Consolidated Financial Statements and Group Management Report of Bremer Landesbank in Accordance with IFRSs as at 31 December 2015

The Bremer Landesbank Group at a glance

Group statement of comprehensive income	1.1.–31.12. 2015 € m	1.1.–31.12. 2014 € m	Change € m	%
Net interest income	413	437	−24	−5
Loan loss provisions	−341	−271	−70	26
Net commission income	41	43	−2	−5
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	57	−4	61	> 100
Other operating profit/loss	9	5	4	80
Administrative expenses	193	182	11	6
Profit/loss from financial investments	10	10	0	0
Profit/loss from financial assets accounted for using the equity method	8	5	3	60
Earnings before taxes	**4**	**43**	**−39**	**−91**
Income taxes	−1	12	−13	< −100
Consolidated profit/loss	**5**	**31**	**−26**	**−84**
Key ratios				
Cost-income ratio (CIR)	−36.50 %	−36.50 %	-	0
Return on equity (before taxes)	0.20 %	2.60 %	-	−92
Balance sheet figures	**31.12.2015**	**31.12.2014**	**Change**	
Reported equity	1,904	1,691	213	13
Regulatory equity	1,839	1,557	282	18
– of which Tier 1 capital (CRR)	1,487	1,306	181	14
Risk-weighted assets	13,815	16,287	−2,472	−15
Reported equity ratio	13.78 %	10. 38 %	-	33
Regulatory capital ratio	13.31 %	9.56%	-	39
Tier 1 capital ratio	10.76 %	8.02%	-	34
Loans and advances to banks	3,480	3,637	−157	−4
Loans and advances to customers	22,781	22,933	−152	−1
Risk provisioning	−1,063	−857	−206	24
Financial assets at fair value through profit or loss	666	780	−114	−15
Financial assets	2,919	4,255	−1,336	−31
Financial assets accounted for using the equity method	118	93	25	27
Other assets	1,070	1,298	−228	−18
Total assets	**29,971**	**32,139**	**−2,168**	**−7**
Liabilities to banks	10,603	11,186	−583	−5
Liabilities to customers	9,892	9,027	865	10
Securitised liabilities	5,295	7,355	−2,060	−28
Financial liabilities at fair value through profit or loss	870	1,006	−136	−14
Provisions	333	536	−203	−38
Other liabilities	472	583	−111	−19
Subordinated capital	602	755	−153	−20
Reported equity attributable to non-controlling interests	1,904	1,691	213	13
Total liabilities and equity	**29,971**	**32,139**	**−2,168**	**−7**
Number of employees				
Total	1,098	1,156	-	−5
Current ratings (long-term rating)				
Fitch Ratings	A-	A		

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Consolidated Financial Statements and Group Management Report of Bremer Landesbank in accordance with IFRSs as at 31 December 2015

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. The Group – Basic Information

1.1 Goals and Strategies

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – is a registered public institute (Anstalt öffentlichen Rechts) established 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 around 300 employees in Oldenburg and around 800 in Bremen. The North-West of Germany is the business region allocated to the Bank under an interstate agreement.

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

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

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 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

As at 30 June 2015 the formerly fully consolidated BLB Grundbesitz KG, Bremen, has become part of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – .

As at 30 September 2015 the formerly fully-consolidated BLBI Investment GmbH & Co. KG, Bremen, accrued to BLB Immobilien GmbH, Bremen.

At the end of the financial year, the following affiliated companies were accounted for using the equity method in accordance with IAS 28:

- Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede
- BREBAU GmbH, Bremen
- Bremische Wohnungsbaubeteiligungsgesellschaft mbH, Bremen
- GSG Oldenburg Bau- und Wohngesellschaft, Oldenburg
- Lazard-Sparkassen Rendite-Plus-Fonds

Bremische Wohnungsbaubeteiligungsgesellschaft mbH, Bremen, incorporated during the reporting year along with a company that is outside the Group as a joint venture to pool the investments in a housing company in a single company, was included for the first time in the consolidated financial statements of Bremer Landesbank using the equity method on 31 December 2015.

Since the second quarter of 2015, shares held in DEUTSCHE FACTORING BANK Deutsche Factoring Bank GmbH & Co. KG, Bremen have been classed as held for sale. Accounting in the consolidated financial statements is therefore no longer done using the equity method, but instead in accordance with the provisions of IFRS 5.

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 five strategic segments and the eleven strategic business units (SBUs) assigned to them. In the second half of 2015 it partly restructured its segments and modified its structures. This pooling of areas of competence should increase the specialist know-how and improve the focus on customer needs.

- **Corporate Customers**

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

- **Private Customers**

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

- **Special Finance**

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

- **Ship Finance**

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

- **Financial Markets**

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

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 savings bank in the area of Lower Saxony and Bremen and is also a commercial bank with a regional focus and supra-regional and selected international specialist business.

- The strategy of the Bremer Landesbank corresponds to its business model.
- Commercial 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 five segments. It is documented in the specific form of the group's internally coordinated risk strategy and financing principles.

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

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

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

1.2 Integrated Bank Management

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

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

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

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[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 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 target-agreement process.

This independent, established process of corporate control, with its integral element of risk and reward management, including the monitoring of target achievement levels, is being constantly 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 and outlook for 2016

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

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

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

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

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

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

The economic development of the emerging economies was disappointing with growth of 4 per cent. Falling raw-material prices coupled with a strong USD had a negative impact on many emerging economies.

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

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

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

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

Europe

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

Germany

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

Financial markets

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

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

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

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

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

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

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

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

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

2.1.2 The Region

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

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

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

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

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

2.1.3 Industry Groups

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

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

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

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

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

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

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

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

2.1.4 Markets

North-West

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

Shipping

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

Leasing

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

Renewable Energies

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

Social Welfare Facilities

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

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 – has an impact on the euro's exchange rate against other currencies and therefore the export prospects for the economy as well as the valuation of securities and credit default swaps. In particular, the development of the euro/dollar exchange rate can have a noticeable effect on the level of loans and advances to customers, the RWA and the total assets, as well as on the Bank's net interest income and risk provisioning.
- The domestic and regional economy has an impact on middle-market corporate customers and their financing needs, as well as Bremer Landesbank's lending business.
- Interest rates may have an impact on achievable margins in the lending business, but – together with the anticipated economic developments – the will also affect the financing needs of companies and private persons in the business region. The continuing period of low interest rates has had no noticeable effect on the Bank's net interest income to date.
- The performance of stock exchanges – particularly the DAX – will have an impact on the behaviour of private customers with respect to their investments in securities, shares and alternative investments and therefore the net commission income of Bremer Landesbank.
- The development of the local real-estate market has an impact on the success of the subsidiaries that do business in real-estate.

2.2 Business Performance

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

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

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

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

2.3 Position of the Group

2.3.1 Earnings Position

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

Income Statement

	Notes	1.1.–31.12. 2015 € m	1.1.–31.12. 2014 € m	Change %
Interest income		1,260	1,425	−12
Interest expenses		847	988	−14
Net interest income	**19**	**413**	**437**	**−5**
Loan loss provisions	20	−341	−271	26
Net interest income after risk provisioning		**72**	**166**	**−57**
Commission income		50	50	0
Commission expenses		9	7	29
Net commission income	**21**	**41**	**43**	**−5**
Trading profit/loss		31	−14	> 100
Profit/loss from designated financial instruments		-	−1	> 100
Profit/loss from financial instruments at fair value through profit or loss	**22**	**31**	**−15**	**> 100**
Profit/loss from hedge accounting	23	26	11	> 100
Profit/loss from financial assets	24	10	10	0
Profit/loss from financial assets accounted for using the equity method	25	8	5	60
Administrative expenses	26	193	182	6
Other operating profit/loss	27	9	5	80
Earnings before taxes		**4**	**43**	**−91**
Income taxes	28	−1	12	< −100
Consolidated profit/loss		**5**	**31**	**−84**
of which: attributable to shareholders of the parent company		5	31	−84
of which: attributable to non-controlling interests		-	-	-

Net interest income

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

Net interest income fell by 5 per cent, from € 437 million to € 413 million. The contributions achieved from operating business with customers of the Bank remained high, despite intensive competitive pressure.

In the previous year the introduction of standard software across the Group for mapping risk provisioning generated a positive net effect of € 17 million. In 2015 interest from impaired receivables resulted in net expenditure of € 8 million as expected.

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

Net interest income will stabilise in the coming year at the same level as 2015.

Loan loss provisions

Loan loss provisions rose to € 341 million in 2015 (previous year: € 271 million).

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

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

The Bank accounts for risks which may have already occurred but which were not known on the balance sheet date by making general valuation allowances. In the reporting year a reversal of general valuation allowances of € 12 million (previous year: allocation of € 65 million) was performed, in particular as a result of the creation of new specific valuation allowances. € 43 million was utilised to make specific valuation allowances (previous year: € 6 million).

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

Net commission income

In its forecast, the Bank assumed net commission income would stabilise at a slightly higher level than that achieved in 2014.

Net commission income is down from € 43 million to € 41 million (5 per cent). Operationally the core elements developed largely stably in line with the forecast from the previous year, whereas ongoing expenses from measures to strengthen the Bank's Tier 1 capital ratio that took effect for the first time had a slightly negative effect on net commission income.

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

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

In 2016 net commission income should stand slightly lower than the level reached in 2015, 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 positive contribution to earnings of € 31 million as opposed to a loss of € 15 million in the reference period. The difference is due in particular to an increased valuation and realisation result from financial instruments at fair value of € 31 million (previous year: € −24 million). A more stable interest rate and as a result improved management of interest-rate risks in the reporting year resulted in a positive contribution to earnings of € 16 million (previous year: € −30 million). Additionally, the valuation of cross-currency swaps used for refinancing USD business, generated a positive result of € 8 million (previous year:

€ 9 million). The volume of CDSs for which Bremer Landesbank is the protection seller decreased further as swaps matured and positions were systematically unwound as part of RWA management. As a result, profit from CDS fell by € 5 million to € 4 million.

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 notices have as yet been issued to the Bank for the remaining CDS contracts in the amount of € 10 million.

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

Bremer Landesbank's foreign exchange result fell by € 8 million to € 0 million in the reporting year.

The profit/loss from financial instruments measured at fair value was € −0 million (previous year: € −1 million) in 2015 and therefore only of minor significance. This category was not used by Bremer Landesbank in the reporting year.

The trading business of Bremer Landesbank is customer-induced and serves to hedge interest rate and foreign currency risks in traditional banking business. Under these general conditions, the Bank was also able to operate successfully in the money and capital markets in the past year.

The profit/loss from financial instruments at fair value through profit or loss will be volatile due to the short-term nature of the business and market fluctuations, making it difficult to forecast. In its planning, however, the Bank assumes a good chance of being able to 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 the net 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 and portfolio fair value hedges in fair value hedge accounting to reduce the effects on income of IAS-related accounting mismatches. Bremer Landesbank is continuously improving its reported interest-rate management.

The hedges designated by Bremer Landesbank generated a profit of € 26 million in 2015, compared with € 11 million in 2014. The higher profit is largely due to a substantially higher profit from the portfolio fair value hedge compared to the previous year and is caused primarily by a positive contribution of the variable swap side of hedging instrument.

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 contributions 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 investments amounts to € 10 million as in the previous year. Whilst the previous year's profit came from disposals and valuation results from securities, in 2015 it was substantially influenced by the sale of a securities fund and investments.

Profit/loss from investments accounted for using the equity method

The profit from investments accounted for using the equity method stood at € 8 million, compared with € 5 million in 2014. In the previous year a write-down of an affiliated company negatively affected the profit/loss.

Administrative expenses

In the 2014 consolidated financial statements, a slight decline in staff expenses and a noticeable increase in other administrative expenses was forecast for 2015.

Administrative expenses rose by 6 per cent from € 182 million to € 193 million.

Despite lower allocations to final remuneration and lower staff levels as compared to the previous year as planned, staff expenses rose by 2 per cent from € 101 million to € 103 million due to increased allocations to pension provisions.

Other administrative expenses rose by € 7 million, or 10 per cent, to € 80 million.

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

At € 10 million, depreciation and impairments of intangible assets and property and equipment was up slightly by € 2 million compared to the previous year.

For 2016 the Bank expects staff expenses to be slightly lower than the level of the previous year. Other administrative expenses should again rise noticeably according to the plan.

Other operating profit/loss

Other operating profit/loss amounted to € 9 million, compared with € 5 million in 2014.

Besides rental income from buildings not used for banking operations of € 8 million (previous year: € 8 million) and cost refunds from customers of € 2 million (previous year: € 1 million), this item contains reversals of other provisions of € 2 million (previous year: € 1 million). Other earnings essentially include one-time items of € 6 million (previous year: € 23 million).

On the expense side, rental and lease income from buildings not used for banking operations of € 2 million (previous year: € 3 million) and expenses from the repurchase of registered bonds of € 5 million (previous year: € 3 million) impacted profit/loss. Other expenses are mainly attributable to expenses for loss events from operational risks of € 1 million (previous year: € 1 million).

The expense for the bank levy recorded to date of € 6 million (including previous year’s value: € 3 million) is now reported as a component of general administrative expenses.

Earnings before taxes

Earnings before taxes in the Bremer Landesbank Group amounted to € 4 million for 2015; this represents a fall of € 39 million against 2014. A strong increase in the trading profit/loss (in particular from the valuation of interest-rate derivatives) and increased profit/loss from hedge accounting were more than compensated for by the fall in net interest income and the high expenses for risk provisioning.

The Bank’s earnings before taxes will rise substantially in 2016 under current estimates.

Income taxes

The Bremer Landesbank Group’s current income taxes fell by € 6 million compared with the previous year, to € 14 million. The reason for this is the reduction in the taxable income of the parent company.

Deferred taxes, for which income of € 8 million was recognised in 2014, resulted in income of € 15 million in 2015, increasing income taxes overall from an expense of € 12 million in 2014 to € 1 million in the reporting year. The pre-tax profit for the year is lower than the actual taxable income.

Consolidated profit/loss

The consolidated profit is € 5 million (previous year: € 31 million).

The basis for the appropriation of profits is the parent's profit for the year in accordance with German accounting regulations.

In 2015 the considerable difficulties in the shipping markets again had a significant influence on Bremer Landesbank AöR's result in accordance with the German Commercial Code. Additionally, measures were taken to increase the Tier 1 capital ratio against the background of increasing regulatory requirements. However, the parent company was able to cope with the effects well on account of its strong earnings and the compensating measures implemented. It assumes that the operating income will also remain good in 2016.

It believes that the operating profit/loss for 2016 generated by Bremer Landesbank AöR will again be used for portfolio optimisation and therefore also to strengthen regulatory capital ratios. 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 improve noticeably in 2016 according to the Bank's estimates.

2.3.2 Financial and Assets Position

Total assets

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

As a result, total assets fell from € 32.1 billion to € 30.0 billion.

Loans and advances to banks

Interbank business, largely influenced by operating activities with the affiliated savings banks, declined in 2015. Due to lower loans and advances due on demand as at the reporting date, loans and advances to banks fell by € 0.2 billion to € 3.5 billion.

Loans and advances to customers

Loans and advances to customers developed at a largely constant rate compared to the previous year at around € 22.8 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 76.0 per cent of total assets (previous year: 71.4 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 again in the financial year, by 24.0 per cent, or € 206 million, to € 1,063 million, and now represents 4.7 per cent of total loans and advances (previous year: 3.7 per cent). The increase is almost exclusively due to the sub-segment “Ship Finance”.

Financial instruments at fair value through profit or loss (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 2015 by € 114 million to € 666 million, while financial instruments with negative fair values increased by € 136 million to € 870 million. The long-term derivatives are reported in this item 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.

Bremer Landesbank enters into derivative transactions mainly for the purpose of managing and hedging interest rate and foreign currency risks. The nominal volume at year-end 2015 amounted to € 37.3 billion, compared with € 39.4 billion in the previous year, i.e. approximately 1.2 times (previous year: 1.2 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 2015, fair values from hedge derivatives changed as shown in the notes under numbers (35) and (49). 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 € 4.3 billion in 2014 to € 2.9 billion in 2015. 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 € 25 million to € 118 million in the reporting period, due entirely to write-ups. The change results from a disposal of € 21 million due to the classification of shares as being held for sale, from an addition of € 41 million and write-ups of € 5 million.

Securities are either allocated to the Management Board’s strategic position or the Financial Markets segment’s credit investment portfolio. In 2015 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 € 14 million to € 89 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”. Following the capitalisation of construction costs for a building at Teerhof, Bremen, and deductions for assets, a balance of € 76 million was reported as in the previous year.

Intangible assets rose by € 4 million to € 14 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 taxes and amounted to € 149 million in 2015 (previous year: € 152 million). Furthermore, in the HGB financial statements, current income tax assets of € 0 million (previous year: € 1 million) are recognised in “Other assets”. This resulted in income tax assets of a total of € 149 million, against € 153 million in the previous year.

Other assets amounted to € 57 million as at 31 December 2015 (previous year: € 49 million). Besides receivables in interim accounts of € 19 million (previous year: € 1 million), this includes receivables from initial margins paid of € 16 million (previous year € 15 million) and receivables from non-consolidated subsidiaries of € 15 million (previous year: € 16 million).

Liabilities to banks

The Bank also uses liabilities to other banks as a means of refinancing. Over the 2015 financial year these fell to € 10.6 billion (previous year: € 11.2 billion). Whilst deposits from other banks rose sharply compared to the previous year, other liabilities, in particular fixed-term liabilities, declined.

Liabilities to customers

Bank refinancing through liabilities to customers rose by 9.6 per cent to € 9.9 billion. Liabilities resulting from money market transactions with domestic customers were up € 0.6 billion. Other liabilities with domestic customers increased by € 0.2 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 28.0 per cent in 2015 to € 5.3 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 € 333 million at the end of 2015 (previous year: € 536 million) and have hence fallen by 37.9 per cent.

Provisions for pensions and similar obligations account for the largest share, amounting to € 307 million for the Group, compared with € 507 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 (14) for the relevant parameters.

In the year under review the responsibility for meeting a large part of the company pension obligations was transferred to the existing Unterstützungskasse (provident fund). An amount totalling € 148 million was allocated to the provident fund's cover fund.

The assets invested by the Bremer Landesbank provident fund (plan assets) are offset at fair value (€ 171 million, compared with € 30 million in the previous year) against the defined benefit 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 € −50 million (previous year: € −116 million).

Loan loss provisions amounted to € 12 million at year-end, compared with € 11 million at the end of the previous year.

Provisions for uncertain liabilities amounted to € 14 million at the end of 2015, compared to € 18 million in 2014. They mainly relate to personnel obligations, such as provisions for early retirement of € 11 million (previous year: € 15 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 taxes and came to € 2 million (previous year: € 2 million). Furthermore, in the HGB financial statements, current income tax liabilities of € 16 million are recognised (previous year: € 13 million). As a result, income tax liabilities total € 18 million (previous year: € 15 million).

As at 31 December 2015, other liabilities total € 41 million, against € 37 million at the previous year-end. Of this € 22 million alone (previous year: € 10 million) are attributable to liabilities from interim accounts. This item also includes the employee remuneration still to be paid of € 5 million (previous year: € 8 million) and liabilities from outstanding invoices of € 3 million (previous year: € 8 million). Further amounts of € 1 million (previous year: € 2 million) are attributable to taxes and social security contributions still payable, and € 6 million (previous year: € 5 million) to Bremer Landesbank's liabilities to third parties. This year no allocation to the provident fund's cover fund (previous year: € 2 million) was made.

Subordinated capital

At year-end 2015, the Bremer Landesbank Group's subordinated capital totalled € 0.6 billion after maturities compared with € 0.8 billion in the previous year.

Equity

The Bremer Landesbank Group's equity totals € 1.904 billion at the end of 2015; of which € 265 million relates to the share capital, and € 478 million to the capital reserves. This was increased by € 213 million or 12.6 per cent (previous year: €1.691 billion). Disregarding the conversion of silent participations in 2012 (€ +563 million) and the Additional Tier-1 bonds (€ +149 million), the Group's equity has increased by € 360 million or 43.3 per cent from € 832 million in 2012 (€ +563 million) since reporting in accordance with international accounting standards began at the start of 2006.

The Bremer Landesbank Group's profit totalled € 5 million in 2015 (previous year: € 31 million).

The basis for the appropriation of profits is the parent's profit for the year in accordance with German accounting regulations.

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 provisions for pensions are now € −35 million (previous year: € −79 million) after the increase in the discount rate from 2.20 per cent to 2.65 per cent.

The revaluation reserve in which the changes in value of the AfS assets are reflected rose by € 13 million to € 59 million in 2015. The rise was largely due to the write-up of an affiliated company.

At year-end, the Tier 1 capital ratio of the parent company was 10.8 per cent (previous year: 8.0 per cent), see Note (72)). At year-end, after the appropriation of profits and the valuation allowances recognised in the financial statements, the parent company's Tier capital 1 ratio was 11.8 per cent (previous year: 9.0 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 € 1.2 billion (previous year: € 1.1 billion).

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

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

Synthetic securitisation

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

2.3.3 Additional Information

Performance indicators

Earnings before taxes in the Bremer Landesbank Group totalled € 4 million for 2015; this represents a fall of € 39 million against 2014. A higher trading profit/loss and higher profit/loss from hedge accounting and financial assets were more than compensated for by the increased expenses for risk provisioning and fall in net interest income.

The return on equity (ROE), calculated using the formula defined in the Integrated Bank Management section, is 0.2 per cent for financial year 2015, after being 2.6 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 issue of Additional Tier-1 bonds reduced the ratio.

The cost-income ratio (CIR) is 36.5 per cent; it was 36.5 per cent in 2014. An increase in administrative expenses is seen alongside an increase in ordinary earnings, resulting in an unchanged cost-income ratio. As a result, the key performance indicator always remains in the area around 40 per cent which is generally viewed as good.

The risk ratio (defined as the ratio of the loan loss provision expense in the lending business to the risk-weighted assets) as at 31 December 2015 is 2.5 per cent, after being 1.7 per cent in the previous year. This increase is attributable to the significantly higher loan loss provisions, particularly for ship finance.

Capital requirements under the Capital Requirement Regulation [(CRR) Basel III] applicable from 2014 for the parent company total around € 1.1 billion (previous year: around € 1.3 billion), which equates to risk-weighted assets in the region of around € 13.8 billion (previous year: around € 16.3 billion). The overall ratio is 13.3 per cent, compared with 9.6 per cent at the previous year-end. A condensed report is not necessary as this is prepared by the parent company NORD/LB.

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

Financing

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

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

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

[3] Deviation as compared to the previous year due to the increase of the confidence level to 95 per cent (previous year 90 per cent) as well as adjustment of the risk capital.

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

Investment activities

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

Staff and sustainability

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

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

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

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

Performance indicators for the remuneration system for the Management Board

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

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

Bank targets comprise the following quantitative targets:

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

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

From financial year 2014 the variable component of the Management 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 Management Board's remuneration and the structure of the remuneration systems is published in the Disclosure Report in accordance with § 16 of the Institute Remuneration Act (*Institutsvergütungsverordnung*) in conjunction with article 450 of the CRR.

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.

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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).

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

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

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

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

Special Finance

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

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

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

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

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

Ship Finance

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

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

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

Ship Finance will remain a key portfolio for Bremer Landesbank. The objective is to further reduce exposure, increase risk-bearing capacity and capital ratios and to reduce the proportion of problematic loans. After further successful restructuring along with stabilising and again more positive market data, increasing redemption payments can again be used for new business.

The Bank's many years of expertise and experience in ship finance will continue to generate business opportunities and sustained earnings for the business model of Bremer Landesbank.

Private Customers

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

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

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

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

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

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

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

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

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

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

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

Financial Markets

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

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

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

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

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

Public-Sector Customers

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

Savings banks

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

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

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

Institutional Customers

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

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

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

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

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

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

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

Subsidiaries

The subsidiaries operating in the real-estate sector managed to hold their own despite the persistently difficult conditions by concentrating on certain market segments.

BLB Leasing GmbH’s new business is mainly generated by Bremer Landesbank’s customer advisers. This business strategy continued to be successful and once again resulted in a considerable volume of new business. As a financial services company, BLB Leasing GmbH’s activities are subject to control and it makes appropriate allowance for this.

2.3.5 Overall Assessment

In 2015 the huge impairments in the shipping markets again had a severe impact on Bremer Landesbank’s consolidated profit. Additionally, measures were taken to increase the Tier 1 capital ratio against the background of increasing regulatory requirements. However, the Bank was able to cushion the effects well on account of its good income. The Bank considers the result achieved under these challenging conditions in 2015 to be just about satisfactory on the whole.

This is an endorsement of Bremer Landesbank’s focus as a regional bank – with supra-regional 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 adopted a position whereby it can stabilise its business growth in 2016 under conditions that will remain challenging and drive it forward in future in line with objectives.

3. Supplementary Report

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

4. Forecast and Opportunities Report

4.1 Opportunities

In 2015 the huge impairments in the shipping markets again had a severe impact on Bremer Landesbank's consolidated profit.

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

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

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

However, given the competitive edge offered by its local advisers, short lines of decision, local capital market and foreign business expertise and an extensive range of products and services, Bremer Landesbank remains confident that it will not only be able to hold its own in this low-risk, high-income business, but even grow its market share. The sustainably strengthened cooperation with associated savings banks and landesbanks, short 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 adopted a position whereby it can stabilise its business growth in 2016 under conditions that will remain challenging and drive it forward in the medium term in line with objectives.

4.2 Forecast

Significant assumptions in the outlook

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

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

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

Assets, financial and earnings position

According to the Bank's plans, the net interest income in the coming year will stabilise at the same level as 2015.

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

Net commission income has fallen due to measures for increasing risk-bearing capacity as well as the successful performance of a securitisation in 2015 as well as the issue of AT1 bonds. Similarly, for 2016 further measures for increasing capital ratios are planned that have a negative impact on net commission income. In 2016 net commission income should therefore stand slightly lower than the level reached in 2015, if the current conditions prevail.

The profit/loss from financial instruments at fair value through profit or loss will be volatile due to the short-term nature of the business and market fluctuations, making it difficult to forecast. In its planning, however, the Bank assumes a good chance of being able to 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.

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 contributions to profit/loss from this item are therefore not recognised in the planning.

For 2016 the Bank expects staff expenses to be slightly lower than the level of the previous year. Other administrative expenses should again rise noticeably according to the plan.

The Bank believes that the operating profit/loss for 2016 generated by Bremer Landesbank AöR will again be used for portfolio optimisation and therefore to strengthen regulatory capital ratios. 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 improve noticeably in 2016 according to the Bank's estimates.

Performance indicators

The bank's earnings before taxes will rise substantially in 2016 under current estimates. A sharp significant in the return on equity is anticipated in conjunction with this.

A noticeable increase in the cost-income ratio is anticipated in 2016 due to regulatory costs.

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

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

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

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)) and earnings before taxes.

Income before risk in operating business segments

The portfolio reduction in Ship Finance has produced a fall in earnings in this business segment, whilst further growth can be achieved in Special Finance. Slight growth is planned in the Corporate Customers segment. Conversely, in the Financial Markets segment the low-interest environment is producing a fall in earnings, causing earnings in Private Customers to stagnate.

Earnings before taxes in operating business segments

Given the only slight increase in administrative expenses, the earnings situation of Bremer Landesbank continues to be influenced by the risk provisioning in the ship segment. After a very negative contribution to earnings from this business segment in 2015, neutral profit/loss is expected in 2016. However, this profit/loss target is highly dependent on the further development of merchant shipping and regulatory requirements.

The weak earnings of the Ship Finance segment as a result of high risk provisioning is balanced out by the other business segments. In the Special Finance segment, further growth in earnings will be achieved. In the remaining segments stagnant or declining pre-tax earnings are expected, which are due to the low-interest environment and, to a lesser extent, to the rising costs as a result of regulatory requirements.

Subsidiaries

The Bank's subsidiaries that do business in real estate expect income to be on the whole stable.

BLB Leasing GmbH assumes that a notable volume of new business will again be achieved in 2016 and hopes to achieve a result at the 2014 level as special acquisitions from 2015 are unlikely to be repeated in 2016. 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 will continue to be expanded, remains direct business with Bremer Landesbank customers initiated by Bremer Landesbank's customer advisers.

4.3 Overall Assessment

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

5. Risk Report

The Risk Report of Bremer Landesbank and the sub-group of Bremer Landesbank as at 31 December 2015 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 Management Systems

5.1.1 General Risk Management

Risk management – fundamentals and area of application

The risk reporting includes all 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 2015 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 earnings position, the liquidity position or the attainment of the Bank's strategic objectives.

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

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

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

Risk management – strategies

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

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

The Management Board has set out a sustainable business strategy and a consistent risk strategy. The latter is based on MaRisk and on the NORD/LB Group's risk strategy. The strategy reflects Bremer Landesbank's sustainable risk policy and its business model. It is a guideline for Bremer Landesbank and contains statements on risk policy and the organisation of the risk management process specific to the main banking 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 Management Board has installed a risk management system that meets both the legal requirements and internal management requirements. The risk management system includes all organisational arrangements and measures to identify risks and handle the risks relating to the banking business. The risk management process is subject to ongoing review and development in terms of its structures and procedures, the method of risk quantification and the relevance of respective parameters.

In the process of risk identification, the risk types relevant to the Bank are identified and analysed for materiality at least once a year and as required. The material risks then pass through the further process steps of risk assessment, risk reporting and risk 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 Management Board adopts. As part of the requirements for written rules of procedure, the documents of the risk management system are regularly updated.

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

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

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

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

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

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

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

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

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

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

Risk management – risk-bearing capacity model

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

The RBC model consists of three scenarios:

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

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

- In the third scenario (regulatory scenario) the risk-bearing capacity is reviewed on the basis of regulatory provisions. On the capital side, the tests include all regulatory capital components. This perspective 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 for risk types identified as material are derived from the consideration of risk-bearing capacity taking into account the allocation of risk capital in the risk strategy based on the going concern scenario. Taking the Bank's risk appetite into account, a buffer for risks that are not explicitly quantifiable is provided for. In parallel, RWA caps for the Bank's segments are specified. The above ratios and limits are monitored as part of the monthly reporting. Diversification effects between individual risk types are not taken into account for conservative valuation reasons.

Risk concentrations, both within a single risk and across risks, are taken into consideration when calculating the risk-bearing capacity. Concentrations within a single risk mainly involve credit risk, Bremer Landesbank's most significant risk. These are integrated into the risk-bearing capacity model via the internal credit-risk model. Concentrations across all 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. The selection is based on the extended interview method performed at the NORD/LB Group. These highlighted risk areas are prioritised and, if they are deemed significant, are subjected to a detailed scenario analysis. This scenario analysis is initially triggered by the assumptions concerning concentration and diversification made in the measurement of risk potentials. In this respect this process constitutes an independent method for assessing concentrations. The aim is to develop scenarios in which all of the material consequences can be captured in the bank's relevant key indicators.

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

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

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

The monthly Risk-Bearing Capacity Report (RBC Report) is the central instrument of the internal risk reporting at individual institute level for the Management Board and the supervisory bodies. Compliance with the 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

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

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

Credit risk – structure and organisation

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

Credit risk breaks down into traditional credit risk and counterparty risk from 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 a debtor's failure to pay or deterioration in an debtor's credit rating. It is equivalent to the traditional credit risk and occurs in money trading, in money market or treasury activities.
- Replacement risk is the risk that the counterparty is unable to meet the terms of a pending contract with a positive market value and that this contract has to be replaced at a loss.
- Settlement risk comprises pre-settlement and 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.

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

The model chosen by the Bank for the separation of functions in the loan-decision-making process is consistent with its strategic direction of being a commercial bank with a regional focus and supra-regional specialist business; the loan decision requires a high-quality risk analysis by the market division for its vote as well as a second vote by the back office division, which assumes an independent and consistent quality assurance function for risk assessment in lending business. In addition to preparing the second vote, the back office is responsible for reviewing and setting rating levels, reviewing collateral values, processing and supervising debt rescheduling/liquidation of defaulted exposures, risk provisioning and designing processes and rules for the Bank's lending business. The Back Office unit independently monitors the risks at individual borrower or sub-portfolio level independently of the market 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 Management 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 the methods used (rating, scoring, risk modelling, validation).

Credit risk – collateral

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

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

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

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

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

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

Credit risk – control and monitoring

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

The risk of the exposure is 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 Management Board. The following allocation always applies:

1. Exposures in rating category 9 and above are closely watched. The causes of deterioration in a situation and the exposure strategy are analysed taking into account costs and benefits. If necessary, collateral is improved, terms are adjusted and the customer's reporting duties are intensified. The market division unit remains responsible for managing the exposure, while the back office unit previously responsible for processing continues to handle it. The new exposure strategy must be discussed with and approved by the organisational unit Back Office Debt Rescheduling (OU BO Debt Rescheduling).
2. From a rating of 12 or higher, an exposure is transferred to Back Office Debt Rescheduling for management and processing. This unit is part of Back Office Financing. It examines the viability and feasibility of debt rescheduling, consulting external advisers if necessary. A re-evaluation of the exposure strategy with regard to costs and benefits is required. The rescheduled loan may be secured by further adequate collateral, the terms may be adjusted or a decision to terminate the business relationship made.

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

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

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

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

Credit risk – securitisation

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

Credit risk – valuation

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

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

Initiative for Germany as a Financial Location ["Initiative Finanzstandort Deutschland"]	DSGV master scale	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 %	Liquidation

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

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

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

The Bank has met the regulatory requirements and since 2008 has secured its default risks based on the Internal Ratings-Based Approach (IRBA) with 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 thus determined by fluctuations in income and expenses relating to the asset. In simulations, the asset's cash flow is shown in various scenarios which vary in terms of macroeconomic and industry conditions and reflect the future development of factors such as leases and charter rates. Scenarios in which a borrower must be considered to have defaulted can subsequently be identified from the large number of scenarios.

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

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

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

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

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

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

Credit risk – reporting

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

- In the report on individual borrowers drawn up by Back Office 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 groups of affiliated customers with a notable risk concentration as identified in respect of Bremer Landesbank's available risk capital, its management's risk preferences, the creditworthiness of the borrower in question and the collateralisation of the exposure.
- The Risk Control Division prepares a Credit Portfolio Report containing a differentiated presentation of the credit portfolio. The Bank's quarterly Pfandbrief Report is part of the Credit Portfolio Report and provides information on the risks associated with Pfandbrief business. These reports prepared at individual institute level meet the requirements of § 27 of the Covered Bond Act (*Pfandbriefgesetz,* PfandBG).

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

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

Investment risk – structure and organisation

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

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

Investment risk – control and monitoring

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

Investment risk – valuation

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

Investment risk – reporting

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

5.1.4 Market Risk – Management

Market risk – strategy

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

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

Market risk – structure and organisation

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

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

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

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

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

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

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

Market risk – control and monitoring

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

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

Please refer to 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 (35) Positive fair values from hedge accounting derivatives and Note (49) 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 % 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 VaR models are primarily suited for the measurement of market risks in normal market environments. In order to cover extraordinary market movements, special stress tests are carried out to gauge the sensitivity of the portfolio in relation to large market changes. Group-wide stress parameters are defined for each risk.

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

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

The requirements for a prudent valuation have been expanded and further specified by CRR art. 34 in conjunction with art. 105. Following the removal of a de minimis threshold, the Bank has introduced a valuation reserve for all assets reported at fair value which is deducted from Common Equity Tier 1.

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

Market risk – reporting

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

The Management Board receives information about market risks and the results of backtesting and stress testing in the monthly 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 earnings from the maturity transformation profit source typical of banking business are taken into account when measuring liquidity risk limits. Liquidity risk limits provide the Bank's business segments with the operational framework essential for reaching targets.

Liquidity risk – structure and organisation

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

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

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

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

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

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

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

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

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

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

Market-liquidity risk is included in market risk. The aim is to restrict the market-liquidity risk by chiefly operating in liquid markets. The differentiated security and liquidity class concept allows specific haircuts to be modelled for managing the forward liquidity exposure, 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 LCR has to be reported monthly to the Deutsche Bundesbank and as part of Group reporting to NORD/LB. The LCR is a short-term stress ratio (time horizon of 30 days) and requires banks to maintain a liquidity buffer in the form of highly liquid assets in order to be able to compensate for net cash outflows over a period of 30 days in a stress case.

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

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

The Bank analyses refinancing risk by determining the present value cost of closing a liquidity mismatch on the liabilities side over the course of all maturities in all terms and currencies assuming a defined increase in liquidity spreads (spread parameters). The refinancing risk expressed in terms of present value is limited by the allocated risk capital. In addition, to avoid concentrations in specific maturities, the liquidity mismatch per maturity band on the liabilities side (forward liquidity exposure) 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 reinforced by Pfandbrief 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 Management Board is also informed on a monthly basis of liquidity risks in the context of the Bank's risk-bearing capacity. In addition, the Credit Portfolio Report informs the Management Board about the risks related to the Pfandbrief business.

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

5.1.6 Operational Risk – Management

Operational risk – strategy

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

Operational risk – structure and organisation

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

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

- Legal risk is the risk of loss caused by failure to comply fully or partly with the legal framework defined by laws and court rulings.
- The risk of changes in the law reflects the risk of a loss due to new laws or requirements, a disadvantageous change in existing laws or requirements and their interpretation or application by courts.
- Compliance risk is the risk of penalties being imposed by courts or authorities or disciplinary measures resulting from non-compliant procedures, processes, etc. (due to failure to comply with laws, regulations, rules of conduct and standards) within the Bank.
- Outsourcing risk is the risk resulting from the outsourcing of activities and processes.

- Misconduct risk is the term used to describe the risks to a bank that might arise as a result of the sale of unsuitable products, conflicts of interest in business relationships, manipulation of reference interest rates or exchange rates, impeding the exchange of financial products and unfair treatment of customer complaints.

- Dilution risk is the risk relating to the existence and realisability of a purchased receivable that the debtor of the purchased receivable is not obliged to perform to the full extent.

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

- Model risk refers to "…the potential loss incurred by a bank as the consequence of decisions that may be due to the result of internal models if there are errors in the design, implementation or use of these models."

- IT risks are all risks for the asset and earnings position of the banks that arise as a consequence of defects that affect IT management or control, availability, confidentiality, integrity and authenticity of data, the internal control system of the IT organisation, IT strategy, IT guidelines or the use of information technology.

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

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

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

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

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

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

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

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

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

Operational risk – control and monitoring

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

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

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

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

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

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

Operational risk – valuation

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

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

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

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

Operational risk – reporting

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

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

As Bremer Landesbank is a capital market-oriented corporation within the meaning of §. 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 relating to the financial reporting process.

The internal control and risk management system relating to the financial reporting process is not defined by law. The Bank understands the internal control and risk management system as a comprehensive system, referring to the definition by the Institute of Public Auditors in Germany (IDW), Düsseldorf, of the accounting-related internal control system (IDW AuS 261 Sec. 19 et seq.) and of the risk management system (IDW AuS 340 Sec. 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 propriety and reliability of internal and external financial reporting, and
- to conform to the legal provisions relevant to the organisation.

Bremer Landesbank considers information to be significant for the purposes of § 315 para. 2 no. 5 of the German Commercial Code (HGB) 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 group accounting-related internal control and risk management system

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

As regards the Group's financial reporting process, the following structures and processes have been implemented at Bremer Landesbank:

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

The Management Board is responsible for preparing the consolidated financial statements and the Group Management Report. It has clearly defined responsibilities for individual Group financial reporting components and work steps in organisational policies and delegated 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 § 315a of the German Commercial Code (HGB) and the German Accounting Standards (DRS) are also considered.

For consolidation purposes, subsidiaries and affiliated companies 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 Management Board. In the Group financial reporting process the Supervisory Board approves the consolidated financial statements of Bremer Landesbank. The Audit Committee, elected by the Supervisory Board, has the following functions:

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

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

Before being approved, the consolidated financial statements and the Group Management Report must be audited by the auditor appointed by the Supervisory Board.

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

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

- Identification of the main risk fields and control areas relevant to the Group financial reporting process
- Cross-segment controls for monitoring the Group financial reporting process
- Preventive controls in the Bank's finance and accounting functions, the strategic business segments and in operating processes which generate key information for preparing the consolidated financial statements and the Group Management Report, including functional segregation and pre-defined approval processes in relevant areas

- Measures to ensure the orderly computer-assisted processing of Group accounting transactions and data
- Measures to monitor the Group accounting-related internal control and risk management system

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

As one component of the Group's accounting-related internal control and risk management system, Bremer Landesbank's control environment provides the framework within which existing regulations are introduced and applied at Bremer Landesbank. It is shaped by fundamental 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 Group financial reporting. 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 Group financial reporting process is supported by IT applications – both standard programmes and customised software. Based on Bremer Landesbank's IT strategy and risk strategy, policies and procedures exist governing programme development and change, data backups and access rights, to ensure the propriety of the Group financial reporting.

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

5.3 Risks from the Strategic Business Segments

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

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

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

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

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

5.3.1 Corporate Customers

The Corporate Customers segment is subject to traditional credit risk.

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

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

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

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

5.3.2 Private Customers

The Private Customers segment is subject to traditional credit risk.

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

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

5.3.3 Ship Finance

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

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

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

5.3.4 Special Finance

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

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

5.3.5 Financial Markets

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

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

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

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

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

5.4 Extended Risk Report

5.4.1 Development of Risk-bearing Capacity in 2015

Development in 2015

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

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

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

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

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

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

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

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

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

[1)] Differences between totals are due to rounding.
[2)] Contains corrected items from the comparison of regulatory and economic loss expectations.
[3)] Difference compared to the previous year due to the raising of the confidence level to 95 per cent (previous year 90 per cent) and adjustment of the risk capital.

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

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

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

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

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

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

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

5.4.2 Credit Risk

Credit risk – development in 2015

The maximum credit-risk exposure for balance sheet and off-balance sheet financial instruments is roughly € 33 billion as at the balance sheet date and fell by 5 per cent in the financial year.

Risk-bearing financial instruments € m	Maximum credit-risk exposure 31.12.2015	 31.12.2014
Loans and advances to banks	3,480	3,637
Loans and advances to customers	22,781	22,933
Adjustment item for financial instruments hedged in the fair value hedge portfolio:		
Recognised under assets	49	60
Recognised under liabilities	−212	−307
Financial assets at fair value through profit or loss	666	780
Positive fair values from hedge accounting derivatives	541	664
Financial assets	2,919	4,255
Sub-total	**30,224**	**32,022**
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	3,082	2,996
Total	**33,306**	**35,018**

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 the utilisation of irrevocable credit commitments and other off-balance-sheet items correspond with 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 € 32.929 billion as at 31 December 2015, down by around 5.2 per cent compared to the previous year.

2015 was again marked by high volatility of charter rates in the shipping markets. Charter rates in shipping, which had been falling fast since late summer 2008, reached their first low in the first half of 2010. However, they started to pick up in some important sub-markets later on in 2010. The crisis has come to a head again since the middle of 2011. In crude oil and bulk shipping, the (spot) charter rates were for a time sufficient to cover solely operating costs, while in container and multi-purpose and product tanker shipping, it was possible to pay interest and in some cases make redemption payments. The whole tanker market has recovered due to the global oversupply of oil, whilst the recovery in bulk shipping after a two good quarters in 2015 has again stalled and has fallen to record lows in 2015 as a consequence of the reduced demand for raw materials in the Chinese economy. In the second half 2015 container ships returned to the previous year's levels as a consequence of the wave of orders and deliveries for large ships. Nonetheless, prices for used ships in the small classes (< € 1.5 million) have risen in contrast to larger ships.

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

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

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

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

Lending business by rating structure

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

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

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

Lending business by region

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

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

The distribution of the overall exposure by regions shows that the country risk for the Bank is of lesser importance. The eurozone is still by far the Bank's most important business region. The exposure to the PIIGS countries (mainly securities and credit derivatives) is set out in Note (65). Compared to 31 December 2014, a decline is reported.

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

Lending business by industry group

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

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

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

Non-performing loans

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

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

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

Risk provisioning was greater than expected with net expenditure of around € 341 million. Taking utilisation into account, the balance of risk provisioning is € 1.075 billion. Details on loan loss provisions can be found in Note (20).

Risk provision requirement by industry group

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

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

Risk provisioning by region

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

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

Past-due exposures by industry group

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

Industry groups[1)] € m	Credit exposure of past-due, unimpaired loans and advances[2)] 2015	2014	Balance of general valuation allowances 2015	2014	Net allocation/ reversal of general valuation allowances 2015	2014
Financial institutions/insurance companies	67	47	1	1	0	−1
Service industries/other	199	183	7	9	−3	0
- of which real estate and housing	38	60	2	3	−1	1
- of which public administration	112	108	0	0	0	0
Transport, communications	711	776	132	182	−50	57
- of which shipping	708	774	132	182	−50	58
Manufacturing	13	3	2	3	0	1
Energy, water supply and mining	213	109	3	4	−1	0
Trade, maintenance and repairs	25	1	2	2	0	0
Agriculture, forestry and fishing	17	15	1	1	0	0
Construction	16	1	1	1	0	0
Other	-	-	-	-	-	-
Total	**1,262**	**1,134**	**149**	**204**	**−55**	**59**

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 valuation allowances are not taken into account.

Past-due exposures by region

Regions [1)] € m	Credit exposure of past-due, unimpaired loans and advances[2)] 2015	2014	Balance of general valuation allowances 2015	2014	Net allocation/ reversal of valuation allowances 2015	2014
Euro countries	1,151	1,036	139	194	−54	58
Rest of Europe	51	33	0	1	0	0
North America	-	-	0	0	0	0
Latin America	-	0	0	0	0	0
Middle East/Africa	-	-	0	0	0	0
Asia/Australia	60	65	9	10	0	1
Other	-	-	-	-	-	-
Total	**1,262**	**1,134**	**149**	**204**	**−55**	**59**

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 valuation allowances are not considered.

Days past due, unimpaired loans and advances by region

Regions[1)]	Past-due, unimpaired loans and advances										Balance of general valuation allowances	
	Up to 1 month		1 to 3 months		3 to 6 months		Above 6 months		Total			
€ m	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Euro countries	738	534	99	115	39	54	275	333	**1,151**	**1,036**	139	194
Rest of Europe	46	23	5	-	-	-	-	10	**51**	**33**	0	1
North America	-	-	-	-	-	-	-	-	**-**	**-**	0	0
Latin America	-	0	-	-	-	-	-	-	**-**	**0**	0	0
Middle East/Africa	-	-	-	-	-	-	-	-	**-**	**-**	0	0
Asia/Australia	3	38	-	16	-	-	56	11	**60**	**65**	9	10
Other	-	-	-	-	-	-	-	-	**-**	**-**	-	-
Total	**787**	**595**	**104**	**131**	**39**	**54**	**332**	**354**	**1,262**	**1,134**	**149**	**204**

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

The exposure of overdue, unimpaired loans and advances rose overall. The cause lies in an increase in the maturity band “up to one month”. Of the past-due, unimpaired loans and advances, 29 per cent (previous year: 36 per cent) are loans and advances for which agreed interest payments or repayments are overdue by more than 90 days. 62 per cent (previous year: 52 per cent) of the loans and receivables are past due by up to one month.

Broken down by days past due, past-due, unimpaired loans and advances to customers are as follows.

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

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

In the year under review direct write-offs of loans and advances amounted to € 43 million (previous year: € 12 million). Additions to loans and receivables written off amounted to € 9 million (previous year: € 5 million) to Bremer Landesbank’s liabilities to third parties. 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 2015 by € 1.34 billion (previous year: € 1.5 billion), which equates to 10 per cent (previous year: 9 per cent) of the whole credit risk RWA. This primarily involved the netting of government and bank guarantees, financial collateral and mortgages.

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

Credit risk – outlook

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

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

5.4.3 Investment Risk

Investment risk – development in 2015

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

Investment risk – outlook

The investment portfolio has now been largely optimised.

5.4.4 Market Risk

Market risk – development in 2015

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

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

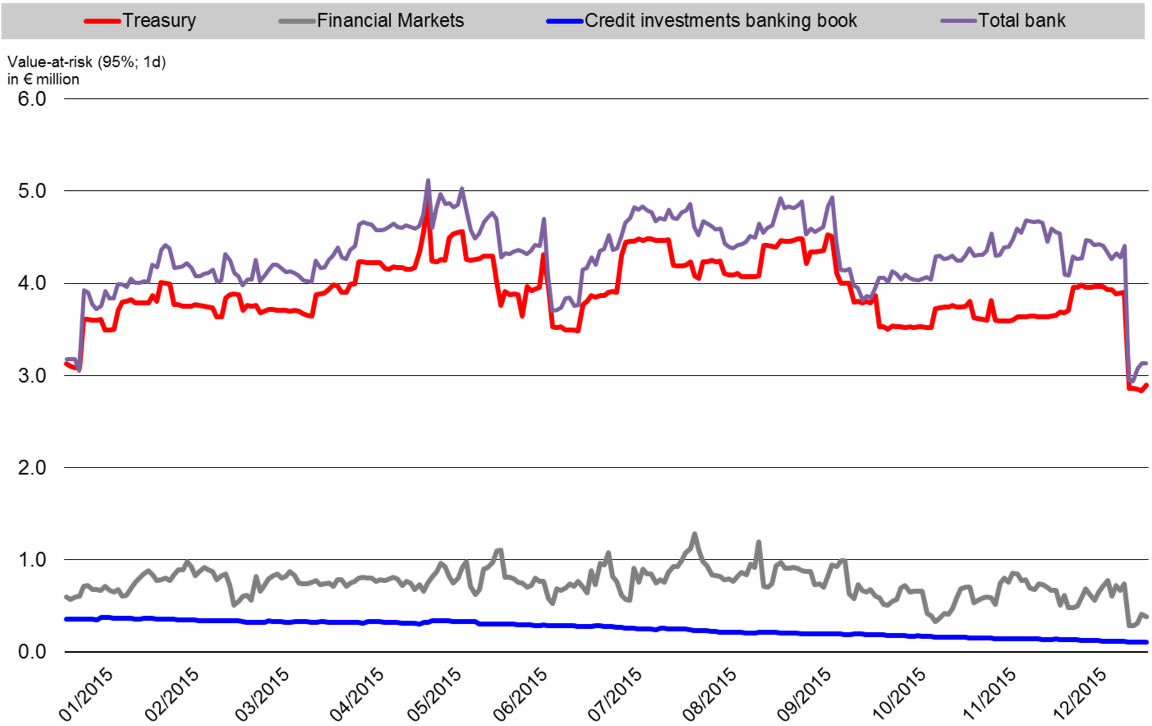
Market-price risks – overview:

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

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

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

Market risks – Value at Risk



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

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

Market risk – outlook

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

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

5.4.5 Liquidity Risk

Liquidity risk – development in 2015

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

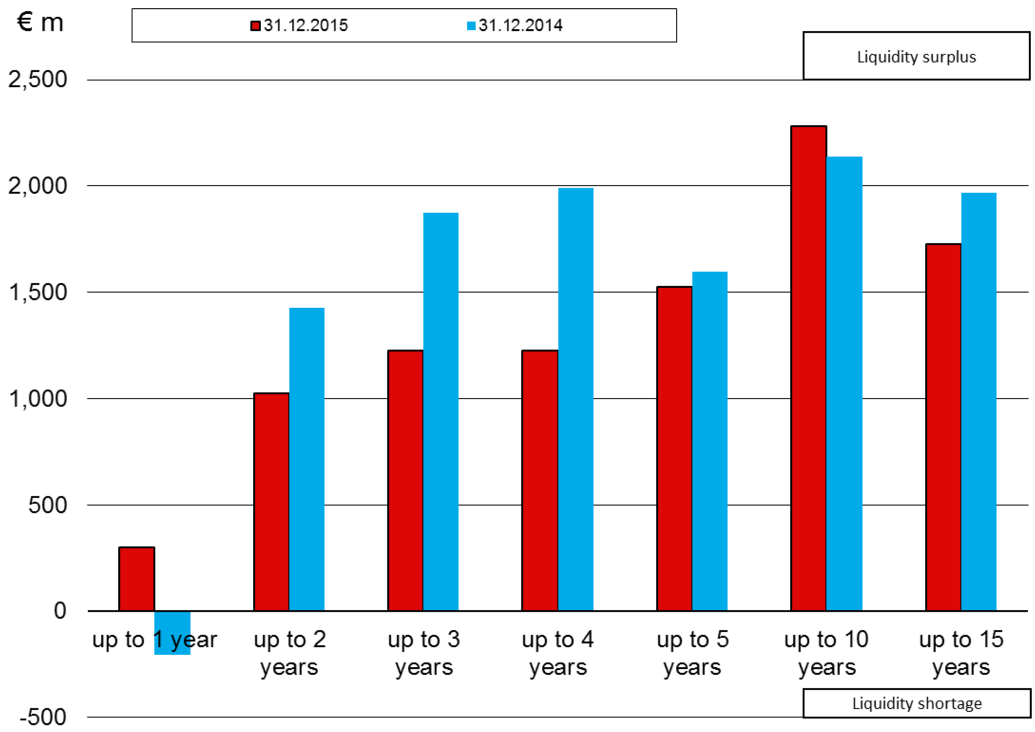
A comparison of cash and cash equivalents and payment obligations results in the liquidity ratio, which must be at least one in accordance with the German Liquidity Regulation. This requirement was met throughout the financial year 2015 and was 1.95 as at 31 December 2015.

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

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

Accumulated forward liquidity exposure

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



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

Liabilities € m	Volume 31.12.2015	Share	Volume 31.12.2014	Share
Banks	10,603	35 %	11,186	35 %
Customers	9,892	33 %	9,027	28 %
Securitised liabilities	5,295	18 %	7,355	23 %
Capital	1,904	6 %	1,691	5 %
Rest	2,277	8 %	2,880	9 %
Total liabilities and equity	**29,971**		**32,139**	
Covered refinancing (total)[1]	4,513		4,762	
Öffentliche Pfandbriefe	3,587	79 %	3,717	78 %
Hypothekenpfandbriefe	753	17 %	852	18 %
Schiffspfandbriefe	173	4 %	193	4 %

[1] Covered refinancing: nominal amount reported.

The refinancing of Bremer Landesbank essentially consists of liabilities to banks at 35 per cent (previous year: 35 per cent), to customers at 33 per cent (previous year: 28 per cent) and securitised liabilities at 18 per cent (previous year: 23 per cent). As well as unsecured 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 the past numerous ratings benefited from the assumption that the state would, in all likelihood, support a bank that found itself in economic difficulties. However, the Bank Recovery and Resolution Directive (BRRD) passed by the EU in 2014 now provides that shareholders and bond holders should be liable for a failing bank in the first instance – as opposed to the state (and therefore the tax payer) intervening. For this reason, in March 2014 the ratings agency Fitch re-evaluated the banks on the basis that they are supported by their owners. The outlook was reduced to “negative” for more than 70 banks.

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

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

Liquidity risk – outlook

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

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

5.4.6 Operational Risk

Operational risk – development in 2015

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

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

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

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

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

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

Operational risk – outlook

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

5.5 Other Risks

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

5.6 Overall Assessment

Conclusion on the risk situation

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

The pressure on the risk-bearing capacity and the capital ratio will remain due to the aforementioned uncertainties and the increasing regulatory requirements in 2016 and 2017. Given the incrementally increasing minimum requirements under CRR (Capital Requirements Regulation), the measures introduced as part of RBC and capital management and additional intended measures will be pursued and implemented rigorously. The Bank will therefore continue its active risk management and long-term strengthening of risk-bearing capacity. Overall a green traffic-light status is being worked towards for the Going Concern at year-end 2016.

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

The continued good market and earnings position in renewable energies compensated in part for the problem in shipping. Wind energy remains the most important sub-segment. The risks in wind farm finance remain manageable.

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

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

6. Disclaimer – Forward-Looking Statements

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

Consolidated Income Statement

Income Statement

	Notes	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Interest income		1,260	1,425	−12
Interest expenses		847	988	−14
Net interest income	**19**	**413**	**437**	**−5**
Loan loss provisions	20	−341	−271	26
Net interest income after risk provisioning		**72**	**166**	**−57**
Commission income		50	50	0
Commission expenses		9	7	29
Net commission income	**21**	**41**	**43**	**−5**
Trading profit/loss		31	−14	> 100
Profit/loss from designated financial instruments		-	−1	> 100
Profit/loss from financial instruments at fair value through profit or loss	**22**	**31**	**−15**	**> 100**
Profit/loss from hedge accounting	23	26	11	> 100
Profit/loss from financial assets	24	10	10	0
Profit/loss from financial assets accounted for using the equity method	25	8	5	60
Administrative expenses	26	193	182	6
Other operating profit/loss	27	9	5	80
Earnings before taxes		**4**	**43**	**−91**
Income taxes	28	−1	12	< −100
Consolidated profit/loss		**5**	**31**	**−84**
of which: attributable to shareholders of the parent company		5	31	−84
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	1.1–31.12.2015 € m	1.1–31.12.2014 € m	Change %
Consolidated profit/loss		**5**	**31**	**−84**
Other comprehensive income that is not reclassified to the income statement in subsequent periods				
Revaluation of net debt from defined benefit plans		66	−118	> 100
Financial assets accounted for using the equity method – share of other income		0	−1	> 100
Deferred taxes	51	−21	37	<−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		12	−6	> 100
Reclassifications due to realised gains/losses		−1	−1	0
Deferred taxes	51	2	1	100
Other comprehensive income		**58**	**−88**	**> 100**
Total comprehensive income		**63**	**−57**	**> 100**
of which: attributable to shareholders of the parent company		63	−57	> 100
of which: attributable to non-controlling interests		-	-	-

Please refer to the explanations in Note (29) on 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	31.12.2015 € m	31.12.2014 € m	Change %
Cash reserve	30	73	211	−65
Loans and advances to banks	31	3,480	3,637	−4
Loans and advances to customers	32	22,781	22,933	−1
Risk provisioning	33	−1,063	−857	24
Adjustment item for financial instruments hedged in the fair value hedge portfolio	47	49	60	−18
Financial liabilities at fair value through profit or loss	34	666	780	−15
Positive fair values from hedge accounting derivatives	35	541	664	−19
Financial assets	36	2,919	4,255	−31
Financial assets accounted for using the equity method	37	118	93	27
Property and equipment	38	89	75	19
Investment property	39	76	76	0
Intangible assets	40	14	10	40
Designated assets held for sale	41	22	-	> 100
Current income tax assets	42	0	1	−100
Deferred income taxes	42	149	152	−2
Other assets	43	57	49	16
Total assets		**29,971**	**32,139**	**−7**

LIABILITIES

	Notes	31.12.2015 € m	31.12.2014 € m	Change %
Liabilities to banks	44	10,603	11,186	−5
Liabilities to customers	45	9,892	9,027	10
Securitised liabilities	46	5,295	7,355	−28
Adjustment item for financial instruments hedged in the fair value hedge portfolio	47	212	307	−31
Liabilities assets at fair value through profit and loss	48	870	1,006	−14
Negative fair values from hedge accounting derivatives	49	201	224	−10
Provisions	50	333	536	−38
Current income tax liabilities	51	16	13	23
Deferred income taxes	51	2	2	0
Other liabilities	52	41	37	11
Subordinated capital	53	602	755	−20
Equity	55	1,904	1,691	13
Subscribed capital		265	265	0
Capital reserves		478	478	0
Retained profit		953	902	6
Revaluation reserve		59	46	28
Equity attributable to BLB shareholders		1,755	1,691	4
Instruments of the additional regulatory Tier 1 capital		149	-	> 100
Non-controlling interests		-	-	0
Total liabilities and equity		**29,971**	**32,139**	**−7**

Statement of Changes in Equity

Changes in equity:

€ m	Notes	Sub-scribed Capital	Capital reserve	Retained earnings	Revalua-tion reserve	Equity before minority interests	Instruments of add. reg. Tier 1 capital	Consol-idated equity
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 comprehensive income	25	-	-	−1	-	**−1**	-	**−1**
Revaluation of net debt from defined benefit plans		-	-	−118	-	**−118**	-	**−118**
Deferred taxes on changes in value recognised directly in equity	28	-	-	37	1	**38**	-	**38**
Other comprehensive income		**-**	**-**	**−82**	**−6**	**−88**	**-**	**−88**
Consolidated profit/loss		-	-	31	-	**31**	-	**31**
Total comprehensive income		**-**	**-**	**−51**	**−6**	**−57**	**-**	**−57**
Distributions		-	-	-	-	**-**	-	**-**
Capital increase		-	-	-	-	**-**	-	**-**
Equity 31.12.2014		**265**	**478**	**902**	**46**	**1,691**	**-**	**1,691**
Equity 1.1.2015		**265**	**478**	**902**	**46**	**1,691**	**-**	**1,691**
Change in the fair value of AfS financial instruments		-	-	-	11	**11**	-	**11**
Financial assets accounted for using the equity method – share of other comprehensive income	25	-	-	0	-	**0**	-	**0**
Revaluation of net debt from defined benefit plans		-	-	66	-	**66**	-	**66**
Deferred taxes on changes in value recognised directly in equity	28	-	-	−21	2	**−19**	-	**−19**
Other comprehensive income		**-**	**-**	**45**	**13**	**58**	**-**	**58**
Consolidated profit/loss		-	-	5	-	**5**	-	**5**
Total comprehensive income		**-**	**-**	**50**	**13**	**63**	**-**	**63**
Issue of instruments of additional regulatory equity		-	-	1	-	**1**	149	**150**
Distributions		-	-	-	-	**-**	-	**-**
Capital increase		-	-	-	-	**-**	-	**-**
Equity 31.12.2015		**265**	**478**	**953**	**59**	**1,755**	**149**	**1,904**

Please refer to the explanations in Note (55) for more information.

Cash Flow Statement

€ m	Notes	1.1–31.12.2015	1.1–31.12.2014
Consolidated profit/loss		**5**	**31**
Adjustment for non-cash items			
Depreciation, impairment and write-ups of property and equipment, intangible assets and financial assets	26	10	5
Change in provisions		−249	9
Profits/losses from the sale of property and equipment, intangible assets and financial assets		−8	−10
Change in other non-cash items		278	181
Other adjustments (net)		−373	−389
Sub-total		**−337**	**−173**
Change in assets and liabilities from operating activities after adjustment for non-cash items			
Loans and advances to banks and customers	31 + 32	320	346
Trading portfolio and hedge accounting derivatives		1	319
Other assets from operating activities		−8	76
Liabilities to banks and customers	44 + 45	328	−733
Securitised liabilities		−2,024	−618
Other liabilities from operating activities		−17	−53
Interest received		1,144	1,370
Dividends received		5	5
Interest paid		−781	−996
Income tax paid		−10	−18
Cash flow from operating activities		**−1,379**	**−475**
Cash receipts from the disposal of			
Financial assets	24	1,961	1,072
Property and equipment and intangible assets	9 + 12	0	2
Cash payments for the acquisition of			
Financial assets		−673	−409
Property and equipment and intangible assets		−28	−24
Cash receipts from the disposal of consolidated companies and other business units		0	0
Cash flow from investment activities		**1,260**	**641**
Cash receipts from equity capital contributions		0	0
Cash receipts from the issue of instruments of additional regulatory Tier 1 capital		149	0
Cash receipts from the raising of subordinated capital		0	0
Cash payments to owners and non-controlling interests (dividends)		0	0
Repayment of subordinated capital		−150	0
Interest paid for subordinated capital		−18	−20
Cash flow from financing activities		**−19**	**−20**
Funds at the end of the previous period		211	65
Cash flow from operating activities		−1,379	−475
Cash flow from investment activities		1,260	641
Cash flow from financing activities		−19	−20
Funds at the end of the period	**30**	**73**	**211**

You will find explanations on the cash flow statement under Note (56).

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 2015 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 2015 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 the Notes (18). 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 fundamentally measured at amortised cost. Financial instruments in accordance with IAS 39 are exempt from this and valued at fair value. Recognition and measurement 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 judgments 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 (7) and (57)), 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 (16) and (51)).

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 (7)), no application of the reclassification rules of IAS 39 (Note (7)); there is a separation of finance leases and operating leases (Note (10)), disclosure of provisions (Note (14) and (15)), and there are designated assets held for sale (Note 13) 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. Amounts are all stated rounded in millions of euros (€ m), unless otherwise indicated.

These consolidated financial statements were signed by the Management Board and released for distribution to the Supervisory Board on 15 March 2016.

(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 2015 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 2015:

- **IFRIC 21 – Levies**

  In May 2013 the IASB issued IFRIC 21 as an interpretation of IAS 37 concerning levies. A liability for levies needs to be recognised when the obligating event that triggers the payment of the levy occurs. The occurrence of the event is to be defined by the wording of the respective legislation. According to the amendment to the Restructuring Fund Regulation (Restrukturierungsfondsverordnung) that took effect on 1 January 2015, the annual contribution for the EU's Single Resolution Fund has to be paid at the start of each and every year. From 2015 the provision for the expected annual contribution will therefore be recognised in full at the start of the year, while formerly the provisions for the German bank levy were allocated on a pro rata basis. Similar to the case of the bank levy, the provision for the contribution to the European deposit guarantee scheme on the basis of the German Deposit Guarantee Act (Einlagensicherungsgesetz), are no longer recognised on a pro rata tempora basis, as had previously been the case, but rather in full at the start of the accounting period. They are reported under administrative expenses.

- **Improvements in IFRS (cycle 2011 - 2013) as Part of the Annual Improvement Process of IASB**

  As part of Annual Improvement Process, amendments to the four standards IFRS 1, IFRS 3, IFRS 13 und IAS 40 have been made. With the adjustment of the formulations in individual IFRSs, a clarification of the existing rules should be achieved. The annual improvements to IFRS cycle 2011 - 2013) do not have a significant impact on Bremer Landesbank's consolidated financial statements.

The following standards implemented into European law and amendments which do not have to be implemented by the Bremer Landesbank Group until after 31 December 2015 were not applied early:

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

  In the amendments to IFRS 11 applicable from 1 January 2016, it is explained how the acquisition of interests in joint operations that are a business as defined by IFRS 3 are to be accounted for. All principles for the accounting of business combinations laid down in IFRS 3 or other standards are to be applied and the corresponding disclosure requirements are to be considered in relation to the interest acquired.
  The amendments to IFRS 11 currently do not apply to any transactions within the Bremer Landesbank Group.

- **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 to IAS 1 applicable to reporting periods beginning on or after 1 January 2016 had no material effects on Bremer Landesbank's consolidated financial statements.

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

  On 12 May 2014 the IASB published amendments to IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets - that relate to permissible methods that enable the appropriate presentation of the consumption of the future economic benefits. These amendments clarified that, in the case of property, plant and equipment, depreciation on the basis of revenue generated by goods produced by such assets was inappropriate and for intangible assets with a limited useful life only permissible in explicitly stated exceptional cases. The amendments are mandatory for financial years beginning on or after 1 January 2016.
  As the depreciation method is not used within the Bremer Landesbank Group, the amendments to IAS 16 and IAS 38 are not expected to have any impact.

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

  The amendment to IAS 19 – Employee Benefits, which was published in November 2013, specifies 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. Due to its adoption into EU law, the amendments to IFRIC 19 are mandatory for the first time for the Bremer Landesbank Group from 1 January 2016.
  The amendments to IAS 19 will not have a significant impact on Bremer Landesbank's consolidated financial statements.

The following standards, amendments to standards and interpretations had not yet been adopted into European law by the EU Commission on the date 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 in July 2014. IFRS 9 contains rules in particular for the following areas:

  Classification and measurement of financial assets and financial liabilities
  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 regulations for embedded derivatives and reclassification have also been modified. The regulations for financial liabilities

are largely unchanged compared with IAS 39. The main difference with the previous regulation concerns the use of the fair value option. The rating-induced changes in the valuation of financial liabilities will in future be shown under other comprehensive income; the remaining changes in valuation will continue to be reported in the income statement.

Impairment of financial assets

The area of application 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 term of the financial instrument (lifetime expected loss).

Exceptions are applicable to trade receivables and leasing receivables. In the case of trade receivables without a significant financing component, all expected losses must, or in the case of trade receivables with a significant financing component and leasing receivables may, be accounted for upon accrual.

Hedge accounting

With regard to hedge accounting, the IASB has decided to split this issue into two sections, general hedge accounting and macro hedge accounting. Macro hedge accounting is not a part of the published IFRS 9 and is being revised by the IASB as an independent project. Until the new rules for macro hedge accounting have been published, for portfolio fair value hedge of interest-rate risks will continue to apply. For the standard for general hedge accounting, there is the option of applying this from 1 January 2018 or continuing to use the rules of IAS 39. The objective of this is to improve the presentation of operational risk management. Compared to the rules in IAS 39, the role of qualitative application criteria was 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. Regarding the effectiveness of hedging relationships, in future this will no longer be based on a strict effectiveness threshold on a percentage basis.

IFRS 9, subject to adoption into European law, will be mandatory 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 effects of IFRS 9 are currently being evaluated. A Group project for the implementation of the requirements has been prepared in cooperation with the NORD/LB.

- **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 IFRIC 13, IFRIC 15 and IFRIC 18 and SIC 31.

  The IASB published an amendment to IFRS 15 in September 2015. The amendment defers the mandatory date for the first-time application of the standard to financial years beginning on or after 1 January 2018.

  The analysis of the potential effects of IFRS 15 on the Bremer Landesbank Group had not been completed prior to the reporting date. 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 IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the Consolidation Exception**

  The amendments regulate issues concerning the application of the consolidation exception for investment entities. Subject to adoption into European law, the amendments will be effective for financial years beginning 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 following amendments to standards have not yet been adopted in European law:

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

- **First-time Application of the Amendments to IFRS 10 and IAS 28**

  The IASB published its amended standard on 17 December 2015 deferring the date for first-time application of the amendments to IFRS 10 and IAS 28 for an indefinite period as an inconsistency between the amendments and the existing rules of IAS 28 was identified and because additional modifications are planned following the conclusion of a research project on the equity method.

Accordingly, the effect of the amendments on the Bremer Landesbank Group will not be analysed until after final publication of the amended standard.
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 comprehensive income of the associate or joint venture. If the Bremer Landesbank Group's stake in the losses of an affiliated company 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 de-consolidated 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

As at 30 June 2015 the formerly fully-consolidated BLB Grundbesitz KG, Bremen, has become part of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – , Bremen.

As at 30 September 2015 the formerly fully-consolidated BLBI Investment GmbH & Co. KG, Bremen, accrued to BLB Immobilien GmbH, Bremen.

The following affiliated companies were accounted for using the equity method in accordance with IAS 28:

- Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede
- BREBAU GmbH, Bremen
- Bremische Wohnungsbaubeteiligungsgesellschaft mbH, Bremen
- GSG Oldenburg Bau- und Wohngesellschaft mbH, Oldenburg
- Lazard-Sparkassen Rendite-Plus-Fonds, Frankfurt am Main

The associate Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede, was accounted for using the equity method with a different balance sheet date (31 December 2014) as the entity does not prepare its financial statements until after the Bremer Landesbank Group.

Bremische Wohnungsbaubeteiligungsgesellschaft mbH, Bremen, incorporated during the reporting year along with a company that is outside the Group as a joint venture to pool the investments in a housing company in a single company, was included in the consolidated financial statements of Bremer Landesbank using the equity method on 31 December 2015.

Since the second quarter of 2015, shares held in DEUTSCHE FACTORING BANK Deutsche Factoring Bank GmbH & Co. KG, Bremen have been classed as held for sale. Accounting in the consolidated financial statements is therefore no longer done using the equity method, but instead in accordance with the provisions of IFRS 5.

Effects resulting from a change in the basis of consolidation have no noticeable impact on the assets, financial and earnings position of the BLB Group.

Subsidiaries, associates and investments are shown in the list of shareholdings (Note 85).

(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 recognised at acquisition or production cost are measured 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) Interest and Commission

Income is accounted for when the economic benefit of the transaction will accrue to the to the BLB Group with a sufficient degree of certainty and the amount of the income, and associated expenses, may be determined reliably. It is measured at the fair value of the consideration received or receivable.

Interest from interest-bearing assets and liabilities are recognised on a pro rata temporis basis applying the effective interest method and is reported under interest income or interest expenses.

Expenses and income from negative interest rates are posted on the basis of the underlying transaction corresponding to the respective circumstances. Negative interest on receivables shown in the balance sheet is therefore recognised as a deductible item under interest income and negative interest on liabilities shown in the balance sheet is recognised as a deductible item under interest expenses. For reasons of transparency, effects on the income and expenses side are presented in a separate column in Note (19).

In the case of impairments of interest-bearing assets, the interest income is determined on the basis of the interest rate used to determine the impairment (unwinding).

Dividend income is recognised under interest income when the legal right to the dividend arises.

Commission income is recognised in the income statement at the time the service is provided. If services are provided over multiple periods, income from services is recognised based on the degree of completion of the transaction as at the reporting date.

(7) Financial Instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of 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 primarily based on the balance sheet items and are presented in Note (57). In individual cases, balance sheet items are broken down by product type and the fair values are therefore stated in accordance with the risk class.

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 in 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 of the aFV category the transaction costs will be recorded though profit or loss with immediate effect.

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 (33)). In the event of 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.

Financial instruments 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. 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 (dFV)

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 (68). 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 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 (58) and (59).

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 three level fair value hierarchy and the terminology stipulated in 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.

<u>Level 1</u>

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). There is an active market if listed prices are easily and regularly obtainable from an exchange, from a trader, broker, an industry group, a pricing service or a supervisory authority and such prices represent current and regularly-occurring market transactions at arm's length. 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 and prices are determined on a regular basis. 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.

<u>Level 2</u>

In the event that no price quotes are available, the fair value is calculated by means of recognised measurement methods or models as well as by means of external pricing services, if measurement in this case is carried out either fully or to a significant degree 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. The models include a range of parameters such as for example market prices and other market quotations, risk-free interest-rate curves, risk premiums, exchange rates and volatilities. 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 in the Bremer Landesbank Group to be measured in this manner are ascertained on the basis of individual securities and a subsequent separation 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 active market and for which measurement must, to a significant degree, rely on non-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 Finance/Risk Control Division. The models, the data used in them 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) is used. 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 on the fair value hierarchy and the fair values of financial instruments are provided in Note (57).

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. Provided it can be reliably determined, this method is assigned to Level 3 in the fair value hierarchy in accordance with IFRS 13 (see Note (57)).

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 performance in 2016 and a detailed budget for 2017 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 (planning phase II). 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 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 law of small numbers that arises when there are marginal changes in the value of the underlying and hedge 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 (35) or (49) respectively). Changes in value are recognised through profit or loss (Note (23)). 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 (66) for underlying transactions in effective hedges.

Securities sale and repurchase agreements 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 (70).

Financial guarantees

The net method is used for financial guarantees reported by the BLB Group. Initial recognition is at fair value, which is generally zero due to the present value of claims and obligations generally offsetting each other. Thereafter, fair value is not carried forward. Income premium payments are recognised in the income statement. Provisions are made in accordance with IAS 37 if a claim is expected.

Securitisations

Various financial assets from lending business are securitised. This may be accomplished via a synthetic securitisation using credit derivatives as well as the option of conducting a true sale of receivables to a special purpose entity (SPE) which in turn issues securities to investors (true-sale securitisations). Interest and repayments from the securities are directly related to the performance of the underlying receivable, not to that of the issuer.

The accounting treatment of such transactions depends of the manner of securitisation. In the case of synthetic securitisations, the assets remain on the balance sheet and are accounted for together with the contracted credit derivatives in accordance with the rules of IAS 39. In the case of true-sale securitisations, the assets are derecognised in cases where the opportunities and risks related to such assets have been (nearly) completely transferred to the SPE. In the event (nearly) all opportunities and risks related to the assets have not been transferred, the assets remain on the BLB Group balance sheet to the extent the Group continues to participate in such opportunities and risks (continuing involvement). As a rule, in the case of securitisation transactions within the BLB Group (nearly) all opportunities and risks are transferred to the SPE or acquirer respectively. In the event the SPE is included within the scope of consolidation, the assets continue to be recognised on the consolidated balance sheet.

(8) Risk Provisioning

Specific valuation allowances and general valuation allowances are made to cover risks in lending business. The following principles apply in this context:

All credit commitments are monitored constantly. All of the significant receivables are reviewed for impairment at individual transaction level. Risk provisioning covers all identifiable credit risks with specific valuation allowances. A specific 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 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. The expected incoming payments cover in particular all expected interest and redemption payments as well as receipts from the realisation of securities; this takes into account any recovery costs incurred.

To cover impairments that have occurred, but have not yet been identified, a general valuation allowance 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 valuation allowance 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. Risks relating to contingent liabilities are assessed on a case-by-case basis applying the principles used for specific valuation allowances.

The accounting for country risks includes checking compliance with country limits (rating procedure for country and transfer risks). Specific valuation allowances are calculated on a case-by-case basis. Provisions for country risks are calculated using consistent principles.

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.

(9) 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 profit/loss.

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.

(10) 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 loans and advances (lessor) or liabilities (lessee) in the balance sheet. The interest component is accounted for/recognised as interest income (lessor) or interest expense (lessee) at profit or loss.

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 expenditure under 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.

(11) 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 profit/loss.

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 an internal appraiser.

(12) Intangible Assets

Intangible assets comprise acquired software and internally-developed intangible assets. 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 profit/loss.

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

Intangible assets with an indefinite useful life are tested for impairment at least once per year in the fourth quarter. The impairment test of goodwill is performed on the basis of cash generating units (CGUs)

There are no intangible assets with an indefinite useful life.

(13) Designated Assets Held for Sale

Non-current assets and disposal groups for which the carrying amount is realised through a sale and not through operational use are recognised in separate balance sheet items if they are available for immediate sale in their current condition and a sale is highly probable. A sale is highly probably if the responsible level of management has committed to a plan to sell the asset and has actively started to look for a buyer and implement the plan. Further, the non-current assets or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The assets concerned are then measured at fair value less costs of sale, if these are lower than the carrying amount. Non-current assets held for sale are no longer subject to scheduled depreciation from the time of their reclassification. However, impairment expenses related to non-current assets and disposal groups are taken into account.

Designated assets held for sale also include discontinued operations. A discontinued operation is a component of an entity held for sale that represents a separate major line of business or geographical area of operations, is part of a plan to dispose of the same or is a subsidiary acquired exclusively with a view to resale.

No entire business units were discontinued in 2015 or 2014.

(14) Provisions for Pensions and Similar Obligations

Direct and indirect 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 Group 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:

	31.12.2015	31.12.2014
Discount rate	2.65 %	2.20 %
Salary trends	2.00 %	2.38 %
Pension development		
Management Board/permanent employees	2.50 %	2.50 %
Total benefits	3.50 %	3.50 %
Top-up benefits	2.00 %	2.00 %
Garantie Plus (new pension plan)	1.00 %	1.00 %
Rate of cost increase for health insurance benefits	3.50 %	3.50 %
Mortality, invalidity etc.	RT Heubeck 2005 G	RT Heubeck 2005 G

Pension obligations are measured based on a discount rate determined under the Mercer yield curve approach (MYC) derived from a standardised database in 2015. Had pension obligations been measured as at the reporting data applying a discount rate determined based on the method used in the previous year, the pension obligation would have been lower by € 8 million.

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).

There are pension entitlements from defined benefit plans based on direct and indirect commitments. Benefits from direct pension entitlement are paid directly by Bremer Landesbank, whereas benefits related to indirect pension entitlements are paid by the legally-independent Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen ("Unterstützungseinrichtung"). The executive bodies of the Unterstützungseinrichtung comprise employer and employee representatives of the Bremer Landesbank Group.
The Unterstützungseinrichtung is endowed on a lumpsum basis (pauschaldotiert) (in relation to existing pension recipients) and partially reinsured (in the case of members of the plan who are not yet receiving benefits) and liquidity is provided by Bremer Landesbank within the limits allowed by law in order for the Unterstützungseinrichtung to provide its pension benefits. As the funding company for the pension obligations, Bremer Landesbank additionally has subsidiary liability for the payment of benefits by the Unterstützungseinrichtung.

In the year under review the responsibility for meeting the pension obligations was transferred for a substantial part of the existing pension obligations with the involvement of the existing Unterstützungseinrichtung. As a result, an amount totalling € 148 million was allocated to the Unterstützungseinrichtung.

In order to satisfy entitlements to pensions under defined benefit plans, part of the cover funds were transferred to Unterstützungseinrichtung in 2005. The fair value of the plan assets is deducted when recognising provisions for pensions.

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 Garantie Plus (see below), the pension schemes are final salary pension schemes.

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.

In addition, provisions for future health insurance benefits in the amount of € 8 million (previous year: € 8 million) were reported. 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 Management 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 registered public institute (Anstalt öffentlichen Rechts), Bremer Landesbank was subject to Gewährträgerhaftung (public guarantee under which the owners of savings banks are jointly and severally liable to the bank's creditors) 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.

As at 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 Juli 2005 are also covered by the public guarantee if the benefit can be claimed before 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 the Treasury Division 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.

At the level of Unterstützungseinrichtung, the respective executive bodies have established conditions for the investment of funds in the respective investment policies. At Unterstützungseinrichtung, funds invested for purposes of financing pension benefits are predominantly invested in low-risk investments (debt instruments, cash and cash equivalents and rights under re-insurance). The executive bodies may engage third parties to manage the assets of the respective fund.

(15) Other Provisions

Other provisions in accordance with IAS 19 have been created 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.

(16) 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.

(17) 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

(18) Classification by Business Segment (Primary Reporting Format)

€ m	Corporate Customers	Special Finance	Ship Finance	Private Customers	Financial Markets	Group Controlling/ Others	Recon-ciliation	Group total
31.12.2015								
Net interest income	78	82	153	27	78	7	−12	**413**
Loan loss provisions	−4	6	388	−2	0	−47	0	**341**
Net interest income after loan loss provisions	**82**	**76**	**−235**	**29**	**78**	**54**	**−12**	**72**
Net commission income	14	10	8	8	3	−1	−1	**41**
Profit/loss from financial instruments at fair value through profit or loss	2	1	2	0	11	14	1	**31**
Profit/loss from hedge accounting	0	0	0	0	0	0	26	**26**
Profit/loss from financial assets	0	0	0	0	4	6	0	**10**
Profit/loss from financial assets accounted for using the equity method	0	0	0	0	0	0	8	**8**
Total income	**98**	**87**	**−225**	**37**	**96**	**73**	**22**	**188**
Administrative expenses	32	12	17	24	14	93	1	**193**
Other operating profit/loss	0	−1	0	0	0	8	2	**9**
Earnings before taxes	**66**	**74**	**−242**	**13**	**82**	**−12**	**23**	**4**
Segment assets	4,999	5,833	7,982	1,181	8,942	2,194	−1,160	**29,971**
Segment liabilities	2,564	4,231	2,449	1,385	12,304	7,028	−1,894	**28,067**
Committed capital/sustainable capital	295	266	1,832	75	80	70	−714	**1,904**
CIR[1]	34.4 %	13.3 %	10.1 %	67.1 %	14.3 %	-	-	**36.5 %**
RoRaC[2]	19.3 %	25.8 %	−13.2 %	15.4 %	68.9 %	-	-	**-**
RoE[3]	-	-	-	-	-	-	-	**0.2 %**

[1] Administrative expenses / Total income before risk provisioning + other profit.
[2] Return on Risk-adjusted Capital.
[3] Earnings before taxes / Sustainable capital.

€ m	Corporate Customers	Special Finance	Ship Finance	Private Customers	Financial Markets	Group Controlling/ Others	Recon-ciliation	Group total
31.12.2014								
Net interest income	78	78	129	27	62	7	56	**437**
Loan loss provisions	−7	5	216	1	−2	59	−1	**271**
Net interest income after loan loss provisions	**85**	**73**	**−87**	**26**	**64**	**−52**	**57**	**166**
Net commission income	14	10	8	7	4	−1	1	**43**
Profit/loss from financial instruments at fair value through profit or loss	2	1	2	0	14	−14	−20	**−15**
Profit/loss from hedge accounting	0	0	0	0	0	0	11	**11**
Profit/loss from financial assets	0	0	0	0	0	10	0	**10**
Profit/loss from financial assets accounted for using the equity method	0	0	0	0	0	37	−32	**5**
Total income	**101**	**84**	**−77**	**33**	**82**	**−20**	**17**	**220**
Administrative expenses	34	13	16	26	17	75	1	**182**
Other operating profit/loss	0	0	0	0	0	−9	14	**5**
Earnings before taxes	**67**	**71**	**−93**	**7**	**65**	**−104**	**30**	**43**
Segment assets	4,933	5,610	7,524	1,289	8,901	2,219	1,663	**32,139**
Segment liabilities	2,451	3,896	1,943	1,287	12,265	7,093	1,513	**30,448**
Committed capital/sustainable capital	260	230	1,407	74	133	74	−533	**1,645**
CIR[1]	36.0 %	14.7 %	11.5 %	75.8 %	21.7 %	-	-	**36.5 %**
RoRaC[2]	22.4 %	25.3 %	−6.6 %	8.3 %	29.2 %	-	-	**-**
RoE[3]	-	-	-	-	-	-	-	**2.6 %**

[1] Administrative expenses / Total income before risk provisioning + other profit.
[2] Return on Risk-adjusted Capital.
[3] Earnings before taxes / Sustainable capital.

Reconciliation of the segment results to the consolidated financial statements

Classification by business segment

The Group has six 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. On account of the business activity that solely takes place in the Federal Republic of Germany and the reduction in the sales channels to the branches in Bremen and Oldenburg, there was no segmenting according to regions or sales channels.

In the second half of 2015 Bremer Landesbank partly restructured its segments and modified its structural organisation. This pooling of areas of competence should increase our specialist know-how and improve the focus on customer needs.

Ship Finance is a separate segment, and Social Welfare Facilities was integrated into Corporate Customers. Special Finance continues to cover the strategic business units Refinancing of Equipment Leasing and Factoring Companies, and Renewable Energies with its Wind, Photovoltaics and Biogas subsegments.

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 thus particularly the object of finance as the core business in customer relations. The products are geared on an industry-specific basis towards the projects that customers are focusing on and their financing.

Ship Finance

With its important portfolio, Ship Finance now constitutes a dedicated segment and is no longer part of Special Finance. The segmenting criterion for Ship Finance is the customer sector and thus particularly the object of finance as the core business in customer relations. The products are geared on an industry-specific basis towards 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. and are reported 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.

<u>Net interest income</u>

The net interest income of the individual segments is determined using the market-interest-rate method. This includes, among others, 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 / Others" instead of "Reconciliation". The Group's net interest income is calculated as actual interest income less interest expenses.

<u>Loan loss provisions</u>

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.

<u>Net commission income</u>

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 shares in companies 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 costs types 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, the RoRaC is also stated in the external reporting.

Bank RoE

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

Notes to the Consolidated Income Statement

(19) 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. 2015 € m	1.1.–31.12. 2014 € m	Change %
Interest income				
Interest income from lending and money market transactions	788			
less expenses from negative interest rates	0	788	847	−7
Interest income from fixed-interest securities and registered debt		35	55	−36
Interest income from financial instruments at fair value through profit or loss				
Trading portfolio and hedge accounting derivatives		351	454	−23
Interest income from the use of the fair value option		0	1	−100
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 portfolio fair value hedge		46	43	7
from hedge accounting derivatives		36	21	71
Total interest income		**1,260**	**1,425**	**−12**
Interest expenses				
Interest expenses from lending and money market transactions	363			
less earnings from positive interest rates	−1	362	427	−15
Interest expenses from securitised liabilities		87	121	−28
Interest expenses from financial instruments at fair value through profit or loss				
Interest expenses from the trading portfolio and hedge accounting derivatives		280	344	−19
Interest expenses from subordinated capital		18	21	−14
Interest expenses from other amortisation				
Interest expenses from the adjustment item for the fair value hedge portfolio		11	10	10
Interest expenses from hedge accounting derivatives		78	51	53
Interest expenses for provisions and liabilities		11	14	−21
Other interest expenses and interest-like expenses		0	0	0
Total interest expenses		**847**	**988**	**−14**
Total		**413**	**437**	**−5**

Interest income from lending and money market transactions contain interest income from the unwinding of impaired assets in the amount of € 36 million (previous year: € 24 million).

Total interest income relating to financial instruments which are not measured at fair value through profit or loss amounted to € 873 million (previous year: € 949 million). Total interest expenses relating to financial instruments which are not measured at fair value through profit or loss amounted to € 489 million (previous year: € 593 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.

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

(20) Loan Loss Provisions

	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Income from loan loss provisions			
Reversal of specific valuation allowances for loans and advances	188	195	−4
Reversal of general valuation allowances on loans and advances	12	-	>100
Reversal of loan loss provisions	2	3	−33
Additions to receivables written off	10	5	100
Income from loan loss provisions	**212**	**203**	**4**
Expenses for loan loss provisions			
Allocation to specific valuation allowances for loans and advances	507	397	28
Allocation to general valuation allowances	0	65	−100
Allocation to loan loss provisions	3	0	> 100
Direct write-offs of loans and advances	43	12	> 100
Premium payments for loan loss insurance	0	0	0
Expenses for loan loss provisions	**553**	**474**	**17**
Total	**−341**	**−271**	**26**

In the general loan loss provisions, no BLB-specific management adjustment was made for the ship portfolio during the current financial year taking current information into account (previous year: € 40 million).

(21) Net Commission Income

	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Commission income			
Commission income from banking business			
Lending and guarantee business	11	10	10
Security and custodian business	11	12	−8
Account management and payment transactions	10	9	11
Trust business	0	0	0
Brokerage business	1	1	0
Other standard bank commission income	15	17	−12
Commission income from non-banking business			
Real-estate business	2	1	100
Total commission income	**50**	**50**	**0**
Commission expenses			
Commission expenses from banking business			
Security and custodian business	3	3	0
Trust business	0	0	−100
Brokerage business	1	0	> 100
Lending and guarantee business	4	3	33
Other standard bank commission expenses	1	1	0
Total commission expenses	**9**	**7**	**29**
Total	**41**	**43**	**−5**

Other commission income includes a total of € 14 million (previous year: € 15 million) from loan commissions.

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

Income from guarantee commission increased slightly as a result a stable development in operating activities. This was countered by guarantee expenses from measures to increase the Bank’s Tier 1 capital ratio which took effect for the first time.

The improvement in commission income from account management business and payment transactions is primarily due to increased income from foreign payment transactions.

(22) Profit/Loss from Financial Instruments at Fair Value Through Profit or Loss

	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Trading profit/loss			
Realised profit/loss			
Profit/loss from debt securities and other fixed-interest securities	0	2	−100
Profit/loss from derivatives	0	−11	> 100
Total realised profit/loss	**0**	**−9**	**> 100**
Valuation result			
Profit/loss from derivatives	31	−16	> 100
Total valuation result	**31**	**−16**	**> 100**
Foreign exchange profit/loss	0	8	−100
Other comprehensive income	0	3	−100
Total trading profit/loss	**31**	**−14**	**> 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	> 100
Total profit/loss from designated financial instruments (fair value option)	**-**	**−1**	**> 100**
Total	**31**	**−15**	**> 100**

The realised profit/loss represents the profit/loss on financial instruments which expired or were terminated prematurely during the financial year; the net valuation effect 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.

(23) 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.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Profit/loss from micro fair value hedges			
From hedged underlying transactions			
in the available-for-sale (AfS) category	−9	−4	> 100
categorised as other liabilities (OL)	33	−3	> 100
From derivative hedging instruments	−26	6	< −100
Total micro fair value hedges	**−2**	**−1**	**100**
Profit/loss from portfolio fair value hedges			
From hedged underlying transactions			
categorised as loans and receivables (LaR)	−8	62	< −100
in the available-for-sale (AfS) category	−8	22	< −100
categorised as other liabilities (OL)	48	−214	> 100
From derivative hedging instruments	−4	142	< −100
Total portfolio fair value hedge	**28**	**12**	**>100**
Total	**26**	**11**	**>100**

(24) Profit/Loss from Financial Assets

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

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

	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Profit/loss from the disposal of			
debt securities and other fixed-income securities	-	10	−100
Shares and other variable-yield securities	4	-	> 100
Shares in companies	6	-	> 100
Total from disposals	**10**	**10**	**0**
Profit/loss from allowances for losses on			
Shares in companies	-	0	-
Other financial assets in the AfS category	-	0	-
Total profit/loss from allowances for losses	**-**	**0**	**0**
Total	**10**	**10**	**0**

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.

The profit/loss from shares in companies includes income in the amount of € 6.418 million from the sale of shares in three companies. No impairment losses were recognised during the reporting year (previous year: € 341 thousand).

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

	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Investments in associates			
Income	8	13	−38
Expenses	0	8	−100
Total	**8**	**5**	**55**

(26) Administrative Expenses

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

The expenses break down as follows:

	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Staff expenses			
Wages and salaries	78	80	−3
Social security	12	12	-
Pension and other benefit costs	13	9	44
of which service cost	12	7	71
Total staff expenses	**103**	**101**	**2**
Other administrative expenses			
IT and communication costs	38	38	0
Premises costs	6	5	20
Marketing, communication and entertainment costs	5	6	−17
Person-related other administrative expenses	3	3	0
Legal, audit, appraisal and consulting fees	9	7	29
Dues and contributions	17	11	55
Expenses for furniture, fixtures and office equipment	1	1	0
Other administrative expenses	1	2	−50
Total other administrative expenses	**80**	**73**	**10**
Depreciation and amortisation			
Property and equipment	4	4	0
Intangible assets	4	3	33
Investment property	2	1	100
Total depreciation and amortisation	**10**	**8**	**25**
Total	**193**	**182**	**6**

Staff expenses include expenses for defined benefit plans in the amount of € 12 million (previous year: € 7 million).

The expense for the bank levy of € 6 million (including previous year's value: € 3 million) is now reported as a component of general administrative expenses (previously "other operating profit/loss").

(27) Other Operating Profit/Loss

	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Other operating income			
From rental and lease income	8	8	0
From cost reimbursements	2	1	100
From the disposal of assets	0	0	0
From the reversal of other provisions	2	1	100
Other income	7	4	75
Total other operating income	**19**	**14**	**36**
Other operating expenses			
From rental and lease expenses	2	3	−33
From the redemption of issued debt securities	0	1	−100
From the repurchase of registered bonds	5	3	67
Other expenses	3	2	50
Total other operating expenses	**10**	**9**	**11**
Total	**9**	**5**	**80**

Other income essentially includes one-time income of € 6 million (previous year: € 3 million).

Other expenses are mainly attributable to other expenses for loss events from operational risks of € 1 million (previous year: € 1 million).

The expense for the bank levy recorded to date of € 6 million (including previous year's value: € 3 million) is now reported as a component of general administrative expenses.

(28) Income Taxes

The Group’s income taxes break down as follows:

	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Current income taxes			
Current year	15	20	−25
From previous years	−1	0	< −100
Total	**14**	**20**	**−30**
Deferred taxes			
From the emergence/reversal of temporary differences	−15	−8	88
From a change in tax rates	0	0	0
From temporary differences from previous years	0	0	0
Total	**−15**	**−8**	**88**
Total income tax expense	**−1**	**12**	**< −100**

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.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
IFRS earnings before taxes	**4**	**42**	**−90**
Anticipated income tax expense	1	13	−92
Effects of reconciliation			
Effects of differing tax rates	−1	−1	0
Taxes from previous years reported in the financial year	−1	1	< −100
Effects of changes in tax rates	0	-	-
Non-deductible business expenses	9	1	> 100
Effects of tax-free income	−13	−1	> 100
Permanent accounting-related effects	0	0	0
Effects of assessment base transfers	9	2	> 100
Other effects	−5	−3	67
Reported income tax expense	**−1**	**12**	**< −100**

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 applicable in Germany in 2015 plus a solidarity surcharge of 5.5 per cent and the average trade tax rate of approximately 15.6 per cent. This results in 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.

(29) Notes to 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:

€ m	01.01.–31.12.2015			01.01.–31.12.2014		
	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	11	2	13	−7	1	**−6**
Financial assets accounted for using the equity method – share of other comprehensive income	0	0	0	−1	0	**−1**
Revaluation of net debt from defined benefit plans	66	−21	45	−118	37	**−81**
Other comprehensive income	**77**	**−19**	**58**	**−126**	**38**	**−88**

Notes to the Consolidated Balance Sheet

(30) Cash Reserve

	1.1.–31.12.2015 € m	1.1.–31.12.2014 € m	Change %
Cash on hand	4	4	0
Balances at central banks	69	207	−67
Total	**73**	**211**	**−65**

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 € 57 million at year-end (previous year: € 44 million).

(31) Loans and Advances to Banks

	31.12.2015 € m	31.12.2014 € m	Change %
Loans and advances from money market transactions			
German banks	142	108	31
Foreign banks	0	-	0
Total loans and advances from money market transactions	**142**	**108**	**31**
Other loans and advances			
German banks			
Payable on demand	22	326	−93
Limited term	3,207	3,069	4
Foreign banks			
Payable on demand	37	133	−72
Limited term	72	1	>100
Total other loans and advances	**3,338**	**3,529**	**−5**
Total	**3,480**	**3,637**	**−4**

Of the loans and advances to German banks, € 2.715 billion (previous year: € 2.851 billion) are loans and advances to associated savings banks. Of the total amount, € 2.816 billion (previous year: € 2.617 billion) are loans and advances which will only be realised or settled after a period of more than twelve months.

(32) Loans and Advances to Customers

	31.12.2015 € m	31.12.2014 € m	Change %
Loans and advances from money market transactions			
German customers	312	596	−48
Foreign customers	17	11	55
Total loans and advances from money market transactions	**329**	**607**	**−46**
Other loans and advances			
German customers			
Payable on demand	1,331	1,154	15
Limited term	18,183	18,544	−2
Foreign customers			
Payable on demand	290	219	32
Limited term	2,648	2,409	10
Total other loans and advances	**22,452**	**22,326**	**1**
Total	**22,781**	**22,933**	**−1**

Of the total amount, € 17.316 billion (previous year: € 17.637 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 € 24 million (previous year: € 15 million). The gross investment value of leasing transactions is € 26 million (previous year: € 16 million). Additional information on lease transactions is provided in Note (75).

(33) Risk Provisioning

	31.12.2015 € m	31.12.2014 € m	Change %
Risk provisioning for loans and advances to banks			
German banks	-	-	-
General valuation allowances on loans and advances	0	1	−100
Total risk provisioning for loans and advances to banks	**0**	**1**	**−100**
Risk provisioning for loans and advances to customers			
German customers	917	656	40
Foreign customers	0	0	0
General valuation allowances on loans and advances	146	200	−27
Total risk provisioning for loans and advances to customers	**1,063**	**856**	**24**
Total	**1,063**	**857**	**24**

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

€ m	Specific valuation allowances		General valuation allowances (on balance)		Total		Loan loss provisions [1]	
	2015	2014	2015	2014	2015	2014	2015	2014
Loans and advances to banks 1.1.	-	-	-	1	-	1	-	-
Changes through profit or loss								
Allocations	-	-	-	-	-	-	-	-
Reversals	-	-	-	-	-	-	-	-
Unwinding	-	-	-	-	-	-	-	-
Changes recognised directly in equity								
Utilisations	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
31.12.	-	-	-	1	-	1	-	-
Loans and advances to customers 1 .1.	656	522	201	141	857	663	11	24
Changes through profit or loss								
Allocations	507	387	0	65	**507**	**452**	3	1
Reversals	−188	−195	−12	0	**−200**	**−195**	−2	−3
Unwinding	−36	−24	-	-	**−36**	**−24**	-	-
Changes recognised directly in equity								
Utilisations	−82	−77	-	-	**−82**	**−77**	-	−3
FX effects	17	20	-	-	**17**	**20**	-	-
Reclassifications	43	23	−43	−6	**0**	**17**	-	−8
31.12.	917	656	146	200	1,063	856	12	11
Total	917	656	146	201	1,063	857	12	11

[1] Including general loan loss provisions off balance.

The total amount of loans for which no interest payments are received was € 183 million as at the balance sheet date (previous year: € 89 million). Specific valuation allowances were made for loans with a total volume of € 2.700 billion (previous year: € 2.126 billion).

Outstanding interest due on these loans amounted to € 1 million as at 31 December 2015 (previous year: € 1 million). In the financial year, direct write-offs of loans and advances amounted to € 43 million (previous year: € 12 million). Additions to receivables written off amounted to € 9 million (previous year: € 5 million).

The maximum exposure to credit 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 € m	Very good to good 2015	2014	Good/ satisfactory 2015	2014	Still good/ adequate 2015	2014	Increased risk 2015	2014	High risk 2015	2014	Very high risk 2015	2014	No rating 2015	2014
Loans and receivables (LaR)														
Loans and advances to banks	3,480	3,637	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	12,071	12,496	2,234	1,862	1,741	2,080	767	949	1,005	708	1,627	2,001	3,336	2,837
Available for sale (AfS)														
Financial assets	2,904	4,255	-	-	-	-	15	-	-	-	-	-	-	-
Total	**18,455**	**20,388**	**2,234**	**1,862**	**1,741**	**2,080**	**782**	**949**	**1,005**	**708**	**1,627**	**2,001**	**3,336**	**2,837**

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

Rating			Past due but not impaired							
€ m	Neither past due nor impaired 2015	2014	Less than 3 months 2015	2014	3 to 6 months 2015	2014	6 to 12 months 2015	2014	More than 12 months 2015	2014
Loans and receivables (LaR)										
Loans and advances to banks	3,480	3,637	-	-	-	-	-	-	-	-
Loans and advances to customers	18,819	19,673	891	726	39	54	129	132	203	223
Available for sale (AfS)										
Financial assets	2,919	4,255	-	-	-	-	-	-	-	-
Total	**25,218**	**27,565**	**891**	**726**	**39**	**54**	**129**	**132**	**203**	**223**

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

€ m	Carrying amounts 2015	2014	Valuation allowances 2015	2014
Loans and receivables (LaR)				
Loans and advances to banks	-	-	-	-
Loans and advances to customers	2,700	2,125	917	656
Available for sale (AfS)				
Financial assets	-	-	-	-
Total	**2,700**	**2,125**	**917**	**656**

(34) 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, € 52 million (previous year: € 20 million) are marketable and listed.

	31.12.2015 € m	31.12.2014 € m	Change %
Trading assets			
Debt securities and other fixed-interest Securities			
Bonds and debt securities			
Issued by the public sector	10	-	> 100
Issued by other borrowers	42	20	> 100
Total debt securities and other fixed-interest securities	**52**	**20**	**> 100**
Positive fair values from derivatives in connection with:			
Interest-rate risks	593	743	−20
Currency risks	20	15	33
Credit derivatives	1	2	−50
Total positive fair values from derivatives	**614**	**760**	**−19**
Total trading assets	**666**	**780**	**−15**
Designated financial assets reported at fair value			
Debt securities and other fixed-interest Securities	**-**	-	0
Total designated financial assets reported at fair value	**-**	**-**	**0**
Total	**666**	**780**	**−15**

Of the total amount, € 575 million (previous year: € 693 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.

(35) Positive Fair Values from Hedge Accounting Derivatives

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

	31.12.2015 € m	31.12.2014 € m	Change %
Derivatives from micro fair value hedges	131	184	−29
Derivatives from portfolio fair value hedges	410	480	−15
Total	**541**	**664**	**−19**

Of the total amount, € 480 million (previous year: € 589 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.

(36) 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).

	31.12.2015 € m	31.12.2014 € m	Change %
Available-for-sale financial assets (AfS)			
Debt securities and other fixed-interest securities			
Issued by the public sector	2,496	2,382	5
Issued by other borrowers	380	1,798	−79
Total debt securities and other fixed-interest securities	**2,876**	**4,180**	**−31**
Shares and other non fixed-interest securities	3	13	−77
Shares in non-consolidated entities	24	48	−50
Other financial assets in the AfS category	16	14	14
Total	**2,919**	**4,255**	**−31**

Of the total amount, € 2.189 billion (previous year: € 2.310 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 annual financial statements			
Assets	16	35	89
Liabilities	1	30	58
Sales revenue	0	10	25
Profit/loss	1	0	3

(37) Financial Assets Accounted for Using the Equity Method

Reported under this item in accordance with IAS 28 are investments in associates accounted for using the equity method. Investments accounted for using the equity method break down as follows:

	31.12.2015 € m	31.12.2014 € m	Change %
Associates			
Banks	0	21	−100
Other companies	118	72	64
Total	**118**	**93**	**27**

The carrying amounts of associates developed as follows:

€ million	Associates
1.1.2014	**92**
Depreciation and amortisation	7
Write-ups	8
31.12.2014	**93**
1.1.2015	**93**
Additions	41
Reclassifications	21
Depreciation and amortisation	0
Write-ups	5
31.12.2015	**118**

Additions relate to shares in a joint venture and the reclassification was the result of shares in an investment being reclassified as held for sale.

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

(38) Property and Equipment

	31.12.2015 € m	31.12.2014 € m	Change %
Land and buildings	43	45	−4
Operating and office equipment	5	7	−29
Other property and equipment	41	23	78
Total	**89**	**75**	**19**

In 2015, advance payments totalled € 40 million (previous year: € 21 million) for the reconstruction of the Bremen branch that started in 2013. In-house market value appraisals identified hidden reserves of € 8 million in land and buildings (previous year: € 18 million). The historical acquisition cost of property and equipment which had been fully amortised by the balance sheet date but which is still in use is € 7 million (previous year: € 3 million).

(39) Investment Property

	31.12.2015 € m	31.12.2014 € m	Change %
Investment property	76	76	0
Total	**76**	**76**	**0**

The fair value of investment property amounts to € 144 million (previous year: € 86 million). The letting out of this property earned € 8 million in the year under review (previous year: € 8 million). Direct operating expenses (including repairs and maintenance) excluding depreciation amounted to € 3 million (previous year: € 3 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	Operating and office equipment	Prepayments/ Assets under construction	Total	Not used for banking operations Investment property
Historical acquisition and production costs 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**
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**
Historical acquisition and production costs 1.1.2015	**88**	**21**	**23**	**132**	**91**
Additions	-	1	17	**18**	**1**
Additions through the reclassification of property and equipment	-	-	-	**-**	**-**
Reclassifications	-	-	-	**-**	**-**
Disposals	-	−2	-	**−2**	**-**
Total 31.12.2015	**88**	**20**	**40**	**148**	**92**
Accumulated depreciation 1.1.2015	**−43**	**−14**	**-**	**−57**	**−15**
Scheduled depreciation	−2	−2	-	**−4**	**−1**
Additions through the reclassification of property and equipment	-	-	-	-	**-**
Unscheduled depreciation	-	-	-	**-**	**-**
Reclassifications	-	-	-	**-**	**-**
Disposals	-	2	-	**2**	**-**
Total 31.12.2015	**−45**	**−14**	**0**	**−59**	**−16**
Closing balance 31.12.2015	**43**	**6**	**40**	**89**	**76**

The addition to investment property relates to the capitalisation of construction costs for a building in the Teerhof area of Bremen.

(40) Intangible Assets

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

	Carrying amount € m		Remaining depreciation period (in years)	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Software developed internally				
Architecture of FI migration interfaces	3	3	2	2
SPOT	1	2	3	3
Purchased software				
Other	3	3	0 to 5	0 to 5
Prepayments OptiMA (SAP BA 8.0)	7	2	-	-
Total	**14**	**10**		

Intangible assets relate to system and application software. These involve exclusively purchased software and internally-developed intangible assets. In 2015, 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 € 7 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 acquisition costs 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 developed as follows:

€ m	Purchased	Internally developed	Prepayments	Total
Historical acquisition and production costs 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**	**-**	**−19**
Closing balance 31.12.2014	**3**	**5**	**2**	**10**
Historical acquisition and production costs 1.1.2015	**15**	**13**	**1**	**29**
Additions	2	-	6	**8**
Disposals	−1	-	-	**−1**
Total 31.12.2015	**16**	**13**	**7**	**36**
Accumulated depreciation 1.1.2015	**−12**	**−7**	**-**	**−19**
Scheduled depreciation	−2	−2	-	**−4**
Disposals	1	-	-	**1**
Total 31.12.2015	**−13**	**−9**	**-**	**−22**
Closing balance 31.12.2015	**3**	**4**	**7**	**14**

(41) Designated Assets held for Sale

As at 31 December 2015 the designated assets held for sale in accordance with IFRS 5 with a carrying amount totalling € 21 million (€ 0 million) comprise financial assets in the amount of € 21 million. The designated assets held for sale are shares in an affiliated company that were classified for the first time as being held for sale in the second quarter of 2015. To date they have been accounted for using the equity method. A sale of the shares held for sale in the Group is planned to take place in the first half of 2016. The carrying amount will still be allocated to the Reconciliation segment.

(42) Current Income Tax Assets and Deferred Income Taxes

	31.12.2015 € m	31.12.2014 € m	Change %
Current income tax assets	0	1	−100
Deferred tax assets	149	152	−2
Total	**149**	**153**	**−3**

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 2015, deferred tax assets in the amount of € 16 million (previous year: € 37 million) were offset directly against equity.

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

	31.12.2015 € m	31.12.2014 € m	Change %
Loans and advances to banks	6	0	> 100
Risk provisioning	33	53	−38
Financial assets at fair value through profit or loss	385	570	−32
Financial assets	1	1	0
Property and equipment	27	23	17
Intangible assets	2	2	0
Other assets	16	11	45
Liabilities to banks	4	4	0
Liabilities to customers	34	41	−17
Securitised liabilities	15	20	−25
Financial liabilities at fair value through profit or loss	4	0	> 100
Negative fair values from hedge accounting derivatives	131	173	−24
Provisions	95	102	−7
Subordinated capital	0	1	−100
Total	**753**	**1,001**	**−25**
Netting	604	849	−29
Total	**149**	**152**	**−2**

Besides deferred taxes which are reported in the consolidated income statement, there are deferred tax claims relating to provisions in the amount of € 16 million (previous year: € 37 million), which are reported in other comprehensive income (OCI).

(43) Other Assets

	31.12.2015 € m	31.12.2014 € m	Change %
Receivables in interim accounts	19	1	> 100
Initial margin payments	16	15	7
Receivables from non-consolidated subsidiaries	15	16	−6
Leasing agreements in preparation (prepayments)	2	6	−67
Receivables from domestic banks	-	8	−100
Tax refund claims resulting from other taxes	0	0	0
Other assets	5	3	67
Total	**57**	**49**	**16**

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

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

(44) Liabilities to Banks

	31.12.2015 € m	31.12.2014 € m	Change %
Deposits from other banks			
German banks	456	70	> 100
Foreign banks	-	-	-
Total deposits from other banks	**456**	**70**	**> 100**
Liabilities from money market transactions			
German banks	1,171	1,297	−10
Foreign banks	28	-	> 100
Total liabilities from money market transactions	**1,199**	**1,297**	**−8**
Other liabilities			
German banks			
Payable on demand	573	647	−11
Limited term	8,073	8,439	−4
Foreign banks			
Payable on demand	2	214	−99
Limited term	300	519	−42
Total other liabilities	**8,948**	**9,819**	**−9**
Total	**10,603**	**11,186**	**−5**

Of the total amount, € 7.347 billion (previous year: € 7.385 billion) are liabilities to banks which will probably only be realised or settled after more than twelve months.

Of the liabilities to German banks, € 706 million (previous year: € 756 million) relates to associated savings banks.

(45) Liabilities to Customers

	31.12.2015 € m	31.12.2014 € m	Change %
Savings deposits			
With an agreed period of notice of three months			
German customers	194	206	−6
Foreign customers	8	8	0
With an agreed period of notice of more than three months			
German customers	4	4	0
Foreign customers	1	1	0
Total savings deposits	**207**	**219**	**−5**
Liabilities from money market transactions			
German customers	1,629	1,078	51
Foreign customers	66	78	−15
Total liabilities from money market transactions	**1,695**	**1,156**	**47**
Other liabilities			
German customers			
Payable on demand	3,306	2,602	27
Limited term	4,427	4,949	−11
Foreign customers			
Payable on demand	151	100	51
Limited term	106	1	> 100
Total other liabilities	**7,990**	**7,652**	**4**
Total	**9,892**	**9,027**	**10**

(46) Securitised Liabilities

	31.12.2015 € m	31.12.2014 € m	Change %
Issued debt securities			
Pfandbriefe	472	492	−4
Municipal debt securities	1,454	1,843	−21
Other debt securities	3,369	5,020	−33
Total issued debt securities	**5,295**	**7,355**	**−28**
Money market securities			
Commercial papers	-	-	0
Other money market securities	-	-	-
Total money market securities	**-**	**-**	**0**
Total	**5,295**	**7,355**	**−28**

Of the total amount, € 4.545 billion (previous year: € 4.477 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 € 33 million (previous year: € 58 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 2015 with an issue volume of € 20 million and higher.

Security abbreviation	Nominal	Currency	Maturity	Interest rate %
BREM.LB.KR.A.OLD.IS.267	200,000,000.00	€	24 September 2018	0.6250
BREM.LB.KR.A.OLD.OPF 127	50,000,000.00	€	6 February 2025	0.0480
BREM.LB.KR.A.OLD.OPF 128	35,000,000.00	€	25 February 2025	0.7500
BREM.LB.KR.A.OLD.PF.39	30,000,000.00	€	2 February 2022	0.4000
BREM.LB.KR.A.OLD.IS.257	23,830,000.00	€	2 March 2021	0.7000
BREM.LB.KR.A.OLD.IS.265	22,925,000.00	€	8 September 2025	1.5500
BREM.LB.KR.A.OLD.IS.261	20,150,000.00	€	12 June 2024	1.5000
BREM.LB.KR.A.OLD.IS.269	20,000,000.00	€	9 November 2027	1.7250
BREM.LB.KR.A.OLD.OPF 129	20,000,000.00	€	15 May 2025	1.0000
BREM.LB.KR.A.OLD.PF.41	20,000,000.00	€	3 November 2025	0.8500

(47) 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.

	31.12.2015 € m	31.12.2014 € m	Change %
Asset items			
Adjustment items for financial instruments hedged in the fair value hedge portfolio (LaR)	49	60	−18
Liability items			
Adjustment items for financial instruments hedged in the fair value hedge portfolio (LaR)	212	307	−31

(48) 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.

	31.12.2015 € m	31.12.2014 € m	Change %
Trading liabilities			
Negative fair values from derivatives in connection with:			
Interest-rate risks	584	750	−22
Currency risks	284	250	14
Credit derivatives	2	6	−67
Total trading liabilities	**870**	**1,006**	**−14**
Total	**870**	**1,006**	**−14**

Of the total amount, € 714 million (previous year: € 835 million) are financial instruments at fair value which will only be realised or settled after more than twelve months.

(49) Negative Fair Values from Hedge Accounting Derivatives

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

	31.12.2015 € m	31.12.2014 € m	Change %
Derivatives from micro fair value hedges	22	38	−42
Derivatives from portfolio fair value hedges	179	186	−4
Total	**201**	**224**	**−10**

Of the total amount, € 181 million (previous year: € 196 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.

(50) Provisions

	31.12.2015 € m	31.12.2014 € m	Change %
Provisions for pensions and similar obligations	307	507	−39
Other provisions			
Loan loss provisions	12	11	9
Provisions for uncertain liabilities	14	18	−22
Total	**333**	**536**	**−38**

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

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

	31.12.2015 € m	31.12.2014 € m	Change %
Present value of defined benefit obligation	478	537	−11
Less fair value of plan assets	−171	−30	> 100
Underfunding (net liability)	**307**	**507**	**−39**

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 the liability 2015	Present value of the liability 2014	Fair value of plan assets 2015	Fair value of plan assets 2014	Underfunding / net liability 2015	Underfunding / net liability 2014	Change %
Opening balance 1.1	**537**	**411**	**30**	**32**	**507**	**379**	**34**
Current service cost	11	8	-	-	11	8	38
Interest expense/interest income (-)	12	15	0	−1	12	14	−14
Past service cost	1	-	-	-	1	-	> 100
Changes from consolidation	-	-	-	-	-	-	-
Effects from severance payments/transfers (compensation payments)	-	-	-	-	-	-	-
Changes from currency translation	-	-	-	-	-	-	-
Benefits paid	−16	−15	−16	−15	-	-	-
Employee contributions	-	-	158	12	−158	−12	> 100
Sub-total	**545**	**419**	**172**	**30**	**373**	**389**	**−4**
Revaluations							
Experience adjustments	−6	0	-	-	−6	0	< −100
Gains/losses from changes in demographic assumptions	-	-	-	-	-	-	-
Gains/losses from changes in financial assumptions	−61	118	-	-	−61	118	< −100
Income from plan assets (not including interest income)	-	-	−1	0	1	0	> 100
Closing balance 31.12	**478**	**537**	**171**	**30**	**307**	**507**	**−39**

The present value of the obligation is funded in the amount of € 470 million (previous year: € 529 million) and unfunded in the amount of € 8 million (previous year: € 8 million).

The fair value of plan assets comprises the following:

		31.12.2015 € m	31.12.2014 € m	Change %
Cash/ cash equivalents	Active market	134	3	> 100
	Inactive market	-	-	-
Equity instruments	Active market	0	0	0
	Inactive market	-	-	-
Debt instruments	Active market	19	21	−10
	Inactive market	-	-	-
Other assets	Active market	18	6	> 100
	Inactive market	-	-	-
Total		**171**	**30**	**> 100**

The cover funds of Bremer Landesbank's Unterstützungseinrichtung (provident 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. Other assets include € 5 million for certificates (previous year: € 6 million) and receivables from a re-insurance policy in the amount of € 13 million (previous year: € 0).

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 31.12.2015	 31.12.2014
Less than 1 year	17	11
Between 1 and 2 years	17	12
Between 2 and 3 years	18	13
Between 3 and 4 years	19	14
Between 4 and 5 years	19	15
Total	**90**	**65**

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

The contribution payments for defined benefit plans, including interest expenses for defined benefit obligations are expected to total € 16 million during the next reporting period. The anticipated addition to the pension fund's cover fund for 2016 is € 0 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	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Discount rate	43	51	37	45
Salary trends	5	5	5	5
Pension development	15	17	14	16
Cost increase for health insurance benefits	2	2	1	1
Mortality	23	22	23	20

A sensitivity of -/+ 0.5% 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 changes, the assumption was made that the life expectancy of a 65-year old pensioner increases or decreases by one year.

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

The 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 1.1.2014	**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**
Opening balance 1.1.2015	**11**	**17**	**1**	**29**
Utilisations	0	−4	0	**−4**
Reversals	−2	−1	0	**−3**
Allocations	3	1	0	**4**
Reclassifications	0	-	-	**0**
Closing balance 31.12.2015	**12**	**13**	**1**	**26**

Other provisions comprise loan loss provisions, provisions for personnel obligations and other provisions for uncertain liabilities. The Bank has not recognised any material 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 fulfilment is anticipated on the basis of an average holding period of less than one year. There are uncertainties with regard to the amount and date in the overall economic development for the individual borrower groups. Reimbursements are not anticipated.

Loan loss provisions were not discounted during this year as the holding period for the remaining loan loss provisions is less than one year.

Personnel-related commitments comprise provisions for early retirement and anniversary bonuses. The anticipated date of fulfilment 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 personnel obligations comprise provisions for early retirement of € 11 million (previous year: € 15 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.

(51) Current Income Tax Liabilities and Deferred Income Taxes

Income tax liabilities break down as follows:

	31.12.2015 € m	31.12.2014 € m	Change %
Current income tax liabilities	16	13	23
Deferred tax liabilities	2	2	0
Total	**18**	**15**	**20**

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 2015, € 8 million (previous year: € 10 million) in deferred tax liabilities were offset directly against equity.

Deferred tax liabilities relate to the following balance sheet items:

	31.12.2015 € m	31.12.2014 € m	Change %
Loans and advances to customers	7	4	75
Positive fair values from hedge accounting derivatives	187	229	−18
Financial assets	19	28	−32
Property and equipment	2	1	100
Investment property	2	3	−33
Other assets	1	2	−50
Financial liabilities at fair value through profit or loss	365	567	−36
Provisions	22	0	> 100
Other liabilities	1	17	−94
Total	**606**	**851**	**−29**
Netting	604	849	−29
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 € 8 million (previous year: € 10 million), which are reported in other comprehensive income (OCI).

(52) Other Liabilities

	31.12.2015 € m	31.12.2014 € m	Change %
Liabilities in interim accounts	22	10	> 100
Liabilities to third parties	6	5	20
Liabilities from short-term employee remuneration	5	8	−38
Liabilities from outstanding invoices	3	8	−63
Liabilities from payable taxes and social security contributions	1	2	−50
Deferred items	1	1	0
Liabilities to pension fund	-	2	−100
Other liabilities	3	1	> 100
Total	**41**	**37**	**11**

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 largely paid to Group employees during the first six months of 2016.

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

(53) Subordinated Capital

	31.12.2015 € m	31.12.2014 € m	Change %
Subordinated liabilities	602	755	−20
Total	**602**	**755**	**−20**

Subordinated liabilities would not be repaid until the claims of all senior creditors had been satisfied. On the balance sheet date, subordinated liabilities of € 600 million (previous year: € 629 million) will meet the requirements of art. 63 of the EU Regulation No. 575/2013 (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.

Interest expenses for subordinated liabilities amount to € 19 million (previous year: € 21 million). Accrued interest not yet due is reported in subordinated capital under subordinated liabilities.

At the end of 2015, the following subordinated liabilities (not including proportionate interest) were outstanding:

Nominal amount € m	Maturity	Interest rate
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
600		

(54) Instruments of Additional Regulatory Tier 1 Capital

During 2015, subordinated bearer debt securities were issued in the total amount of € 150 million (of which € 100 million to NORD/LB), these are reported under equity as “instruments of additional regulatory equity”. The Additional Tier 1 bonds issued have no maturity.

The purpose of these subordinate bearer debt securities is to provide Bremer Landesbank with additional Tier 1 capital for an indefinite period of time. The bonds have a fixed-interest rate of 8.50 per cent for the first five years for tranche 1 (€ 50 million) and 9.50 per cent for tranche 2 (€ 100 million), at which point they switch to a variable interest phase.

Bremer Landesbank has the right to cancel interest payments in part or in full at its discretion, in particular (although not exclusively) if this is necessary to prevent the Common Equity Tier 1 capital ratio from falling below the minimum CET1 ratio or to comply with a condition imposed by the relevant regulatory authorities. Cancelled interest payments will not be paid retrospectively. The cancellation of an interest payment does not entitle the creditors to terminate the debt securities and does not represent an act of default on the part of Bremer Landesbank.

Bremer Landesbank may first terminate the debt securities as a whole, but not in part and subject to the prior approval of the responsible regulatory authority, no earlier than 29 June 2020 and thereafter on each interest payment date by redeeming the redemption sum plus any interest accrued by the repayment date. Conversely, a premature termination for regulatory or tax reasons is possible at any time subject to certain conditions.

The redemption and nominal amount of the bonds may be reduced by a triggering event. A triggering event is where the Common Equity Tier 1 capital ratio of Bremer Landesbank (“Common Equity Tier 1 capital ratio”) falls below 5.125 per cent (the “Minimum CET1 ratio”). The triggering event may occur at any time and the relevant Common Equity Tier 1 capital ratio is not only determined with respect to specific key dates. Once a devaluation has taken place, the nominal amount and the redemption amount of each debt security may be revalued in each of Bremer Landesbank’s financial years following the reduction up to the full amount of the original nominal amount (provided they have not been previously repaid or purchased and cancelled) if a corresponding annual surplus was available and therefore did not produce or increase an annual shortfall.

The creditors are not entitled to terminate the debt securities.

According to IAS 32, the AT1 bonds are equity instruments as these financial instruments do not include any contractual obligations to provide a different company with liquid funds (or other assets). The AT1 bonds neither have a final maturity date nor an option for the holder to redeem the debt securities prematurely. They are also interest-bearing debt securities for which Bremer Landesbank, as the issuer, has the right to cancel interest payments at its discretion and not to retrospectively pay any cancelled interest payments. The AT1 bonds do not grant voting rights or a residual claim to the net assets of Bremer Landesbank. The AT1 bonds are a special kind of financial instrument that are reported separately within equity in the item “instruments of additional regulatory Tier 1 capital”.

The accounting treatment of the payments on AT1 bonds follows the instrument’s classification as an equity instrument. Distributions to holders of equity instruments must be directly deducted from the equity instruments and not recorded in the income statement. This therefore also applies to the interest payments on the AT1 bonds.

(55) 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):

	31.12.2015
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 5. 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 scenarios.

- The first scenario 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. For 2015, 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. On 31 December 2015 the confidence level was raised to 95 per cent as planned.
- The second scenario is structured as a "gone concern" view (liquidation scenario) and is included as a secondary requirement. This scenario 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 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.

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

€ m	**Risk capital 31.12.2015**
Going concern (taking into account the Group RBC limit)	814
Going concern (not taking into account the Group RBC limit)	814
Gone concern	1,938
Regulatory capital in accordance with the COREP report	13.31 %

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 its shares and the Free Hanseatic City of Bremen gains a commensurate right to purchase them.

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

(56) Notes to 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. Cash flow from AT1 bonds issued in 2015 are included as well.

The change in other non-cash items includes in particular the change in risk provisioning of € 206 million (previous year: € 200 million) as well as 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 2015, interest paid totalled € 799 billion (previous year: € 1.016 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.

(57) Fair Value Hierarchy

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

€ m	Basis of measurement	31.12.2015 Fair value	31.12.2015 Carrying amount	31.12.2014 Fair value	31.12.2014 Carrying amount
Assets					
Cash reserve	Fair value	73	73	211	211
Loans and advances to banks	Amortised cost	3,628	3,480	3,804	3,637
Loans and advances to customers	Amortised cost	21,777	22,781	22,632	22,933
Receivables from finance leases	Amortised cost	24	24	15	15
Risk provisioning		-	−1,063	-	−857
Adjustment item for financial instruments hedged in the fair value hedge portfolio	Fair value	-	49	-	60
Financial liabilities at fair value through profit or loss					
Trading assets	Fair value	666	666	780	780
Financial assets					
Financial assets in the AfS category	Fair value	2,919	2,910	4,255	4,246
Financial assets in the AfS category	at cost	-	9	-	9
Positive fair values from hedge accounting derivatives	Fair value	541	541	664	664
Other assets in the LaR category	Amortised cost	35	35	20	20
Total assets		**29,663**	**29,505**	**32,381**	**31,718**
Liabilities					
Liabilities to banks	Amortised cost	10,750	10,603	11,570	11,186
Liabilities to customers	Amortised cost	10,449	9,892	9,811	9,027
Liabilities from finance leases	Amortised cost	-	-	-	-
Securitised liabilities	Amortised cost	5,380	5,295	7,496	7,355
Adjustment item for financial instruments hedged in the fair value hedge portfolio	Fair value	-	212	-	307
Financial liabilities at fair value through profit or loss					
Trading liabilities	Fair value	870	870	1,006	1,006
Negative fair values from hedge accounting derivatives	Fair value	201	201	224	224
Subordinated capital	Amortised cost	574	602	733	755
Other liabilities included in the category Other liabilities	Amortised cost	28	28	15	15
Total liabilities		**28,253**	**27,704**	**30,855**	**29,875**
Additional classes					
Irrevocable loan commitments		96	1,830	97	1,906
Financial guarantees		-	501	-	535

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: € 9 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.

In the light of the intent to sell in the near term, the fair value of shares held for sale in Deutsche Factoring Bank are not shown separately in the table. The fair value amounts to € 47.7 million and was measured using the discounted cash flow method. Accordingly, the primary input factors comprise discounted cash flows taken from the respective corporate planning.

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
31.12.2015				
Assets				
Trading assets	**52**	**614**	**-**	**666**
Debt securities and other fixed-interest securities	52	-	-	**52**
Positive fair values from derivatives	-	614	-	**614**
Interest-rate risks	-	593	-	**593**
Currency risks	-	20	-	**20**
Credit risks	-	1	-	**1**
Positive fair values from hedge accounting derivatives	**-**	**541**	**-**	**541**
Positive fair values from micro fair value hedge derivatives	-	131	-	**131**
Positive fair values from fair value hedge derivatives	-	410	-	**410**
Financial assets at fair value	**2,153**	**726**	**31**	**2,910**
Debt securities and other fixed-interest securities	2,150	726	0	**2,876**
Shares and other variable-yield securities	3	-	-	**3**
Shares in non-consolidated entities	0	0	15	**15**
Other financial assets in the AfS category	-	-	16	**16**
Other assets reported at fair value	**16**	**0**	**-**	**16**
Total assets	**2,221**	**1,881**	**31**	**4,133**
Liabilities				
Trading liabilities	**-**	**870**	**0**	**870**
Interest-rate risks	-	584	-	**584**
Currency risks	-	284	-	**284**
Credit risks	-	2	0	**2**
Negative fair values from hedge accounting derivatives	**-**	**201**	**-**	**201**
Negative fair values from micro fair value hedge derivatives	-	22	-	**22**
Negative fair values from fair value hedge derivatives	-	179	-	**179**
Total liabilities	**1**	**1,071**	**0**	**1,072**

€ m	Level 1	Level 2	Level 3	Total
31.12.2014				
Assets				
Trading assets	**20**	**760**	**-**	**780**
Debt securities and other fixed-interest securities	20	-	-	**20**
Positive fair values from derivatives	-	760	-	**760**
Interest-rate risks	-	743	-	**743**
Currency risks	-	15	-	**15**
Credit risks	-	2	-	**2**
Positive fair values from hedge accounting derivatives	**-**	**664**	**-**	**664**
Positive fair values from micro fair value hedge derivatives	-	184	-	**184**
Positive fair values from fair value hedge derivatives	-	480	-	**480**
Financial assets at fair value	**1,692**	**2,501**	**53**	**4,246**
Debt securities and other fixed-interest securities	1,679	2,501	-	**4,180**
Shares and other variable-yield securities	13	-	-	**13**
Shares in non-consolidated entities	0	0	39	**39**
Other financial assets in the AfS category	-	-	14	**14**
Other assets reported at fair value	**0**	**8**	**-**	**8**
Total assets	**1,712**	**3,933**	**53**	**5,698**
Liabilities				
Trading liabilities	**-**	**1,006**	**-**	**1,006**
Interest-rate risks	-	750	-	**750**
Currency risks	-	250	-	**250**
Credit risks	-	6	-	**6**
Negative fair values from hedge accounting derivatives	**-**	**224**	**-**	**224**
Negative fair values from micro fair value hedge derivatives	-	38	-	**38**
Negative fair values from fair value hedge derivatives	-	186	-	**186**
Total liabilities	**0**	**1,230**	**-**	**1,230**

Fair values from the synthetic credit portfolio of CDSs (Level 2) total as at 31 December 2015 total 0.3 per cent (previous year: 1.0 per cent) of the nominal amounts of € 0.4 billion (previous year: € 0.7 billion). The Bank intends to hold the existing synthetic credit portfolio to maturity.

Designated assets held for sale reported at fair value comprise non-recurring fair value measurements (see Note (41)).

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
31.12.2015						
Trading assets	-	-	-	-	-	-
Financial assets designated at fair value	-	-	-	-	-	-
Positive fair values from hedge accounting derivatives	-	-	-	-	-	-
Financial assets at fair value						
Debt securities and other fixed-interest securities	3	-	330	-	-	-
Other assets reported at fair value	-	-	-	-	-	-
Assets	**3**	**-**	**330**	**-**	**-**	**-**
Trading liabilities	-	-	-	-	-	-
Financial assets designated at fair value	-	-	-	-	-	-
Negative fair values from hedge accounting derivatives	-	-	-	-	-	-
Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
31.12.2014						
Trading assets	-	-	-	-	-	-
Financial assets designated at fair value	-	-	-	-	-	-
Positive fair values from hedge accounting derivatives	-	-	-	-	-	-
Financial assets at fair value						
Debt securities and other fixed-interest securities	170	-	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**

IFRS 13 and IDW RS HFA 47 passed in December 2013 consolidate and standardise the principles of establishing the fair value for IFRS purposes, incl. 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 (7). The check on the balance sheet date showed that financial assets of € 3 million were transferred from Level 1 to Level 2 and that financial assets in the amount of € 330 million were transferred from Level 2 to Level 1.

The 2015 reporting year included only transfers from Level 1 to Level 2 and from Level 2 to Level 1.

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 derivatives)
Opening balance 1.1.2014	**107**	**−4**
P&L effect[1)]	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**	**-**
Opening balance 1.1.2015	**53**	**-**
P&L effect[1)]	0	-
Effect of revaluation reserve	6	-
Purchases	2	-
Sales	−30	-
Redemptions	-	-
Shift up from Levels 1 and 2	-	-
Shift down to Levels 1 and 2	-	-
Shift up from at cost	-	-
Closing balance 31.12.2015	**31**	**-**

[1)] The effects include valuation 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 the previous year, 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
31.12.2015				
Assets				
Cash reserve	73	-	-	**73**
Loans and advances to banks	-	-	3,628	**3,628**
Other loans	-	-	3,125	**3,125**
Current account and forward contracts	-	-	104	**104**
Other loans and advances to banks	-	-	399	**399**
Loans and advances to customers	-	-	21,801	**21,801**
Mortgage loans	-	-	1,488	**1,488**
Municipal loans	-	-	4,278	**4,278**
Other loans	-	-	13,640	**13,640**
Current account and forward contracts	-	-	2,395	**2,395**
Financial assets not reported at fair value	2,150	726	-	**2,876**
Investment property	-	45	6	**51**
Total assets	**4,373**	**1,497**	**50,864**	**56,734**
Liabilities				
Liabilities to banks	-	-	10,750	**10,750**
Liabilities to customers	-	-	10,449	**10,449**
Securitised liabilities	-	5,380	-	**5,380**
Other liabilities not reported at fair value	-	-	28	**28**
Subordinated capital	-	324	250	**574**
Total liabilities	**-**	**11,408**	**21,727**	**33,135**

Sensitivity calculation for non-observable parameters

The following material non-observable input parameters were used for the fair value measurement of financial instruments classified as Level 3.

Product (in € m)	Fair value	Material non-observable input parameters used in fair value measurement	Range of non-observable input parameters used	weighted average
31.12.2015				
Investments	16	Discount interest rate	722 basis points	722 basis points
Silent participations	16	Credit spread	200 basis points	200 basis points

A significant input parameter for the fair value measurement of investments which is not observable in the markets is the discount interest rate. Significant changes in the input parameter result in a significantly higher or lower fair value. In the sensitivity analysis, the discount interest rate was stressed in the valuation by raising and lowering this by 50 basis points in each case. Accordingly, an assumed change in the underlying parameters resulted in a change in the fair values of investments in Level 3 by € 1.0 million (previous year: (€ 3.4 million) with corresponding effects in other comprehensive income (OCI).

A significant input parameter for the fair value measurement of silent participations which is not observable in the markets is the discount interest rate. Significant changes in the input parameter result in a significantly higher or lower fair value. In the sensitivity analysis, the credit spread was stressed in the valuation by raising and lowering this by 200 basis points in each case. Accordingly, an assumed change in the underlying parameters resulted in a change in the fair values of all silent participations in Level 3 by € 0.2 million (previous year: (€ 0.2 million) with corresponding effects in other comprehensive income (OCI).

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.

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. Classification is presented in the table below.

(58) Carrying Amounts by Measurement Category

	31.12.2015 € m	31.12.2014 € m	Change %
Asset items			
Loans and receivables (LaR)	25,198	25,773	−2
Available-for-sale assets (AfS)	2,919	4,255	−31
Held-for-trading financial assets (HFT)	666	780	−15
Financial assets designated at fair value through profit or loss	0	0	0
Positive fair values from hedges	541	664	−19
Total asset items	**29,324**	**31,472**	**−7**
Liability items			
Other liabilities (OL)	27,474	28,630	−4
Financial liabilities held for trading (HFT)	870	1,006	−14
Negative fair values from hedges	201	224	−10
Total liability items	**28,545**	**29,860**	**−4**

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

(59) Profit/Loss by Measurement Category

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

	31.12.2015 € m	31.12.2014 € m	Change %
Loans and receivables (LaR)	−341	−271	26
Other liabilities	−5	0	< −100
Available-for-sale assets (AfS)	10	10	0
Financial instruments held for trading	30	−14	> 100
Financial instruments designated at fair value through profit or loss	0	−1	> 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.

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 net/gains losses of the measurement 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.

(60) Impairments/Reversals of Impairments by Measurement Category

	31.12.2015 € m	31.12.2014 € m	Change %
Loan loss provisions			
Allocations to/reversals of provisions for financial guarantees	−1	0	< −100
Allocations to/reversals of other provisions in lending business	1	−3	> 100
Total loan loss provisions	**0**	**−3**	**> 100**
Available-for-sale assets (AfS)			
Profit/loss from impairment of financial assets	0	0	0
Write-downs of shares in non-consolidated entities	0	0	−100
Write-downs/write-ups of other assets	0	1	−100
Total available-for-sale assets	**0**	**1**	**−100**
Loans and receivables (LaR)			
Impairment profit/loss			
specific allowances in lending business	0	0	0
Loans and advances to banks	0	0	0
Loans and advances to customers	362	202	79
Profit/loss from general valuation allowances in in lending business	−55	65	< −100
Profit/loss from direct write-offs of loans and advances/additions to receivables written off	34	7	> 100
Total loans and receivables [1)]	**341**	**274**	**24**
Total	**341**	**272**	**25**

[1)] Not including unwinding effects.

The result from the valuation of LaRs is stated under loan loss provisions. 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.

(61) 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 and the like not including reported netting: Financial instruments	Master netting Arrangements and the like not including reported netting: Collateral Cash securities	Net amount
31.12.2015						
Assets						
Netting of current accounts	2,830	- 2,718	112	-	-	**112**
Derivatives	963	-	963	- 764	- 183	**16**
Liabilities						
Netting of current accounts	2,906	- 2,718	188	-	-	**188**
Derivatives	1,052	-	1,052	- 764	−266	**22**
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**

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.

(62) Maximum Default Risk and Available Collateral

The table below shows the maximum default risk and the available collateral, broken down by financial instrument class: The held securities cannot be sold or transferred without the owners defaulting 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
31.12.2015				
Loans and advances to banks	3,480	-	3,480	-
Loans and advances to customers	22,781	1,063	21,718	5,512
Irrevocable loan commitments	1,830	0	1,830	52
Financial guarantees	501	8	493	82
Total	**28,592**	**1,071**	**27,521**	**5,646**
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**

The available collateral breaks down as follows:

€ m	Commercial property	Guarantees	Other physical collateral	Other collateral	Total
31.12.2015					
Loans and advances to customers	1,052	1,428	2,060	972	**5,512**
Irrevocable loan commitments	23	2	18	9	**52**
Financial guarantees	16	44	9	13	**82**
Total	**1,091**	**1,474**	**2,087**	**994**	**5,646**
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**

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

(63) 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	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Interest-rate risks	32,452	34,421	1,135	1,408	784	974
Interest-rate swaps	28,839	31,352	1,119	1,391	751	943
FRAs	1,800	200	0	0	0	-
Swaption	565	514	3	2	20	15
Purchases	149	150	3	2	-	-
Sales	416	364	-	-	20	15
Caps, floors	1,188	1,327	13	15	13	16
Stock exchange contracts	-	1,028	-	-	-	-
Other forward interest rate transactions	60	0	0	0	-	-
Currency risks	4,437	4,338	20	15	285	250
Forward exchange contracts	223	256	12	11	17	43
Currency swaps/cross-currency interest-rate swaps	4,206	4,068	7	3	268	206
Currency options	8	14	1	1	0	1
Purchases	5	7	1	1	-	-
Sales	3	7	-	-	0	1
Other exchange contracts	-	-	-	-	-	-
Credit derivatives	405	685	1	1	2	6
Protection buyer	150	150	1	1	0	0
Protection seller	255	535	0	0	2	6
Total	**37,294**	**39,444**	**1,156**	**1,424**	**1,071**	**1,230**

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 risks 2015	Interest-rate risks 2014	Currency risks 2015	Currency risks 2014	Credit derivatives 2015	Credit derivatives 2014
Residual maturities						
Up to 3 months	4,501	7,407	1,559	1,752	20	45
More than 3 months up to 1 year	6,534	6,452	736	1,084	200	235
More than 1 year up to 5 years	12,741	13,613	1,512	1,252	185	405
More than 5 years	8,676	6,949	630	250	-	-
Total	**32,452**	**34,421**	**4,437**	**4,338**	**405**	**685**

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 5 years	More than 5 years	Total
31.12.2015						
Negative fair values from trading derivatives	22	8	126	410	304	**870**
Negative fair values from hedge accounting derivatives	0	0	3	51	147	**201**
Total	**22**	**8**	**129**	**461**	**451**	**1,071**
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**

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

€ m	Nominal values 31.12.2015	Nominal values 31.12.2014	Positive fair values 31.12.2015	Positive fair values 31.12.2014	Negative fair values 31.12.2015	Negative fair values 31.12.2014
Banks in the OECD (including stock exchange contracts)	34,002	34,757	1,002	1,234	1,063	1,216
Public institutions in the OECD	14	14	1	12	0	3
Other counterparties	3,278	4,673	153	178	8	11
Total	**37,294**	**39,444**	**1,156**	**1,424**	**1,071**	**1,230**

(64) 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:

€ m	Gross carrying amount of financial assets with concessions: Performing exposure	Non-performing exposure	Cumulative valuation allowances for performing exposure	for non-performing exposure
31.12.2015				
Financial assets measured at amortised cost				
Securities	**-**	**-**	**-**	**-**
Loans and advances				
Central banks	-	-	-	-
Public sector	-	-	-	-
Banks	-	-	-	-
Other financial companies	0	2	-	0
Non-financial companies	1,712	2,809	3	703
Households	28	5	-	1
Total loans and receivables	**1,740**	**2,816**	**3**	**704**
Total financial assets measured at amortised cost	**1,740**	**2,816**	**3**	**704**
Assets without trading assets				
Securities	**-**	**-**	**-**	**-**
Loans and advances	**-**	**-**	**-**	**-**
Total financial assets at fair value, not including trading assets	**-**	**-**	**-**	**-**
Loan commitments granted	**15**	**7**	**-**	**-**
31.12.2014				
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**	**0**	**437**
Total financial assets measured at amortised cost	**1,395**	**2,635**	**0**	**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**	**-**	**-**

(65) 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 (AfS) assets		Loans and receivables	
	2015	2014	2015	2014	2015	2014
Italy						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	0	0
Corporates/other	-	-	-	-	0	0
Total Italy	**-**	**-**	**-**	**-**	**-**	**0**
Ireland						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	0	-	111	0	0
Corporates/other	0	-	-	-	19	20
Total Ireland	**-**	**0**	**-**	**111**	**19**	**20**
Greece						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	-	-
Corporates/other	-	-	-	-	0	33
Total Greece	**-**	**-**	**-**	**-**	**-**	**33**
Spain						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	3	0	15	15	4	-
Corporates/other	-	-	-	-	-	-
Total Spain	**3**	**0**	**15**	**15**	**4**	**-**
Cyprus						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	-	-
Corporates/other	-	-	-	-	392	3
Total Cyprus	**-**	**-**	**-**	**-**	**392**	**3**
Hungary						
Sovereign exposure	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	1	1
Corporates/other	-	-	-	-	15	20
Total Hungary	**-**	**-**	**-**	**-**	**16**	**21**
Total	**3**	**0**	**15**	**126**	**431**	**77**

For financial instruments in the available-for-sale category with acquisition costs totalling € 15 million (previous year: € 119 million) the cumulative valuation result in other comprehensive income with regard to the above-mentioned selected countries comes to € 0 million (previous year: € 0). As in the previous year, no impairment losses were charged to the consolidated income statement.

As in the previous year, no notable specific or general valuation allowances 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 € 231 million (previous year: € 79 million).

In 2015, Bremer Landesbank did not have any exposures in a notable amount in Portugal, Slovenia, Egypt or Russia.

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

€ m	Nominal values Protection buyer 2015	Nominal values Protection buyer 2014	Fair values Protection buyer 2015	Fair values Protection buyer 2014	Nominal values Protection seller 2015	Nominal values Protection seller 2014	Fair values Protection seller 2015	Fair values Protection seller 2014
Portugal								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	15	105	−1	−3
Corporates/other	-	-	-	-	-	-	-	-
Total Portugal	**-**	**-**	**-**	**-**	**15**	**105**	**−1**	**−3**
Italy								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	60	60	1	1	80	105	−1	−1
Corporates/other	-	-	-	-	-	-	-	-
Total Italy	**60**	**60**	**1**	**1**	**80**	**105**	**−1**	**−1**
Ireland								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	10	10	0	0
Corporates/other	-	-	-	-	-	-	-	-
Total Ireland	**-**	**-**	**-**	**-**	**10**	**10**	**-**	**0**
Greece								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	-	-	-	-
Corporates/other	-	-	-	-	-	-	-	-
Total Greece	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Spain								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	-	20	-	0	20	40	0	0
Corporates/other	-	-	-	-	-	-	-	-
Total Spain	**-**	**20**	**-**	**0**	**20**	**40**	**-**	**0**
Cyprus								
Sovereign exposure	-	-	-	-	-	-	-	-
Financial institutions/insurance companies	-	-	-	-	-	-	-	-
Corporates/other	-	-	-	-	-	-	-	-
Total Cyprus	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**60**	**80**	**1**	**1**	**125**	**260**	**−2**	**−4**

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:

	Level 1		Level 2		Level 3		Total	
€ m	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Portugal								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	-	−1	−3	-	-	**-**	**−3**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Portugal	**-**	**-**	**−1**	**−3**	**-**	**-**	**-**	**−3**
Italy								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	-	0	−1	-	-	**-**	**−1**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Italy	**-**	**-**	**-**	**−1**	**-**	**-**	**-**	**−1**
Ireland								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	111	-	-	-	-	**-**	**111**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Ireland	**-**	**111**	**-**	**-**	**-**	**-**	**-**	**111**
Greece								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	-	-	-	-	-	**-**	**-**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Greece	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Spain								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	-	12	15	-	-	**-**	**15**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Spain	**-**	**-**	**12**	**15**	**-**	**-**	**-**	**15**
Cyprus								
Sovereign exposure	-	-	-	-	-	-	**-**	**-**
Financial institutions/insurance companies	-	-	-	-	-	-	**-**	**-**
Corporates/other	-	-	-	-	-	-	**-**	**-**
Total Cyprus	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**111**	**11**	**11**	**-**	**-**	**-**	**122**

(66) 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:

	31.12.2015 € m	31.12.2014 € m	Change %
Assets			
Financial assets	213	434	−51
Total	**213**	**434**	**−51**
Liabilities			
Liabilities to banks	33	210	−84
Liabilities to customers	519	679	−24
Securitised liabilities	831	837	−1
Subordinated capital	0	155	−100
Total	**1,383**	**1,881**	**−26**

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 € 1.299 billion (previous year: € 816 million) were designated as a fair value hedge portfolio. As at the 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 € 4.099 billion (previous year: € 3.659 billion).

(67) 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
31.12.2015						
Liabilities to banks	−1,303	−630	−1,578	−3,912	−3,879	**−11,302**
Liabilities to customers	−3,805	−438	−1,673	−1,688	−3,308	**−10,912**
Securitised liabilities	−247	−117	−463	−3,570	−1,120	**−5,517**
Financial liabilities at fair value through profit or loss (not including derivatives)	0	0	0	0	0	**0**
Subordinated capital	0	0	−1	−11	−697	**−709**
Other liabilities (only financial instruments)	0	−1	0	0	0	**−1**
Irrevocable loan commitments	−9	−13	−18	−1,632	−161	**−1,833**
Financial guarantees	−1,106	0	−4	−26	−116	**−1,252**
Total	**−6,470**	**−1,199**	**−3,737**	**−10,839**	**−9,281**	**−31,526**
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**

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

(68) Disclosures Concerning the Fair Value Option

The Bremer Landesbank Group applies the fair value option in order to avoid accounting mismatches (Note (22)). The designated securities that expired the end of the year or were terminated prematurely were secured against interest-rate risks by taking out interest-rate 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.

	31.12.2015 € m	31.12.2014 € m	Change %
Assets			
Debt securities and other fixed-interest securities	0	-	0

(69) The Bremer Landesbank Group as a Protection Seller and Protection Buyer

The following assets were transferred as collateral for obligations (carrying amounts):

€ m	31.12.2015	31.12.2014
Assets		
Loans and advances to banks	190	233
Loans and advances to customers	6,617	6,454
Financial assets	1,734	2,084
Other assets	-	-
Total	**8,541**	**8,771**
Liabilities		
Liabilities to banks	264	242
Total	**264**	**242**

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 on account of collateral agreements.

(70) 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 2015 and 31 December 2014, there was no portfolio of real securities sale and repurchase agreements.

Other Notes

(71) 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 in 2015 in accordance with the CRR were 4.5 per cent for the regulatory Common Equity Tier 1, 6.0 per cent for the regulatory Tier 1 capital and 8.0 per cent for the regulatory equity.

In 2015 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 main ratio for regulatory and internal Group control will be 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 2014 and 2015, 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 (72) Regulatory Data. The Common Equity Tier 1 capital 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.

(72) 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.

€ m	31.12.2015	31.12.2014
Risk-weighted assets for counterparty default risks	12,714	15,075
Risk-weighted assets for operational risks	881	879
Risk-weighted assets for market risks	148	172
Risk-weighted assets for clearing risks	-	-
Risk-weighted assets for credit rating adjustments	72	161
Total risk-weighted assets	**13,815**	**16,287**

The table below shows the composition of regulatory capital for the Bank in accordance with art. 25 ff of the CRR:

€ m	31.12.2015	31.12.2014
Subscribed capital	265	265
Retained profits/earnings	600	600
Premium	478	478
Components of Common Equity Tier 1 on account of grandfathering rights + § 340g of the German Commercial Code fund for general banking risks	589	539
- Deductions[1)]	845	955
Adjustments on account of the transition rules	505	763
Adjustment item to prevent negative additional Tier 1 capital	105	383
Common Equity Tier 1 capital	**1,487**	**1,306**
Paid-in instruments of additional Tier 1 capital	150	-
- Deductions[2)]	255	383
Adjustments on account of the transition rules	-	-
Adjustment item to prevent negative additional Tier 1 capital	105	383
Additional Tier 1 capital	**-**	**-**
Total Tier 1	**1,487**	**1,306**
Paid-in instruments of Tier 2 capital	600	629
Components of Tier capital due to grandfathering rights	0	1
General credit-risk adjustments per standard approach	1	0
- Deductions	249	379
Adjustments on account of the transition rules	-	-
Tier 2 capital	**352**	**251**
Equity	**1,839**	**1,557**

[1)] Shortfall, DVA, AvA, intangible assets are considered in the deduction items.
[2)] The proportionate shortfall and the proportionate intangible assets are taken into account in the deduction item.

€ m	31.12.2015	31.12.2014
Common Equity Tier 1 capital ratio	10.76 %	8.02 %
Tier 1 capital ratio	10.76 %	8.02 %
Regulatory capital ratio	13.31 %	9.56 %

(73) Foreign Currency Volumes

As at December 31 2015, the Bremer Landesbank Group reports the following assets and liabilities in foreign currencies:

€ m	USD	GBP	JPY	Other	Total
31.12.2015					
Cash reserve	-	-	-	-	**0**
Loans and advances to banks	31	11	1	23	**66**
Loans and advances to customers	5,051	64	6	117	**5,238**
Financial assets at fair value	263	5	4	51	**323**
Financial assets	-	-	-	7	**7**
Total assets	**5,345**	**80**	**11**	**198**	**5,634**
Liabilities to banks	−193	−45	0	−11	**−249**
Liabilities to customers	−588	−2	0	−14	**−604**
Securitised liabilities	-	-	−8	-	**−8**
Financial liabilities at fair value	−4,109	−42	−3	−163	**−4,317**
Total liabilities	**−4,890**	**−89**	**−11**	**−188**	**−5,178**
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	0	7	**593**
Liabilities to customers	362	3	0	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**

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

(74) Long-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.

	31.12.2015 € m	31.12.2014 € m	Change %
Assets			
Loans and advances to banks	2,816	2,617	8
Loans and advances to customers	17,316	17,387	0
Adjustment item for financial instruments included in the portfolio fair value hedge	0	60	−100
Financial assets at fair value through profit or loss			
Trading assets	52	693	−92
Financial assets designated at fair value	0	0	0
Positive fair values from hedge accounting derivatives	480	589	−19
Available-for-sale (AfS) financial assets	2,164	2,217	−2
Investments accounted for using the equity method	0	93	−100
Total	**22,828**	**23,656**	**−4**
Liabilities			
Liabilities to banks	7,347	7,385	−1
Liabilities to customers	3,974	4,254	−7
Securitised liabilities	4,434	4,477	−1
Adjustment item for financial instruments included in the portfolio fair value hedge	0	306	−100
Financial liabilities at fair value through profit or loss			
Trading liabilities	525	835	−37
Negative fair values from hedge accounting derivatives	181	196	−8
Subordinated capital	599	599	0
Total	**17,060**	**18,052**	**−5**

(75) 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.

	31.12.2015 € m	31.12.2014 € m	Change %
Outstanding lease payments	**19**	**13**	**46**
+ Guaranteed residual values	7	3	> 100
= Minimum lease payments	**26**	**16**	**63**
+ Unguaranteed residual values	-	-	-
= Gross investment	**26**	**16**	**63**
- Unearned finance income	2	1	100
= Net investment	**24**	**15**	**60**
- Present value of unguaranteed residual values	-	-	-
= Present value of minimum lease payments	**24**	**15**	**60**

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

Unearned 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:

	31.12.2015 € m	31.12.2014 € m	Change %
Gross investments			
Up to 1 year	6	5	20
More than 1 year and up to 5 years	19	10	90
More than 5 years	1	1	0
Total	**26**	**16**	**63**
Present value of minimum lease payments			
Up to 1 year	5	5	0
More than 1 year and up to 5 years	18	9	100
More than 5 years	1	1	0
Total	**24**	**15**	**60**

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

(76) 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.

	31.12.2015 € m	31.12.2014 € m	Change %
Contingent liabilities			
Contingent liabilities on bills rediscounted and settled	-	-	-
Guarantees	751	555	35
Liability from the provision of collateral for third-party liabilities	-	-	-
Other contingent liabilities	-	-	-
Other obligations			
Placement and underwriting commitments	-	-	-
Irrevocable loan commitments	1,830	1,906	−4
Financial guarantees	501	535	−6
Total	**3,082**	**2,996**	**3**

Of the total amount no contingent liabilities (previous year: € 0 million) relates to associates.

(77) Other Financial Obligations

The following significant other financial obligations exist:

- The assessment of the contribution for the security reserve for landesbanks and girobanks was changed in the context of the recognition of the security reserve as a bank-related security system under CRR and the assumption of the deposit guarantee role under EinSiG. In addition to contributions already made, there are obligations to make additional contributions in the amount of € 70 million (previous year-end: € 43 million). These additional contributions can be called in when support is required.
- In connection with the redemption of shares in FinanzIT GmbH, Hanover, the withdrawing shareholders NORD/LB, Bremer Landesbank and Landesbank Saar have undertaken to cover the company's risks from the period up to their withdrawal jointly with the remaining FinanzIT shareholders provided these risks actually occur and are not covered by provisions already established.
- Notwithstanding the disposal of the investment in DekaBank Deutsche Girozentrale, Frankfurt am Main, held indirectly through GLB GmbH & Co. OHG, Frankfurt am Main, and the related reduction in the capital of GLB GmbH & Co. OHG, Bremer Landesbank, as a guarantor, is still jointly liable with the other owners for certain liabilities of DekaBank Deutsche Girozentrale.
- As had been the case in the previous year, there were no securities deposited as collateral for transactions on forward markets. Instead, a cash security of € 15 million was deposited at Eurex Deutschland, Frankfurt am Main (previous year: € 15 million).

- In accordance with § 12 para. 5 of the German Restructuring Fund Act (*Restrukturierungsfondsgesetz*, RStruktFG), 30 per cent of the annual contribution for the EU bank levy set in accordance with § 12 para. 2, § 12b and § 12g of the RStruktFG was made from an irrevocable payment obligation of € 3 million. Bremer Landesbank covered this payment obligation in full by providing a cash security.

(78) 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:

	31.12.2015 € m	31.12.2014 € m	Change %
Financial assets	10	10	0
Total	**10**	**10**	**0**

(79) 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:

	31.12.2015 € m	31.12.2014 € m	Change %
Loans and advances to customers	2	3	−33
Trust assets	**2**	**3**	**−33**
Liabilities to banks	2	3	−33
Liabilities to customers	0	0	0
Trust liabilities	**2**	**3**	**−33**

Companies and Individuals Linked to the Group

(80) Number of Employees

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

	2015			2014		
	Male	Female	Total	Male	Female	Total
Bremer Landesbank Anstalt des öffentlichen Rechts[1)]	529	514	1,043	550	552	1,102
Other	34	21	55	32	22	54
Group [2)]	**563**	**535**	**1,098**	**582**	**574**	**1,156**

[1)] The male headcount includes the members of the Management Board.
[2)] In financial year 2014, investments accounted for using the equity method had a headcount of 175 (financial year 2013: 182). No figures are currently available for 2015.

Breakdown of headcount by levels of authority:

	2015	2014
Management Board	4	3
Executives	110	113
Other	984	1,040
Total	**1,098**	**1,156**

(81) 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	31.12.2015	31.12.2014
Assets		
Loans and advances to banks	264	233
Total	**264**	**233**

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 five (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	31.12.2015	31.12.2014
Carrying amounts of the shares in immaterial affiliated companies	118	93
Share of the BLB Group in		
Profit/loss from continuing operations	8	6
Profit/loss from discontinued operations (after taxes)	-	-
Other comprehensive income	0	−1
Total	**8**	**5**

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.

The Bremer Landesbank Group is deemed to be the sponsor of a structured entity if market participants may legitimately associate it with the structured entity. The Bremer Landesbank Group is a sponsor if

- the Bremer Landesbank Group participated in the formation of the structured entity and collaborated in the setting of objectives and design;
- the name of the structured entity includes components that establish a connection with the Bremer Landesbank Group;
- the management of the assets and liabilities of the structured entity is based on a strategy developed by the Group; or
- the Bremer Landesbank Group issued or purchased the assets before they were contributed to the structured entity (i.e. the Bremer Landesbank is the originator of the structured entity).

During the reporting period, there was no income from sponsored non-consolidated structured entities in which the Bremer Landesbank Group did not hold a share as at the reporting date. These relate to securitisation companies in the formation of which the Bremer Landesbank Group participated and/or is the originator. The income does not include any income from asset transfers; as at the date of transfer, the carrying amount for these assets was € 0 million. No specific valuation allowances related to companies in liquidation were written-off.

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 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 investments since they do not take into account any collateral or hedges.

€ m	Fund companies 31.12.2015
Size of the non-consolidated structured entity	**33**
Other assets	33
Assets that are reported in the balance sheet of the BLB Group	**17**
Maximum risk of loss	**17**

(82) Related Parties

All non-consolidated subsidiaries and affiliated companies qualified as related parties. Associates also include subsidiaries of associates 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 Management 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 of balance sheet date:

€ m	Parent company	Subsidiary	Affiliated companies	Management in key positions	Other related parties
31.12.2015					
Loans and advances to banks	53	-	15	-	-
of which money market transactions	-	-	10	-	-
of which loans	53	-	5	-	-
of which loans collateralised with mortgages	-	-	-	-	-
of which other loans	53	-	5	-	-
Loans and advances to customers	-	-	104	3	139
of which money market transactions	-	-	13	-	-
of which loans	-	-	91	3	139
of which municipal loans	-	-	6	-	132
of which loans collateralised with mortgages	-	-	84	3	4
of which other loans	-	-	1	0	3
Financial assets at fair value through profit or loss	-	-	2	0	4
of which positive fair values from derivatives	0	-	2	0	4
Financial assets	-	-	16	-	-
of which debt securities and other fixed-interest securities	-	-	-	-	-
of which shares and other non-fixed-interest securities	-	-	16	-	-
Other assets	0	-	-	-	-
Total assets	**53**	**-**	**137**	**3**	**143**
Liabilities to banks	225	-	83	-	11
of which money market transactions	-	-	-	-	-
of which deposits from other banks	-	-	-	-	-
Liabilities to customers	-	2	23	1	145
of which money market transactions	-	0	8	-	-
Securitised liabilities	-	-	-	-	1
Financial liabilities at fair value through profit or loss	57	-	0	0	-
of which negative fair values from derivatives	57	-	0	0	-
Subordinated capital	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	**282**	**2**	**106**	**1**	**157**
Guarantees received	-	-	-	-	-
Guarantees granted	0	-	9	-	0

€ 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	-	-	-	-
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	-	-	-	-	-
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	0	-	-	-
Guarantees granted	1	0	15	-	0

€ m	Parent company	Subsidiary	Affiliated companies	Management in key positions	Other related parties
1.1.–31.12.2015					
Interest expenses	12	0	3	0	1
Interest income	1	-	4	0	6
Commission expenses	-	-	0	0	-
Commission income	0	0	0	0	0
Other expenses	31	-	-	0	1
Other income	2	0	0	-	0
Total contributions to profit and loss	**−40**	**0**	**1**	**0**	**4**
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**

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% 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.

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 affiliates

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	3	€	105
Nord/LB Luxembourg S.A.	1	€	50
Time deposits			
BLB Leasing GmbH	12	€	40

Syndicated loans

Norddeutsche Landesbank

NORD/LB participated with other syndicate partners in 39 (previous year: 49) long-term loans and ship loans granted by us, contributing a total volume of € 230 million (previous year: € 277 million).

As at 31 December 2015, the Bank did not participate in any syndicated loans (previous year: 4 syndicated loans) led by NORD/LB (previous year: € 13 million).

Securities transactions

Norddeutsche Landesbank

NORD/LB purchased securities of € 164 million (previous year: € 99 million) from Bremer Landesbank and sold securities of € 336 million (previous year: (previous year: € 411 million).

Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH

The Bremer Landesbank pension fund acquired securities issued by third parties for a nominal value of € 8 million (previous year: € 4 million). It redeemed securities issued by third parties with of a nominal value of € 10 million (previous year: € 4 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

€ thousand	2015	2014
Norddeutsche Landesbank	41,154	138,016
Unterstützungskasse der BLB	34,494	1,741
Bremische Grundstücks-GmbH	10,170	832
BLB Grundbesitz KG	3,552[1)]	2,233
BLB Immobilien Treuhandkonten für Mietobjekte	974	838
BLB Immobilien GmbH (see [1)] and [2)])	873	-[3)]
BGG Oldenburg GmbH & Co. KG	137	264
Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn	192	89
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	92	48
BLBI Beteiligungs-GmbH	83	72
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG	81	138
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz	34	72
BLBI Investment GmbH & Co. KG	32[2)]	89
BGG Bremen GmbH & Co. KG	15	54
BLB Leasing GmbH	-[4)]	737

[1)] Only the average for the first half-year is stated; the second half-year was accounted for with BLB Immobilien GmbH.
[2)] Only the average for three quarters is stated; the balance as at 31 December 2015 is accounted for with BLB Immobilien GmbH.
[3)] Unlike the financial year, there was a claim in the amount of € 133 thousand.
[4)] Unlike the previous year, there was a claim during the financial year in the amount of € 60 thousand.

Norddeutsche Landesbank

Three loans were taken on for € 15 million in the current financial year.

The following other legal transactions were settled by the BLB in 2015:

Call money and time deposit liabilities

	Number of transactions	Currency	Volume in millions
Call money			
Norddeutsche Landesbank, Hanover	63	EUR	8,399
	1	USD	10
Norddeutsche Landesbank, London	23	EUR	4,970
	67	USD	1,097

Currency transactions

	Number of transactions	Currency	Volume in millions
Norddeutsche Landesbank			
Spot purchase	515	EUR	122,203
Spot sale	475	EUR	116,958
Forward purchase	7	EUR	297
Forward sale	20	EUR	5,516
BLB Leasing GmbH			
Spot sale	1	EUR	20

Derivative transactions

	Number of transactions	Currency	Volume in millions
Norddeutsche Landesbank			
Asset swap	5	EUR	3
Liability swap	9	EUR	894
	2	CHF	86
	1	USD	46
BLB Immobilien GmbH			
Asset swap	10	EUR	91

The figures in this table are as at 31 December 2015.

Other transactions

Norddeutsche Landesbank

In 2015, NORD/LB purchased an issue of a long-term subordinated bearer debt security (AT1 bond) from Bremer Landesbank in the amount of € 100 million, as at 28 December 2015, with an interest rate of 9.5 per cent.

In financial years 2012 to 2015, 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:

€ thousand	2015	2014	2013	2012
IT services	20,526	20,815	25,165	22,634
Project management costs NORD/FM	77	90	262	390

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 € 26.072 million (previous year: € 1.084 million).

Bremer Landesbank was charged € 841 thousand for services rendered by the Facility Management of BLB Immobilien (previous year: € 831 thousand). Furthermore, the Bank incurred lease expenses for the Landhaus am Rüten property of € 365 thousand (previous year: € 365 thousand) and for other space of € 117 thousand (previous year: € 94 thousand).

<u>BLB Leasing GmbH</u>

Bremer Landesbank has made leasing instalment payments to BLB Leasing of € 46 thousand (previous year: € 76 thousand) and received payments for rent in the amount of € 17 thousand (previous year: € 15 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 recognised a liability in the amount of the net loss for the year of € 784 thousand (previous year: receivable in the amount of € 1.099 million capitalised).

<u>Bremische Grundstücks-GmbH</u>

Bremer Landesbank received a dividend of € 1.800 million for financial year 2014 (previous year: € 2.000 million for financial year 2013).

Due to a profit-and-loss transfer agreement concluded in 2015, the Bank capitalised a receivable in the amount of the net profit for the year of € 33.671 million.

<u>NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen</u>

Bremer Landesbank received a dividend of € 131 thousand for the financial year 2015 (previous year: € 36 thousand).

<u>Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH</u>

In the year under review the change in responsibility for meeting company pension obligations of the Bremer Landesbank was effected with the involvement of Unterstützungseinrichtung in the financing of benefit entitlements. An amount totalling € 147.561 million was allocated to the covering funds of Unterstützungseinrichtung (previous year: € 1.631 million).

Other related parties

Remuneration of € 74 thousand was paid to key management personnel (for the Management Board and Supervisory Board of NORD/LB) (previous year: € 73 thousand).

Please see the section “Remuneration of and loans to governing bodies” for overall remuneration and loans to the Management Board and Supervisory Board. Current remuneration for employee representatives on the Supervisory Board totalled € 356 thousand (previous year: € 338 thousand).

All transactions were concluded on arm’s length terms.

(83) Directory of Mandates

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

Members of the Management 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-Hannover, Berlin and Hanover

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

(84) Remuneration of and Loans to Governing Bodies

Management’s remuneration is based on the rules in IAS 24.17 and can be categorised as follows:

€ thousand	2015	2014
Remuneration of active members of governing bodies		
Payments due in the short term	2,423	2,188
Other payments due in the long term	20	421
Post-employment benefits	1,742	951
Salaries of key management personnel	4,185	3,560

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 (*Institutsvergütungsverordnung*) is still to be approved by the Supervisory Board.

The contractual remuneration of the members of the Management 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:

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

Loans to members of the Management Board were granted at effective interest rates between 0.00 and 3.55 per cent. Loans to members of the Supervisory Board were granted at effective interest rates between 0.73 and 5.21 per cent.

The breakdown of the total remuneration on the basis of the national accounting standards can be seen in the table below.

€ thousand	2015	2014
Total remuneration of active members of governing bodies		
Management Board	2,205	2,749
Supervisory Board	198	203
Advisory Board	66	68
Total remuneration of former members of governing bodies and their dependents		
Management Board	1,657	1,513
Supervisory Board	-	-
Advisory Board	-	-

In 2014 the salary structure of the Management Board was changed due to the new contracts of employments driven by regulatory requirements. This resulted in higher fixed remuneration in 2014 and at the same time the payment of variable remuneration from the old contracts. The reduced variable remuneration came into effect in 2015, explaining the reduction compared to the previous year's figure.

Provisions for pensions to former members of governing bodies and their dependents amounted to € 29.637 million (previous year: € 32.454 million) were recognised.

(85) List of Shareholdings in Accordance With § 313 Para. 2 and § 340a Para. 4 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 Immobilien GmbH, Bremen	-	100.00	-	-[2]
BLB Leasing GmbH, Oldenburg	-	100.00	-	-[2]
Bremische Grundstücks-GmbH, Bremen	-	100.00	-	-[2]
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				
Associates				
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	-	-	-
BREBAU GmbH, Bremen	-	48.84	-	-
Bremische Wohnungbaubeteiligungsgesellschaft mbH	50.00	-	-	-
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	-	9[3]	1[3]
BLB I Beteiligungs-GmbH, Bremen	100.00	-	0[3]	0[3]
Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen	-	49.00	0	1
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100.00	-	1[3]	1[3]
Bremische Grundstücks-GmbH & Co., Wohnanlagen Gross-Bonn, Bremen	100.00	-	1[3]	1[3]
BREMER LAGERHAUS-GESELLSCHAFT – Aktiengesellschaft von 1877 –, Bremen	-	12.61	19	2
Gewobau Gesellschaft für Wohnungsbau Vechta mbH, Vechta	-	20.46	12	0
Interessengemeinschaft KATHARINENKLOSTERHOF GbR, Bremen	30.70	-	0	0
NBV Beteiligungs-GmbH, Hamburg	-	21.33	15	1
Öffentliche Versicherung Bremen, Bremen	-	20.00	5	0
Schiffsbetriebs-Gesellschaft Bremen mbH i. L., Bremen	-	100.00	0	0
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen	-	100.00	29	3
WLO Wirtschaftsförderungsgesellschaft für den Landkreis Oldenburg mbH, Wildeshausen	-	23.84	0	0
Wohnungsbaugesellschaft Wesermarsch mbH, Brake	-	21.71	19	0
Companies accounted for under IFRS 5				
Associates				
DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen	-	16.50	127	-

[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 2015.

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.

(86) Group Auditor's Fees

On 30 March 2015, 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 2015.

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

€ thousand	2015	2014
a) Services for the audit of the financial statements	1,397	1,279
b) Other confirmation services	534	272
c) Tax services	0	-
d) Other services	41	93
Total	**1,972**	**1,644**

(87) Events After the Balance Sheet Date

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

Bremen, 15 March 2016

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

Management Board

Dr. Stephan-Andreas Kaulvers

Heinrich Engelken

Dr. Guido Brune

Björn Nullmeyer

Responsibility Statement

“We confirm that, to the best of our knowledge and in accordance with the applicable 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 state of the Group, and also describes the principal opportunities and risks relating to the expected future development of the Group.”

Bremen, 15 March 2016

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

Management Board

Dr. Stephan-Andreas Kaulvers | Heinrich Engelken

Dr. Guido Brune | Björn Nullmeyer

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 2015 to 31 December 2015. 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 Management 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 Management 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 assets, financial and earnings position of the Group in accordance with these requirements. The Group Management Report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hanover, 16 March 2016

KPMG AG

Wirtschaftsprüfungsgesellschaft

Leitz
Wirtschaftsprüfer (German Public Auditor)

Mahr
Wirtschaftsprüfer (German Public Auditor)

Supervisory Board Report

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

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

KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover, audited the financial statements of Bremer Landesbank AöR and the consolidated financial statements for financial year 2015. 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 financial statements meeting on 30 March 2016 and reported on the results of the audit.

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

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

The following persons left the Supervisory Board:

on 6 October 2015 Senator Martin Günthner

The following persons were appointed to the Supervisory Board:

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

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

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

Bremen, 30 March 2016

The Chairwoman of the Supervisory Board

Mayoress Karoline Linnert

Report of the Owners' Meeting

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

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

The following persons left the Owners' Meeting:

on 6 October 2015 State Councillor Ekkehart Siering

The following persons were appointed to the Owners' Meeting:

on 6 October 2015 Mr. Arne Schneider

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

Bremen, 30 March 2016

The Chairman of the Owners' Meeting

Dr. Gunter Dunkel

Bremer Landesbank Declaration of Compliance with the Corporate Governance Code

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

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

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

General

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

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

Management Board

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

In particular, the Management Board ensures that effective risk management systems are established to recognise any risks to the Bank's ability to continue as a going concern at an early stage. The risk management system must conform to the respective regulatory requirements, for example, of the German Banking Act and the German Federal Financial Supervisory Authority (BaFin). Moreover, the Bank's risk management system must be compatible with the Group-wide risk management and credit-risk monitoring systems established by its parent and owner Norddeutsche Landesbank – Girozentrale –.

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

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

The Management Board discusses the Bank's 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 Management Board also regularly reports on significant matters of the Bank, especially regarding the intended business policy and other fundamental issues of corporate planning, the Bank's profitability and equity, the course of business and the Bank's situation. In addition, it reports on transactions which may have a significant impact on profitability, the Bank's liquidity as well as its assets, financial and earnings position and on the Bank's risk situation, compensation systems and the measures taken by the Group Controlling through the NORD/LB Group. Moreover, the Management Board reports to the Supervisory Board immediately when there is good cause, particularly if risks are involved, and this is of special significance for the Bank's situation, and involves the Supervisory Board in fundamental decisions.

The remuneration and other employment conditions of the members of the Management Board are set by the Supervisory Board on the basis of the recommendations of the Remuneration Committee. The remuneration comprises fixed and variable components and is reviewed on a regular basis.

Supervisory Board

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

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

The Risk Committee, Audit Committee, Nomination Committee, Remuneration Committee and Sponsorship Committee were created to support the Supervisory Board.

The Risk Committee consists of ten members. It is chaired by the chairman of the Management Board of NORD/LB. The Committee includes another two members for NORD/LB, the Finance Senator of the Free Hanseatic City of Bremen, two other members for the Free Hanseatic City of Bremen, the chairman of the Savings Banks Association of Lower Saxony and three employee representatives. The deputy chairman is a member specified by the Free Hanseatic City of Bremen and elected by the Committee. The Risk Committee advises the Supervisory Board on the Bank's current and future overall readiness for risk and its risk strategy, and supports it in the monitoring of the implementation of this strategy by senior management. The Risk Committee has the task, in regular meetings, of discharging the rights and duties of the Supervisory Board in advising and monitoring the management of the Bank.

The Audit Committee consists of six members, namely two representatives of Norddeutsche Landesbank - Girozentrale - and the Free Hanseatic City of Bremen, the president of the Savings Banks Association of Lower Saxony and an employee of the Bank who sits on the Supervisory Board and who is proposed by the employee representatives on the Supervisory Board and elected by the Supervisory Board. At least one member of the Audit Committee must be independent and have specialist knowledge of accounting or auditing. The Chairman of the Audit Committee may not be the Chairman of the Supervisory Board at the same time. The Audit Committee reports to the Supervisory Board on the basis of the auditors' reports on the outcome of the audit of the annual financial statements. The Audit Committee is also responsible for monitoring the financial reporting process and the effectiveness of the internal control system, the internal audit system and the risk management system, monitoring the audit of the annual and the consolidated financial statements, reviewing and monitoring auditor independence and the additional services provided to the Bank by the auditors.

The Nomination Committee consists of seven members; these are the chairman of the Management Board of NORD/LB, the finance senator of the Free Hanseatic City of Bremen, the chairman of the Savings Banks Association of Lower Saxony, a member of the Supervisory Board appointed by NORD/LB, another member of the Supervisory Board, named by the Free Hanseatic City of Bremen, and two employee representatives from the group of the employee representatives on the Supervisory Board. The chairman and deputy chairman are the same as the chairman and deputy chairman of the Risk Committee. The Nomination Committee supports the Supervisory Board, particularly in identifying applicants for appointment as member of the Management Board and in the preparation of the election proposals for the selection of the members of the Supervisory Board and in the regularly, at least annually performed evaluation of the structure, size, composition and performance of the Management Board and the Supervisory Board, and makes recommendations in this regard.

The Remuneration Committee consists of seven members, including the chairman of the Management Board of NORD/LB, the finance senator of the Free Hanseatic City of Bremen, the chairman of the Savings Banks Association of Lower Saxony, a member of the Supervisory Board appointed by NORD/LB with sufficient expertise and professional experience in the area of risk management and risk controlling, another member of the Supervisory Board, named by the Free Hanseatic City of Bremen, and two employee representatives from the group of the employee representatives on the Supervisory Board. The chairman and deputy chairman are the same as the chairman and deputy chairman of the Risk Committee. The Remuneration Committee monitors in particular the appropriate design of the remuneration systems and prepares the resolutions of the Supervisory Board on the remuneration and other employment conditions of members of the

Management Board and takes into account in particular the impact on the Bank's risk management.

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

Owners' Meeting

The owners of Bremer Landesbank are NORD/LB Norddeutsche Landesbank – Girozentrale (54.8343 per cent), the Federal State of Bremen (41.2 per cent) and the Savings Bank Association of Lower Saxony (3.9657 per cent). Each owner may appoint up to three representatives to the Owners' Meeting. Voting rights are in proportion to the owners' shares in capital. The representatives of each owner may only cast block votes.

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

Conflicts of interest

The members of the Management Board are bound by a comprehensive non-competition agreement while they work for the Bank.

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

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

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

The assumption of sideline activities by its members, in particular membership of governing bodies or advisory boards of other companies, requires the approval of the Management Board. Accepting a mandate at a company in which the Bank does not hold a stake, or merely an indirect one, requires the additional agreement of the Supervisory Board. Additionally, the Management Board reports once a year to the Supervisory Board and the Risk Committee on the additional employment activities of the members of the Management Board.

Consultancy agreements and other service and work agreements entered into by members of the Bank’s Supervisory Board require the Supervisory Board’s approval.

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

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 per cent
Free Hanseatic City of Bremen – 41.2000 per cent
Savings Banks Association of Lower Saxony – 3.9657 per cent

Governing bodies

Management 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 Management Board

<table>
<tr><th>Management Board</th><th colspan="2">Allocation of functions within the Management Board</th></tr>
<tr><td rowspan="2">Dr. Stephan-Andreas Kaulvers
Chairman</td><td>Bank Management</td><td>Management Board staff department
Finance
Communication and Marketing
Internal Audit</td></tr>
<tr><td>Risk Management</td><td>Risk Control</td></tr>
<tr><td>Heinrich Engelken
(Deputy Chairman)</td><td>Risk Management</td><td>Compliance/money laundering/fraud
Back Office Financing
Operations</td></tr>
<tr><td>Dr. Guido Brune</td><td>Sales</td><td>Financial Markets
Private Customers
BLB Immobilien GmbH</td></tr>
<tr><td rowspan="2">Björn Nullmeyer
(from 1 April 2015)</td><td>Sales</td><td>Special Finance
Ship Finance
Corporate Customers
BLB Leasing GmbH</td></tr>
<tr><td>Bank Management</td><td>Human Resources Management</td></tr>
<tr><th>General Representative</th><th colspan="2"></th></tr>
<tr><td>Mathias Barghoorn</td><td colspan="2"></td></tr>
<tr><td>Matthias Hellmann</td><td colspan="2"></td></tr>
</table>

Members of the Supervisory Board

Mayoress
Karoline Linnert
(Chairwoman)
Finance Senator,
Bremen

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

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

Ursula Carl
Managing Director
ATLANTIC Grand Hotel, Bremen

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

Frank Doods
State Secretary
Lower Saxony Ministry of Finance,
Hanover

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

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

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

Dr. Olaf Joachim
State Councillor of Senate Chancellery
Senate Chancellery,
Bremen

Andreas Klarmann
Banker
Bremer Landesbank,
Oldenburg

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

Bernhard Reuter
District Administrator of Göttingen District,
Göttingen

Michael Schlüter
Banker
Bremer Landesbank,
Oldenburg

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

Jörg Walde
Banker
Bremer Landesbank,
Bremen

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

Eike Westermann
Fully qualified lawyer
Bremer Landesbank,
Bremen

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

Members of the Owners' Meeting

For Norddeutsche Landesbank – Girozentrale –

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

Thomas S. Bürkle
Member of the Management 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 (to 6 October 2015)
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

Arne Schneider (from 6 October 2015)
Finance Senator, Bremen

For the Savings Banks Association of Lower Saxony

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

Harm-Uwe Weber
District Administrator of Aurich District

Mr. Gerhard Fiand
Chairman of the Management Board of Landessparkasse zu Oldenburg, Oldenburg

Members of the Advisory Board

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

Thomas Mang
(Deputy Chairman)
President of the Savings Banks Association
Lower Saxony, Hanover

Heiko Albers
President of Wasserverbandstag e. V.
Hanover

Jörg Bensberg
District Administrator of the Ammerland
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 Management 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

Frank Dreeke
Chairman of the Management Board of
BLG Logistics Group AG & Co. KG

Mr. Gerhard Fiand
Chairman of the Management Board
of the Landessparkasse zu Oldenburg

Ralf Finke
Chairman of the Management 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 Management Board of
Kreissparkasse Syke, Syke

Martin Hockemeyer
Managing Partner
of the Thiele Group, Ritterhude

Hans-Dieter Kettwig
Managing Director of
ENERCON GmbH, Aurich

Peter Klett (from 1 July 2015)
Chairman of the Management Board
of the Weser-Elbe Sparkasse

Jürgen Krogmann
Mayor of the City of Oldenburg

Reinhard Krüger
Chairman of the Management Board
of the Sparkasse Rotenburg-Bremervörde

Bernd Meerpohl
Management Board of Big Dutchman
Aktiengesellschaft, Vechta

Doris Nordmann
Undersecretary of the Lower Saxony
Ministry of Finance, Hanover

Dr. Götz Pätzold (to 30 June 2015)
Chairman of the Management Board
of the Weser-Elbe Sparkasse

Angelika Saacke-Lumper
Shareholder
Saacke GmbH, Bremen

Dietmar Schütz (to 30 June 2015)

Gert Stuke
President of the Oldenburg Chamber of Industry and Commerce, Oldenburg

Martin Steinbrecher
Managing Director of Martin Steinbrecher GmbH, Wittmund

Michael Teiser
Mayor and Treasurer of the City of Bremerhaven, Bremerhaven

Dietmar Strehl
Senate Councillor for the Finance Senator of the Free Hanseatic City of Bremen, Bremen

Manfred Wendt
Managing Director of Johann Bunte Bauunternehmung GMBH & Co. KG, Papenburg

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