Landwirtschaftliche Rentenbank

Disclosure Report of Landwirtschaftliche Rentenbank as of June 30, 2018

rentenbank

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1. Scope of application

In accordance with the requirements under Part Eight of the CRR (Capital Requirements Regulation – Regulation (EU) No 575/2013) and CRD IV (Capital Requirements Directive IV – Directive 2013/36/EU), banks are required to prepare a disclosure report at least annually.

Pursuant to the requirements of European banking supervision, institutions whose consolidated total assets exceed EUR 30 billion should consider publishing certain information on a quarterly basis (EBA/GL/2016/11 of December 14, 2016). This disclosure report as of June 30, 2018 is published in line with these guidelines, taking into account the BaFin Circular 05/2015 (BA). In accordance with these provisions, the required disclosures are subject to different reporting frequencies.

In its capacity as the parent company, Rentenbank prepares the disclosure report in aggregated form at Group level. The figures disclosed in this report are based on the regulatory scope of consolidation. The figures are determined on the basis of HGB accounting (*HGB, Handelsgesetzbuch – German Commercial Code*).

This report includes the quantitative information required to be disclosed as of the reporting date on

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The figures presented in the disclosure report have been rounded in accordance with commercial principles. They may thus not add up to the totals provided due to rounding differences. Blank rows or columns in the tables were hidden to improve readability.

Significant changes in the reporting period are described accordingly. If no other reporting date has been specified, all of the tables were prepared as of the reporting date June 30, 2018.

2. Own funds and capital requirements

2.1 Capital structure (Part Eight Article 437 CRR)

The Common Equity Tier 1 capital of Rentenbank Group comprises subscribed capital, retained earnings, and the fund for general banking risks pursuant to Section 340g HGB. Due to the elimination of intra-group profits or losses within the regulatory Group, retained earnings and the fund for general banking risks were reduced correspondingly.

There are no Additional Tier 1 instruments.

The Tier 2 capital consists exclusively of subordinated liabilities.

The following table presents the composition of Rentenbank Group's regulatory own funds in accordance with Part Two CRR, the risk-weighted assets, and the resulting capital ratios.

EUR million	Jun. 30, 2018	Mar. 31, 2018
Capital instruments		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	4.323	4.323
Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-13	-12
Common Equity Tier 1 (CET1) capital	4.310	4.311
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
Additional Tier 1 (AT1) capital	0	0
Tier 1 capital (T1=CET1+AT1)	4.310	4.311
Tier 2 (T2) capital before regulatory adjustments	250	270
Total regulatory adjustments to Tier 2 (T2) capital	0	0
Total Tier 2 (T2) capital	250	270
Total capital (TC=T1+T2)	4.560	4.581
Total risk-weighted assets *)	15.198	15.170
Capital ratios		
Common Equity Tier 1 capital ratio (as a percentage of total risk exposure amount *)**)**	**28,4**	**28,4**
Tier 1 capital ratio (as a percentage of total risk exposure amount)	**28,4**	**28,4**
Total capital ratio (as a percentage of total risk exposure amount)	**30,0**	**30,2**

2.2 Capital requirements (Part Eight Article 438 CRR)

Rentenbank Group applies the Credit Risk Standardized Approach (CRSA) to determine the regulatory capital requirements for credit risk. Counterparty credit risk is determined using the mark-to-market method. The basic indicator approach is applied to operational risk. The standardized approach is used to determine credit valuation adjustment (CVA) risk.

The following table shows the risk-weighted assets*) as well as the capital requirements for credit risk, counterparty credit risk, operational risk, and CVA risk. The capital requirements in accordance with the CRR amount to 8% of the risk-weighted assets and stand at EUR 1,216 million as of June 30, 2018.

	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
EUR million	Jun. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Mar. 31, 2018
Credit risk standardized approach (CRSA) excl. CCR				
Central governments or central banks	0	0	0	0
Regional governments or local authorities	0	0	0	0
Public sector entities	0	0	0	0
Multilateral development banks	0	0	0	0
International organizations	0	0	0	0
Institutions	11,605	928	11,675	934
Corporates	1	0	2	0
Covered bonds	1,305	104	1,291	103
Investment funds	0	0	0	0
Equity	172	14	172	14
Other items	70	6	60	5
Risk exposure under the CRSA (excl. CCR)	**13,153**	**1,052**	**13,200**	**1,056**
Risk exposure to counterparty credit risk (CCR) mark-to-market method	612	49	589	47
Risk exposure to market risks	0	0	0	0
Risk exposure to operational risks	655	52	655	52
Risk exposure to CVA (credit valuation adjustment) risk	778	62	726	58
Total risk exposure	**15,198**	**1,216**	**15,170**	**1,214**

*) The term risk weighted assets is used as a synonym for risk exposure amount.

3. Leverage ratio (Part Eight Article 451 CRR)

The leverage ratio for Rentenbank Group is determined on the basis of the Commission Delegated Regulation (EU) 2015/62.

Rentenbank Group's Tier 1 capital, total exposure measure, and leverage ratio as of June 30, 2018 are presented in the table below. As of the reporting date, the leverage ratio was 4.98%.

EUR million	Jun. 30, 2018	Mar. 31, 2018
Equity and total risk exposures		
Tier 1 capital	4,310	4,311
Leverage ratio total exposure measure	86,565	86,897
Leverage ratio	**4.98%**	**4.96%**

4. Credit quality of exposures

The following tables provide information exclusively on credit risks. Disclosures on counterparty credit risks are presented separately in Chapter 11 of the disclosure report.

Rentenbank Group has no defaulted exposures as of June 30, 2018.

4.1 Credit quality of exposures by exposure class and instrument

The following table shows the on- and off-balance sheet exposures, broken down by defaulted and non-defaulted exposures. It also includes information on credit risk adjustments and write-offs. The net values in column (g) correspond to the carrying values under the German commercial code in the regulatory scope of consolidation.

EU CR1-A: Credit quality of exposures by exposure class and instrument –semi-annually-

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
16	Central governments or central banks		5,702,800,147.15		27,870.06			5,702,772,277.09
17	Regional governments or local authorities		7,239,056,448.12		222,123.18			7,238,834,324.94
18	Public sector entities		17,116,531,140.42		138,237.83			17,116,392,902.59
19	Multilateral development banks		2,298,563,114.11		9,195.13			2,298,553,918.98
20	International organizations		10,069,530.89		40.99			10,069,489.90
21	Institutions		41,503,944,766.17		2,716,386.70			41,501,228,379.47
22	Corporates		1,369,584.05					1,369,584.05
30	Covered bonds		11,381,816,929.64		230,380.91			11,381,586,548.73
32	Collective investments undertakings		116,109.69					116,109.69
33	Equity exposures		171,853,534.60					171,853,534.60
34	Other exposures		1,168,373,384.89					1,168,373,384.89
35	**Total standardized approach**		**86,594,494,689.73**		**3,344,234.80**			**86,591,150,454.93**
36	**Total**		**86,594,494,689.73**		**3,344,234.80**			**86,591,150,454.93**
37	Of which: Loans		68,460,447,825.54		2,397,777.69			68,458,050,047.85
38	Of which: Debt securities		15,846,520,734.82		946,457.11			15,845,574,277.71
39	Of which: Off-balance sheet exposures		2,287,526,129.37					2,287,526,129.37

4.2 Credit quality of exposures by industry or counterparty types

The following table corresponds to the table EU CR1-A in terms of content. The exposures are broken down by industry.

EU CR1-B – Credit quality of exposures by industry or counterparty types –semi-annually–

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a + b - c - d - e)
10	Information and communication		188,341.56					188,341.56
10a.	Financial and insurance services		78,065,226,094.56		3,094,241.56			78,062,171,853.00
11	Real estate activities		3,962,369.54					3,962,369.54
13	Administrative and support service activities		8,837.75					8,837.75
14	Public administration and defence, compulsory social security		7,356,695,662.94		249,993.24			7,356,445,669.70
18a	Other		1,168,373,383.38					1,168,373,383.38
19	**Total**		**86,594,494,689.73**		**3,344,234.80**			**86,591,150,454.93**

4.3 Credit quality of exposures by geography

The following table corresponds to the table EU CR1-A in terms of content. The breakdown of the exposures is based on geographical areas.

EU CR1-C: Credit quality of exposures by geography –semi-annually–

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a + b - c - d - e)
10	Information and communication		188,341.56					188,341.56
10a.	Financial and insurance services		78,065,226,094.56		3,094,241.56			78,062,171,853.00
11	Real estate activities		3,962,369.54					3,962,369.54
13	Administrative and support service activities		8,837.75					8,837.75
14	Public administration and defence, compulsory social security		7,356,695,662.94		249,993.24			7,356,445,669.70
18a	Other		1,168,373,383.38					1,168,373,383.38
19	**Total**		**86,594,494,689.73**		**3,344,234.80**			**86,591,150,454.93**

5. Ageing of past due exposures

In the reporting period from January 1, 2018 to June 30, 2018, there were no past due exposures in Rentenbank Group.

6. Non-performing and forborne exposures

In the reporting period from January 1, 2018 to June 30, 2018, there were no non-performing or forborne exposures in Rentenbank Group.

7. Changes in stock of general and specific credit risk adjustments

As of June 30, 2018, Rentenbank Group's general valuation allowances for credit risk exposures amount to EUR 2.4 million (general credit risk adjustments). In addition, a general valuation allowance of EUR 0.9 million was recognized for securities.

There are no non-performing, past due or forborne exposures. The general valuation allowances are almost exclusively limited to loans and advances to financial institutions as well as to the local authorities within the European Union. As of the reporting date, there are no specific valuation allowances (specific credit risk adjustments).

8. Changes in stock of defaulted or impaired loans and debt securities

In the reporting period from January 1, 2018 to June 30, 2018, there were no defaulted or impaired positions in Rentenbank Group.

9. Credit risk mitigation

9.1 Credit risk mitigation techniques

Rentenbank uses collateral and netting agreements to reduce credit risk. Netting agreements are used exclusively for derivatives.

From a regulatory perspective, only warranties, especially guarantees as well as financial collateral from collateral agreements, are used by Rentenbank to reduce the risk-weighted assets on the basis of the Financial Collateral Simple Method. Only European local authorities are recognized as eligible guarantors. There are no credit risk concentrations within the credit risk mitigation taken.

Under the CRSA, the following collateral is used as of June 30, 2018:

Portfolio in EUR million	Financial collateral	Guarantees
Central governments	—	5
Regional governments and local authorities	—	40
Financial institutions	396	—
Total	**396**	**45**

The change in financial collateral in the amount of EUR 194 million compared to December 31, 2017 is mostly due to an increase in financial collateral from collateral agreements with financial institutions.

9.2 Credit risk exposure and credit risk mitigation (CRM) effects

The following table shows exposures before and after credit risk mitigation, broken down by on- and off-balance sheet amounts. Due to the substitution of exposure classes, taking into account collateral (guarantees), the exposure values after credit risk mitigation may, in some cases, considerably differ from those before credit risk mitigation.

EU CR4 – Standardized approach – Credit risk exposure and CRM effects –semi-annually-

		a	b	c	d	e	f
Exposures classes		**Exposures before CCF and CRM**		**Exposures post CCF and CRM**		**RWAs and RWA density**	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
1	Central governments or central banks	5,702,707,647.15	92,500.00	5,707,358,775.12	92,500.00		
2	Regional governments or local authorities	7,238,326,265.80	730,182.32	7,279,023,106.62	730,182.32		
3	Public sector entities	15,718,328,894.69	1,398,202,245.73	15,718,328,894.69	311,939,583.14	73,533.88	0.00
4	Multilateral development banks	2,298,563,114.11		2,298,563,114.11			
5	International organizations	10,069,530.89		10,069,530.89			
6	Institutions	40,625,452,400.60	878,492,365.57	40,580,104,431.81	439,246,182.79	11,605,202,469.86	28.29
7	Corporates	1,360,748.30	8,835.75	1,360,748.30	8,835.75	1,369,584.05	100.00
12	Covered bonds	11,371,816,929.64	10,000,000.00	11,371,816,929.64	5,000,000.00	1,305,406,439.97	11.47
14	Collective investment undertakings	116,109.69		116,109.69		116,109.69	100.00
15	Equity	171,853,534.60		171,853,534.60		171,986,664.96	100.08
16	Other items	1,168,373,384.89		1,168,373,384.89		69,558,387.98	5.95
17	**Total**	**84,306,968,560.36**	**2,287,526,129.37**	**84,306,968,560.36**	**757,017,284.00**	**13,153,713,190.39**	**15.46**

10. Standardized approach

The following table provides an overview of the exposures after collateral and after taking into account credit conversion factors. The breakdown is based on exposure classes and risk weights.

EU CR5 – Standardized approach –semi-annually-

	Exposure classes	Risk weight				Risk weight		Total	Of which unrated
		0%	10%	20%	50%	100%	250%		
1	Central governments or central banks	5,707,451,275.12						5,707,451,275.12	
2	Regional governments or local authorities	7,279,753,288.94						7,279,753,288.94	
3	Public sector entities	16,030,194,943.95				73,533.88		16,030,268,477.83	
4	Multilateral development banks	2,298,563,114.11						2,298,563,114.11	2,298,563,114.11
5	International organizations	10,069,530.89						10,069,530.89	10,069,530.89
6	Institutions			29,681,576,124.78	11,337,774,489.82			41,019,350,614.60	
7	Corporates					1,369,584.05		1,369,584.05	1,369,584.05
12	Covered bonds		9,699,569,459.60	1,677,247,470.04				11,376,816,929.64	
14	Collective investment undertakings					116,109.69		116,109.69	116,109.69
15	Equity					171,764,781.03	88,753.57	171,853,534.60	171,853,534.60
16	Other items	870,499,377.96	69,744,754.21	200,874,613.73	9,691,298.35	17,563,340.64		1,168,373,384.89	1,168,373,384.89
17	**Total**	**32,196,531,530.97**	**9,769,314,213.81**	**31,559,698,208.55**	**11,347,465,788.17**	**190,887,349.29**	**88,753.57**	**85,063,985,844.36**	**3,650,345,258.23**

11. Analysis of counterparty credit risk (CCR) by approach

Rentenbank Group determines counterparty credit risk (CCR) exposures in accordance with the mark-to-market method pursuant to Article 274 CRR, taking into account collateral. There were no securities financing transactions in the reporting period.

As of June 30, 2018, the counterparty credit risk exposure from all derivatives transactions (credit equivalent amount) before the recognition of collateral was EUR 1,851 million.

12. Credit valuation adjustment (CVA) capital charge

The following table presents the exposures for which credit valuation adjustment (CVA) capital charges must be taken into account. Rentenbank Group determines the corresponding capital charges in accordance with the standardized approach.

EU CCR2 – Credit valuation adjustment (CVA) capital charge –semi-annually-

		a	b
		Exposure value	RWAs
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) SVaR component (including the 3× multiplier)		
4	All portfolios subject to the standardized method	1,455,518,251.00	777,474,456.63
EU4	Based on the original exposure method		
5	Total subject to the CVA capital charge	1,455,518,251.00	777,474,456.63

13. Exposures to central counterparties (CCPs)

In the reporting period from January 1, 2018 to June 30, 2018, there were no exposures to CCPs in Rentenbank Group.

14. Standardized approach of counterparty credit risk (CCR) exposures by regulatory portfolio and risk

The following table presents derivatives exposures after collateral and after taking into account credit conversion factors. The breakdown is based on exposure classes and risk weights.

EU CCR3 – Standardized approach – CCR exposures by regulatory portfolio and risk –semi-annually

	Exposure classes	Risk weight			Total	Of which unrated
		0%	20%	50%		
1	Central governments or central banks	395,856,498.25			395,856,498.25	
3	Public sector entities	46,000.00			46,000.00	
6	Institutions		386,866,403.64	1,068,655,596.22	1,455,521,999.86	
11	**Total**	**395,902,498.25**	**386,866,403.64**	**1,068,655,596.22**	**1,851,424,498.11**	

15. Impact of netting and collateral held on exposure values

Netting agreements are used exclusively for derivatives. The use of netting arrangements from standardized netting agreements as well as from netting agreements recognized by regulatory authorities with all counterparties leads to reduced positive replacement values.

Rentenbank has concluded collateral agreements with all derivative counterparties. These agreements provide for cash deposits denominated exclusively in euros to secure the positive market values from derivatives in excess of the contractual allowance amounts and minimum transfer amounts. In return, Rentenbank undertakes to provide cash deposits denominated in euros in the case of negative market values if these exceed the corresponding allowance and minimum transfer amounts.

The following table shows the positive replacement values from derivatives as of June 30, 2018, before and after applying netting agreements and eligible collateral in accordance with Article 274 CRR:

	Jun. 30,2018 EUR million	Dec. 31, 2017 EUR million
Positive replacement values before netting and collateral arrangements	**2,902**	**2,575**
Netting arrangements	1,051	996
Eligible collateral	337	179
Positive replacement values after netting and collateral arrangements	**1,514**	**1,400**

The positive replacement values after netting and collateral arrangements largely correspond to regulatory add-ons pursuant to Article 274 (2) CRR.

The bank does not enter into credit derivatives, such as credit default swaps (CDSs). Accordingly, the nominal amount of credit derivatives hedges equals zero.

16. Composition of collateral for CCR exposure

Both collateral provided and collateral received are insolvency-proof. As of the reporting date, the market value of the collateral provided amounts to EUR 4,689 million. The market value of the collateral received is EUR 396 million.

17. Credit derivatives exposures

In the reporting period from January 1, 2018 to June 30, 2018, there were no credit derivatives exposures in Rentenbank Group.

18. Market risk under the standardized approach

In Rentenbank Group, only foreign currency exposures are to be considered as market risk. Due to the currently negligible volume, there are no RWAs and capital charges. Rentenbank Group uses the de minimis limit in accordance with Article 351 CRR.