2014

Annual Financial Report

Financial Statements in accordance with
German Commercial Code (HGB) of
Landwirtschaftliche Rentenbank
as of December 31, 2014

rentenbank

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Combined Management Report

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The combined management report consists of the group management report of Landwirtschaftliche Rentenbank (group in accordance with IFRS) and the management report of Landwirtschaftliche Rentenbank (Rentenbank in accordance with HGB). As the parent company of the Rentenbank Group, Rentenbank has combined the management report pursuant to Section 298 of the German Banking Act (Handelsgesetzbuch, HGB) in accordance with Section 315 (3) in conjunction with Section 298 (3) of the HGB with the Group management report pursuant to Section 315a (1) in conjunction with Section 315 of the HGB.

The difference between the Group and Rentenbank is minor, given the low significance of the consolidated subsidiaries LR Beteiligungsgesellschaft mbH (LRB), Frankfurt/Main, and DSV Silo- und Verwaltungsgesellschaft mbH (DSV), Frankfurt/Main. Therefore, the comments included in the combined management report generally also apply to both the Group and Rentenbank. In the section on results of operations, financial position and net assets, the disclosures specifically related to Rentenbank on the basis of HGB financial reporting are incorporated at the end of the corresponding section.

General information on the Group

Group structure

Rentenbank is a public law institution directly accountable to the Federal government, with its registered office in Frankfurt/Main. It operates no branch offices.

All material risks are concentrated in Rentenbank and are managed by Rentenbank on a group-wide basis. The Group comprises Rentenbank and three subsidiaries: LR Beteiligungsgesellschaft mbH (LRB), DSV Silo- und Verwaltungsgesellschaft mbH (DSV), and Getreide-Import-Gesellschaft mbH (GIG). The business activities of subsidiaries are strictly limited. Rentenbank has issued a comfort letter to LRB. Subsidiaries are funded exclusively within the Group.

Promotional mandate

The Group's responsibilities are to promote the agricultural sector and rural areas based on Rentenbank's Governing Law. The Group’s business activities are directed towards fulfilling this promotional mandate. The framework established by Rentenbank's Governing Law and its statutes are the main factors defining the Group’s risk structure.

As a promotional bank for the agricultural sector and rural areas, Rentenbank provides funds for a variety of investment projects. Within the framework of special promotional loans, Rentenbank grants refinancing loans according to the on-lending principle for projects in Germany in line with Rentenbank's competition neutrality. Rentenbank’s range of products serves the agricultural and forestry sectors, viticulture and horticulture sectors as well as in aquaculture and fish farming. Rentenbank also provides funds for projects in the food industry and other upstream and downstream industries as well as for investments in renewable energies and for rural infrastructure measures.

Management system

Rentenbank pursues the following objectives within the context of its business strategy:

- Optimize the implementation of the promotional mandate and continuous development of the promotional business
- Provide promotional benefit from own funds
- Generate an adequate operating result
- Low risk tolerance

The first three targets are translated to the operating business using key performance indicators. These key performance indicators are defined in more detail in this section. In addition, the report on expected developments and the section on the results of operations include information about targets and target achievement. The low risk tolerance is reflected in low limits, which are presented in the risk report.

The strategic objectives are presented on a segment-specific basis. The segments break down as follows:

- Promotional Business

The segment Promotional Business includes the promotional lending business, the securitized promotional business as well as the long-term funding of the Group. As part of the promotional lending business, Rentenbank grants special promotional loans as well as standard promotional loans, e.g. in the form of promissory note loans. The counterparties in the promotional business are largely banks and public-sector issuers. The securitized promotional business primarily includes investments in securities to ensure Rentenbank`s liquidity. Accordingly, they serve to satisfy banking regulatory requirements regarding liquidity management. The Group does not hold securities or receivables with structured credit risks such as ABS (asset-backed securities), or CDO (collateralized debt obligations).

- Capital Investment

The Capital Investment segment includes investments of own funds reported on the balance sheet and non-current provisions. The investments are made primarily in securities and promissory notes as well as registered debt securities of banks and public-sector issuers.

- Treasury Management

Short-term liquidity and short-term interest rate risk are hedged and managed in the Treasury Management segment.

A distinction is made between financial and other key performance indicators with regard to measures used to assess the strategic objectives within the internal management system.

The financial key performance indicators reflect operating activities based on HGB financial reporting. Financial key performance indicators include:

- Operating result before provision for loan losses and measurement

The business activities of Rentenbank are not primarily aimed at generating profits, but take into account business principles. These comprise the profitability of activities to ensure the Group's long-term ability to carry out promotional tasks. In view of increasing regulatory requirements, the operating result is used to establish an appropriate capital base. Profitability and stable earnings are also a prerequisite for carrying out the promotional activities without having to rely on government subsidies. In this context, Rentenbank uses its high credit quality as a promotional state agency in combination with its capital market strategy in order to raise funds at favorable conditions. In addition, the promotional activities benefit from income generated from securitized promotional business and from standard promotional business as well as from the high cost efficiency level achieved in the processes within the Group.

- Cost-income ratio

The cost-income ratio is a key performance indicator for the relation between cost and income in order to measure the efficient use of Rentenbank's resources. This performance indicator is both influenced by changes in expenses (numerator) and income (denominator). Therefore, the indicator is, by definition, sensitive to short-term fluctuations of income. The cost-income ratio always refers to a longer period of time and is supplemented by regular analyses of changes in expenses.

- Promotional performance

The promotional performance is a key performance indicator reflecting the total quantitative promotional benefit within one fiscal year. It includes income used for the interest rate reduction of the special promotional loans granted, the distributable profit and the other promotional measures, such as donations to the Rehwinkel-Foundation or funds provided by Rentenbank as subsidies in the program Research on Agricultural Innovation.

The three financial key performance indicators and their main components are determined within the framework of monthly reporting and are compared with target values. They are also reported separately in the multi-year plans.

The other key performance indicators comprise corporate citizenship, responsibility towards employees and compliance with legal and regulatory requirements. These are managed primarily on a qualitative basis within the context of the business strategy.

Further information on financial key performance indicators are included in the sections on Rentenbank's results of operations, financial position and net assets as well as in the report on expected developments. The other key performance indicators are described in more detail in a separate section.

Economic report

Macroeconomic and bank-specific environment

International interest rate and monetary policy

The fiscal year 2014 – as also its preceding year – was characterized by a very accommodative interest rate and monetary policy in the eurozone, which was further eased in the course of the year.

The European Central Bank (ECB) initially kept its interest rate for its main refinancing transactions unchanged at 0.25 %. In view of potential deflation threats, persistent weakness of the economy and a continuing soft demand for loans, the ECB cut the rate to 0.15 % in June and to 0.05 % in September. The ECB also cut its rate for deposit facilities from 0.00 % to -0.10 % and -0.20 %, respectively. Thus, the deposit rate was negative for the first time.

To support banks' lending activities, the ECB introduced further monetary policy measures, including the purchase of asset-backed securities (ABS) and covered debt securities, and also raised expectations regarding a broad-based purchase program related to eurozone government bonds.

In contrast to the ECB, the US Federal Reserve started to slightly reverse its accommodative monetary policy in 2014. Its purchase program of government bonds and mortgage securities ended in October. The diverging monetary policy on both sides of the Atlantic, but also the substantially higher economic growth in the United States led to a significant depreciation of the Euro against the US dollar. At year-end 2014, the ECB quoted a reference rate for the USD/EUR exchange rate at 1.21, which was 14 % lower than its 2014 high of 1.40 in May.

Development of long-term interest rates

Yields of long-term safe haven investments declined during the larger part of 2014. While yields for ten-year government bonds were just under 2 % at the beginning of the year, they fell to a mere 0.54 % by the end of the year. Due to the international crisis such as the tensions between Russia and the Ukraine, the associated sanctions and countermeasures as well as the conflicts in the Middle East, German and other eurozone government bonds were considered safe havens by investors. The asset purchase programs announced by the ECB contributed to a further decrease in yields. Yields of ten-year US government bonds also declined during the year, however, the downturn was less strong as a result of the somewhat more tight monetary policy.

Development within the German agricultural sector

The demand for our promotional loans does not only depend upon the attractiveness of our interest rates, but above all upon the investment activities in the business areas relevant for us. Since 2010, the German agricultural sector has developed very positively. A favorable framework, the encouraging economic situation and the low interest rate level triggered high capital expenditures among farmers and strong demand for our promotional loans. In the course of fiscal year 2014, falling prices for agricultural products led to a deterioration in sentiment. The prices for most important agricultural products – grain, milk and pork – declined.

Investments within the Agriculture promotional line focused on farm buildings, in particular stables, while the stock farming sector spent less in 2014. However, demand for promotional loans for dairy farming remained on a high level.

The investment momentum in the Renewable Energies promotional line is determined by the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz (EEG)). After the amendment of the Renewable Energy Sources Act in 2014, new construction of biogas plants almost came to a grinding halt. The majority of the remaining capital expenditure referred to modernization of biogas plants, for example in making the process for feeding electricity into the grid more flexible. We benefited massively from strongly increased installations in the wind energy sector. This was due to the attractive conditions and the distribution of the financing model "Bürger- und Bauernwindpark" (a special promotional loan program for investments in wind turbine installations by citizens and farmers in rural areas), which we launched on the basis of a special program.

Business development

In line with the expectations stated in the report on expected developments for 2014, Rentenbank's business development in the reporting year was characterized by a slight decline in demand for promotional financing. Special promotional loans exhibited a lower demand largely due to deteriorating underlying conditions in the agricultural sector, with the exception of the Renewable Energies promotional line. There, financings in the wind energy sector saw a considerable increase.

The notional amounts for new promotional business were as follows:

	2014		2013	
	EUR billion	%	EUR billion	%
Special promotional loans	6.9	61.1	7.2	62.0
Securitized promotional business	2.4	21.2	1.9	16.4
Standard promotional loans	2.0	17.7	2.5	21.6
Total	**11.3**	**100.0**	**11.6**	**100.0**

The new promotional business totaled EUR 11.3 billion in the year under review (2013: EUR 11.6 billion) and – as expected – was below the prior-year figure. The same applies to new special promotional lending business with a volume of EUR 6.9 billion (2013: EUR 7.2 billion). Despite the low interest rate levels, investment activities in the agricultural sector subsided due to the development on the agricultural markets. As a result, the demand for loans in the Agriculture and Rural Development promotional lines declined in 2014. In contrast, the demand for promotional loans in the Renewable Energies promotional line grew in the wake of the significant growth of financings in the wind energy sector. The Group's portfolio of special promotional loans increased by EUR 3.0 billion or 9 % to EUR 36.7 billion (2013: EUR 33.7 billion). The portfolio of the securitized promotional business remained virtually unchanged, although the amount shown in the balance sheet increased by EUR 0.8 billion to EUR 21.7 billion owing to changes in market value.

Rentenbank raised the necessary borrowings once again at favorable conditions since financial investors preferred safe haven investments. In the reporting year, Rentenbank borrowed funds on domestic and foreign capital markets in the amount of EUR 10.9 billion (2013: EUR 10.2 billion), which is slightly more than expected for 2014. The following instruments were used for funding on the capital market:

	2014		2013	
	EUR billion	%	EUR billion	%
Euro Medium Term Note (EMTN)	7.3	67.0	6.7	65.7
Global bonds	1.7	15.6	1.4	13.7
AUD Medium Term Note (MTN)	1.5	13.8	2.1	20.6
International loans/promissory notes	0.2	1.8	0.0	0.0
Domestic capital market instruments	0.2	1.8	0.0	0.0
Total	**10.9**	**100.0**	**10.2**	**100.0**

Net assets, financial position and results of operations

Results of operations

Group's results of operations

	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013	Change in
	EUR million	EUR million	EUR million
1) Income statement			
Net interest income before allowance for credit losses/promotional contribution	324.8	333.7	-8.9
Allowance for credit losses/promotional contribution	15.3	34.5	-19.2
Administrative expenses	59.3	55.2	4.1
Net other income/expense	-6.3	-5.2	-1.1
Operating result	**243.9**	**238.8**	**5.1**
Result from fair value measurement and from hedge accounting	-183.5	221.2	-404.7
Group's net income for the year	**60.4**	**460.0**	**-399.6**
2) Other comprehensive income			
Result from available-for-sale instruments	92.5	250.4	-157.9
Actuarial gains/losses from pension obligations	-26.5	-5.8	-20.7
3) Group's total comprehensive income	**126.4**	**704.6**	**-578.2**

Operating result

The operating result for the fiscal year 2014 amounted to EUR 243.9 million, which is an increase of EUR 5.1 million or 2.1% over the prior year (2013: EUR 238.8 million). The lower expenses for the promotional contribution as well as the decline in additions to the portfolio valuation allowance offset the lower net interest income and the increased administrative expenses.

Three factors caused the operating result not to decline as forecasted by 15–20 %: The total margins declined less strongly than anticipated, and the expenses for the promotional contribution and administrative expenses were below budgeted figures. These factors are explained in the following sections.

Interest income from loans and fixed-income securities as well as income from equity holdings reached EUR 3 532.3 million (2013: EUR 3 678.3 million). After deducting interest expenses of EUR 3 207.5 million (2013: EUR 3 344.6 million), net interest income amounted to EUR 324.8 million (2013: EUR 333.7 million). The expected decrease of net interest income by EUR 8.9 million or 2.7 % primarily reflects the decrease of portfolio margins as well as the effects of the persistently low interest rates. Please refer to information on the operating result by segments for details.

The item 'allowance for credit losses/promotional contribution' declined by EUR 19.2 million or 55.7 %. The main reasons for this decline were the decrease of the promotional contribution to EUR 75.3 million (2013: EUR 81.6 million) as well as lower additions to the portfolio valuation allowance in the amount of EUR 3.0 million (2013: EUR 11.7 million).

The promotional contribution comprises the subsidies for the special promotional loans granted by Rentenbank. A promotional expense arises at the time of the grant which is amortized through profit or loss over the remaining term to maturity of the transaction. The expense for the additions to promotional contribution fell by EUR 6.3 million to EUR 75.3 million (2013: EUR 81.6 million), while income from the utilization of the promotional contribution rose by EUR 4.3 million to EUR 63.0 million (2013: EUR 58.7 million).

In accordance with IFRS, impairments resulting from payment defaults are only determined for losses already incurred. Since the Group generally extends loans almost exclusively via other banks, credit risks are identified in a timely manner. To account for any existing risk of not having identified losses already incurred, Rentenbank determines a portfolio valuation allowance based on a model for the presentation of expected losses for loans and advances and for securities measured at (amortized) cost. The portfolio valuation allowance was increased by EUR 3.0 million to EUR 14.7 million (2013: EUR 11.7 million).

Administrative expenses rose by 7.4 % to EUR 59.3 million in fiscal year 2014 (2013: EUR 55.2 million). The personnel expenses included in this figure amounted to EUR 34.4 million (2013: EUR 32.0 million), an increase over the prior-year level by EUR 2.4 million. Wages and salaries including bonuses grew by EUR 0.9 million to EUR 23.1 million (2013: EUR 22.2 million). This is mainly attributable to the workforce increase according to plan (growth in the average number of employees from 256 to 260) and to collectively agreed pay rises.

Amortization of intangible assets and depreciation of property and equipment increased to EUR 5.7 million (2013: EUR 4.6 million). The main reason for this was amortization of expenses for projects related to the introduction of new IT systems capitalized in previous years.

The other administrative expenses grew by EUR 0.6 million or 3.2 % to EUR 19.2 million. The IT expenses included therein decreased by EUR 0.2 million to EUR 9.7 million (2013: EUR 9.9 million). The increase in administrative expenses by EUR 4.1 million to EUR 59.3 million (2013: EUR 55.2 million) is primarily attributable to higher costs for audits, the comprehensive assessment conducted by the ECB, as well as to contributions and donations which rose by EUR 1.6 million to EUR 3.5 million (2013: EUR 1.9 million). This increase was slightly below expectations. Additional planned new hires were filled successively and planned project activities were partly postponed to subsequent years due to high utilization of resources as a consequence of the the asset quality review and the stress test by the ECB.

Net other income/expense rose slightly, particularly due to the higher expenses in relation to the net result from taxes.

Operating result by segment

	Promotional Business		**Capital Investment**		**Treasury Management**		**Total**	
Jan. 1 to Dec. 31	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Net interest income before allowance for credit losses/promotional contribution	192.5	184.5	114.2	118.1	18.1	31.1	324.8	333.7
Allowance for credit losses/promotional contribution	15.3	34.5	0.0	0.0	0.0	0.0	15.3	34.5
Administrative expenses	45.0	42.2	8.6	8.0	5.7	5.0	59.3	55.2
Net other income/expense	-6.3	-5.2	0.0	0.0	0.0	0.0	-6.3	-5.2
Operating result	**125.9**	**102.6**	**105.6**	**110.1**	**12.4**	**26.1**	**243.9**	**238.8**

Net interest income in the Promotional Business segment rose mainly due to the increase of the average portfolio volume in comparison to the prior year to EUR 192.5 million (2013: EUR 184.5 million). The item 'allowance for credit losses/portfolio valuation allowance' fell significantly to EUR 15.3 million (2013: EUR 34.5 million) due to the lower promotional contribution and the decrease in additions to portfolio valuation allowance. Administrative expenses in the Promotional Business segment, including depreciation and amortization, rose by EUR 2.8 million to EUR 45.0 million. The segment's operating result grew to a total of EUR 125.9 million (2013: EUR 102.6 million).

Interest income from the Capital Investment segment declined as expected and was EUR 3.9 million lower than the previous year's figure (EUR 114.2 million). The higher investment volume from the retention of profits is offset with negative effects from lower interest rates for new investments due to the low interest rate environment as well as the higher yielding maturing funds. Overall, the segment's operating result amounted to EUR 105.6 million (2013: EUR 110.1 million).

As expected, the result of the Treasury Management segment continued to be characterized by a decline due to lower investment volumes and the further decrease in margins due to the monetary policy of the ECB. Net interest income fell by 41.8 % to EUR 18.1 million. The segment's operating result declined to EUR 12.4 million (2013: EUR 26.1 million).

Result from fair value measurement and from hedge accounting

All derivatives and certain non-derivative financial instruments are measured at fair value. Changes in the fair value are recorded as unrealized gains or losses in the result from fair value measurement and from hedge accounting.

For the measurement of hedged items being a part of hedge accounting relationships, only fair value changes due to the changes in the deposit/swap curves are taken into account. With respect to the remaining financial instruments measured at fair value, all market parameters, such as credit spreads, are included.

Changes in interest rates and exchange rates do not have significant measurement effects due to refinancing at largely matching maturities as well as hedging through derivatives. The result from fair value measurement and from hedge accounting is largely dominated by measurement losses from tightening credit spreads for own issues and by measurement-related ineffectiveness of hedging relationships. It decreased considerably to EUR 183.5 million as of December 31, 2014 (2013: EUR 221.2 million).

Measurement gains or losses are only of a temporary nature due to the buy and hold strategy of the Group with its status as a non-trading book institution, provided that no counterparty default occurs. These measurement effects are reduced to zero at the latest when the relevant transactions become due. Irrespective of this, the measurement results reported in the consolidated statement of comprehensive income pursuant to IFRS are the basis for regulatory capital and the calculation of the risk-bearing capacity.

Group's net income for the year

The operating result increased by EUR 5.1 million to EUR 243.9 million over the prior year. However, due to the negative result from fair value measurement and from hedge accounting of EUR 183.5 million, the Group's net income for the year fell to EUR 60.4 million (2013: EUR 460.0 million).

Other comprehensive income

Other comprehensive income reflects changes in the revaluation reserve. It shows the results from the measurement of available-for-sale securities and the actuarial gains and losses from the measurement of pension provisions.

The fair value changes largely attributable to changes in credit spreads related to the securities in the 'available for sale' category are recognized under this item. The changes in the fair value of these securities attributable to fluctuations of the deposit/swap curve are reported in the result from fair value measurement and from hedge accounting as a result of the application of hedge accounting principles. In addition, other comprehensive income includes the amortization of measurement results from securities that were reclassified in 2008 to the 'held to maturity' category at the then applicable market value.

The credit spreads for securities continued to decline in 2014, albeit to a lesser extent than in the prior year. This led to measurement gains in the amount of EUR 92.3 million (2013: EUR 248.3 million) due to the resulting higher market values. The amortization of securities reclassified in 2008 from the 'available-for-sale' category to the 'held-to-maturity' category resulted in income of EUR 0.2 million (2013: EUR 2.1 million).

Actuarial gains and losses from the measurement of pension obligations are caused by differences between expected and actual actuarial assumptions of the prior period and from changes in assumptions for the future. In fiscal year 2014, actuarial losses reported in the financial statements amounted to EUR 26.5 million (2013: EUR -5.8 million). These high losses are mainly based on the lower discount rate which, in turn, led to a higher pension provision.

Group's total comprehensive income

The Group's total comprehensive income for the period ending December 31, 2014 amounted to EUR 126.4 million (2013: EUR 704.6 million), representing a significant decline of EUR 578.2 million. The decline is largely due to the measurement loss recognized in the result from fair value measurement and from hedge accounting in the amount of EUR -183.5 million (2013: EUR 221.2 million) as well as due to the other comprehensive income from the measurement of available-for-sale instruments, which rose to a lesser extent by EUR 92.5 million (2013: EUR 250.4 million).

Reconciliation to distributable profit

Pursuant to Rentenbank's Governing Law, the net income reported in accordance with HGB has to be transferred to a guarantee reserve (*Deckungsrücklage*) and a principal reserve (*Hauptrücklage*), while the remaining amount is distributed. The distributed amount is shown as distributable profit. According to IFRS, these items are reported as equity components for informational purposes. The remaining difference to the Group's net income for the year is transferred to retained earnings.

Pursuant to Section 2 (3) Sentence 2 of Rentenbank's Governing Law, the guarantee reserve may not exceed 5 % of the nominal amount of the covered bonds outstanding at any time. Resulting from a decline in the volume of covered bonds, an amount of EUR 21.6 million (2013: EUR 48.5 million) was withdrawn from the guarantee reserve and transferred to the principal reserve in the same amount.

Subject to the pending resolutions of the responsible corporate bodies regarding the separate financial statements in accordance with HGB, Rentenbank intends to transfer an additional amount of EUR 41.2 million (2013: EUR 39.8 million) from net income for the year to the principal reserve, and a further amount of EUR 5.4 million (2013: EUR 406.9 million) to other retained earnings. The distributable profit remaining after the transfer to reserves amounts to EUR 13.8 million (2013: EUR 13.3 million).

Results of operations of Rentenbank

The results of operations in Rentenbank's financial statements in accordance with the German Commercial Code (HGB) developed satisfactorily as follows:

	Jan. 1 to Dec. 31, 2014	**Jan. 1 to Dec. 31, 2013**	**Change in**
	EUR million	EUR million	EUR million
Net interest income	311.0	312.7	-1.7
thereof: expenses for interest rate subsidy for special promotional loans	72.3	78.4	-6.1
Net fee and commission income	-1.6	-1.7	0.1
Administrative expenses	56.6	53.2	3.4
Other operating result	-10.1	-9.1	-1.0
Operating result before provision for loan losses and measurement	**242.7**	**248.7**	**-6.0**
Provision for loan losses and measurement	187.7	195.7	-8.0
Net income	**55.0**	**53.0**	**2.0**

As of December 31, 2014, the operating result before provision for loan losses and measurement amounted to EUR 242.7 million. The development of the operating result before provision for loan losses and measurement (HGB) structurally corresponds with the development of the operating result under IFRS, except for the portfolio valuation allowance recognized under IFRS within the context of the allowance for credit losses. The operating result before provision for loan losses and measurement (HGB) declined by EUR 6.0 million due to the slight decrease of net interest income as well as the higher administrative expenses. In contrast, the IFRS operating result increased by EUR 5.1

million since the additions to the portfolio valuation allowance declined by EUR 8.7 million to EUR 3.0 million down on previous year (2013: EUR 11.7 million). Moreover we also refer to the general comments on the results of operation of the Group.

The provision for loan losses and measurement primarily comprise general valuation allowances under HGB and the additions to the fund for general banking risks. As a result of the credit rating improvements of our portfolio, we recognized reversals of general valuation allowances on a pro-rata basis in the amount of EUR 1.1 million; the remaining balance of general valuation allowances amounts to EUR 13.9 million (2013: EUR 15.0 million). The fund for general banking risks (Section 340g HGB) was increased by EUR 194.7 million. The overall increase of net income amounted to EUR 2.0 million, resulting in net income of EUR 55.0 million (2013: EUR 53.0 million), of which an amount of EUR 41.2 million (2013: EUR 39.7 million) was transferred to the principal reserve. Distributable profit after the transfer to reserves amounts to EUR 13.8 million (2013: EUR 13.3 million), which will be used to promote agriculture and rural areas.

Financial key performance indicators

The operating result before provision for loans losses and measurement amounted to EUR 242.7 million (2013: EUR 248.7 million). Its decline was in line with expectations, however to a lesser extent than projected. On the one hand, net interest income decreased less than expected since the new business volume in the securitized promotional business was higher and the corresponding margins exceeded our plans. On the other hand, the increase of administrative expenses was slightly below expectations since additional permanent posts (*Planstellen*) were filled on a step-by-step basis and some of the planned project activities were postponed to subsequent years due to high utilization of resources in connection with the asset quality review and the stress test by the ECB.

These developments also influenced the cost income ratio. As a result of the growth of expenses to a total amount of EUR 70.7 million (2013: EUR 66.7 million) and, at the same time, the slight decline in income to EUR 313.4 million (2013: EUR 315.4 million), this indicator only marginally increased from 21.2 % to 22.6 %. Thus, the cost-income ratio continues to be on a moderate level when compared with competitors.

The key performance indicator of promotional performance includes the promotional contribution for the special promotional loans granted by Rentenbank for which a nominal amount of EUR 73.9 million (2013: EUR 77.0 million) from own resources was spent in the reporting year. In addition, as in the previous year, Rentenbank provided grants in the amount of EUR 3.0 million in relation to the program 'Research on Agricultural Innovation.' The promotional performance for 2014, including the distributable profit of EUR 13.8 million, remains on a high level at EUR 90.7 million. While we originally expected an almost flat figure within the framework of our planning, the promotional performance was EUR 5.6 million below the previous record-breaking year (2013: EUR 96.3 million). The reason for this was the slightly lower new business volume with special promotional loans and the resulting slightly lower promotional contribution.

Financial position

Capital structure

Capital structure of the Group

	Dec. 31, 2014	**Dec. 31, 2013**	**Change in**
	EUR million	EUR million	EUR million
Liabilities			
Liabilities to banks	2 184.7	5 549.9	-3 365.2
Liabilities to customers	4 954.7	5 148.8	- 194.1
Securitized liabilities	69 178.8	60 860.9	8 317.9
Subordinated liabilities	691.8	686.8	5.0
Equity			
Subscribed capital	135.0	135.0	0.0
Retained earnings	3 046.1	2 999.5	46.6
Revaluation reserve	112.5	46.5	66.0
Distributable profit	13.8	13.3	0.5

Liabilities

Liabilities to banks decreased by EUR 3.3 billion to EUR 2.2 billion (2013: EUR 5.5 billion), which was largely attributable to the full repayment of time deposits and open market operations. Liabilities to customers decreased by EUR 0.2 billion to EUR 4.9 billion (2013: EUR 5.1 billion) mainly due to maturing time deposits.

The changes in the nominal volume of securitized liabilities amounted to EUR 4.4 billion or 7.2 %. However, the carrying amount of securitized liabilities increased by EUR 8.3 billion or 13.7 % due to exchange rate changes, resulting in a carrying amount of EUR 69.2 billion (2013: EUR 60.9 billion) as of December 31, 2014. The Medium Term Note (MTN) programs continued to be the most important refinancing sources and amounted to EUR 49.3 billion (2013: EUR 46.3 billion). The carrying amount of the global bonds amounted to EUR 13.8 billion (2013: EUR 10.6 billion) as of year-end. The volume of Euro commercial papers (ECP) grew by EUR 2.0 billion to EUR 5.9 billion (2013: EUR 3.9 billion).

Subordinated liabilities remained unchanged at EUR 0.7 billion (2013: EUR 0.7 billion), compared to the prior year.

All funds borrowed for refinancing purposes on the money and capital markets were raised at market-based levels.

The following analysis is a breakdown of liabilities by maturity, currency and interest structure based on IFRS carrying amounts:

	Maturity					
	up to 1 year		1 to 5 years		more than 5 years	
	Dec. 31, 2014	**Dec. 31, 2013**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2014**	**Dec. 31, 2013**
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Fixed interest rate						
EUR	2 250.7	5 496.8	9 154.6	9 004.6	7 680.3	7 705.2
USD	3 021.9	2 439.6	12 003.6	11 791.4	2 412.1	948.0
AUD	1 041.0	1 050.0	3 418.5	3 978.3	4 421.4	2 748.7
JPY	35.9	470.4	209.4	86.5	253.2	408.7
CHF	297.1	83.0	1 055.3	1 343.0	101.6	93.4
NOK	405.4	0.0	719.8	1 158.5	123.5	183.9
GBP	0.0	0.0	1 670.1	1 147.9	14.8	13.3
Other	31.1	435.0	2 651.5	1 491.2	623.5	169.5
Zero coupon						
EUR	419.9	1 266.9	78.7	96.1	921.9	819.1
USD	4 122.7	1 979.4	0.0	0.0	42.5	37.2
AUD	673.8	12.9	0.0	0.0	0.0	0.0
GBP	510.1	530.0	0.0	0.0	0.0	0.0
Other	217.7	123.3	0.0	0.0	0.0	0.0
Variable interest						
EUR	1 863.3	535.5	4 905.4	5 187.1	3 213.3	3 496.3
USD	428.6	1 735.8	4 081.9	2 482.5	123.4	0.0
AUD	0.0	0.0	695.7	670.3	0.0	0.0
JPY	20.7	20.9	44.1	49.0	349.4	345.5
NOK	0.0	0.0	239.1	156.4	0.0	0.0
Other	127.6	0.0	333.9	455.3	0.0	0.0
Total	15 467.5	16 179.5	41 261.6	39 098.1	20 280.9	16 968.8

Equity

The Group's net income for the year of EUR 60.4 million (2013: EUR 460.0 million) as well as measurement gains of EUR 66.0 million (2013: EUR 244.6 million), which are reported in the revaluation reserve, led to a rise in equity.

Capital structure of Rentenbank

The financial position based on Rentenbank's financial statements in accordance with the provisions of HGB is as follows:

	Dec. 31, 2014 EUR million	**Dec. 31, 2013** EUR million	**Change in** EUR million
Liabilities			
Liabilities to banks	2 806.6	6 272.1	-3 465.5
Liabilities to customers	4 264.8	4 730.3	- 465.5
Securitized liabilities	65 843.8	61 433.8	4 410.0
Subordinated liabilities	599.2	597.7	1.5
Equity (including fund for general banking risks)			
Subscribed capital	135.0	135.0	0.0
Retained earnings	966.8	925.5	41.3
Distributable profit	13.8	13.3	0.5
Fund for general banking risks	2 632.0	2 437.3	194.7

Liabilities under HGB and IFRS structurally developed in the same way. The difference between the Group and Rentenbank is due to the measurement at fair value and the application of hedge accounting required under IFRS. We therefore refer to the representation of liabilities in the Group's capital structure.

The fund for general banking risks was increased by EUR 0.2 billion to EUR 2.6 billion (2013: EUR 2.4 billion). This resulted in an increase in equity by EUR 0.2 billion compared to 2013.

Capital expenditure

The major capital expenditures made by Rentenbank in fiscal years 2013 and 2014 primarily related to the implementation and further development of the trading, risk management and limit system, the regulatory reporting software and the rating platform. In addition, the SEPA and EMIR requirements were implemented and activities for the build-up of a new extranet platform were started. Within the scope of preliminary study, Rentenbank is currently evaluating the introduction of a new financial accounting system.

This is reflected in the changes in intangible assets. The costs inceased by EUR 2.3 million in fiscal year 2014 (2013: EUR 4.4 million).

Liquidity

The liquidity analysis represents the contractually agreed redemption amounts:

Dec. 31, 2014	up to 3 months	more than 3 months to 1 year	more than 1 year to 5 years	more than 5 years or unspecified maturity
	EUR million	EUR million	EUR million	EUR million
Liabilities to banks	4.6	373.5	940.0	785.0
Liabilities to customers	170.8	201.1	1 306.5	3 414.6
Securitized liabilities	8 012.8	7 164.9	37 325.8	14 725.4
Negative fair values of derivative financial instruments	61.0	40.0	547.0	523.0
Subordinated liabilities	7.1	16.5	123.7	481.0
Total	**8 256.3**	**7 796.0**	**40 243.0**	**19 929.0**

Dec. 31, 2013	up to 3 months	more than 3 months to 1 year	more than 1 year to 5 years	more than 5 years or unspecified maturity
	EUR million	EUR million	EUR million	EUR million
Liabilities to banks	3 238.4	565.7	1 327.0	370.0
Liabilities to customers	429.4	268.5	907.5	3 976.5
Securitized liabilities	8 523.9	3 678.4	35 153.1	12 269.3
Negative fair values of derivative financial instruments	154.0	158.0	1 166.0	627.0
Subordinated liabilities	5.9	16.0	45.0	560.9
Total	**12 351.6**	**4 686.6**	**38 598.6**	**17 803.7**

The Group has sufficient liquid funds and is able to meet its payment obligations at all times without restrictions.

Net assets

Net assets of the Group

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Loans and advances to banks	51 407.6	49 750.9	1 656.7
Loans and advances to customers	5 530.3	5 570.6	-40.3
Financial assets	21 701.2	20 894.4	806.8
Positive fair values of derivative financial instruments	5 958.4	3 236.1	2 722.3
Negative fair values of derivative financial instruments	6 810.6	5 796.6	1 014.0

In accordance with competition neutrality, Rentenbank principally extends its loans via banks. Within the net assets, this is reflected in the loans and advances to banks which amount to 57.9 % (2013: 60.7 %) of total assets. As of December 31, 2014, the carrying amount of this item was EUR 51.4 billion (2013: EUR 49.8 billion).

Loans and advances to customers decreased slightly by EUR 0.1 billion to EUR 5.5 billion (2013: EUR 5.6 billion).

Financial assets, which consist almost exclusively of bank bonds and notes, increased by EUR 0.8 billion to EUR 21.7 billion (2013: EUR 20.9 billion), primarily due to measurement effects.

The positive fair values of derivative financial instruments increased by EUR 2.7 billion to EUR 5.9 billion (2013: EUR 3.2 billion), while negative fair values rose by EUR 1.0 billion to EUR 6.8 billion). This development was particularly influenced by exchange rate changes. Derivatives are exclusively entered into in order to hedge existing or expected market price risks. Collateral agreements were concluded with all counterparties with whom the Bank enters into derivative transactions. The Bank does not enter into credit default swaps (CDS).

Net assets of Rentenbank

Net assets on Rentenbank's financial statements in accordance with HGB are as follows:

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Loans and advances to banks	51 459.3	50 042.5	1 416.8
Loans and advances to customers	4 938.6	5 451.3	- 512.7
Bonds and other fixed-income securities	20 171.5	20 301.9	- 130.4

Net assets under HGB and IFRS structurally developed in the same way. The difference between the Group and Rentenbank is due to the measurement at fair value and the application of hedge accounting required under IFRS. Therefore, we refer to the comments on the Group's net assets.

At year end, the securities portfolio included bonds classified as fixed assets in a nominal amount of EUR 20.0 billion (2013: EUR 19.9 billion). As in the previous year, debt securities of the liquidity reserve were not held in the portfolio.

The Board of Managing Directors is satisfied with the course of business as well as with the development of the results of operations, financial position and net assets.

Other key performance indicators

Corporate citizenship

As a public law institution, Rentenbank has a responsibility beyond its promotional mandate to be an active corporate citizen. Rentenbank, with its registered office in Frankfurt, Germany, primarily supports local cultural institutions and selected projects. Grants are provided on a regular basis to Oper Frankfurt, Schirn Kunsthalle, Städel Museum, the English Theatre and the State Academy of Fine Arts (Städelschule). With respect to Städelschule, Rentenbank supports young talented artists through the donation of a group prize within the framework of the annual 'Rundgang.' Rentenbank also supports various projects of churches, associations and societies with regular donations at Christmas.

Employees

The number of employees grew in the past year. At year-end 2014, Rentenbank employed 269 (2013: 257) employees (including trainees and interns), of which 223 (2013: 214) were full-time employees. These figures include neither employees in parental leave nor members of the Board of Managing Directors. The average employment with the company was approximately eleven years. The ratio of men and women is almost on par, with 54 % of the employees being male and 46 % being female. Women make up 89 % of the part-time employees.

Compliance with legal and regulatory requirements

Rentenbank prepares its consolidated and annual financial statements as well as the combined management report in accordance with the requirements of the German Commercial Code, the International Financial Reporting Standards as well as the German Accepted Accounting Principles (Grundsätze ordnungsgemäßer Buchführung, GoB) and the related supporting pronouncements. The financial statements prepared are subject to an audit opinion issued by an auditor. In this context, we pay attention to proper preparation as well as to compliance with publication deadlines. This is primarily ensured by an Internal Control System (ICS).

Regulatory requirements regarding own funds and liquidity have strategic relevance. Full compliance with all existing regulatory provisions is a top priority. Within the Group, the Regulatory Topics working group, which also comprises the Compliance desk, ensures that new regulatory requirements are identified at an early stage and managed within the Group.

Report on events after the balance sheet date

No events of material importance were recorded after the end of the fiscal year 2014.

Report on expected developments and opportunities

Development of business and underlying conditions

The economic development of Rentenbank primarily depends on the underlying conditions on the credit and financial markets. These are influenced by the monetary policy of the central banks, the development of prices and exchange rates as well as the development of public sector finances. The demand for promotional loans is particularly influenced by both the interest rate trend and the economic situation on the agricultural markets.

At the beginning of 2015, the European Central Bank (ECB) announced further monetary easing. In order to prevent a deflation in the eurozone, the ECB decided to purchase government bonds and other securities in the amount of EUR 60 billion between March 2015 and September 2016 on a monthly basis. Against this backdrop, and in view of the ECB's promise to keep its key interest rate at a low level for the foreseeable future (forward guidance), Rentenbank expects money market rates to remain low and a flat interest-rate curve during the course of the year.

Last but not least as a result of the sharp decline in the oil price, Rentenbank expects a continued low price pressure and a moderate economic recovery in the eurozone. Due to the expected more dynamic economic development in the United States and a possible interest rate increase introduced by the US Federal Reserve (Fed) from mid-2015, Rentenbank assumes a continued Euro weakness against the US dollar.

According to Agrar, the agricultural business and investment sentiment indicator, farmers plan considerably lower total investments in the first half of 2015. Farmers are more pessimistic compared to the previous year in all types of business. Above all, dairy cattle farmers expect their situation to deteriorate in the next two to three years. Since the promotional activities in the Agriculture line directly depend on investments, a declining development can be expected here as well.

Irrespective of the good supply of agricultural products in 2014, the fundamentals suggest that the relatively scarce global supply of agricultural commodities will not change in general. The Food and Agriculture Organization of the United Nations (FAO) expects in its projection until 2023 that the international price levels for agricultural commodities will be stable. In the long-term, the prospects for the agricultural sector remain positive.

The development of the Renewable Energies promotional line is largely dependent upon the Renewable Energy Sources Act (EEG), which was amended in mid-2014 and has remained unchanged since then. Accordingly, promotional loans in our Renewable Energies promotional line should face a declining demand.

Rentenbank anticipates that it will be able to fulfill its promotional mandate based on its risk-conscious business policy and its triple A ratings.

Forecast of business development

Comprehensive annual plans and multi-year plans are prepared in order to project Rentenbank’s future results of operations, net assets and financial conditions. They comprise planning for Rentenbank's new business, portfolio, equity, income and costs as well as stress scenarios. The annual plan examines individual factors in greater detail than the multi-year plans. In the following, the projections refer to the planning period of 2015.

Within the framework of our current planning, the Group assumes that new business volume in the Promotional Business segment will be slightly below the level of the previous fiscal year. This new business will continue to be funded through Rentenbank's issuance programs. As a result of a persisting low-interest environment and the announced expansion of the ECB's purchase program, margins from new business are expected to decline noticeably.

We expect special promotional loans to remain the focus within the lending business. However, after the record year of 2013 and the slight decline in demand in the past year, we expect for 2015 that the decline in new business with special promotional loans will be more pronounced than projected in the previous three-year plan as a result of the current developments with regard to the investment activities of our end-borrowers.

The portfolio of securities and standard promotional loans will decrease by 10 % due to the anticipated large amount of redemptions. The percentage share of special promotional loans in the total promotional volume will continue to increase slightly. Overall, we expect a marginal decline of net interest income for the Promotional Business segment attributable to lower margins of the portfolio and the lower volumes. The described decline in the portfolio due to a large amount of redemptions will become effective only at the end of 2015, i.e. the negative effect on net interest income will become more noticeable only in subsequent years.

We forecast that interest income within the Capital Investment segment in 2015 will be slightly above the prior-year level. The higher portfolio volume from retained profits is offset by negative effects from lower interest rates for new investments due to the low interest rate environment as well as the higher yielding maturing funds.

In 2015, net interest income of the Treasury Management segment is likely to be slightly below the prior-year level again.

Net interest income for the three segments is expected to decline slightly for the year 2015.

Cost planning for 2015 and the following years in particular takes into account the necessary investments into Rentenbank's infrastructure as well as the necessary adjustments to fulfill additional regulatory requirements. This includes investments for the development of the new trading, risk management and limit system, the introduction of a new financial accounting and reporting system as well as for the upgrade of hardware and software currently in use. Apart from that, multi-year planning takes into account investments for the modernization of the bank building. The many changes in the regulatory framework and accounting standards will result in a significant increase of administrative expenses (2014: EUR 56.6 million) in 2015 and the following years, despite our rigorous cost management. This particularly applies to personnel cost as Rentenbank sees the need for new positions to be created. An additional factor that weighs on earnings for the first time in 2015 is the proposed new regulation of the bank levy in Europe.

Against the backdrop of the development of income and costs, the Group expects the operating result to decline by around 10 % for 2015 (2014: EUR 242.7 million). It is expected that this key performance indicator will still remain on a historically high level.

The presented earnings trend will enable us to keep the promotional performance (2014: EUR 90.7 million) on an appropriate level. Due to the expected decline in new business with special promotional loans and the resulting decrease in promotional contribution, we expect the key performance indicator of promotional performance to decline by up to 15 % over the prior year in 2015.

Falling income coupled with the simultaneous investment related increase of administrative expenses as well as the expected additional charges from the new regulation of the bank levy will likely result in a significant increase of the cost income ratio (2014: 22.6 %). Nevertheless, the ratio will remain on a moderate level in comparison with other promotional banks.

The Board of Managing Directors expects income to decline and administrative expenses to increase in fiscal year 2015. The projection for the promotional performance is slightly below the prior-year figure.

Opportunities and risks

In comparison to the forecast results for 2015, additional opportunities and risks may occur for our business development due to changes in underlying conditions.

For example, the financial market crisis may intensify again and have an impact on new business volume and margins of the asset and funding activities. A deterioration of the economic environment would result in new business volume lower than planned. However, the financial market crisis has showed up to now that such difficult situations may also create opportunities, attributable to Rentenbank's superior credit ratings and its solid capital base. These opportunities may be related to attractive funding opportunities as well as higher margins in the securitized and the standard promotional loan business.

The persistent low-interest environment influences the demand of the agricultural sector for special promotional loans and also weighs on the result in the segments Capital Investment and Treasury Management as well as on the margins in the Promotional Business segment. Further measures introduced by the ECB within the scope of the extended purchase program could lead to an additional strain on earnings due to falling yields and margins. A change of the low interest environment, e.g. in the wake of a strong rate hike, could be associated with both risks and opportunities for Rentenbank due to the abovementioned factors. The actual outcome of the situation depends on the extent and the speed of interest rate changes as well as the respective business segment and the selected observation period.

Negative interest rates have emerged in the meantime in some of the money and capital market segments. This may lead to additional potential risks, but also may involve opportunities due to economic, legal or technical underlying conditions and restrictions.

Administrative expenses may be subject to additional burdens resulting from further regulatory requirements which are not known yet. This would have an impact on IT and personnel costs. Apart from the investments already planned, further improvements to the IT and building infrastructure may become necessary. In the course of the European-wide harmonization of the bank levy, Rentenbank may face – probably significant – additional burdens which would increase administrative expenses.

Even taking Rentenbank's risk-averse new business policy into account, it cannot be ruled out that additional information regarding the financial circumstances of our business partners with a negative impact on their respective credit quality will be identified during the course of 2015. This can result in additional rating downgrades for exposures held in the portfolio and thereby burden the risk covering potential within the context of the risk-bearing capacity concept.

Further information on risks is included in the risk report section.

Development in the current year

The net interest income of all three segments in the first month of the current year was slightly above the pro-rata projected figure. The result from fair value measurement and from hedge accounting includes a measurement loss which is mainly attributable to value changes owing to credit spread changes regarding own issues for which the fair value option is applied. To a lesser extent, hedge ineffectiveness in micro and macro hedge accounting is also a responsible for this measurement loss. Based on new business and the results achieved in the current fiscal year so far, the Board of Managing Directors is confident that planned volumes in the promotional business and the planned operating results will be achieved for fiscal year 2015. As a result of the high volatility of market parameters, the future development of measurement gains or losses in the course of the year cannot be predicted.

This report on expected developments contains certain forward-looking statements that are based on current expectations, estimates, forecasts and projections of the Board of Managing Directors and information currently available to it. These statements include, in particular, statements about our plans, strategies and prospects. Words such as 'expects,' 'anticipates,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates' and similar expressions are intended to identify such forward-looking statements. These statements are not to be understood as guarantees of future performance, but rather as being dependent upon factors that involve risks and uncertainties and are based on assumptions which may prove to be incorrect. Unless required by law, we shall not be obligated to update forward-looking statements after their publication.

Risk report

All material risks are concentrated in Rentenbank and are managed by Rentenbank on a group-wide basis. The business activities of subsidiaries are strictly limited. The explanations included in the risk report generally refer to the Group. Essential bank-specific aspects of Rentenbank are presented separately.

Organization of risk management

Based on the company objective derived from the relevant laws and regulations, the Board of Managing Directors determines the Group's sustainable business strategy. Rentenbank's business strategy is defined above all by its promotional mandate and the measures to fulfill this mandate. In addition, targets are set for the segments as well as measures to achieve these.

Within the framework of a risk inventory, the Group analyzes which risks may have a material effect on its assets, capital resources, results of operations, or liquidity situation. The Group's material risks are identified and reviewed for any concentration effects through the risk inventory, the risk indicators on the basis of quantitative and qualitative risk characteristics for the purpose of early risk identification, by means of the self-assessment, the New Product Process (NPP), in the Internal Control System (ICS) key controls as well as the daily monitoring activities.

The risks resulting from business activities are identified, limited and managed using a risk management system (RMS), which was established specifically for this purpose, and by means of the risk-bearing capacity concept. In this context, the Board of Managing Directors has determined a risk strategy and the sub-strategies derived therefrom. These are reviewed at least annually, adjusted if necessary by the Board of Managing Directors and discussed with the Risk Committee established by the Board of Supervisory Directors.

A significant component of the risk management system is the implementation, management and monitoring of limits, which are in line with Rentenbank’s risk-bearing capacity. The risk-bearing capacity concept aims to ensure that the risk covering potential is sufficient to cover all material risks. It is based on the going concern approach.

As part of the planning process, potential risk scenarios are used to evaluate future net assets, financial position, and results of operations. Deviations between target and actual performance are analyzed within an internal monthly report. Capital planning is made for the next ten years. The risk-bearing capacity is planned using a 3-year projection.

The inclusion of transactions in new products, business types, sales channels or new markets requires an NPP. Within the scope of the NPP, the organizational units involved analyze the level of risk, the processes and the main consequences for risk management.

The risk manual of the Board of Managing Directors provides a comprehensive overview of all risks in the Group on the basis of risk management and controlling processes. Risk management functions are primarily performed by the Treasury division (front office function according to MaRisk) as well as the Promotional Business and Collateral & Equity

Holdings (venture capital fund and equity holdings) divisions. Within the scope of the venture capital fund, Rentenbank provides equity capital investments in eligible companies, in the form of silent participations and in the form of all types of mezzanine capital such as subordinated loans. Both members of the Board of Managing Directors who are exclusively responsible for the back office function are also responsible for the risk controlling function. The Finance division, including its risk controlling group, and the Financial Institutions division, including its Credit Risk desk, report to the relevant Board member. In the Finance division, risk controlling comprises the regular monitoring of the limits approved by the Board of Managing Directors as well as reporting on market price risks, liquidity risks, operational risks, and risk-bearing capacity; risk reporting takes into account the level of risk and regulatory requirements. The Financial Institutions division monitors the limits defined for credit risks and it is responsible for the reporting of credit risks, taking into account risk aspects and regulatory requirements.

The compliance risks relevant to Rentenbank are characterized primarily by the fact that in case of non-compliance with principal (bank) regulatory rules and requirements fines and penalties, claims for damages and/or the nullity of contracts may be the consequences which might endanger the net assets of Rentenbank. Rentenbank's compliance function in cooperation with the divisions and as part of the ICS attempts to avoid risks that may arise from the non-compliance with legal rules and requirements.

Both the Board of Managing Directors and the Audit Committee established by the Board of Supervisory Directors as well as the Risk Committee are informed about the risk situation at least quarterly. If material risk-relevant information or transactions become known and in the case of non-compliance with the MaRisk, the Board of Managing Directors, Internal Audit department and, as the circumstances may require, the heads of divisions or departments affected must be notified in writing immediately. Information about material risk aspects is forwarded immediately by the Board of Managing Directors to the Board of Supervisory Directors.

The Internal Audit department of Rentenbank is active at Group level, performing the function of a Group Audit department. It reviews and assesses the appropriateness of activities and processes, supplemented by safety and effectiveness aspects, as well as the adequacy and effectiveness of the RMS and ICS.

The Group Audit department directly reports to the Board of Managing Directors of Rentenbank and carries out its duties on its own and independently. The Board of Managing Directors may issue instructions to perform additional reviews. The respective chairman of the Board of Supervisory Directors and of the Risk Committee as well as the Audit Committee may request information directly from the head of Internal Audit.

On the basis of risk-based review planning, the Group Audit department generally reviews and assesses all of the Group's activities and processes, including RMS and ICS, on a risk-based and process-independent basis.

Risks are monitored generally across segments. In the case where risk monitoring is limited to individual segments, this restriction is represented in the risk types.

Credit risks

Definition

Credit risk is defined as the risk of a potential loss as a result of default or a deterioration in the credit quality of business partners. The credit risk comprises credit default risk, which includes counterparty risk, issuer risk, country risk, structural risk, collateral risk and equity holding risk as well as settlement and replacement risk.

The issuer, counterparty, and original country risk refer to the potential loss due to defaults or deteriorations in the credit quality of business partners (counterparties/issuers/countries), taking into account the measurement of collateral. The derivative country risk results from the general economic and political situation of the country in which the debtor is located. Derivative country risks are divided into country transfer risks and redenomination risks. Country transfer risk is the risk that a foreign borrower – despite being solvent – may not be able to make interest and principal payments when they are due as a result of economic or political risks. The redenomination risk refers to the threat that the nominal value of a receivable is converted into another currency. In case of a conversion into a ‘weak’ currency based on a fixed exchange rate, this may be equivalent to a partial disappropriation of the creditors.

Structural risks (i.e. cluster or concentration risks) are risks resulting from the concentration of the lending business on regions, sectors or borrowers. Collateral risk is the risk which results from the insufficient recoverability of loan collateral during the loan term or a mispricing of collateral. Equity investment risk is the risk of losses incurred due to a negative performance within the portfolio of equity holdings.

The scope of the Group's business activities is largely defined by Rentenbank's Governing Law and its Statutes. Accordingly, loans for the promotion of the agricultural sector and rural areas in general are granted only to banks in the Federal Republic of Germany or in another EU country as well as Norway which are engaged in business activities with companies in the agricultural sector and with companies performing related upstream or downstream activities or activities in rural areas. In addition, standard promotional business may also be conducted with German federal states. The special promotional loans are limited to Germany as an investment location. Accordingly, the lending business of Rentenbank is, for the most part, limited to the refinancing of banks or credit institutions within the meaning of Article 4 CRR, respectively, as well as other interbank business. The credit risk related to the ultimate borrower is primarily borne by that borrower's local bank.

Furthermore, all transactions may be carried out that are directly connected with fulfilling its tasks, taking into account Rentenbank's Governing Law and its Statutes. This also includes the purchase of receivables and securities as well as transactions within the context of the Group's treasury management and risk management.

Rentenbank is only exposed to corporate risks as part of the direct lending business and the syndicated lending business. In 2014, no transactions were entered into with corporates in the direct lending business and the syndicated lending business.

The divisions Promotional Business or Treasury are responsible for new business with regards to promotional loans, depending on the type of transaction. The Promotional Business division enters into all special promotional loans. The Treasury division is responsible for the purchase of securities, promissory note loans and registered debt securities as well as new commitments within the syndicated lending business with corporates and the direct lending business as part of the standard promotional business. It is also responsible for new business in the money markets and for derivatives. Derivatives are only entered into as hedging instruments for existing or expected market price risks and only with business partners in EU or OECD countries. Derivatives are only entered into with business partners with whom a collateral agreement has been concluded.

Organization

The Treasury division represents the front office and is strongly involved in the workflow of standard promotional business and securitized promotional business. In accordance with the MaRisk certain tasks have to be performed separately from the front office. These tasks, designated as back office functions, are performed by the Promotional Business, Financial Institutions and Collateral & Equity Holdings divisions, while the securitized promotional business is handled by the Operations Financial Markets department. The Financial Institutions division issues the independent second vote for lending decisions and processes new business of standard promotional loans. The Collateral & Equity Holdings division evaluates the collateral. Both divisions are also responsible for intensive care as well as non-performing loans management. Any necessary measures are agreed upon in cooperation with the Board of Managing Directors. The member of the Board of Managing Directors responsible for the back office function within the Financial Institutions division is responsible for the process.

The Financial Institutions division drafts a Group-wide credit risk strategy and it is responsible for its implementation. The Board of Managing Directors defines Rentenbank's credit risk strategy on an annual basis and presents this strategy to the Risk Committee of the Board of Supervisory Directors. In addition, the Financial Institutions division analyzes credit and country risks, assigns business partners and types of transactions to Rentenbank-specific rating categories, prepares credit approvals, issues the back office function vote, and monitors credit risks continuously.

The management, monitoring and reporting of credit risks is performed for individual transactions at borrower level as well as at the level of the group of connected customers and the level of the overall loan portfolio. The division is also responsible for methodological development, quality assurance, and monitoring of the procedures used to identify, assess and quantify credit risk. The functional and organizational separation of the Financial Institutions and Collateral & Equity Holdings divisions from the Treasury and Promotional Business divisions guarantees independent risk assessment and monitoring. Within the framework of the management of the overall loan portfolio, the loan portfolio is subdivided by various features, with transactions that have similar structures being aggregated into several product groups.

Credit assessment

The credit ratings which are determined using the bank’s risk classification procedure are a key risk management instrument for credit risks and the relevant internal limits.

The credit rating is established by the back office function of the Financial Institutions division in accordance with an internally established risk classification procedure. Individual business partners or types of transactions are allocated to one of the 20 rating categories during this process. The ten best rating categories AAA to BBB- are used for business partners with few risks (Investment Grade). Rentenbank also introduced seven rating categories (BB+ to C) for latent or increased latent risks and three rating categories (DDD to D) for non-performing loans or exposures already in default.

The credit ranking of our business partners is reviewed at least annually based on an assessment of their annual financial statements and the analysis of their financial condition. In addition to key performance indicators, the analysis also takes into account qualitative characteristics, the ownership background of the companies, and additional supporting data such as membership in a protection scheme or state liability support. Furthermore, country risks are evaluated separately as a structural risk relevant to Rentenbank. For certain transaction types, such as mortgage bonds, collateral is included as an additional assessment criterion. If current information concerning negative financial data or a deterioration of the economic perspectives of a business partner become known, the Financial Institutions division also reviews credit rating and, if necessary, adjusts the internal limits. The internal risk classification procedure is continuously developed and monitored annually.

Quantification of credit risk

The Rentenbank's rating category system forms the basis for measuring credit default risks using statistical procedures. In order to determine the expected loss, historical default rates published by rating agencies are used. The Group does not have own historical data due to the very low number of defaults or credit events in the past decades. In order to assess credit risks, a standard scenario (annual, potential loss related to utilization) is supplemented by stress scenarios. In this context, the Group estimates an annual, potential loss related to internally granted limits, assuming deterioration of credit quality, lower recovery rates as well as increased probabilities of default.

The Group places its focus on the interbank business based on its business model, which is largely defined by Rentenbank's Governing Law and its Statutes. This results in a material concentration risk. A specific risk amount (lump-sum risk buffer) is set aside for these sector-related concentration risks.

In accordance with the risk-bearing capacity concept set out in the risk manual, credit risks are allocated a certain portion of the risk covering potential. The daily monitoring of the internally established limits ensures that this value is adhered to at all times.

In addition to the stress scenarios, which primarily take into account country-specific influences, additional worst-case scenarios reflect cluster or concentration risks in the credit portfolio. The worst-case scenarios are not included in a control instance and are therefore not covered through risk covering potential. Priority is given in this context to the critical reflection of the results and the derivation of necessary actions (for example in the form of reductions of internal limits or intensified risk monitoring). In addition, the effects of current developments on risk covering potential may be examined on the basis of additional stress scenarios on an ad-hoc basis.

Limitation and reporting

Risk limitation ensures that the risk actually assumed is in line with the business strategy and the risk strategy determined in the risk manual as well as with the Group's risk-bearing capacity. Within this context, limits have been introduced both at borrower level and at the level of a group of connected customers as well as at the level of the overall loan portfolio.

Based on the proportion of the risk covering potential made available for credit risks, an overall upper limit is set for all credit risk limits. In addition, specific country-based credit and transfer limits have been established, as well as an upper limit for unsecured facilities, and an upper limit for the corporate lending business.

A limit system governs the level and the structure of all credit risks. Limits are recorded for all borrowers, issuers, and counterparties and sub-divided into groups according to product and maturity. Rentenbank's risk classification procedure represents the central basis for decisions related to the granting of limits. In addition, an overall upper limit for each group of connected customers has been established, the utilization of which is determined depending on the individual types of business transactions. Furthermore, a certain minimum credit quality is required for particular types of business or limits.

All limits are monitored on a daily basis by the responsible back office function. The utilization of the limits within the context of money market and promotional loan transactions as well as equity holdings is measured on the basis of the relevant carrying amounts. For the securitized promotional business, the level of utilization of the limits is calculated on the basis of current market prices and, in the case of derivatives, the positive fair values of derivative portfolios, taking into account collateral received, if any. Limit reserves are used as a buffer for credit risk resulting from market price fluctuations. The member of the Board of Managing Directors responsible for this back office function receives a daily report on the risk-relevant limits as well as their utilization. The Board of Managing Directors is informed promptly if limits are breached.

Rentenbank has concluded collateral agreements with all counterparties with which it enters into derivative transactions. These agreements provide for cash collateral denominated exclusively in euros to secure the positive fair values from derivatives exceeding the contractually agreed allowance amounts and minimum transfer amounts. The cash collateral reduces the utilization of limits and thus the credit risks.

At the end of each quarter, the Financial Institutions division (back office organizational unit) submits a report to the Board of Managing Directors and the Risk Committee established by the Board of Supervisory Directors in relation to the current credit risk development based on the MaRisk guidelines.

Current risk situation

Pursuant to IFRS 7, the maximum exposure to credit risk is to be disclosed without taking collateral into account. Therefore, it corresponds to the carrying amount of the relevant assets or the nominal amount, in the case of irrevocable loan commitments.

Maximum exposure to credit risk pursuant to IFRS 7:

	Dec. 31, 2014 EUR million	**Dec. 31, 2013** EUR million	**Change in** EUR million
Loans and advances to banks	51 407.6	49 750.9	1 656.7
Loans and advances to customers	5 530.3	5 570.6	-40.3
Fair value changes of hedged items in a portfolio hedge	1 600.7	677.3	923.4
Positive fair values of derivative financial instruments	5 958.4	3 236.1	2 722.3
Financial assets	21 701.2	20 894.4	806.8
Irrevocable loan commitments	195.3	115.2	80.1
Total	**86 393.5**	**80 244.5**	**6 149.0**

The Group has received collateral for the majority of the risk exposures presented in the form of assignments of receivables, guarantors' liability as well as state guarantees. The remaining risk positions primarily include 'covered securities' such as German Pfandbriefe (covered bonds).

As regards the positive fair values of derivative financial instruments, the disclosed maximum exposure to credit risk of EUR 5 958.4 million (2013: EUR 3 236.1 million) represents the carrying amounts in the balance sheet on an individual contract level. In contrast, the risk-relevant economic collateralization is made on counterparty level. Rentenbank has concluded collateral agreements based on master agreements with netting effect with all counterparties with which it enters into derivative financial instruments. Taking netting agreements and cash collateral into account, the maximum credit risk exposure pursuant to IFRS 7 for derivative financial instruments as of December 31, 2014 amounts to EUR 316.6 million (2013: EUR 29.1 million).

Exposure to credit risk by rating category:

Dec. 31, 2014

	AAA EUR million	AA EUR million	A EUR million	BBB EUR million	BB-B EUR million	CCC-C EUR million	D EUR million
Loans and advances to banks	13 231.9	5 105.4	28 779.1	4 275.5	15.7	0.0	0.0
Loans and advances to customers	5 508.6	0.0	13.0	8.3	0.0	0.0	0.4
Fair value changes of hedged items in a portfolio hedge	364.2	90.1	939.1	207.3	0.0	0.0	0.0
Positive fair values of derivative financial instruments	7.3	2 447.7	3 163.4	340.0	0.0	0.0	0.0
Financial assets	11 251.2	5 794.4	2 420.5	1 882.0	353.1	0.0	0.0
Irrevocable loan commitments	195.3	0.0	0.0	0.0	0.0	0.0	0.0
Total	**30 558.5**	**13 437.6**	**35 315.1**	**6 713.1**	**368.8**	**0.0**	**0.4**

Dec. 31, 2013

	AAA EUR million	AA EUR million	A EUR million	BBB EUR million	BB-B EUR million	CCC-C EUR million	D EUR million
Loans and advances to banks	12 388.9	6 137.6	26 595.4	4 503.7	125.3	0.0	0.0
Loans and advances to customers	5 536.6	0.0	13.4	20.5	0.0	0.1	0.0
Fair value changes of hedged items in a portfolio hedge	146.7	38.9	389.0	102.7	0.0	0.0	0.0
Positive fair values of derivative financial instruments	1.6	1 058.5	1 797.2	376.6	2.2	0.0	0.0
Financial assets	10 383.9	4 995.4	2 938.3	2 393.9	158.0	24.9	0.0
Irrevocable loan commitments	115.2	0.0	0.0	0.0	0.0	0.0	0.0
Total	**28 572.9**	**12 230.4**	**31 733.3**	**7 397.4**	**285.5**	**25.0**	**0.0**

The aggregation of carrying amounts in the following two analyses is based on the member state and the level of the legally independent business partner, without taking into account group relationships respectively.

Risk concentration by country:

Dec. 31, 2014

	Germany		Europe (excl. Germany)		OECD countries (excl. EU)	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	49 526.0	57.4	1 881.5	2.2	0.1	0.0
Loans and advances to customers	5 500.3	6.4	30.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	1 595.3	1.8	5.4	0.0	0.0	0.0
Positive fair values of derivative financial instruments	1 301.0	1.5	4 338.2	5.0	319.2	0.4
Financial assets	5 798.7	6.7	15 400.6	17.8	501.9	0.6
Irrevocable loan commitments	195.3	0.2	0.0	0.0	0.0	0.0
Total	**63 916.6**	**74.0**	**21 655.7**	**25.0**	**821.2**	**1.0**

Dec. 31, 2013

	Germany		Europe (excl. Germany)		OECD countries (excl. EU)	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	47 526.8	59.3	2 224.0	2.8	0.1	0.0
Loans and advances to customers	5 570.6	6.9	0.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	677.3	0.8	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	831.4	1.0	2 134.8	2.7	269.9	0.3
Financial assets	5 380.3	6.7	15 456.1	19.3	58.0	0.1
Irrevocable loan commitments	115.2	0.1	0.0	0.0	0.0	0.0
Total	**60 101.6**	**74.8**	**19 814.9**	**24.8**	**328.0**	**0.4**

Risk concentration by sector of counterparty:

Dec. 31, 2014

	Private-sector banks/ other banks		Foreign banks		Public-sector banks	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	7 075.5	8.2	1 881.6	2.2	31 232.6	36.2
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	285.6	0.3	5.4	0.0	748.6	0.9
Positive fair values of derivative financial instruments	863.8	1.0	3 901.5	4.5	228.6	0.3
Financial assets	2 488.0	2.9	14 259.2	16.5	2 599.6	3.0
Irrevocable loan commitments	0.0	0.0	0.0	0.0	195.1	0.2
Total	**10 712.9**	**12.4**	**20 047.7**	**23.2**	**35 004.5**	**40.6**

	Cooperative banks		Central banks		Non-banks	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	11 217.9	13.0	0.0	0.0	0.0	0.0
Loans and advances to customers	0.0	0.0	0.0	0.0	5 530.3	6.4
Fair value changes of hedged items in a portfolio hedge	561.1	0.6	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	207.4	0.2	0.0	0.0	757.1	0.9
Financial assets	117.4	0.1	0.0	0.0	2 237.0	2.6
Irrevocable loan commitments	0.0	0.0	0.0	0.0	0.2	0.0
Total	**12 103.8**	**13.9**	**0.0**	**0.0**	**8 524.6**	**9.9**

Dec. 31, 2013

	Private-sector banks/ other banks		Foreign banks		Public-sector banks	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	7 261.2	9.0	2 223.4	2.7	30 179.9	37.6
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	122.0	0.2	1.4	0.0	315.9	0.4
Positive fair values of derivative financial instruments	418.6	0.5	2 084.5	2.6	180.8	0.2
Financial assets	1 686.8	2.1	14 667.0	18.4	2 943.0	3.7
Irrevocable loan commitments	0.0	0.0	0.0	0.0	115.0	0.1
Total	**9 488.6**	**11.8**	**18 976.3**	**23.7**	**33 734.6**	**42.0**

	Cooperative banks		Central banks		Non-banks	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	10 086.4	12.6	0.0	0.0	0.0	0.0
Loans and advances to customers	0.0	0.0	0.0	0.0	5 570.6	6.9
Fair value changes of hedged items in a portfolio hedge	238.0	0.3	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	168.9	0.2	0.0	0.0	383.3	0.5
Financial assets	164.3	0.2	0.0	0.0	1 433.3	1.8
Irrevocable loan commitments	0.0	0.0	0.0	0.0	0.2	0.0
Total	**10 657.6**	**13.3**	**0.0**	**0.0**	**7 387.4**	**9.2**

Carrying amounts in the peripheral eurozone countries:

Dec. 31, 2014

	Italy EUR million	Portugal EUR million	Spain EUR million	Total EUR million
Government bonds	307.9	130.5	93.9	532.3
Bonds and promissory note loans of banks	751.3	169.2	1 885.1	2 805.6
Positive fair values of derivative financial instruments			2.2	2.2
Gross exposure	**1 059.2**	**299.7**	**1 981.2**	**3 340.1**
Collateral	528.2	169.2	1 887.3	2 584.7
Net exposure	**531.0**	**130.5**	**93.9**	**755.4**

Dec. 31, 2013

	Italy EUR million	Portugal EUR million	Spain EUR million	Total EUR million
Government bonds	314.4	126.8	94.7	535.9
Bonds and promissory note loans of banks	924.0	413.0	2 279.7	3 616.7
Positive fair values of derivative financial instruments			2.2	2.2
Gross exposure	**1 238.4**	**539.8**	**2 376.6**	**4 154.8**
Collateral	577.1	286.6	2 259.2	3 122.9
Net exposure	**661.3**	**253.2**	**117.4**	**1 031.9**

In light of their strained economic and fiscal situation, the peripheral eurozone countries are being monitored closely.

There are no available credit limits or irrevocable loan commitments with counterparties located in peripheral eurozone countries and no transactions of this type were entered into in 2014. The increase in carrying amounts is exclusively attributable to the fair value changes. Until further notice, only derivatives that are collateralized by cash collateral may be concluded.

The government bonds of peripheral eurozone countries as well as bonds and promissory note loans to banks from these countries are assigned to the following measurement categories under IFRS:

	Government bonds		Bonds and promissory note loans of banks	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
	EUR million	EUR million	EUR million	EUR million
Available for sale	299.7	304.0	2 484.5	3 067.9
Held to maturity	195.2	196.5	117.5	174.6
Loans and receivables	0.0	0.0	20.7	21.4
Designated as at fair value	37.4	35.4	182.9	352.8
Total	**532.3**	**535.9**	**2 805.6**	**3 616.7**

Allowances for credit losses

Allowances for credit losses are recognized in the case of exposures at risk of default on individual exposure level. In this context, impairments resulting from payment defaults are only determined for losses already incurred. The impairment is determined based on the difference between the carrying amount and the present value of the expected cash flows. The method is described in more detail in Note (9) in the notes to the consolidated financial statements. In the reporting year, no specific valuation allowances needed to be recognized. There were no specific valuation allowances on Group level as of December 31, 2014.

The annual financial statements of Rentenbank include a specific valuation allowance of EUR 5.0 million (2013: EUR 5.0 million). This valuation allowance was not recognized on Group level as the related exposure is measured at fair value through profit or loss in the consolidated financial statements.

The Group has recognized a portfolio valuation allowance of EUR 14.7 million (2013: EUR 11.7 million) on the basis of a model for the presentation of expected losses. The method is described in Note (9) in the notes to the consolidated financial statements. Rentenbank recognized a general valuation allowance of EUR 13.9 million (2013: EUR 15.0 million) in its annual financial statements. The difference to the Group is due to exposures that are already recognized in the consolidated financial statements at fair value through profit or loss. These are not included in the calculation on Group level, as are the securities that have to be taken into account only on the Group level.

Standard scenarios

The basis of the calculations for measuring potential loss under the standard scenario is the annual potential loss related to utilization, taking into account 1-year probabilities of default. As of December 31, 2014, the potential loss, including a lump-sum risk buffer of EUR 50 million for sector-related concentration risks in the banking sector, amounted to EUR 61.8 million (2013: EUR 70.4 million). The decrease compared to the previous year is primarily attributable to unsecured exposures maturing in the lower rating categories. In fiscal year 2014, the average potential loss, which is calculated on a monthly basis, amounted to EUR 62.7 million (2013: EUR 76.1 million). In relation to the allocated risk covering potential for credit risks as of the reporting date, the average utilization was 24.1 % (2013: 29.3 %). The maximum utilization amounted to EUR 70.8 million (2013: EUR 87.7 million) and is below the limit of EUR 260 million approved by the Board of Managing Directors for the standard scenario. The lowest utilization during the reporting year was EUR 61.7 million (2013: EUR 69.2 million).

Stress scenarios

In a first stress scenario, the potential loss is calculated based on a full utilization of all internally granted limits, taking into account 1-year probabilities of default. As of December 31, 2014, the potential loss under this stress scenario amounted to EUR 71.5 million (2013: EUR 83.3 million). Under two further scenarios, we simulate an increase of default probabilities by a country-specific factor (at least twice as high), deterioration of credit quality (by at least two notches), and higher loss ratios for potential losses of collateralized transactions. Within the calculation of the risk-bearing capacity the stress scenario associated with the highest risk exposure is counted against the risk covering potential. As of the reporting date, the maximum potential loss calculated under the above mentioned stress scenarios was EUR 126.5 million (2013: EUR 176.6 million). The reduction in comparison to the previous year is largely attributable to the risk-conscious strategy for new business as well as limit cancellations in the lower rating categories due to redemptions at maturity.

A lump-sum risk buffer for concentration risks within the banking sector of EUR 50.0 million is also included in the calculations to measure potential credit defaults in the stress scenarios.

Market price risks

Definition

Market price risks occur in the form of interest rate risks, spread risks, foreign exchange risks, and other price risks. The potential loss is calculated by the Group based on the amount held in the portfolio and on the variations of the given market parameters.

The Group makes a distinction between market price risks in the form of interest rate risks and market price risks in the form of IFRS measurement risks.

Interest rate risks exist to a small extent in relation to open fixed-interest positions and to unhedged short positions from call options. The market parameters used are interest rates and volatilities. If open positions are closed, continued or call options are exercised, the potential risk is realized in the operating result through a change in the market parameters.

IFRS measurement risks arise in connection with hedged items recognized at fair value under IFRS and the associated hedges. The potential risks in relation to the measurement requirement in accordance with IFRS are reported in the item 'result from fair value measurement and from hedge accounting.' The market price risk from IFRS measurement would be realized when the buy-and-hold strategy is terminated or a business partner is in default. Cash collateral has to be taken into account if a counterparty to a derivative defaults. Irrespective of this, these measurement results are also reflected in the consolidated statement of comprehensive income, in the risk-bearing capacity calculations and in the regulatory own funds. For regulatory purposes measurement losses from own issues are compensated in own funds through so-called prudential filters.

Open currency positions, if any, result from fractional amounts caused by settlements in foreign currencies, and only to a very small extent. Changes in exchange rates result in minor measurement effects due to the translation of present values from foreign currency to the euro.

Organization

Rentenbank does not maintain a trading book pursuant to Article 4 in conjunction with Article 85 and 86 CRR.

The objective of risk management is the qualitative and quantitative identification, assessment, control and monitoring of market price risks. The Treasury division manages the interest rate risk. Risk controlling in the Finance division quantifies market price risks, monitors limits and prepares reports. The Operations Financial Markets department and the Financial Institutions division control the market conformity of transactions concluded.

Quantification of market price risks

Interest rate risks

The interest rate risks are largely reduced on group-level by hedging balance sheet items with derivatives. Derivatives are entered into on the basis of micro or macro relationships. The effectiveness of micro hedges is monitored daily for established hedging relationships. These economic micro or macro relationships are taken into account in accordance with IFRS as hedging relationships accounted for in the balance sheet.

Gains or losses from maturity transformation are realized from money market transactions and, to a lesser extent, from the promotional lending business. Gains or losses from maturity transformation result only from temporary open positions because individual positions in the promotional lending business are not hedged at the same time due to their low volumes.

Risks from changes in interest rate volatilities only arise in connection with unilaterally cancellable liquidity assistance loans as well due to legal rights of termination (Section 489 of the German Civil Code (Bürgerliches Gesetzbuch, BGB) entitled ‘Right of the borrower to give notice of termination’). These risks are not subject to hedges.

Within the context of monitoring interest rate risks, the Group determines, on a daily basis, present value sensitivities for all transactions of the Promotional Business and Treasury Management subject to interest rate risks and additionally investigates, on a quarterly basis, interest rate risks for all positions of the Group exposed to such interest rate risks using a model based on present values.

Banks have to determine regularly the impact of sudden and unexpected interest rate changes in connection with their interest rate risks in the banking book and have to report these to the German regulatory authority. The quarterly analysis of interest rate changes examines as of a specific date, whether the negative change of the present value exceeds 20 % of total regulatory own funds. The present value is calculated on the basis of a scenario analysis, referring to all financial instruments across segments. However, for this purpose measurement does not consider equity as a permanently available item.

The interest-rate risks from open positions may not exceed the risk limits determined by resolution of the Board of Managing Directors. Compliance with the limits is monitored daily and reported to the Board of Managing Directors, with utilization of the risk limits being based on sensitivities.

IFRS measurement risks

Changes of market parameters in the case of cross-currency basis swap spreads (CCY basis swap spreads), basis swap spreads, credit spreads, currency exchange rates as well as other prices impact the measurement of financial instruments. Balance sheet items are hedged against interest rate and currency risks using corresponding hedges. The hedged items are allocated to the fair value option for the purpose of recognizing the economic hedging relationships. In doing so, both hedging instruments and hedged items are measured at fair value. The measurement with the abovementioned market parameters leads to significant volatilities, even if there is an economically perfect hedging relationship.

The potential effects of IFRS measurement risks on the measurement result are simulated using scenario analyses and are taken into account in the risk covering potential within the scope of the risk-bearing capacity analysis.

Standard scenarios

Certain market price fluctuations are assumed under the standard scenario. For all open interest-rate-sensitive transactions related to the portfolios 'money market business' and 'lending business,' the present value sensitivity is calculated daily, assuming a non-parallel shift in the interest rate curves, and it is compared with the relevant limits. In this context, it is assumed that with a probability of 95 % the projected fair value changes in the scenario are not exceeded.

Stress scenarios

In order to estimate risks arising from extraordinary market developments, we regularly, and on an ad hoc basis, calculate additional scenarios of interest rate changes individually for the portfolios 'money market business' and 'lending business.' Under the monthly stress scenario, we assume a non-parallel shift in the interest rate curve, as in the standard scenario, as well as increasing interest rate volatilities.

To determine the IFRS measurement risks, an increase of the CCY basis swap spreads, the basis swap spreads, the currency exchange rates, other prices as well as a reduction of credit spreads is calculated. Correlation effects are included in the aggregation of specific risks.

The projected risk exposures will not be exceeded with a probability of 99 %.

Limitation and reporting

The risk covering potential allocated to market price risk in the standard scenario corresponds to the risk limit of EUR 13 million (2013: EUR 19 million). The interest-rate risks from open positions may not exceed the defined risk limits. Compliance with the limits is monitored daily and reported to the Board of Managing Directors. The Group informs the Audit Committee and the Risk Committee of the Board of Supervisory Directors quarterly about the outcomes of the risk analyses.

Back testing

The procedures for an assessment of market price risks and the market parameters underlying the standard and stress scenarios are validated at least annually. The scenario parameters in 'money market business' and 'lending business' are validated daily using historical interest rate trends. The results from the daily scenario analyses for monitoring interest rate risks on overall bank level are validated on a quarterly basis using a model based on present values.

Current risk situation

The assumptions and market parameters of the standard and stress scenarios were validated and adjusted during the 2014 fiscal year. The adjustments are shown in the following standard and stress scenarios.

Standard scenarios

As of December 31, 2014, the utilization of the risk limit for the market price risk in the 'money market business' and 'lending business' segments was EUR 1.6 million (2013: EUR 5.2 million) or 12.3 % (2013: 27.4 %) in case of a non-parallel shift of the interest rate curve by 20 basis points (bps) (overnight rates), 20 bps (six months), 20 bps (twelve months) and a linear increase by 40 bps (15 years) (2013: parallel shift by 40 bps). The average limit utilization in fiscal year 2014 was EUR 1.2 million (2013: EUR 3.2 million) or 6.5 % (2013: 16.8 %). Maximum risk for the reporting year amounted to EUR 5.2 million (2013: EUR 7.5 million), while the lowest utilization was EUR 0.02 million (2013: EUR 0.04 million). No limits were exceeded in the whole of 2014, nor in 2013. Due to the adjustment of the standard scenario, the risk limit was also reduced by EUR 6 million to EUR 13 million (2013: EUR 19 million).

Stress scenarios

Risk in stress scenarios for interest rate risk is calculated in the portfolios 'money market business' and 'lending business.' For each portfolio, the interest rate curves are subjected to non-parallel shifts within the framework of two individual scenarios. As of the reporting date, the utilization of the risk limit was EUR 2.5 million (2013: EUR 7.7 million) in case of a non-parallel shift of the interest rate curve by 30 bps (overnight rates), 30 bps (six months), 30 bps (twelve months) and a linear increase by 60 bps (15 years) (2013: parallel shift by 60 bps).

The potential measurement loss was EUR 1.7 million in case of an increase of the swaption volatilities by 9 bps.

The costs for the swap of flows of interest payments between interest bases of different tenors in the same currency using interest rate swaps amounted to EUR 199.8 million

(2013: EUR 86.3 million) based on a parallel increase of the basis swap spreads by 11 bps and a widening of IBOR OIS spreads by 75 bps (2013: 11 bps).

An increase of the CCY basis swap spread by 124 bps (2013: 116 bps) is assumed in relation to the costs for the swap of payment flows with the same tenors between different currencies. This resulted in a risk exposure of EUR 1 209.3 million (2013: EUR 989.1 million).

The credit spreads are based on a debtor's credit quality (structural credit quality), collateralization and market-specific parameters (e.g. liquidity, spreads of government bonds, arbitrage opportunities). Within the relevant rating category, a parallel shift of 102 bps (115 bps) for the asset business and 109 bps (120 bps) for the funding business is assumed in the stress scenario in order to measure sensitivity. The credit spread sensitivity was EUR 1 013.6 million (2013: EUR 803.0 million).

The potential measurement loss in case of an increase of cap/floor volatilities by 49 bps amounted to EUR 1.6 million and EUR 1.7 million for the translation of positions from foreign currency to the euro in case of a change in currency exchange rates by 104 bps.

Interest rate risk at the level of the entire bank

In accordance with the BaFin Circular 11/2011 (BA), sudden and unexpected interest rate changes were simulated using a parallel shift of +(-)200 bps. Interest rate risks are determined on Group level as the Group uses the Group waiver pursuant to Section 7 (3) CRR. As of the reporting date, the risk exposure in the case of rising interest rates amounts to EUR 415.1 million (2013: EUR 418.9 million). The ratio based on regulatory own funds amounts to 12.0 % (2013: 10.6 %). At no point in time during 2014 or 2013 did the ratio exceed the notification threshold of 20 %.

Foreign currency risks

No material risk was identified for any currency in 2014 or 2013. Nominal foreign currency amounts are broken down as follows:

Dec. 31, 2014

Nominal amounts in EUR million	USD	AUD	GBP	NZD	CHF	NOK	CAD	Other	**Total**
Assets									
Loans and advances to banks	0.1	0.0	0.0	0.0	49.9	0.0	0.0	0.0	**50.0**
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Financial assets	707.1	50.6	1 410.0	0.0	47.4	0.0	241.0	194.5	**2 650.6**
Positive fair values of derivative financial instruments	26 264.3	9 450.7	2 159.8	1 694.7	1 363.9	1 410.1	880.3	2 069.8	**45 293.6**
Total assets	**26 971.5**	**9 501.3**	**3 569.8**	**1 694.7**	**1 461.2**	**1 410.1**	**1 121.3**	**2 264.3**	**47 994.2**
Liabilities									
Liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Liabilities to customers	111.2	0.0	12.8	0.0	0.0	0.0	0.0	34.4	**158.4**
Securitized liabilities	25 976.3	9 450.7	2 147.0	1 694.7	1 363.9	1 410.1	880.3	1 759.9	**44 682.9**
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	344.3	**344.3**
Negative fair values of derivative financial instruments	883.9	50.6	1 410.0	0.0	97.3	0.0	241.0	125.7	**2 808.5**
Total liabilities	**26 971.4**	**9 501.3**	**3 569.8**	**1 694.7**	**1 461.2**	**1 410.1**	**1 121.3**	**2 264.3**	**47 994.1**
Net currency position	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**

Dec. 31, 2013

Nominal amounts in EUR million	USD	AUD	GBP	NZD	CHF	NOK	CAD	Other	**Total**
Assets									
Loans and advances to banks	0.1	0.0	0.0	0.0	48.9	0.0	0.0	0.0	**49.0**
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Financial assets	724.0	48.6	816.6	0.0	21.2	0.0	205.4	210.3	**2 026.1**
Positive fair values of derivative financial instruments	21 651.5	8 031.3	1 681.3	871.8	1 417.4	1 422.9	428.1	2 600.2	**38 104.5**
Total assets	**22 375.6**	**8 079.9**	**2 497.9**	**871.8**	**1 487.5**	**1 422.9**	**633.5**	**2 810.5**	**40 179.6**
Liabilities									
Liabilities to banks	61.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**61.6**
Liabilities to customers	108.7	0.0	12.0	0.0	0.0	0.0	0.0	34.5	**155.2**
Securitized liabilities	21 006.3	8 031.3	1 669.3	871.8	1 417.4	1 422.9	428.1	2 289.0	**37 136.1**
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	345.5	**345.5**
Negative fair values of derivative financial instruments	1 198.9	48.6	816.6	0.0	70.1	0.0	205.4	141.5	**2 481.1**
Total liabilities	**22 375.5**	**8 079.9**	**2 497.9**	**871.8**	**1 487.5**	**1 422.9**	**633.5**	**2 810.5**	**40 179.5**
Net currency position	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**

Liquidity risks

Definition

Liquidity risk describes the risk that the Group is not able to meet its current or future payment obligations without restrictions or is unable to raise the required funds under the expected terms and conditions.

Market liquidity risk is defined by the Group specifically as the risk that assets may not be sold instantaneously without putting prices under pressure i.e. causing a loss. Market liquidity risk has a potentially negative effect on liquidity risk.

Controlling and monitoring

Rentenbank's open cash balances are limited by an amount which is defined by the Board of Managing Directors, based on the funding opportunities available to Rentenbank. The Finance division monitors the liquidity position and the utilization of the limits daily and submits reports to the Board of Managing Directors and the Treasury division.

Instruments available for managing the short-term liquidity position are interbank funds, collateralized money market funding, ECP placements, and open-market transactions with the Deutsche Bundesbank. In addition, Rentenbank may purchase securities for liquidity management purposes and may borrow funds with terms of up to two years via the Euro Medium Term Note (EMTN) program, promissory notes, global bonds, and traditional instruments.

In order to limit short-term liquidity risks, the liquidity requirements must not exceed the freely available funding potential during for a period of up to two years. In accordance with MaRisk, the Group holds sufficient, sustainable highly liquid liquidity reserves to be able to meet any short-term funding requirements of at least one week and to cover any additionally required funding shortfalls from stress scenarios if needed.

In addition, for the purpose of calculating medium and long-term liquidity, expected cash inflows and outflows from 2 years up to 15 years are grouped together and carried forward in quarterly buckets. The cumulative cash flows may not exceed the negative limit set by the Board of Managing Directors.

The adequacy of the stress tests as well as the underlying assumptions and procedures to assess the liquidity position are reviewed at least once annually.

Under the risk-bearing capacity concept, liquidity risks are not covered through risk covering potential. This is due to the fact that the Group has sufficient cash funds, and its triple A ratings, amongst other factors, enable it to obtain any additionally required cash funds on the interbank markets or, in case of market disruptions, also from Eurex Clearing AG (collateralized money market funding) and from Deutsche Bundesbank (collateralized loans or so-called Pfandkredite, and collateral assignment in accordance with the KEV procedure (Krediteinreichungsverfahren)).

Stress scenarios

Stress scenarios are intended to examine the effects of unexpected events on Rentenbank's liquidity position. The main liquidity scenarios are an integral part of the internal control model and are calculated and monitored on a monthly basis. The scenario analyses take into account price declines of securities, simultaneous drawdowns of all irrevocable credit commitments, defaults by major borrowers and calls of cash collateral from collateralization agreements due to an increase in the negative fair values of derivative portfolios or a decrease in the positive fair values of the derivative portfolios. A scenario mix is used to simulate the cumulative occurrence of stress scenarios. Stress tests are also performed on an ad hoc basis in the event of risk-relevant events.

Liquidity ratios pursuant to the Liquidity Regulation

Pursuant to regulatory requirements (German Liquidity Regulation, Liquiditätsverordnung), cash balances and payment obligations are determined for the various payment-effective on-balance and off-balance transactions on a daily basis. These are weighted according to regulatory requirements and a ratio is calculated. Moreover, these indicators are also calculated and extrapolated for future reporting dates. In the 2014 reporting year, the monthly reported liquidity ratio for the period up to 30 days was between 2.71 and 4.38 (2013: 2.36 and 3.98, respectively) and thus significantly above the 1.0 ratio defined by regulatory requirements.

Liquidity ratios pursuant to the CRR

The regulatory reports as regards liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), which initially include only volumes, but no ratios, have to be submitted to the national regulatory authority (observation period) since March 31, 2014. The objective of the liquidity ratios is to limit the short-term (LCR) and the longer-term maturity transformation (NSFR). This is intended to enable banks to maintain liquidity even in stressed environments. LCR is scheduled to be introduced as of October 1, 2015 effectively. However, the required liquidity buffer of 100 % must be achieved only by 2019, after gradual increases. While a decision about the introduction of the NSFR from the year 2018 onwards will be made at a later date, the preliminary availabe minimum ratios for the liquidity ratios LCR and NSFR were complied with based on test calculations in the reporting year 2014.

Reporting

The Board of Managing Directors is provided daily with a short-term liquidity projection and monthly with the liquidity risk report, which includes information about the medium and long-term liquidity as well as the results of the scenario analyses, the liquidity ratios LCR and NSFR, and the calculation of the liquidity buffer pursuant to MaRisk. The Audit Committee and the Risk Committee of the Board of Supervisory Directors are informed on a quarterly basis.

Current risk situation

In general, we seek to ensure that our lending business is based on funding with matching maturities. Thus, we keep liquidity risks at a low level. Due to our triple A ratings, funding opportunities are available to Rentenbank at short-term notice on money and capital markets. In addition, we hold liquidity positions. If a market disruption occurs, liquidity may be raised in the amount of the freely available funding potential. This has always covered the Bank’s liquidity requirements for a period of up to two years.

The limit for medium- and long-term liquidity requirements was not exceeded in fiscal years 2014 and 2013.

Stress scenarios

Rentenbank also performs scenario analyses for liquidity risks. In these analyses, the liquidity requirements resulting from all scenarios are added to already known cash flows in order to examine the effects on Rentenbank’s liquidity. As in the prior year, the results of the scenario analyses demonstrated that as of the balance sheet date, the Group would have been able to meet its payment obligations at all times without restrictions.

Operational risks

Definition

Operational risks arise from malfunctioning or defective systems or processes, human failure or external events. Operational risks include legal risks, risks from money laundering and terrorism financing or other criminal acts, risks from outsourcing, operating risks, and event or environmental risks, but do not comprise entrepreneurial risks such as business risks, regulatory risks or reputational risks.

Organization

The Group manages operational risk through various measures that it applies to eliminate the cause of the risk, to control the risk, or to limit damage. These measures include organizational precautions (e.g. separation of trading and settlement units as well as of front and back office operations, principle of dual control), detailed procedural instructions, and qualified personnel.

The Legal & Human Resources division is responsible for monitoring legal risks. It reports to the Board of Managing Directors with regard to current or potential legal disputes semi-anually as well as on an ad-hoc basis. Legal risks from business transactions are reduced by the Group, as far as possible, by using standardized contracts. In this regard, the Legal department is involved early on in decision-making, material projects have to be coordinated with the Legal & Human Resources division. It is the exclusive responsibility of the Legal & Human Resources division to engage and instruct external lawyers in Germany and in foreign countries. Legal disputes are recorded immediately in the incident reporting database and are monitored using a risk indicator to enable early risk identification.

In addition, Rentenbank has established a Monetary Laundering and Compliance function. Based on a hazard analysis pursuant to Section 25h KWG, risks from money laundering, terrorism financing and other criminal acts which may endanger the Group's assets are identified and organizational actions to optimize risk prevention are established. For this purpose, the Group also analyzes compliance with regard to general and bank-specific requirements for an effective organization.

Risks involved in outsourcing are generally recorded under operational risks. A distinction is made between significant and insignificant outsourcing based on a standardized risk analysis. Significant outsourcing is specifically incorporated in risk management and risk monitoring by means of decentralized outsourcing controlling, i.e. there are specific requirements, in particular with respect to the outsourcing contract, the intervals of the risk analysis and reporting.

Operating risks as well as event or environmental risks are identified on a group-wide basis and managed and monitored according to relevance.

The Group has appointed an IT security officer and has implemented an IT security program. The IT officer monitors the confidentiality, availability and integrity of information processing and storage systems. He gets involved in all IT incidents.

An emergency manual describes the procedures to be followed as part of disaster prevention measures and in the event of an actual disaster. Further emergency plans govern the procedures to be used for potential business disruptions. The outsourcing of time-critical activities and processes is also included in these plans.

Quantification of operational risk

Operational risks are quantified as part of the risk-bearing capacity concept, using a process based on the regulatory basic indicator approach. The factors underlying the standard and stress scenarios were defined based on business volume.

All incidents occurring in the Group are systematically collected and analyzed in an incident reporting database. All current incidents and near-incidents are recorded on a decentralized basis by the relevant operational risk officers. The analysis and aggregation of incidents as well as the methodological development of the instruments used are part of risk controlling.

Workshops are held at least annually, during which significant potential operational risk scenarios within all material business processes are examined, based on a company-wide process map for the self-assessments. Then, risk events are identified, assessed with respect to amount and frequency of incidents and reduced, if applicable, by additional preventive measures.

Risk indicators for contingent losses have been developed for all material risk types in order to be able to react early to changes in the Group‘s risk profile. This permits appropriate measures to be taken in order to address the risk.

Limitation and reporting

The limit for operational risks is determined using the modified regulatory basis indicator approach. Reports are prepared on a quarterly basis and submitted to senior management, the Board of Managing Directors, the Audit Committee and the Risk Committee of the Board of Supervisory Directors.

Current risk situation

The risk value for operational risk in standard scenarios amounted to EUR 27.2 million as of the reporting date (2013: EUR 29.7 million). Under the stress scenario, the risk exposure determined as of the reporting date amounted to EUR 54.5 million (2013: EUR 59.4 million).

In fiscal year 2014, three significant incidents (valued at more than EUR 5 thousand) were entered into the incident reporting database with a net loss of EUR 68 thousand. In the previous year, there was one significant single loss from operational risks with a net loss of EUR 27 thousand.

All risk indicators were below the defined thresholds as of the reporting date.

Regulatory and reputational risks

Definition

Regulatory risk describes the risks that a change in the regulatory environment could have a negative impact on the Group’s business operations or operating result and that regulatory requirements are fulfilled only insufficiently.

Reputational risks describe perils from the damage to the Group’s reputation that could have negative economic effects. Reputational risks may pose a threat to the funding opportunities of Rentenbank.

Controlling and monitoring

Adequate funding opportunities exist in general due to the triple A ratings. The major factors for the triple A ratings are Rentenbank's governmental promotional mandate and the associated state guarantee.

Regulatory and reputational risks may negatively affect new business and therefore have a negative impact on margins. Potential incidents are characterized by a low probability of occurrence and a potentially high amount of loss. They are not backed with risk covering potential due to their low probability of occurrence. Instead, any effects are reflected in the scenarios used for purposes of income planning and reduce the risk covering potential as a result of this conservative approach in relation to the available operating result. Apart from the monthly target/actual comparisons in the income statement, risks are also monitored using the entries in the incident reporting database and in the self-assessments.

Reporting

Income planning is discussed with the Board of Supervisory Directors. The Board of Managing Directors as well as the Audit Committee and the Risk Committee of the Board of Supervisory Directors are informed on a quarterly basis whether significant incidents have occurred or material risks were identified in the self-assessments.

Current risk situation

As may be seen from the figures in the income planning, regulation and reputation risk is considered manageable as no scenario endangers risk-bearing capacity. The risk assessment has not changed over the previous year.

No loss incurring events related to regulatory or reputational risks occurred during the reporting period.

Risk-bearing capacity – going concern approach

For purposes of calculating the risk-bearing capacity, various risk scenarios are used to compare the total sum of the capital charges resulting from the Group's credit, market price, and operational risks with a portion of the risk covering potential. Liquidity, reputational and regulatory risks are not included, in accordance with the risk-bearing capacity concept. Due to their peculiar nature, they are not included because they cannot be successfully limited through risk covering potential. Instead, these risk types are taken into consideration within the framework of risk management and controlling processes.

The risk-bearing capacity concept is based on the going concern approach. An observation period of one year is determined.

The going concern approach assumes that business operations of the company will be continued. After deducting regulatory capital requirements of currently 5.5 % (Tier 1 capital ratio) and 8 % (total capital ratio) as of December 31, 2014 and the regulatory adjustment items related to risk covering potential, sufficient capital components must be available to cover the risks from the stress scenarios, which are defined using conservative parameters (probability of 99 % that the projected risk exposure will not be exceeded).

Risk covering potential

The risk covering potential is used to cover expected and unexpected losses. It is derived from figures included in the consolidated financial statements in accordance with IFRS. Risk covering potential 1 is used to cover risks from standard scenarios, while risk covering potential 2 covers risks from the stress scenarios.

The risk covering potential can be broken down as follows as of the balance sheet date:

	Dec. 31, 2014 EUR million	**Dec. 31, 2013** EUR million
Available operating result	205.0	240.0
Retained earnings (pro rata)	103.0	74.0
Risk covering potential 1	**308.0**	**314.0**
Retained earnings (pro rata)	947.3	1 854.0
Own credit risk	0.0	0.0
Revaluation reserve	112.5	46.5
Undisclosed liabilities from securities	0.0	- 6.1
Risk covering potential 2	**1 367.8**	**2 208.4**
Retained earnings (pro rata)	1 995.8	1 071.5
Subscribed capital	135.0	135.0
Risk covering potential 3	**3 498.6**	**3 414.9**

The operating result available in the amount of EUR 205 million (2013: EUR 240 million) can be derived from the planned result under IFRS. Due to the increased regulatory requirements under the going concern approach, the Group has increased the percentage share of retained earnings in the risk covering potential 3, with a corresponding deduction in risk covering potential 2.

The allocation of the risk covering potential 1 to the risk types credit risk, market price risk, and operational risk was as follows:

	Allocated risk covering potential			
	Dec. 31, 2014		**Dec. 31, 2013**	
	EUR million	%	EUR million	%
Credit risk	260.0	84.4	260.0	82.8
Market price risk	13.0	4.2	19.0	6.1
Operational risk	35.0	11.4	35.0	11.1
Overall risk exposure	**308.0**	**100.0**	**314.0**	**100.0**
Risk covering potential 1	**308.0**	**100.0**	**314.0**	**100.0**

Risk covering potential 2 is used as a global limit and not allocated to the individual risk types.

Risk scenarios

The calculation of the potential utilization of the risk covering potential is based on the analysis of standard and stress scenarios. In this context, the Group determines through sensitivity analyses risk exposures for credit, market price and operational risks in accordance with the selected scenarios.

Standard scenarios

In the standard scenarios, potential market price changes, potential losses and the occurrence of significant operational incidents are assumed. The resulting change of the risk exposures is compared with risk covering potential 1. The potential loss under the standard scenarios should not exceed the available operating result plus a portion of retained earnings (risk covering potential 1). The probability that the projected risk value on the basis of the assumed standard scenarios for credit, market price and operational risks is not exceeded is 95 %. The risks are monitored on a daily basis.

The risk exposures of the individual risk types as well as the utilization of the risk covering potential are presented in the following table:

	Standard scenarios			
	Dec. 31, 2014		**Dec. 31, 2013**	
	EUR million	%	EUR million	%
Credit risk	61.8	68.2	70.4	66.9
Market price risk	1.6	1.8	5.2	4.9
Operational risk	27.2	30.0	29.7	28.2
Overall risk exposure	**90.6**	**100.0**	**105.3**	**100.0**
Risk covering potential 1	**308.0**		**314.0**	
Utilization		**29.4**		**33.5**

In order to take sector-related concentration risks in the banking sector into account, a lump sum risk buffer of EUR 50 million is included in the scenarios for credit risk. The decrease of the amount taken into account for credit risk compared to the previous year is attributable to unsecured exposures maturing in the lower rating categories.

Stress scenarios

The stress scenarios are used to analyze the effects of exceptional variations of parameters. As regards credit risk, we assume full utilization of all internally granted limits, deteriorations in the credit quality of our counterparties, higher country-specific probabilities of default as well as higher loss given default percentages within the overall loan portfolio under the stress scenario.

The stress scenarios for market price risks include a non-parallel shift of the yield curves and a change in:

- the costs for swap of flows of interest payments between different interest bases in the same currency
- the costs for the swap of payment flows between various currencies
- credit spreads
- volatilities of call options to be measured
- exchange rates

As regards operational risk, we assume an amount of incidents that is twice as high under the stress scenario as under the standard scenario.

With a probability of 99 % it is assumed that the projected risk exposure will not be exceeded.

The risk exposures from the individual risk types (credit risk, market price risk, and operational risk) are aggregated and compared with the risk covering potential 2.

Correlation effects are taken into account when aggregating individual risks within the market price risk, in particular in the case of IFRS measurement risks.

Risk exposures in relation to market price risks taking into account correlation effects and for the individual risk types as well as the calculated utilization of risk covering potential are presented in the following tables:

	Stress scenarios			
	Dec. 31, 2014		**Dec. 31, 2013**	
	EUR million	%	EUR million	%
Credit risk	126.5	21.7	176.6	34.2
Market price risk (interest rate risks)	4.2	0.7	7.7	1.5
Market price risk (IFRS measurement risks)	398.8	68.3	272.4	52.8
Operational risk	54.5	9.3	59.4	11.5
Overall risk exposure	**584.0**	**100.0**	**516.1**	**100.0**
Risk covering potential 2	**1 367.8**		**2 208.4**	
Utilization		**42.7**		**23.4**

	Stress scenarios			
	Dec. 31, 2014		**Dec. 31, 2013**	
	EUR million	%	EUR million	%
Market price risk (interest rate risks)	**4.2**	**1.0**	**7.7**	**2.7**
thereof: interest rates	*2.5*		*7.7*	
thereof: swaption volatilities	*1.7*			
Market price risk (IFRS measurement risks)	**398.8**	**99.0**	**272.4**	**97.3**
thereof: CCY basis swap spreads	*1 209.3*		*989.1*	
thereof: basis swap spreads	*199.8*		*86.3*	
thereof: credit spreads	*-1 013.6*		*- 803.0*	
thereof: cap/floor volatilities	*1.6*			
thereof: currency translation	*1.7*			

Going concern approach

After deducting regulatory capital requirements and adjustment items related to risk covering potential, sufficient capital must be available to cover the risks from stress scenarios. This capital is commensurate to the risk covering potential 2.

After fulfilling the regulatory prescribed minimum capital ratios of currently 5.5 % (Tier 1 capital ratio) and 8 % (total capital ratios), the risk covering potential 2 available as of the reporting date was sufficient to cover risk exposures under the stress scenarios.

Under the 3-year-planning assumptions of December 31, 2014, there is sufficient capital available to also cover the stress scenarios under the going concern approach also after meeting the regulatory capital ratios.

Risk-bearing capacity – gone concern approach

Risk-bearing capacity is monitored using the gone concern approach as an additional control instance.

Creditor protection is the primary focus under the gone concern approach. Therefore, all undisclosed reserves and liabilities are taken into account in the risk covering potential. Therefore the risk covering potential must be sufficient to cover the effects from the more conservative stress scenarios. Gone concern scenarios are simulated for credit, market price and operational risks with a probability of 99.9 %. The scenarios are quantified using strict risk measures and parameters based on rare loss events.

The gone concern scenarios for credit risk and market price risks are determined based on the higher probability of 99.9 % using the same assumptions as under the stress scenarios. As regards operational risk, we assume a risk exposure that is four times as high under the gone concern scenario as under the standard scenario.

The maximum risk covering potential utilized for cover purposes is determined in order to cover risks from gone concern scenarios, as applicable, with risk covering potential. Unplanned or unrealized profits (available operating result) are not taken into account. By contrast, undisclosed reserves and undisclosed liabilities are included in full.

The potential loss calculated under the gone concern scenarios, as applicable, should not exceed risk covering potential. This control instance primarily serves to observe and critically reflect results. The observation of this control instance did not lead to any adjustments for the control instance 'going concern approach.' Risk-bearing capacity was maintained at all times during 2014 and 2013 under the gone concern approach.

Inverse stress tests and economic downturn

Credit, market price, liquidity, and operational risks were also subject to an inverse stress test. The starting point is a maximum loss which can be borne by the amount of the risk covering potential. The scenarios assumed have a low probability of occurrence.

The effects of an economic downturn on risk-bearing capacity are assessed as well. The Group's risk-bearing capacity likewise was not at risk under this scenario during 2014 and 2013.

Regulatory capital ratios

Since January 1, 2014, the Capital Requirements Regulation (CRR) has to be applied in the EU. The Group notified to Deutsche Bundesbank and BaFin about the exemption of the solvency and large exposures reporting requirements pursuant to Article 6 (1) CRR on an individual basis – in accordance with the waiver requirements set out in Article 7 (3) CRR. Eligible own funds and risk-weighted assets are presented in accordance with IFRS. Moreover, business partner ratings are used instead of country ratings under the credit-risk standardized approach, and a CVA charge (taking into account a deterioration in the credit quality of derivative counterparties in accordance with regulatory requirements) is backed up with equity. Both total capital ratio (19.3 %) and Tier 1 capital ratio (16.4 %) continue to be significantly above the regulatory minimum requirements of 8 % and 5.5 %, respectively.

Financial reporting process

The aim of the financial reporting process ranges from account allocation and processing of transactions to preparation of the required annual and consolidated financial statements.

The objective of the accounting-related ICS/RMS is compliance with financial reporting standards and regulations as well as adherence of financial reporting to the generally accepted accounting principles.

The consolidated financial statements of Rentenbank are prepared in accordance with all required IFRS applied in the EU for the reporting period and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB). Rentenbank prepares its financial statements in accordance with the HGB and the German Accounting Directive for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV).

These regulations are documented in manuals and procedural instructions. The Finance division monitors these on a regular basis and adjusts them, if necessary, to take into account any changes in legal and regulatory requirements. The involvement of the Finance division in the New Product Process ensures that new products are represented in the financial reporting system.

The documentation of the financial reporting process complies with German Accepted Accounting Principles (Grundsätze ordnungsmäßiger Buchführung, GoB) and is presented in a manner comprehensible to knowledgeable third parties. The relevant records are kept in accordance with the statutory retention periods.

There is a clear separation of functions of the organizational units primarily involved in the financial reporting process. Accounting for money market business, loans, securities, and liabilities is made in separate sub-ledgers in different organizational units. The data from the sub-ledgers are transmitted to the general ledgers via automated interfaces. The Finance division is responsible for accounting, the definition of account allocation rules, methodology for booking transactions, parameterization of the accounting software, and the administration of the financial accounting system.

Fair value measurement is performed daily on an automated basis using external market prices or accepted measurement models.

The annual financial statements of the subsidiaries are reconciled to IFRS, taking into account group-wide accounting policies, and are included in the consolidated financial statements. Consolidation of equity capital, liabilities as well as income and expenses are based on the principle of dual control.

Rentenbank uses internally developed financial accounting software. The granting of authorizations for necessary tasks is intended to protect the financial reporting process against unauthorized access. Plausibility checks are conducted to avoid errors. In addition, the principle of dual control, standardized reconciliation routines as well as comparison of plan data and actual figures are intended to ensure that errors are identified and corrected in a timely fashion. These measures also ensure the correct recognition, presentation and measurement of assets and liabilities.

Process-independent reviews performed by the Internal Audit department are conducted regularly to assess whether the accounting-related ICS/RMS is working efficiently.

Timely, reliable and relevant reports are provided to the responsible persons within the framework of the management information system. The Board of Supervisory Directors and its committees are regularly informed by the Board of Managing Directors about current business developments. In addition, information about extraordinary events is provided in a timely manner.

Balance sheet of December 31, 2014

Assets

	EUR million	EUR million	EUR million	Dec. 31, 2013 EUR million
1. Cash and balances with central banks				
a) Cash on hand		0.1		0.1
b) Balances with central banks		28.9		32.4
of which:			29.0	32.5
with Deutsche Bundesbank EUR 28.9 million (2013: EUR 32.4 million)				
2. Loans and advances to banks				
a) Payable on demand		1.0		304.4
b) Other loans and advances		51 458.3		49 738.1
			51 459.3	50 042.5
3. Loans and advances to customers				
of which:				
Secured by charges on real estate EUR -.- million (2013: EUR -.- million)				
Loans to local authorities EUR 4 688.2 million (2013: EUR 5 218.2 million)			4 938.6	5 451.3
4. Bonds and other fixed-income securities				
a) Bonds				
aa) Public-sector issuers	1 277.1			1 317.8
of which:				
Securities eligible as collateral with				
Deutsche Bundesbank EUR 1 174.7 million (2013: EUR 1 216.4 million)				
ab) Other issuers	18 540.5	19 817.6		18 550.9
of which:				
Securities eligible as collateral with				
Deutsche Bundesbank EUR 17 041.5 million (2013: EUR 17 406.5 million)				
b) Own debt securities		353.8		433.2
Nominal amount EUR 415.2 million (2013: EUR 456.3 million)			20 171.4	20 301.9
5. Shares and other variable-income securities			0.1	0.2
6. Equity holdings				
of which:				
in banks EUR -.- million (2013: EUR -.- million)				
in financial services institutions EUR -.- million (2013: EUR -.- million)			4.2	4.2
7. Investments in affiliated companies				
of which:				
in banks EUR -.- million (2013: EUR -.- million)				
in financial services institutions EUR -.- million (2013: EUR -.- million)			0.0	0.0
8. Trust assets				
of which:				
Trustee loans EUR 110.7 million (2013: EUR 106.7 million)			110.7	106.7
9. Intangible assets				
a) Purchased concessions, industrial property rights and similar rights and assets, including licenses to such rights and assets			13.1	15.2
10. Property and equipment			15.9	16.4
11. Other assets			2 612.0	1 712.0
12. Prepaid expenses				
a) From issuance activity and lending business		586.1		408.0
b) Other		173.4		160.1
			759.5	568.1
Total assets			80 113.8	78 251.0

Balance sheet of December 31, 2014

Liabilities and equity

	EUR million	EUR million	EUR million	Dec. 31, 2013 EUR million
1. Liabilities to banks				
a) Payable on demand		1.0		0.0
b) With an agreed maturity or period of notice		2 805.6		6 272.1
			2 806.6	6 272.1
2. Liabilities to customers				
a) Other liabilities				
aa) Payable on demand		69.0		64.2
ab) With an agreed maturity or period of notice		4 195.8		4 666.1
			4 264.8	4 730.3
3. Securitized liabilities				
a) Debt securities issued			65 843.8	61 433.8
4. Trust liabilities				
of which:				
Trustee loans EUR 110.7 million (2013: EUR 106.7 million)			110.7	106.7
5. Other liabilities			1 532.2	533.8
6. Deferred items				
a) From issuance activity and lending business		172.5		159.0
b) Other		600.1		486.6
			772.6	645.6
7. Provisions				
a) Provisions for pensions and similar obligations		99.5		92.1
b) Other provisions		336.8		327.8
			436.3	419.9
8. Subordinated liabilities			599.2	597.7
9. Fund for general banking risks			2 632.0	2 437.3
10. Equity				
a) Subscribed capital		135.0		135.0
b) Retained earnings				
ba) Principal reserve pursuant to Section 2 (2) of				
Rentenbank's Governing Law	858.2			
Transfers from guarantee reserve	21.6			
Transfers from net income for the year	41.2	921.0		858.1
bb) Guarantee reserve pursuant to Section 2 (3) of				
Rentenbank's Governing Law	67.4			
Appropriations pursuant to Section 2 (3) of				
Rentenbank's Governing Law	21.6	45.8		67.4
c) Distributable profit		13.8		13.3
			1 115.6	1 073.8
Total liabilities and equity			80 113.8	78 251.0
1. Contingent liabilities				
a) Liabilities from guarantees and indemnity agreements			1.6	2.0
2. Other commitments				
a) Irrevocable loan commitments			975.5	1 828.2

Income statement for the period from January 1 to December 31, 2014

Expenses

				2013
	EUR million	EUR million	EUR million	EUR million
1. Interest expense			3 292.7	3 428.3
2. Fee and commission expenses			1.8	1.9
3. Administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	23.0			22.2
ab) Social security contributions and expenses for pensions and other employee benefits	7.0			7.6
of which:		30.0		29.8
Pension expenses EUR 4.1 million (2013: EUR 4.8 million)				
b) Other administrative expenses		21.0		18.9
			51.0	48.7
4. Depreciation, amortization and write-downs of intangible assets and property and equipment			5.6	4.5
5. Other operating expenses			14.0	13.4
6. Additions to the fund for general banking risks			194.7	218.1
7. Taxes on income			0.0	0.0
8. Other taxes not disclosed under item 5			0.1	0.1
9. Net income for the year			55.0	53.0
Total expenses			3 614.9	3 768.0
1. Net income for the year			55.0	53.0
2. Transfers from retained earnings from guarantee reserve pursuant to Section 2 (3) of Rentenbank's Governing Law			21.6	48.5
3. Transfers to retained earnings to principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law				
from guarantee reserve			21.6	48.5
from net income for the year			41.2	39.7
4. Distributable profit			13.8	13.3

Income statement for the period from January 1 to December 31, 2014

Income

			2013
	EUR million	EUR million	EUR million
1. Interest income from			
a) Lending and money market transactions	3 022.2		3 148.7
b) Fixed-income securities and debt register claims	581.1		591.9
		3 603.3	3 740.6
2. Current income from			
a) Equities and other non-fixed-income securities	0.0		0.0
b) Equity holdings	0.4		0.4
		0.4	0.4
3. Fee and commission income		0.2	0.2
4. Income from the reversal of write-downs on loans and advances and certain securities, and from the reversal of provisions in the lending business		4.3	15.2
5. Income from the reversal of write-downs on equity holdings, investments in affiliated companies and securities classified as fixed assets		2.7	7.2
6. Other operating income		4.0	4.4
Total income		3 614.9	3 768.0

Notes to the financial statements for the 2014 fiscal year

Accounting policies

The annual financial statements of Landwirtschaftliche Rentenbank have been prepared in accordance with the legal provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the German Accounting Directive for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV). The structure of the balance sheet and the income statement is based on the templates set out in the Accounting Directive for Banks.

Assets and liabilities are measured pursuant to the provisions of Sections 252 et seq. of the HGB, taking into account the bank-specific requirements set out in Section 340e of the HGB. Loans and advances are recognized at their nominal amount, while liabilities are recognized at the settlement amount.
Premiums and discounts from loans, advances and liabilities and one-off payments from swaps (upfront payments) are reported as either prepaid expenses or deferred income, as appropriate, and amortized pro rata temporis over the relevant term. Zero bonds are measured at their issue price amount plus accrued interest based on the issue yield.

Any identifiable risks are taken into account through the recognition of specific valuation allowances or provisions. Latent (credit) risks are taken into account through the fund for general banking risks reported in the balance sheet as well as by recognizing general valuation allowances and contingency reserves pursuant to Section 340f of the HGB. Rentenbank applies an expected loss approach based on internal ratings for purposes of determining general valuation allowances.

Fixed-income securities, which are allocated to fixed assets, are carried at amortized cost less permanent impairment. Shares as well as bonds and other fixed-income securities, to the extent allocated to the liquidity reserve, are measured at the lower of cost or market (Section 253 (4) of the HGB in conjunction with Section 253 (5) of the HGB). Rentenbank does not maintain a trading book pursuant to Section 1 (35) of the German Banking Act (Kreditwesengesetz, KWG) (as amended) in conjunction with Article 4 (1) No. 86 of Regulation (EU) No. 575/2013). Equity holdings and investments in affiliated companies are recognized at their acquisition costs, less any write-downs, if applicable.

In accordance with applicable commercial law principles, property and equipment as well as intangible assets are carried at cost less any depreciation and amortization over the expected useful life.

Provisions are recognized as liabilities at the settlement amount determined based on prudent business judgment, taking into account future price and cost increases. Provisions with a remaining term of more than one year are discounted to the balance sheet date. The discount rates used are the average market interest rates for the past seven fiscal years corresponding to the remaining term of the provisions, as determined and published by the German central bank (Deutsche Bundesbank) pursuant to the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). Provisions for deferred compensation benefits are discounted pursuant to Section 253 (2) sentence 2 of the HGB using an average market interest rate, which is determined based on an assumed remaining term of 15 years.

Pension provisions are measured based on generally accepted actuarial principles, using the projected unit credit (PUC) method. The provision amount determined under the PUC method is defined as the actuarial present value of the pension obligations which has been earned by the employees as of the relevant date due to their periods of service in the past, based on the pension benefit formula and the vesting provisions. The 2005 G mortality tables by Prof. Dr. Klaus Heubeck, including the full adjustment in 2011, were used as the biometric calculation parameters.

The following parameters were used as the basis for the calculation as of December 31, 2014:

	2014	2013
Interest rate pursuant to Section 253 (2) sentence 2 of the HGB	4,55 % p.a.	4,90 % p.a.
Career trend	1,00 % p.a.	1,00 % p.a.
Growth in creditable compensation	2,25 % p.a.	2,25 % p.a.
Pension increase (range of adjustments)	1,0–2,25 % p.a.	1,0–2,25 % p.a.
Employee turnover	average 2,00 % p.a.	average 2,00 % p.a.
Development of contribution ceiling	2,5 % p.a.	2,5 % p.a.

Provisions for special promotional loans cover the promotional contribution for the whole term or until the repricing date. The provisions recorded prior to the BilMoG adjustment for the promotional contribution related to the special promotional loans are maintained by reference to the election in accordance with Section 67 (1) sentence 2 Introductory Act to the Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB).

A periodic (income statement) approach was used for the calculation of the amount required to be recognized as a provision within the context of the fair value measurement (verlustfreie Bewertung) of the banking book. The banking book comprises all interest-bearing transactions of the bank and is managed on a uniform basis.

For calculation purposes, future gains or losses in the banking book were determined by income contributed by closed and open interest rate positions.
The future cash flows are discounted on the basis of generally recognized money market and capital market rates corresponding to the respective period. The risk costs were computed on the basis of future expected losses and the pro rata share of administrative expenses for portfolio management was recognized based on internal analyses.
There was no need for provisions as of December 31, 2014 on the basis of this calculation.

Hedging relationships within the meaning of Section 254 of the HGB are only established to hedge currency risks. Rentenbank uses currency swaps, cross-currency interest rate swaps and forward exchange transaktion to hedge such currency risks.

Currency translation and the presentation of the transactions in the balance sheet without currency hedging is made pursuant to Section 340h in conjunction with Section 256a of the HGB and Section 252 (1) No. 4 of the HGB. In accordance with Section 277 (5) sentence 2 of the HGB, gains from currency translation are recorded in the item "other operating income," while losses from currency translation are recorded in the item "other operating expenses."

Rentenbank is exempt from corporation taxes in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (Körperschaftssteuergesetz, KStG) and municipal trade taxes in accordance with Section 3 No. 2 of the German Municipal Trade Tax Act (Gewerbesteuergesetz, GewStG). Deferred taxes in accordance with Section 274 of the HGB do not have to be recognized in the separate financial statements of Rentenbank.

Rentenbank prepares consolidated financial statements in accordance with IFRS, as adopted by the EU. These consolidated financial statements include LR Beteiligungsgesellschaft mbH, Frankfurt/Main, and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main, pursuant to Section 315a of the HGB.

Notes to the balance sheet

The disclosures and explanations on individual balance sheet items are presented in the order in which they appear in the balance sheet. Differences to the amounts presented in the balance sheet result from the exclusion of accrued interest.

Assets		Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Item 2:	Loans and advances to banks		
	Sub-item "b) Other loans and advances," classified by remaining time to maturity:		
	• up to 3 months	**1 853**	**2 917**
	• more than 3 months to 1 year	**5 626**	**3 446**
	• more than 1 year to 5 years	**23 648**	**23 459**
	• more than 5 years	**19 448**	**18 968**
Item 3:	Loans and advances to customers		
	This item includes:		
	• Loans and advances to equity holdings	**0**	**0**
	• Loans and advances to affiliated companies	**144**	**144**
	This item can be broken down by remaining time to maturity as follows:		
	• up to 3 months	**57**	**651**
	• more than 3 months to 1 year	**791**	**1 260**
	• more than 1 year to 5 years	**1 480**	**1 793**
	• more than 5 years	**2 472**	**1 585**
	There are no loans and advances to customers with an indefinite term within the meaning of Section 9 (3) No. 1 of the RechKredV.		
Item 4:	Bonds and other fixed-income securities		
	All of these are marketable securities and can be broken down as follows:		
	• Listed securities	**19 487**	**19 582**
	• Unlisted securities	**383**	**403**
	Securities at a carrying amount of EUR 19 870 million (2013: EUR 19 985 million) were classified as fixed assets. They are not measured at the lower of cost or market pursuant to HGB (strenges Niederstwertprinzip). Since these securities are anticipated to be held over the long term, no write-downs to fair value are recorded in case of an impairment that is expected to be of a temporary nature. In particular, write-downs are not recognized when the identified impairment is only of a temporary nature with respect to future financial performance and it is expected that the securities are fully repaid when due. The carrying amount of securities carried at values above their fair values amounted to EUR 657 million. The fair value of these securities is EUR 656 million. Exchange or market prices were used to determine fair value. Accordingly, the unrecognized write-downs amount to EUR 1 million (2013: EUR 17 million). There was no permanent impairment to be taken		

	into account for the securities held as fixed assets.		
Assets		**Dec. 31, 2014 EUR million**	**Dec. 31, 2013 EUR million**
Item 4:	Bonds and other fixed-income securities maturing in the year following the balance sheet date can be broken down as follows:		
	• from public-sector issuers	**350**	**50**
	• from other issuers	**4 892**	**2 863**
Item 5:	All of the shares and other variable-income securities held are marketable and listed.		
Item 6 and 7:	The balance sheet items "equity holdings" and "investments in affiliated companies" do not include marketable securities.		
Item 8:	Trust assets		
	This item includes:		
	• Special purpose fund of the German government held at Rentenbank	**110**	**106**
	• Loans and advances to banks	**1**	**1**
Item 9:	Intangible assets		
	This item includes:		
	• Purchased software and licenses acquired for a consid-eration	**13**	**15**
Item 10:	Property and equipment		
	This item includes:		
	• Owner-occupied land and buildings, flats	**0**	**0**
	• Land and buildings used by third parties	**15**	**15**
	• Operating and office equipment	**1**	**1**
Item 11:	Other assets		
	This item includes:		
	Cash collateral provided for derivatives	**2 564**	**1 711**
Item 12:	Prepaid expenses		
	This item includes:		
	• Differences pursuant to Section 340e (2) of the HGB	**368**	**184**
	• Differences pursuant to Section 250 (3) of the HGB	**218**	**224**
	• Upfront payments from derivative transactions	**172**	**159**

Fixed assets schedule

Fixed assets EUR million	Cost	Additions	Disposals	Write-ups	Accumulated depreciation, Amortization and write-downs	Carrying amount Dec. 31, 2014	Carrying amount Dec. 31, 2013	Amortization, depreciation, write-downs 2014
Intangible assets	**20**	**2**	**-**	**-**	**9**	**13**	**15**	**4**
Property and equipment	**32**	**1**	**0**	**-**	**17**	**16**	**16**	**1**
Securities classified as fixed assets	**19 998**	**2 885**	**3 002**	**2**	**13**	**19 870**	**19 985**	**-**
Equity holdings	**4**	**-**	**-**	**-**	**0**	**4**	**4**	**-**
Investments in affiliated companies	**27**	**-**	**-**	**-**	**27**	**0**	**0**	**-**

Liabilities		Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Item 1:	Liabilities to banks		
	Sub-item "b) With an agreed maturity or period of notice," classified by remaining time to maturity:		
	• up to 3 months	-	3 254
	• more than 3 months to 1 year	360	549
	• more than 1 year to 5 years	940	1 327
	• more than 5 years	785	370
	Total amount excluding accrued interest	2 085	5 500
	Thereof secured by assets in accordance with Section 13 (2) of Rentenbank's Governing Law	200	422
Item 2:	Liabilities to customers		
	This item includes:		
	• Liabilities to equity holdings	0	0
	• Liabilities to affiliated companies	3	3
	Sub-item "b) With an agreed maturity or period of notice," classified by remaining time to maturity:		
	• up to 3 months	80	345
	• more than 3 months to 1 year	149	211
	• more than 1 year to 5 years	1 309	907
	• more than 5 years	2 521	3 067
	Total amount excluding accrued interest	4 059	4 530
	Thereof secured by assets in accordance with Section 13 (2) of Rentenbank's Governing Law	716	926
Item 3:	Securitized liabilities		
	a) Debt securities issued		
	Classification by remaining time to maturity:		
	• up to 1 year	12 959	9 967
	• more than 1 year to 5 years	36 413	37 295
	• more than 5 years	15 895	13 543
	Total amount excluding accrued interest	65 267	60 805
	Thereof secured by assets in accordance with Section 13 (2) of Rentenbank's Governing Law	0	0

Liabilities		Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Item 4:	Trust liabilities		
	This item includes:		
	• Liabilities from the special purpose fund of the German government held at Rentenbank	**110**	**106**
	• Liabilities to customers	**1**	**1**
Item 5:	Other liabilities		
	This item includes:		
	• Cash collateral received for derivatives	**1 525**	**525**
	Classification by remaining time to maturity:		
	• up to 3 month	**1 525**	**525**
Item 6:	Deferred items		
	This item includes:		
	• Differences pursuant to Section 340e (2) of the HGB	**2**	**3**
	• Differences pursuant to Section 250 (2) of the HGB	**170**	**156**
	• Upfront payments from derivative transactions	**578**	**461**
Item 8:	Subordinated liabilities		
	Classification by remaining time to maturity:		
	• up to 1 year	**-**	**-**
	• more than 1 year to 5 years	**132**	**59**
	• more than 5 years	**467**	**539**
	Total	**599**	**598**

The subordinated liabilities are structured as promissory note loans, loan agreements and bearer securities issued in the form of global certificates. The net expense for subordinated liabilities in the amount of EUR 599 million (2013: EUR 598 million) after collateralization totals EUR 1 million (2013: EUR 1 million).

The subordination conditions of the promissory note loans fulfill the criteria pursuant to Article 63 CRR (capital requirements regulation). Subordinated liabilities in the form of bearer securities with global certificates and of loan agreements do not meet the requirements pursuant to Article 63 lit. k) and l) CRR.

Disclosures pursuant to Section 35 (3) Nr. 2 of the RechKredV in relation to funds raised in an amount exceeding 10% each of the total amount of subordinated liabilities:

1. Bond at a nominal amount of JPY 25 billion; carrying amount: EUR 158 million; maturity: April 21, 2036; interest rate before collateralization: 2.8%
2. Bond at a nominal amount of JPY 10 billion; carrying amount: EUR 62 million; maturity: October 28, 2019; interest rate before collateralization: 2.0%
3. Bond at a nominal amount of EUR 100 million; carrying amount: EUR 100 million; maturity: August 18, 2021; interest rate before collateralization: 1.003%
4. Bond at a nominal amount of EUR 100 million; carrying amount: EUR 100 million; maturity: August 18, 2021; interest rate before collateralization: 1.033%

Off-balance sheet disclosures		Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Item 1:	Contingent liabilities		
	• Deficiency guarantees	**2**	**2**
	• Guarantee of provision of collateral	**0**	**0**
	Deficiency guarantees are accepted for capital market loans granted at a reduced rate of interest. We currently do not expect that these deficiency guarantees will be utilized. There are back-to-back guarantees granted by the government for capital market loans at a reduced rate of interest.		
Item 2:	Other commitments		
	The decrease of irrevocable loan commitments by EUR 853 million to a total of EUR 975 million is attributable to lower outstanding irrevocable commitments in the special promotional loan business. Drawdowns on these commitments will be made primarily in 2015.		
Assets and liabilities in foreign currencies			
	Assets and liabilities denominated in a foreign currency have been recorded in the following amounts:		
	• Assets	**3 137**	**2 358**
	• Liabilities	**45 494**	**37 992**
Computation of cover			
	The outstanding liabilities subject to cover requirements exclusively consist of registered bonds.	**916**	**1 348**
	The following assets are designated to cover debt securities issued:		
	• Loans and advances to banks	**1 278**	**4 918**
	• Loans and advances to customers	**-**	**556**

Notes to the income statement

Income and expenses

Interest expenses for the recognition of provisions for the promotional contribution related to special promotional loans amounted to EUR 72.3 million in 2014 (2013: EUR 78.4 million). Interest income includes the pro rata temporis utilization of the corresponding provisions in the amount of EUR 79.0 million (2013: EUR 75.1 million). Interest expenses include effects from unwinding the discount of provisions in the amount of EUR 12.6 million (2013: EUR 10.2 million).

Disclosures on the most important individual items pursuant to Section 35 (1) No. 4 of the RechKredV	**2014 EUR million**	**2013 EUR million**
Item 5: Other operating expenses		
This item includes the following significant income items:		
• Interest expense from the valuation of pension provisions	**8**	**6**
• Grants for the program "Research on agricultural innovation"	**3**	**3**
• Additions to provision for settlement costs of the holdings	**1**	**0**
• Capital contribution to Edmund-Rehwinkel-Foundation	**0**	**3**
Item 6: Other operating income		
This item includes the following significant income items:		
• Rental income from Rentenbank's real estate	**2**	**2**
• Other refunds	**1**	**1**
• Other income from the reversal of provisions	**1**	**1**

Other operating expenses include currency translation losses in the amount of EUR 0.6 thousand (2013: EUR 6.9 thousand). Other operating income includes currency translation gains in the amount of EUR 20.9 thousand (2013: EUR 7.1 thousand). These currency translation gains/losses result exclusively from the currency translation of balances on payment transaction accounts in foreign countries.

Expenses and income do not include any significant amounts relating to prior years.

Other disclosures

Derivative financial instruments

Derivatives are only used as hedging instruments for existing or expected market price risks. The volume of the transactions is capped through counterparty-specific and product-specific limits and is continuously monitored within the framework of our risk management.

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The valuation models are based on observable market parameters. The fair value of non-option contracts is determined on the basis of their discounted expected future cash flows (discounted cash flow method). The discounting of derivatives is based on the OIS (Overnight Interest Rate Swap) curve as well as on so-called basis swap spreads and cross-currency (CCY) basis swap spreads. They are obtained from external market data providers, distinguished according to maturity and currency. Measurement of contracts with an option feature (option-based contracts) is based on accepted option pricing models. Apart from the interest rate curves and spreads mentioned above, volatilities and correlations between observable market data are also taken into account in the calculation.

Derivative transactions – presentation of volumes –

The following table shows the derivatives not measured at market value in accordance with section 285 No. 19 of the HGB (netting and collateral agreements have not been taken into account):

EUR million	Nominal amounts		Fair values positive	Fair values negative
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Interest rate risks				
Interest rate swaps	**94 783**	**90 086**	**2 314**	**5 325**
• thereof termination and conversion rights embedded in swaps	**500**	**497**	**51**	**-**
Swaptions				
• Purchases	**-**	**-**	**-**	**-**
• Sales	**963**	**983**	**-**	**12**
Other forward interest rate contracts	**-**	**1**	**-**	**-**
Total exposure to interest rate risks	**95 746**	**91 070**	**2 314**	**5 337**

EUR million	Nominal amounts		Fair values positive	Fair values negative
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Currency risks				
Cross-currency interest rate swaps	42 432	37 557	3 441	1 468
• thereof currency options embedded in swaps	48	55	6	0
• thereof termination rights embedded in swaps	7	14	0	0
Currency swaps	5 608	2 736	198	6
Total exposure to currency risks	48 040	40 293	3 639	1 474
Share price risk and other price risks				
Share index swaps	30	30	5	0
• thereof share options embedded in swaps	30	30	5	0
Total exposure to share price risk and other price risks	30	30	5	0
Interest rate, currency, share price and other price risks	143 816	131 393	5 958	6 811

Derivative transactions – breakdown by maturities –

Nominal amounts EUR million	Interest rate risks		Currency risks		Share price risk and other price risks	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Remaining time to maturity						
• up to 3 months	1 955	4 717	7 773	3 351	-	-
• more than 3 months to 1 year	10 663	6 541	3 591	3 816	-	-
• more than 1 year to 5 years	52 947	50 274	27 480	27 513	30	30
• more than 5 years	30 181	29 538	9 196	5 613	-	-
Total	95 746	91 070	48 040	40 293	30	30

Derivative transactions – breakdown by counterparties –

EUR million	Nominal amounts		Fair values positive	Fair values negative
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Banks in OECD countries	126 844	119 187	5 200	6 090
Other counterparties in OECD countries	16 972	12 206	758	721
Total	143 816	131 393	5 958	6 811

Forward transactions, particularly those in foreign currencies, not yet settled by the balance sheet date, are entered into by the Bank to cover market price risk.

Information pursuant to Section 285 (23) of the HGB on hedging relationships

Rentenbank uses currency swaps, cross-currency interest rate swaps and currency forward contracts to hedge currency risks. Currency hedges are presented in the balance sheet using valuation units pursuant to Section 254 of the HGB. The net hedge presentation method (Einfrierungsmethode) is used to account for the offsetting changes in value between hedged item and hedging instrument.
To measure the effectiveness of hedging relationships, the critical terms match/short cut method is used, where the cash flows of hedged item and hedging instrument are compared. Exchange rate fluctuations of corresponding hedged items and hedging derivatives have an opposite effect and offset each other for the period through the end of their respective maturity. Hedged items and hedging instruments are combined in valuation units as follows as of the balance sheet date:

Balance sheet item	Carrying amount in EUR million		Hedged risk
	Dec. 31, 2014	Dec. 31, 2013	
Loans and advances to banks	44	44	Currency
Bonds and other fixed-income securities	2 442	1 980	Currency
Liabilities to banks	-	80	Currency
Liabilities to customers	144	154	Currency
Securitized liabilities	43 024	38 616	Currency
Subordinated liabilities	320	320	Currency

Remuneration of the Board of Managing Directors and the Board of Supervisory Directors

In fiscal year 2014, the remuneration for Rentenbank's Board of Managing Directors amounted to EUR 1 727 thousand (2013: EUR 1 572 thousand). The remuneration for the individual members of the Board of Managing Directors for fiscal year 2014 was set as follows:

Amounts in EUR thousand	Fixed remuneration	Variable remuneration	Other remuneration	Total
Hans Bernhardt	**518**	**245**	**38**	**801**
Dr. Horst Reinhardt	**518**	**245**	**26**	**789**
Imke Ettori (since 01.09.2014)	**133**	**-**	**4**	**137**

As of December 31, 2014, a total amount of EUR 15 176 thousand (2013: EUR 14 909 thousand) was recognized as provisions for pension obligations to former members of the Board of Managing Directors and their surviving dependents. Current benefit payments amounted to EUR 1 207 thousand (2013: EUR 1 172 thousand). As in the previous year, there were no loans granted to the members of the Board of Managing Directors or members of the Board of Supervisory Directors in fiscal year 2014.
In accordance with the remuneration regulations, the Chairman of the Board of Supervisory Directors receives a basic annual remuneration of EUR 30 thousand, his Deputy Chairman EUR 20 thousand, and all other members of the Board of Supervisory Directors EUR 10 thousand each. In addition, members of the Advisory Board working on a committee receive remuneration of EUR 2.0 thousand and members who chair a committee EUR 4.0 thousand.

The total remuneration for activities related to the Board of Supervisory Directors in the year under review amounted to EUR 291 thousand (2013: EUR 298 thousand, including VAT in each case). The following table sets out the individual remuneration (not including VAT in each case):

	Membership		Remuneration	
	2014	2013	2014	2013
			EUR thousand	EUR thousand
Joachim Rukwied (Chairman since 08.11.2013)	01.01. - 31.12.	01.01. - 31.12.	**42.0**	**16.7**
Gerd Sonnleitner (Chairman until 07.11.2013)	-	01.01. - 07.11.	**-**	**43.4**
Ilse Aigner[1]	-	01.01. - 30.09.	**-**	**16.5**
Dr. Hans-Peter Friedrich[2]	01.01. - 17.02.	01.10. - 31.12.	**2.8**	**5.0**
Dr. Hermann Onko Aeikens	-	01.01. - 31.12.	**-**	**10.0**

	Membership		Remuneration	
	2014	2013	2014	2013
			EUR thousand	EUR thousand
Dr. Helmut Born	-	01.01. - 30.09.	**-**	**10.5**
Helmut Brunner	01.01. - 31.12.	-	**10.0**	-
Georg Fahrenschon	01.01. - 31.12.	01.01. - 31.12.	**14.0**	**12.0**
Udo Folgart	01.01. - 31.12.	08.11. - 31.12.	**12.3**	**2.0**
Dr. Robert Habeck	-	01.01. - 31.12.	**-**	**10.0**
Dr. Werner Hildenbrand	01.01. - 04.07.	01.01. - 31.12.	**5.0**	**10.0**
Werner Hilse	01.01. - 31.12.	01.01. - 31.12.	**12.0**	**12.0**
Ulrike Höfken	-	01.01. - 31.12.	**-**	**10.0**
Wolfgang Kirsch	01.01. - 30.06.	01.01. - 31.12.	**8.0**	**14.0**
Dr. Robert Kloos	01.01. - 31.12.	01.01. - 31.12.	**14.0**	**14.0**
Bernhard Krüsken	01.01. - 31.12.	01.10. - 31.12.	**14.0**	**3.2**
Klaus-Peter Müller	01.01. - 04.07.	01.01. - 31.12.	7.0	16.0
Manfred Nüssel	01.01. - 31.12.	01.01. - 31.12.	**12.0**	**12.0**
Michael Reuther	04.07. - 31.12.	-	**7.0**	**-**
Harald Schaum	01.01. - 31.12.	27.12. - 31.12.	**11.5**	**-**
Brigitte Scherb	01.01. - 31.12.	01.01. - 31.12.	**12.0**	**12.0**
Norbert Schindler	01.01. - 31.12.	01.01. - 31.12.	**12.0**	**12.0**
Christian Schmidt[3]	17.02. - 31.12.	-	**19.0**	**-**
Prof. Matthias Stauch	01.01. - 31.12.	-	**10.0**	**-**
Dr. Klaus Stein	01.01. - 31.12.	01.01. - 31.12.	**17.0**	**14.0**
Dr. Caroline Toffel	06.11. - 31.12.	-	**2.0**	**-**
Jörg Vogelsänger	01.01. - 31.12.	-	**10.0**	**-**
Konrad Weiterer	04.07. - 31.12.	-	**5.0**	**-**
Klaus Wiesehügel	-	01.01. - 30.09.	**-**	**9.0**
Total remuneration			**258.6**	**264.3**

1) direct donation to Förderverein Caritas Kinderdorf Irschenberg
2) direct donation to Diakoniewerk Martinsberg e.V. and Evangelische Jugendsozialarbeit Bayern e.V.
3) direct donation to association voluntary fire brigade Uehlfeld e.V., Osing-association and Hospizverein Fürth e.V.

Average number of employees pursuant to Section 267 (5) of the HGB

Headcount	2014			2013		
	Male	Female	Total	Male	Female	Total
Full-time employees	133	82	215	132	80	212
Part-time employees	6	39	45	5	39	44
Total	139	121	260	137	119	256

Shareholdings pursuant to Section 285 No. 11 and Section 340a (4) No. 2 of the HGB

	Equity EUR million Dec. 31, 2014	Share-holding %	Result EUR million 2014
LR Beteiligungsgesellschaft mbH, Frankfurt am Main	59.0	100.0	+0.3
Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main (in Abwicklung)	7.4*	25.1	-0.2*
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	11.4	100.0	-0.2
Niedersächsische Landgesellschaft mbH, Hannover	64.5*	6.3	+1.4*

*) 31.12.2013

In accordance with Section 286 (3) sentence 1 No. 1 of the HGB, we did not list further companies pursuant to Section 285 No. 11 of the HGB as they are of minor significance for the assessment of Rentenbank's financial position and financial performance.

As long as Rentenbank holds 100% of the shares in LR Beteiligungsgesellschaft mbH, Rentenbank has committed itself in a letter of comfort to provide financial resources to LR Beteiligungsgesellschaft mbH allowing it to fulfill its obligations when due at any time.

Disclosures related to auditor's fees are included in the notes to the consolidated financial statements.

The Declaration of Compliance with the German Public Corporate Governance Code by the Board of Managing Directors and the Board of Supervisory Directors is available to the public on Rentenbank's website.

The separate financial statements, the consolidated financial statements and the annual report are available on Rentenbank's website as well as in the electronic Federal Gazette (elektronischer Bundesanzeiger) and may also be obtained at Rentenbank's registered office.

The following table shows offices held in statutory supervisory boards of large corporations (Section 267 (3) of the HGB) by legal representatives or other employees of Rentenbank, pursuant to Section 340a (4) No. 1 of the HGB):

Hans Bernhardt	BVVG Bodenverwertungs- und -verwaltungs GmbH, Berlin (member of the Supervisory Board)
Dr. Horst Reinhardt	VR-LEASING AG, Frankfurt/Main (member of the Supervisory Board)
Lothar Kuhfahl	Niedersächsische Landgesellschaft mbH, Hannover (member of the Supervisory Board)

Corporate Bodies

Board of Managing Directors

Dr. Horst Reinhardt (Speaker), Dipl.-Volkswirt, MBA
Hans Bernhardt, Dipl.-Kaufmann
Imke Ettori, Dipl.-Kauffrau

Board of Supervisory Directors

Chairman:

Joachim Rukwied
Präsident des Deutschen Bauern-
verbands e.V., Berlin

Deputy:

Christian Schmidt MdB
Bundesminister für Ernährung und
Landwirtschaft, Berlin

Representatives of the Deutscher Bauernverband e.V.:

Udo Folgart
Präsident des Landesbauernverbands
Brandenburg e.V., Teltow/Ruhlsdorf

Brigitte Scherb
Präsidentin des Deutschen LandFrauen-
verbands e.V., Berlin

Werner Hilse
Präsident des Landvolk Nieder-
sachsen-Landesbauernverbands e.V.,
Hannover

Norbert Schindler MdB
Ehrenpräsident des Bauern- und Winzer-
verbands Rheinland-Pfalz Süd e.V.,
Berlin

Bernhard Krüsken
Generalsekretär des Deutschen
Bauernverbands e.V., Berlin

Representative of the Deutscher Raiffeisenverband e.V.:

Manfred Nüssel
Präsident des Deutschen Raiffeisen-
verbands e.V., Berlin

Representative of the Food Industry:

Konrad Weiterer
Bundesverband der Agrargewerblichen Wirtschaft (BVA), Berlin
(since 04.07.2014)

Dr. Werner Hildenbrand
Stv. Vorsitzender des Vorstands der Bundesvereinigung der Deutschen Ernährungsindustrie e.V., Berlin
(until 04.07.2014)

State Ministers of Agriculture:

Bavaria:
Helmut Brunner
Staatsminister für Ernährung, Landwirtschaft und Forsten, München

Bremen:
Prof. Matthias Stauch
Staatsrat beim Senator für Wirtschaft, Arbeit und Häfen, Bremen

Brandenburg:
Jörg Vogelsänger
Minister für Ländliche Entwicklung, Umwelt und Landwirtschaft, Potsdam

Representative of the Trade Unions:

Harald Schaum
Stv. Bundesvorsitzender der
IG Bauen-Agrar-Umwelt,
Frankfurt am Main

Representative of the Federal Ministry of Food and Agriculture:

Dr. Robert Kloos
Staatssekretär, Berlin

Representative of the Federal Ministry of Finance:

Dr. Klaus Stein
Ministerialdirigent, Berlin

Representatives of banks or other lending experts:

Georg Fahrenschon
Präsident des Deutschen Sparkassen- und Giroverbands e. V., Berlin

Michael Reuther
Mitglied des Vorstands der Commerzbank AG, Frankfurt am Main (since 04.07.2014)

Klaus-Peter Müller
Vorsitzender des Aufsichtsrats der Commerzbank AG, Frankfurt am Main (until 04.07.2014)

Dr. Caroline Toffel
Mitglied des Vorstands der Kieler Volksbank eG, Kiel
(since 06.11.2014)

Wolfgang Kirsch
Vorsitzender des Vorstands der DZ BANK AG Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main
(until 30.06.2014)

Frankfurt/Main, March 5, 2015

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt | Hans Bernhardt | Imke Ettori

Statement of Management Responsibility

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank, and the management report of the bank includes a fair review of the development and performance of the business and the position of the bank, together with a description of the principal opportunities and risks associated with the expected development of the bank.

Frankfurt am Main, March 5, 2015

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt	Hans Bernhardt	Imke Ettori

Auditor’s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the combined management report prepared by Landwirtschaftliche Rentenbank, Frankfurt/Main, for the business year from January 1 to December 31, 2014. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law and supplementary provisions of the Governing Law of Landwirtschaftliche Rentenbank [Gesetz über die Landwirtschaftliche Rentenbank] are the responsibility of the Company`s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the Governing Law of Landwirtschaftliche Rentenbank [Gesetz über die Landwirtschaftliche Rentenbank] and give a true and fair view of the net assets, financial position and results of operations of Landwirtschaftliche Rentenbank, Frankfurt/Main, in accordance with [German] principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the bank’s position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, March 5, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bernhard	Liebermann
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report of the Board of Supervisory Directors

The Board of Supervisory Directors and its committees performed its duties delegated to them in accordance with the law, the Statutes and Rentenbank's corporate governance principles, and advised and monitored the Board of Managing Directors in its orderly conduct of business throughout the fiscal year.

The annual financial statements as well as the combined management report were prepared by the Board of Managing Directors in accordance with the accounting principles of the German Commercial Code *(Handelsgesetzbuch, HGB)* as of December 31, 2014 and were audited by the auditors KPMG AG, Berlin, who issued an unqualified audit opinion. The consolidated financial statements as well as the combined management report as of December 31, 2014 were prepared by the Board of Managing Directors in accordance with the International Financial Reporting Standards (IFRS) and the additional requirements of German Commercial Code as defined in Section 315a (1) of the HGB and were audited by the auditors KPMG AG, Berlin, who issued an unqualified audit opinion. The Board of Supervisory Directors acknowledged and approved the findings of the audit.

The Board of Supervisory Directors reviewed the annual financial statements and the consolidated financial statements, including the combined management report, as well as the annual report of Landwirtschaftliche Rentenbank. The Board of Supervisory Directors adopts the bank's annual financial statements including the combined management report for fiscal year 2014 and approves the consolidated financial statements and the combined management report for fiscal year 2014.

In accordance with the regulation that the guarantee reserve *(Deckungsrücklage)* may not exceed 5 % of the amount of the outstanding covered bonds pursuant to Section 2 (3) of Rentenbank's Governing Law, the Board of Supervisory Directors resolved to remove EUR 21 590 000.- from the guarantee reserve and to increase the principal reserve *(Hauptrücklage)* by the same amount.

From the net income for the year of EUR 55 000 000.- as reported in the income statement of the financial statements, EUR 41 250 000.- is made available for the principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law.

Furthermore, the Board of Supervisory Directors resolved from the residual distributable profit of EUR 13 750 000.- to provide EUR 6 875 000.- to the German federal government's Special Purpose Fund and EUR 6 875 000.- to the Promotional Fund.

The Board of Supervisory Directors has satisfied itself that the Board of Managing Directors and the Board of Supervisory Directors have complied with the German Public Corporate Governance Code as amended on June 30, 2009. The Board of Supervisory Directors will monitor its compliance and implementation constantly. The Board of Supervisory Directors approves the Corporate Governance Report including the Declaration of Conformity.

Berlin, March 26, 2015

THE BOARD OF SUPERVISORY DIRECTORS OF
LANDWIRTSCHAFTLICHE RENTENBANK

Joachim Rukwied
(Chairman)

Landwirtschaftliche Rentenbank
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