td colspan="4">Summarising SREP conclusion
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<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 depicted in the above illustration is likely to have a significant impact on the supervision of 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 only enough to cover 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 multipurpose 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, 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.

Local Real-Estate Market

Despite the advantageous long-term interest rates, the conditions for the local real estate economy remain difficult for commercial and residential real estate. This is true equally for commercial and residential real estate and has an effect on all active business segments in the real-estate market.

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 implemented by the ECB have had 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.
- The development of the local real-estate market has an impact on the success of the subsidiaries working in the real estate business.

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.

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 of Bremer Landesbank AöR 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 Group

2.3.1 Earnings Position

On the whole, the Bremer Landesbank Group's earnings position was satisfactory in 2014 given the prevailing conditions.

Income Statement

	Notes	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Interest income		1,425	1,654	-14
Interest expenses		988	1,224	-19
Net interest income	**17**	**437**	**430**	**2**
Loan loss provisions	18	-271	-263	3
Net interest income after risk provisioning		**166**	**167**	**-1**
Commission income		50	49	2
Commission expenses		7	8	-12
Net commission income	**19**	**43**	**41**	**5**
Trading profit/loss		-14	49	<-100
Profit/loss from designated financial instruments		-1	-3	-67
Profit/loss from financial instruments at fair value through profit or loss	**20**	**-15**	**46**	**<-100**
Profit/loss from hedge accounting	21	11	2	>100
Profit/loss from financial assets	22	10	-4	>100
Profit/loss from financial assets accounted for using the equity method	23	5	8	-37
Administrative expenses	24	179	186	-4
Other operating profit/loss	25	2	-6	>100
Earnings before taxes		**43**	**68**	**-37**
Income taxes	26	12	19	-37
Consolidated profit		**31**	**49**	**-37**
of which: attributable to shareholders of the parent company		31	49	-37
of which: attributable to non-controlling interests		-	-	-

Net interest income

The Bank had forecast that net interest income would initially develop slowly over in the year under review due to the nonrecurrence of special effects.

Net interest income increased by 2 percent, from € 430 million to € 437 million. The contributions achieved from operating business with customers of the Bank remained high, despite intensive competitive pressure.

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 due to the nonrecurrence of the special effect.

Loan loss provisions

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.

Loan loss provisions rose to € 271 million in 2014 (previous year: € 263 million).

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 provisioning accordingly.

The Bank accounts for risks which may have already occurred but which were not known on the balance sheet date by making general loan loss provisions. In the financial year, a total allocation of € 65 million was required here (previous year: € 63 million). € 6 million was utilised to make specific valuation allowances (previous year: € 14 million). The Bank accounted for the very difficult situation in the shipping markets by making a management adjustment of € 40 million.

The risk-provisioning requirement 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. a further delay in the recovery of the market) as well as the sale or reduction of non-performing ship loans could have a significant impact on the level of the risk provisioning.

Net commission income

In its forecast, the Bank assumed net commission income would stabilise at the level achieved in 2013.

Net commission income is up from € 41 million to € 43 million (5 per cent).

Whilst guarantee commission in the lending business 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 commission income for foreign payment transactions. All remaining components, e.g. from domestic payment transactions and currency exchange business developed stably overall.

In 2015 net commission income should stabilise at a slightly higher level than in 2014, if the current conditions prevail.

Profit/loss from financial instruments at fair value through profit or loss

The fair-value assessment of financial instruments produces a negative contribution to earnings of € 15 million as opposed to a profit of € 46 million in the reference period. The difference is largely due to reduced earnings from CDS of € 9 million (previous year: € 58 million). Further, the sustained low interest has had a significant negative effect on the valuation of interest-rate derivatives. Economically hedged positions cannot be managed fully with the available hedge accounting instruments.

The volume of CDSs for which Bremer Landesbank is the protection seller decreased significantly as swaps matured and positions were systematically unwound as part of RWA management.

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.

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 valuation result from financial instruments at fair value through profit or loss fell considerably from € 44 million to € -16 million, while the realised profit fell by € 6 million to € -9 million. The trading profit/loss was impacted largely by the fixing of value dates and the early closing of positions with a realised profit/loss from CDS of € 6 million (previous year: € 4 million). The associated reduction of the portfolio as well as the slow-down in the market recovery as compared to the previous year has produced a valuation result from CDS of € 3 million (previous year: € 54 million). The Bank had built up these positions in recent years as a substitute for lending business; because it intends to hold them to maturity (as confirmed in the reporting year), they are mostly kept in the regulatory banking book.

Bremer Landesbank's foreign exchange profit was unchanged at € 8 million (previous year: € 3 million).

The profit/loss from financial instruments measured at fair value was € -1 million (previous year: € -3 million) in 2014 and therefore only of minor significance. This category is only rarely used by Bremer Landesbank.

The profit/loss from financial instruments at fair value through profit or loss 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 financial markets and to achieve a slightly positive AFV profit/loss overall, with the exception of the valuation result from credit derivatives.

Profit/loss from hedge accounting

This item includes valuation results from effective hedges. The more effective hedges are, the lower their effects on income. For some time, Bremer Landesbank has employed micro fair value hedges in fair value hedge accounting to reduce the effects on income of IAS-related balance mismatches. As of 2010, the so-called portfolio fair value hedge was also added to the range of hedging instruments. In a portfolio fair value hedge, groups of underlying transactions are combined with appropriate hedging transactions in a portfolio so that changes in the fair value of the financial instruments roughly offset each other. Bremer Landesbank is continuously improving its reported interest-rate management.

Therefore in 2014 transactions from the category loans and receivables (LAR) were included in the portfolio hedge accounting for the first time.

The hedges designated by Bremer Landesbank generated a profit of € 11 million in 2014, compared with € 2 million in 2013.

The Bank expects the profit/loss from hedge accounting to remain volatile over the next few years as hedge accounting continues to be used intensively and the interest-rate landscape changes. The contribution to profit/loss from this item are therefore not recognised in the planning.

Profit/loss from financial assets

The loss from available-for-sale (AfS) securities and equity investments amounts to € 10 million, after a loss of € -4 million in 2013. While the profit/loss in the previous year was affected by the disposals and the value at profit or loss of securities and company shares in the financial asset portfolio, it was primarily influenced by the sale of Irish bank bonds and the sale of various securities for the RWA management in 2014.

Profit/loss from investments accounted for using the equity method

The profit from investments accounted for using the equity method stood at € 5 million, compared with € 8 million in 2013. A write-down of an affiliated company reduced the profit/loss as compared to the previous year.

Administrative expenses

In the 2013 consolidated financial statements, a decline in staff expenses and a gradual consolidation of the cost level for other administrative expenses was forecast for 2014.

Administrative expenses fell by 4 per cent from € 186 million to € 179 million.

Despite lower allocations to final remuneration and pension provisions, staff expenses rose by 2 per cent from € 99 million to € 101 million in line with collective wage agreements as a result of planned higher staff levels as compared to the previous year.

Other administrative expenses decreased by € 8 million, or 10 per cent, to € 70 million. The increase in the expenses for dues and contributions was more than compensated for by sharp falls in expenses for information technology and space and building costs.

At € 8 million, amortisation, depreciation and impairment of intangible assets and property and equipment was down slightly by € 1 million compared to the previous year.

For 2015 the Bank expects staff expenses to be slightly lower than the level of the previous year. Other administrative expenses should rise noticeably according to the plans.

Other operating profit/loss

Other operating profit/loss amounted to € 2 million, compared with € -6 million in 2013. Besides rental income from buildings not used for banking operations of € 8 million (previous year: € 7 million) and cost refunds from customers of € 1 million. (previous year: € 0 million), this item contains reversals of other provisions of € 1 million (previous year: € 4 million). Other income essentially includes one-time income of € 2 million (previous year: € 0 million). On the expense side, rental and lease income from buildings not used for banking operations of € 3 million (previous year: € 2 million) and expenses from the repurchase of registered bonds of € 3 million (previous year: € 0 million) impacted profit/loss. Other expenses are mainly attributable to other expenses for loss events from operational risks of € 1 million (previous year: € 0 million), as well as the bank levy of € 3 million (previous year: € 4 million).

Earnings before taxes

Earnings before taxes in the Bremer Landesbank Group amounted to € 43 million for 2014; this represents a fall of € 25 million against 2013. A slight rise in net interest income and increased profit/loss from hedge accounting and from financial assets were more than compensated for by the significant fall in the trading profit/loss (in particular also from the valuation of CDS) and the slight rise in expenses for risk provisioning.

The bank's earnings before taxes will rise substantially in 2015 under current estimates.

Income taxes

The Bremer Landesbank Group's current income taxes rose by € 8 million compared with the previous year, to € 20 million, reflecting the increase in taxable income. This is due to the increase in the parent company's taxable income.

Deferred taxes, for which income of € 7 million was recognised in 2013, resulted in income of € 8 million in 2014, decreasing income taxes overall by € 7 million to € 12 million. The pre-tax profit for the year is lower than the actual taxable income.

Consolidated profit

The consolidated profit is € 31 million (previous year: € 49 million).

The basis for the appropriation of profits is the parent's profit for the year in accordance with German accounting regulations. The owners have agreed to the operating earnings of Bremer Landesbank AöR being used in full to boost regulatory capital, there will therefore be no distribution.

In 2014 the difficulties in the shipping markets again had a significant influence on Bremer Landesbank's consolidated profit. However, the Bank was able to cushion the effects well due to its good income. The Bank assumes that the operating income will also remain good in 2015.

The Bank believes that the operating profit/loss for 2015 generated by Bremer Landesbank AöR will be used for portfolio optimisation and therefore to strengthen regulatory capital indicators. In the medium term, a balanced relationship between appropriate dividends and further increases in capital will be sought by the parent company.

Consolidated profit will substantially improve in 2015 according to the Bank's estimates.

2.3.2 Net Assets and Financial Position

Total assets

As in previous years, the Bank focused on transacting 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. As a result, total assets fell from € 33.0 billion to € 32.1 billion.

Loans and advances to banks

Interbank business, largely influenced by operating activities with the affiliated savings banks, declined in 2014. Due to lower loans and advances to German banks payable on demand as at the balance sheet date and a slight fall in money market transactions with German banks, loans and advances to banks fell by € 0.5 billion to € 3.6 billion.

Loans and advances to customers

Loans and advances to customers developed at a largely constant rate compared to the previous year at around € 22.9 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 71.4 per cent of total assets (previous year: 68.8 per cent). Please see the notes on the development of the business segments in the segment report for a more detailed analysis of this item.

Risk provisioning

The risk provisioning of the Bremer Landesbank Group, deducted from the asset side of the balance sheet, increased substantially again in the financial year, by 29.1 per cent, or € 193 million, to € 857 million, and now represent 3.7 per cent of total loans and advances (previous year: 2.9 per cent). The increase is almost exclusively due to the Ship Finance sub-segment .

Financial assets or financial liabilities at fair value through profit or loss (AFV)

This item comprises the fair values of held-for-trading financial instruments. Instruments with a positive fair value are reported in assets and those with negative fair values in liabilities. Financial instruments with a positive fair value fell in 2014 by € 268 million to € 780 million, while financial instruments with negative fair values increased by € 215 million to € 1,006 million. The long-term derivatives are kept in this position 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 AFV portfolio of a bank increases incrementally.

Bremer Landesbank enters into derivative transactions mainly for the purpose of managing and hedging interest rate and foreign currency risks. Bremer Landesbank also utilised available equity to conclude credit derivative transactions to generate commission income reported in trading profit/loss and to diversify its loan portfolio, particularly with regard to regions/countries and rating categories. The nominal volume at year-end 2014 amounted to € 39.4 billion, compared with € 45.9 billion in the previous year, i.e., approximately 1.2 times (previous year: 1.4 times) total assets. Compared with other institutions in the sector, Bremer Landesbank only engages in such transactions to a relatively minor extent. For detailed information on volumes, maturities and counterparty classification please refer to the information in the notes to the consolidated financial statements of Bremer Landesbank.

Positive/negative fair values from derivative hedges and adjustment item for financial instruments included in the portfolio fair value hedge

In 2014, fair values from hedge derivatives changed as shown in the notes under (33) and (46). The portion of the change in value that relates to the hedged interest rate risk is offset by changes in value for the underlying transactions.

Financial assets/investments accounted for using the equity method

Financial assets decreased from € 4.9 billion in 2013 to € 4.3 billion in 2014. This item mainly comprises AfS securities, silent participations and investments in non-consolidated entities at fair value. The portfolio fell due to maturities and sales as part of RWA management.

Investments accounted for using the equity method increased by € 1 million to € 93 million in the reporting period, due entirely to write-ups. The change is a result of write-ups of € 8 million and valuation allowances of € 7 million.

Securities are either allocated to the Managing Board’s strategic position or the Financial Markets segment’s credit investment portfolio. In 2014 changes in the portfolio resulted from additions and disposals of financial assets as well as from changes in the value of securities still held. These changes are reflected in the revaluation reserve, shown under equity.

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

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

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

Property and equipment/investment property/intangible assets

Property and equipment in which the furniture, fixture and office equipment as well as operationally used buildings and parts of buildings are reported increased by € 9 million to € 75 million largely due to on the construction costs of activated for the reconstruction of the building at Domshof.

Real estate owned by the Group and intended for use by or leased to third parties is reported as "Investment property". The increase of the portfolio by € 2 million to € 76 million results from reclassifications of buildings previously used for operational purposes (Am Markt) as well as the acquisition of buildings (Achternstraße) in Oldenburg.

Intangible assets rose by € 2 million to € 10 million. This is largely due to the capitalisations related to the renewal of components of Bank Management information technology as well as intangible assets developed internally.

Current income tax assets/deferred tax assets/other assets

Potential future income tax relief stemming from temporary differences between figures stated in the IFRS consolidated balance sheet for assets and liabilities and the tax values stated by group companies is reported as deferred tax assets and amounted to € 152 million in 2014 (previous year: € 106 million). Furthermore, in the HGB financial statements, current income tax assets of € 1 million (previous year: € 7 million) are recognised in "Other assets". This resulted in income tax assets of a total of € 153 million, against € 113 million in the previous year.

Other assets amounted to € 49 million as at 31 December 2014 (previous year: € 50 million). As well as receivables from non-consolidated subsidiaries of € 16 million (previous year: € 17 million), loans and advances to Eurex (initial margin paid) of € 15 million (previous year € 15 million) and receivables from terminated securities of Icelandic banks of € 8 million (previous year: € 8 million) are recognised here.

Liabilities to banks

The Bank also uses liabilities to other banks as a means of refinancing. This increased slightly in financial year 2014 to € 11.2 billion (previous year € 11.0 billion). Whilst liabilities from money market transactions rose sharply year-on-year, other liabilities, in particular fixed-term liabilities, declined.

Liabilities to customers

Bank refinancing through liabilities to customers fell by some 9.8 per cent to € 9.0 billion. Liabilities from money market transactions with domestic customers fell by € 0.3 billion. Other liabilities with domestic customers decreased by € 0.7 billion. With an unchanged volume of € 0.2 billion, savings deposits only play a minor role in Bremer Landesbank's refinancing.

Securitised liabilities

Securitised liabilities at the Bank include Pfandbriefe, municipal debt securities and other debt securities. The volume of such liabilities decreased by 8.1 per cent in 2014, to € 7.4 billion.

A more detailed presentation of the Bank's refinancing via the various issuing programmes is provided in the notes on Financial Markets in the segment report in the notes and in the section on financing.

Provisions

Provisions in the Bremer Landesbank Group totalled € 536 million at the end of 2014 (previous year: € 426 million) and have hence risen by 25.8 per cent.

Provisions for pensions and similar obligations account for the largest share, amounting to € 507 million for the Group, compared with € 379 million in the previous year. The present value of the defined benefit obligation is calculated actuarially using specific parameters, such as a Group-wide discount rate based on the yield of high-quality corporate bonds of the same maturity. Other parameters include salary, career and pension trends and employee turnover rates. Please also see the overview in Note (12) for the relevant parameters.

The assets invested by the Bremer Landesbank pension fund (plan assets) are offset at fair value (€ 30 million, compared with € 32 million in the previous year) against the present value of the obligation.

In addition, the actuarial gains or losses resulting from a change in the discount rate are recognised under other comprehensive income. In the reporting year the cumulative volume of actuarial losses before deferred taxes was € -116 million (previous year: € 2 million).

Loan loss provisions amounted to € 11 million at year-end, compared with € 24 million at the end of the previous year.

Provisions for uncertain liabilities amounted to € 18 million at the end of 2014, compared to € 23 million in 2013. They mainly relate to personnel obligations, such as provisions for early retirement of € 15 million (previous year: € 19 million) and anniversary provisions in the amount of € 2 million (previous year: € 2 million).

Current income tax liabilities/deferred tax liabilities/other liabilities

Potential future income tax burdens stemming from temporary differences between figures stated for assets and liabilities in the IFRS consolidated balance sheet and the tax values stated by group companies are reported as deferred tax liabilities and came to € 2 million (previous year: € 2 million). Furthermore, in the HGB financial statements, current income tax liabilities of € 13 million are recognised (previous year: € 16 million). As a result, income tax liabilities total € 15 million (previous year: € 18 million).

As at 31 December 2014 other liabilities totalled € 37 million as compared to € 67 million at the end of the year. Of this € 2 million (previous year: € 3 million) related to payable taxes and social security contributions. This item also includes the employee remuneration still to be paid of € 8 million (previous year: € 9 million) and liabilities from outstanding invoices of € 8 million (previous year: € 3 million). Further amounts relate to the allocation to the cover fund of the pension fund in the amount of € 2 million (previous year: € 2 million) and Bremer Landesbank's liabilities to third parties in the amount of € 5 million (previous year: € 42 million).

Subordinated capital

At year-end 2014, the Bremer Landesbank Group's subordinated capital totalled € 0.8 billion, as in the previous year.

Equity

The Bremer Landesbank Group's equity amounts to a total of € 1.691 billion at the end of 2014; of which € 265 million concern the share capital, and € 478 million the capital reserves. This was reduced by € 57 million or 3.2 per cent (previous year: € 1.748 billion). Disregarding the conversion of silent participations, the Group's equity has increased by € 296 million or 35.7 per cent from € 832 million in 2012 (€ +563 million) since reporting in accordance with international accounting standards began at the start of 2006.

As, under IFRSs, some items affecting the Group's net assets are recognised in other comprehensive income (i.e. changes in the fair value of AfS assets) and not in the income statement, the change in equity is more significant than under the provisions of the German Commercial Code, which applied for consolidated accounting until 2006.

The Bremer Landesbank Group's profit totalled € 31 million in 2014 (previous year: € 49 million).

The basis for the appropriation of profits is the parent's profit for the year in accordance with German accounting regulations. The owners have agreed to the operating earnings of Bremer Landesbank AöR being used in full to boost regulatory capital, there will therefore be no distribution.

The first-time adoption reserve, in which the asset and liability measurement differences between German accounting standards and the first-time adoption of IFRSs are presented as a fixed component, comes to € 185 million.

The actuarial gains from pensions provisions are now € -79 million (previous year: € 1 million) after a substantial decline in the discount rate from 3.7 per cent to 2.2 per cent.

The revaluation reserve in which the changes in value of the AfS assets are reflected fell by € 6 million to € 46 million in 2014. The fall was largely due to the write-down of an affiliated company.

At year-end, the Tier 1 capital ratio of the parent company was 8.0 per cent (previous year: 9.1 per cent), see Note (68)). At year-end, after the appropriation of profits and the valuation allowances recognised in the financial statements, the parent company's Tier 1 capital ratio was 9.0 per cent (previous year: 9.5 per cent).

Contingent liabilities and other obligations

The volume of Bremer Landesbank's traditional off-balance sheet business, reported as guarantees, was almost unchanged at the end of the year at € 1.1 billion (previous year: € 1.0 billion).

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

The Bremer Landesbank Group also has other financial obligations resulting from the facts and circumstances described in the notes to the consolidated financial statements.

2.3.3 Additional Information

Performance indicators

Earnings before taxes in the Bremer Landesbank Group amounted to € 43 million for 2014; this represents a fall of € 25 million against 2013. A slight rise in net interest income and increased profit/loss from hedge accounting and from financial assets were more than compensated for by the significant fall in the trading profit/loss (in particular also from the valuation of CDS) and the slight rise in expenses for risk provisioning.

The return on equity (ROE), calculated using the formula defined in the Integrated bank management section, is 2.6 per cent for financial year 2014, after being 4.0 per cent in the previous year. The lower level is due to the lower pre-tax profit for the year due to the significant increase in risk provisioning. Additionally, the increased capital base following the conversion of silent participations reduced the ratio.

The cost-income ratio (CIR) is 36.5 per cent; it was 36.0 per cent in 2013. With constant administrative expenses, the rise is mainly due to the lower positive measurement gains in the fair value profit/loss as compared to the previous year. As a result, the key performance indicator always remains in the area around 40 per cent which is generally viewed as good.

As at 31 December 2014, the risk ratio (defined as the ratio of loan loss provisions to risk assets) is 1.7 per cent (previous year: 1.6 per cent). This increase is attributable to higher provisions for lending business, particularly for ship finance.

Capital requirements under the Capital Requirement Regulation [(CRR) Basel III] applicable from 2014 for the parent company 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 per cent, compared with 10.9 per cent at the previous year-end. A condensed report is not necessary as this is prepared by the parent company NORD/LB.

Capacity utilisation in the risk-bearing capacity, at a confidence level of 90 per cent as at 31 December 2014, is 78 per cent and is therefore above the previous year's level of 58 per cent 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 per cent, taking into account the entire risk capital.

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:

	Debt securities	
€ billion	**31.12.2014**	**31.12.2013**
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.

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 employs, on average, 1,156 employees (previous year: 1,137), and is thus 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 per cent (previous year: 1.1 per cent), is low for the industry, and reflects a relatively high average length of service of 16.8 years (previous year: 16.3 years) for the parent company.

As a leading regional bank in the North-West, Bremer Landesbank is committed to setting a good example 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 per cent 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 are weighted 80 per cent overall. The individual target consists of quantitative and qualitative criteria and is weighted 20 per cent. The criteria reflect the Bank’s position, the success of the department for which the 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 per cent 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.

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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.

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

2.3.4 Development of the Segments and Subsidiaries

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.

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.

In 2014 the segment increased its earnings slightly in line with the strategy (in each case without risk provisioning) to € 77 million (previous year: € 76 million). At € 56 million, earnings before taxes were well above the previous year (previous year: € 31 million). The background to this is the segment's concentration on low-risk business, enabling valuation allowances to be reversed in the current year. Overall the segment's earnings before taxes represent a substantial and solid source of earnings and profit for the Bank.

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 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.

The ongoing shipping crisis in particular resulted in a differentiated profit/loss for the segment. In 2014 the segment moderately increased its earnings in line with the strategy (in each case without risk provisioning) to € 245 million (previous year: € 232 million). The strategic business units Ships, Renewable Energies and Social Welfare Facilities contributed to this growth. The strategic business unit Leasing maintained the previous year's strong position. Earnings before taxes are negative at € -10 million and below the previous year's level (previous year: € 4 million). This is due to increased risk provisioning (2014: € 222 million; previous year: € 196 million). This development mainly relates to the strategic business unit Ships and in 2014 was not compensated for by the income growth reported.

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. 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.

At € 7 million earnings before taxes largely matches the comparable value from 2013 (previous year: € 7 million). There was nothing of particular note to report in the individual items.

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

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.

With earnings before taxes of € 65 million, the business segment again performed well. In comparing with the previous year, CDS valuation effects of € 58 million in 2013 need to be considered.

The business segment is broken down into strategic business units (SBUs): 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.

Subsidiaries

The subsidiaries operating in the real estate sector managed to prevail on the market in the face of a persistently difficult environment by concentrating on certain market segments.

BLB Leasing mainly generates new business through the customer consultants of Bremer Landesbank. This business strategy continued to be successful and once again resulted in the transaction of a considerable volume of new business. As a financial services company, BLB Leasing's activities are subject to control and it makes appropriate allowance for this.

2.3.5 Overall Assessment

In 2014 the considerable difficulties in the shipping markets again had a significant influence on Bremer Landesbank's consolidated profit. However, the Bank was able to cushion the effects well due to its good income. 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 banks and its association partners, Bremer Landesbank has firmly positioned and established itself as a leading bank in the region. The Bank is still the most significant partner for small and middle-market businesses in the North-West of Germany. Bremer Landesbank has positioned itself well to pursue business growth in 2015 under conditions that will remain difficult.

3. Supplementary Report

With the exception of the following, there were no events of special significance for the economic situation of the Bank between the end of financial year 2014 and the preparation of the consolidated financial statements.

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 has 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 in March 2015.

4. Outlook and Opportunity 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 associated savings banks and landesbanks, short decision-making channels and quick response times create a promising environment for further sound earnings growth in the Bank's core segments.

Bremer Landesbank has positioned itself well and introduced 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.

Net assets, financial position and results of operations

In the coming year, net interest income will be at a slightly lower level due to the nonrecurrence of the special effect.

The risk-provisioning requirement 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 amount of the loan loss provision.

In 2015 net commission income should stabilise at a slightly higher level than in 2014, if the current conditions prevail.

The profit/loss from financial instruments at fair value through profit or loss is volatile due to the short-term nature of the business and market fluctuations, making it difficult to forecast. However, with the exception of the valuation result from credit derivatives, the Bank's plans assume that the opportunities for operating successfully in the financial markets and achieving a slightly positive AFV profit are good. The Bank anticipates that the profit/loss from hedge accounting will continue to be volatile in the coming years with the continued intensive use of hedge accounting and depending on the development of the interest-rate landscape. The contribution to profit/loss from this item are therefore not recognised in the planning.

For 2015 the Bank expects staff expenses to be slightly lower than the level of the previous year. Other administrative expenses should rise noticeably according to the plans.

The Bank believes that the operating profit/loss for 2015 generated by Bremer Landesbank AöR will be used for portfolio optimisation and therefore to strengthen regulatory capital indicators. In the medium term, a balanced relationship between appropriate dividends and further increases in capital will be sought by the parent company.

Consolidated profit will substantially improve in 2015 according to the Bank's estimates.

Performance indicators

The bank's earnings before taxes will rise substantially in 2015 under current estimates.

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 2015 and 2016, pressure on the risk-bearing capacity and capital ratio of the parent company will continue. The expected increases in the minimum requirements in accordance with the 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 guaranteeing receivables are also available.

Forecast for the Segments and Subsidiaries

Bremer Landesbank differentiates between significant dimensions in its planning and forecast: Income before risk (net interest income before risk, net commission income, profit/loss from financial instruments at fair value through profit or loss)[6] and earnings before taxes.

Income before Risk in Operating Business Segments

For the Corporate Customers and Private Customers segments, we anticipate a slight rise in income in 2015. We are expecting slightly lower earnings for Special Finance, and reduced earnings for Financial Markets. These developments are in line with the strategy and are characterised by the strategic reduction of portfolios.

Earnings before Taxes in Operating Business Segments

With administrative expenses in the operating business segments almost unchanged, earnings before taxes will be defined by the income before risk and the loan loss provisions. For the Private Customers segment we anticipate a slight increase in earnings before taxes in 2015. For the Corporate Customers segment we are also expecting an increase in this item taking into account the positive risk provisioning situation.

Taking into account the planned RWA optimisation measures, and depending heavily on the intensity of the shipping crisis, we expect that earnings before taxes for the Special Finance segment will be below the level of 2014. The development in Financial Markets will depend on the development of income outlined above.

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[6] Profit/loss from hedge accounting, financial assets and shares in companies accounted for using the equity method are recognised after offsetting in the planning.

Subsidiaries

The Bank's subsidiaries operating in real estate are expecting on the whole stable results.

BLB Leasing GmbH expects that new business and income will match the 2014 figures. The resurgent economic power of businesses in the region will lay the foundations for BLB Leasing GmbH's activities, in collaboration with Bremer Landesbank, as a financier of investments for their joint customers. The most important line of business, which is being developed, remains direct business with Bremer Landesbank customers initiated by Bremer Landesbank's account officers.

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. The Bank is expecting that the operating income will remain stable in 2015 and the difficult conditions in the shipping markets and the trends in the USD exchange rate will continue to have a negative impact on the Bank.

5. Risk Report

The risk report of Bremer Landesbank and the sub-group of Bremer Landesbank as at 31 December 2014 was prepared on the basis of IFRS 7. Furthermore, the requirements of the German Commercial Code (HGB) and the more specific German Accounting Standards (DRS) 20 were taken into account.

5.1 Control Systems

5.1.1 General Risk Management

Risk Management – Fundamentals and Scope

The risk reporting covers all of the companies in the group of consolidated companies in accordance with IFRS.

The materiality analysis required under the Minimum Requirements for Risk Management for Bremer Landesbank showed for 2014 that all of its direct and indirect subsidiaries are immaterial in terms of risk. Bremer Landesbank therefore does not qualitatively address any risks arising from its subsidiaries in its IFRS notes. Significant or specific risks are nevertheless discussed irrespective of the results of the materiality test.

All subsidiaries make only an immaterial contribution to the individual risks in a qualitative sense from the Group’s point of view. The risks included in these companies are treated as investment risk and also explained through qualitative reporting within the scope of the investment risk, if need be.

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 results of operations, 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, 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			-	-

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

Risk Management – Strategies

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

Bremer Landesbank 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 systems specific to the types of risk which enable potential risks to be identified and 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 regularity 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-orientated 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 and prevention of other punishable acts and also 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 business.

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 per cent and the total economic risk potential is compared with risk capital. The risk capital is determined from the free regulatory capital in accordance with the CRR at specified minimum rates (total 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 per cent 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 via an industry-group-limiting 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 Shipping segment, new business was limited to financing within the framework of restructuring existing loan exposures.

Credit Risk – Structure and Organisation

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

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

- Traditional credit risk is the risk of loss resulting from a borrower's failure to pay or deterioration in a borrower's credit rating.
- Counterparty risk in trading is the risk of loss from trading activities stemming from a borrower's or counterparty's failure to pay or deterioration in a borrower's or counterparty's credit rating. It breaks down into default risk in trading, replacement, settlement and issuer risk.
    - Default risk 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 actual settlement risk. Pre-settlement risk is the risk that, when it comes to settling a contract, the counterparty fails to provide consideration for a contract on which the Bank has already made advance delivery or, when performance is mutually offset, no compensation payment is made. Pre-settlement risk can be prevented by acquiring the transaction value from the counterparty in advance under good value or on a reciprocal basis or if sufficient cover exists. Actual settlement risk is the risk of a transaction not being mutually settled on or after the contractual settlement date.
    - Issuer risk is the risk of loss stemming from an issuer's or reference entity's (credit 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 reviewing and setting rating levels, reviewing collateral values, processing and supervising debt rescheduling/liquidation of defaulted exposures, loan loss provisions and designing processes and rules for the Bank's lending business. The Back Office unit independently monitors the risks at individual borrower or sub-portfolio level independently of the market sectors. 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 market division unit remains responsible for managing the exposure, while the back office unit previously responsible for processing continues to handle it. The new exposure strategy must be discussed with and approved by the organisational unit Back Office Debt Rescheduling (OU BO Debt Rescheduling).
2. From a rating of 12 or higher, an exposure is transferred to Back Office Debt Rescheduling for management and processing. This unit is part of Back Office 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 provisioning is required (from € 2 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 Clearing 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 operations 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) Germany	Rating category	Mean probability of default	Customer category
Very good to good	1 (AAAA)	0.00%	Normal
	1 (AAA)	0.01%	
	1 (AA+)	0.02%	
	1 (AA)	0.03%	
	1 (AA–)	0.04%	
	1 (A+)	0.05%	
	1 (A)	0.07%	
	1 (A–)	0.09%	
	2	0.12%	
	3	0.17%	
	4	0.26%	
Good/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 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).

The management approach is applied for risk reporting in accordance with IFRS 7. Internal and external risk reporting is fundamentally based on the same terms, methods and dates.

5.1.3 Investment Risk – Management

Investment Risk – Strategy

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

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

Investment Risk – Structure and Organisation

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

Credit risks relating to investments are managed by the 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 toward the needs of customers and supporting bank management. Bremer Landesbank does not open speculative positions going beyond this.

With regard to interest-rate risk, the Bank aims to transform maturities and participate in general market developments within the scope of its risk limits. 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 twelve 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 the information in the notes to the financial statements for details on the accounting treatment of hedging instruments and the type of hedges (particularly Note (33) Positive fair values from hedge accounting derivatives and Note (46) Negative fair values from hedge accounting derivatives).

Market Risk – Valuation

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

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

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

Limits derived from the loss limits specified by the 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 Pfandbriefe is very significant for the Bank. Statutory requirements of the Covered Bond Act (*Pfandbriefgesetz*, PfandBG) are fully met for all the Bank's issues.

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

Market liquidity risk is included in market risk. The aim is to restrict the market-liquidity risk by chiefly operating in liquid markets. The differentiated security and liquidity class concept allows specific haircuts to be modelled for 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 €, 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.

Risk Control 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 from the liquidity maturity balance sheets in all currencies once a week as well as daily structural information about the stress scenarios of traditional liquidity management.

5.1.6 Operational Risk – Management

Operational Risk – Strategy

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

Operational Risk – Structure and Organisation

Operational risks are possible and, from the point of view of the Bank, consist of unintended events that result from an inappropriate circumstance or the failure of internal workflows, employees or technology, or as a result of external influences, and lead to a loss or serious negative consequences for the Bank (e.g. violation of the law).

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 at 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 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 (Institutsvergütungsverordnung) 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 some insurance solutions after weighing up the risk potential versus the cost of premiums.

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 Management Board responsible for risk.

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

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

Operational Risk – Control and Monitoring

The Bank collects data on loss events resulting from operational risks and classifies these events by cause and effect. The loss data collected is entered 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 method employed by 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 defense, 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 specifying risk tolerances and information thresholds, it also serves as the 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 Internal Control and Risk Management System for Consolidated Accounting

As Bremer Landesbank is a capital market-oriented corporation in accordance with § 264d of the German Commercial Code, it is required by § 315 para. 2 no. 5 of the German Commercial Code to describe the main features of its internal control and risk management system for consolidated accounting.

The internal control and risk management system for consolidated accounting is not defined by law. The Bank understands the internal control and risk management system as a comprehensive system, referring to the definition by the Institute of Public Auditors in Germany (IDW), Düsseldorf, of the accounting-related internal control system (IDW AuS 261 subsection 19 et seq.) and of the risk management system (IDW AuS 340 subsection 4). According to the IDW, an internal control system 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 regularity 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 accordance with § 315 para. 2 no. 5 of the German Commercial Code when its omission could affect the economic decisions made by users on the basis of the consolidated 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 consolidated financial statements.

Functions of the internal control and risk management system for consolidated accounting

Bremer Landesbank has exacting standards of quality when it comes to the correct presentation of transactions in its consolidated financial reports. Ensuring that consolidated accounting is in accordance with the regulations is a function of the internal control system.

As regards the consolidated accounting process, the following structures and processes have been implemented at Bremer Landesbank:

Organisation of the internal control and risk management system for consolidated accounting

The Managing Board is responsible for preparing the consolidated financial statements and the Group management report. It has clearly defined responsibilities for the individual components and process steps of the consolidated accounting process in the form of organisational policies and assigned these to specific OUs.

Bremer Landesbank prepares its consolidated financial statements in accordance with IFRSs as they are applied in the EU. The national provisions of the German Commercial Code (HGB) and the German Accounting Standards (DRS) were also observed in accordance with § 315a of the German Commercial Code.

For consolidation purposes, subsidiaries and associates prepare group reporting packages in accordance with group instructions.

The process of preparing the consolidated financial statements and the consolidated accounting is primarily managed and performed by Finance. It performs the following key functions:

- Monitoring changes in the law
- Preparing and updating financial statement instructions
- Compiling the consolidated financial statements and the group management report
- Providing the information for the Group segment report
- Providing specific disclosures for the notes to the consolidated financial statements

The following work is delegated to other units in the consolidated accounting process:

- Entry and processing of data/transactions for the consolidated accounting process in the IT applications in accordance with the regulations.
- Calculation of personnel and pension provisions and provision of related disclosures for the notes to the consolidated financial statements.
- Draft of decision documents for specific valuation allowances on German and foreign loans
- Provision of relevant information for the notes to the consolidated financial statements and the Group management report
- Providing the information to be disclosed about market price, credit, liquidity and operational risk

The Supervisory Board oversees the Managing Board. In the consolidated accounting process, the Supervisory Board is responsible for approving the consolidated financial statements of Bremer Landesbank. The Audit Committee, elected by the Supervisory Board, has the following functions:

- Advising on and monitoring the consolidated 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 department also has a process-independent monitoring function. On behalf of the Managing Board it conducts audits in all parts of the organisation and all of the subsidiaries, reporting directly to the Managing Board. Apart from assessing the regularity 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 consolidated financial statements and the Group management report must be audited by the auditor engaged by the Supervisory Board.

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

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

- Identification of the main risk and control areas relevant for the consolidated accounting process
- Cross-segment controls for monitoring the consolidated accounting process
- Preventive controls in the Bank’s finance and accounting functions, the strategic business segments and in operating processes which generate key information for preparing the consolidated financial statements and the Group management report, including functional separation and pre-defined approval processes in relevant areas
- Measures to ensure the that the IT-assisted processing of transactions and data for consolidated accounting is in accordance with the regulations
- Measures to monitor the internal control and risk management system for consolidated accounting

Components of the internal control and risk management system for consolidated accounting

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

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

Appropriate instructions in the policies mitigate the risk of non-compliant preparation of the consolidated financial statements. The group reporting packages are audited for conformity with the group accounting handbook. The quality of the consolidated financial statements is assured by Finance. Procedures relating to the consolidated financial statements are explained and changes to IFRSs are communicated at regular information events for subsidiaries.

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

The financial reporting process for the consolidated financial statements comprises functional transaction support, data entry and processing, reporting and publication of the elements of the consolidated accounting. Preparation of the consolidated financial statements also includes identifying the basis of consolidation, reporting on the consolidated companies, intercompany reconciliation, automatic and manual consolidation procedures and the final generation of the consolidated financial statements.

The entire consolidated accounting 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 regularity of the consolidated accounting.

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 Risk Report 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 (SBUs) 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 risk lies in the Ships SBU.

Risks are managed by risk types, primarily in the central organisational units.

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

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

5.3.1 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 strategic business unit is subject to conventional 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 Corporate Customers strategic business unit is subject to conventional 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 strategic business unit is subject to conventional 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 strategic business unit is subject to conventional 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 strategic business unit is subject to conventional 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 strategic business unit, business and strategic risks exist in the Bank's refinancing business as a result of 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 rating of Bremer Landesbank's Pfandbriefe. With anticipated changes to regulatory requirements, operational risks may arise as a consequence of the absent or defective 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

Ships

The Ships strategic business unit is subject to conventional credit risk. The particular strategic focus of Bremer Landesbank on ships 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. Finance is primarily issued in USD.

Renewable Energies

The Renewable Energies strategic business unit is subject to conventional credit risk. The particular strategic orientation of Bremer Landesbank on renewable energies and the focus on onshore wind energy in Germany can give rise to concentration risks in this strategic 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 strategic business unit is subject to conventional 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 strategic business unit is subject to conventional 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			
€ m	**31.12.2014**		**31.12.2013**	
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%
Other	-92	-33%	-60	-21%
Total risk potential	**221**		**163**	
Utilisation rate		**78%**		**58%**

The utilisation rate as at 31 December 2014 is 78 per cent with a confidence level of 90 per cent 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 shipping crisis. 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 per cent, 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 maximum credit risk exposure for balance sheet and off-balance sheet financial instruments is roughly € 32 billion as at the balance sheet date and fell by 11 per cent in the financial year.

Risk-bearing financial instruments € m	Maximum credit risk exposure 31.12.2014	 31.12.2013
Loans and advances to banks	3,637	4,180
Loans and advances to customers	22,933	22,726
Adjustment item for financial instruments hedged in the fair value hedge portfolio:		
Recognised under assets	60	-
Recognised under liabilities	-307	-135
Financial assets at fair value through profit or loss	780	1,048
Positive fair values from hedge accounting derivatives	664	338
Financial assets	4,255	4,919
Sub-total	**32,022**	**33,076**
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	2,996	2,981
Total	**35,018**	**36,057**

Compared to the tables below concerning total exposure which are based on internal data presented to management, the maximum default risk in the above table is reported at book value. The maximum default risks based on utilisation of irrevocable credit commitments and other off-balance-sheet items are the total credit lines committed.

The differences between the total exposure according to the internal reporting and the maximum default risk are due to the different scope of application, the definition of total exposure for internal purposes and different accounting policies.

Total credit exposure is calculated based on utilisation (in the case of guarantees, the nominal value, and in the case of securities, the carrying amount) and the credit equivalent resulting from derivatives (including add-ons and taking account of netting). Irrevocable and revocable loan commitments are included proportionately in the total exposure, while collateral provided to Bremer Landesbank is not taken into account. Furthermore, investments are also included in the total exposure.

Analysis of the total exposure

The Bank's credit exposure came to approximately € 34.72 billion as at 31 December 2014, down some 5.9 per cent 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 the crude oil and bulk shipping, the (spot) charter rates were solely sufficient to cover operating costs, while in the 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 multipurpose 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.

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

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	
€ m			31.12.2014		31.12.2014	31.12.2013
Very good to good	11,725	4,002	894	6,069	**22,690**	**23,976**
Good/satisfactory	1,862	-	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	**2,101**	**1,451**
Default (= NPL)	2,837	-	5	12	**2,795**	**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:

Region [1)]	Loans	Securities	Derivatives	Other	Total	
€ m	31.12.2014		31.12.2014		31.12.2013	
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**	**44**
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) is set out in Note (61). Compared to 31 December 2013, a decline is reported. 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 programmes), 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 per cent (previous year: 30 per cent), but includes institutions with very good to good ratings. The most significant credit risks still stem from Special Finance and Corporate Customers activities.

Lending business by industry group

Industry group [1)] € m	Loans	Securities 31.12.2014	Derivatives	Other 31.12.2014	Total	 31.12.2013
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 financial assets 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 per cent (previous year[7]: 28.4 per cent).

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 per cent (previous year:[1] 1.41 per cent).

Loan loss provisions for the bank as a whole were greater than expected with net specific valuation allowances of around € 199 million. Changes in the portfolio of € 122 million remain after consideration of utilisations.

Risk provisioning by industry group

Industry group [1)]	Credit exposure of impaired exposures [2)]		Balance of specific valuation allowances		Balance of loan loss provisions		Changes to specific valuation allowances/ provisions [3)]	
€ m	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/general valuation allowances) including owed and outstanding interest and benefits (BIS value).
[3)] Figures were corrected in comparison to the previous year's report.

[7] Figures were corrected for the comparison with the previous year's report.

Risk provisioning by region

Region [1]	Credit exposure of impaired exposures		Balance of specific valuation allowances		Balance of loan loss provisions		Changes to specific valuation allowances/ provisions	
€ m	2014	2013	2014	2013	2014	2013	2014	2013[2]
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	-	24	6
Other	-	-	-	-	-	-	-	-
Total	**2,020**	**1,841**	**657**	**522**	**8**	**20**	**122**	**86**

[1] Differences between totals are due to rounding.
[2] Figures were corrected in comparison to the previous year's report.

Past due exposures by industry group

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

Industry group [1]	Credit exposure of past-due, unimpaired exposures [2)3)]		Balance of general loan loss provisions		Net allocation/reversal of general loan loss provisions	
€ m	2014	2013	2014	2013	2014	2013
Financial institutions/insurance companies	47	19	1	1	-1	1
Service industries/other	183	52	9	9	0	1
of which real estate and housing	60	20	3	2	1	0
of which public administration	108	10	0	0	0	0
Transport/communications	776	675	182	125	57	49
of which shipping	774	673	182	124	58	57
Manufacturing	3	18	3	2	1	0
Energy/water and mining	109	104	4	4	0	0
Trade, maintenance and repairs	1	49	2	2	0	-1
Agriculture, forestry and fishing	15	5	1	1	0	0
Construction	1	1	1	1	0	0
Other	-	-	-	-	-	-
Total	**1,134**	**923**	**204**	**145**	**59**	**50**

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

Past due exposures by region

Region [1)]	Credit exposure of past-due, unimpaired exposures [2)3)]		Balance of general loan loss provisions		Net allocation/reversal of general loan loss provisions	
€ m	2014	2013	2014	2013	2014	2013
Euro countries	1,036	881	194	136	58	45
Rest of Europe	33	2	1	1	0	1
North America	-	0	0	0	0	-1
Latin America	0	-	0	0	0	0
Middle East/Africa	-	-	0	0	0	0
Asia / Australia	65	40	10	9	1	5
Other	0	-	-	0	-	0
Total	**1,134**	**923**	**204**	**145**	**59**	**50**

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

Days past due, unimpaired exposures by region

Region [1)]	Past due, unimpaired exposures											
	Up to 1 month		1 to 3 months		3 to 6 months		Above 6 months		Total		General loan loss provisions	
€ m	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Euro countries	534	437	115	53	54	103	333	288	**1,036**	**881**	194	135
Rest of Europe	23	0	-	-	-	-	10	1	**33**	**2**	1	1
North America	-	0	-	-	-	-	-	-	**-**	**0**	0	**-**
Latin America	0	-	-	-	-	-	-	-	**0**	**-**	0	**-**
Middle East/Africa	-	-	-	-	-	-	-	-	**-**	**-**	0	**-**
Asia / Australia	38	12	16	11	-	-	11	17	**65**	**40**	10	9
Other	-	-	-	-	-	-	-	-	**-**	**-**	-	-
Total	**595**	**449**	**131**	**64**	**54**	**103**	**354**	**306**	**1,134**	**923**	**204**	**145**

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 per cent (previous year: 44 per cent) are receivables for which agreed interest payments or repayments are overdue by more than 90 days. 52 per cent (previous year: 49 per cent) 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	
€ m	31.12.2014	31.12.2013
< 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.

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: € 3 million). No direct write-downs were made for securities in the loans and receivables (LaR) category 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 per cent (previous year: 10 per cent) of the total credit risk RWA. This primarily involved the netting of government and bank guarantees, financial collateral and mortgages.

The Bank did not acquire any assets in the financial year in connection with the realisation of collateral held and other credit enhancements as a result of the default of borrowers. Bremer Landesbank has 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 table below shows the Bank's market risk in the financial year and the previous year (credit spread risks in the banking book are not included in this overview):

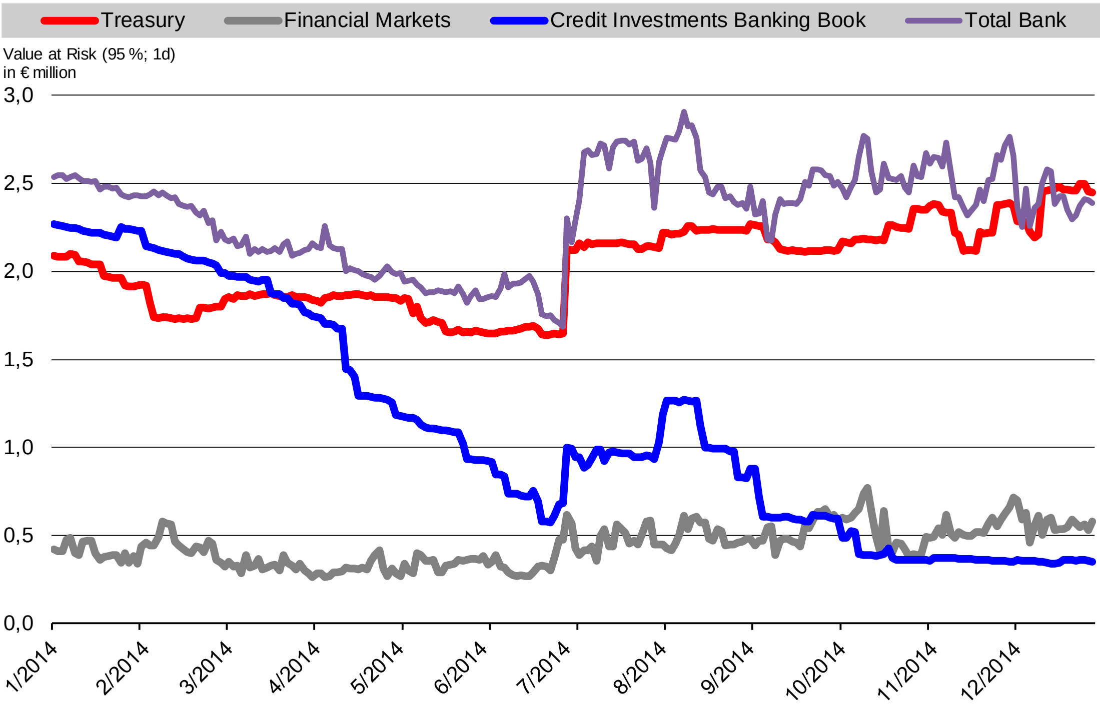
Market-price risks – Overview

	Maximum		Average		Minimum		Year-end	
€ m	1.1.-31.12.2014	1.1.-31.12.2013	1.1.-31.12.2014	1.1.-31.12.2013	1.1.-31.12.2014	1.1.-31.12.2013	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 Bank was 39 per cent (maximum 47 per cent and minimum 31 per cent). As at 31 December 2014, the value-at-risk (confidence level of 95 per cent and a holding period of one day) at the Bank amounted to € 2.42 million. In 2014 average utilisation of the risk limit in Financial Markets was 21 per cent; in Treasury it was 45 per cent.

The development of the value at risk for the Bank as a whole (including the credit spread risks of the investment 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 per cent. 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.

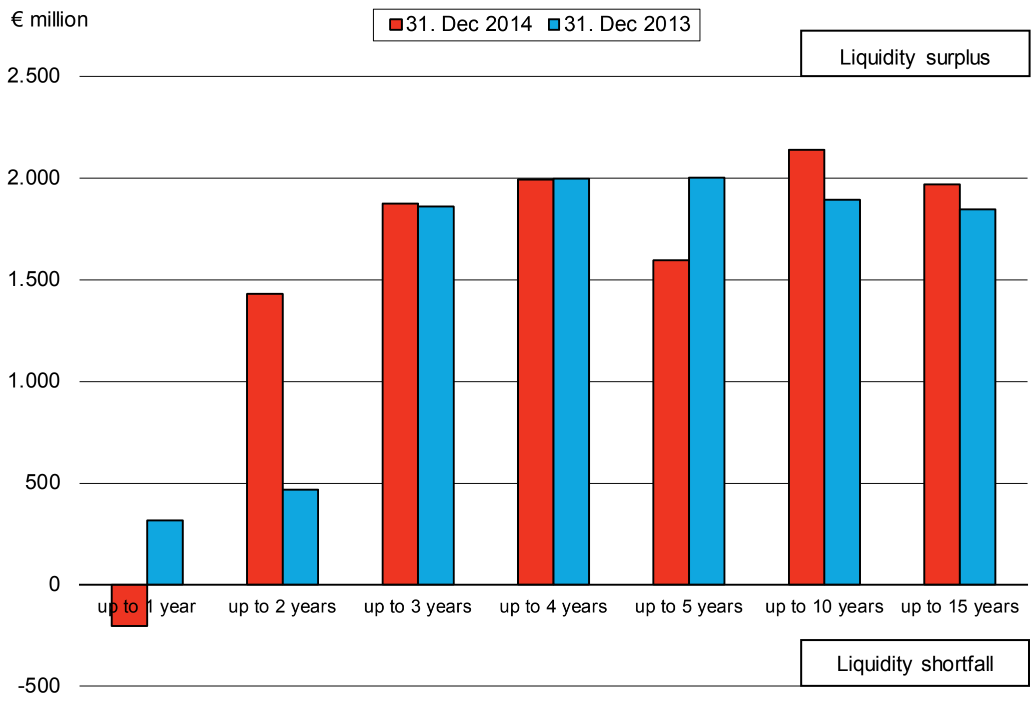
A comparison of cash and cash equivalents and payment obligations results in the liquidity ratio, which must be at least one in accordance with the German Liquidity Regulation (Liquiditätsverordnung, LiqV). This requirement was met throughout financial year 2014 and was 1.74 on 31 December 2014.

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

Cumulative liquidity maturity

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



Overall, the Bank's liquidity maturity balance sheet as at 31 December 2014 shows that the liquidity situation remains comfortable. Liquidity limits employed for management purposes were maintained at all times in the financial year.

Liabilities € m	Volume[1)] 31.12.2014	Share	Volume 31.12.2013	Share
Banks	11,186	35%	10,972	33%
Customers	9,027	28%	10,009	30%
Securitised liabilities	7,355	23%	8,000	24%
Capital	1,691	5%	1,748	5%
Remainder	2,880	9%	2,286	7%
Total liabilities	**32,139**		**33,015**	
Covered refinancing (total)	4,762	15%	5,030	15%
Öffentliche Pfandbriefe	3,717	78%	3,822	76%
Hypothekenpfandbriefe	852	18%	957	19%
Schiffspfandbriefe	193	4%	251	5%

[1)] Covered refinancing: nominal amount reported

The refinancing of Bremer Landesbank essentially consists of liabilities to banks at 35 per cent (previous year: 33 per cent), to customers at 28 per cent (previous year: 30 per cent) and securitised liabilities at 23 per cent (previous year: 24 per cent). As well as uncovered securities, Bremer Landesbank also uses covered securities, including Öffentliche Pfandbriefe, Hypothekenpfandbriefe and Schiffspfandbriefe. The proportion of Pfandbrief refinancing is 15 per cent (previous year: 15 per cent).

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.

In the year under review the Bank met the increased requirements by further expanding liquidity management and controlling within 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) totalled € 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 (excluding losses relating to lending)

Loss database	Share 31.12.2014	Share 31.12.2013
External events	4.8%	8.9%
Internal processes	56.3%	0.0%
Employees	37.3%	90.5%
Technology	1,6%	0.6%

Legal risks following a ruling by the Federal Court of Justice (Bundesgerichtshof) on the invalidity of cancellation policies for consumer loans 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 in reasonable proportion to the risk-bearing capacity of the Bank taking the implemented measures into account. 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 per cent as at 31 December 2014, is 78 per cent and is therefore above the previous year's level of 58 per cent 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 per cent, taking into account the entire risk capital.

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 in accordance with the 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 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 currently remains dependent on the continued uncertain development on 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. Furthermore, the ongoing discussion on the EU peripheral countries will have an impact on the current situation. However, Bremer Landesbank considers these influences to be manageable due to 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.

Consolidated Income Statement

Income Statement

	Notes	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Interest income		1,425	1,654	-14
Interest expenses		988	1,224	-19
Net interest income	**17**	**437**	**430**	**2**
Loan loss provisions	18	-271	-263	3
Net interest income after risk provisioning		**166**	**167**	**-1**
Commission income		50	49	2
Commission expenses		7	8	-12
Net commission income	**19**	**43**	**41**	**5**
Trading profit/loss		-14	49	<-100
Profit/loss from designated financial instruments		-1	-3	-67
Profit/loss from financial instruments at fair value through profit or loss	**20**	**-15**	**46**	**<-100**
Profit/loss from hedge accounting	21	11	2	>100
Profit/loss from financial assets	22	10	-4	>100
Profit/loss from financial assets accounted for using the equity method	23	5	8	-37
Administrative expenses	24	179	186	-4
Other operating profit/loss	25	2	-6	>100
Earnings before taxes		**43**	**68**	**-37**
Income taxes	26	12	19	-37
Consolidated profit		**31**	**49**	**-37**
of which: attributable to shareholders of the parent company		31	49	-37
of which: attributable to non-controlling interests		-	-	-

Statement of Comprehensive Income

Bremer Landesbank's total comprehensive income comprises income and expenses reported in other income as well as income and expenses reported in the income statement.

	Notes	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Consolidated profit		**31**	**49**	**-37**
Other comprehensive income that is not reclassified to the income statement in subsequent periods				
Revaluation of net debt from defined benefit plans		-118	4	<-100
Financial assets accounted for using the equity method - share of other income		-1	1	<-100
Deferred taxes	47	37	-1	>100
Other comprehensive income that is reclassified to the income statement in subsequent periods under certain conditions				
Change from Available for Sale (AfS) financial instruments				
Unrealised gains/losses		-6	17	<-100
Reclassifications due to realised gains/losses		-1	10	<-100
Deferred taxes	47	1	-7	>100
Other comprehensive income		**-88**	**24**	**<-100**
Total comprehensive income		**-57**	**73**	**<-100**
of which attributable to shareholders of the parent company		-57	73	<-100
of which: attributable to non-controlling interests		-	-	-

Please refer to Note 27 to the statement of comprehensive income for the distribution of deferred taxes across the individual components of the statement of comprehensive income.

Consolidated Balance Sheet

Assets

	Notes	31.12.2014 € m	31.12.2013 € m	Change %
Cash reserve	28	211	65	>100
Loans and advances to banks	29	3,637	4,180	-13
Loans and advances to customers	30	22,933	22,726	1
Risk provisioning	31	-857	-664	29
Adjustment item for financial instruments hedged in the fair value hedge portfolio	44	60	-	>100
Financial assets at fair value through profit or loss	32	780	1,048	-26
Positive fair values from hedge accounting derivatives	33	664	338	96
Financial assets	34	4,255	4,919	-13
Financial assets accounted for using the equity method	35	93	92	1
Property and equipment	36	75	66	14
Investment property	37	76	74	3
Intangible assets	38	10	8	25
Current income tax assets	39	1	7	-86
Deferred income taxes	39	152	106	43
Other assets	40	49	50	-2
Total assets		**32,139**	**33,015**	**-3**

Liabilities

	Notes	31.12.2014 € m	31.12.2013 € m	Change %
Liabilities to banks	41	11,186	10,972	2
Liabilities to customers	42	9,027	10,009	-10
Securitised liabilities	43	7,355	8,000	-8
Adjustment item for financial instruments hedged in the fair value hedge portfolio	44	307	135	>100
Financial liabilities at fair value through profit or loss	45	1,006	791	27
Negative fair values from hedge accounting derivatives	46	224	91	>100
Provisions	47	536	426	26
Current income tax liabilities	48	13	16	-19
Deferred income taxes	48	2	2	0
Other liabilities	49	37	67	-45
Subordinated capital	50	755	758	0
Equity	51	1,691	1,748	-3
Subscribed capital		265	265	0
Capital reserves		478	478	0
Retained earnings		902	953	-5
Revaluation reserve		46	52	-12
Equity attributable to BLB shareholders		1,691	1,748	-3
Non-controlling interests		-	-	-
Total liabilities		**32,139**	**33,015**	**-3**

Statement of Changes in Equity

Changes in equity

€ m	Notes	Sub-scribed capital	Capital reserve	Retained profit	Re-valua-tion reserve	Equity before minority interests	Minority interests	Consoli-dated equity
Equity 1.1.2013		**265**	**478**	**900**	**32**	**1,675**	**-**	**1,675**
Change in the fair value of AfS financial instruments		-	0	0	27	**27**	-	**27**
Financial assets accounted for using the equity method - share of other income	23	-	-	1	-	**1**	-	**1**
Revaluation of net debt from defined benefit plans		-	-	4	-	**4**	-	**4**
Deferred taxes on changes in value recognised directly in equity	26	-	-	-1	-7	**-8**	-	**-8**
Other comprehensive income		**0**	**0**	**4**	**20**	**24**	**-**	**24**
Consolidated profit		-	-	49	-	**49**	-	**49**
Total comprehensive income		**0**	**0**	**53**	**20**	**73**	**-**	**73**
Distributions		-	-	-	-	**-**	-	**-**
Capital increase		-	-	-	-	**-**	-	**-**
Equity 31.12.2013		**265**	**478**	**953**	**52**	**1,748**	**-**	**1,748**
Equity 1.1.2014		**265**	**478**	**953**	**52**	**1,748**	**-**	**1,748**
Change in the fair value of AfS financial instruments		-	0	0	-7	**-7**	-	**-7**
Financial assets accounted for using the equity method - share of other income	23	-	-	-1	-	**-1**	-	**-1**
Revaluation of net debt from defined benefit plans		-	-	-118	-	**-118**	-	**-118**
Deferred taxes on changes in value recognised directly in equity	26	-	-	37	1	**38**	-	**38**
Other comprehensive income		**0**	**0**	**-82**	**-6**	**-88**	**-**	**-88**
Consolidated profit		-	-	31	-	**31**	-	**31**
Total comprehensive income		**0**	**0**	**-51**	**-6**	**-57**	**-**	**-57**
Distributions		-	-	-	-	**-**	-	**-**
Capital increase		-	-	-	-	**-**	-	**-**
Equity 31.12.2014		**265**	**478**	**902**	**46**	**1,691**	**-**	**1,691**

Please refer to the explanations in Note (51) for more information.

Cash Flow Statement

€ m	Notes	1.1.-31.12.2014	1.1.-31.12.2013
Consolidated profit		**31**	**49**
Adjustment for non-cash items			
Depreciation, impairment and write-ups of property, plant and equipment, intangible assets and financial assets	24	5	2
Change in provisions		9	32
Profits/losses from the sale of financial assets, property and equipment and intangible assets		-10	4
Change in other non-cash items		181	131
Other adjustments (net)		-389	-372
Sub-total		**-173**	**-154**
Change in assets and liabilities from operating activities after adjustment for non-cash items			
Loans and advances to banks and customers	29+30	346	570
Trading book positions and hedge accounting derivatives		319	-61
Other assets from operating activities		76	0
Liabilities to banks and customers	41+42	-733	-1,193
Securitised liabilities		-618	-385
Other liabilities from operating activities		-53	-35
Interest received		1,370	1,653
Dividends received		5	11
Interest paid		-996	-1,290
Income tax paid		-18	-10
Cash flow from operating activities	**26**	**-475**	**-894**
Cash receipts from the disposal of			
Financial assets	22	1,072	900
Property and equipment and intangible assets	8+11	2	0
Cash payments for the acquisition of			
Financial assets		-409	-16
Property and equipment and intangible assets		-24	-12
Cash receipts from the disposal of consolidated companies and other business units		0	0
Cash flow from investment activities		**641**	**872**
Cash receipts from equity capital contributions		0	0
Cash receipts from the raising of subordinated capital		0	50
Cash payments to owners and non-controlling interests (dividends)		0	0
Repayment of subordinated capital		0	0
Interest paid for subordinated capital		-20	-39
Cash flow from financing activities		**-20**	**11**
Funds at the end of the previous period		65	76
Cash flow from operating activities		-475	-894
Cash flow from investment activities		641	872
Cash flow from financing activities		-20	11
Funds at the end of the period	**28**	**211**	**65**

You will find information on the cash flow statement under Note (52).

Notes to the Consolidated Financial Statements

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, Oldenburg (Bremer Landesbank) (Domshof 26, 28195 Bremen) has its registered office in Bremen (local court of Bremen; HRA no. 22159), Germany, and has branches in Bremen and Oldenburg. NORD/LB Norddeutsche Landesbank – Girozentrale holds 54.8343 per cent of the share capital, the state of Bremen holds 41.2000 per cent and the Savings Banks Association of Lower Saxony holds 3.9657 per cent. NORD/LB is the direct and ultimate parent company of Bremer Landesbank.

Accounting Policies

(1) Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, Oldenburg (Bremer Landesbank) as at 31 December 2014 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the EU. The standards published and adopted by the European Union as at the balance sheet date were applied. The national provisions of the German Commercial Code were also observed in accordance with § 315a of the German Commercial Code.

The consolidated financial statements as at 31 December 2014 comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the statement of changes in equity, the cash flow statement and the notes. The segment report is contained in Note (16). Risk reporting in accordance with IFRS 7 is chiefly contained in a separate report on the opportunities and risks relating to future development as part of the Group management report.

Assets are always measured at amortised cost. Financial instruments in accordance with IAS 39 are exempt from this and valued at fair value. Recognition and valuation were performed on a going concern basis. Income and expenses are apportioned on a pro rata temporis basis. They are recognised and reported in the period to which they are attributable. Significant accounting policies are described below.

Estimates and judgments by management required under IFRS accounting are made in accordance with the respective standard, are continuously reviewed and are based on experience and other factors, including expectations as to future events which appear reasonable under prevailing circumstances. Estimates and judgements are made with regard to the following matters, in particular: determining the fair values of Level 2 and Level 3 financial assets and liabilities, including assessing the existence of an active or inactive market (Notes (6) and (53)), measurement of pension provisions in terms of determining the underlying parameters, gauging loan loss provisions in relation to future cash flows, determining deferred tax assets with regard to the recoverability of unused tax losses (Notes (14) and (48)).

Where estimates were required on a larger scale, the assumptions made are presented. The estimates and judgments themselves and the underlying judgment factors and estimation methods are reviewed regularly and compared with actual events. Provided that a change refers to a single period only, changes in estimates are only taken into account for this period; if a change refers to the current and the following reporting periods, it is considered in this and in the following periods.

Apart from the estimates, the following important discretionary decisions by management should be noted in reference to the accounting and valuation in the Group: There is no categorisation of financial instruments as held to maturity (HtM) (Note (6)), no application of the reclassification rules of IAS 39 (Note (6)); there is a separation of finance leases and operating leases (Note (9)), disclosure of provisions (Note (12) and (13)), and there are designated assets held for sale and an evaluation of control in the case of shares in companies (Note (3)).

The reporting currency for the consolidated financial statements is the euro. All amounts are rounded in millions of euros (€ m), unless otherwise indicated.

These consolidated financial statements were signed by the Managing Board and released for distribution to the Supervisory Board on 17 March 2015.

(2) Applied IFRSs

All standards, interpretations and amendments which were endorsed by the EU and are relevant for the Bremer Landesbank Group in financial year 2014 have been applied in these consolidated financial statements.

In the period under review, the following standards and changes in standards were considered in the Bremer Landesbank Group for the first time on 1 January 2014:

- **IFRS 10 Consolidated Financial Statements**

  IFRS 10 was published in May 2011 and changed the definition of control, creating uniform rules for the determination of control for subsidiaries, including structured entities, which are the basis for an evaluation of the consolidation duty. According to IFRS 10, control is present when the potential parent company currently has the power to decide upon the relevant activities of the potential subsidiary, is exposed to the positive or negative variable returns of the potential subsidiary and has rights and the ability to influence these returns through its decision-making power. The standard replaces the rules of the former IAS 27 and SIC 12 that relate to this.
  The Bremer Landesbank Group prepared the first-time application of IFRS 10 beginning in August 2011 as part of a project and reassessed the control of its affiliated companies and loan-financed project companies as at 1 January 2014 in accordance with the transition regulations of IFRS 10. A focal point in the evaluation was the significance of traditional lender rights and collateral in

relation to the borrower. As a result of the international discussion on this subject, the lender's property rights as contained in a loan agreement can turn into participation rights under certain conditions and can give the lender decision-making power. An evaluation in accordance with IFRS 10 showed that the Bremer Landesbank Group does not control any loan-financed project companies.

- **IFRS 11 Joint Arrangements**

IAS 31 Interests in Joint Ventures was replaced by IFRS 11, which was published in May 2011 and is effective as of 1 January 2014. This regulates the recognition of facts when an entity has joint control over a joint venture or runs a joint operation. There are two major changes compared with the previous standard. The option to account for joint ventures using proportionate consolidation has been removed, i.e. joint ventures must now be accounted for using the equity method as in IAS 28. On the other hand, the new category of joint operations was included. In this case, the assets and liabilities of the joint operation attributable to the Group are reported in the consolidated financial statements.
The retrospective first-time application of IFRS 11 does not result in any need for adjustments to the Bremer Landesbank consolidated financial statements.

- **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 combines the disclosure requirements relating to subsidiaries, joint ventures, associates and unconsolidated structured entities in one standard. The objective is the disclosure of information on the nature of control over the aforementioned companies and the associated risks and the effects resulting from the possible control on the balance sheet, income statement and cash flow. For the first time, disclosures on non-consolidated, structured entities must also be published. The Bremer Landesbank Group complied with the expanded disclosure requirements resulting from IFRS 12.

- **Consolidated Financial Statements, Joint Arrangements and Disclosures concerning Shares in Other Companies: Transition Guidelines (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

IASB published amendments in June 2012, which will lead to a specification and clarification of the transition requirements in IFRS 10 Consolidated Financial Statements. In addition, some relief is granted with only the reference figures for the immediately preceding reference period having to be adjusted and the disclosure requirement for comparative information on non-consolidated structured entities upon initial application of IFRS 12 being struck. The transition guidelines for the first-time application of IFRS 12 result in simplifications for the Bremer Landesbank Group.

- **IAS 28 (amended 2011) Investments in Associates and Joint Ventures**

  The IASB published the amended IAS 28 Investments in Associates and Joint Ventures in May 2011. This standard includes rules on the use of the equity method for the accounting of associates and joint ventures. This is primarily a consequential amendment to extend the scope in conjunction with IFRS 11. Another change involves accounting in accordance with IFRS 5, if only a portion of an investment in associates or a joint venture is designated for sale. IFRS 5 must be applied to the share for sale, while the other (retained) share is reported in accordance with the equity method until sale.
  The amendment to IAS 28 will not have any effect on the Bremer Landesbank Group.

- **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities**

  In December 2011 the IASB clarified its requirements for the offsetting of financial instruments with the publication of amendments to IAS 32 – Financial instruments: Presentation. The amendments essentially put guidelines regarding application into more specific terms and should eliminate the current inconsistencies regarding the application of the offsetting criteria. In particular the meaning of "currently has a legally enforceable right of set-off" and the conditions for systems with gross settlement as an equivalent to net settlement are explained.
  The amendment to IAS 32 does not have any effect on the consolidated financial statements as at 31 December 2014.

- **Amendments to IAS 36 – Impairment of Assets – Disclosure on the Achievable Amount for Non-financial Assets**

  These amendments led to a correction of the disclosures introduced with IFRS 13 with regard to the recoverable amount of the cash generating units. Furthermore, new disclosure obligations were introduced in the event that there is an impairment or a reversal of value, and the recoverable amount was determined on the basis of the fair value less the costs of disposal.
  The amendment of IAS 36 does not have any effect on the consolidated financial statements as at 31 December 2014.

- **Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting**

  With the amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting published in June 2013, the IASB makes it clear that the novation of a derivative with a central counterparty is to be reported as a derecognition of the original derivative and an addition of the novated derivative. A novation is an agreement between the contract parties of a derivative, that one or more central counterparties replace the original counterparties to become a new counterparty for each original contract party. The term central counterparty also includes companies, e.g. members of a clearing house or clearing companies or customers of both, which act as a contract party in order to achieve the

settlement of a payment (clearing) by a central counterparty. With the novation of a derivative, under certain conditions the hedge relationship can continue despite the change in counterparty.
The application of this new rule had no effect on Bremer Landesbank's consolidated financial statements.

The following standards and amendments adopted into European law before the preparation of the consolidated financial statements which do not have to be implemented by the Bremer Landesbank Group until after 31 December 2014 were not prematurely applied:

- **IFRIC 21 Levies**

  In May 2013 the IASB published IFRIC 21 as an interpretation of IAS 37 concerning levies, which essentially regulates which government-imposed levies need to be recognised and when a present liability needs to be recognised.
  Due to its adoption into EU law, IFRIC 21 is applicable for the first time for the Bremer Landesbank Group as of 1 January 2015 with retrospective effect.
  In terms of content, IFRIC 21 relates to the bank levy to be paid by Bremer Landesbank. However, this will not have a significant impact on the reporting of the bank levy in Bremer Landesbank’s consolidated financial statements. For details on the bank levy, please see Note (25) Other Operating Profit/Loss.

- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

  The amendment of IAS 19 Employee Benefits, which was published in November 2013, clarifies the requirements that address the classification of employee contributions and contributions by third parties for service periods if the contributions are linked to the service period. In addition, it allows relief if the amount of the contributions is independent of the number of years of service. The amendments are effective for financial years beginning on or after 1 February 2015.
  The amendments to IAS 19 are not expected to have a significant impact on Bremer Landesbank’s consolidated financial statements .

In addition, the following amendments or revised standards were not applied early:

- **Improvements in IFRS (cycle 2010 - 2012) as part of the IASB’s Annual Improvement Project**

  In the Annual Improvement Project, amendments were made to seven standards. The adjustment of the wording in individual IFRSs should clarify the existing rules. There are also changes with an impact on the disclosures in the notes to the financial statements. The standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 are affected.
  The amendments will be effective in financial years beginning on or after 1 February 2015.

- **Improvements in IFRS (cycle 2011 - 2013) as part of the IASB's Annual Improvement Project**

  As part of Annual Improvement Project, amendments were made to four standards. The adjustment of the wording in individual IFRSs should clarify the existing rules. The standards IFRS 1, IFRS 3, IFRS 13 and IAS 40 are affected.
  The amendments will be effective in financial years beginning on or after 1 January 2015.

The following standards, standard amendments and interpretations had not yet been adopted into European law by the EU Commission at the time the consolidated financial statements were prepared:

- **IFRS 9 Financial Instruments**

  The IASB completed its project to replace IAS 39 with the publication of the final version of IFRS 9 Financial Instruments. IFRS 9 contains rules in particular for the following areas:

  Categorisation and measurement of financial assets and financial liabilities

  In November 2012 a second draft on the amendment of the categorisation and measurement rules of IFRS 9 contained in particular the proposal (compared to the first published version) to introduce a further, third measurement model for financial assets in the form of debt instruments. This provides for a valuation of instruments at fair value with the changes in value recognised in other comprehensive income (OCI). The content of this amendment to the categorisation and measurement provisions was included in the final standard. The categorisation will in future be based on the reporting entity's business model and the contractually agreed cash flows of the asset. Furthermore the rules for embedded derivatives and reclassification have also been modified.
  The rules for financial liabilities are largely unchanged compared with IAS 39. The main difference from the previous regulation concerns the use of the fair value option. The rating-induced changes in the valuation of financial liabilities will be shown under other comprehensive income in future; the remaining changes in valuation will continue to be reported in the income statement.

  Expected Credit Losses

  The second phase covers financial instruments, loan commitments and financial guarantees. The new impairment model moves away from the concept of incurred loss towards the concept of expected loss. Based on the new impairment model, financial instruments, loan commitments and financial guarantees will, depending on the change in their credit quality, be divided into three stages. The calculation of the expected loan loss will depend on the stage to which a financial instrument, loan commitment or financial guarantee has been allocated. In Stage 1 the expected loan losses will be calculated in the amount of the expected loss with a time horizon of one year. In Stages 2 and 3 the expected loan loss will be calculated over the whole residual term to maturity (lifetime expected loss).

General Hedge Accounting

For Phase 3 concerning Hedge Accounting, the IASB had decided to divide this issue into two sections, General Hedge Accounting (Phase 3a) and Macro Hedge Accounting (Phase 3b). In the fourth quarter of 2013 a standard for General Hedge Accounting was published. A draft for Macro Hedge Accounting is now not expected to be published before 2018. Until then the provisions of IAS 39 concerning the fair value hedge accounting for a portfolio hedge of interest rate risk will remain and will not be transferred into IFRS 9. The standard for General Hedge Accounting pursues the goal of reflecting operational risk management in the financial reporting of hedging relationships in closed portfolios more strongly than before. In this connection, compared to the provisions in IAS 39, the role of qualitative application criteria were strengthened compared to quantitative application criteria. In addition, the group of underlying and hedging transactions which are eligible for hedge accounting was extended significantly and additional designation options were created. With regard to the effectiveness of the hedges, in future a rigid percentage effectiveness threshold will no longer be relied on.

IFRS 9, subject to adoption into European law, will be effective for financial years beginning on or after 1 January 2018.

It is expected that IFRS 9 will have a significant impact on the accounting, measurement and reporting in future consolidated financial statements. The potential impact in the Bremer Landesbank Group will be quantified when the implementation project resumes in 2016.

- **IFRS 15 Revenue from Contracts with Customers**

IASB and FASB published a joint accounting standard on the recognition of revenue in May 2014, which combines a number of the previous rules and at the same time sets uniform basic principles that are applicable to all sectors and all categories of revenue transactions. As well as introducing a new five-step model to determine the revenue to be recognised, the standard also includes rules for issues such as transactions with multiple elements and the treatment of service contracts and contract amendments, as well as a number of new disclosure requirements.

IFRS 15 will replace the content of IAS 18 Revenue and IAS 11 Construction Contracts as well as the interpretations of IFRIC 13, IFRIC 15 and IFRIC 18 and SIC 31, and be effective, subject to adoption into European law, for reporting periods beginning on or after 1 January 2017.

The areas of the Bremer Landesbank potentially affected by the new standard for the recognition of revenue are currently being analysed with regard to the possible impact. It will not be possible to determine the extent to which there will be a change in the current accounting practice due to the new rules in IFRS 15 until the analysis has been completed.

- **Amendments to IAS 1 Presentation of Financial Statements**

  With the amendment to the standard published on 18 December 2014, the initial immediately implementable proposals to amend IAS 1 Presentation of Financial Statements were implemented. The amendments stress the concept of materiality in order to improve the disclosure of relevant information in IFRS financial statements. This should be achieved by the non-disclosure of immaterial information, allowing additional subtotals and greater flexibility in the structure of the notes to the financial statements. Furthermore, it provides a clarification of the breakdown of other comprehensive income (OCI) in the statement of comprehensive income.
  The amendments, subject to adoption into EU law, are effective for financial years beginning on or after 1 January 2016.
  The amendments to IAS 1 will have no impact on the consolidated financial statements of Bremer Landesbank.

The following amendments to standards have not yet been adopted into European law:

- **Amendments to IFRS 10 and IAS 28 Sales or Contributions of Assets between an Investor and its Associate/Joint Venture**

  The amendments address a known inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the event of the sale of assets to an associate or a joint venture or the contribution of assets to an associate or a joint venture.
  In accordance with IFRS 10, a parent company must recognise in full the profit or loss from the sale of a subsidiary in the income statement when it loses the possibility of control. By contrast, the currently applicable IAS 28.28 requires that the profit on the sale in a transaction involving the sale of a company between an investor and an investment accounted for using the equity method (whether an associate or a joint venture company) is recognised solely in the amount of the share of the other party in this company.
  In future, the entire profit or loss from a transaction will only be recognised if the sold or contributed assets represent a business operation in the sense of IFRS 3. This will be the case regardless of whether the transaction is in the form of a share or an asset deal. If the assets are not a business operation, only a proportionate recognition of the profit is permitted.
  The amendments are, subject to adoption into EU law, applicable for the first time in financial years that begin on or after 1 January 2016.

- **Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations**

  IFRS 11 contains rules on the accounting and recognition of profits in the case of joint ventures and joint operations. While joint ventures are accounted for using the equity method, the disclosure of joint operations, as set forth in IFRS 11, is comparable with proportionate consolidation.
  With the amendment to IFRS 11, the IASB regulates the accounting of a purchase of shares in a joint operation that represents a business operation in terms of IFRS 3 Business Combinations. In

such cases, the purchaser should apply the principles for the accounting of business combinations in accordance with IFRS 3. Furthermore, the disclosure obligations of IFRS 3 also apply in these cases.
The amendments are, subject to adoption into EU law, effective for the first time in financial years that begin on or after 1 January 2016.

- **Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation**

  With these amendments, IASB provides additional guidelines for acceptable methods of depreciation. Revenue-based depreciation methods are not permitted for property and equipment, and are only permitted in certain exceptional cases (rebuttable presumption of inappropriateness) for intangible assets.
  The amendments are, subject to adoption into EU law, applicable for the first time in financial years that begin on or after 1 January 2016.

- **Improvements in IFRS (cycle 2012 - 2014) as part of the IASB's Annual Improvement Project**

  As part of Annual Improvement Project, amendments were made to four standards. The adjustment of the wording in individual IFRSs/IASs should clarify the existing rules. The standards IFRS 5, IFRS 7, IAS 19 and IAS 34 are affected.
  The amendments are, subject to adoption into EU law, applicable for the first time in financial years that begin on or after 1 January 2016.

These amendments to the standard are not expected to have any significant impact on Bremer Landesbank's consolidated financial statements.

The amendments to standards described above are expected to be implemented on the dates when their application first becomes mandatory.

(3) Consolidation Principles

The Bremer Landesbank Group's consolidated financial statements, prepared in accordance with uniform Group accounting policies, comprise the financial statements of the parent company Bremer Landesbank and the subsidiaries controlled by it. Control is present when a parent company possesses decision-making power over the significant business activities of another company, has a claim or a right to variable returns and can influence the amount of these variable returns through its decision-making power.

In addition to original investments, the Group also examines its customer relationships for circumstances of control.

The evaluation as to whether the Group controls loan-financed project companies that have financial difficulties, e.g., due to the ongoing difficult situation in the shipping markets, and therefore must be included in the consolidated financial statements as subsidiaries represents a significant discretionary decision. The Group is constantly exposed to variable returns due to its loan relationship with companies. To answer the question of whether the Group controls the respective company, it needs to be determined whether it has decision-making power over the company due to its rights from the credit agreement or whether the shareholders assume the position as principal or as agent of Bremer Landesbank. The Bank assesses the latter on the basis of the following three factors: (1) Type and scope of the participation of the shareholders in the opportunities and risks of the company, (2) scope of the decision-making power and (3) termination rights of the bank. The Group reassesses the consolidation obligation if a credit event (event of default) occurred or the structure of the company changed.

Business combinations are accounted for using the acquisition method. All assets and liabilities of subsidiaries are recognised at fair value, taking deferred taxes into account, on the date on which control is acquired. In the initial consolidation, any resulting goodwill is reported under intangible assets. Goodwill is reviewed at least annually for impairment and may be subject to unscheduled depreciation. Shares in the equity of subsidiaries which are not attributable to the parent company are reported as non-controlling interests under consolidated equity.

Intercompany receivables and liabilities, expenses and income are eliminated. Intercompany profits and losses are also eliminated during consolidation.

The profits/losses of subsidiaries acquired or disposed of during the course of the year are included in the income statement from the date of acquisition or until the date of disposal.

A joint venture is a joint agreement where the parties that hold the joint leadership of the agreement possess the rights to the net assets of the agreement.

An associate is a company over which the investor has significant influence.

Joint ventures and associates are measured using the equity method and are reported as investments accounted for using the equity method. In accordance with the equity method, the Bremer Landesbank Group's shares in associates or joint ventures are initially recognised at acquisition cost. Afterwards, the stake is increased or decreased by the Group's share in the profits or losses or other earnings of the associate or joint venture. If the Bremer Landesbank Group's stake in the losses of an associate or a joint venture corresponds to the value of the stake in this company or exceeds it, no other loss components will be recognised unless the Group has entered into legal or factual obligations or makes payments to the place of the company valued at equity.

If a Group company transacts business with a joint venture or associate, profits and losses are eliminated in proportion to the Group's share in the respective entity.

An entity is deconsolidated on the date on which control or significant influence ceases to exist.

(4) Basis of Consolidation

In addition to Bremer Landesbank as the parent company, the following subsidiaries in which Bremer Landesbank directly or indirectly holds more than 50 per cent of the voting rights or may otherwise exercise control are consolidated:

- BLB Immobilien GmbH, Bremen
- BLB Leasing GmbH, Oldenburg
- Bremische Grundstücks-GmbH, Bremen
- Nordwest Vermögen Bremische Grundstücks-GmbH & Co. KG, Bremen
- Nordwest Vermögen Vermietungs-GmbH & Co. KG, Bremen
- BLBI Investment GmbH Co. KG, Bremen
- BLB Grundbesitz KG, Bremen

In 2014 BLB Grundbesitz KG, Oldenburg, which acts as an investment holding company, acquired a further investment in a bank.

As in the previous year, the following affiliated companies were accounted for using the equity method in accordance with IAS 28:

- DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen
- BREBAU GmbH, Bremen
- Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede
- GSG Oldenburg Bau- und Wohngesellschaft mbH, Oldenburg
- Lazard-Sparkassen Rendite-Plus-Fonds

The affiliated company Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede, was accounted for using the equity method with a different balance sheet date (31 December 2013) as the company does not prepare its financial statements until after the Bremer Landesbank Group.

Subsidiaries and affiliated companies as well as equity investments are shown in the list of shareholdings (Note (82))

(5) Currency Translation

Monetary assets and liabilities in foreign currencies and non-monetary items measured at fair value are translated using the ECB reference rates as at the valuation date. Non-monetary items measured at cost are recognised using historical rates. Expenses and income in foreign currencies are translated using market exchange rates. Currency differences relating to monetary items are reported in the income statement; such differences relating to non-monetary items are recognised either at profit or loss under other comprehensive income or in the income statement.

There are no consolidated foreign subsidiaries whose functional currency is not the euro.

(6) Financial Instruments

A financial instrument is a contract that results in a financial asset for one entity and a financial liability or equity instrument for another entity. Financial instruments at Bremer Landesbank are reported accordingly in the balance sheet. In accordance with IAS 39 they are allocated to the holding categories and measured depending on their classification.

Financial instruments include financial guarantees as defined in IAS 39.

Classification in accordance with IFRS 7.6 is in line with the IAS 39 holding categories which correspond to individual balance sheet items. The cash reserve, hedge accounting derivatives, financial guarantees and irrevocable loan commitments each form additional classes. The explanations of the composition of these items allow the classes to be reconciled with the balance sheet items. The risk classes under IFRS 13 are based on the balance sheet items and are presented in Note (53).

Addition and disposal of financial instruments

A financial asset or a financial liability is recognised in the balance sheet when the Group becomes a party to a contract in accordance with the contractual provisions of the financial instrument. In regular cash purchases or sales of financial assets, the trade date and the settlement date usually differ. Such regular cash purchases or sales can be accounted for using either trade date accounting or settlement date accounting. Trade date accounting is used for the recognition and disposal of all financial assets within the Group.

The derecognition rules of IAS 39 are based on both the concept of risks and rewards and the concept of control. However, the evaluation of the risks and rewards of ownership precedes the evaluation of the transfer of control for all derecognition transactions.

The continuing involvement approach is employed when risks and rewards are only partly transferred and control is retained. In this case, a financial asset is recognised to the extent of the Group's continuing involvement using special accounting policies. The extent of continuing involvement is determined by the extent to which the Group continues to bear the risk of changes in the value of the asset transferred.

A financial liability (or a part of a financial liability) is derecognised when the liability has been extinguished, i.e., when the obligations specified in the contract have been discharged or cancelled or have expired. The repurchase of the Bank's own debt instruments is also included in the derecognition of financial liabilities. Differences between the carrying amount of a liability (including premiums and discounts) and the purchase price on repurchase are recognised through profit or loss; a new financial liability whose cost is equivalent to the amount of sales proceeds will arise upon resale at a later date. Differences between this new cost and the amount repaid are spread over the remaining term of the debt instrument in accordance with the effective interest method.

Classification of financial assets and liabilities and their measurement

Financial assets and financial liabilities are initially recognised at fair value. The net method is used for financial guarantees reported in the consolidated financial statements. For financial instruments in the categories LaR, held to maturity (HtM), AfS and other liabilities (OL), transaction costs are included in the cost if they are directly attributable. They are added to the nominal value or the amount repayable as part of allocation of premiums and discounts using the effective interest method. For financial instruments classified as AFV the transaction costs are recognised immediately through profit or loss.

Subsequent measurement of financial assets and financial liabilities is contingent on the IAS 39 category to which the assets or liabilities were classified on the date of acquisition.

Loans and receivables (LaR)

Non-derivative financial assets with fixed or determinable payments which are not listed in an active market are allocated to this category provided they have not been classified as AfVs or AfSs. The LaR category is the largest in the Group as it comprises the entire traditional credit and lending business. Subsequent measurement is at amortised cost using the effective interest method. Premiums and discounts are recognised in profit or loss over the term. On each balance sheet date and if there is an indication of a potential impairment, LaRs are tested for impairment and written down if necessary (see Note (31)). In the event of an impairment, this is recognised in profit or loss when calculating amortised cost. Reversals of impairment losses are recognised in profit or loss. Impairment losses can be reversed up to the amount of the amortised cost which would have been recognised on the date of measurement had impairment losses not been charged. Interest income is recognised in net interest income; commission income is recognised in net commission income.

Held to maturity (HtM)

Non-derivative financial assets with fixed or determinable payments and a fixed term are classified in this category if they are intended and able to be held until maturity. Classification can be performed if the AfVs are categorised as AfSs or LaRs. Subsequent measurement is at amortised cost using the effective interest method. The HtM category is currently not used in the consolidated financial statements.

Financial assets or financial liabilities at fair value through profit or loss (AfV)

This category comprises two sub-categories:

Held for trading (HfT)

This sub-category comprises financial instruments (trading assets and trading liabilities) acquired with the intention of generating profits from short-term purchases and sales and contains all the derivatives which are not hedging instruments for the purposes of hedge accounting. Trading assets mainly comprise bonds and debt securities and derivatives with a positive fair value. Trading liabilities mainly comprise derivatives with a negative fair value. Trading assets and trading liabilities are recognised at fair value through profit or loss upon subsequent measurement. Premiums and discounts are not separately amortised at constant effective interest rates. Interest income and expenses are reported under net interest income. Effects from changes in the fair value and the net commission income are reported in financial instruments at fair value through profit or loss.

Designated at fair value through profit or loss

Any financial instrument can be allocated to this sub-category, known as the fair value option, provided that certain requirements are met. Exercising the fair value option eliminates or significantly reduces the recognition and measurement mismatches which stem from different measurement methods (e.g., from accounting for economic hedging relationships without the restrictive requirements of hedge accounting). Allocation to this category also means that hybrid (combined) products do not need to be separated. Information on the nature and scope of the application of the fair value option in the Group is provided in Note (64). Financial instruments for which the fair value option is exercised are reported in the respective balance sheet items and are measured at fair value through profit or loss upon subsequent measurement. There is no amortisation at constant effective interest rates in net interest income. Interest income and expenses are reported under net interest income. Results from the fair value measurement and the net commission income are reported in financial instruments at fair value through profit or loss.

Available-for-sale financial assets (AfS)

All non-derivative financial assets which have not been assigned to any of the above categories are allocated to this category. It primarily comprises bonds and debt securities, shares and equity investments that are not measured in accordance with IFRS 10, IFRS 11 or IAS 28. Subsequent measurement is at fair value; if the fair value of financial investments in equity instruments, such as certain shares or investments that do not have a quoted price in an active market (and the related derivatives), is not reliably measurable, such assets are measured at cost. The profit/loss from measurement at fair value is recognised under other comprehensive income in a separate equity item (revaluation reserve). In the event of the sale of the financial asset, the cumulative valuation result recognised in the revaluation reserve are reversed and recognised in the income statement.

Differences between the cost and amount repayable in the case of debt instruments are amortised through profit or loss using the effective interest method. Interest income is recognised in net interest income; commission income is recognised in net commission income.

An impairment only takes place if there is a rating-induced impairment. The review of a rating-induced impairment is made on the basis of certain objective factors. In this connection, objective factors are trigger events listed in IAS 39 such as particularly serious financial difficulties for the issuer or debtor or a breach of contract, as well as a default or a delay in interest or principal payments. For equity instruments, a significant or permanent decline in the fair value below the acquisition cost is an objective indication of an impairment.

For rating-induced impairments, the difference between the carrying amount and the current fair value is recognised in the income statement. Reversals of impairment losses for debt instruments are recognised through profit or loss in the income statement and also in other comprehensive income (OCI) for the portion of the reversal that corresponds to the impaired amount. Reversals of impairment losses for equity instruments, if not measured at acquisition cost, are always recognised in other comprehensive income (OCI).

Other liabilities (OL)

This category includes in particular liabilities to banks and to customers, securitised liabilities and subordinated capital. Subsequent measurement is at amortised cost using the effective interest method. Interest expenses are recognised in net interest income; commission expenses are recognised in net commission income.

The carrying amounts and net results for each measurement category can be found in Notes (54) and (55).

Reclassification

In accordance with the provisions of IAS 39, reclassifications of financial instruments from the category of HfT (held for trading) to the categories of LaR, HtM and AfS, or reclassifications from the category of AfS to LaR and HtM are permitted under certain circumstances. The Bremer Landesbank Group did not make use of the reclassification option rights.

Measurement of fair value

The unit underlying the determination of the value of financial instruments (unit of account) is always determined using IAS 39. In the Bremer Landesbank Group, the individual financial instrument represents the valuation unit unless IFRS 13 provides for any exceptions.

The fair value of financial instruments in accordance with IAS 39 in conjunction with IFRS 13 reflects the price at which an asset can be sold or a liability transferred in the course of a standard transaction between market participants on the valuation date, i.e. the fair value is a market-related and not a company-specific value. In accordance with IFRS 13 the fair value is the price that can either be directly observed or a price determined using a valuation method that would be achieved in a standard transaction, i.e. a sale or a transfer on the main market or most advantageous market on the valuation date. This is therefore an exit price, i.e. the valuation on the valuation date is always subject to a fictitious possible market transaction. If a main market exists, the price on this market represents the fair value, irrespective of whether the price can be directly observed or is determined on the basis of a valuation method. This also applies if the price on a different market is potentially more advantageous.

a) Financial instruments reported at fair value in the balance sheet

The Bremer Landesbank Group uses the 3-level fair value hierarchy and terminology of IFRS 13: Level 1 (mark to market), Level 2 (mark to matrix) and Level 3 (mark to model).

The level is determined by the inputs used for measurement and reflects the significance of the variables used in the measurement of the fair value. If when determining the fair value input data from different levels of the hierarchy is used, the resulting fair value of the respective financial instrument is allocated to the lowest level with input data that has a significant impact on the fair value measurement.

Level 1

Under the fair value hierarchy, a financial instrument is categorised in Level 1 if it is traded on an active market and is used to establish the fair value of publicly listed market prices or prices actually traded on the over-the-counter market (OTC market). If no market prices or prices actually traded on the OTC market are available, the feasible prices quoted by dealers or brokers are used for measurement purposes in the valuation, with prices quoted by other banks or market makers being applied when price sources other than stock exchange quoted prices are used. These instruments are then assigned to Level 1 if there is an active market for these broker quotes, i.e. that bid-ask spreads are narrow and there are several providers of prices whose prices differ only partially. If the broker quotations are for (mixed) prices or if the price is established on a non-active market, these are not assigned to Level 1, but to Level 2 of the measurement hierarchy, if the quotations concern binding offers, observable prices or market transactions.

The Level 1 prices are adopted without any adjustment. Level 1 financial instruments include trading assets as well as financial assets reported at fair value.

Level 2

In the event that no price quotes are available in active markets, fair value is measured using recognised valuation methods or models or using external pricing services, provided that valuation is carried out either fully or to a substantial extent using observable input data such as spread curves (Level 2). For measuring financial instruments, these methods include valuation models which are established on the market under normal market conditions (e.g., discounted cash flow method & White model for options) whose calculations are always based on inputs available on the market. Factors which market players would have considered in quoting prices are considered in the valuation process. Wherever possible, the relevant inputs are taken from the markets on which the instruments were issued or acquired.

Valuation models are employed primarily for OTC derivatives and for securities in inactive markets. Various parameters such as market prices and other market listings, risk-free yield curves, risk surcharges, exchange rates and volatilities flow into the models. The parameters for the models are always chosen using prevailing market methods.

Market data which forms the basis of risk controlling is generally applied for these Level 2 measurements.

For securities on the assets side for which there is no active market and for which measurement can no longer be based on market prices, fair value is determined on the basis of discounted cash flows for measurement purposes. For the discounted cash flow methods, all payments are discounted by using a risk-free yield curve adjusted to the credit spread. Spreads are determined on the basis of comparable financial instruments (e.g. comparable in terms of the respective market segment and the issuer’s credit rating).

The financial instruments within the Bremer Landesbank Group that should be measured in this way are identified individually with a subsequent division into active and inactive markets. A change in the assessment of the market is continuously used for the measurement. The identification, analysis and valuation of financial instruments in inactive markets take place in several areas of the Group, whereby the inactivity is assessed as objectively as possible. The valuation model for financial instruments for which there are no usable quoted prices on active markets is based on term-specific interest rates, the credit rating of the respective issuer and if relevant further components such as foreign currency premiums.

Level 2 financial instruments include trading assets and liabilities, hedge accounting derivatives, other assets as well as financial assets reported at fair value.

As at the balance sheet date, no CDS spreads were available for the CDSs held, all of which follow the old CDS protocol. This is because, since the launch of the new CDS protocol, CDS prices are only quoted for CDSs under the new protocol. The fair values of the CDSs held are therefore determined on the basis of the spreads for comparable CDSs quoted under the new protocol. CDSs valued in this way are assigned to Level 2.

Level 3

Financial instruments for which there is no longer an active market and for which measurement can no longer be based completely on observable market parameters are allocated to Level 3. As compared and opposed to Level 2 measurement, under the Level 3 measurement both bank-specific models are used and data included to a substantial extent which is not observable in the markets. The input parameters used in these methods contain assumptions about cash flows, loss estimates and the discount interest rate and are collected as close to the market as possible.

Level 3 financial instruments include financial assets recognised at fair value.

Fair value measurement

All the valuation models used in the Group are reviewed periodically. The fair values are subject to internal controls and procedures in the Bremer Landesbank Group. These controls and procedures are performed or coordinated in the department of Finance/Risk Control. The models, the data included and the resulting fair values are reviewed regularly.

In measuring the value all relevant factors such as bid-ask spread, counterparty default risks or discounting factors that are typical for the business are properly taken into account. In the context of the bid-ask spread a valuation is always performed using the average price or average notation. Affected financial instruments are in particular securities or liabilities whose fair values are based on average prices on active markets as well as financial instruments such as OTC derivatives whose fair value is determined by using a valuation method and for which the average notation represents an observable input parameter of the valuation method.

Additionally, use was made of the option to determine the counterparty default risk (credit value adjustment (CVA)/Debit value adjustment (DVA)) on the basis of the net risk position in accordance with IFRS 13.48. An allocation of the CVA/DVA to individual segments on the balance sheet takes place on the basis of the so-called relative credit adjustment approach.

For derivatives from OTC markets there are not usually any quoted prices, meaning that the fair value is determined using other valuation techniques. The valuation is initially performed using cash-flow models without taking the credit default risk into account. For the correct measurement of fair values, both the credit default risk of the counterparty (CVA) and the bank's own credit default risk (DVA) need to be considered. The credit default risk is considered by way of an add-on procedure.

To measure the collateralised OTC derivatives, the Bremer Landesbank Group mainly switched to the current Overnight Index Swap Discounting (OIS discounting). This means that collateralised derivatives are no longer discounted using the tenor-specific interest rate, but instead using the OIS interest rate curve. The discount in the scope of the fair value of uncollateralised derivatives is still performed with a tenor-specific interest rate.

b) Financial instruments shown at fair value for disclosure purposes

The same provisions apply to determining the fair value of financial instruments for which a fair value is determined solely for disclosure purposes as apply to financial instruments whose fair value is shown on the balance sheet. These financial instruments include for example the cash reserve, loans/advances and liabilities to banks and customers, certain debt securities and shares in companies as well as securitised liabilities and subordinate capital.

The nominal value is considered the fair value for the cash reserve as well as short-term loans/advances and liabilities to banks and customers (deposits at call) due to their short-term nature.

In practice, similar to the financial instruments recognised at fair value in the balance sheet, various valuation formulas are used for securities and liabilities (e.g. market or comparative prices or valuation models), although usually a valuation method (discounted cash flow model). To determine this valuation model, a risk-free yield curve is frequently used and adjusted for risk premiums and any other necessary components. For liabilities Bremer Landesbank's own credit default risk is regarded as a risk premium. A corresponding level allocation to the existing fair value hierarchy is performed depending on the significance of the input data.

No observable market prices are available for long-term loans/advances and liabilities to banks and customers and also deposits as there are neither observable primary nor secondary markets. The fair value for these financial instruments is measured using recognised valuation techniques (discounted cash flow model) The input data of for this model are the risk-free interest rate, a risk premium as well as any further premiums to cover administrative costs and the cost of capital.

Accordingly, financial instruments are allocated to Level 3 if the internal ratings from the internal ratings-based approach (as per Basel II) used by Bremer Landesbank are used in the procedure. This is true regardless of the fact that the internal data for regulatory approval were calibrated using data from published ratings which form the basis for price decisions made by market players.

Further disclosures concerning the fair value hierarchy and the fair values of financial instruments are provided in Note (53).

Measurement of **investments that do not fall under IFRS 10, IFRS 11 or IAS 28**

Investments that do not fall under IFRS 10, IFRS 11 or IAS 28 are measured at fair value. If the fair value of financial investments in equity instruments for which there is no quoted price in an active market cannot be determined reliably, the measurement takes place at acquisition cost.

If investments in an active market are traded, the market/listed price is used to determine the fair value. If it is not possible to obtain a price listed in an active market, the fair value is determined using recognised measurement methods. These include the earnings method used in the Group. This method is assigned to Level 3 in the fair value hierarchy in accordance with IFRS 13 (see Note (53)).

In the earnings method, the fair value is based on the present value of the future net inflows to the company shareholders (future value of profits) which are connected with the ownership of the company.

The net earnings of the owners, which are discounted in order to calculate the capitalised earnings value, chiefly stem from the distributions of the net cash flows generated by the entity. The calculation of the fair value of the investment is therefore based on a forecast of earnings development in 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 generally assumed to have a perpetual life for subsequent years beyond the planning horizon. For this purpose, a perpetual annuity is calculated to reflect the sustainable situation of the 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 an average market risk premium and the beta factor, which expresses the specific risk structure of the entity being valued. As a relative measure, the beta factor describes the extent to which the return on the relevant security held in the affiliated company stands in relation to 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. The beta factor of the peer group so calculated is used as a key multiplier to determine the capitalisation rate.

Raw beta is the historical beta factor of a company derived from a linear regression of the share return against the return on the market portfolio. As an alternative to using raw beta, adjusted beta is an estimation of the future development of the beta factor. Adjusted beta (adjusted beta = raw beta x 0.67 + 0.33) was used as part of a standardised approach within the Bremer Landesbank Group in order to smooth out the volatility of the valuation over the course of time.

Hybrid (combined) Products

Hybrid (combined) products comprise two components – one or more embedded derivative financial instruments (e.g. swaps, futures or caps) and a host contract (e.g. financial instruments). These two components are the subject of a single contract relating to the hybrid (combined) product, i.e. they constitute a legal unit and may not be negotiated separately as they are combined in a single contract.

In accordance with IAS 39, an embedded derivative should be separated from the host contract and accounted for as a derivative if, and only if, all of the following criteria are fulfilled:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate derivative with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument.
- The hybrid (combined) product is not measured at fair value with changes in fair value recognised profit or loss (AFV category).

The Group measures and recognises financial instruments that must be separated – other than those allocated to the AFV category – separately. The host contract is accounted for in accordance with the rules of the category to which the financial instrument is allocated, the embedded derivative is accounted for at fair value through profit or loss as a trading asset or trading liability.

Hedge accounting

Hedge accounting is the accounting and balance sheet presentation of hedging relationships. In this context, hedging relationships are established between underlying and hedging transactions. The aim is to avoid fluctuations in annual profit and equity resulting from differing valuations of underlying and hedging transactions.

Three basic forms of hedges are distinguished, each needing to be handled differently in terms of hedge accounting. Fair value hedge accounting involves hedging (portions of) assets or liabilities and firm commitments against changes in fair value. In particular, the Group's issues and lending transactions as well as its interest-bearing securities are subject to such fair value risk. Individual transactions and portfolios are hedged using fair value hedges. Fair value hedges are currently used to hedge against interest-rate risk only. Interest-rate swaps are used for this purpose.

The two other basic forms, cash flow hedge accounting and the hedging of net investments in a foreign operation, are currently not employed in the Group.

Only hedging relationships which meet the restrictive requirements of IAS 39 may be accounted for using the hedge accounting rules. Hedge accounting requirements, in particular proof of the effectiveness of hedges, must be met for each hedging relationship on each balance sheet date. The market data shift method and the regression method are applied in the Group for prospective effectiveness tests. The modified dollar offset method is used for retrospective effectiveness tests. This method includes an additional tolerance limit to account for the problem related to the small numbers that arise when there are marginal changes in the value of the underlying and hedging transactions. Changes to CVA/DVA are taken into account in hedge transaction in hedge accounting.

In the portfolio fair value hedge, the bottom layer method is used for disposals from the hedged portfolio of underlying transactions in the retrospective effectiveness test.

In accordance with the rules of fair value hedge accounting, derivative financial instruments used to hedge fair values are accounted for as positive or negative fair values from hedge accounting derivatives (Note (33) and Note (46)). Changes in value are recognised through profit or loss (Note (21)). Changes in fair value resulting from the hedged risk for hedged assets or hedged liabilities are also recognised through profit or loss in profit/loss from hedge accounting.

When applying hedge accounting for financial instruments classified as available for sale, the portion of the change in value attributable to hedged risks is recognised under profit/loss from hedge accounting, while the portion of the change in value which is not attributable to the hedged risk is accounted for in the revaluation reserve.

In micro hedge accounting, financial instruments measured at amortised cost are adjusted in the balance sheet, both on the asset and liability side, by the change in fair value attributable to the hedged risk (hedge adjustment).

When hedging against interest rate risks, the changes in the fair values of underlying transactions on the asset and liability side in relation to the hedged risk are reported in the "Adjustment item for financial instruments included in the portfolio fair value hedge" on the asset or liability side of the balance sheet. Underlying transactions of AFS financial instruments on the assets side continue to be reported under financial assets at full fair value. There are asset and liability portfolios in the fair value hedge portfolio at the present time.

A hedge is terminated when the underlying or hedging transaction expires, is sold or exercised or when the hedge accounting requirements are no longer met; see Note (62) for underlying transactions in effective hedges.

Repos and securities lending

The transfer of securities under genuine securities sale and repurchase agreements (repo transactions) does not result in derecognition since the transferring company retains substantially all the risks and rewards incidental to ownership of the transferred asset. The asset transferred must hence still be accounted for by the transferor and measured according to its category. The payment received is carried as a financial liability (in liabilities to banks or to customers, depending on the counterparty). Interest payments agreed are reported as interest expenses in accordance with the respective term.

Reverse repo transactions are accounted for accordingly as loans and advances to banks or to customers and are allocated to the LAR category. Securities for sale and repurchase which underlie the cash transaction are not reported in the balance sheet. Interest resulting from this transaction is reported as interest income in accordance with the respective term.

The accounting principles for genuine repurchase transactions also apply to securities lending transactions. Securities lent are reported as security portfolios and measured in accordance with IAS 39, while borrowed securities are not recognised.

With regard to the extent and the volume of securities repurchase agreements and securities lending transactions, please see Note (66).

(7) Risk Provisioning

Specific valuation allowances and general loan loss provisions are made to cover risks in lending business.

All of the significant receivables are reviewed for impairment at individual transaction level. Risk provisioning covers all the identifiable credit risks with specific valuation allowances. A valuation allowance needs to be made if observable criteria show that not all contractually agreed interest and principal payments will be made or other obligations will be met on time. Significant criteria for the presence of an impairment are, for example, a default or delay in interest or principal payments of more than 90 days or significant financial difficulties for the debtor as well as mathematical or actual insolvency or a sustained negative development in restructuring. These criteria also include concessions by the creditor such as exemptions from interest payments, the waiving of claims or the postponement of principal payments as well as pending insolvency or pending other restructuring.

In ship financing, there are significant indications of an impairment in the case of postponements of interest and/or principal payments, concessions such as in particular the granting of restructuring credit to support the liquidity of the borrower or individual ships, as well as the risk of insolvency.

The amount of specific valuation allowances is the present value of all future cash flows determined by the difference between the carrying amount and recoverable amount.

To cover impairments that have occurred, but have not yet been identified, a general loan loss provision is made. This is calculated based on historical probabilities of default and loss ratios; in addition, the portfolio-specific loss identification period factor (LIP factor) is also taken into account.

The parameters used in the calculation of the general loan loss provision are derived from the economic control system.

The total risk provisioning for the reported receivables is reported as a separate item on the asset side of the balance sheet.

Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.

Irrecoverable loans and advances for which there is no specific valuation allowance are written off immediately. Payments received for written-off loans and advances are recognised through profit or loss.

(8) Property and Equipment

Property and equipment is recognised at cost on the date of addition. Subsequent acquisition or production costs are recognised in the carrying amounts of assets to the extent that they contribute toward significantly improving the asset and hence toward enhancing the future economic benefit from the asset. Upon subsequent measurement, property and equipment subject to wear and tear is reported less straight-line depreciation over its economic life. Impairment losses are charged at the amount by which the carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use. If reasons for impairment no longer exist, write-ups (reversals of impairment losses) are carried out, but not in excess of depreciated cost. Scheduled depreciation is recognised in administrative expenses, and impairments and reversals of impairments are reported in other operating income.

Property and equipment is depreciated over the following periods:

	Useful life in years
Land and buildings	25 to 50
Operating and office equipment	3 to 15

Government grants are immediately deducted from the cost of the respective asset. No government grants were received in the financial year.

(9) Leases

Under IAS 17, leases must be classified as either finance leases or operating leases at the inception of the lease. If material risks and rewards incidental to ownership are transferred to the lessee, the lease is classified as a finance lease and the lease asset is accounted for by the lessee. If significant risks and rewards incidental to ownership are not transferred to the lessee, the lease is classified as an operating lease and the lease asset is accounted for by the lessor.

Finance leases

As the lessor, Bremer Landesbank recognises, at the inception of the lease, a receivable in the amount of the lessee's payment obligations under the lease. The receivable is reported at the net investment (difference between the gross investment in the lease and unrealised finance income) and is shown in loans and advances to banks or customers. Any incidental costs are spread over the term of the lease.

Lease payments under a finance lease are split into a principal component and an interest component. The principal component is deducted from the loans and advances. The interest component is accounted for as interest income.

Contracts concluded by the Bremer Landesbank Group as a finance lessor are of minor significance. No contracts were concluded with the Bremer Landesbank Group as a finance lessee.

Operating leases

For operating leases, the Bremer Landesbank Group reports lease payments made at the contractually stipulated deadline as expenditures in other administrative expenses. Initial direct costs (such as costs for appraisers) are recognised immediately through profit or loss.

Agreements concluded by Bremer Landesbank as an operating lessee are of minor significance.

No contracts were concluded with the Bremer Landesbank Group as an operating lessor.

(10) Investment Property

Investment property is land and buildings or parts of buildings held to generate rental income and/or for the purpose of capital appreciation. Property in which more than 20 per cent of the leased floor space is utilised by third parties is examined to determine whether the part used by third parties can be separated. If this is not the case, then the entire property is reported in property and equipment.

Under the cost model, investment property is measured at cost on the date of acquisition; transaction costs are included in the initial measurement. Subsequent acquisition or production costs are recognised in the carrying amounts of assets to the extent that they contribute toward significantly improving the asset and hence toward enhancing the future economic benefit from the asset.

Government grants are deducted directly from the acquisition or production costs of the respective asset. No government grants were received in the financial year.

Straight-line depreciation is included in subsequent measurement of investment property. Impairment losses are charged at the amount by which the carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use. When the reasons for impairment cease to apply, impairment losses are reversed up to a maximum of depreciated cost. Scheduled depreciation is recognised in administrative expenses, and impairments and reversals of impairments are reported in other operating income.

Investment property is depreciated over the following periods:

	Useful life in years
Investment property	25 to 50

The capitalisation of earnings method is applied for measuring the fair value of investment property. In the calculation of the fair value, the Bank takes into account the income that is generated by a professional manager of real estate under the assumption of proper management and a normal course of business. Normal, unimpaired land is assumed for the determination of the value. It is also assumed that the technical facilities and other equipment in the building work. Furthermore, the formal and material legality with regard to the property and its usage is assumed. In the measurement, the Bank assumes that there are no other circumstances affecting the value. Furthermore, fair value is partially substantiated on the basis of market data. Valuation is carried out by a bank appraiser.

(11) Intangible Assets

Intangible assets comprise purchased software and intangible assets developed internally. Intangible assets that have been purchased by the Group are recognised at cost. Intangible assets developed internally are capitalised at cost if the Group is likely to gain economic benefits, and the expenses can be determined reliably. If the capitalisation criteria are not met, the costs are recognised immediately through profit or loss. The capitalised costs for software developed internally include expenses for internal and external services that are incurred in the development phase and are directly attributable (particularly for customising and test activities).

Subsequent acquisition or production costs are recognised in the carrying amounts of assets to the extent that they contribute toward significantly improving the asset and hence toward enhancing the future economic benefit from the asset.

Intangible assets with a finite useful life are amortised straight-line over their economic lives. For intangible assets with a finite useful life, impairment losses are charged at the amount by which the carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use. If the reasons for applied impairment no longer apply, impairment losses are reversed up to a maximum of amortised cost. Scheduled depreciation is recognised in administrative expenses, and impairments and reversals of impairments are reported in other operating income.

Intangible assets with a finite useful life are amortised straight-line in administrative expenses over the following periods:

	Useful life in years
Software	3 to 5

There are no intangible assets with an indefinite useful life.

(12) Provisions for Pensions and Similar Obligations

Pension obligations from defined benefit plans are calculated in accordance with IAS 19 Employee Benefits by independent actuaries as at the balance sheet date in accordance with the projected unit credit (PUC) method. Plan assets that are invested to cover defined pension entitlements and similar benefits are measured at fair value and offset against the corresponding liabilities.

Variations between the assumptions made and the developments that actually occurred as well as changes to the assumptions for the valuation of defined pension schemes and similar obligations result in actuarial gains and losses that are recorded in equity in the other comprehensive income (OCI) in the year they arise.

The balance of defined pension entitlements and similar benefits as well as plan assets (net pension obligations) bears interest at the discount interest rate underlying the valuation of the gross pension obligation. The resulting net interest expenditure is recorded in the consolidated income statement under interest expenditure. The remaining expenditure resulting from the grant of pension entitlements and similar benefits resulting largely from claims accrued in the financial year are taken into account in the consolidated income statement under administrative expenses.

For the determination of the case values of the defined pension entitlements, the discount rate determined under the Mercer yield curve approach (MYC) for high-quality corporate bonds and rates of salary and pension increase expected in future was taken into account in addition to the biometric assumptions. The 2005 G “Mortality Tables” by Klaus Heubeck are used to map mortality and invalidity. Profits or losses from the reduction or payment of a defined benefit plan are recognised through profit or loss at the time of reduction or payment.

The following actuarial assumptions underlie the measurement of the defined obligation:

	31.12.2014	31.12.2013
Discount rate	2.2%	3.7%
Salary trends		
Pension obligations	2.4%	2.4%
Health insurance benefits	3.5%	3.5%
Pension adjustment		
Managing Board/permanent employees	2.5%	2.5%
Total benefits	3.5%	3.5%
Top-up benefits	2.0%	2.0%
New pension scheme	1.0%	1.0%
Health insurance benefits	3.5%	3.5%
Mortality, invalidity etc.	RT Heubeck 2005 G	RT Heubeck 2005 G

Description of the pension plans

The Bremer Landesbank Group pension scheme is a defined benefit plan.

Employees acquire entitlements to pensions in which benefits are fixed and dependent on factors such as anticipated wage and salary increases, length of service and a pension trend forecast (defined benefit plan).

Different pension schemes are in at Bremer Landesbank, whereby entitlement is based on service agreements setting out collective rights or individual contractual entitlements. All benefit entitlements provide benefits for old age, invalidity, widow/widower and orphans. For what are known as total benefits from the statutory pension scheme and additional insurance scheme are included. With the exception of the new company pension scheme (see below), the pension schemes are final salary pension schemes. The financial reporting regulations of IAS 19 governing defined benefit plans are applied for this pension scheme.

In order to satisfy entitlements to pensions under defined benefit plans, part of the cover funds were transferred to Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen (pension fund), in 2005. The fair value of the plan assets is deducted when recognising pension provisions.

The pension scheme was redesigned for employees joining Bremer Landesbank after 31 December 2008.

Annually defined pension contributions are credited to beneficiaries' personal pension accounts, which bear interest at a guaranteed rate of 3.25 per cent p.a. until benefits are paid. To cover pension commitments, Bremer Landesbank acquires securities in the amount of the credited pension contribution. The level of the subsequent pension benefits is determined by the higher of the pension account (including guaranteed interest) and the value of the securities at the time benefits are first paid.

In addition, beneficiaries have the option of making their own contribution to their occupational pension by paying in portions of their salaries.

Provisions for future health insurance benefits (€ 8 million; € 6 million) were reported under pension provisions. This provision is calculated based on the average amount of health insurance benefits paid in the past few years and the assumption of a dynamic cost trend.

Bremer Landesbank made a direct commitment to a portion of the management to provide a company pension plan in the form of a total provision based on the final salary, using the rules on retirement salary, benefits for dependents and accident insurance applicable to civil servants in Germany as a point of reference.

The members of the Managing Board receive from Bremer Landesbank a direct commitment to a company pension plan in the form of variable total benefits based on final salary.

Risks from the Defined Benefit Plans

The Bremer Landesbank Group is exposed to various risks in connection with the defined pension plans.

As a registered public institute (Anstalt öffentlichen Rechts), Bremer Landesbank was the subject of a guarantor liability up to and including 17 July 2001. This means that creditors, and therefore also employees, are entitled in respect of their pension entitlements to have the amounts owed to them paid by the respective guarantors of the registered public institute. On 17 July 2001 the European Commission abolished the public guarantee for savings banks and Landesbanken. This means that all benefit entitlements agreed up to that point fall under the public guarantee without limitation. All benefit entitlements issued up to 18 July 2005 are also covered by the public guarantee if the benefit can be claimed before the 31 December 2015. Bremer Landesbank has insured all benefit entitlements agreed since 18 July 2001 and all entitlements not covered by the transitional provision against insolvency with the pension insurance association for payment of a contribution.

Both obligations under defined pension entitlements and also plan assets may fluctuate over time. This may affect the financing status positively or negatively. The fluctuations in the defined pension obligations result in particular from the modification of financial assumptions such as discount rates as well as changes to demographic assumptions such as altered life expectancy. As a consequence of existing benefit entitlements the level of the agreed entitlements depends for example on the development of pensionable income, the additional insurance to which the beneficiary is entitled within the scope of the total benefits and social security benefits. If these factors develop differently than provided for in the provision calculations, a refinancing requirement may arise.

The Bremer Landesbank Group regularly assesses the planning for the pension payments (liquidity management), investment strategy and level. The basis for calculating the level of investments and pension payments on each reference date relates to the actuarial appraisals.

The average interest-rate risk is managed using the interest rate for measuring value concept. Theoretical scenarios within the interest rate for measuring value concept are used within the valuation and planning of pension provisions. These theoretical scenarios are used to divide the portfolio into a fixed and a fluctuating portfolio. The fixed portfolio is invested on a long-term basis rolling over the term for ten years at market conditions. The average interest-rate risk is managed by Treasury as part of interest book management.

The fluctuating portfolio is used for liquidity management during the financial year. The management of the liquidity risk, influenced for example by pension payments, is described in the risk report.

(13) Other Provisions

Other provisions in accordance with IAS 19 have been made for benefits owed to employees over the long term and for termination benefits. The amount of the corresponding provisions is determined by actuarial appraisals that are based on the length of service and/or the benefit plans provided by the Bank.

Other provisions in accordance with IAS 37 have been made for uncertain liabilities to third parties and anticipated losses from pending transactions if a current legal or factual obligation results from an event in the past, utilisation is likely and its amount can be reliably determined. Provisions are measured based on the best-possible estimate of the amount which might reasonably be expected to be required to meet the current obligation (or to transfer the obligation to an independent third party) on the balance sheet date. Management is responsible for this estimate. Historical values from similar transactions and where applicable actuarial reports or statements from experts are included. Risks and uncertainties are taken into account through an evaluation of the obligation with the most likely event from a range of possible events. Future events that can influence the amount required for the fulfilment of an obligation are taken into account if there are objective indications that they might occur. Provisions are discounted if the effect is material.

A contingent liability is recognised if utilisation is unlikely or if the amount of the obligation cannot be reliably estimated.

(14) Income Taxes

Current income tax assets and liabilities were calculated at currently valid tax rates in the amount expected to be paid to or refunded by the respective tax authority.

Deferred tax assets and liabilities are calculated on the basis of the difference between the carrying amount of an asset or a liability in the balance sheet and its tax base. Deferred tax assets and liabilities are expected to lead to increased or reduced income taxes in future periods due to temporary differences. They were measured on the basis of tax rates expected to be valid in the period in which an asset is realised or a liability is settled. Company-specific tax rates (and tax regulations) which have been enacted or substantially enacted by the balance sheet date are applied.

Deferred tax assets for the carryforward of unused tax losses and unused tax credits are only recognised to the extent that it is probable that taxable future income will be available against which unused tax losses and unused tax credits can be utilised.

Current income tax assets and liabilities as well as deferred tax assets and liabilities are offset if the relevant requirements are met. They are not discounted. Depending on the treatment of the underlying items, deferred tax assets and liabilities are reported either on the income statement or in other comprehensive income (OCI).

In the balance sheet, the income tax claims and obligations are reported separately and broken down into current and deferred assets and liabilities in the year under review. The carrying amount of a deferred tax asset is reviewed for impairment on the balance sheet date.

Income tax expense and income is recognised in the income taxes item in the consolidated income statement.

(15) Subordinated Capital

The subordinated capital item comprises securitised subordinated liabilities and silent participations. For regulatory purposes in accordance with the German Banking Act, they are primarily recognised as liable equity.

Subordinated capital is recognised at amortised cost. Premiums and discounts are spread over the term in accordance with the effective interest method and are recognised in the income statement under net interest income. Accrued interest not yet due is allocated directly to the corresponding item in subordinated capital.

Segment Report

(16) Classification by Business Segment (primary reporting format)

€ m[1]	Corporate Custo-mers	Special Finance	Private Custo-mers	Financial markets	Group Control/ Other	Recon-ciliation	Group Total
31.12.2014							
Net interest income	62	224	27	63	4	57	**437**
Loan loss provisions	-9	222	1	-1	59	-1	**271**
Net interest income after risk provisioning	**71**	**2**	**26**	**64**	**-55**	**58**	**166**
Net commission income	13	19	8	4	0	-1	**43**
Profit/loss from financial instruments at fair value through profit or loss	2	2	0	14	-32	-1	**-15**
Profit/loss from hedge accounting	0	0	0	0	0	11	**11**
Profit/loss from financial assets	0	0	0	0	10	0	**10**
Profit/loss from financial assets accounted for using the equity method	0	0	0	0	-8	13	**5**
Total income	**86**	**23**	**34**	**82**	**-85**	**80**	**220**
Administrative expenses	30	33	27	17	72	0	**179**
Other operating profit/loss	0	0	0	0	9	-7	**2**
Earnings before taxes	**56**	**-10**	**7**	**65**	**-148**	**73**	**43**
Segment assets	3,872	14,194	1,289	8,901	2,218	1,665	**32,139**
Segment liabilities	2,168	6,123	1,287	12,265	8,023	582	**30,448**
Committed capital/sustainable capital	195	1,701	74	133	68	-526	**1,645**
CIR [2]	38.8%	13.5%	75.8%	21.7%	-	-	**36.5%**
RoRaC [3]	26.0%	-0.6%	8.3%	29.2%	-	-	**-**
ROE [4]	-	-	-	-	-	-	**2.6%**

1) Differences between totals are due to rounding.
2) Administrative expenses / Total income before loan loss provisions + other comprehensive income.
3) Return on Risk-adjusted Capital.
4) Earnings before taxes / Sustainable capital.

€ m[1]	Corporate Custo-mers	Special Finance	Private Custo-mers	Financial markets	Group Control/ Other	Recon-ciliation	Group Total
31.12.2013							
Net interest income	62	211	27	61	18	51	**430**
Loan loss provisions	16	196	0	2	49	0	**263**
Net interest income after risk provisioning	**46**	**15**	**27**	**59**	**-31**	**51**	**167**
Net commission income	11	18	7	4	0	1	**41**
Profit/loss from financial instruments at fair value through profit or loss	2	3	0	68	-26	-1	**46**
Profit/loss from hedge accounting	0	0	0	0	0	2	**2**
Profit/loss from financial assets	0	0	0	-3	-1	0	**-4**
Profit/loss from financial assets accounted for using the equity method	0	0	0	0	7	1	**8**
Total income	**60**	**36**	**35**	**127**	**-51**	**53**	**260**
Administrative expenses	29	32	28	19	82	-4	**186**
Other operating profit/loss	0	0	-1	0	45	-50	**-6**
Earnings before taxes	**31**	**4**	**7**	**108**	**-87**	**5**	**68**
Segment assets	4,466	14,763	1,479	8,051	2,340	1,916	**33,015**
Segment liabilities	2,155	5,920	1,282	13,823	195	7,892	**31,267**
Committed capital/sustainable capital	208	1,583	83	205	136	-520	**1,696**
CIR [2]	38.3 %	14.0 %	78.1 %	14.7 %	-	-	**36.0%**
RoRaC [3]	12.7%	4.0%	6.9%	35.8 %	-	-	-
ROE [4]	-	-	-	-	-	-	**4.0%**

[1] Differences between totals are due to rounding.
[2] Administrative expenses / Total income before loan loss provisions + other comprehensive income.
[3] Return on Risk-adjusted Capital.
[4] Earnings before taxes / Sustainable capital.

Reconciliation of the segment results to the consolidated financial statements

Segment reporting by business segment

The Group has five segments that make up its strategic structures and are subject to reporting requirements, as described below. The segments represent customer and product groups that reflect the organisational structures and thus the Group's internal management. The definitive criterion for the segmenting is the specific focus of the business or income, a largely uniform structure for the customers collected there in terms of finance and investment needs, product usage and customer support. Due to the fact that business is conducted solely in the Federal Republic of Germany and the sales channels being reduced to the branches in Bremen and Oldenburg, there was no segment reporting by region or sales channel.

Corporate Customers

The Corporate Customers segment handles the uniform customer group of companies in the North-West business region, which receive customer-specific product offers ranging from individual corporate finance, transaction management, the hedging of risk to company pension plans.

Special Finance

The segmenting criterion for special finance is the customer sector and therefore particularly the object of finance as the core business in customer relations. Specific to the sector, the products are oriented on the projects that customers are focusing on and their financing.

Private Customers

The Private Customers segment includes the uniform customer group of private customers, including freelancers. The product range is based on the finance concept of comprehensive consulting and includes all the usual bank services and products for account, credit, investment and transaction business.

Financial Markets

The primary function of the Financial Markets segment is to provide access to the national and international financial markets for private and institutional customer groups as well as for Bremer Landesbank’s own business. Along with standard products, alternative individual financial products not connected with standardised financial market transactions are also offered.

Group Controlling / Others

Group Controlling / Others includes all the other results that are directly connected with the operating activities. They include the results of all staff departments (including net interest income from sales of investments and administrative expenses of segments not directly allocated to sales), strategic measures (primarily net interest income from investments and the cost of liquidity maintenance), investment and financing results which are not directly allocated to the segments, the consolidation of subsidiaries in the sub-group and loan loss provisions other than specific valuation allowances. Information about additions to longer-term assets other than financial instruments includes: the additions of operating and office equipment (property and equipment) that are mainly attributable to IT equipment primarily acquired for regulatory purposes. Intangible assets relate to system and application software. Disclosure is made under Group Controlling / Others.

Reconciliation

The items reconciling the management accounts to the overall group figures in the income statement, including the consolidation of subsidiaries, are shown in the reconciliation column.

Net interest income

The net interest income of the individual segments is determined using the market-interest-rate method. This includes among other things interest income from the lending and deposit business as well as from the investment and financing business. The interest income and expenses are reported as a net amount under net interest income. This grouping takes place since most of the sales revenue in the segment is generated through interest. Segment management is primarily based on the net interest income in order to assess profitability and make decisions on the allocation of resources. All directly allocable investment and financing income is allocated to the segments. Other components of investment and financing income are presented under “Group Controlling / Other” instead of “Reconciliation”. The Group’s net interest income is calculated as actual interest income less interest expenses.

Loan loss provisions

In this item, specific valuation allowances are allocated to the business segments; other loan loss provisions are allocated to “Group Controlling / Others” for internal reporting purposes.

Net commission income

Loan commissions in the segments are shown in the net interest income.

Profit/loss from financial instruments at fair value through profit or loss

The reconciliation result from this item arises from various effects which cannot be allocated to the segments, especially payments and the valuation result from derivatives.

Profit/loss from hedge accounting

The profit/loss from hedge accounting is not allocated to a business segment and is shown in the reconciliation column.

Profit/loss from financial assets

The profit/loss from financial assets is allocated to the business segments in accordance with the cause of the profit/loss.

Profit/loss from investments accounted for using the equity method

This item is allocated to the “Group Controlling / Others” segments rather than directly to the four sales-oriented segments.

Administrative expenses

Directly attributable administrative expenses and the results from internal service allocations are allocated to the business segments. In internal reporting, the internal types of costs are compared in detail with the income statement. Reconciliations are minimised.

Other operating profit/loss

This item is not allocated to the segments.

Segment assets/segment liabilities:

The difference between the sum of segment assets/ liabilities and the consolidated assets/liabilities is mainly due to the fact that averages are used for the segments whereas the group figures are based on figures at the balance sheet date. Refinancing funds are not presented for the business segments; they are included in segment liabilities in the reconciliation column.

Sustainable capital

The sustainable capital consists of share capital, capital reserves, retained earnings and the adjustment item for shares from other shareholders.

Segment profitability ratios

In line with the management accounts and group reporting, RoRaC is also stated in the external reporting.

Bank ROE

This ratio is calculated identically throughout the Group for comparison purposes.

Notes on the Consolidated Income Statement

(17) Net Interest Income

In addition to interest income and interest expenses, the interest income and expenses items include pro rata amortisation of premiums and discounts resulting from financial instruments.

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Interest income			
Interest income from lending and money market transactions	847	877	-3
Interest income from fixed-interest securities and registered debt	55	79	-30
Interest income from financial instruments at fair value through profit or loss			
Trading portfolio and hedge accounting derivatives	454	626	-27
Interest income from the use of the fair value option	1	3	-67
Current income			
from shares and other non-fixed-interest securities	0	0	0
from investments	4	4	0
Interest income from other amortisation			
from the adjustment item for the fair value hedge portfolio	43	42	2
from hedge accounting derivatives	21	23	-9
Total interest income	**1,425**	**1,654**	**-14**
Interest expenses			
Interest expenses from lending and money market transactions	427	489	-13
Interest expenses from securitised liabilities	121	152	-20
Interest expenses from financial instruments at fair value through profit or loss			
Interest expense from the trading portfolio and hedge accounting derivatives	344	510	-33
Interest expenses from subordinated capital	21	20	5
Interest expenses from other amortisation			
Interest expenses from the adjustment item for the fair value hedge portfolio	10	9	11
Interest expenses from hedge accounting derivatives	51	30	70
Interest expenses for provisions and liabilities	14	14	0
Other interest expenses and similar expenses	0	0	0
Total interest expenses	**988**	**1,224**	**-19**
Total	**437**	**430**	**2**

Interest income from lending and money market transactions was positively affected by the implementation of software to be used Group-wide for loan loss provisions. 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.

Interest income from lending and money market transactions also contains interest income from the unwinding of impaired assets in the amount of € 24 million (previous year: € 22 million).

Total interest income relating to financial instruments which are not measured at fair value through profit or loss amounted to EUR 949 million (previous year: € 1.002 billion). Total interest expenses relating to financial instruments which are not measured at fair value through profit or loss amounted to EUR 593 million (previous year: € 684 million).

Other interest income and similar income mainly include investment income and amortisation items from the hedge accounting.

Other interest expenses and similar expenses were not incurred to a relevant amount.

(18) Loan Loss Provisions

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Income from loan loss provisions			
Reversal of specific valuation allowances for loans and advances	195	52	>100
Reversal of general valuation allowances for loans and advances	-	-	-
Reversal of loan loss provisions	3	4	-25
Recoveries on loans and advances previously written off	5	3	67
Income from loan loss provisions	**203**	**59**	**>100**
Expenses from loan loss provisions			
Allocation to specific valuation allowances for loans and advances	397	244	63
Allocation to general loan loss provisions	65	63	3
Allocation to loan loss provisions	0	6	-100
Direct write-offs of loans and advances	12	9	33
Premium payments for loan loss insurance	0	0	0
Expenses from loan loss provisions	**474**	**322**	**47**
Total	**-271**	**-263**	**3**

The clear rise in the reversal of specific valuation allowances and the corresponding increase in the allocation to specific valuation allowances mainly result from the change in the system for the risk provisioning tool (release of SAP / RBD through ABIT).

In the general loan loss provisions, a BLB-specific management adjustment in the amount of € 40 million was made for the shipping portfolio due to the latest information.

(19) Net Commission Income

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Commission income			
Commission income from banking business			
Lending and guarantee business	10	10	0
Security and custodian business	12	10	20
Account management and payment transactions	9	10	-10
Trust business	0	-	>100
Brokerage business	1	1	0
Other standard bank commission income	17	17	0
Commission income from non-banking transactions			
Real estate business	1	1	0
Total commission income	**50**	**49**	**2**
Commission expenses			
Commission expenses from banking business			
Security and custodian business	3	3	0
Trust business	0	-	>100
Brokerage business	0	1	-100
Lending and guarantee business	3	3	0
Other standard bank commission expenses	1	1	0
Total commission expenses	**7**	**8**	**-12**
Total	**43**	**41**	**5**

Other commission income – as in the previous year – includes a total of € 15 million from loan commissions.

All commission income/expenses represent income/expenses from financial instruments not measured at fair value.

The improvement in the commission income from security and custodian business was largely due to the increase in commission income in the area of asset management.

(20) Profit/Loss from Financial Instruments at Fair Value through Profit or Loss

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Trading profit/loss			
Realised profit/loss			
Profit/loss from debt securities and other fixed-interest securities	2	1	100
From derivatives	-11	-4	>100
Total realised profit/loss	**-9**	**-3**	**>100**
Valuation result			
From derivatives	-16	44	<-100
Total valuation result	**-16**	**44**	**<-100**
Foreign exchange profit/loss	8	3	>100
Other comprehensive income	3	5	-40
Total trading profit/loss	**-14**	**49**	**<-100**
Profit/loss from the fair value option			
Realised profit/loss			
Debt securities and other fixed-interest securities	0	-	0
Valuation result			
Debt securities and other fixed-interest securities	-1	-3	-67
Total profit/loss from designated financial instruments (fair value option)	**-1**	**-3**	**-67**
Total	**-15**	**46**	**<-100**

The realised profit/loss represents the profit/loss on financial instruments which expired or were prematurely terminated during the financial year; the valuation result refers to financial instruments existing on the balance sheet date.

The foreign exchange profit/loss includes all the income realised from disposals and the valuation of all the Bank’s foreign currency positions in the current financial year.

Other profit/loss primarily relates to premium payments from credit default swaps.

(21) Profit/Loss from Hedge Accounting

Profit/loss from hedge accounting includes the changes in value due to interest rate fluctuations of underlying and hedging transactions in effective fair value hedges.

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Profit/loss from micro fair value hedges			
from hedged underlying transactions			
categorised as available for sale (AfS)	-4	-20	-80
categorised as other liabilities (OL)	-3	94	<-100
From derivative hedging instruments	6	-73	>100
Total micro fair value hedges	**-1**	**1**	**<-100**
Profit/loss from portfolio fair value hedges			
from hedged underlying transactions			
categorised as loans and receivables (LaR)	62	-	>100
categorised as available for sale (AfS)	22	-9	>100
categorised as other liabilities (OL)	-214	64	<-100
From derivative hedging instruments	142	-54	>100
Total fair value hedge portfolio	**12**	**1**	**>100**
Total	**11**	**2**	**>100**

(22) Profit/Loss from Financial Assets

Profit/loss from financial assets reports profits/losses on disposal and the valuation results from securities and company shares in the financial asset portfolio.

The profit/loss from available-for-sale financial assets comprises the following:

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Profit/loss from the disposal of			
debt securities and other fixed-income securities	10	-7	>100
Shares and other non-fixed-interest securities	-	3	-100
Total from disposals	**10**	**-4**	**>100**
Profit/loss from allowances for			
Shares in companies	0	0	0
Other financial assets categorised as AfS	0	0	0
Total profit/loss from allowances	**0**	**0**	**0**
Total	**10**	**-4**	**>100**

The reclassification of measurement gains, which were previously reported in other comprehensive income, from the revaluation reserve to the Group income statement was not required in the financial year, as in the previous year.

Profit/loss from shares in companies contains write-downs in the amount of € 341 thousand (previous year: € 0 thousand) for two financial investments. Profits from sales were not generated (previous year: € 1 thousand).

(23) Profit/Loss from Financial Assets Accounted for Using the Equity Method

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Shares in affiliated companies			
Income	13	8	63
Expenses	8	0	>100
Total	**5**	**8**	**-37**

(24) Administrative Expenses

The Group's administrative expenses comprise staff expenses, other administrative expenses and depreciation and amortisation of property and equipment, investment property and intangible assets.

The expenses break down as follows:

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Staff expenses			
Wages and salaries	80	78	3
Social security	12	12	0
Pension and other benefit costs (of which service cost: € 7 million (previous year: € 5 million).	9	9	0
Total staff expenses	**101**	**99**	**2**
Other administrative expenses			
IT and communication costs	38	45	-16
Space and building costs	5	10	-50
Marketing, communication and entertainment costs	6	6	0
Person-related other administrative expenses	3	4	-25
Legal, audit, appraisal and consulting fees	7	7	0
Dues and contributions	8	5	60
Expenses for furniture, fixtures and office equipment	1	-	>100
Other administrative expenses	2	1	100
Total other administrative expenses	**70**	**78**	**-10**
Depreciation and amortisation			
Property and equipment	4	5	-20
Intangible assets	3	3	0
Investment property	1	1	0
Total depreciation and amortisation	**8**	**9**	**-11**
Total	**179**	**186**	**-4**

Staff expenses include expenses for defined benefit plans in the amount of € 7 million (previous year: € 7 million).

(25) Other Operating Profit/Loss

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Other operating income			
From rental and lease income	8	7	14
From cost reimbursements	1	-	>100
From the disposal of assets	0	-	0
From reversals of other loan loss provisions	1	4	-75
Other income	4	3	33
Total other operating income	**14**	**14**	**0**
Other operating expenses			
From rental and lease expenses	3	2	50
From the repurchase of issued debt securities	1	1	0
From the repurchase of registered bonds	3	-	>100
Other expenses	5	17	-71
Total other operating expenses	**12**	**20**	**-40**
Total	**2**	**-6**	**>100**

Other income mainly includes cost refunds from customers in the amount of € 1 million and one-time income in the amount of € 2 million.

Other expenses are mainly attributable to other expenses for loss events from operational risks of € 1 million (previous year: € 0 million), as well as the bank levy of € 3 million (previous year: € 4 million).

(26) Income Taxes

The Group's income taxes break down as follows:

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
Current income taxes			
current year	20	12	67
from previous years	0	0	0
Total	**20**	**12**	**67**
Deferred taxes			
from the emergence/reversal of temporary differences	-8	7	<-100
from a change in tax rates	0	0	0
from temporary differences from previous years	0	0	0
Total	**-8**	**7**	**<-100**
Total income tax expense	**12**	**19**	**-37**

The following tax reconciliation statement shows an analysis of the difference between the expected income tax expense that would result if the German income tax rate were applied to IFRS earnings before taxes and the income tax expense actually reported:

	1.1.-31.12.2014 € m	1.1.-31.12.2013 € m	Change %
IFRS earnings before taxes	**42**	**68**	**-38**
Expected income tax expense	13	21	-38
Effects of reconciliation			
Effects of differing tax rates	-1	-1	0
Taxes from previous years reported in the financial year	1	1	0
Effects of changes in tax rates	-	-	-
Non-deductible business expenses	1	1	0
Effects of tax-free income	-1	-1	0
Permanent accounting-related effects	0	-1	-100
Effects of assessment base transfers	2	-1	>100
Other effects	-3	0	<-100
Reported income tax expense	**12**	**19**	**-37**

The expected income tax expense in the tax reconciliation statement is calculated on the basis of the corporate income tax rate of 15 per cent which was valid in Germany in 2014 plus a solidarity surcharge of 5.5 per cent and the average trade tax rate of approximately 15.6 per cent. A domestic income tax rate of 31.5 per cent (previous year: 31.5 per cent). Deferred taxes are measured at the tax rate of 31.5 per cent (31.5 per cent) applicable on the balance sheet date or in the future.

(27) Notes on the Statement of Comprehensive Income

The effects of income taxes impact the individual components of the other comprehensive income (OCI) of the statement of comprehensive income as follows:

	1.1.-31.12.2014			1.1.-31.12.2013		
€ m	**Amount before taxes**	**Income tax effect**	**Amount after taxes**	**Amount before taxes**	**Income tax effect**	**Amount after taxes**
Change from Available for Sale (AfS) financial instruments	-7	1	**-6**	27	-7	**20**
Financial assets accounted for using the equity method - share of other income	-1	0	**-1**	1	-	**1**
Revaluation of net debt from defined benefit plans	-118	37	**-81**	4	-1	**3**
Other comprehensive income	**-126**	**38**	**-88**	**32**	**-8**	**24**

Notes on the Consolidated Balance Sheet

(28) Cash Reserve

	31.12.2014 € m	31.12.2013 € m	Change %
Cash on hand	4	5	-20
Balances at central banks	207	60	>100
Total	**211**	**65**	**>100**

The bank balances at central banks are all bank balances at Deutsche Bundesbank, as in the previous year. The minimum reserve balance was maintained at all times in the year under review and totals € 44 million at year-end (previous year: € 47 million).

(29) Loans and Advances to Banks

	31.12.2014 € m	31.12.2013 € m	Change %
Loans and advances from money market transactions			
German banks	108	324	-67
Foreign banks	0	-	>100
Total loans and advances from money market transactions	**108**	**324**	**-67**
Other loans and advances			
German banks			
Payable on demand	326	542	-40
Limited term	3,069	3,218	-5
Foreign banks			
Payable on demand	133	95	40
Limited term	1	1	0
Total other loans and advances	**3,529**	**3,856**	**-8**
Total	**3,637**	**4,180**	**-13**

Of the loans and advances to German banks, € 2.851 billion (previous year: € 3.475 billion) are loans and advances to associated savings banks. Of the total amount, € 2.617 billion (previous year: € 3.281 billion) are loans and advances which will only be realised or settled after a period of more than twelve months.

(30) Loans and Advances to Customers

	31.12.2014 € m	31.12.2013 € m	Change %
Loans and advances from money market transactions			
German customers	596	243	>100
Foreign customers	11	14	-21
Total loans and advances from money market transactions	**607**	**257**	**>100**
Other loans and advances			
German customers			
Payable on demand	1,154	1,135	2
Limited term	18,544	18,785	-1
Foreign customers			
Payable on demand	219	117	87
Limited term	2,409	2,432	-1
Total other loans and advances	**22,326**	**22,469**	**-1**
Total	**22,933**	**22,726**	**1**

Of the total amount, € 17.637 billion (previous year: € 19.500 billion) are loans and advances which will only be realised or settled after a period of more than twelve months. Loans and advances to customers include loans and advances from finance lease activities in the amount of € 15 million (previous year: € 15 million). The gross investment value of leasing transactions is € 16 million (previous year: € 16 million). Additional information on lease transactions is provided in Note (71).

(31) Risk Provisioning

	31.12.2014 € m	31.12.2013 € m	Change %
Risk provisioning for loans and advances to banks			
German banks	-	-	-
General valuation allowances for loans and advances	1	1	0
Total risk provisioning for loans and advances to banks	**1**	**1**	**0**
Risk provisioning for loans and advances to customers			
German customers	656	461	42
Foreign customers	0	61	-100
General valuation allowances for loans and advances	200	141	42
Total risk provisioning for loans and advances to customers	**856**	**663**	**29**
Total	**857**	**664**	**29**

The risk provisioning and loan loss provisions recognised for loans and advances to banks and loans and advances to customers developed as follows:

EUR m	Specific valuation allowances		General loan loss provisions (on balance)		Total		Loan loss provisions[1)]	
	2014	2013	2014	2013	2014	2013	2014	2013
Loans and advances to banks 1.1.	**-**	**-**	**1**	**1**	**1**	**1**	**-**	**-**
Changes through profit or loss								
Allocations	-	-	-	-	**-**	**-**	-	-
Reversals	-	-	-	-	**-**	**-**	-	-
Unwinding	-	-	-	-	**-**	**-**	-	-
Changes recognised directly in equity								
Utilisations	-	-	-	-	**-**	**-**	-	-
Reclassifications	-	-	-	-	**-**	**-**	-	-
31.12.	**-**	**-**	**1**	**1**	**1**	**1**	**-**	**-**
Loans and advances to customers 1 .1.	**522**	**429**	**141**	**92**	**663**	**521**	**24**	**22**
Changes through profit or loss								
Allocations	387	244	65	63	**452**	**307**	1	6
Reversals	-195	-52	0	-	**-195**	**-52**	-3	-4
Unwinding	-24	-22	-	-	**-24**	**-22**	-	0
Changes recognised directly in equity								
Utilisations	77	91	-	-	**77**	**91**	3	-
FX effects	20	-	-	-	**20**	**0**	-	-
Reclassifications	23	14	-6	-14	**17**	**-**	-8	-
31.12.	**656**	**522**	**200**	**141**	**856**	**663**	**11**	**24**
Total	**656**	**522**	**201**	**142**	**857**	**664**	**11**	**24**

1) Including general loan loss provisions off balance.

The total amount of loans for which no interest payments are received was € 89 million as at 31 December 2014 (previous year: € 64 million). Specific valuation allowances were made for loans with a total volume of EUR 2.126 billion (previous year: EUR 1.809 billion).

Outstanding interest due on these loans was € 1 million as at 31 December 2014 (previous year: € 1 million). In the financial year, 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: € 3 million).

The maximum exposure to default risk of the financial assets under IFRS 7.36 (a) equals the carrying amount of the instruments.

The quality of loans and receivables and available-for-sale financial assets developed as follows:

Rating	Very good to good		Good/ satisfactory		Still good/ adequate		Increased risk		High risk		Very high risk		No rating	
€ m	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Loans and receivables (LaR)														
Loans and advances to banks	3,637	4,180	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	12,496	12,425	1,862	2,047	2,080	2,575	949	1,164	708	567	2,001	1,422	2,837	2,526
Financial assets available for														
sale	4,255	4,657	-	-	-	-	-	236	-	26	-	-	-	-
Total	**20,388**	**21,262**	**1,862**	**2,047**	**2,080**	**2,575**	**949**	**1,400**	**708**	**593**	**2,001**	**1,422**	**2,837**	**2,526**

In the financial year, past due loans and receivables changed as follows:

Rating	Neither past due nor impaired		Past due but not impaired: Less than 3 months		3 to 6 months		6 to 12 months		More than 12 months	
€ m	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Loans and receivables (LaR)										
Loans and advances to banks	3,637	4,180	-	-	-	-	-	-	-	-
Loans and advances to customers	19,673	19,995	726	513	54	103	132	134	223	172
Financial assets										
available for sale (AfS)	4,255	4,919	-	-	-	-	-	-	-	-
Total	**27,565**	**29,094**	**726**	**513**	**54**	**103**	**132**	**134**	**223**	**172**

In the financial year, impaired loans and receivables changed as follows:

	Carrying amounts		Valuation allowances	
€ m	2014	2013	2014	2013
Loans and receivables (LaR)				
Loans and advances to banks	-	-	-	-
Loans and advances to customers	2,125	1,809	656	522
Financial assets				
available for sale (AfS)	-	-	-	-
Total	**2,125**	**1,809**	**656**	**522**

(32) Financial Assets at Fair Value through Profit or Loss

This item contains trading assets (held for trading - HfT) and financial instruments designated at fair value. The trading activities of the Group comprise trading in debt securities and other fixed-interest securities, shares and other non-fixed-interest securities, registered securities and derivative financial instruments which are not used in hedge accounting.

Of the debt securities and other fixed-interest securities measured at fair value through profit or loss and the shares and other non-fixed-interest securities, € 20 million (previous year: € 121 million) are marketable and listed.

	31.12.2014 € m	31.12.2013 € m	Change %
Trading assets			
Debt securities and other fixed-interest securities			
Bonds and debt securities			
issued by the public sector	0	2	-100
issued by other borrowers	20	41	-51
Total debt securities and other fixed-interest securities	**20**	**43**	**-53**
Positive fair values from derivatives in connection with:			
Interest-rate risk	743	810	-8
Currency risk	15	114	-87
Credit derivatives	2	3	-33
Total positive fair values from derivatives	**760**	**927**	**-18**
Total trading assets	**780**	**970**	**-20**
Designated financial assets measured at fair value			
Debt securities and other fixed-interest securities	-	78	-100
Total designated financial assets measured at fair value	**-**	**78**	**-100**
Total	**780**	**1,048**	**-26**

Of the total amount, € 693 million (previous year: € 728 million) are financial assets which will only be realised or settled after a period of more than twelve months.

The calculation of the credit risk-induced fair value change is based on the change in the credit spreads for the issuers of the debt securities.

(33) Positive Fair Values from Hedge Accounting Derivatives

This item comprises the positive fair values of hedging instruments in effective fair value hedges.

	31.12.2014 € m	31.12.2013 € m	Change %
Derivatives from micro fair value hedges	184	217	-15
Derivatives from portfolio fair value hedges	480	121	>100
Total	**664**	**338**	**96**

Of the total amount, € 589 million (previous year: € 263 million) are hedging instruments which will only be realised or settled after a period of more than twelve months. Interest rate swaps are used as hedging instruments.

(34) Financial Assets

The balance sheet item for financial assets includes all the debt securities and other fixed-interest securities which are classified as available for sale (AfS), shares and other non-fixed-interest securities as well as shares in companies that are not accounted for in accordance with IFRS 10, IFRS 11 or IAS 28.

Investments in the equity of other companies and silent partnerships and jouissance rights with involvement in the losses are allocated to the category of available for sale (AfS).

	31.12.2014 € m	31.12.2013 € m	Change %
Financial assets available for sale (AfS)			
Debt securities and other fixed-interest securities			
issued by the public sector	2,382	2,161	10
issued by other borrowers	1,798	2,688	-33
Total debt securities and other fixed-interest securities	**4,180**	**4,849**	**-14**
Shares and other non-fixed-interest securities	13	1	>100
Investments in non-consolidated entities	48	55	-13
Other financial assets categorised as AfS	14	14	0
Total	**4,255**	**4,919**	**-13**

Of the total amount, € 2.310 billion (previous year: € 4.283 billion) are available-for-sale (AfS) financial assets that will only be realised or settled after a period of more than twelve months.

The table below provides a summary of the financial information related to affiliated companies that are not accounted for using the equity method.

€ m	Financial companies	Insurance companies	Other companies
Figures from the last approved financial statements			
Assets	16	36	93
Liabilities	1	31	63
Sales revenue	0	11	24
Profit/loss	2	-1	0

(35) Financial Assets accounted for using the Equity Method

This item shows the shares in affiliated companies accounted for using the equity method in accordance with IAS 28. Investments accounted for using the equity method break down as follows:

	31.12.2014 € m	31.12.2013 € m	Change %
Affiliated companies			
Banks	21	19	11
Other companies	72	73	-1
Total	**93**	**92**	**1**

Shares in companies accounted for using the equity method have a term of more than twelve months.

€ m	Affiliated companies
1.1.2013	**87**
Write-ups	5
31.12.2013	**92**
1.1.2014	**92**
Depreciation and amortisation	7
Write-ups	8
31.12.2014	**93**

(36) Property and Equipment

	31.12.2014 € m	31.12.2013 € m	Change %
Land and buildings	45	47	-4
Operating and office equipment	7	7	0
Other property and equipment	23	12	92
Total	**75**	**66**	**14**

In 2014, advance payments totalled € 21 million (previous year: € 10 million) for the reconstruction of the Bremen branch that started in 2013. In-house market value appraisals identified hidden reserves of € 18 million in land and buildings (previous year: € 28 million). The historical cost of property and equipment which had been fully amortised by the balance sheet date but which is still in use is € 3 million (previous year: € 2 million).

(37) Investment Property

0	31.12.2014 € m	31.12.2013 € m	Change %
Investment property	76	74	3
Total	**76**	**74**	**3**

The fair value of investment property amounts to € 86 million (previous year: € 89 million). The letting out of this property earned € 8 million in the year under review (previous year: € 7 million). Direct operating expenses (including repairs and maintenance) excluding depreciation amounted to € 3 million (previous year: € 2 million). There are no contractual obligations to purchase investment property in the next financial year.

The development of cost and accumulated depreciation and impairment for property and equipment and investment property is as follows:

€ m	Used for banking operations: Land and buildings	Used for banking operations: Operating and office equipment	Used for banking operations: Prepayments/ assets under construction	Used for banking operations: Total	Not used for banking operations: Investment property
Historical cost 1.1.2013	**107**	**36**	**9**	**152**	**79**
Additions	-	1	3	**4**	**6**
Reclassifications	-	-	-	**-**	**-**
Disposals	-	-10	-	**-10**	**-**
Total 31.12.2013	**107**	**27**	**12**	**146**	**85**
Accumulated depreciation 1.1.2013	**-58**	**-28**	**-**	**-86**	**-10**
Scheduled depreciation	-2	-3	-	**-5**	**-1**
Unscheduled depreciation	-	-	-	**-**	**-**
Reclassifications	-	-	-	**-**	**0**
Disposals	-	11	-	**11**	**0**
Total 31.12.2013	**-60**	**-20**	**-**	**-80**	**-11**
Closing balance 31.12.2013	**47**	**7**	**12**	**66**	**74**
Historical cost 1.1.2014	**107**	**27**	**12**	**146**	**85**
Additions	1	2	12	**15**	**4**
Additions through the reclassification of property and equipment	-	1	-1	**-**	**4**
Reclassifications	-	-	-	**-**	**-**
Disposals	-20	-9	-	**-29**	**-2**
Total 31.12.2014	**88**	**21**	**23**	**132**	**91**
Accumulated depreciation 1.1.2014	**-60**	**-20**	**-**	**-80**	**-11**
Scheduled depreciation	-2	-2	-	**-4**	**-1**
Additions through the reclassification of property and equipment	-	-	-	**-**	**-4**
Unscheduled depreciation	-	-	-	**-**	**-**
Reclassifications	-	-	-	**-**	**-**
Disposals	19	8	-	**27**	**1**
Total 31.12.2014	**-43**	**-14**	**-**	**-57**	**-15**
Closing balance 31.12.2014	**45**	**7**	**23**	**75**	**76**

The addition to investment property concerns the reclassification of land and buildings at Am Markt, Oldenburg, from property and equipment and the acquisition of the buildings in Achternstraße, Oldenburg.

(38) Intangible Assets

The main intangible assets of the Bremer Landesbank Group are set out below:

	Carrying amount € m		Remaining depreciation period (in years)	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Software developed internally				
Architecture of FI migration interfaces	3	5	2	2
SPOT	2	1	3	3
Purchased software				
Other	3	2	0 to 5	0 to 5
Prepayments OptiMA (SAP BA 8.0)	2	-	-	-
Total	**10**	**8**		

Intangible assets relate to system and application software. They solely involve both purchased software and internally developed intangible assets. In 2014, development costs of € 1 million (previous year: € 1 million) were recognised as an intangible asset developed internally for the implementation of the integration architecture (SPOT). There were no non-capitalised research expenses. Furthermore, prepayments in the amount of € 2 million were made for the launch of SAP Bank Analyzer 8.0. The remaining useful life of intangible assets is between 1 and 59 months. The historical cost of intangible assets which had been fully amortised by the balance sheet date but which are still in use is € 10 million (previous year: € 10 million).

Intangible assets changed as follows:

€ m	Purchased	Developed internally	Prepayments	Total
Historical cost 1.1.2013	**15**	**11**	**-**	**26**
Additions	1	0		**1**
Disposals	-2	-		**-2**
Total 31.12.2013	**14**	**11**		**25**
Accumulated depreciation 1.1.2013	**-13**	**-3**		**-16**
Scheduled depreciation	-1	-2		**-3**
Disposals	2	-		**2**
Total 31.12.2013	**-12**	**-5**		**-17**
Closing balance 31.12.2013	**2**	**6**		**8**
Historical cost 1.1.2014	**14**	**11**	**-**	**25**
Additions	2	1	2	**5**
Disposals	-1	-	-	**-1**
Total 31.12.2014	**15**	**12**	**2**	**29**
Accumulated depreciation 1.1.2014	**-12**	**-5**	**-**	**-17**
Scheduled depreciation	-1	-2	-	**-3**
Disposals	1	-	-	**1**
Total 31.12.2014	**-12**	**-7**	**0**	**-19**
Closing balance 31.12.2014	**3**	**5**	**2**	**10**

(39) Current Income Tax Assets and Deferred Income Taxes

	31.12.2014 € m	31.12.2013 € m	Change %
Current income tax assets	1	7	-86
Deferred tax assets	152	106	43
Total	**153**	**113**	**35**

Deferred tax assets show potential income tax relief from temporary differences in the carrying amounts of assets and liabilities in the IFRS consolidated balance sheet and their tax base in accordance with the tax regulations governing group entities. As at 31 December 2014, deferred tax assets in the amount of € 37 million (previous year: € 0) were offset directly against equity.

Deferred income tax assets were recognised in connection with the following balance sheet items and unused tax losses:

	31.12.2014 € m	31.12.2013 € m	Change %
Risk provisioning	53	37	43
Financial assets at fair value through profit or loss	570	317	80
Financial assets	1	2	-50
Property and equipment	23	20	15
Intangible assets	2	1	100
Other assets	11	0	>100
Liabilities to banks	4	9	-56
Liabilities to customers	41	32	28
Securitised liabilities	20	23	-13
Financial liabilities at fair value through profit or loss	0	27	-100
Negative fair values from hedge accounting derivatives	173	72	>100
Provisions	102	66	55
Subordinated capital	1	2	-50
Tax losses carried forward and other deferred tax assets	-	11	-100
Total	**1,001**	**619**	**62**
Netting	849	513	65
Total	**152**	**106**	**43**

Besides deferred taxes which are reported in the consolidated income statement, there are deferred tax claims relating to provisions in the amount of € 37 million (previous year: € 0 million), which are reported in other comprehensive income (OCI). There are no more claims relating to financial assets (previous year: € 228 thousand).

(40) Other Assets

	31.12.2014 € m	31.12.2013 € m	Change %
Receivables from non-consolidated subsidiaries	16	17	-6
Initial margin payment (Eurex)	15	15	0
Receivables from domestic banks	8	8	0
Leasing agreements in preparation (prepayments)	6	2	>100
Receivables in interim accounts	1	2	-50
Tax refund claims relating to other taxes	0	1	-100
Other assets	3	5	-40
Total	**49**	**50**	**-2**

The receivables in interim accounts mostly involve receivables in connection with lending and transactions in payment transaction accounts.

All of the amounts recognised in other assets are due within the next twelve months.

(41) Liabilities to Banks

	31.12.2014 € m	31.12.2013 € m	Change %
Deposits from other banks			
German banks	70	-	>100
Foreign banks	-	-	-
Total deposits from other banks	**70**	**-**	**>100**
Liabilities from money market transactions			
German banks	1,297	320	>100
Foreign banks	-	-	-
Total liabilities from money market transactions	**1,297**	**320**	**>100**
Other liabilities			
German banks			
Payable on demand	647	580	12
Limited term	8,439	9,098	-7
Foreign banks			
Payable on demand	214	249	-14
Limited term	519	725	-28
Total other liabilities	**9,819**	**10,652**	**-8**
Total	**11,186**	**10,972**	**2**

Of the total amount, € 7.385 billion (previous year: € 8.849 billion) are liabilities to banks which will probably only be realised or settled after more than twelve months.

Of the liabilities to German banks, € 756 million (previous year: € 521 million) relates to associated savings banks.

(42) Liabilities to Customers

	31.12.2014 € m	31.12.2013 € m	Change %
Savings deposits			
With an agreed notice period of three months			
German customers	206	204	1
Foreign customers	8	9	-11
With an agreed notice period of more than three months			
German customers	4	4	0
Foreign customers	1	1	0
Total savings deposits	**219**	**218**	**0**
Liabilities from money market transactions			
German customers	1,078	1,366	-21
Foreign customers	78	28	>100
Total liabilities from money market transactions	**1,156**	**1,394**	**-17**
Other liabilities			
German customers			
Payable on demand	2,602	2,609	0
Limited term	4,949	5,664	-13
Foreign customers			
Payable on demand	100	123	-19
Limited term	1	1	0
Total other liabilities	**7,652**	**8,397**	**-9**
Total	**9,027**	**10,009**	**-10**

Of the total amount, € 5.158 billion (previous year: € 5.711 billion) are liabilities to customers which will probably only be realised or settled after more than twelve months.

(43) Securitised Liabilities

	31.12.2014 € m	31.12.2013 € m	Change %
Issued debt securities			
Pfandbriefe	492	573	-14
Municipal debt securities	1,843	2,067	-11
Other debt securities	5,020	5,300	-5
Total issued debt securities	**7,355**	**7,940**	**-7**
Money market securities			
Commercial papers	-	60	-100
Other money market securities	-	-	-
Total money market securities	**-**	**60**	**-100**
Total	**7,355**	**8,000**	**-8**

Of the total amount, € 4.477 billion (previous year: € 6.545 billion) are securitised liabilities which will probably only be realised or settled after more than twelve months.

In accordance with IAS 39, debt securities issued and held by the Group itself were deducted in the nominal amount of € 58 million (previous year: € 91 million) directly from debt securities issued.

Of the securitised liabilities existing on the balance sheet date, no bearer debt securities were transferred into bearer debt securities.

The following list contains the significant debt securities issued in 2014 with an issue volume of € 35 million and higher.

Security abbreviation	Nominal	Currency	Maturity	Interest rate %
BREM.LB.KR.A.OLD.IS.242	100,000,000.00	€	25 October 2019	1.0000
BREM.LB.KR.A.OLD.PF.34VAR	75,000,000.00	€	11 September 2019	0.1620
BREM.LB.KR.A.OLD.OPF 123	55,000,000.00	€	31 July 2019	0.6500
BREM.LB.KR.A.OLD.IS.228	55,000,000.00	€	29 January 2016	0.2480
BREM.LB.KR.A.OLD.IS.241	50,000,000.00	€	24 August 2018	0.7500
BREM.LB.KR.A.OLD.OPF 118	50,000,000.00	€	28 March 2018	0.1790
BREM.LB.KR.A.OLD.IS.240	50,000,000.00	€	25 August 2017	0.6250
BREM.LB.KR.A.OLD.OPF 120	45,500,000.00	€	23 November 2020	1.0000
BREM.LB.KR.A.OLD.OPF 121	35,000,000.00	€	22 November 2021	1.2000
BREM.LB.KR.A.OLD.IS.239	35,000,000.00	€	1 August 2019	0.5850

(44) Adjustment items for financial instruments hedged in the fair value hedge portfolio

This item comprises the changes in value due to interest rate fluctuations of designated other liabilities (OL) and loans and receivables (LaR) in the fair value hedge portfolio.

	31.12.2014 € m	31.12.2013 € m	Change %
Asset items			
Loans and receivables (LaR)	60	0	>100
Liability items			
Adjustment item for financial instruments in fair value hedge portfolio (OL)	307	135	>100

(45) Financial Liabilities at Fair Value through Profit or Loss

This item comprises the trading liabilities (held for trading – HFT). As in the previous year, there were no liabilities designated at fair value through profit or loss.

Trading liabilities are negative fair values resulting from derivative financial instruments which were not used in hedge accounting.

	31.12.2014 € m	31.12.2013 € m	Change %
Trading liabilities			
Negative fair values from derivatives in connection with:			
Interest-rate risk	750	710	6
Currency risk	250	59	>100
Share-price and other price risks	-	-	-
Credit derivatives	6	22	-73
Total trading liabilities	**1,006**	**791**	**27**
Total	**1,006**	**791**	**27**

Of the total amount, € 835 million (previous year: EUR 606 million) are financial instruments at fair value which will only be realised or settled after more than twelve months.

(46) Negative Fair Values from Hedge Accounting Derivatives

This item comprises the negative fair values of hedging instruments in effective fair value hedges.

	31.12.2014 € m	31.12.2013 € m	Change %
Derivatives from micro fair value hedges	38	48	-21
Derivatives from portfolio fair value hedges	186	43	>100
Total	**224**	**91**	**>100**

Of the total amount, € 196 million (previous year: € 59 million) are hedging instruments which will only be realised or settled after a period of more than twelve months.

Interest rate swaps are used as hedging instruments.

(47) Provisions

	31.12.2014 € m	31.12.2013 € m	Change %
Provisions for Pensions and Similar Obligations	507	379	34
Other Provisions			
Loan loss provisions	11	24	-54
Provisions for uncertain liabilities	18	23	-22
Total	**536**	**426**	**26**

Of the loan loss provisions, € 3 million (previous year: € 4 million) relates to general loan loss provisions.

The significant reduction in provisions and the corresponding increase in specific valuation allowances are mainly due to the system change with the new risk provisioning tool (SAP / RBD replaced by ABIT).

The other provisions are provisions made for uncertain liabilities. A distinction is made between “loan loss provisions” and “other provisions for uncertain liabilities”.

In the case of loan loss provisions, the expected settlement date is currently after a holding period of less than one year. Uncertainties in respect of the amount and date lie in the overall economic development for the individual borrower groups. Reimbursements are not anticipated.

The provisions for uncertain liabilities mostly include provisions that are connected with personnel obligations and a provision for interest obligations related to the payment of tax arrears. The anticipated date of settlement for the personnel obligations depends on the occurrence of the event for the employee. Uncertainties with regard to the amount and date depend on the employee’s length of service as well as external and internal obligations (collective wage agreements, bank-specific agreements). Reimbursements are not anticipated.

Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations break down as follows:

	31.12.2014 € m	31.12.2013 € m	Change %
Present value of defined benefit obligation	537	411	31
Less fair value of plan assets	-30	-32	-6
Underfunding (net liability)	**507**	**379**	**34**

The present value of the defined benefit obligation is reconciled between the opening and the closing balance, taking into account the effects of the following items:

€ m	Present value of liability 2014	Present value of liability 2013	Fair value of plan asset 2014	Fair value of plan asset 2013	Underfunding / net liability 2014	Underfunding / net liability 2013	Change %
Opening balance 1.1.	**411**	**408**	**32**	**34**	**379**	**374**	**1**
Current service cost	8	7	-	-	8	7	14
Interest cost	15	15	-	-	15	15	0
Interest income from plan assets	-	-	1	1	-1	-1	0
Past service cost	-	1	-	-	-	1	-100
Changes from consolidation	-	-	-	-	-	-	-
Effects from planned cuts	-	-	-	-	-	-	-
Effects from severance payments/transfers (compensation payments)	-	-	-	-	-	-	-
Changes from currency translation	-	-	-	-	-	-	-
Benefits paid	-15	-15	-15	-15	-	-	0
Contributions							
Employer	-	-	12	12	-12	-12	0
Participants of pension scheme	-	-	-	-	-	-	-
Sub-total	**419**	**416**	**30**	**32**	**389**	**384**	**1**
Revaluations							
Experience adjustments	0	3	-	-	0	3	-100
Gains/losses from changes in demographic assumptions	-	-	-	-	-	-	-
Gains/losses from changes in financial assumptions	118	-8	-	-	118	-8	>100
Income from plan assets (not including interest income)	-	-	0	0	0	0	0
Closing balance 31.12.	**537**	**411**	**30**	**32**	**507**	**379**	**34**

The present value of the obligation is funded in the amount of € 529 million (previous year: € 405 million) and unfunded in the amount of € 8 million (previous year: € 6 million).

The fair value of the plan asset developed as follows:

		31.12.2014 € m	31.12.2013 € m	Change %
Equity instruments	Active market	0	1	-100
	Inactive market	-	-	-
Debt instruments	Active market	21	22	-5
	Inactive market	-	-	-
Property	Active market	-	-	-
	Inactive market	-	-	-
Other assets	Active market	9	9	0
	Inactive market	-	-	-
Total		**30**	**32**	**-6**

The cover funds of Bremer Landesbank's pension fund are reported as plan assets. Funds which are not required for current pension payments have been invested in annuity bonds and equities and other assets under an asset management agreement. Plan assets are measured at fair value.

The fair value of the plan asset contains financial instruments issued by Bremer Landesbank in the "debt instruments" category of € 1 million (previous year: € 1 million). The Bank's equity instruments, property for own use and other assets for own use are not included in the fair value of plan assets.

The following overview shows the maturities of the undiscounted defined benefit obligations:

€ m	Pension payments 31.12.2014	31.12.2013
Less than 1 year	11	11
Between 1 and 2 years	12	11
Between 2 and 3 years	13	12
Between 3 and 4 years	14	13
Between 4 and 5 years	15	13
Total	**65**	**60**

The duration of the defined pension obligations is 18 years (previous year: 16 years) and is assessed annually by the actuary.

For 2015 total contribution payments of € 11 million are anticipated for defined benefit plans. The anticipated addition to the pension fund's cover fund for 2015 is € 1 million.

The actuarial assumptions mean that defined benefit obligation is subject to change. The following sensitivity analysis shows the effects of the listed changes to the respective assumption on the level of the defined benefit obligation under the premises that there are no correlations and the other assumptions remain unchanged.

	Increase		Decrease	
€ m	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Discount rate	51	34	45	30
Salary trends	5	5	5	5
Pension development	17	12	16	11
Cost increase for health insurance benefits	2	1	1	1
Mortality	22	15	20	13

A sensitivity of -/+ 0.5 per cent was assumed for the discount rate, -/+ 0.25 per cent each for the salary and pension trend and 1 per cent for health insurance benefits. To determine the effect on the scope of the obligation that results if life expectancy increases, probabilities of death are reduced to 90 per cent. As a result of this approach, life expectancy in the age range 20 to around 70 is extended by 0.8 to 1.2 years, in the age range of approximately 70 to 90 by 0.4 to 0.8 years and in the range above 80 by less than 0.4 years.

The employer's share of the statutory pension insurance or pension plan totalled € 7 million in the year under review (previous year: € 7 million).

Other Provisions

Other provisions developed as follows:

€ m	Loan loss provisions	Provisions for uncertain liabilities: Provisions for personnel obligations	Provisions for uncertain liabilities: Other provisions for other uncertain liabilities	Total
Opening balance 1.1.2013	**22**	**19**	**3**	**44**
Utilisations	0	-4	0	**-4**
Reversals	-4	-3	0	**-7**
Allocations	6	8	0	**14**
Reclassifications	-	-	-	**-**
Closing balance 31.12.2013	**24**	**20**	**3**	**47**
Opening balance 1.1.2014	**24**	**20**	**3**	**47**
Utilisations	-3	-4	-2	**-9**
Reversals	-3	0	0	**-3**
Allocations	0	1	0	**1**
Reclassifications	-7	-	-	**-7**
Closing balance 31.12.2014	**11**	**17**	**1**	**29**

Other provisions comprise loan loss provisions, provisions for personnel obligations and other provisions for uncertain liabilities. The Bank has not recognised any provisions for restructuring or pending losses.

Loan loss provisions relate to provisions that could result for uncertain liabilities from possible legal claims made by borrowers against the Bank. The date of settlement is anticipated on the basis of an average holding period of four years. Uncertainties in respect of the amount and date lie in the overall economic development for the individual borrower groups. Reimbursements are not anticipated.

The discount for other loan loss provisions was € 52 thousand (previous year: € 88 thousand). € 31 thousand of the change in the discount (previous year: € 18 thousand) was attributable to a reduction in the discount rate.

The obligations in the pension area involve early retirement and long-service provisions as well as an internal bank provision for other personnel obligations. The anticipated date of settlement for the personnel obligations depends on the occurrence of the event for the employee. Uncertainties in respect of the amount and date depend on the employee’s length of service as well as external and internal obligations (collective wage agreements, bank-specific agreements). The actual usage by borrowers may deviate greatly from the amount set aside. Reimbursements are not anticipated.

Provisions for personnel obligations comprise provisions for early retirement of € 15 million (previous year: € 19 million) and anniversary provisions in the amount of € 2 million (previous year: € 2 million).

Other provisions for uncertain liabilities relate to provisions for interest obligations related to the payment of tax arrears, trade and sales taxes, trial costs and bonus payments from the bonus savings agreements. The anticipated date of settlement for interest obligations depends on the issuance of interest assessments by the place of residency. For other taxes, it depends on the issuance of amended tax assessments. In the case of trial costs, it depends on the length of the proceedings, which is expected to be two years, and for bonus savings it depends on the contractual form of the bonus savings agreements. Uncertainties in respect of amount and date result from interest obligations related to the payment of tax arrears and, based on the of the operating tax audit as at the balance sheet date, for trade tax and VAT. For trial costs, these uncertainties are based on the anticipated length of the legal dispute and for bonus savings on the contract holder's intention to hold the investment. Reimbursements are not anticipated in every case.

None of the provisions are expected to be utilised within twelve months.

(48) Current Income Tax Liabilities and Deferred Income Taxes

Income tax liabilities break down as follows:

	31.12.2014 € m	31.12.2013 € m	Change %
Current income tax liabilities	13	16	-19
Deferred tax liabilities	2	2	0
Total	**15**	**18**	**-17**

Deferred tax liabilities show potential income tax charges from temporary differences in the carrying amount of assets and liabilities in the IFRS consolidated balance sheet and their tax base in accordance with the tax regulations governing group entities. As at 31 December 2014, € 10 million (previous year: € 11 million) in deferred tax liabilities were offset directly against equity.

Deferred tax liabilities relate to the following balance sheet items:

	31.12.2014 € m	31.12.2013 € m	Change %
Loans and advances to customers	4	4	0
Financial assets at fair value through profit or loss	0	1	-100
Positive fair values from hedge accounting derivatives	229	107	>100
Financial assets	28	23	22
Property and equipment	1	1	0
Investment property	3	3	0
Other assets	2	0	>100
Financial liabilities at fair value through profit or loss	567	358	58
Provisions	0	1	-100
Other liabilities	17	17	0
Total	**851**	**515**	**65**
Netting	849	513	65
Total	**2**	**2**	**0**

Besides deferred taxes which are reported in the consolidated income statement, there are deferred tax liabilities from financial assets in the amount of € 10 million (previous year: € 10 million) and provisions of € 0 million (previous year: € 1 million), which are reported in other comprehensive income (OCI).

(49) Other Liabilities

	31.12.2014 € m	31.12.2013 € m	Change %
Liabilities from interim accounts	10	5	100
Liabilities from outstanding invoices	8	3	>100
Liabilities from short-term employee remuneration	8	9	-11
Liabilities to third parties	5	42	-88
Liabilities to pension fund	2	2	0
Liabilities from payable taxes and social security contributions	2	3	-33
Deferred items	1	-	>100
Other liabilities	1	3	-67
Total	**37**	**67**	**-45**

The liabilities in interim accounts mostly involve liabilities in connection with transactions in payment transaction accounts.

Accrued liabilities for short-term employee remuneration will be paid to Group employees during the first six months of 2015.

All of the amounts recognised in other liabilities will be realised within the next twelve months.

(50) Subordinated Capital

	31.12.2014 € m	31.12.2013 € m	Change %
Subordinated liabilities	755	758	0
Total	**755**	**758**	**0**

Subordinated liabilities would not be repaid until the claims of all senior creditors had been satisfied. On the reporting date, subordinated liabilities of € 629 million meet the requirements of Art. 63 of the EU Regulation No. 575/201 (Capital Requirements Regulation for banks and securities firms (CRR) which has been in effect since the beginning of 2014) for recognition as Tier 2 capital in accordance with Art. 62 of the CRR. As at 31 December 2013, subordinated liabilities of € 660 million met the then valid requirements of § 10 para. 5a of the German Banking Act (old version) for inclusion as Tier 2 capital in accordance with § 10 para. 2b of the German Banking Act.

Interest expenses for subordinated liabilities amount to € 21 million (previous year: € 20 million). Accrued interest not yet due is reported in subordinated capital under subordinated liabilities.

At the end of 2014, the following subordinated liabilities (not including proportionate interest) were outstanding:

Nominal amount € m	Maturity	Interest rate
150	15 December 2015	4.875
150	16 November 2027	Variable
50	6 December 2027	Variable
50	11 September 2028	Variable
200	28 June 2030	Variable
85	21 March 2031	Variable
65	5 April 2041	Variable
750		

(51) Notes on Equity

Retained earnings include amounts allocated to the reserves from the profits of previous years and the current year. This item also reports actuarial gains from pension provisions and the profits/losses from shares in companies accounted for using the equity method, which are recognised directly in equity.

The revaluation reserve includes the amounts resulting from the recognition of valuation differences relating to available-for-sale financial assets. Related deferred taxes are deducted.

Bremer Landesbank's shareholders are as follows (due to the legal form, the shares do not have any nominal value):

	31.12.2014
NORD/LB Norddeutsche Landesbank – Girozentrale	54.8343%
Federal State of Bremen	41.2000%
Savings Banks Association of Lower Saxony	3.9657%
Total	**100%**

By contract, Bremer Landesbank's share capital is not divided into a specific number of shares or nominal amounts. Voting rights and the right to dividends are in proportion to the owners' shares in capital.

Capital management aims to achieve compliance with legal minimum requirements and a balance between risk potential and risk capital in order to ensure that the Bank is able to act at all times (see 5th Risk Report, chapter on "Risk-bearing capacity").

On the basis of this risk-bearing capacity concept, the risk potential of each type of risk is aggregated on a monthly basis and compared with the Bank's risk capital. In the risk-bearing capacity model, this is ensured by means of three perspectives.

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

€ m	Risk capital 31.12.2014
Going concern (taking into account the Group RBC limit)	282
Going concern (not taking into account the Group RBC limit)	430
Gone Concern	1,958
Regulatory capital	9.53%

The external capital requirements were met at all times in the reporting period.

If a shareholder intends to sell his shares in the Bank in full or in part, he is to offer the shares to the other shareholders at the proportionate value of the company. NORD/LB is also obliged to offer its shares in Bremer Landesbank to the Free Hanseatic City of Bremen at the business value if the state of Lower Saxony and/or the Association of the Savings Banks of Lower Saxony (SVN) dispose of their majority in the share capital of NORD/LB, hence relinquishing their indirect authority to make decisions concerning Bremer Landesbank (change of control). In the consortium agreement dated 28 August 2012, the owners of the Bank agreed to other events on account of which NORD/LB is obligated to offer shares and the Free Hanseatic City of Bremen gains a commensurate right to purchase.

There are no other preferential rights and restrictions in accordance with IAS 1.79 (a) (v).

(52) Notes on the Cash Flow Statement

The cash flow statement shows the change in funds in the financial year based on the cash flows from operating, investment and financing activities.

Funds are defined as cash reserves (cash on hand and bank balances at the central banks). Loans and advances to banks are not a part of funds since they are not used to meet short-term payment obligations.

The cash flow from operating business activities has been calculated, starting with the consolidated profit, according to the indirect method. Initially, the expenses and income that did not have an impact on payments in the year under review are added or deducted. In addition, all cash expenses and income that do not relate to operating activities are eliminated. These payments are included in cash flow from investment or financing activities.

In accordance with the recommendations of the IASB, payments from loans and advances to banks and customers, trading portfolio, liabilities to banks and customers and securitised liabilities are recognised in the cash flow from operating activities.

The cash flow from investment activities includes payment processes for the investment and securities portfolio of financial assets and cash receipts and payments for property and equipment and the acquisition of subsidiaries.

The cash flow from financing activity includes cash flows from changes in capital, interest payments on subordinated capital and dividend payments to the owners of the parent Bremer Landesbank.

The change in other non-cash items includes in particular the change in risk provisioning of € 200 million (previous year: € 142 million) as well as further hedging and valuation effects.

Other adjustments (net) mainly include adjustments in order to represent the interest and dividends received and paid as a separate item in the cash flow from operating activities.

In 2014, interest paid totalled € 1.016 billion (previous year: € € 1.329 billion).

Information contained in the cash flow statement is of limited significance for banks. The cash flow statement neither replaces the liquidity or financial plan, nor is it used as a control instrument.

Please see the comments in the risk report regarding the Bremer Landesbank Group’s liquidity risk management.

Notes on Financial Instruments

(53) Fair Value Hierarchy

The fair values of financial instruments are compared in the table below with carrying amounts.

€ m	Basis of measurement	31.12.2014 Fair value	31.12.2014 Carrying amount	31.12.2013 Fair value	31.12.2013 Carrying amount
Assets					
Cash reserve	Fair value	211	211	65	65
Loans and advances to banks	Amortised cost	3,804	3,637	4,292	4,180
Loans and advances to customers	Amortised cost	22,632	22,933	20,727	22,726
Receivables from finance leases	Amortised cost	15	15	15	15
Risk provisioning		-	-857	-	-664
Adjustment item for financial instruments hedged in the fair value hedge portfolio	Fair value	-	60	-	-
Financial assets at fair value through profit or loss					
Trading assets	Fair value	780	780	970	970
Designated financial assets reported at fair value	Fair value	-	-	78	78
Financial assets					
Financial assets categorised as AfS	Fair value	4,255	4,246	4,919	4,909
Financial assets categorised as AfS	at cost	-	9	-	10
Positive fair values from hedge accounting derivatives	Fair value	664	664	338	338
Other assets					
categorised as LaR	Amortised cost	20	20	17	17
categorised as AfS	Fair value	-	-	8	8
Total assets		**32,381**	**31,658**	**31,429**	**32,652**
Liabilities					
Liabilities to banks	Amortised cost	11,570	11,186	11,117	10,972
Liabilities to customers	Amortised cost	9,811	9,027	10,424	10,009
Liabilities from finance leases	Amortised cost	-	-	-	-
Securitised liabilities	Amortised cost	7,496	7,355	8,097	8,000
Adjustment item for financial instruments hedged in the fair value hedge portfolio	Fair value	-	307	-	135
Financial liabilities at fair value through profit or loss					
Trading liabilities	Fair value	1,006	1,006	791	791
Negative fair values from hedge accounting derivatives	Fair value	224	224	91	91
Subordinated capital					
Subordinated liabilities	Amortised cost	733	755	723	757
Other liabilities					
categorised as other liabilities	Amortised cost	15	15	48	48
Total liabilities		**30,855**	**29,875**	**31,291**	**30,803**
Additional classes					
Irrevocable loan commitments		97	1,906	58	1,937
Financial guarantees		-	535	-	516

The fair values of loans and advances to banks and customers include risk provisioning.

The fair value of the adjustment item for financial instruments included in the portfolio fair value hedge is stated under the balance sheet items of the designated underlying transactions.

Shares in companies of € 9 million (previous year: € 10 million) were recognised at amortised cost because these do not have a quoted price in an active market and the fair value attributable to them cannot be reliably established.

The table below shows the allocation of the financial assets and liabilities recognised at fair value in accordance with the fair value hierarchy:

€ m	Level 1	Level 2	Level 3	Total
31.12.2014				
Assets				
Trading assets				
Debt securities and other fixed-interest securities	20	-	-	**20**
Derivatives				
Interest-rate risk	-	743	-	**743**
Currency risk	-	15	-	**15**
Share-price and other price risks	-	-	-	**-**
Credit risk	-	2	-	**2**
Designated financial assets reported at fair value	-	-	-	**0**
Positive fair values from micro fair value hedge derivatives	-	184	-	**184**
Positive fair values from fair value hedge derivatives	-	480	-	**480**
Debt securities and other fixed-interest securities	1,679	2,501	53	**4,233**
Shares and other variable-yield securities	13	-	-	**13**
Other assets reported at fair value	-	8	-	**8**
Total assets	**1,712**	**3,933**	**53**	**5,698**
Liabilities				
Trading liabilities				
Interest-rate risk	-	749	-	**749**
Currency risk	-	251	-	**251**
Credit risk	-	6	0	**6**
Negative fair values from micro fair value hedge derivatives	-	38	-	**38**
Negative fair values from fair value hedge derivatives	-	186	-	**186**
Total liabilities	**-**	**1,230**	**0**	**1,230**

€ m	Level 1	Level 2	Level 3	Total
31.12.2013				
Assets				
Trading assets				
Debt securities and other fixed-interest securities	43	-	-	**43**
Derivatives				
Interest-rate risk	-	809	-	**809**
Currency risk	-	114	-	**114**
Credit risk	-	4	-	**4**
Positive fair values from micro fair value hedge derivatives	-	218	-	**218**
Positive fair values from fair value hedge derivatives	-	121	-	**121**
Debt securities and other fixed-interest securities	487	4,315	107	**4,909**
Shares and other variable-yield securities	1	-	-	**1**
Other assets reported at fair value	-	8	-	**8**
Total assets	**609**	**5,589**	**107**	**6,305**
Liabilities				
Trading liabilities				
Derivatives				
Interest-rate risk	-	710	-	**710**
Currency risk	-	59	-	**59**
Credit risk	-	18	4	**22**
Negative fair values from micro fair value hedge derivatives	-	48	-	**48**
Negative fair values from fair value hedge derivatives	-	43	-	**43**
Total liabilities	**-**	**878**	**4**	**882**

Fair values from the synthetic credit portfolio of CDSs (Level 2) amounted to a total of 1.0 per cent as at 31 December 2014 (previous year: 1.0 per cent) of the nominal amounts of € 0.7 billion (previous year: € 2.3 billion). The Bank intends to hold the existing synthetic credit portfolio to maturity.

Transfers within the fair value hierarchy break down as follows:

€ m	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
31.12.2014						
Trading assets	-	-	-	-	-	-
Financial assets designated at fair value	-	-	-	-	-	-
Positive fair values from hedge accounting derivatives	-	-	-	-	-	-
Financial assets at fair value	170	-				
Debt securities and other fixed-interest securities	-	-	1,310	-	0	-
Other assets reported at fair value	-	-	-	-	-	-
Assets	**170**	**-**	**1,310**	**-**	**0**	**-**
Trading liabilities	-	-	-	-	-	3
Financial assets designated at fair value	-	-	-	-	-	-
Negative fair values from hedge accounting derivatives	-	-	-	-	-	-
Liabilities	**-**	**-**	**-**	**-**	**-**	**3**
31.12.2013						
Trading assets	-	-	-	-	-	-
Financial assets designated at fair value	-	-	-	-	-	-
Positive fair values from hedge accounting derivatives	-	-	-	-	-	-
Financial assets at fair value						
Other assets reported at fair value	8	-	-	-	-	-
Debt securities and other fixed-interest securities	3,681	-	-	6	-	-
Assets	**3,689**	**-**	**-**	**6**	**-**	**-**
Trading liabilities	-	-	-	2	-	0
Financial assets designated at fair value	-	-	-	-	-	-
Negative fair values from hedge accounting derivatives	-	-	-	-	-	-
Liabilities	**-**	**-**	**-**	**2**	**-**	**0**

IFRS 13 and IDW RS HFA 47, passed in December 2013, consolidate and standardise the principles of establishing the fair value for IFRS purposes, including the criteria for allocation to the individual levels of the fair value hierarchy. For the measurement of annuity bonds on the OTC market, average prices from price-service agencies such as Bloomberg and Reuters are used. These are Level 2 input factors as defined in IFRS 13 and IDW RS HFA 47, where the base data underlying these average prices reflect binding offers or observable transaction-based prices.

At the individual transaction level for financial instruments, a check of the activity status of the parameters used for the valuation is performed, as described in Note (6). The check on the balance sheet date showed that financial assets of € 170 million were transferred from Level 1 to Level 2.

The time of the transfer between levels is the end of the reporting period.

Financial assets and liabilities in Level 3 of the fair value hierarchy relate to debt securities, other fixed-interest securities and credit derivatives. They changed as follows:

€ m	Debt securities and other fixed-interest securities	Negative fair values from derivatives (credit derivative)
Opening balance 1.1.2013	**116**	**-4**
P&L effect [1)]	0	3
Effect of revaluation reserve	4	-
Purchases	-	-
Sales	-	-
Redemptions	-18	-
Shift up from Levels 1 and 2	-	-3
Shift down to Levels 1 and 2	-	-
Shift up from at cost	5	-
Closing balance 31.12.2013	**107**	**-4**
Opening balance 1.1.2014	**107**	**-4**
P&L effect	0	1
Effect of revaluation reserve	-5	-
Purchases	-	-
Sales	-49	-
Redemptions	-	-
Shift up from Levels 1 and 2	-	-
Shift down to Levels 1 and 2	-	-
Shift up from at cost	-	3
Closing balance 31.12.2014	**53**	**0**

[1)] The effects include measurement and realisation effects as well as accrued interest and are presented in the income statement in the items net interest income and financial instruments at fair value through profit or loss.

As in 2013, the P&L effects are due in full to assets and liabilities held at the end of the reporting period. The P&L effects do not include any current profits and losses.

There were no day-one effects in the financial year.

If fair values for assets and liabilities that are not valued at fair value in the balance sheet are stated in the notes, these should be allocated to the fair value hierarchy.

€ m	Level 1	Level 2	Level 3	Total
31.12.2014				
Assets				
Cash reserve	211	-	-	**211**
Loans and advances to banks				
Other loans	-	-	32,777	**32,777**
Current account and forward contracts	-	-	109	**109**
Other loans and advances to banks	-	-	418	**418**
Loans and advances to customers				
Mortgage loans	-	-	1,538	**1,538**
Municipal loans	-	-	4,420	**4,420**
Other loans	-	-	14,195	**14,195**
Current account and forward contracts	-	-	2,478	**2,478**
Financial assets not reported at fair value				
Debt securities and other fixed-interest securities	-	-	-	**-**
Shares in companies (non-consolidated)	-	-	-	**-**
Other financial assets	-	-	-	**-**
Assets held for sale not reported at fair value	-	-	-	**-**
Other assets not reported at fair value	-	-	20	**20**
Total assets	**211**	**-**	**55,955**	**56,166**
Liabilities				
Liabilities to banks	-	-	11,570	**11,570**
Liabilities to customers	-	-	0	**0**
Issued debt securities	-	7,496	9,811	**17,307**
Other liabilities not reported at fair value	-	-	15	**15**
Subordinated capital	-	481	251	**732**
Total liabilities	**-**	**7,977**	**21,647**	**29,624**

Sensitivity calculation for non-observable parameters

In the case of mark-to-model valuation (Level 3), the fair values depend on the assumptions made, i.e., changes in the assumptions may lead to changes in fair value. Significant effects of such changes in value attributable to changes in assumptions are reviewed for the fair values recognised in the financial statements using a sensitivity analysis.

- A significant unobservable input parameter for the fair value measurement of the equity investments is the adjusted beta. The fair value of equity investments classified in Level 3 totalled € 39 million (previous year: € 44 million). Significant changes in the input parameter result in a higher or lower fair value. In the sensitivity analysis, the adjusted beta was stressed in the valuation by raising and lowering this by 0.1 in each case. Accordingly, an assumed change in the underlying parameters resulted in a change in the fair values of equity investments in Level 3 by € 3.4 million (previous year: € 3.7 million). The bandwidth of the input data used is ± 60 BP. The weighted average is 600 BP.

For the fair value measurement of Level 3 financial instruments, there are no relevant correlations between significant Level 3 input parameters. Consequently, there was no impact on the fair value.

(54) Carrying Amounts by Measurement Category

	31.12.2014 € m	31.12.2013 € m	Change %
Asset items			
Loans and receivables (LaR)	25,773	26,267	-2
Available-for-sale assets (AfS)	4,255	4,919	-13
Financial assets held for trading (HfT)	780	970	-20
Financial assets designated at fair value through profit or loss	0	78	-100
Positive fair values from hedges	664	338	96
Total asset items	**31,472**	**32,572**	**-3**
Liability items			
Other liabilities (OL)	28,630	29,874	-4
Financial liabilities held for trading (HfT)	1,006	791	27
Negative fair values from hedges	224	91	>100
Total liability items	**29,860**	**30,756**	**-3**

The cash reserve is not included as a financial instrument as it is not allocated to any measurement category.

(55) Profit/Loss by Measurement Category

The following contributions to profit and loss stem from the individual measurement categories:

	31.12.2014 € m	31.12.2013 € m	Change %
Loans and receivables (LaR)	-271	-263	-3
Other liabilities	-	-	-
Available-for-sale assets (AfS)	10	-4	>100
Financial instruments held for trading	-14	49	<-100
Financial instruments designated at fair value through profit or loss	-1	-3	>100

The profits/losses do not contain any interest, commission or dividend income/expenses. They also do not contain the profit/loss from hedge accounting.

Valuation gains on available-for-sale financial assets of € 10 million (previous year: € -4 million) were recognised in other comprehensive income (revaluation reserve). In the same period, no valuation gains under other comprehensive income were reclassified from the revaluation reserve to the income statement, as in the previous year.

The category of financial instruments held for trading relates solely to the trading result, whilst the category financial instruments designated at fair value through profit or loss contains the result of the fair value option. The AfS category contains the result from financial assets of the category AfS and the result of shares in non-consolidated entities. The LAR category consists of loan loss provisions, the profit/loss from LAR financial assets and income from the disposal of loans and advances. The category other liabilities includes solely earnings and expenditure from the repurchase of the bank's own liabilities.

The profit and loss from the valuation categories Financial Instruments Held for Trading and Financial Instruments designated at Fair Value through Profit or Loss include the commission income of the respective transactions. They do not contain the profit/loss from hedge accounting as this is not assigned to any category.

(56) Impairments/Reversals of Impairments by Measurement Category

	31.12.2014 € m	31.12.2013 € m	Change %
Loan loss provisions			
Allocations to/reversals of provisions for financial guarantees	2	-2	>100
Allocations to/reversals of other provisions in lending business	0	0	0
Total loan loss provisions	**2**	**-2**	**>100**
Available-for-sale assets (AfS)			
Profit/loss from impairment of financial assets	0	0	0
Write-downs/write-ups of other assets	1	0	>100
Total available-for-sale assets	**1**	**0**	**>100**
Loans and receivables (LaR)			
Net impairment from			
specific allowances in lending business	0	0	0
Loans and advances to banks	0	0	0
Loans and advances to customers	-202	-181	12
Profit/loss from general allowances in lending business	-65	-64	2
Total loans and receivables [1]	**-267**	**-245**	**9**
Total	**-267**	**-245**	**9**

[1] Excluding unwinding effects.

The result from the valuation of LARs is stated under provisions for lending business. Changes in value for available for sale assets are reported in the profit/loss from financial assets and the measurement gains on other assets are recognised in other operating income.

(57) Offsetting of Financial Assets and Liabilities

The effects or potential effects of claims of offsetting in the context of financial assets and liabilities can be found in the table below.

€ m	Gross amount before netting	Amount of reported netting	Amount after netting	Master netting arrangements including without reported netting: Financial instruments	Master netting arrangements including without reported netting: Collateral: Cash securities	Net amount
31.12.2014						
Assets						
Netting of current accounts	3,526	-3,414	112	-	-	**112**
Derivatives	1,177	-	1,177	-936	-236	**5**
Liabilities						
Netting of current accounts	3,561	-3,414	147	-	-	**147**
Derivatives	1,205	-	1,205	-936	-247	**22**
31.12.2013						
Assets						
Netting of current accounts	4,607	-4,423	184	-	-	**184**
Derivatives	970	-	970	-642	-311	**17**
Liabilities						
Netting of current accounts	4,525	-4,423	102	-	-	**102**
Derivatives	774	-	774	-642	-124	**8**

In the netting of current accounts at the Bremer Landesbank Group untied liabilities to account holders that are payable on demand are offset against any existing receivables from the same account holder that are payable on demand in accordance with § 10 of the German Accounting Regulation for Credit and Financial Services Institutions (RechKredV). This applies if there is an agreement with the account holder regarding interest and commission calculation that the account holder will be placed in the same position as if everything was posted via an individual account. The netting takes place in accordance with IAS 32.42. Receivables and liabilities in different currencies are not offset.

The derivative financial instrument business is usually performed on the basis of bilateral master agreements entered into with the counterparty. These merely provide limited rights for offsetting receivables, liabilities and collateral granted and received e.g. in the event of a breach of contract or in the case of insolvency. There is consequently no current right of offset in accordance with IAS 32.42.

(58) Maximum Exposure to Default Risk and Available Collateral

The table below shows the maximum exposure to default risk and the available collateral, broken down by financial instrument classes: The held securities cannot be sold or transferred if the owners have not defaulted in payment. Furthermore, there were no violations or infringements of loan agreements in the reporting period.

€ m	Carrying amount before risk provisioning	Risk provisioning	Maximum default risk	Fair value of available collateral
31.12.2014				
Loans and advances to banks	3,637	-	3,637	-
Loans and advances to customers	22,933	656	22,277	5,741
Irrevocable loan commitments	1,906	0	1,906	62
Financial guarantees	535	10	525	111
Total	**29,011**	**666**	**28,345**	**5,914**
31.12.2013				
Loans and advances to banks	4,180	-	4,180	-
Loans and advances to customers	22,726	522	22,204	7,795
Irrevocable loan commitments	1,937	0	1,937	18
Financial guarantees	516	16	500	131
Total	**29,359**	**538**	**28,821**	**7,944**

The available collateral breaks down as follows:

€ m	Commercial property	Guarantees	Other physical collateral	Other collateral	Total
31.12.2014					
Loans and advances to customers	1,516	1,229	2,159	837	**5,741**
Irrevocable loan commitments	40	7	5	10	**62**
Financial guarantees	42	39	8	22	**111**
Total	**1,598**	**1,275**	**2,172**	**869**	**5,914**
31.12.2013					
Loans and advances to customers	1,421	1,408	4,184	782	**7,795**
Irrevocable loan commitments	7	7	2	2	**18**
Financial guarantees	46	58	8	19	**131**
Total	**1,474**	**1,473**	**4,194**	**803**	**7,944**

As in the previous year, no collateral has been provided for loans and advances to banks.

(59) Derivative Financial Instruments

The Bremer Landesbank Group employs derivative financial instruments for hedging purposes in asset/liability management. It also trades in derivative financial instruments.

Derivative financial instruments in foreign currencies are chiefly concluded as forward exchange contracts, currency swaps, cross-currency interest-rate swaps and currency options. Interest-rate derivatives primarily comprise interest-rate swaps, forward rate agreements as well as interest-rate futures and interest-rate options; in a few cases, forward contracts for fixed-interest securities are also entered into. Share derivative agreements are mainly concluded as share options and share index futures. There are also credit derivatives (CDS).

Nominal values are the gross volume of all purchases and sales. This value is a reference figure for calculating mutual compensation payments; it does not refer to loans and advances and liabilities which can be recognised in the balance sheet. The fair values of the individual contracts are measured on the basis of recognised valuation models without taking into account any netting agreements.

Derivative financial instruments break down as follows:

	Nominal values		Positive fair values		Negative fair values	
€ m	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Interest-rate risk	34,421	38,930	1,407	1,149	974	801
Interest rate swaps	31,352	36,373	1,391	1,125	943	751
FRAs	200	200	0	0	-	-
Swaption	514	472	2	8	15	20
Purchases	150	132	2	8	-	-
Sales	364	340	-	-	15	20
Caps, floors	1,327	1,603	15	15	16	15
Stock exchange contracts	1,028	212	0	0	0	0
Other forward interest rate transactions	-	70	-	1	-	15
Currency risk	4,338	4,621	15	114	250	59
Forward exchange contracts	256	219	11	3	43	1
Currency swaps/cross-currency interest rate swaps	4,068	4,355	3	109	206	56
Currency options	14	47	1	2	1	2
Purchases	7	24	1	2	-	-
Sales	7	23	-	-	1	2
Other exchange contracts	-	-	-	-	-	-
Share-price and other price risks	-	-	-	-	-	-
Equity forward contracts	-	-	-	-	-	-
Equity options	-	-	-	-	-	-
Purchases	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Stock exchange contracts	-	-	-	-	-	-
Credit derivatives	685	2,268	1	3	6	21
Protection buyer	150	150	1	3	-	-
Protection seller	535	2,118	-	-	6	21
Total	**39,444**	**45,819**	**1,424**	**1,266**	**1,230**	**881**

The residual terms to maturity of the derivative financial instruments, based on their nominal values, break down as follows. The period between the balance sheet date and the contractual due date of the receivable or liability is the residual term to maturity.

€ m	Interest-rate risk		Currency risk		Share-price and other price risks		Credit derivatives	
	2014	2013	2014	2013	2014	2013	2014	2013
Residual maturities								
Up to 3 months	7,407	8,598	1,752	1,110	-	-	45	36
More than 3 months up to 1 year	6,452	6,895	1,084	1,204	-	-	235	535
More than 1 year up to 5 years	13,613	15,255	1,252	1,978	-	-	405	1,697
More than 5 years	6,949	8,182	250	329	-	-	-	-
Total	**34,421**	**38,930**	**4,338**	**4,621**	**-**	**-**	**685**	**2,268**

The table below contains an analysis of the maturities of derivative financial liabilities on the basis of the remaining contractual terms:

€ m	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to to 5 years	More than 5 years	Total
31.12.2014						
Negative fair values from trading derivatives	30	20	121	467	369	**1,007**
Negative fair values from hedge accounting derivatives	1	1	4	69	148	**223**
Total	**31**	**21**	**125**	**536**	**517**	**1,230**
31.12.2013						
Negative fair values from trading derivatives	23	20	56	420	272	**791**
Negative fair values from hedge accounting derivatives	4	3	4	59	20	**90**
Total	**27**	**23**	**60**	**479**	**292**	**881**

The table below shows the positive and negative fair values of derivative transactions broken down by counterparty.

€ m	Nominal values		Positive fair values		Negative fair values	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Banks in the OECD (including stock exchange contracts)	34,757	41,794	1,234	1,106	1,216	852
Public institutions in the OECD	14	82	12	4	3	0
Other counterparties	4,673	3,943	178	156	11	29
Total	**39,444**	**45,819**	**1,424**	**1,266**	**1,230**	**881**

(60) Concessions due to Financial Difficulties

Financial assets can be restructured or the contractual terms modified for various reasons, including a change in the market conditions, customer loyalty and other factors that are not connected with the current or expected financial difficulties of customers.

The Group restructures or modifies the contractual conditions of financial assets in order to facilitate the ongoing servicing of the debt in full or in part by the debtor despite the current or expected financial difficulties. These concessions are made when it can be assumed that the debtor can meet the modified contractual conditions.

In the case of concessions, the Group agrees to contractual conditions which are more advantageous for the debtor than before and which it would not have granted to comparable customers.

The adjustment in the contractual conditions includes the extensions of maturities, changes in payment deadlines for interest and principal payments as well as adjustments of the covenants.

The financial assets with concessions are broken down as follows on the reporting deadline of 31 December 2014:

	Gross carrying amount of financial assets with concessions		Cumulative valuation allowances	
€ m	**Performing exposure**	**Non-performing exposure**	**for performing exposure**	**for non-performing exposure**
Financial assets measured at amortised cost				
Securities	**-**	**-**	**-**	**-**
Loans and advances				
Central banks	-	-	-	-
Public sector	-	-	-	-
Banks	-	-	-	-
Other financial companies	11	8	-	-
Non-financial companies	1,367	2,622	-	435
Households	17	5	-	2
Total loans and receivables	**1,395**	**2,635**	**-**	**437**
Total financial assets measured at amortised cost	**1,395**	**2,635**	**-**	**437**
Financial assets at fair value, not including trading assets				
Securities	**-**	**-**	**-**	**-**
Loans and advances	**-**	**-**	**-**	**-**
Total financial assets at fair value, not including trading assets	**-**	**-**	**-**	**-**
Loan commitments granted	**2**	**10**	**-**	**-**

(61) Disclosures concerning Selected Countries

The table below shows the reported values of financial assets with counterparties in selected countries. The sovereign exposure figures refer to transactions with sovereigns, regional governments, local authorities and government-related entities.

€ m	Financial instruments held for trading		Available-for-sale assets		Loans and receivables	
	2014	2013	2014	2013	2014	2013
Portugal						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	-	-
Corporates/other	-	-	-	-	-	-
Total Portugal	**-**	**-**	**-**	**-**	**-**	**-**
Italy						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	79	0	1
Corporates/other		-	-	-	0	1
Total Italy	**-**	**-**	**-**	**79**	**0**	**2**
Ireland						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	0	-	111	143	0	9
Corporates/other	-	-	-	-	20	22
Total Ireland	**0**	**-**	**111**	**143**	**20**	**31**
Greece						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	-	-
Corporates/other	-	-	-	-	33	30
Total Greece	**-**	**-**	**-**	**-**	**33**	**30**
Spain						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	0	-	15	37	-	4
Corporates/other	-	-	-	-	-	-
Total Spain	**0**	**-**	**15**	**37**	**-**	**4**
Cyprus						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	-	-
Corporates/other	-	-	-	-	3	334
Total Cyprus	**-**	**-**	**-**	**-**	**3**	**334**
Hungary						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	1	3
Corporates/other	-	-	-	-	20	21
Total Hungary	**-**	**-**	**-**	**-**	**21**	**24**
Total	**0**	**-**	**126**	**259**	**77**	**425**

For financial instruments in the available-for-sale category with acquisition costs totalling € 119 million (previous year: € 251 million) the cumulative valuation result in other comprehensive income with regard to the above-mentioned selected countries comes to € 0 million (previous year: € -6 million). As in the previous year, no impairment losses were charged to the consolidated income statement.

As in the previous year, no notable specific valuation allowances or general loan loss provisions were made for loans and receivables in relation to the above countries. The fair value of the exposure in the loans and receivables category totals € 79 million (previous year: € 337 million).

In 2014, Bremer Landesbank did not have any exposure in Slovenia, Egypt or Russia.

Credit derivatives on counterparties in selected countries break down as follows:

	Nominal values Protection buyer		Market values Protection buyer		Nominal values Protection seller		Market values Protection seller	
€ m	2014	2013	2014	2013	2014	2013	2014	2013
Portugal								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	105	140	-3	-6
Corporates/other	-	-	-	-	-	-	-	-
Total Portugal	**-**	**-**	**-**	**-**	**105**	**140**	**-3**	**-6**
Italy								
Sovereign exposure	-	-	-	-	-	72	-	-
Financial institutions/insurance companies	60	60	1	2	105	485	-1	-4
Corporates/other	-	-	-	-	-	-	-	-
Total Italy	**60**	**60**	**1**	**2**	**105**	**557**	**-1**	**-4**
Ireland								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	10	45	0	-3
Corporates/other	-	-	-	-	-	-	-	-
Total Ireland	**-**	**-**	**-**	**-**	**10**	**45**	**0**	**-3**
Greece								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	-	-	-	-
Corporates/other	-	-	-	-	-	-	-	-
Total Greece	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Spain								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	20	20	0	-	40	280	0	-4
Corporates/other	-	-	-	-	-	-	-	-
Total Spain	**20**	**20**	**0**	**-**	**40**	**280**	**0**	**-4**
Cyprus								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	-	-	-	-
Corporates/other	-	-	-	-	-	-	-	-
Total Cyprus	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**80**	**80**	**1**	**2**	**260**	**1,022**	**-4**	**-17**

The table below shows the application of the fair value hierarchy for the financial assets and credit derivatives recognised at fair value for selected countries:

€ m	Level 1 2014	Level 1 2013	Level 2 2014	Level 2 2013	Level 3 2014	Level 3 2013	Total 2014	Total 2013
Portugal								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	-	-3	-6	-	-	**-3**	**-6**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Portugal	**-**	**-**	**-3**	**-6**	**-**	**-**	**-3**	**-6**
Italy								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	30	-1	46	-	-	**-1**	**76**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Italy	**-**	**30**	**-1**	**46**	**-**	**-**	**-1**	**76**
Ireland								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	111	114	-	29	-	-2	**111**	**141**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Ireland	**111**	**114**	**-**	**29**	**-**	**-2**	**111**	**141**
Greece								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	-	-	-	-	-	**-**	**-**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Greece	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Spain								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	-	15	34	-	-1	**15**	**33**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Spain	**-**	**-**	**15**	**34**	**-**	**-1**	**15**	**33**
Cyprus								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	-	-	-	-	-	**-**	**-**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Cyprus	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**111**	**144**	**11**	**103**	**-**	**-3**	**122**	**244**

(62) Underlying Contracts in Effective Hedges

IAS 39 allows the use of hedge accounting to (partially) eliminate economically unjustified profit and loss distortions resulting from different methods of measuring derivatives and non-derivatives in hedges.

Financial assets and liabilities used as underlying transactions in micro fair value hedges are still reported together with unhedged transactions in the respective balance sheet items since the hedging transaction has no effect on the nature and function of the underlying transaction. However, the carrying amount of financial instruments (OL category) which would otherwise be recognised at amortised cost is adjusted by the change in fair value attributable to the hedged risk.

The table below therefore lists the total amounts of financial assets and liabilities which are part of an effective micro fair value hedge for information purposes:

	31.12.2014 € m	31.12.2013 € m	Change %
Assets			
Financial assets	434	577	-25
Total	**434**	**577**	**-25**
Liabilities			
Liabilities to banks	210	396	-47
Liabilities to customers	679	887	-23
Securitised liabilities	837	1,507	-44
Subordinated capital	155	155	0
Total	**1,881**	**2,945**	**-36**

Apart from the underlying transactions included in micro fair value hedges, fixed-income underlying transactions were also designated as portfolio fair value hedges. As at the balance sheet date, cash flows from financial assets available for sale of € 816 million (previous year: € 1.008 billion) were designated as a fair value hedge portfolio. As at balance sheet date, cash flows from liabilities in the other liabilities category (liabilities to banks and customers, securitised liabilities and subordinated capital) were designated in an amount of € 3.659 billion (previous year: € 1.953 billion).

(63) Residual Maturities of Financial Liabilities

€ m	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
31.12.2014						
Liabilities to banks	1,539	783	1,862	3,805	4,030	**12,019**
Liabilities to customers	3,399	436	1,225	1,853	3,305	**10,218**
Securitised liabilities	677	461	1,696	3,803	988	**7,625**
Financial liabilities at fair value through profit or loss (not including derivatives)	0	0	0	0	0	**0**
Subordinated capital	0	0	159	11	691	**861**
Other liabilities(only financial instruments)	1	1	0	0	0	**2**
Irrevocable loan commitments	17	13	18	1,632	226	**1,906**
Financial guarantees	964	0	4	26	116	**1,110**
Total	**6,597**	**1,694**	**4,964**	**11,130**	**9,356**	**33,741**
31.12.2013						
Liabilities to banks	949	696	1,454	4,847	4,002	**11,948**
Liabilities to customers	3,829	292	1,148	2,241	3,470	**10,980**
Securitised liabilities	279	391	1,242	5,434	1,112	**8,458**
Financial liabilities at fair value through profit or loss (not including derivatives)	0	0	0	0	0	**0**
Subordinated capital	0	2	10	197	812	**1,021**
Other liabilities (only financial instruments)	0	0	0	0	0	**0**
Irrevocable loan commitments	474	209	663	389	203	**1,938**
Financial guarantees	938	1	3	27	75	**1,044**
Total	**6,469**	**1,591**	**4,520**	**13,135**	**9,674**	**35,389**

Residual maturity is defined as the period between the balance sheet date and the contractual due date.

(64) Disclosures concerning the Fair Value Option

The Bremer Landesbank Group applies the fair value option in order to avoid accounting mismatches (Note (20)). The designated securities that ran off at the end of the year or were prematurely terminated were secured against interest-rate risks by taking out interest swaps.

If they had not been designated at fair value, the securities would have had to be allocated to the AfS category and measured at fair value with the result recognised in other comprehensive income, while interest rate swaps are measured at fair value (through profit or loss) in any case.

	31.12.2014 € m	31.12.2013 € m	Change %
Assets			
Debt securities and other fixed-interest securities	-	78	-100

(65) The Bremer Landesbank Group as a Protection Seller

€ m	31.12.2014	31.12.2013
Assets		
Loans and advances to banks	233	139
Loans and advances to customers	6,454	6,441
Financial assets	2,084	1,562
Other assets	-	-
Total	**8,771**	**8,142**
Liabilities		
Liabilities to banks	242	356
Total	**242**	**356**

Transactions were conducted in accordance with standard terms for loan transactions.

Loans and advances to banks show paid cash collateral, while liabilities to banks included cash collateral received due to collateral agreements.

(66) Genuine Securities Sale and Repurchase Agreements

Material risks and rewards incidental to the financial assets sold under sale and repurchase agreements are borne by the pledgor. The securities are therefore not derecognised and continue to be accounted for by the Bremer Landesbank Group. The rules for the securities subject to repo agreements are documented in contracts with Eurex Repo GmbH and Eurex Clearing AG as a central counterparty within the framework of the GC pooling.

As at 31 December 2014 and 31 December 2013, there was no portfolio of genuine securities sale and repurchase agreements.

Other Notes

(67) Equity Management

Equity is managed for the Group by the parent company. The aim is to ensure adequate equity in terms of quantity and quality, to achieve a reasonable return on equity and to comply with the regulatory capital adequacy requirements, each at Group level. In the reporting period, significant capital metrics for equity management are or were

- the "long-term equity under commercial law", taken from the equity reported on the balance sheet, as a metric for the measurement of the return on equity,
- the regulatory Common Equity Tier 1 in accordance with the EU Capital Requirements Regulation for banks and securities firms (Regulation No. 575/2013, in effect since the beginning of 2014), including consideration of the transition rules planned in this through the end of 2017,
- the calculated Common Equity Tier 1 in accordance with the CRR without consideration of the transition rules,
- the regulatory Tier 1 capital in accordance with the CRR and
- the eligible regulatory capital in accordance with the CRR.

The statutory, minimum capital ratios required by law apply to the regulatory capital metrics where the numerator is the respective amount of capital and the denominator in each case is the total claim amount in accordance with article 92 para. 3 of the CRR. The minimum capital ratios totalled 4.0 per cent for the regulatory Common Equity Tier 1 in 2014 in accordance with the CRR, 5.5 per cent for the regulatory Tier 1 capital and 8.0 per cent for the regulatory equity. For the years 2015 to 2019, the CRR sets forth that the minimum ratio for the Common Equity Tier 1, the Tier 1 capital and the equity must rise gradually by up to 3.0 percentage points.

In 2014 the main task in equity management lay in further optimising the capital structure and in the ongoing control of capital in order to maintain at all times the regulatory minimum capital ratios expected by the EBA.

The requirements for equity management will continue to increase in future, driven both by the rules of the CRR and the regulatory special requirements (e.g. stress tests). The regulatory capital metric for internal Group management will form the Common Equity Tier 1 in accordance with the CRR. To strengthen this, the Group's equity structure will continue to be optimised in future.

In addition to this, within the scope of capital management, targets and forecasts are prepared for the relevant capital figures and the related capital ratios as required. Their actual and planned development is reported to management, the supervisory bodies, the owners of the bank and/or the EBA. If these calculations indicate any risk for the defined target capital ratios either adjustment measures are taken in terms of RWA or, with the agreement of the guarantors of the bank, procurement or optimisation measures will be taken for individual capital figures.

In 2013 and 2014, the Bank maintained the regulatory minimum capital ratios at all times. The Common Equity Tier 1 capital ratio (taking into account the transition rules), the regulatory Tier 1 capital ratio and the regulatory total capital ratio at the end of the year are reported under Note (68) Regulatory Data. The Common Equity Tier 1 ratio in accordance with the CRR, not taking into account the transition rules, was above the minimum ratio expected by the EBA during the year under review.

(68) Regulatory Data

The following regulatory Group data for the reporting date was determined in accordance with the rules of the EU Capital Requirements Regulation (CRR) that has been in force since 1 January 2014. The reference figures as at 31 December 2013 are still based materially on the rules of the German Banking Act, which applied until the end of 2013, but have been adjusted to the logic of the CRR provisions.

€ m	31.12.2014	31.12.2013
Risk-weighted assets for counterparty default risks	15,075	14,804
Risk-weighted assets for operational risks	879	894
Risk-weighted assets for market risks	172	410
Risk-weighted assets for clearing risks	-	-
Risk-weighted assets for credit rating adjustments	161	-
Total risk-weighted assets	**16,287**	**16,108**

The table below shows the composition of regulatory capital for the Bank in accordance with Art. 25 et seq.of the CRR:

€ m	31.12.2014	31.12.2013
Subscribed capital	265	265
Retained profits/earnings	600	1,049
Premium	478	-
Components of Common Equity Tier 1 due to grandfathering rights + §340g of the German Commercial Code (fund for general banking risks)	539	525
- Deductions*	955	375
Adjustments due to transition rules	763	-
Adjustment item for the avoidance of negative Additional Tier 1	383	-
Common Equity Tier 1	**1,306**	**1,464**
Paid-in instruments of Additional Tier 1	-	-
- Deductions**	383	-
Adjustments due to transition rules	-	-
Adjustment item for the avoidance of negative Additional Tier 1	383	-
Additional Tier 1	**-**	**-**
Regulatory Tier 1 capital	**1,306**	**1,464**
Paid-in instruments of Tier 2 capital	629	660
Components of Tier 2 capital due to grandfathering rights	1	1
- Deductions	379	373
Adjustments due to transition rules	-	-
Tier 2 capital	**251**	**287**
Equity	**1,557**	**1,752**

*) Shortfall, DVA, AvA, intangible assets are considered in the deduction item.
**) The proportionate shortfall and the proportionate intangible assets are taken into account in the deduction item.

€ m	31.12.2014	31.12.2013
Common Equity Tier 1 capital ratio	8.02%	9.09%
Tier 1 capital ratio	8.02%	9.09%
Regulatory capital ratio	9.56%	10.87%

(69) Foreign Currency Volumes

As at 31 December 2014 the Bremer Landesbank Group reports the following assets and liabilities in foreign currencies:

€ m	USD	GBP	JPY	Other	Total
31.12.2014					
Cash reserve	-	-	-	-	**0**
Loans and advances to banks	91	6	1	42	**140**
Loans and advances to customers	4,567	63	20	159	**4,809**
Financial assets at fair value	174	166	21	41	**402**
Financial assets	-	-	-	6	**6**
Total assets	**4,832**	**235**	**42**	**248**	**5,357**
Liabilities to banks	393	193	-	7	**593**
Liabilities to customers	362	3	-	17	**382**
Securitised liabilities	-	-	7	-	**7**
Financial liabilities at fair value	3,819	45	21	209	**4,094**
Total liabilities	**4,574**	**241**	**28**	**233**	**5,076**

€ m	USD	GBP	JPY	Other	Total
31.12.2013					
Cash reserve	-	-	-	-	**0**
Loans and advances to banks	60	7	1	46	**114**
Loans and advances to customers	4,111	33	85	211	**4,440**
Financial assets at fair value	127	0	11	5	**143**
Financial assets	-	-	-	29	**29**
Total assets	**4,298**	**40**	**97**	**291**	**4,726**
Liabilities to banks	599	190	9	8	**806**
Liabilities to customers	365	2	1	21	**389**
Securitised liabilities	-	-	7	-	**7**
Financial liabilities at fair value	54	-	-	10	**64**
Total liabilities	**1,018**	**192**	**17**	**39**	**1,266**

The open balance sheet items are matched by corresponding forward exchange contracts or currency swaps with matching maturities.

(70) Longer-term Assets and Liabilities

For balance sheet times that contain both short-term and long-term assets or liabilities, the assets and liabilities that will be realised or settled after more than twelve months are shown below.

	31.12.2014 € m	31.12.2013 € m	Change %
Assets			
Loans and advances to banks	2,617	3,281	-20
Loans and advances to customers	17,387	19,902	-13
Adjustment items for financial instruments hedged in the fair value hedge portfolio	60	-	>100
Financial assets at fair value through profit or loss			
Trading assets	693	728	-5
Designated financial assets reported at fair value	-	-	0
Positive fair values from hedge accounting derivatives	589	75	>100
Available-for-sale (AfS) financial assets	2,217	4,191	-47
Investments accounted for using the equity method	93	92	1
Total	**23,656**	**28,269**	**-16**
Liabilities			
Liabilities to banks	7,385	8,849	-17
Liabilities to customers	4,254	5,711	-26
Securitised liabilities	4,477	6,115	-27
Adjustment items for financial instruments hedged in the fair value hedge portfolio	306	130	>100
Financial liabilities at fair value through profit or loss			
Trading liabilities	835	606	38
Negative fair values from hedge accounting derivatives	196	31	>100
Subordinated capital	599	784	-24
Total	**18,052**	**22,226**	**-19**

(71) Leasing

The Bremer Landesbank Group is a lessor in connection with finance leases.

These leases covered movable assets (e.g., motor vehicles, machinery and IT equipment) on the balance sheet date.

	31.12.2014 € m	31.12.2013 € m	Change %
Outstanding lease payments	**13**	**13**	**0**
+ Guaranteed residual values	3	3	0
= Minimum lease payments	**16**	**16**	**0**
+ Unguaranteed residual values	-	-	-
= Gross investment	**16**	**16**	**0**
- Unrealised finance income	1	1	0
= Net investment	**15**	**15**	**0**
- Present value of unguaranteed residual values	-	-	-
= Present value of minimum lease payments	**15**	**15**	**0**

Minimum lease payments comprise the total lease payments due from the lessee under the lease plus the guaranteed residual value.

Unrealised finance income is the interest implicit in the lease between the balance sheet date and the expiry of the lease.

The above average resale value of the financed capital goods allows greater scope for assuming credit risk. Nonetheless, credit risk is already limited by defining target customers, capital goods and contract configurations. However, the approval of Bremer Landesbank's corporate accounts manager who deals with the customer over a sustained period remains an important element of the loan decision. With this approach, there was only an insignificant volume of defaults in the financial year, such that no accumulated allowances were recognised for uncollectible outstanding minimum lease payments.

Gross investments and present values of the minimum lease payments relating to non-cancellable finance leases break down as follows:

	31.12.2014 € m	31.12.2013 € m	Change %
Gross investments			
Up to 1 year	5	6	-17
More than 1 year and up to 5 years	10	9	11
More than 5 years	1	1	0
Total	**16**	**16**	**0**
Present value of minimum lease payments			
Up to 1 year	5	5	0
More than 1 year and up to 5 years	9	9	0
More than 5 years	1	1	0
Total	**15**	**15**	**0**

Agreements concluded by Bremer Landesbank as an operating lessee are of minor significance.

(72) Contingent Liabilities and Other Obligations

Contingent liabilities are obligations arising from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly under the Group's control. This also includes current obligations arising from past events which are not recognised as liabilities because it is not probable that an outflow of resources will be required to settle these obligations or because the amount of the obligations cannot be measured with sufficient reliability.

	31.12.2014 € m	31.12.2013 € m	Change %
Contingent liabilities			
Liabilities from guarantees	555	529	5
Other obligations			
Irrevocable loan commitments	1,906	1,937	-2
Financial guarantees	535	516	4
Total	**2,996**	**2,982**	**0**

Of the total amount no contingent liabilities (previous year: € 0 million) relate to affiliated companies.

(73) Other Financial Obligations

The following significant other financial obligations exist:

- 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, 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.
- Instead, a cash security of € 15 million was deposited at Eurex Deutschland, Frankfurt am Main (previous year: € 15 million).

(74) Subordinated Assets

Assets are subordinated if they may only be settled after the claims of other creditors have been satisfied in the event of the debtor's liquidation or insolvency. The following subordinated assets are included in the balance sheet:

	31.12.2014 € m	31.12.2013 € m	Change %
Financial assets	10	24	-58
Total	**10**	**24**	**-58**

(75) Trust Activities

Trust activities are not reported in the consolidated balance sheet in accordance with the rules of IFRS, but are present in the Group. Trust activities break down as follows:

	31.12.2014 € m	31.12.2013 € m	Change %
Loans and advances to customers	3	3	0
Trust assets	**3**	**3**	**0**
Liabilities to banks	3	3	0
Liabilities to customers	0	0	0
Trust liabilities	**3**	**3**	**0**

(76) Events after the Balance Sheet Date

With the exception of the following circumstances, there were no events of special significance for the economic situation of the Bank between the end of financial year 2014 and the preparation of the financial statements.

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 has 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 in March 2015.

Companies and Individuals linked to the Group

(77) Number of Employees

The Group's average headcount in the financial year broke down as follows:

	2014			2013		
	Male	Female	Total	Male	Female	Total
Bremer Landesbank Anstalt des öffentlichen Rechts [1)]	550	552	1,102	534	553	1,087
Other	32	22	54	31	19	50
Group [2)]	**582**	**574**	**1,156**	**565**	**572**	**1,137**

[1)] The male headcount includes the members of the Managing Board.
[2)] In financial year 2013, companies accounted for using the equity method had a headcount of 283 (financial year 2012: 279). No figures are currently available for 2014.

Breakdown of headcount by levels of authority:

	2014	2013
Managing Board	3	3
Executives	113	108
Other	1,040	1,026
Total	**1,156**	**1,137**

(78) Disclosures concerning Shares in Companies

The evaluation as to whether the Bremer Landesbank controls loan-financed project companies that have financial difficulties due to the ongoing difficult situation on the shipping markets, and therefore must be included in the consolidated financial statements as subsidiaries represents a significant discretionary decision. Bremer Landesbank controls another company when it is exposed to variable returns from its connection to this company and has the ability to influence these returns by means of decision-making power over this company. Since Bremer Landesbank is exposed to variable returns at all times due to its lending relationships with companies, the question of whether it controls another company is determined by whether it has the power of determination over the company on the basis of its rights in the loan agreement and whether the shareholders assume the position of principal or solely of agents of Bremer Landesbank. Bremer Landesbank assesses the latter on the basis of the following three factors: (1) Type and scope of the participation of the shareholders in the opportunities and risks of the company, (2) scope of the decision-making power and (3) termination rights of the bank.

Consolidated subsidiaries

Statutory, contractual or regulatory limitations can restrict the ability of the Bremer Landesbank Group to gain access to the assets of the Group or to prevent them from being transferred between the Group companies unimpeded and from settling the Group's liabilities.

As at the reporting date, the Group provided assets as security for liabilities from over-the-counter derivative transactions. The resulting limitation on disposal concerns the following items in the consolidated financial statements of Bremer Landesbank:

€ m	31.12.2014	31.12.2013
Assets		
Loans and advances to banks	233	139
Total	**233**	**139**

The above table does not include the regulatory minimum liquidity reserves, the total amount of which the Bremer Landesbank Group determined under stress conditions.

Affiliated companies and joint ventures

Of the 5 (previous year: 5) affiliated companies included in the consolidated financial statements, no affiliated company is of significant importance to the Group based on the proportionate income and the proportionate comprehensive income of the affiliated company.

The summarised financial information on the (considered individually) immaterial affiliated companies are included in the table below:

€ m	31.12.2014	31.12.2013
Carrying amounts of the shares in immaterial affiliated companies	93	92
Share of the BLB Group in		
Profit/loss from continuing operations	6	7
Profit/loss from discontinued operations (after taxes)	-	-
Other comprehensive income	-1	1
Comprehensive income	**5**	**8**

Non-consolidated structured entities

The Group is involved in structured entities that are not included in the consolidated financial statements as subsidiaries.

Structured entities are companies that are conceived such that the voting and comparable rights are not the dominating factor in the evaluation of who controls these entities. This is the case, for example, if voting rights refer only to administrative tasks and the relevant activities are governed by contractual agreements.

The subject of this disclosure is structured entities that the Group does not consolidate because it does not control the voting rights, contractual rights, financing agreements or other means.

The Bremer Landesbank Group is involved in structured entities in the form of fund companies.

Interests in structured entities

The Group's interests in unconsolidated structured entities consists of contractual or non-contractual involvement in these companies through which the Group is exposed to the variable returns from the performance of the structured entities. Examples of interests in non-consolidated structured entities include equity instruments through which the Group absorbs risks from the structured entities.

Income from interests in structured entities

The Group generates income from the change in value of the fund asset as well as the profit-related income.

Size of structured entities

The size of a structured entity is determined by the structured entity's type of business activity. For this reason, the size may differ from company to company. In the case of funds, Bremer Landesbank views the fund asset as a reasonable indicator for the size of the structured entity.

The maximum possible risk of loss is the maximum loss that the Group would have to recognise in the income statement and in the statement of comprehensive income from its exposure to the consolidated structured entity. Collateral or hedges are not considered in the calculation, nor is the probability of default. The maximum possible risk of loss does not have to coincide with the economic risk.

The maximum possible risk of loss is determined by the type of exposure to the structured entity. The maximum possible risk of loss in the case of equity investments is the carrying amount that is reported in the balance sheet. The table below shows a breakdown of the non-consolidated structured entity types at the carrying amounts of the Group's investments that are recognised in the Group's balance sheet and the maximum possible loss that could result from these investments. It also provides an indication of the size of the non-consolidated structured entities. The amounts represent the economic risk of the Group from these equity investments since they do not take into account any collateral or hedges.

€ m	Fund Companies 31.12.2014
Size of the non-consolidated structured entity	**51**
Financial assets	3
Other assets	17
Assets that are reported in the balance sheet of the BLB Group	**20**
Maximum risk of loss	20

(79) Related Parties

All non-consolidated subsidiaries and affiliated companies qualified as related parties. Affiliated companies also include subsidiaries of affiliated companies and joint venture subsidiaries of joint ventures. Furthermore, NORD/LB and the subsidiaries of Bremer Landesbank, the pension fund and companies controlled by members of the following listed boards are also related parties of the Bremer Landesbank Group.

Natural persons that are viewed as related parties in terms of IAS 24 are the members of the Managing Board, the Supervisory Board, the Owners' Meeting and the committees of Bremer Landesbank and their close family members.

Related party transactions involving businesses or people are concluded at arm's length terms with regard to terms, conditions and securities. The volume of such transactions is shown below.

Related party transactions

There were the following transactions between Bremer Landesbank and related parties as at balance sheet date:

€ m	Parent company	Subsidiary	Affiliated companies	Management in key positions	Other related parties
31.12.2014					
Loans and advances to banks	156	-	21	-	0
of which money market transactions	-	-	21	-	0
of which loans	156	-	0	-	-
of which loans collateralised with mortgages	-	-	-	-	-
of which other loans	156	-	0	-	-
Loans and advances to customers	-	-	108	11	141
of which money market transactions	-	-	9	-	
of which loans	-	-	99	11	141
of which municipal loans	-	-	7	-	128
of which loans collateralised with mortgages	-	-	91	6	4
of which other loans	-	-	1	5	9
Financial assets at fair value through profit or loss	-	-	2	0	5
of which positive fair values from derivatives	-	-	2	0	5
Financial assets	160	-	16	-	-
of which debt securities and other fixed-interest securities	160	-	-	-	-
of which shares and other non-fixed-interest securities	-	-	16	-	-
Other assets	0	-	-	-	-
Total assets	**316**	**-**	**147**	**11**	**146**
Liabilities to banks	44	-	120	-	12
of which money market transactions	-	-	-	-	-
of which deposits from other banks	-	-	-	-	-
Liabilities to customers	-	1	21	1	12
of which money market transactions	-	-	9	-	-
Securitised liabilities	-	-	-	-	2
Financial liabilities at fair value through profit or loss	49	-	0	-	-
of which negative fair values from derivatives	49	-	0	-	-
Subordinated capital	201	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	**294**	**1**	**141**	**1**	**26**
Guarantees received	0	-	-	-	-
Guarantees granted	1	-	15	-	0

€ m	Parent company	Subsidiary	Affiliated companies	Management in key positions	Other related parties
31.12.2013					
Loans and advances to banks	128	-	33	-	50
of which money market transactions	100	-	28	-	50
of which loans	28	-	5	-	-
of which loans collateralised with mortgages	-	-	-	-	-
of which other loans	28	-	5	-	-
Loans and advances to customers	-	-	104	31	143
of which money market transactions	-	-	-	-	-
of which loans	-	-	104	31	142
of which municipal loans	-	-	6	-	128
of which loans collateralised with mortgages	-	-	97	9	5
of which other loans	-	-	1	22	9
Financial assets at fair value through profit or loss	81	-	1	0	15
of which positive fair values from derivatives	3	-	1	0	5
Financial assets	160	-	17	-	-
of which debt securities and other fixed-interest securities	160	-	-	-	-
of which shares and other non-fixed-interest securities	-	-	17	-	-
Other assets	1	-	-	-	-
Total assets	**370**	**-**	**155**	**31**	**208**
Liabilities to banks	93	-	134	-	33
of which money market transactions	-	-	-	-	-
of which deposits from other banks	-	-	-	-	-
Liabilities to customers	-	1	17	3	13
of which money market transactions	-	-	10	-	-
Securitised liabilities	-	-	-	-	1
Financial liabilities at fair value through profit or loss	29	-	0	-	-
of which negative fair values from derivatives	29	-	0	-	-
Subordinated capital	201	-	-	-	-
Other liabilities	10	-	-	-	-
Total liabilities	**333**	**1**	**151**	**3**	**47**
Guarantees received	0	0	-	-	-
Guarantees granted	1	-	7	-	0

€ m	Parent company	Subsidiary	Affiliated companies	Management in key positions	Other related parties
1.1.-31.12.2014					
Interest expenses	16	0	5	0	2
Interest income	2	-	5	0	7
Commission expenses	0	-	0	0	0
Commission income	0	0	0	0	0
Other expenses	47	-	-	0	0
Other income	2	0	0	-	0
Total contributions to profit and loss	**-59**	**0**	**0**	**0**	**5**
1.1.-31.12.2013					
Interest expenses	20	0	5	0	2
Interest income	5	-	6	1	8
Commission expenses	-	-	0	-	0
Commission income	0	-	0	-	0
Other expenses	28	-	-	0	2
Other income	22	-	-	-	-
Total contributions to profit and loss	**-21**	**0**	**1**	**1**	**4**

Use is made of the rules in IAS 24.25 for transactions with the state of Bremen, which holds 41.2000 per cent (previous year: 41.2000 per cent in Bremer Landesbank, and with the Savings Banks Association of Lower Saxony, which continues to hold 3.9657 per cent of Bremer Landesbank. Accordingly, the Bank is not subject to the disclosure obligation with respect to public sector authorities unless the circumstance involves business transactions that have a significant impact on the consolidated financial statements.

Additional disclosures concerning the aforementioned business cases can be found in Note (50).

As at the balance sheet date and in the previous year, there were no impairment losses on loans and advances to related parties.

Transactions with affiliated companies

Call money and time deposits receivable

The following call money and time deposits were deposited within the respective quotas:

	Number of transactions	Currency	Volume in millions
Call money			
Norddeutsche Landesbank, Hanover	16	€	925
	1	USD	100
Norddeutsche Landesbank, London	1	USD	35
Norddeutsche Landesbank Luxembourg S.A.	10	€	640
Time deposits			
BLB Leasing	7	€	15

Syndicated loans

Norddeutsche Landesbank

NORD/LB participated with other syndicate partners in 49 (previous year: 61) long-term loans and ship loans granted by us, contributing a total volume of € 277 million (previous year: € 269 million).

The Bank participated in four (previous year: four) syndicated loans under the lead management of NORD/LB, contributing € 13 million (previous year: € 14 million).

Securities Transactions

Norddeutsche Landesbank

NORD/LB purchased securities of € 99 million (previous year: € 49 million) from Bremer Landesbank and sold securities of € 411 million (previous year: € 437 million).

Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH

The Bremer Landesbank pension fund acquired securities issued by third parties for a nominal value of € 4 million (previous year: € 4 million). It redeemed securities issued by third parties with of a nominal value of € 4 million (previous year: € 6 million) and no securities from its own issues (previous year: € 2 million).

Liabilities relating to borrowed funds, credits and loans

Based on the balances at the end of each quarter, the pension fund had the following average current account liabilities:

Current account liabilities

€ k	2014	2013
Norddeutsche Landesbank	138,016	84,882
BLB pension fund	1,741	1,574
BLB Leasing GmbH	737	643
Bremische Grundstücks-GmbH	832	727
BGG Oldenburg GmbH & Co. KG	264	344
Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn	89	113
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz	72	357
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG	138	839
NORDWEST VERMÖGEN Vermietungs-GmbH & Co.KG, Bremen	48	293
BBG Bremen GmbH & Co. KG	54	79
BLB Immobilien GmbH	-[1)]	7,623
BLBI Beteiligungs-GmbH	72	28
BLB Immobilien Treuhandkonten für Mietobjekte	838	883
BLBI Investment GmbH & Co. KG	89	36[2)]
BLB Grundbesitz KG	2,233	183[2)]

[1)] Unlike in 2013, there was a claim in the amount of € 133 thousand in 2014.
[2)] Only the value as at 31 December 2013 was reported.

Norddeutsche Landesbank

9 loans were taken on for € 55 million in the current financial year.

The following other legal transactions were settled by the BLB in 2014:

Call money and time deposit liabilities

	Number of transactions	Currency	Volume in millions
Call money			
Norddeutsche Landesbank, Hanover	42	€	1,873
	2	USD	26
Norddeutsche Landesbank, London	95	USD	1,957
Norddeutsche Landesbank Luxembourg S.A.	2	€	200

Currency transactions

	Number of transactions	Currency	Volume in millions
Norddeutsche Landesbank			
Spot purchase	399	€	51,207
Spot sale	378	€	49,562
Forward purchase	3	€	116
Forward sale	17	€	1,763

Derivative transactions

	Number of transactions	Currency	Volume in millions
Norddeutsche Landesbank			
Interest-rate swaps	4	€	134
Cross-currency interest rate swaps	10	USD	309
BLB Immobilien GmbH			
Interest-rate swaps	10	€	121
Norddeutsche Landesbank Luxembourg S.A.			
Interest-rate swaps	3	€	30

The figures in this table are as at 31 December 2014.

Other transactions

Norddeutsche Landesbank

In financial years 2011 to 2014, Bremer Landesbank had business transactions with NORD/LB for IT services and business transactions with NORD/FM for project service costs in the following amounts:

€ k	2014	2013	2012	2011
IT services	20,815	25,165	22,634	14,891
Project management costs NORD/FM	90	262	390	329

BLB Immobilien GmbH

Due to the existing profit-and-loss transfer agreement, the Bank capitalised a receivable in the amount of the net profit for the year of € 1.084 million (previous year: € 27.450 million).

Bremer Landesbank was charged € 831 thousand (previous year: € 902 thousand) for services rendered by the Facility Management of BLB Immobilien. € 902 thousand) for services rendered by the Facility Management of BLB Immobilien. Furthermore, the Bank incurred lease expenses for the Landhaus am Rüten property of € 365 thousand (previous year: € 365 thousand) and for other space of € 94 thousand (previous year: € 116 thousand).

BLB Leasing GmbH

Bremer Landesbank has made leasing instalment payments to BLB Leasing of € 76 thousand (net, previous year: € 83 thousand) and received payments for rent in the amount of € 15 thousand (previous year: € 14 thousand).

Furthermore, Bremer Landesbank received a reimbursement of costs for the transfer of personnel in the amount of € 125 thousand (previous year: € 125 thousand).

Due to the existing profit-and-loss transfer agreement, the Bank capitalised a receivable in the amount of the profit for the year of € 1.099 million (previous year: € 2.431 million).

Bremische Grundstücks-GmbH

Bremer Landesbank received a dividend of € 2.000 million for financial year 2013 (previous year: € 2.200 million for financial year 2012).

NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen

Bremer Landesbank received a dividend of € 36 thousand for financial year 2014 (previous year: € 43 thousand).

Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH

In 2014 Bremer Landesbank transferred € 1.631 million (previous year: € 2.029 million) to the pension fund's cover fund.

BLB Grundbesitz KG, Bremen

Bremer Landesbank received a dividend of € 1.942 million for financial year 2014 (previous year: € 473 thousand).

Other related parties

Remuneration of € 73 thousand was paid to key management personnel (for the Managing Board and Supervisory Board of NORD/LB) (previous year: € 53 thousand).

Please see the section “Remuneration of and loans to governing bodies” for overall remuneration and loans to the Managing Board and Supervisory Board. Current remuneration for employee representatives on the Supervisory Board totalled € 338 thousand (previous year: € 347 thousand).

All transactions were concluded on arm’s length terms.

(80) Positions held on the Governing Bodies of Other Companies

As at 31 December 2014 members of the Bremer Landesbank Group held positions on the governing bodies of the following companies in accordance with § 340a para. 1 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	BREMER LAGERHAUS-GESELLSCHAFT – Aktiengesellschaft von 1877, Bremen
	EUROGATE Geschäftsführungs-GMBH & Co. KGaA, 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-Hanover, Berlin and Hanover

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

(81) Expenses for and Loans to Members of the Governing Bodies

Management’s remuneration is based on the rules in IAS 24.17 and can be categorised as follows:

€ k	2014	2013
Remuneration of active members of governing bodies		
Payments due in the short term	2,188	2,372
Other payments due in the long term	421	-
Post-employment benefits	951	713
Salaries of key management personnel	3,560	3,085

Other payments due in the long term are in some cases subject to a sustainability component and the retention system required in accordance with the Institute Remuneration Act (*Institutsvergütungs-verordnung*) is still to be approved by the Supervisory Board.

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

The business transactions engaged in by the governing boards in accordance with IAS 24.18 are shown in the table below:

€ k	Granted advances and loans	Liabilities
31.12.2014		
Managing Board	386	946
Supervisory Board	1,036	264
Owners' Meeting	253	-
31.12.2013		
Managing Board	466	436
Supervisory Board	1,087	1,500
Owners' Meeting	-	64

Loans to members of the Managing Board were granted at effective interest rates between 0.09 and 4.13 per cent. Loans to members of the Supervisory Board were granted at effective interest rates between 0.97 and 5.21 per cent; the loans to members of the Owners' Meeting bore interest at a rate of between 1.71 per cent and 5.11 per cent.

The breakdown of the total remuneration on the basis of the national accounting standards can be seen in the table below.

€ k	2014	2013
Total remuneration of active members of governing bodies		
Managing Board	2,749	2,144
Supervisory Board	203	171
Advisory Board	68	73
Total remuneration of former members of governing bodies and their dependents		
Managing Board	1,513	1,587
Supervisory Board	-	-
Advisory Board	-	-

In 2014 the salary structure of the Managing Board was changed due to the new form of employment agreements due to 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.

Provisions for pensions to former members of governing bodies and their dependents amounted to € 32.454 million (previous year: € 24.253 million).

(82) List of Shareholdings in accordance with § 313 para. 2 and § 340a para. 2 no. 2 of the German Commercial Code

List of companies and investment funds in the basis of consolidation:

Company name and registered office	Shares in % indirect	Shares in % direct	Equity € m[1]	Profit/loss € m
Companies included in the consolidated financial statements				
Subsidiaries				
BLB Grundbesitz KG, Bremen	-	100.00	-	-
BLBI Investment GmbH & Co. KG, Bremen	100.00	-	-	-
BLB Immobilien GmbH, Bremen	-	100.00	-	- [2]
BLB Leasing GmbH, Oldenburg	-	100.00	-	- [2]
Bremische Grundstücks-GmbH, Bremen	-	100.00	-	-
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	-	-	-
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	90.00	10.00	-	-
Investments included in the consolidated financial statements using the equity method				
Affiliated companies				
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	-	-	-
BREBAU GmbH, Bremen	48.84	-	-	-
DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen	-	16.50	-	-
GSG Oldenburg Bau- und Wohngesellschaft, Oldenburg	-	22.22	-	-
Investment funds				
Lazard-Sparkassen Rendite-Plus-Fonds, Frankfurt am Main	-	49.18	-	-
Companies not included in the consolidated financial statements				
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 I Beteiligungs-GmbH, Bremen	100.00	-	0 [3]	0 [3]
Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen	-	49.00	0	0
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]
BREMER LAGERHAUS-GESELLSCHFT- Aktiengesellschaft von 1877-, Bremen	-	12.61	19	2
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]
Interessengemeinschaft KATHARINENKLOSTERHOF GbR, Bremen	30.70	-	1	0
NBV Beteiligungs-GmbH, Hamburg	-	21.33	15	2
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	-
Wohnungsbaugesellschaft Wesermarsch mbH, Brake	-	21.71	19	0

[1] Equity as defined in §§ 266 and 272 of the German Commercial Code There are no unpaid contributions
[2] Control and profit-and-loss transfer agreement concluded with the company.
[3] Figures are from the most recent, but as yet unapproved, financial statements for 2014.

Bremer Landesbank exercises a significant influence under IAS 28.37(d) over DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co., although the Bremer Landesbank sub-group holds less than 20 per cent of the voting rights. Bremer Landesbank appoints one or more Supervisory Board members of the aforementioned company and, together with NORD/LB, safeguards its interests in the supervisory bodies for the Group as a whole.

(83) Group Auditor's Fees

On 28 March 2014, the Supervisory Board of Bremer Landesbank passed a resolution to engage KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) as the auditor for the financial statements and the consolidated financial statements of Bremer Landesbank for financial year 2014.

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

€ k	2014	2013
a) Services for the audit of the financial statements	862	768
b) Other confirmation services	689	534
c) Tax services	-	-
d) Other services	93	-
Total	**1,644**	**1,302**

Bremen, 17 March 2015

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

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 financial reporting framework, the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the Group and that the Group management report gives a true and fair view of the development of business, including the operating result and the position of the Group, and also describes the principal opportunities and risks relating to the expected future development of the Group."

Bremen, 17 March 2015

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

Managing Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Audit Opinion

“We have audited the consolidated financial statements prepared by Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, (Bremer Landesbank) comprising the consolidated balance sheet, consolidated income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law in accordance with § 315a para. 1 of the German Commercial Code is the responsibility of the Managing Board of Bremer Landesbank. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by Managing Board, as well as evaluating the overall presentation of the annual financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with § 315a para. 1 of the German Commercial Code and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and on the whole conveys a true picture of the Group’s position and suitably presents the opportunities and risks of future development.”

Hanover, 18 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Leitz	Mahr
Auditor	Auditor

Supervisory Board Report

The Bank's Managing Board regularly informed the Supervisory Board and the Committees it used about the performance and situation of Bremer Landesbank AöR and the Bremer Landesbank Group. In financial year 2014, it was necessary to apply modified committee structures due to 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 financial statements of Bremer Landesbank AöR and the consolidated financial statements for financial year 2014. These financial statements comply with legal requirements. The auditors issued an unqualified audit opinion on the financial statements and the consolidated 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 of 30 March 2015, the Supervisory Board approved the consolidated 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:

Dr. Johannes Jörg Riegler on 28 February 2014

Mr. Martin Grapentin on 31 October 2014

The following persons were appointed to the Supervisory Board:

Mr. Thomas S. Bürkle on 1 March 2014

Mr. Heinz Feldmann on 1 November 2014

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. 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

The 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 the financial year 2014.

The following persons left the Owners’ Meeting:

Mr. Bernhard Günthert on 31 December 2013

Mr. Heinz Feldmann on 31 October 2014

The following persons were appointed to the Owners’ Meeting:

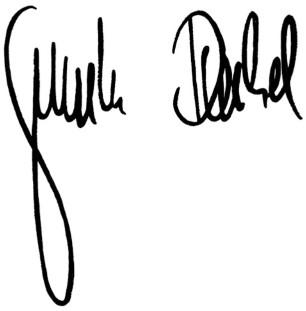
Mr. Ekkehart Siering on 1 January 2014

Mr. Gerhard Fiand on 1 November 2014

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

Declaration of Compliance with the German Corporate Governance Code by Bremer Landesbank

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 strategic focus 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 per cent) and the Federal State of Bremen (41.2 per cent) and the Savings Bank Association of Lower Saxony (3.9657 per cent). Each owner may appoint up to three representatives to the Owners' Meeting. Voting rights are in proportion to the owners' shares in capital. The representatives of each owner may only cast block votes.

The Owners' Meeting decides on the general principles of business policy, changes to the statutes, the amount and changes to share capital, changes in ownership, the raising and setting of the amount and conditions of other liable equity, the conclusion, amendment and termination of profit and loss transfer and control agreements, the ratification of the actions of the 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.

Facts and Figures

Established

26 April 1983
Predecessor institutions:
Staatliche Kreditanstalt
Oldenburg-Bremen (established 1883)
Bremer Landesbank (established 1933)

Legal basis

Interstate treaty between the Free Hanseatic City of Bremen and Lower Saxony in the version of 18 June 2012
Statutes dated 28 August 2012
as amended on 1 January 2014

Functions

Commercial bank
Landesbank
Central savings bank

Legal form

Registered public institute (AöR)

Owners

NORD/LB Norddeutsche Landesbank Girozentrale (NORD/LB) – 54.8343%
Free Hanseatic City of Bremen – 41.2000%
Savings Banks Association of Lower Saxony – 3.9657%

Governing bodies

Managing Board
Supervisory Board
Owners' Meeting

Registered office

Bremen

Branches

Bremen
Oldenburg

Memberships

Deutscher Sparkassen- und Giroverband e. V.
Bundesverband öffentlicher Banken e.V.
Hanseatischer Sparkassen- und Giroverband

Also available for customers of Bremer Landesbank and its associated savings banks:

NORD/LB, subsidiaries, investments, branches, real estate agencies and representative offices.

Governing Bodies of Bremer Landesbank

Members of the Managing Board

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 Immobilien GmbH
		BLB Leasing GmbH

General Agent
Mathias Barghoorn
Matthias Hellmann
Björn Nullmeyer

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 professor
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

Members of the Owners' Meeting

For Norddeutsche Landesbank – Girozentrale –

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

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

Thomas S. Bürkle (from 1 March 2014)
Member of the Managing Board of NORD/LB Norddeutsche Landesbank – Girozentrale –, Hanover

Minister
Peter-Jürgen Schneider
Lower Saxony Minister of Finance

For the Free Hanseatic City of Bremen

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

Ekkehard Siering
Senate Councillor for the Finance Senator of the Free Hanseatic City of Bremen, Bremen

Dr. Anke Saebetzki
Senate Director for the Finance Senator of the Free Hanseatic City of Bremen, Bremen

For the Savings Banks Association of Lower Saxony

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

Heinz Feldmann (until 31 October 2012)
Chairman of the Managing Board of Sparkasse LeerWittmund, Wittmund

Harm-Uwe Weber
District Administrator of Aurich District

Gerhard Fiand (from 1 November 2014)
Chairman of the Managing Board of Landessparkasse zu Oldenburg, Oldenburg

Members of the Advisory Board

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

Thomas Mang
(Deputy Chairman)
President of the Savings Banks Association
Lower Saxony, Hanover

Detthold Aden

Heiko Albers
President of Wasserverbandstag e. V.,
Hanover

Sven Ambrosy (until 31 March 2014)
District Administrator of the Friesland District

Kai-Uwe Bielefeld
District Administrator of the Cuxhaven District,
Cuxhaven

Bernhard Bramlage
District Administrator of the Leer District, Leer

Rolf Brandstrup
Chairman of the Managing Board of
Sparkasse Wilhelmshaven, Wilhelmshaven

Dr. Claas Brons
Managing Director of Y. & B. Brons, Emden

Elke Brüning
Managing Director of
Klaas Siemens GmbH, Emden

Günter Distelrath
Managing Director of the
Savings Banks Association of Lower Saxony,
Hanover

Hans Eveslage

Heinz Feldmann
Chairman of the Managing Board of
Sparkasse LeerWittmund, Wittmund

Ralf Finke
Chairman of the Managing Board of
Kreissparkasse Grafschaft Diepholz, Diepholz

Dr. Matthias Fonger
Chief Executive Officer and First Legal
Counsel of the Bremen Chamber of
Commerce, Bremen

Günter Günnemann
Chairman of the Managing Board of
Kreissparkasse Syke, Syke

Martin Hockemeyer
Managing Partner
of the Thiele Group, Ritterhude

Hans-Dieter Kettwig
Managing Director of
ENERCON GmbH, Aurich

Reinhard Krüger
Chairman of the Managing Board of
Sparkasse Rotenburg-Bremervörde, Zeven

Bernd Meerpohl
Managing Board of Big Dutchman
Aktiengesellschaft, Vechta

Arendt Meyer zu Wehdel
President of the Chamber of Agriculture,
Lower Saxony, Oldenburg

Doris Nordmann
Undersecretary of the Lower Saxony Ministry
of Finance, Hanover

Dr. Götz Pätzold
Chairman of the Managing Board
of Kreissparkasse Wesermünde-Hadeln,
Bremerhaven-Geestemünde

Angelika Saacke-Lumper
Shareholder
Saacke GmbH, Bremen

Dietmar Schütz
President of the German
Renewable Energy Federation V.

Prof. Dr. Gerd Schwandner

Martin Steinbrecher
Managing Director of Martin Steinbrecher
GmbH, Wittmund

Dietmar Strehl
Senate Councillor for the Finance Senator of
the Free Hanseatic City of Bremen, Bremen

Gert Stuke
President of the Oldenburg Chamber of
Industry and Commerce, Oldenburg

Michael Teiser
Mayor and Treasurer of the City of
Bremerhaven, Bremerhaven

Manfred Wendt
Managing Director of Johann Bunte
Bauunternehmung GMBH & Co. KG,
Papenburg

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