Landwirtschaftliche Rentenbank Group

Disclosure Report pursuant to Part 8 CRR (in particular Articles 431 to 455 CRR) and Section 26a KWG in conjunction with Section 64r (15) KWG as of December 31, 2014

rentenbank

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1. Disclosures pursuant to Part 8 CRR and Section 26a KWG in connection with Section 64r (15) KWG

The Basel Committee on Banking Supervision has defined internationally accepted standards for risk-based capital adequacy in its Basel Framework (“Basel II”). The aim of this framework is to strengthen the security and the soundness of the financial system. The Basel Framework comprises three pillars that complement each other: minimum capital requirements (first pillar), supervisory review process (second pillar) and extended disclosure requirements (third pillar).

The objective of the third pillar is to strengthen market discipline by increasing the transparency of the banks' risk situation. Therefore, banks have to publish, on a regular basis, qualitative and quantitative information about their capital position, risks assumed, risk measurement procedures and risk management.

On European level, the disclosure requirements of the third pillar were implemented as of January 1, 2014 in accordance with Articles 431 to 455 of Regulation (EU) No. 575/2013 (CRR). In Germany, the extended disclosure requirements were transposed to national law through Section 26a KWG.

Rentenbank publishes its Disclosure Report pursuant to Part 8 CRR and Section 26a KWG in connection with Section 64r (15) KWG on an annual basis. It complies with its disclosure obligations within the scope of this report. Individual aspects of the disclosures are also included in the combined management report and the consolidated financial statements. Disclosure obligations not set out here are not applicable to Rentenbank.

Rentenbank is the controlling company of the group of institutions within the meaning of Section 10a (1) Sentence 1 KWG. The disclosures are made on a group-level.

2. Material information (Part 8 Article 432 CRR)

In accordance with the principle of materiality set out in Part 8 Article 432 CRR and the EBA Guidelines on materiality, proprietary and confidentiality, it was determined within the framework of the definition of materiality that the disclosures do not include subsidiaries which account for less than 1% in the Group's total assets or the Group's net income, respectively, and whose risk situation is negligible for the Group given their business approach. In addition to Rentenbank, the disclosures also include the consolidated subsidiaries.

3. Scope of application (Part 8 Article 436 points a, b CRR)

Rentenbank is a public law institution directly accountable to the German federal government, with its registered office in Frankfurt/Main. It operates no branch offices. Pursuant to Section 26a (1) Sentence 2 KWG, the Group discloses relevant information within the scope of country-by-country reporting in Note (63) in the notes to the consolidated financial statements.

The consolidated financial statements of Rentenbank for fiscal year 2014 include Rentenbank as the Group’s parent company as well as its two subsidiaries, LR Beteiligungsgesellschaft mbH, Frankfurt/Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main, (DSV). The subsidiaries were included by way of full consolidation. There are no differences between the scope of consolidation under IFRS and the regulatory scope of consolidation.

The following companies are fully consolidated:

Description	Name	Regulatory / IFRS
Banks	Landwirtschaftliche Rentenbank, Frankfurt/Main	X / X
Finance companies	LR Beteiligungsgesellschaft mbH, Frankfurt/Main	X / X
	DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main	X / X

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 accordance with Rentenbank's competition neutrality. The range of products is geared towards manufacturing businesses in 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 investments in renewable energies and for rural infrastructure measures.

The business activity of LR Beteiligungsgesellschaft mbH (LRB) is the administration of equity holdings and possibly new investments made as part of the promotional mandate. The business activities of DSV Silo- und Verwaltungsgesellschaft mbH (DSV) encompass the settlement of pension obligations and the administration of financial investments and short-term cash deposits.

In accordance with the principle of materiality, two companies (Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main) were not included in the consolidated financial statements due to their minor significance for the assessment of the Group’s financial position, cash flows, and profit or loss. The interests held in these companies are reported in "Financial investments."

As a result of the small percentage of interests held in subscribed capital, the other companies were not required to be consolidated (neither under regulatory provisions nor under IFRS). A detailed list of unconsolidated companies, which are shown as equity holdings in the consolidated financial statements, is shown in Section 15, together with subscribed capital and the share of ownership.

4. Risk management (Part 8 Article 435 (1), (2) point e and 436 point c CRR)

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. Rentenbank has issued a comfort letter to LRB. Subsidiaries are funded exclusively within the Group. Office furniture and equipment as well as equipment to be used by employees are provided by Rentenbank. There are no impediments to the prompt transfer of own funds or repayment of liabilities among Rentenbank and its subsidiaries.

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.

The Group 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 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.

4.1 Organization of risk management process

4.1.1 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, measures to achieve the strategic objectives are determined and, among others, allocated to the aforementioned segments.

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 in 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. The Board of Managing Directors has approved both the business strategy and the risk manual for the documentation of the appropriateness of risk management procedures. In this context, it 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, risk management and risk tolerance determined by the Board of Managing Directors on the basis of risk management and controlling processes.

Risk management functions are primarily performed by the divisions Treasury (front office function according to MaRisk) as well as Promotional Business, and Collateral & Equity Holdings (venture capital fund and equity holdings). Within the scope of the venture capital fund, the Group provides equity capital instruments in the form of equity holdings by acquiring shares in 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 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 implement effective procedures to ensure compliance with material (bank supervisory) rules and requirements applicable to Rentenbank.

The Board of Managing Directors and the Audit Committee as well as the Risk Committee established by the Board of Supervisory Directors 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 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.

4.1.2 Principles of proper company management (Section 26a (1) Sentence 1 KWG)

The financial reporting process complies with German Accepted Accounting Principles (Grundsätze ordnungsmäßiger Buchführung, GoB) and is presented in the combined management report.

4.2 Risk categories – Material individual risks

The Group's material risks are credit, market price, liquidity, and operational risks as well as regulatory and reputational risk.

Appropriate precautions have been taken for risks that are not classified as material, i.e. that are of minor significance for the Group. The precautionary measures are generally documented in operational and organizational instructions.

4.2.1 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 money market business 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.

<u>Organization</u>

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 divisions Promotional Business, Financial Institutions and Collateral & Equity Holdings, while the securitized promotional business is handled by the department Operations Financial Markets. 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 members of the Board of Managing Directors responsible for the back office function are 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 discusses this strategy with 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 Financial Institutions 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 Financial Institutions division as a back office organizational unit 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 or on an ad hoc basis 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 the 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 as published by rating agencies are used. The Group does not have its 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.

Back testing

The internal risk classification procedure as well as the procedures to assess and measure credit default risk in the standard scenario and the stress scenarios are reviewed at least annually.

4.2.2 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 (1) No. 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 at 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 hedged.

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.

4.2.3 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 of being 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 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 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)).

<u>Stress scenarios</u>

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.

<u>Liquidity ratios pursuant to the Liquidity Regulation</u>

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. 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.

<u>Liquidity ratios pursuant to the CRR</u>

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 available 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.

4.2.4 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 regards to current or potential legal disputes semi-annually 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 regards, 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 Money 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.

4.2.5 Regulatory and reputational risks

Definition

Regulatory risk describes the risks that a change in the regulatory environment could have as 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.

4.3 Governance arrangements (Part 8 Article 435 (2) points a to d CRR)

By virtue of the government guarantee pursuant to Section 1a of Rentenbank's Governing Law, the disclosures are made on the basis of the principle of materiality. The current composition of Rentenbank's Board of Managing Directors reflects diversity criteria, in particular in respect of education and professional background, sex and age.

5. Own funds (Part 8 Article 437 CRR)

Since January 1, 2014, the Capital Requirements Regulation (CRR) has to be applied in the EU. The disclosure of own funds is made in accordance with Article 437 CRR in conjunction with Commission Implementing Regulation (EU) No. 1423/2013 of December 20, 2013. The Group makes use of the derogation to the application of reporting obligations in relation to own funds, solvency, large exposures, leverage and disclosures pursuant to Article 7 (3) CRR in connection with Section 2a (1) KWG on an individual basis (waiver rule).

The Group’s regulatory own funds were determined pursuant to the provisions of Article 72 CRR (2013: Sections 10 and 10a KWG in its then applicable version). As the controlling company of the Landwirtschaftliche Rentenbank group of institutions, Rentenbank is responsible for the calculation of own funds on a combined basis pursuant to Section 10a (1) KWG in conjunction with Article 11 CRR. Aggregation is made in the context of full consolidation.

The combined own funds of the group of institutions as of December 31, 2014 pursuant to CRR and as of December 31, 2013 pursuant to KWG in its then applicable version are presented in the following table:

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
- Subscribed capital	135	176
- Retained earnings	2 999	907
- Fund for general banking risks	-	2 175
- Accumulated other comprehensive income (revaluation reserve)	47	-
- Gains and losses from liabilities arising from changes in own credit	88	-
- Additional value adjustments	- 261	
- Intangible assets	- 18	- 18
- Deferred tax assets that rely on future profitability	- 1	-
- Other deductions from Common Equity Tier 1 capital	- 3	-
- Adjustments from transitional provisions	- 46	-
of which: accumulated other comprehensive income (revaluation reserve)	- 47	
of which: deferred tax assets that rely on future profitability	1	
Common Equity Tier 1 capital	**2 940**	**3 240**
Tier 1 capital	**2 940**	**3 240**
- Subordinated liabilities	48	623
- Subordinated liabilities (subject to grandfathering)	455	
- General credit risk adjustments	15	
- Other components	-	100
Tier 2 capital	**518**	**723**
Total own funds	**3 458**	**3 963**
Own funds for large exposure limit (Großkreditgrenze) in the aggregate book (Gesamtbuch)	**3 458**	**3 963**

The changes in Tier 1 and Tier 2 capital are attributable to both the change in the consolidation method from the aggregation procedure to full consolidation of subsidiaries and to the new regulatory adjustment items and transitional provisions under the CRR.

Subscribed capital of EUR 135 million consists of basic capital of Rentenbank, which was provided by the agricultural and forestry sector of the Federal Republic of Germany between 1949 and 1958. The subscribed capital pursuant to Section 2 of Rentenbank's Governing Law is fully recognized as Common Equity Tier 1 within the meaning of Article 26 (1) point a) in conjunction with Article 28 CRR in accordance with the EBA list "Capital instruments in EU member states qualifying as Common Equity Tier 1 instruments by virtue of Article 26(3) of Regulation (EU) No 575/2013."

An amount of EUR 926 million (2013: EUR 886 million) of retained earnings totaling EUR 2 999 million (2013: EUR 907 million) is attributable to the principal (Hauptrücklage) and guarantee reserves (Garantierücklage), which are recognized pursuant to Section 2 (3) sentence 2 of Rentenbank's Governing Law.

Unrealized gains recognized as accumulated other comprehensive income in the amount of EUR 47 million are included by Rentenbank as Common Equity Tier 1 pursuant to

Article 35 CRR. In accordance with transitional provisions set out in Article 468 (2) CRR, these gains are subsequently deducted in their full amount in the reporting year.

The regulatory adjustment items for gains and losses from changes in the own credit standing in relation to liabilities measured at fair value pursuant to Section Article 33 (1) point b) CRR amounts to EUR 88 million.

Within the scope of a prudent valuation pursuant to Article 34 in conjunction with Article 105 CRR, Rentenbank has implemented the requirements of the EBA Final Draft RTS 2014/06 of March 31, 2014. Based on its business model and the type of the assets and liabilities measured at fair value, Rentenbank analyzes the requirement to consider Additional Valuation Adjustments (AVA) in relation to the individual uncertainty factors. In this context, lump-sum deductions for AVA in relation to market price uncertainties classified as Level 2 and Level 3 measurements are taken into account. No AVA was recognized either for Level 1 instruments due to liquid markets or for derivatives as a result of collateral agreements that were entered into. In the context of costs of closing out, Rentenbank used adjusted bid/ask prices for the AVA calculation for securities which, by analogy, also are applied to the AVA calculation for registered debt securities. The financing costs are calculated corresponding to the new business volume and reflected as AVA for cash deposit and financing costs. AVAs for concentrated positions with at least 50% of the issuance volume are included in the calculation. The AVA for operational risks is taken into account on a lump-sum basis at 10% of the AVA for market price uncertainties. AVAs are not recognized for model risks, unearned credit spreads, future administrative expenses, and early terminations.

The total AVA amount as of December 31, 2014 is as follows:

AVA	31.12.2014 Mio. EUR
- for market uncertainty	110
- for cost of closure	123
- for model risk	0
- for unearned credit spreads	0
- for cash deposit and financing costs	2
- for concentrated positions	3
- for future administrative expenses	0
- for early termination	0
- for operational risks	23
Total AVA	**261**

Adjustments resulting from transitional provisions are comprised of unrealized gains within the meaning of Article 35 in conjunction with Article 468 (2) CRR in the amount of EUR -47 million as well as deferred tax assets pursuant to Article 36 (1) point c) in conjunction with Article 469 (1) point a) CRR in the amount of EUR 1 million.

Tier 2 capital in the amount of EUR 518 million consists of subordinated liabilities as well as general credit risk adjustments. Rentenbank takes into account subordinated liabilities in a total amount of EUR 503 million. This includes EUR 48 million (nominal amount of EUR 50 million) for subordinated loans eligible as Tier 2 capital within the meaning of Article 62 point a) in conjunction with Article 63 CRR. The remaining contracts with an eligible volume of EUR 455 million (nominal amount of EUR 578 million) are included in accordance with the grandfathering rules pursuant to Article 484 (2) CRR. The associated interest rates amount to up to 5.0% for maturities until April 21, 2036. The subordinated liabilities are structured as promissory note loans, loan agreements and bearer securities issued in the form of global certificates.

Main features of capital instruments:

The main features of capital instruments are presented in Appendix 2.

Reconciliation of all components of regulatory capital after approval of the financial statements as of December 31, 2014 to the balance sheet:

	Balance sheet items according to scope of consolidation under HGB	Own funds pursuant to CRR after preparation of balance sheet
	Dec. 31, 2014 EUR million	Dec. 31, 2014 EUR million
- Subscribed capital	135	135
- Retained earnings	3 046	3 046
- Fund for general banking risks	-	-
- Accumulated other comprehensive income (revaluation reserve)	112	112
- Gains and losses from liabilities arising from changes in own credit		286
- Additional value adjustments		- 261
- Intangible assets	- 14	- 14
- Adjustments from transitional provisions		- 112
- Subordinated liabilities	692	48
- Subordinated liabilities (subject to grandfathering)		455
- General credit risk adjustments		15

6. Capital requirements (Part 8 Article 438 CRR)

6.1 Regulatory capital requirements

The Credit Risk Standardized Approach (CRSA) is used for all exposure classes to determine the regulatory capital requirements for credit risks.

Specific risk weightings, as prescribed by the German regulatory authority, apply for capital requirements for credit risk.

Since January 1, 2014, the Capital Requirements Regulation (CRR) has to be applied in the EU. Eligible own funds and risk-weighted assets have to be presented on a group basis in accordance with IFRS. Moreover, business partner and transaction ratings are used instead of country ratings under the credit-risk standardized approach, and the risk of a credit value adjustment (CVA risk) is applied in relation to own funds. In the context of the determination of the risk weighting for credit risk exposures, Rentenbank only uses external ratings by Moody's Investors Service. If available, a transaction rating is used instead of the business partner rating. In the absence of a transaction or business partner rating, the risk weighting is determined based on the country of incorporation. The external ratings are allocated to the credit quality grades exclusively in accordance with the standard published by the EBA.

The following table shows the risk-weighted assets from the credit risk under CRSA by exposure class as of December 31, 2014 compared to the previous year:

Risk-weighted assets towards	Dec. 31, 2014 EUR million	Dec. 31, 2013 million
- Central governments and central banks	57	100
- Public-sector authorities	37	-
- Financial institutions	13 687	9 000
- Corporates	34	50
- Investment funds	0	
- Equity holdings	119	175
- Financial institutions in the form of covered bonds	1 589	2 138
- Other items	41	413
Total risk exposure for credit risk	**15 564**	**11 875**

The Group's risk exposures were as follows as of December 31, 2014 compared to the previous year:

	Dec. 31, 2014 EUR million	Dec. 31, 2013 million
Risk exposure for		
- credit risk	15 564	11 875
- market risk	0	0
- operational risk	1 575	1 675
- CVA risk (credit value adjustment)	767	-
Total risk exposure	**17 906**	**13 550**

The capital requirements (8% of risk-weighted assets) as of December 31, 2014 in comparison to the prior year are set out in the following table:

Capital requirements for	Dec. 31, 2014 EUR million	Dec. 31, 2013 million
- Central governments and central banks	5	8
- Public-sector authorities	3	-
- Financial institutions	1 095	720
- Corporates	3	4
- Investment funds	0	
- Equity holdings	10	14
- Financial institutions in the form of covered bonds	127	171
- Other items	3	33
Capital requirements for credit risks	**1 245**	**950**

The following overview shows the total capital, Tier 1 capital and Common Equity Tier 1 capital ratios for the Group as of December 31, 2014 compared to ratios disclosed in the previous year pursuant to the old version of the Solvency Regulation:

	Dec. 31, 2014 in %	Dec. 31, 2013 in %
Total capital ratio	19,3	29,3
Tier 1 capital ratio	16,4	23,9
Common Equity Tier 1 capital ratio	16,4	23,9

6.2 Risk-bearing capacity

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).

The risk covering potential is derived from Group figures as reported under IFRS and is as follows as of the balance sheet date.

	Dec. 31, 2014 EUR million	Dec. 31, 2013 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 of the IFRS category HtM	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.

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

	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**

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.

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

Risk-bearing capacity is monitored using the gone concern approach as an additional management item. 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 case 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 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 management item primarily serves to observe and critically reflect results. The observation of this management item did not lead to any adjustments for the management item 'going concern approach.' Risk-bearing capacity was maintained at all times during 2014 and 2013 under the gone concern approach.

Credit, market price, liquidity, and operational risks were also subjected to an inverse stress test. The starting point is a maximum loss to be borne in 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.

7. Exposure to counterparty credit risk (Part 8 Article 439 CRR)

7.1 Central counterparty

Rentenbank enters into transactions with a central counterparty exclusively in the context of the secured money market business. It concludes repo transactions with Eurex Clearing AG as central counterparty. The risk weighting for this central counterparty amounts to 4% pursuant to Article 305 (3) CRR. As of December 31, 2014, the balance was EUR 350 million.

7.2 Derivative credit risk exposures and netting positions

Derivatives are only entered into to hedge existing or expected market price risks and only with business partners from EU or OECD countries with top credit quality.

Rentenbank has concluded collateral agreements with all counterparties with which it enters into derivative transactions. These agreements provide for cash deposits denominated exclusively in euros to secure the positive fair values from derivatives exceeding the contractually agreed allowance amounts and minimum transfer amounts, which depend on the credit quality. In return, Rentenbank undertakes to provide cash deposits denominated in euros in the case of negative fair values if these exceed the corresponding allowance and minimum transfer amounts. The interest applied on a daily basis to the collateral provided and accepted is the EONIA rate. Interest payments are made on a monthly basis.

As of December 31, 2014, the credit risk exposure from all derivative transactions amounted to EUR 3 425 million (credit equivalent value) (2013: EUR 1 559 million). This exposure is determined using market price-based replacement cost pursuant to Article 274 SolvV. Netting arrangements are exclusively used for derivatives. The use of netting options from standardized netting arrangements as well as netting arrangements generally accepted by regulatory authorities with all counterparties leads to a reduction of positive replacement values.

The following overview shows the positive fair values from derivative transactions as of December 31, 2014, before and after application of netting arrangements and eligible collateral in accordance with Article 274 CRR:

	31.12.2014 Mio. EUR
Positive replacement values before netting and collateral	**5 958**
Netting arrangements	2 533
Eligible collateral	1 521
Positive replacement values after netting and collateral arrangements	**1 904**

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

The positive fair values before netting and before collateral arrangements in the amount of EUR 5 958 million consist of interest rate contracts (EUR 2 314 million), foreign exchange contracts of EUR 3 639 million, and equity/index-related contracts of EUR 5 million. The Bank does not enter into credit derivatives such as credit default swaps (CDS).

The limitation of derivative risk exposures per counterparty is conducted within the scope of the processes for the controlling and monitoring of counterparty-based credit risks.

The scenario involving a rating downgrade of Rentenbank's triple A ratings in connection with the provision of further collateral relating to collateral arrangements is regularly validated and is not substantial at the moment. The triple A ratings of Rentenbank are linked to the german government's guarantee for the debt securities issued by Landwirtschaftliche Rentenbank.

The correlations included in the scenarios for credit and market price risks are taken into account as a risk-mitigating effect. The possibility of taking into account interdependencies/correlation effects between the risk types is not being made use of. The aggregation of the capital requirements relating to the individual risk types is conducted on the basis of a conservative correlation assumption of +1.

8. Capital buffers (Part 8 Article 440 CRR)

The capital conservation buffer, the countercyclical capital buffer and the buffer for systemic risks are not mandatory as of December 31, 2014.

9. Indicators of global systemic importance (Part 8 Article 441 CRR)

Rentenbank is not an institution with global systemic importance.

10. Credit risk adjustments (Part 8 Article 442 CRR)

10.1 Impairment of financial assets

As of each balance sheet date, Rentenbank evaluates whether there is any objective evidence that interest and principal payments may not be made in full as agreed. A receivable is considered past due for financial reporting purposes using the following criteria:

- Internal credit rating as 'non-investment grade'
- Non-performing, forborn or restructured exposures
- Significant downgrade of the business partner's credit quality
- Significant downgrade of the credit quality of the business partner's country of domicile

The assessment of the materiality aspect of a downgrade and the criteria for the credit rating are subject to judgment. The criteria for monitoring credit risks and for credit rating are set out in detail in the combined management report.

A separate impairment review is not performed for financial assets of the 'designated as at fair value' category as these securities are measured at fair value, and accordingly any impairment losses are already taken into account in the fair value and recognized in profit or loss.

Loans and advances and financial assets measured at (amortized) cost:

Rentenbank assesses the recoverability for significant single exposures and securities as well as for exposures of insignificant amounts on an individual basis. If there is objective evidence of impairment, the valuation allowance is determined based on the difference between the carrying amount and the present value of expected cash flows. The expected cash flows are determined based on qualified estimates which take into account the financial condition of the counterparty as well as the liquidation of collateral and further supporting data such as membership in a protection scheme or liability mechanisms provided by the government. The discount factor used for fixed-interest loans, advances and securities is the original effective interest, while the current effective interest is used for floating-rate loans, advances and securities and the current market yield of a comparable financial asset for equity holdings measured at cost. The valuation allowance determined using this method is recognized in the income statement in the item 'allowance for credit losses/promotional contribution' for loans and advances and in the item 'net result from financial assets' for securities belonging to the 'held to maturity' category and for equity holdings.

In accordance with IFRS, impairments resulting from payment defaults are only determined for losses already incurred. The receivables are classified as "non-performing" for financial reporting purposes. Since Rentenbank generally extends loans almost exclusively to other banks, any potential losses are identified in a timely manner. To account for any existing residual risk of not having identified losses already incurred, Rentenbank recognizes for the first time as of the balance sheet date 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. In this context, a distinction is made between portfolios for banks, companies, and governments. The carrying amounts of the portfolios are weighted using probabilities of default and recovery rates, which are derived from the product rating or the business partner's rating. Since there is no statistically relevant number of defaults within the Group, probabilities of default are determined based on external data provided by rating agencies, while recovery rates are taken from regulatory stipulations.

As of December 31, 2014, Rentenbank takes into account general credit risk adjustments in the amount of EUR 14.7 million pursuant to Article 62 point c) CRR as Tier 2 capital.

Financial assets of the category "available for sale" that are measured at fair value:

If objective evidence suggests that financial assets are impaired, such impairment is calculated as the difference between amortized cost and the current fair value. The loss calculated in this manner is recognized as an adjustment to the revaluation reserve in the net result from financial assets. If the reasons for an impairment of debt instruments no longer apply, the impairment loss has to be reversed through profit or loss.

10.2 Allowances for credit losses

The item 'allowance for credit losses/promotional contribution' in the consolidated statement of comprehensive income primarily includes the discounted promotional expenses of the special promotional loans as well as their utilization over the remaining term. The promotional expenses represent the difference between the interest rate of the special promotional loan granted at a reduced rate of interest and the funding rate at the date of the loan commitment, plus an administrative cost rate.

In addition, this item comprises valuation allowances and write-downs of loans and advances as a result of payment defaults, as well as recoveries on loans and advances that were previously written off.

The allowance for credit losses as of December 31, 2014 compared to the previous year is as follows:

	Jan. 1-Dec. 31, 2014 EUR million	Jan. 1-Dec. 31, 2013 EUR million	Changes EUR million
Expenses for additions to promotional contribution	75,3	81,6	-6,3
Income from the utilization of promotional contribution	63,0	58,7	4,3
Additions to portfolio valuation allowances	3,0	11,7	-8,7
Reversal of specific valuation allowances	0,0	0,1	-0,1
Recoveries on loans and advances previously written off	0,0	0,0	0,0
Allowance for credit losses	**15,3**	**34,5**	**-19,2**

A more detailed breakdown of the allowance for credit losses is included in Note 38 of the notes to the consolidated financial statements.

10.3 Credit risks

The following tables present the credit risk exposures as of December 31, 2014, separately by risk exposure classes, region, sectors, and maturities, without taking credit risk mitigation techniques into account. Loans include outstanding commitments and other off-balance sheet items from the lending business.

The figures presented relate to the gross carrying amount in accordance with IFRS 7.B9, which corresponds to the carrying amount of the relevant balance sheet item in the IFRS consolidated financial statements. Contingent liabilities were reported at nominal amounts.

10.3.1 Gross lending volumes by exposure classes (regulatory)

EUR million Risk exposures towards	Measurement basis
- Central governments and central banks	1 226
- Regional and local authorities	4 960
- Multilateral development banks	1 581
- International organizations	10
- Public-sector authorities	15 863
- Financial institutions	49 468
- Corporates	74
- Investment funds	0
- Equity holdings	119
- Financial institutions in form of covered bonds	11 560
- Other items	41
Total	**84 903**

10.3.2 Gross lending volumes by exposure classes

Gross lending volumes EUR million	Loans	Financial investments	Derivative financial instruments
Total	58 734	21 701	5 958

10.3.3 Gross lending volumes by exposure classes and regions

	Loans		Financial investments		Derivative financial instruments	
	EUR million	%	EUR million	%	EUR million	%
Gross lending volume						
Germany	56 817	96,7	5 799	26,7	1 301	21,8
Europe	1 917	3,3	15 400	70,9	4 338	72,8
OECD (excl. EU)	0	0,0	502	2,3	319	5,4
Total	**58 734**	**100,0**	**21 701**	**100,0**	**5 958**	**100,0**

10.3.4 Gross lending volumes by exposure classes and sectors

	Loans		Financial investments		Derivative financial instruments	
	EUR million	%	EUR million	%	EUR million	%
Private-sector banks/other banks	7 361	12,5	2 488	11,5	864	14,5
Foreign banks	1 887	3,2	14 259	65,7	3 901	65,5
Public-sector banks	32 176	54,8	2 600	12,0	229	3,8
Cooperative banks	11 779	20,1	117	0,5	207	3,5
Central banks	0	0,0				
Non-banks	5 531	9,4	2 237	10,3	757	12,7
Total	**58 734**	**100,0**	**21 701**	**100,0**	**5 958**	**100,0**

10.3.5 Gross lending volumes by exposure classes and maturities

	Loans		Financial investments		Derivative financial instruments	
	EUR million	%	EUR million	%	EUR million	%
< 1 year	5 807	9,9	5 572	25,7	1 335	22,4
1 year - 5 years	18 117	30,9	9 056	41,7	3 065	51,5
> 5 years to unspecified maturity	34 615	59,2	7 073	32,6	1 558	26,1
Total	**58 539**	**100,0**	**21 701**	**100,0**	**5 958**	**100,0**

Irrevocable loan commitments of EUR 195 million are not included in the analysis of maturities.

11. Unencumbered assets (Part 8 Article 443 CRR)

The CRR requires reporting and disclosures of the so-called asset encumbrance. The requirements are described in Article 100 CRR and Article 443 CRR. The European Banking Authority (EBA) specifies these requirements in detail in the corresponding final Implementing Technical Standards (ITS) and relevant guidelines. In its Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03) of June 27, 2014, the EBA issued rules concerning the disclosure obligations pursuant to Article 443 CRR.

The asset encumbrance report had to be prepared for the first time as of the reporting date (December 31, 2014) and had to be submitted to German central bank (Deutsche Bundesbank) by February 11, 2015. The future reporting reference dates and deadlines for asset encumbrance reporting are governed by the specification set out in Article 2 of Commission Implementing Regulation (EU) No. 680/2014, as amended by Commission Implementing Regulation 2015/79.

The term “asset encumbrance” summarizes any form of encumbrance of assets. Pursuant to the EBA guidelines, assets are considered encumbered when they are pledged or represent some other form of security and therefore are subject to restrictions in withdrawal. Assets are also considered as being subject to restrictions in withdrawal when they require prior approval before withdrawal or replacement.

The disclosure of information regarding the significance of the encumbrance of assets for the institution is based on EBA Guideline EBA/GL/2014/03 using standardized reporting sheets (Templates A–D). Templates A–C comprises quantitative information in relation to the encumbrance of assets. Template D includes qualitative minimum disclosures regarding the significance of the encumbrance for the institution.

The disclosures on encumbered and unencumbered assets are based on data as of December 31, 2014. Rentenbank has obtained approval from the Bundesbank for the disclosure in relation to the first reporting period on the basis of data applicable as of the reporting date. For the purpose of the first-time disclosure of asset encumbrance, Rentenbank did not use median values of at least quarterly data on a continuous basis for the past twelve months of fiscal 2014.

Type of encumbrance

The following table is an overview of the encumbered and unencumbered assets of Rentenbank by type of asset as of December 31, 2014 in accordance with Template A of the Appendix to the EBA Guidelines (EBA/GL/2014/03):

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carryingg amount of unencumbered assets
	EUR million	EUR million	EUR million
Assets	**8 134**		**80 711**
Equity instruments	0	0	119
Debt securities	121	152	21 461
Other assets	8 013		59 131

The item “equity instruments” includes Rentenbank's equity holdings. The IFRS carrying amount of unlisted equity holdings as of December 31, 2014 amounts to EUR 119 million.

The item “debt securities” comprises the debt securities reported in the balance sheet item “financial assets” in the amount of EUR 21 461 million. For the participation of Rentenbank as a clearing member at EUREX Clearing AG, Frankfurt/Main (EUREX) in connection with repo transactions, assets in the amount of EUR 121 million are provided at EUREX as collateral for the clearing fund and are therefore reported as encumbered assets.

Derivative transactions are basically not freely available in the framework of Asset Encumbrance. Rentenbank has concluded netting and collateral agreements with all counterparties with which it enters into derivative financial instruments. Only cash collateral denominated in euro are used as collateral. For each counterparty negative and positive market values from derivative transactions are netted out. If the net amount is positive, the counterparty has to provide collateral, to the extent that the positive fair values exceed the contractually agreed allowance amounts and minimum transfer amounts. If the sum is negative, collateral has to be provided by Rentenbank taking into account allowance amounts and minimum transfer amounts.

As of December 31, 2014, the encumbered other assets from derivative transactions consisted of cash collateral provided in the amount of EUR 2 564 million as well as receivables from positive fair values of the derivatives in the amount of EUR 4 125 million which are offset with liabilities from negative fair values of derivatives on counterparty level.

In addition encumbered other assets in the amount of EUR 1 295 million are registered in Rentenbank's cover register as collateral for Rentenbank covered bonds in the amount of EUR 897 million; these assets exclusively consist of special promotional loans. The item “other encumbered assets” also includes the minimum reserve of EUR 29 million held at Deutsche Bundesbank.

Other unencumbered assets amount to EUR 59 131 million as of December 31, 2014. These items mainly comprise the balance sheet items “loans and advances to banks” and “loans and advances to customers.” The share of derivatives in unencumbered other assets amounts to EUR 1 833 million.

Sources of encumbrance

The main sources of encumbrance are negative fair values from derivative hedging instruments for which Rentenbank provides cash collateral. As of December 31, 2014, the carrying amount of negative fair values of derivative financial instruments amounted to EUR 6 811 million which is offset with positive fair values of EUR 6 689 million.

Another source of encumbrance are own covered debt securities of EUR 897 million for which Rentenbank holds collateral in its cover register.

The assets in the amount of EUR 121 million in connection with entering into Eurex repo transactions as collateral for the clearing fund at Eurex Clearing AG and in the amount of EUR 29 million for the (legally prescribed) mimimum reserve held at Deutsche Bundesbank are not matched with liabilities or funding transactions pursuant to Asset Encumbrance report as of the disclosure date.

Rentenbank concludes collateral annexes to master agreements for OTC derivatives. The contracts are entered into on the basis of standards issued by the International Swaps and Derivatives Association, New York (ISDA) as Credit Support Annex (CSA) or in accordance with the German Master Agreement as collateral annex (Besicherungsanhang; BSA). Rentenbank has concluded contractual arrangements with Eurex Clearing AG and Clearstream Banking AG for the collateralization of Eurex repo transactions. Beyond that, there are no further collateral agreements at Rentenbank as of December 31, 2014.

The liabilities associated with the encumbered assets and collateral received are as follows:

	Cover of liabilities, contingent liabilities or securities borrowed	Assets, collateral received and issued own debt securities other than encumbered covered bonds
	EUR million	**EUR million**
Carrying amount of selected liabilities	**7 708**	**8 388**

The disclosures in this table correspond to Template C of the annex to the EBA Guidelines EBA/GL/2014/03.

As of December 31, 2014, Rentenbank has no off-balance sheet transactions in the form of loan commitments received and financial guarantees received as well as securities borrowed covered with assets.

The following table includes a breakdown of collateral received pursuant to Template B of the annex to the EBA Guidelines EBA/GL/2014/03:

	Fair value of encumbered collateral received or issued own debt securities	Fair value of collateral received or issued own debt securities that are eligible for encumbrance
	EUR million	**EUR million**
Collateral received	**254**	**1 637**
Equity instruments	0	0
Debt securities	254	112
Other collateral received	0	1 525

The securities received as collateral within the context of Eurex repo transactions may be re-used as collateral (current liquidating margin and additional margin) for the benefit of Eurex Clearing AG. The fair value of the re-used collateral amounts to EUR 254 million as of December 31, 2014.

Other collateral received which is available for encumbrance is mainly cash collateral received within the framework of collateral management from derivative transactions with a fair value of EUR 1 525 million.

Evolution of encumbrance over time

In Part B of the asset encumbrance report, the volume of encumbered assets and re-used collateral received is allocated to specific time bands, based on the residual maturity of matching liabilities.

Based on this presentation, the evolution of encumbrance over time may be shown for derivative transactions as well as for loans and advances registered in the cover register as of December 31, 2014. Accordingly, there is a high encumbrance of assets in the time band of residual maturities in the column "more than three years and up to five years" with 67% of encumbered assets as of December 31, 2014.

A total of 10% of the assets encumbered as of December 31, 2014 are allocated to the time band "more than one year and up to two years." 9% of the total encumbrance is allocated to the time band "more than two years and up to three years."

Structure of encumbrance between companies within a group

All encumbered assets are held by Rentenbank. The subsidiaries of the regulatory scope of consolidation neither provide collateral to Rentenbank nor do they receive such collateral from Rentenbank.

Information on over-collateralization

In accordance with Section 13 (2) of Rentenbank's Governing Law, Rentenbank is, at all times, obliged to provide cover for its issued covered debt securities. The trustee's review pursuant to Sections 15–17 of the German Cover Register Statutory Order as of December 31, 2014 identified a securing "nominal" over-collateralization of 29.1% of the nominal amount of covered debt securities in the amount of EUR 983 million (incl. guarantee reserve pursuant to Section 2 (3) of Rentenbank's Governing Law) and an over-collateralization of 53.3% in relation to interest in the amount of EUR 32.1 million. This over-collateralization was confirmed by the trustee on January 23, 2015.

As of December 31, 2014, Rentenbank also provided collateral to EUREX Clearing AG within the framework of Eurex Repo transactions in a nominal amount of EUR 261 million although Rentenbank actually is obliged to provide collateral for current liquidating margin and additional margin in the amount of EUR 39 million. In contrast, the securities received as collateral in connection with repurchase transactions have a nominal value of EUR 344 million as of December 31, 2014. As of year-end, there was no further collateral provided by Rentenbank within the framework of repo transactions. Accordingly, Rentenbank fulfills its duties in relation to the provision of collateral.

12. Use of ECAIs (Part 8 Article 444 CRR)

In the context of the determination of the capital requirements for credit risk exposures under CRSA, Rentenbank only uses external ratings by Moody's Investors Service.

The following table shows the amount of the credit risk exposures before and after collateral of the regulatory risk weights applicable under CRSA as of December 31, 2014.

Risk-weighting %	**Exposure amounts**	**Risk-weighted assets**	**Exposure amounts**	**Risk-weighted assets**
	before credit risk mitigation		after credit risk mitigation	
	EUR million	EUR million	EUR million	EUR million
0	23 454	0	25 056	0
4	350	14	350	14
10	8 172	817	8 172	817
20	36 753	7 351	36 460	7 243
50	15 933	7 967	14 624	7 249
100	241	241	241	241
250	0	0	0	0
Total CRSA	**84 903**	**16 389**	**84 903**	**15 564**

Due to substitution effects, exposure amounts with originally higher risk weights are reported in exposures with a risk weight of 0%. Therefore, the sum total of the exposure amounts does not change.

13. Exposure to market risk (Part 8 Article 445 CRR)

In order to determine the capital requirements for foreign currency risks, we calculate the total currency exposure, which amounted to EUR 0.3 million as of December 31, 2014 (2013: EUR 0.4 million), based on the standardized approach. The threshold pursuant to Article 351 CRR is not exceeded so that foreign currency risks were not backed by capital.

There are no commodity, trading book and settlement risks or other market risk exposures. Rentenbank does not use its own risk models.

14. Operational risk (Part 8 Article 446 CRR)

In the year under review, the exposure to operational risks was determined for regulatory purposes using the basic indicator approach in accordance with Article 315 CRR. The total risk exposure for operational risk amounted to EUR 1 575 million as of December 31, 2014 (2013: EUR 1 675 million).

15. Exposures in equities not included in the trading book (Part 8 Article 447 CRR)

The item "financial investments" in the IFRS consolidated financial statements includes equity holdings, inter alia. The equity holdings are motivated by Rentenbank's promotional mandate. Promotional lending is the principal focus of the equity holdings strategy, not maximization of contributions to earnings. The strategic equity holdings are established by acquiring equity interests. Due to the very limited business activity of its subsidiaries and the letter of comfort issued to LR Beteiligungsgesellschaft mbH, all material risks are concentrated in Rentenbank and are therefore managed by Rentenbank on a Group level.

Description	Name	Subscribed capital EUR million	Shareholding in %	Carrying amount EUR million
Banks	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt	3 646,3	2,9	111,4
Other companies	Getreide-Import-Gesellschaft mbH, Frankfurt	7,7	100	3,1
	Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt	8,7	25,1	0,0
	LAND-DATA Beteiligungs GmbH, Hannover	0,8	10,9	0,1
	LAND-DATA GmbH, Hannover	1,0	10,9	0,2
	Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	10,2	9,8	0,0
	Niedersächsische Landgesellschaft mbH, Hannover	0,8	6,3	0,0
	Landgesellschaft Sachsen-Anhalt mbH, Magdeburg	9,2	5,6	0,5
	Landgesellschaft Schleswig-Holstein mbh, Kiel	27,5	3,2	3,5

15.1 Carrying amounts for equity holdings

Equity holdings are recognized at cost as these items relate to unlisted companies and hence a reliable estimate of their fair value is not possible.

The IFRS carrying amount of unlisted companies as of December 31, 2014 amounts to EUR 119 million (2013: EUR 119 million).

15.2 Realized and unrealized gains/losses from equity holdings

No impairment losses were identified within the framework of the impairment test in accordance with IAS 39 conducted as of December 31, 2014 as there was no objective evidence of impairment. In the year under review, there were no realized gains or losses from disposals and liquidation as well as potential revaluation gains or losses.

16. Exposure to Interest rate risks in the banking book (Part 8 Article 448 CRR)

Within the context of monitoring interest rate risks, the Group determines, on a daily basis, present value sensitivities for all transactions subject to interest rate risks of the Promotional Business and Treasury Management segments and additionally measures, 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.

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.

The report of information on interest rate risks in the banking book pursuant to Section 25 (2) KWG and Section 6 (3) of the German Regulation on Financial Information and Information on Risk-Bearing Capacity (Finanz- und Risikotragfähigkeitsinformationenverordnung; FinaRiskoV) (Annex 13 to FinaRiskoV) was issued for the first time as of September 30, 2014. Rentenbank makes use of the group waiver rule pursuant to Article 7 (3) CRR. The Group conducts a quarterly analysis based on the requirements set out in Circular 11/2011 of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and examines the effects of changes in market rates of interest as of a specific date. The relevant exposures are allocated to maturity bands, separately for assets and liabilities. Then, a net position is determined for each maturity band. Subsequently, the respective net positions are multiplied with the weighting factor for the time band concerned - as prescribed by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) - and added up a weighted total net position. The result represents the estimated change in the present value.

The present value is calculated on the basis of scenario analyses without taking into account equity components. Early repayments of loans are taken into account for the period up to contractual maturity. No further assumptions were made as to early repayment of loans. Unlimited customer deposits are not of material significance to Rentenbank and are therefore not taken into account. The calculation of the present value does not take into account items that are not subject to interest rate risks, such as "valuation allowances," "equity holdings," "non-current assets held for sale," "investment property," "property and equipment," "intangible assets," "current income tax assets," "other assets," "provisions," and "other liabilities."

The sudden and unexpected interest rate changes were simulated using a parallel shift of +(-)200 bps. 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 during 2014 or 2013 did the ratio exceed 20%.

We did not provide a breakdown by currency of the results from the abovementioned interest rate risks in the banking book as the Group generally does not enter into open currency positions. It is generally not permitted to enter into open currency positions. Open currency positions result from fractional amounts during settlement, but only to a very small extent. Exchange rate risks from foreign currency loans or issues of securities in a foreign currency are hedged through currency derivatives or offsetting transactions recognized in the balance sheet. There is no material risk to be identified for any currency.

17. Exposure to securitization positions (Part 8 Article 449 CRR)

not relevant

18. Remuneration policy (Part 8 Article 450 CRR)

Landwirtschaftliche Rentenbank is required to disclose its remuneration policy pursuant to Section 16 of the German Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions (Instituts-Vergütungsverordnung, InstitutsVergV) in conjunction with Article 450 of Regulation (EU) No. 575/2013. In the following, Rentenbank meets this disclosure obligation for the year 2014, taking into consideration the institution-specific specialties recognized by the German Federal Financial Supervisory Authority, i.e. in accordance with the requirements matching its size, internal organization and type, extent and complexity of its activities. Accordingly, the following section on remuneration systems, among others, does not make a difference between employees with a significant impact on the risk profile and other employees.

18.1 Remuneration principles

The low-risk nature of the transactions entered into by Rentenbank, its public law status as well as its competition neutrality are also reflected in Rentenbank's remuneration system. It provides no incentives to conduct business beyond the legal framework established for Rentenbank or to enter into risks. Instead, priority is given to fulfilling Rentenbank's promotional mandate. The remuneration system for members of the Board of Managing Directors as well as exempt employees of Rentenbank is based on the relevant principles under labor law and regulation.

The supervisory body, the Board of Supervisory Directors, consists of 18 members (see Appendix 1) and meets at least twice a year. The Administrative Committee was established to support the Board of Supervisory Directors. The Committee's tasks primarily include monitoring the appropriate structure of remuneration systems for the members of the Board of Managing Directors and the employees.

Normally, the remuneration paid to the members of the Rentenbank's Board of Managing Directors is decided upon in the spring meeting of the Board of Supervisory Directors and reviewed annually. The remuneration of the Board of Managing Directors reflects the provisions set out in Rentenbank's statutes and the requirements of the German Public Corporate Governance Code.

The remuneration system for exempt employees of Rentenbank is reviewed on a yearly basis by the Board of Managing Directors as to its appropriateness. The amount of remuneration is also reviewed, and adjusted if necessary, within the framework of annual pay rounds. In this context, the increase of the total remuneration volume is limited against the backdrop of the economic situation, the sustainable financial performance of Rentenbank and the expected salary adjustments. The Board of Supervisory Directors is informed at least once annually (normally during its spring meeting) by the Board of Managing Directors and the Remuneration Officer about the structure of the remuneration systems for employees and the annual pay round.

18.2 Remuneration of the Board of Managing Directors

The remuneration of the members of the Board of Managing Directors is defined in the individual employment contracts. The remuneration paid to the members of the Board of Managing Directors consists of a fixed basic annual salary, a variable component as well as fringe benefits and pensions which have no incentive at all.

The amount of the basic annual salary is determined by the roles and responsibilities of the individual member of the Board of Managing Directors. The amount of the variable remuneration is determined by the Board of Supervisory Directors in its spring meeting and granted in the subsequent month in the form of a one-off payment. In this context, the Board of Supervisory Directors utilizes various individual and overall bank criteria that are translated using the following qualitative and quantitative (according to HGB) aspects:

- internal operating result,
- development of promotional performance,
- cost-income ratio,
- equity as reported on the balance sheet,
- portfolio of special promotional loans,
- continuation of the high-quality risk profile of Rentenbank,
- strengthening Rentenbank's position in relevant markets,
- constructive and trust-based cooperation with the Board of Supervisory Directors and its committees and the supervisory authorities,
- long-term and continuous human resources development.

There is no direct link between the amount of the variable remuneration and one or more of these criteria. The variable remuneration component for fiscal 2014 for all members of the Board of Managing Directors amounts to not more than one third of the respective total remuneration. The requirements of the Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions, pursuant to which the guaranteed variable remuneration may be agreed for a period not longer than the first year, were complied with.

Fixed and variable remuneration (excluding other remuneration) for members of the Board of Managing Directors for 2014:

Board member	Total fixed remuneration in EUR	Total variable remuneration in EUR
Dr. Horst Reinhardt (Speaker)	517 500	245 000
Hans Bernhardt	517 500	245 000
Imke Ettori*	133 300	---

*full Board member since September 1, 2014

18.3 Remuneration of exempt employees

The remuneration paid to exempt employees consists of a fixed annual salary, a variable component as well as fringe benefits and pensions which have no incentive at all.

The individual amount of fixed salary for exempt employees is determined by, among others, roles and responsibilities of the employee concerned, his/her qualification and seniority as well as the remuneration structure within the respective organizational unit of Rentenbank.

The criteria used for measuring the variable remuneration component are individual performance, the performance of the respective organizational unit, the economic situation and the sustained success of Rentenbank. In general, the same aspects are applied like those used for determining the variable remuneration of the Board of Managing Directors. There is no direct link between the amount of the variable remuneration and individual quantitative performance contributions.

Rentenbank has determined upper limits for the share of variable remuneration in total remuneration. This share amounts to 15%, 25%, or 35%, respectively, depending on the actual total annual remuneration. These limits ensure that the size of the variable remuneration is not associated with a significant dependency of the employees in relation to such variable remuneration payment. At the same time, effective incentives are in place to promote the overall banking strategy.

A guaranteed variable remuneration is agreed upon only in individual cases when new employment relationships are established and for a period not exceeding one year.

As of December 31, 2014, 125 employees of the 269 people employed at Rentenbank were exempt employees and therefore received variable remuneration. The breakdown of fixed and variable remuneration (excluding other remuneration) by business areas is set out in the following overview:

Organizational units	Total number of employees	Total fixed remuneration* in EUR million	Employees with variable remuneration	Total variable remuneration in EUR million
Treasury Promotional Business Financial Institutions Collateral & Equity Holdings	75	6.0	32	1.3
Staff departments and services	194	12.3	93	1.7

* One-time effect from the conversion of bonuses in fixed remuneration in 2014.

19. Leverage (Part 8 Article 451 CRR)

The leverage ratio as of December 31, 2014 is as follows:

Measurement basis for	Dec. 31, 2014 EUR million	Nov. 30, 2014 EUR million	Oct. 31, 2014 EUR million
- Secured overnight and term deposits	350	500	490
- Derivatives	3 425	2 875	3 222
- Irrevocable loan commitments	977	2 140	2 620
- Other assets	80 151	80 150	79 589
- Regulatory adjustments	- 329	- 327	- 321
Total	84 574	85 338	85 600
Tier 1 capital	2 940	2 941	2 945
Leverage ratio	3,48	3,45	3,44
Leverage ratio (3-month average)	3,46		

20. Credit risk mitigation techniques (Part 8 Article 453 CRR)

Rentenbank uses collateral and netting arrangements in order to reduce credit risk. Netting options only exist for derivatives in the form of netting arrangements (see Section 7.2). Rentenbank generally accepts all kinds of collateral commonly accepted by banks. The institutional liability, indemnity agreements and separate cover funds, used for example with regard to Pfandbriefe (covered bonds), may also be used as collateral. The divisions Promotional Loan Business, Financial Institutions and Collateral & Equity

Investments are responsible for collateral management. All collateral provided to Rentenbank is reviewed as to its intrinsic value on an annual basis per business partner and with a view to the collateral type. The collateral is managed in Rentenbank's collateral system. The actual provision of collateral is monitored closely and collateral deficits are additionally demanded. The Group conducts routine, non-event-driven reviews on a test basis in connection with the use of the special-purpose funds within the scope of the special promotional lending business based on the credit documentation of the local banks. Information on the recoverability of all collateral held is reported on a regular basis by means of an annual collateral report or on an ad hoc basis upon the occurrence of extraordinary events.

From a regulatory perspective, only warranties, especially guarantees and indemnities, as well as financial collateral from collateral agreements are used by Rentenbank to reduce the capital charge on the basis of the Financial Collateral Simple Method. Only European countries, the German federal government, the German federal states and local authorities are recognized as eligible providers of credit protection. There are no credit risk concentrations within credit risk mitigation.

Under the CRSA, the following collateral was used as of December 31, 2014:

Portfolio in Mio. EUR	Financial collateral	Guarantees
Central governments	—	32
Regional governments and local authorities	—	50
Financial institutions	1 521	—
Corporates	—	—
Total	**1 521**	**82**

Appendix to the 2014 disclosure report

Appendix 1: Board of Supervisory Directors

Chairman:

Joachim Rukwied
President of Deutscher Bauernverband e.V., Berlin

Deputy Chairman:

Christian Schmidt MdB
Federal Minister for Food and Agriculture, Berlin

Representative of Deutscher Bauernverband e.V.:

Udo Folgart
President of Landesbauernverband Brandenburg e.V., Teltow / Ruhlsdorf

Werner Hilse
President of Landvolk Niedersachsen - Landesbauernverband e.V., Hanover

Bernhard Krüsken
General Secretary of Deutscher Bauernverband e.V., Berlin

Brigitte Scherb
President of Deutscher LandFrauenverband e.V., Berlin

Norbert Schindler MdB
Honorary President of Bauern- und Winzerverband Rheinland-Pfalz Süd e.V., Berlin

Representative of Deutscher Raiffeisenverband e.V.:

Manfred Nüssel
President of Deutscher Raiffeisenverband e.V., Berlin

Representative of the Food Industry:

Konrad Weiterer
President of Bundesverband der Agrargewerblichen Wirtschaft (BVA), Berlin

State Ministers of Agriculture:

Bavaria:

Helmut Brunner MdL
State Minister for Food, Agriculture and Forestry, Munich

Brandenburg:

Jörg Vogelsänger
Minister for Rural Development, Environment and Argiculture, Potsdam

Bremen:

Prof. Matthias Stauch
Privy Council for the Senator for Economics, Labor and the Port Industry, Bremen

Representatives of the Trade Unions:

Harald Schaum
Deputy Federal Chairman of IG Bauen-Agrar-Umwelt, Frankfurt/Main

Representative of the Federal Ministry of Food and Agriculture

Dr. Robert Kloos
State Secretary, Berlin

Representative of the Federal Ministry of Finance:

Dr. Klaus Stein
Undersecretary, Berlin

Representative of banks or other finance experts:

Georg Fahrenschon
President of Deutscher Sparkassen- und Giroverband e.V., Berlin

Michael Reuther
Member of the Board of Managing Directors of Commerzbank AG, Frankfurt/Main

Dr. Caroline Toffel
Member of the Board of Managing Directors of Kieler Volksbank eG, Kiel

Appendix 2: Capital instruments

	Feature	**Instrument** 1	2	3	4	5	6	7
1	Issuer	Rentenbank	Rentenbank	Rentenbank	Rentenbank	Rentenbank	Rentenbank	Rentenbank
2	Unique identifier	XS0075146208	XS0080533598	XS0082993741	Loan agreement	XS0194344437	XS0195402192	Promissory note loan
3	Governing law of the instrument	English	English	English	Japanese	English	English	German
Regulatory treatment								
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Not eligible	Not eligible	N/A	N/A	N/A	N/A	N/A
6	Eligible at solo/consolidated/solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
8	Amount recognized in regulatory capital (in EUR million)	34 EUR	34 EUR	15 EUR	26 EUR	100 EUR	100 EUR	8 EUR
9	Nominal amount of the	5 000 JPY	5 000 JPY	65 DEM/33	5 000 JPY	100 EUR	100 EUR	10 EUR
9a	Issue price	5 000 JPY	5 000 JPY	20 DEM/10	5 000 JPY	100 EUR	100 EUR	10 EUR
9b	Redemption price	5 000 JPY	5 000 JPY	65 DEM/33	5 000 JPY	100 EUR	100 EUR	10 EUR
10	Accounting classification	Liability - fair value option	Liability - fair value option	Liability - fair value option	Liability - fair value option	Liability - fair value option	Liability - fair value option	Liability - amortized cost
11	Original date of issuance	27-Mar-97	30-Sep-97	22-Dec-97	18-Sep-03	18-Aug-04	18-Aug-04	22-Jan-04
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	28-Mar-22	30-Sep-22	24-Mar-17	18-Sep-18	18-Aug-21	18-Aug-21	22-Jan-19
14	Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	Call option upon occurrence of tax event (nominal amount)	Call option upon occurrence of tax event (nominal amount)	Call option upon occurrence of tax event (nominal amount)	Call option upon occurrence of tax event (nominal amount)	Call option upon occurrence of tax event (nominal amount)	Call option upon occurrence of tax event (nominal amount)	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Feature	Instrument 1	2	3	4	5	6	7
	Coupons/dividends							
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Floating	Floating	Fixed
18	Coupon rate and any related index	5.78% p.a.; option: payment in USD, AUD or EUR	5,005% p.a.; option: payment in USD, AUD or EUR	Zero coupon	1.16% p.a.	until 17 Aug. 06 2.6% p.a., until 17 Aug. 11 Max(0%; EURCMS10 - 38 bp), from 18 Aug. 11 Min(7.00%; Max(0%; EURCMS10 - 25bp))	until 17 Aug. 06 2.7% p.a., until 17 Aug. 11 Max(0%; EURCMS10-35bp), from 18 Aug. 11 Min(7,00%; Max(0%; EURCMS10-22bp))	4.7% p.a.
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20 a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20 b	Fully discretionary, partially discretionary or mandatory (in	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	fully or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Feature	Instrument 1	2	3	4	5	6	7
Coupon/dividends								
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors
36	Non-compliant transitioned features	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Feature	Instrument 8	9	10	11	12	13	14
1	Issuer	Rentenbank	Rentenbank	Rentenbank	Rentenbank	Rentenbank	Rentenbank	Rentenbank
2	Unique identifier	Promissory note loan	Promissory note loan	Promissory note loan	Promissory note loan	Promissory note loan	Loan agreement	XS0251101456
3	Governing law of the instrument	German	German	German	German	German	Japanese	English
Regulatory treatment								
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	N/A	Not eligible
6	Eligible at solo/consolidated/solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
8	Amount recognized in regulatory capital (in EUR million)	5 EUR	10 EUR	5 EUR	10 EUR	10 EUR	66 EUR	79 EUR
9	Nominal amount of the	5 EUR	10 EUR	5 EUR	10 EUR	10 EUR	10 000 JPY	25 000 JPY
9a	Issue price	5 EUR	10 EUR	5 EUR	10 EUR	10 EUR	10 000 JPY	25 000 JPY
9b	Redemption price	5 EUR	10 EUR	5 EUR	10 EUR	10 EUR	10 000 JPY	25 000 JPY
10	Accounting classification	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - fair value option	Liability - fair value option
11	Original date of issuance	22-Jan-04	22-Jan-04	22-Jan-04	9-Feb-04	9-Feb-04	28-Oct-04	21-Apr-06
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	22-Jan-24	22-Jan-24	22-Jan-24	9-Feb-24	9-Feb-24	28-Oct-19	21-Apr-36
14	Issuer call subject to prior supervisory approval	No	No	No	No	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A	Call option in case of cost increases (nominal amount)	21-Apr-17 redemption at nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	21-Apr-27 redemption at nominal amount

	Feature	Instrument 8	9	10	11	12	13	14
Coupons/dividends								
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	2% p.a.	2.8% p.a.
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20 a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20 b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	fully or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Feature	Instrument 8	9	10	11	12	13	14
Coupon/dividends								
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors	Subordinated to insolvency creditors
36	Non-compliant transitioned features	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A