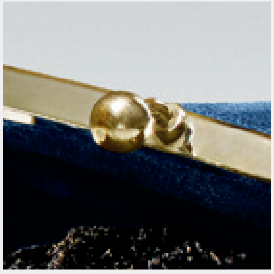


Annual Report 2014

Germany's development agency for agribusiness

rentenbank

Key figures

In accordance with German Commercial Code (HGB)

Balance sheet in EUR billion (extract)	2014	2013
Total assets	80.1	78.3
Loans and advances to banks	51.5	50.0
Bonds and other fixed-income securities	20.2	20.3
Liabilities to banks	2.8	6.3
Securitized liabilities	65.8	61.4
Own funds	**4.3**	**4.1**

Income statement in EUR million (extract)	2014	2013
Net interest income	311.0	312.7
Administrative expenses	56.6	53.2
Operating result before provision for loan losses and valuation	**242.7**	**248.7**
Provision for loan losses and valuation	187.7	195.7
Net income for the year	55.0	53.0
Distributable profit	**13.8**	**13.3**
Cost Income Ratio (in %)	22.6	21.2
Employees	269	257

In accordance with International Financial Reporting Standards (IFRS)

Consolidated balance sheet in EUR billion (extract)	2014	2013
Total assets	88.8	81.9
Loans and advances to banks	51.4	49.8
Financial assets	21.7	20.9
Liabilities to banks	2.2	5.5
Securitized liabilities	69.2	60.9
Total equity	3.3	3.2

Consolidated statement of comprehensive income in EUR million (extract)	2014	2013
Net interest income before allowance for credit losses/promotional contribution	324.8	333.7
Allowance for credit losses/promotional contribution	15.3	34.5
Administrative expenses	59.3	55.2
Operating result before fair value measurement and hedge accounting	**243.9**	**238.8**
Result from fair value measurement and from hedge accounting	–183.5	221.2
Change in the revaluation reserve	66.0	244.6
Group's total comprehensive income	**126.4**	**704.6**
Group's distributable profit	**13.8**	**13.3**

Capital ratios in %	2014	2013
Total capital ratio	19.3	–*
Tier 1 capital ratio	16.4	–*

* Since January 1, 2014, the figures have been calculated according to EU's CRR banking regulation. This means they are not comparable with the prior-year figures.

Rating

	Long-term Rating	Short-term Rating
Moody's Investors Service	Aaa	P-1
Standard & Poor's	AAA	A-1+
Fitch Ratings	AAA	F1+

Annual Report 2014

Contents

The English edition of the Annual Report 2014 is an abridged version of the German edition, which was published in April 2015.

Brief Presentation: Landwirtschaftliche Rentenbank

As a promotional bank for the agricultural sector, Landwirtschaftliche Rentenbank provides low-interest loans for a variety of agriculture-related investments including renewable energies. Our range of products is geared towards production enterprises in the agricultural, forestry, viticulture, and horticulture sectors, manufacturers of agricultural investment goods, and trade and service companies related to agriculture. We also provide loans for the food industry and other upstream and downstream companies. Additionally, we promote investments by municipalities and other public bodies in rural areas as well as private engagement for rural development. We extend our loans via savings banks and other banks complying with competition neutrality.

We raise funds for the refinancing of promotional lending mainly through the issuance of securities or borrowings on domestic and international capital and interbank markets. Rentenbank's long-term obligations are rated with the highest marks AAA / Aaa by rating agencies.

Rentenbank was established by law in 1949 as the central refinancing institution for agriculture and food industry, with its registered office in Frankfurt/Main. Rentenbank is a public-law institution under direct control of the federal government operating under a legal promotional mandate. After the Single Supervisory Mechanism (SSM) came into force, Rentenbank is subject to supervision by the European Central Bank (ECB), which is supported by the national authorities, the Federal Financial Supervisory Authority (BaFin) and the Bundesbank. Accordingly, current supervision is conducted by a Joint Supervisory Team (JST), consisting of staff of ECB, BaFin and Bundesbank. The technical supervision is conducted by the Federal Ministry of Food and Agriculture (BMEL), which exercises its supervision in concert with the Federal Ministry of Finance (BMF). Rentenbank is a member of the Association of German Public Banks (Bundesverband Öffentlicher Banken Deutschlands e. V., VÖB), Berlin.

The basis of the bank's capital was formed by contributions raised from the German agricultural and forestry sector between 1949 and 1958. Therefore, we use our distributable profit as well to promote agriculture and rural areas.

Foreword from the Board of Managing Directors

Rentenbank celebrated its 65th anniversary in the year under review. As in previous years, 2014 brought a number of new challenges and added some important events to the history of our bank.

One such event was the 'stress test' conducted for the European Central Bank in October. The period in the run-up to the test was quite demanding, but we were rewarded with a very good result: Even under stress conditions, the test showed that Rentenbank maintains capital ratios that are well above the minimum requirements stipulated by law.

In common with the entire financial sector in 2014, however, Rentenbank had to cope with falling returns on investments and declining lending margins, due to an economic climate characterized by low interest rates that are likely to persist for some time. In addition, increasing regulation and rising infrastructure costs put additional burdens on our business.

Fortunately, a glance at our 65-year history shows us that every period not only gives rise to new problems, but also offers the possibility of finding new solutions to further our business and open up new perspectives.

We continue to look to the future with confidence and remain convinced of our proven business model. The comfortable levels of our liquidity and capital resources assure us of continued success even under challenging market conditions.

Dr. Horst Reinhardt   Hans Bernhardt   Imke Ettori

Dr. Horst Reinhardt

Hans Bernhardt

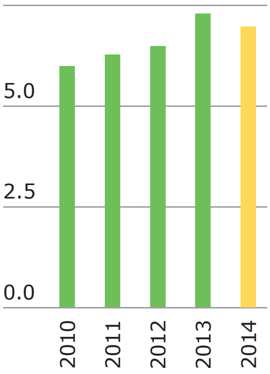
Imke Ettori

Information on fiscal year 2014

Promotional activities for agribusiness

New business in special promotional loans

7.5 EUR billion



Special promotional loans: New business slightly below previous year's record level

Special low-interest promotional loans for the agricultural sector and rural areas take center stage in our promotional strategy. In 2014, the volume of new business amounted to EUR 6.9 billion, 5.2 % below the record volume achieved in 2013.

Despite the low level of interest rates, investment activity in agriculture contracted due to trends in agricultural markets. Consequently, there was a fall in demand for loans in 2014 in the Agriculture and Rural Development promotional lines. The Renewable Energies promotional line saw a contrasting increase in the volume of promotional loans, driven by a significant rise in wind power financing.

New business in special promotional loans

EUR million	**2014**	**2013**
Agriculture	2 725	2 842
of which: at particularly low interest rates	*1 130*	*1 221*
Aquaculture and Fish Farming	4	6
Agribusiness	545	637
Renewable Energies	2 006	1 599
Rural Development	1 559	2 143
Other special promotional loans (incl. Special Purpose Fund)	18	10
Total	**6 858**	**7 236**

Agriculture promotional line: Rise in financing for machinery and land purchases

In our Agriculture promotional line, we financed to a large extent conventional agriculture-related capital investment, committing a total of EUR 2.7 billion in 2014 (2013: EUR 2.8 billion). Of this total, EUR 1.1 billion (2013: EUR 1.2 billion) was accounted for by special promotional loans with particularly low interest rates, an option available to young farmers and others. A notable area of financing demand from young farmers was for the construction of new stables.

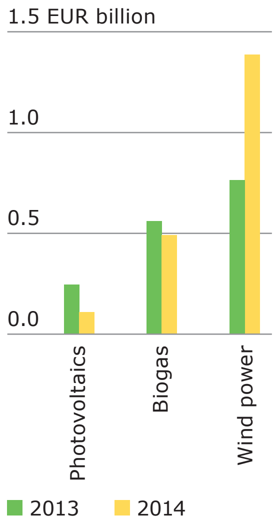
Decrease in Agribusiness promotional line

In addition to our range of promotional services for our core agricultural segment, we also provide support for businesses across the entire agricultural value chain from agricultural contractors to foodstuff processors. The trends in upstream and downstream economic activities were similar to those in agriculture itself. In the year under review, we approved a total financing of EUR 545.4 million (2013: EUR 636.5 million) in the Agribusiness promotional line. We focused mainly on financing of machinery, which accounted for EUR 348.9 million (2013: EUR 416.6 million). For buildings, we provided financing of EUR 164.2 million (2013: EUR 144.1 million).

Renewable Energies promotional line:
Strong growth in wind power, decline in biogas and photovoltaics

New business in our Renewable Energies promotional line increased by 25.5 % year on year to EUR 2.0 billion (2013: EUR 1.6 billion). Financing activity in this line was concentrated on wind turbines, for which the volume rose by around 80 % to EUR 1 386.5 million (2013: EUR 767.9 million). Of this amount, EUR 754.8 million (2013: EUR 331.3 million) was accounted for by the 'Bürger- und Bauernwindparks' program. Under this program, we have extended our activities beyond our traditional agricultural target customers to provide financing for wind farms in which local residents and farmers can invest.

New business in Renewable Energies



The volume of new financing for biogas plants amounted to EUR 490.6 million in the reporting period (2013: EUR 563.2 million). In line with forecasts, the new financing volume for photovoltaic installations also contracted to EUR 114.2 million (2013: EUR 237.9 million) in 2014.

EUR 2.4 billion to promote sustainability-related projects

A core component of our promotional policy is the provision of loans with particularly low interest rates to support German agribusiness activities with a focus on environmental protection and animal welfare. In 2014, our 'Nachhaltigkeit' and 'Umwelt- und Verbraucherschutz' programs were utilized to support investment targeted at improving energy efficiency, reducing emissions, promoting consumer protection, and developing organic farming. Our financing commitments in the field of animal husbandry totaled EUR 223.4 million (2013: EUR 247.4 million). In this field of agricultural activity, there is a specific need for action to reconcile the demands of society with economic necessity. Our decisions in this context are based on criteria for husbandry methods with a focus on animal welfare and we promote the use of such methods by offering particularly low interest rates for related project financing. We supported capital investment in environmental protection, animal welfare and consumer protection with financing amounting to a total of EUR 356.2 million (2013: EUR 401.3 million). Including the promotion of renewable energies, we therefore provided a total of EUR 2.4 billion of financing for sustainable projects in the reporting year (2013: EUR 2.0 billion).

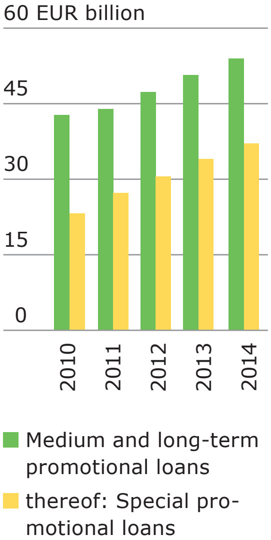
New business down in the Rural Development promotional line

We promote rural development with our 'Räumliche Strukturmaßnahmen' program and through global refinancing agreements with promotional banks of the federal states. In this way, we provide support for local authorities in rural areas, complementing our promotional activities aimed at the agricultural sector. Demand in this area of business fell sharply. In 2014, we aproved total financing of EUR 1.6 billion (2013: EUR 2.1 billion), predominantly for municipal infrastructure measures.

Slight decrease in overall new promotional business

In addition to our special promotional loans for specific purposes, we also offer standard promotional loans, mostly to banks (but also to public-sector borrowers) operating in rural areas. In this line, we committed EUR 2.0 billion during the reporting year (2013: EUR 2.5 billion). In contrast, securitized promotional business rose to EUR 2.4 billion in 2014 (2013: EUR 1.9 billion). Total new promotional business in 2014 amounted to EUR 11.3 billion (2013: EUR 11.6 billion).

Portfolio of medium and long-term promotional loans (HGB)



New promotional business

EUR billion	2014	2013
Special promotional loans	6.9	7.2
Standard promotional loans	2.0	2.5
Securitized promotional business	2.4	1.9
Total	**11.3**	**11.6**

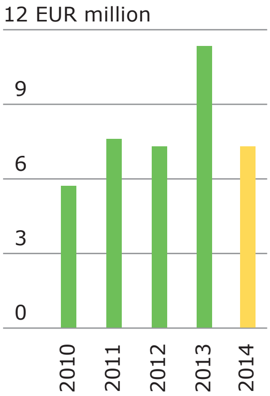
Balance sheet in accordance with German Commercial Code (HGB): Share of promotional loans rises

The loan portfolio continued to grow, with disbursements of special promotional loans of EUR 7.0 billion exceeding redemptions of EUR 3.9 billion. As of December 31, 2014, the amount of special promotional loans on the balance sheet was EUR 36.9 billion (December 31, 2013: EUR 33.8 billion), a year-on-year increase of 9.2 %. The total value of the promotional loan portfolio grew by 7.0 % to EUR 53.8 billion (December 31, 2013: EUR 50.3 billion). Securitized promotional business, which is reported on the balance sheet under ‘Bonds and other fixed-income securities’, amounted to EUR 19.0 billion (December 31, 2013: EUR 19.2 billion).

Appropriation of profits

In accordance with the provisions of Rentenbank’s Governing Law, the distributable profit of the bank is used to promote agriculture and rural areas. One half of the profit is transferred to the Special Purpose Fund (Zweckvermögen) and the other half to the Promotional Fund (Förderungsfonds).

Promotion of innovation through Special Purpose Fund (loans)



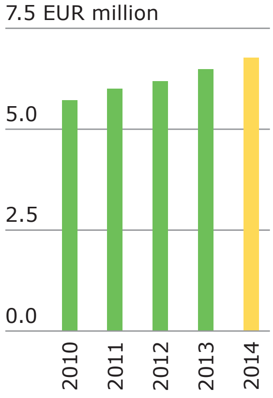
Special Purpose Fund promotes innovation

In addition to its special promotional loans, Rentenbank is engaged especially in the promotion of innovation through loans offered at very low interest rates raised from the Special Purpose Fund. Rentenbank manages the fund as a trustee for the German federal government. In 2014, 12 (2013: 13) loans were granted with a total amount of EUR 7.2 million (2013: EUR 11.4 million) after approval by the Federal Ministry of Food and Agriculture (Bundesministerium für Ernährung und Landwirtschaft, BMEL). In addition to low-interest loans, we promoted selected projects for innovative processes and products in the agriculture through grants with a total amount of EUR 11.6 million (2013: EUR 1.7 million).

Promotional Fund: research and further training in focus

A total amount of EUR 7.0 million was available to the Promotional Fund in the year under review. These funds were used to support individual projects as well as institutions working for the agricultural sector and rural areas. Apart from agriculture-related research projects, the focus is on practice-oriented pilot schemes as well as advanced training measures and events. Rural youth work, measures for elderly people in rural areas, and the German Country Women's Association (LandFrauenverband) have also been supported by the Promotional Fund for many years now.

Allocations to the Promotional Fund



Funding of Rentenbank

Strong demand from investors seeking safety and liquidity

Our excellent credit ratings and our privileged regulatory treatment, especially the zero-risk weighting under the Credit Risk Standardized Approach of the Capital Requirements Regulation (CRR), and the status of our bonds as level 1 liquid assets as defined by the CRR have enabled us to further develop our excellent market access. In particular, the explicit guarantee of the Federal Republic of Germany for our liabilities, which came into effect on January 1, 2014, helped us to attract additional investors.

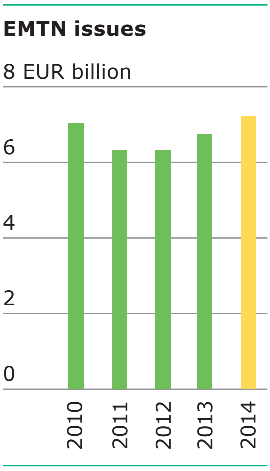
Our funding costs rose slightly year on year, but with a somewhat higher average maturity. This was predominantly attributable to decreasing cost advantages from funding denominated in foreign currency in the first half of the year. Short-term funding we continued to obtain at very attractive rates through our Euro Commercial Paper (ECP) program.

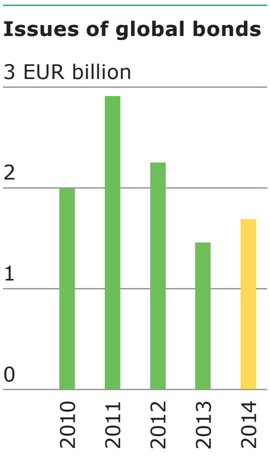
Medium- and long-term issuance volume up on 2013

We raised EUR 10.9 billion (2013: EUR 10.2 billion) with maturities of more than two years in domestic and international capital markets, exceeding our planned volume of EUR 10 billion. The breakdown by funding instruments was as follows:

Medium- and long-term issuance volume (maturities of more than 2 years)

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





Paramount importance of the EMTN program

Our Euro Medium-Term Note (EMTN) program is our most important funding instrument with a volume of EUR 60 billion. At year-end 2014, program utilization has reached EUR 38.9 billion (December 31, 2013: EUR 38.8 billion). The EMTN program allows us to issue securities denominated in numerous currencies with a range of amounts, maturities, and structures using standard documentation. In the year under review, we used this program solely to obtain funding with medium- and long-term maturities. The issuance volume with maturities of more than two years amounted to EUR 7.3 billion (2013: EUR 6.7 billion), including one benchmark issue with a volume of EUR 1.25 billion and a maturity of eight years. Funds raised by means of floating-rate euro issues came to EUR 1.2 billion. Transactions denominated in US dollars (USD) accounted for a funding volume of EUR 2.7 billion. We also used the EMTN program to obtain funding in eight further currencies.

Successful global bonds in US dollars

Since 2001, the funding instruments used by Rentenbank have included global bonds registered with the Securities and Exchange Commission (SEC), the US market regulator. These bonds facilitate access to the US market and underline our positioning as an ‘agency’ on international capital markets. In the year under review, global bonds accounted for EUR 1.7 billion (2013: EUR 1.4 billion) or 15.6 % (2013: 13.7 %) of our total medium- and long-term funding. In spring, we issued a five-year global bond in the amount of USD 1.0 billion. Over 50 % of these bonds were placed with central banks and other official institutions. The placement of a seven-year global bond in the amount of USD 1.25 billion in September was also extremely successful.

Kangaroo market as a third funding pillar

In the year under review, we used our Australian dollar Medium-Term Note (AUD MTN) program to issue notes in the amount of AUD 2.2 billion, which equated to EUR 1.5 billion (2013: EUR 2.1 billion). At the end of 2014, Rentenbank remained the third-largest foreign issuer in this market segment, the volume of notes outstanding amounting to AUD 11.6 billion. The kangaroo market therefore continues to be a central pillar in our funding structure.

Average utilization of the ECP program at 2013 level

Issuances under our EUR 20 billion ECP program continue to play a major role within the short-term funding segment. These issuances comprise bearer notes with maturities of less than one year and are generally issued in discounted form, that is, without a coupon. Even in an environment in which short-term interest rates are extremely low, or even negative in some cases, investors seek exposure to borrowers of the highest credit quality. In the reporting year, this once again allowed us to raise ECP funding at particularly low cost. Average program utilization for the year under review was EUR 6.3 billion (2013: EUR 6.4 billion). Utilization as of December 31, 2014 was EUR 5.8 billion (December 31, 2013: EUR 4.1 billion).

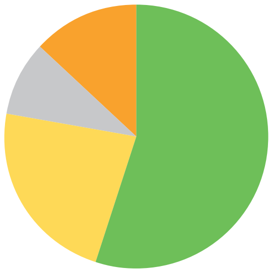
Zero-risk weighting for Rentenbank bonds and notes

Under the Credit Risk Standardized Approach of the CRR, banks in Germany and other EU countries do not have to hold capital against claims on Rentenbank. Given the explicit guarantee provided by the Federal Republic of Germany, this rule also applies in many countries outside the EU. Against the background of the new regulatory requirements for banks, the zero-risk weighting for our issuances is proving to be especially useful as it opens up additional opportunities for us to place our securities with domestic and international investors.

Banks once again the most important group of investors

In the year under review, the volume of issues placed with banks as a proportion of our total medium- and long-term issuance volume was 48 % (2013: 46 %). This group of investors was seeking investments in securities with a zero-risk weighting, the highest credit quality and attractive spreads in order to minimize capital and risk costs. Tighter liquidity rules as part of the worldwide implementation of the Basel III requirements tend to support demand from banks as they will be required to hold a portfolio of high-quality assets as a liquidity buffer in the future. In addition, central banks and other official institutions play an important role in our funding structure. Their share of total funding was 31 % in 2014, almost reaching the level of 2013 (33 %). The share of funding of asset managers accounted for 13 % (2013: 12 %), and insurance companies, corporations, and pension funds accounted for 8 % (2013: 9 %) and were almost unchanged.

Medium and long-term issues 2014 – breakdown by regions

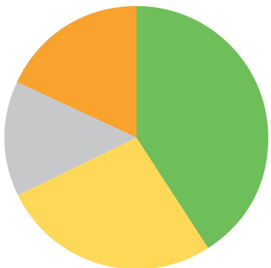


In 2014, Rentenbank had a particularly broad range of investors in terms of geographical distribution. We placed 12 % of our bonds and notes in Germany in the year under review (2013: 11 %). However, the proportion accounted for by other European investors fell slightly from 45 % to 43 %. Demand from Asian investors at 23 % was approximately at the same level as in 2013 (24 %). There was a slight increase in the proportion of investors from the Americas to 9 % (2013: 8 %). A further 9 % (2013: 7 %) of our issues were taken up in New Zealand and Australia, with 4 % (2013: 5 %) accounted for by the Middle East and Africa.

US dollar most important issuance currency

The medium- and long-term issuance volume was spread among eleven currencies in the reporting year. The US dollar, accounting for 41 % (2013: 28 %) of these funding inflows, took over as our most important issuance currency, replacing the euro, which accounted for 27 % (2013: 34 %). The Australian dollar again ranked in third place with a share of 14 % (2013: 24 %). The remaining 18 % of the issuance volume were comprised by bonds and notes denominated in the following currencies: New Zealand dollar, Canadian dollar, pound sterling, South African rand, Norwegian krone, Turkish lira, Brazilian real, and Swedish krona.

Medium and long-term issues 2014 – breakdown by currencies



Rentenbank issues recognized as 'liquid assets'…

In the regulatory reporting required under the CRR in the EU, bonds and notes issued by promotional banks are recognized as 'liquid assets'. Our bonds and notes are explicitly guaranteed by the Federal Republic of Germany and satisfy the operational requirements specified in article 416 of the CRR. On October 10, 2014, the European Commission adopted the delegated act on the liquidity coverage ratio setting out the details regarding general liquidity requirements. Our bonds and notes are recognized as level 1 assets without limitation under article 10 (1) (c) (i) of this delegated act.

… and as assets eligible for use as funding collateral

Our listed euro-denominated issues fulfill the requirements of the European System of Central Banks (ESCB) for tier-one eligible assets to be used as collateral in funding transactions. Our bonds and notes have been classified as liquidity category II. Only bonds and notes issued by central banks and central governments are allocated to the higher liquidity category I. Liquidity category II includes bonds and notes from supranational institutions and issues from institutions with a public-sector promotional mandate. In addition, the Reserve Bank of Australia accepts our kangaroo bonds and the Reserve Bank of New Zealand accepts our Kauri bonds as eligible collateral for repos. Our issues enjoy preferential treatment in private repo markets too. For example, Eurex accepts our issues as collateral for the GC Pooling ECB Basket.

Rentenbank included in key fixed-income indices

Our liquid euro and dollar bonds and notes are included in the most important bond indices, for example the Markit iBoxx Euro Benchmark Index, the Barclays Euro Aggregate Bond Index, the Barclays U.S. Aggregate Bond Index, and the BofA Merrill Lynch US Broad Market Index. Indices measure the performance of domestic or international market segments. If a bond is included in an index, placement prospects are improved since such indices are used as benchmarks for the performance of many institutional investors. These investors therefore also tend to manage and invest in line with the indices.

Money market business

We use a variety of instruments to fund our short-term lending business, for liquidity management purposes, and for hedging short-term interest-rate risk. The funds are raised through the ECP and EMTN programs, overnight and term deposits on the interbank market, repo transactions with Eurex, and through funding facilities offered by the ECB. We also use derivatives to manage interest-rate risk. We only accept deposits from non-banks to a limited extent and only as part of our public-sector promotional mandate.

Equity trading

As a basic principle, we do not trade in equities. Our portfolios of shares are therefore limited to our equity holdings.

Asset/liability management

Conservative liquidity risk management remains unchanged

Tighter liquidity requirements are an essential component of the banking regulation under Basel III. Rentenbank has always attached a great deal of importance to managing liquidity risk. Accordingly, Rentenbank's liquidity risk is transparent and stayed within limits set by the Board of Managing Directors. Liquidity risk in connection with foreign currencies is eliminated by the use of hedges. Risk measurement is therefore limited to payments denominated in euros. All scheduled euro inflows and outflows for the next two years are netted on a day-by-day basis in a short-term liquidity statement. Negative balances (liquidity gaps) must always be covered by funding reserves. This approach ensures that Rentenbank has sufficient liquidity at its disposal at all times. As part of our strategic liquidity management, we analyze additional risk scenarios. We also monitor medium- and long-term liquidity risk. Capital cash flows are aggregated on a quarterly basis in the maturity bands over 2 to 15 years and any outstanding liquidity balance must not exceed a limit specified by the Board of Managing Directors.

We complied with all liquidity limits during 2014. The liquidity scenarios calculated monthly did indicate neither individual nor cumulative shortages at any time. We are calculating the new liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) on the basis of the information currently available. Test calculations indicate that we will comply with the minimum required ratios (as currently known) using the existing control tools. We are also satisfying all the requirements specified in the fourth amendment to the German Minimum Requirements for Risk Management (MaRisk).

Management of market price risk

Our fixed-rate loans and euro-denominated issues are exchanged for floating-rate positions predominantly using interest-rate swaps. We also exchange cash flows related to assets and liabilities denominated in foreign currency for floating-rate positions denominated in euro almost exclusively by using cross-currency interest-rate swaps or currency basis swaps. In addition, we use derivatives to hedge the market price risk (such as currency, equity, or option risk) associated with the issuance of structured bonds and notes. Likewise, fixed-interest-rate exposures arising from special promotional loans are generally exchanged for a floating-rate exposure by means of interest-rate swaps.

Short-term interest-rate risks arising from floating-interest assets and liabilities are managed within our money market department.

Our risk exposure from money market transactions and the lending business is monitored using a daily risk report, which determines, among other things, the market price risk by applying a shift in the interest-rate curve. Market price risk is assessed in compliance with the requirements specified in MaRisk.

Derivatives used to hedge market price risk

In the reporting year, Rentenbank entered into swaps with a value of EUR 23.8 billion (2013: EUR 21.5 billion) in order to hedge interest-rate and currency risk. Of this total amount, EUR 14.3 billion (2013: EUR 13.4 billion) was accounted for by interest-rate swaps, and EUR 9.5 billion (2013: EUR 8.1 billion) by cross-currency interest-rate swaps or currency basis swaps. We also entered into currency swaps to hedge foreign currency exposures arising in connection with our ECP issues denominated in foreign currency.

We use derivatives as micro or macro hedges exclusively to hedge existing or foreseeable market price risk. In the case of micro hedges, each swap is linked to a specific balance-sheet item. In this regard, we also use swap options to hedge market price risk. In contrast, we use macro swaps at portfolio level to hedge market price risk arising in connection with our special promotional loans.

Credit risk resulting from our use of derivatives is mitigated by collateral agreements with all swap counterparties.

Rentenbank remains a non-trading book institution

Rentenbank does not run a trading operation as defined by the German Banking Act (KWG) or by article 4 (1) number 86 CRR. As long ago as 1998, we therefore classified ourselves as a non-trading book institution and notified the German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank accordingly. As a result, we continue with our policy of not acquiring any assets or liabilities to be held for trading as defined in article 4 (1) number 85 CRR. We allocate all transactions to our banking book.

Sustainability

Sustainability is an integral part of the promotional mandate

As an institution under public law with a statutory promotional mandate, Landwirtschaftliche Rentenbank has a special responsibility in terms of sustainability. This is all the more relevant as the term ‘sustainability’ originates from the forestry sector. A sustainable approach to business is deeply entrenched in the agricultural and forestry sectors, influenced by the need to think in terms of generations and by the elemental nature of the soil as a non-reproducible production factor. In addition, the activities within the agricultural sector offer numerous starting points for fulfilling sustainability targets. In particular, the industry can contribute to global climate protection.

For many years now, Rentenbank has therefore attached a huge degree of importance to corporate social responsibility and the protection of the environment. Our business model, which is based on promotional activities and long-term thinking, represents the foundation of our commitment to an economically stable and environmentally sound society. Key aspects of this sustainable approach were explicitly included in the bank's promotional mandate when the fifth amendment to Rentenbank's Governing Law came into force on August 1, 2002.

Our mission statement also includes a declaration of commitment to our responsibility for sustainable improvement in economic and social conditions and in the environment. Both the notion of sustainability that underpins our promotional policy and the sustainability aspects of our internal banking operations are enshrined as key components of the Rentenbank mission statement.

Particularly favorable terms for sustainable investment

For a number of years, the bank has offered low-interest promotional loans to support sustainable capital investment in the agribusiness. We make use of separate programs to support capital investment in agriculture-related environmental protection, animal welfare and consumer protection, and in the use of renewable resources. We also finance sustainability-related capital investment for projects to reduce emissions, save energy, foster organic farming, and support regional marketing. We offer promotional loans for sustainable investment at particularly favorable terms.

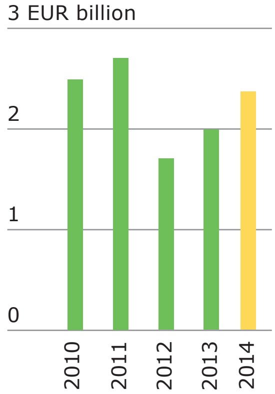
The program to promote renewable energies focuses in addition on the generation of renewable energy. In this respect, the agricultural sector plays an important role in helping to achieve the climate policy goals set by the German federal government and the European Union. Rentenbank is supporting the industry in these efforts. We also have a program to support wind energy projects that are open to local investment. We provide finance for wind power ventures that are majority-owned by private citizens, business people and landowners from the area of the wind farm itself, thereby ensuring that the bulk of the added value remains directly in the rural area concerned. Furthermore, this also helps to increase the acceptance of these wind farms.

Under the program for rural infrastructure – and in conjunction with the promotional banks of federal states – we offer finance for capital investment in various aspects of local infrastructure, including the development of broadband facilities. In this way, we are helping to improve infrastructure in rural areas.

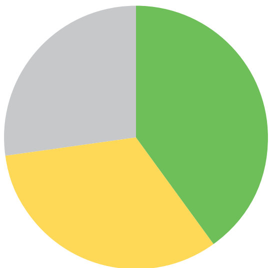
In the Aquaculture and Fish Farming promotional line, we provide low-interest finance to support capital investment that helps to protect the environment and conserve resources. Sustainable fish farming is a relatively new challenge for the German agribusiness in view of the declining natural fish stocks and the simultaneous rise in global demand.

In 2014, commitments related to capital investment under our promotional programs focusing on sustainability projects, including the activities in the Renewable Energies promotional line, rose from EUR 2.0 billion to EUR 2.4 billion. There was strong growth in the demand for wind power finance. In the future, we will continue to design our programs with the objective of providing special support for capital investment by the agricultural sector in sustainability-related projects.

New financings for sustainable projects



SRI-Bond 2014 – Utilization of proceeds
(EUR 15 million total)



Sustainability at the focus of innovation support

We are also providing a specific stimulus for sustainable agribusiness development in the context of our promotional activities in support of innovation. In the period up to 2017, a sum of EUR 18 million will be made available from the Special Purpose Fund for projects in connection with an invitation to tender issued by the German Federal Ministry of Food and Agriculture on the subject of innovation to improve animal husbandry. The supported projects will develop animal husbandry methods with a greater focus on animal welfare with a view to subsequent implementation in practice. Given the importance of innovation for sustainable development in the agricultural sector, we are making available an additional sum of EUR 3 million per year to support appropriate research projects. The supported projects include numerous research activities under the umbrella of 'Deutsche Innovationspartnerschaft Agrar' (DIP), a government-sponsored agricultural innovation partnership in Germany of which we are a member.

Rentenbank issues a further SRI bond

In the year under review, Rentenbank issued another socially responsible investment (SRI) bond, again in the form of a renewable energy bond, for the purposes of supporting sustainability-related projects. We will use the issue proceeds of EUR 15 million in our Renewable Energies promotional line. At the end of 2014, we therefore had SRI bonds outstanding totaling EUR 65 million (December 31, 2013: EUR 50 million). These bonds are helping us to broaden our investor base.

Sustainability is also a key aspect of human resources policy

Compatibility of work and family life, employee health, together with professional, methodological, and personal development, as well as executive management development, are all particularly valued by Rentenbank. It offers employees numerous options in these areas.

For many years, Rentenbank has provided a variety of opportunities with a view to promoting the health of its employees. These include various company sports groups, gym subsidies, medical check-ups, influenza vaccinations, and 'health days' held in conjunction with health insurance companies. Our own employee cafeteria also offers fresh, seasonal products, helping employees to maintain a healthy and balanced diet.

We believe it is important to raise awareness among our managers regarding health issues. 'Healthy management' is therefore a key component of the professional development provided for our managers.

We provide support for our employees if they are facing difficulties caused by family, personal or work problems. Employees in this position are quickly offered the opportunity to meet with an impartial professional, with whom they can then discuss – discreetly and straightforwardly – their problems or difficult circumstances.

Reducing consumption of resources in internal bank operations

Rentenbank is a service provider and in its day-to-day banking operations also helps to conserve resources and to use energy and raw materials economically. Moreover, we investigate whether there is further potential for improvement and take environmental considerations into account in our decision-making and conduct. As part of Rentenbank's operational environmental protection activities, one of the priorities since 2010 has been the renovation of the employees' apartments built in the late 1950s and early 1960s. In the year under review, we took further steps to modernize employee housing and the bank building. While carrying out all of this work, we paid particular attention to the need to reduce the consumption of resources.

Corporate Governance

Rentenbank declares its conformity with the German Public Corporate Governance Code

Effective corporate governance is of central importance for responsible and sustainable corporate management. The Board of Supervisory Directors of Rentenbank therefore passed a resolution on July 16, 2009 adopting the Public Corporate Governance Code (PCGK, as amended on June 30, 2009) issued by the German federal government. The PCGK is primarily intended for corporations structured as legal entities incorporated under private law. However, legal entities under public law – and Rentenbank is defined as such as a public-law institution under direct control of the federal government – are also recommended to comply with the PCGK unless otherwise precluded by legal provisions (such as those in Rentenbank's Governing Law).

The Board of Managing Directors and the Board of Supervisory Directors of Rentenbank share and accept these principles. Compliance with the PCGK's internationally and nationally recognized standards for good and responsible corporate management is explicitly in the general interest of the German government with regard to Rentenbank's activities.

Any deviations from the PCGK's principles are disclosed and explained in the declaration of conformity on an annual basis.

Management and control of the bank by the Board of Managing Directors and the Board of Supervisory Directors

The Board of Managing Directors and the Board of Supervisory Directors cooperate closely for the benefit of the bank and observe the rules of good corporate governance. On a regular basis, at least quarterly, the Board of Managing Directors reports to the Board of Supervisory Directors on the course of business and includes information on any relevant planning issues, the risk situation, risk management, compliance with the regulatory requirements for banks, and the financial position of the bank. In addition, the Board of Managing Directors regularly contacts the Chairman and the Deputy Chairman of the Board of Supervisory Directors to discuss important issues relating to corporate management and corporate strategy.

In the reporting year, the Board of Managing Directors kept the Board of Supervisory Directors fully informed about all matters affecting Rentenbank relating to planning, the risk situation, risk management, compliance with regulatory requirements for banks, business performance, and financial position.

Board of Managing Directors

The Board of Managing Directors is independently responsible for managing the bank in accordance with the provisions in Rentenbank's Governing Law, the bank's Statutes, and the by-laws for the Board of Managing Directors. It is under an obligation to act in the interests of the bank and comply with the statutory promotional mandate.

As a consequence of the appointment of Imke Ettori as an ordinary member of the Board of Managing Directors as of September 1, 2014, changes have been made to the responsibilities allocated to each of the members of the Board of Managing Directors of Rentenbank. The responsibilities are now as follows:

- Dr. Horst Reinhardt, Speaker of the Board of Managing Directors: Promotional Business, Treasury, Legal Affairs and Human Resources, Public Relations and Economic Affairs
- Hans Bernhardt: Finance, IT and Organization, Collateral and Equity Investments, Administration
- Imke Ettori: Financial Institutions, Operations Financial Markets

Board of Supervisory Directors

The Board of Supervisory Directors advises and monitors the Board of Managing Directors in its management of Rentenbank in accordance with the provisions in Rentenbank's Governing Law, the bank's Statutes, and the by-laws for the Board of Supervisory Directors. It appoints the members of the Board of Managing Directors and, together with them, establishes long-term succession plans. The Board of Supervisory Directors may issue general or specific instructions to the Board of Managing Directors.

Under Rentenbank's Governing Law, the Board of Supervisory Directors comprises 18 members. The Chairman of the Board of Supervisory Directors is elected by the Board of Supervisory Directors from the members appointed by the German Farmers' Association (DBV). In 2014, the Chairman of the Board of Supervisory Directors was the President of the DBV, Joachim Rukwied. Initially, one woman was represented on the Board of Supervisory Directors (Brigitte Scherb). On November 6, 2014, Dr. Caroline Toffel became the second woman to be elected to the Board of Supervisory Directors.

In the reporting year, two members of the Board of Supervisory Directors took part in fewer than half of the meetings of the Board of Supervisory Directors.

Board of Supervisory Directors efficiency review

In 2014, the Board of Supervisory Directors carried out an efficiency review based on structured questionnaires to assess the structure, size, composition, and performance of the Board of Managing Directors and the Board of Supervisory Directors overall, and to evaluate the knowledge, capabilities, and experience both of the individual board members, and of each board as a whole. As some of the members did not take part in the review because they had only been members of the Board of Supervisory Directors for a short period, the participation level was 78 %. The Board of Supervisory Directors will address the findings of the efficiency review at its meeting on March 26, 2015 and will discuss any opportunities for improvement. In the future, the efficiency review will be carried out annually.

Avoiding conflicts of interest

The members of the Board of Managing Directors and the Board of Supervisory Directors must discharge their responsibilities according to the interests of Rentenbank. Potential conflicts of interest in connection with their activities must be brought to the attention of the Chairman of the Board of Supervisory Directors or the Board of Supervisory Directors by the members of the Board of Managing Directors or of the Board of Supervisory Directors. No conflicts of interest involving members of the Board of Managing Directors or the Board of Supervisory Directors arose during the reporting year.

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

The remuneration for the Board of Managing Directors is determined by the Board of Supervisory Directors. An assessment of performance is used to determine the appropriate amount. The overall remuneration for members of the Board of Managing Directors does not include any components that provide incentives for entering into certain transactions or taking on certain risks.

The Board of Supervisory Directors determines the basis for calculating the variable remuneration to be paid for the preceding calendar year by reference to the individual performance of a member of the Board of Managing Directors, the performance of all the members of the Board of Managing Directors as a whole, the economic situation as well as Rentenbank's long-term performance and future prospects. Both quantitative and qualitative aspects are considered in order to apply these criteria at an operational level. There is no direct link between the amount of the variable remuneration paid to the members of the Board of Managing Directors and one or more of these criteria.

The amended version of the German Regulation Governing Remuneration at Institutions (InstitutsVergV), which came into force in the reporting year, was implemented in consultation with the Board of Supervisory Directors in accordance with regulatory requirements.

The remuneration to be paid to the members of the Board of Supervisory Directors is determined by means of a resolution passed at the General Meeting. This remuneration takes into account the responsibilities and scope of activities undertaken by members of the Board of Supervisory Directors together with Rentenbank's economic situation.

The individual remuneration paid to the members of the Board of Managing Directors and the Board of Supervisory Directors is disclosed in the notes to the consolidated financial statements on pages 106 and 107.

Transparency and information

Rentenbank attaches particular importance to transparency and information. It follows the principle of equal treatment for investors and other interested parties regarding the distribution of information. All key information published by Rentenbank is also accessible on its website at www.rentenbank.de. In addition to the consolidated and annual financial statements, all Rentenbank's press releases and ad-hoc announcements, together with the declaration of conformity with the PCGK, are published on the site.

Financial reporting and auditing

Rentenbank has prepared its consolidated financial statements for the 2014 fiscal year in accordance with IFRS. Rentenbank has also prepared annual financial statements in accordance with the accounting principles set out in the German Commercial Code (HGB) that are relevant to large corporations and pursuant to the specific requirements of the German Accounting Regulation for Banks and Financial Services Institutions (RechKredV). The Board of Supervisory Directors chooses the external auditor, issues the audit engagement, and agrees the fees with the auditor. The Board of Supervisory Directors' Audit Committee assures the independence of the external auditor.

Deviations from the recommendations of the Public Corporate Governance Code

The PCGK is primarily intended for corporations. However, the PCGK is also aimed at other legal entities under private or public law whose purpose is, or largely comprises, a commercial or other economic business. Legal entities under public law are recommended to comply with the PCGK unless otherwise precluded by legal provisions (such as statutory requirements governing the structure of corporate decision-making bodies).

Declaration of conformity by the Board of Managing Directors and the Board of Supervisory Directors

In fiscal year 2014, Landwirtschaftliche Rentenbank adopted the recommendations of the PCGK, as amended on June 30, 2009, with the following exceptions:

- The remuneration paid to the members of the Board of Managing Directors and the Board of Supervisory Directors is not disclosed separately in the Corporate Governance Report as the remuneration for named individuals is published in Rentenbank's Annual Report in a manner that can be easily understood (notes to the consolidated financial statements, pages 106 and 107).

- In a deviation from section 4.2.2 PCGK, section 4 (1) of the by-laws for the Board of Managing Directors allows responsibilities to be allocated in a business allocation plan without the consent of the Board of Supervisory

Directors. This ensures that Rentenbank has the required flexibility if there are any necessary changes.

- Imke Ettori was appointed as an ordinary member of the Board of Managing Directors with effect from September 1, 2014. In a deviation from section 5.1.2 PCGK, which recommends a maximum of three years for an initial appointment, Imke Ettori has been appointed for four years taking into account her initial activity as a divisional board member.

- In a deviation from section 5.1.8 PCGK, the committees not only prepare decisions for the Board of Supervisory Directors, but also make definitive decisions in exceptional cases for reasons of practicality and efficiency.

Landwirtschaftliche Rentenbank also intends to continue complying in the future with the PCGK (as amended on June 30, 2009), as set out above.

Landwirtschaftliche Rentenbank
March 2015

The Board of Managing Directors
The Board of Supervisory Directors

Combined Management Report

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

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

General information on the Group

Group structure

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

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

Promotional mandate

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

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

Management system

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

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

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

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

- Promotional Business

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

- Capital Investment

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

- Treasury Management

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

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

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

- Operating result before provision for loan losses and measurement

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

- Cost-income ratio

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

- Promotional performance

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

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

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

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

Economic report

Macroeconomic and bank-specific environment

International interest rate and monetary policy

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

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

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

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

Development of long-term interest rates

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

Development within the German agricultural sector

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

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

Business development

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

The notional amounts for new promotional business were as follows:

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

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

EUR 33.7 billion). The portfolio of the securitized promotional business remained virtually unchanged, although the amount shown in the balance sheet increased by EUR 0.8 billion to EUR 21.7 billion owing to changes in market value.

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

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

Net assets, financial position and results of operations

Results of operations

Group's results of operations

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

Operating result

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

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

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

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

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

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

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

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

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

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

Operating result by segment

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

Net interest income in the Promotional Business segment rose mainly due to the increase of the average portfolio volume in comparison to the prior year to EUR 192.5 million (2013: EUR 184.5 million). The item 'allowance for credit losses/portfolio valuation allowance' fell significantly to EUR 15.3 million

(2013: EUR 34.5 million) due to the lower promotional contribution and the decrease in additions to portfolio valuation allowance. Administrative expenses in the Promotional Business segment, including depreciation and amortization, rose by EUR 2.8 million to EUR 45.0 million. The segment's operating result grew to a total of EUR 125.9 million (2013: EUR 102.6 million).

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

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

Result from fair value measurement and from hedge accounting

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

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

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

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

Group's net income for the year

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

Other comprehensive income

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

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

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

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

Group's total comprehensive income

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

Reconciliation to distributable profit

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

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

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

Results of operations of Rentenbank

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

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

As of December 31, 2014, the operating result before provision for loan losses and measurement amounted to EUR 242.7 million. The development of the operating result before provision for loan losses and measurement (HGB) structurally corresponds with the development of the operating result under IFRS, except for the portfolio valuation allowance recognized under IFRS within the context of the allowance for credit losses. The operating result before provision for loan losses and measurement (HGB) declined by EUR 6.0 million due to the slight decrease of net interest income as well as the higher administrative expenses. In contrast, the IFRS operating result increased by EUR 5.1 million since the additions to the portfolio valuation allowance declined by EUR 8.7 million to EUR 3.0 million down on previous year (2013: EUR 11.7 million). Moreover we also refer to the general comments on the results of operation of the Group.

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

Financial key performance indicators

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

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

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

Financial position

Capital structure

Capital structure of the Group

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

Liabilities

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

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

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

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

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

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

Equity

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

Capital structure of Rentenbank

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

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

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

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

Capital expenditure

The major capital expenditures made by Rentenbank in fiscal years 2013 and 2014 primarily related to the implementation and further development of the trading, risk management and limit system, the regulatory reporting software and the rating platform.
In addition, the SEPA and EMIR requirements were implemented and activities for the build-up of a new extranet platform were started. Within the scope of preliminary study, Rentenbank is currently evaluating the introduction of a new financial accounting system. This is reflected in the changes in intangible assets. The costs inceased by EUR 2.3 million in fiscal year 2014 (2013: EUR 4.4 million).

Liquidity

The liquidity analysis represents the contractually agreed redemption amounts:

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

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

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

Net assets

Net assets of the Group

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

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

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

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

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

Net assets of Rentenbank

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

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

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

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

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

Other key performance indicators

Corporate citizenship

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

Employees

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

Compliance with legal and regulatory requirements

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

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

Report on events after the balance sheet date

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

Report on expected developments and opportunities

Development of business and underlying conditions

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

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

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

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

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

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

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

Forecast of business development

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

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

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

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

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

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

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

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

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

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

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

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

Opportunities and risks

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

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

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

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

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

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

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

Development in the current year

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

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

Risk report

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

Organization of risk management

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

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

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

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

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

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

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

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

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 may require, the heads of divisions or departments affected must be notified in writing immediately. Information about material risk aspects is forwarded immediately by the Board of Managing Directors to the Board of Supervisory Directors.

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

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

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

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

Credit risks

Definition

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

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

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

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

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

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

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

Organization

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

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

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

Credit assessment

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

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

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

Quantification of credit risk

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

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

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

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

Limitation and reporting

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

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

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

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

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

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

Current risk situation

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

Maximum exposure to credit risk pursuant to IFRS 7:

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

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

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

Exposure to credit risk by rating category:

Dec. 31, 2014

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

Dec. 31, 2013

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

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

Risk concentration by country:

Dec. 31, 2014	Germany		Europe (excl. Germany)		OECD countries (excl. EU)	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	49 526.0	57.4	1 881.5	2.2	0.1	0.0
Loans and advances to customers	5 500.3	6.4	30.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	1 595.3	1.8	5.4	0.0	0.0	0.0
Positive fair values of derivative financial instruments	1 301.0	1.5	4 338.2	5.0	319.2	0.4
Financial assets	5 798.7	6.7	15 400.6	17.8	501.9	0.6
Irrevocable loan commitments	195.3	0.2	0.0	0.0	0.0	0.0
Total	**63 916.6**	**74.0**	**21 655.7**	**25.0**	**821.2**	**1.0**

Dec. 31, 2013	Germany		Europe (excl. Germany)		OECD countries (excl. EU)	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	47 526.8	59.3	2 224.0	2.8	0.1	0.0
Loans and advances to customers	5 570.6	6.9	0.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	677.3	0.8	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	831.4	1.0	2 134.8	2.7	269.9	0.3
Financial assets	5 380.3	6.7	15 456.1	19.3	58.0	0.1
Irrevocable loan commitments	115.2	0.1	0.0	0.0	0.0	0.0
Total	**60 101.6**	**74.8**	**19 814.9**	**24.8**	**328.0**	**0.4**

Risk concentration by sector of counterparty:

Dec. 31, 2014	Private-sector banks/ other banks		Foreign banks		Public-sector banks		Cooperative banks		Central banks		Non-banks	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	7 075.5	8.2	1 881.6	2.2	31 232.6	36.2	11 217.9	13.0	0.0	0.0	0.0	0.0
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5 530.3	6.4
Fair value changes of hedged items in a portfolio hedge	285.6	0.3	5.4	0.0	748.6	0.9	561.1	0.6	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	863.8	1.0	3 901.5	4.5	228.6	0.3	207.4	0.2	0.0	0.0	757.1	0.9
Financial assets	2 488.0	2.9	14 259.2	16.5	2 599.6	3.0	117.4	0.1	0.0	0.0	2 237.0	2.6
Irrevocable loan commitments	0.0	0.0	0.0	0.0	195.1	0.2	0.0	0.0	0.0	0.0	0.2	0.0
Total	**10 712.9**	**12.4**	**20 047.7**	**23.2**	**35 004.5**	**40.6**	**12 103.8**	**13.9**	**0.0**	**0.0**	**8 524.6**	**9.9**

Dec. 31, 2013	Private-sector banks/ other banks		Foreign banks		Public-sector banks		Cooperative banks		Central banks		Non-banks	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	7 261.2	9.0	2 223.4	2.7	30 179.9	37.6	10 086.4	12.6	0.0	0.0	0.0	0.0
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5 570.6	6.9
Fair value changes of hedged items in a portfolio hedge	122.0	0.2	1.4	0.0	315.9	0.4	238.0	0.3	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	418.6	0.5	2 084.5	2.6	180.8	0.2	168.9	0.2	0.0	0.0	383.3	0.5
Financial assets	1 686.8	2.1	14 667.0	18.4	2 943.0	3.7	164.3	0.2	0.0	0.0	1 433.3	1.8
Irrevocable loan commitments	0.0	0.0	0.0	0.0	115.0	0.1	0.0	0.0	0.0	0.0	0.2	0.0
Total	**9 488.6**	**11.8**	**18 976.3**	**23.7**	**33 734.6**	**42.0**	**10 657.6**	**13.3**	**0.0**	**0.0**	**7 387.4**	**9.2**

Carrying amounts in the peripheral eurozone countries:

Dec. 31, 2014:	Italy EUR million	Portugal EUR million	Spain EUR million	Total EUR million
Government bonds	307.9	130.5	93.9	532.3
Bonds and promissory note loans of banks	751.3	169.2	1 885.1	2 805.6
Positive fair values of derivative financial instruments			2.2	2.2
Gross exposure	**1 059.2**	**299.7**	**1 981.2**	**3 340.1**
Collateral	528.2	169.2	1 887.3	2 584.7
Net exposure	**531.0**	**130.5**	**93.9**	**755.4**

Dec. 31, 2013:	Italy EUR million	Portugal EUR million	Spain EUR million	Total EUR million
Government bonds	314.4	126.8	94.7	535.9
Bonds and promissory note loans of banks	924.0	413.0	2 279.7	3 616.7
Positive fair values of derivative financial instruments			2.2	2.2
Gross exposure	**1 238.4**	**539.8**	**2 376.6**	**4 154.8**
Collateral	577.1	286.6	2 259.2	3 122.9
Net exposure	**661.3**	**253.2**	**117.4**	**1 031.9**

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

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

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

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

Allowances for credit losses

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

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

The Group has recognized a portfolio valuation allowance of EUR 14.7 million (2013: EUR 11.7 million) on the basis of a model for the presentation of expected losses. The method is described in Note (9) in the notes to the consolidated financial statements. Rentenbank recognized a general valuation allowance of

EUR 13.9 million (2013: EUR 15.0 million) in its annual financial statements. The difference to the Group is due to exposures that are already recognized in the consolidated financial statements at fair value through profit or loss. These are not included in the calculation on Group level, as are the securities that have to be taken into account only on the Group level.

Standard scenarios

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

Stress scenarios

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

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

Market price risks

Definition

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

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

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

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

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

Organization

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

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

Quantification of market price risks

Interest rate risks

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

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

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

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

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

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

IFRS measurement risks

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

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

Standard scenarios

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

Stress scenarios

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

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

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

Limitation and reporting

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

Back testing

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

Current risk situation

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

Standard scenarios

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

Stress scenarios

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

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

The costs for the swap of flows of interest payments between interest bases of different tenors in the same currency using interest rate swaps amounted to EUR 199.8 million (2013: EUR 86.3 million) based on a parallel increase of the basis swap spreads by 11 bps and a widening of IBOR OIS spreads by 75 bps (2013: 11 bps).

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

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

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

Interest rate risk at the level of the entire bank

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

Foreign currency risks

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

Dec. 31, 2014 Nominal amounts in EUR million	USD	AUD	GBP	NZD	CHF	NOK	CAD	Other	Total
Assets									
Loans and advances to banks	0.1	0.0	0.0	0.0	49.9	0.0	0.0	0.0	**50.0**
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Financial assets	707.1	50.6	1 410.0	0.0	47.4	0.0	241.0	194.5	**2 650.6**
Positive fair values of derivative financial instruments	26 264.3	9 450.7	2 159.8	1 694.7	1 363.9	1 410.1	880.3	2 069.8	**45 293.6**
Total assets	**26 971.5**	**9 501.3**	**3 569.8**	**1 694.7**	**1 461.2**	**1 410.1**	**1 121.3**	**2 264.3**	**47 994.2**
Liabilities									
Liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Liabilities to customers	111.2	0.0	12.8	0.0	0.0	0.0	0.0	34.4	**158.4**
Securitized liabilities	25 976.3	9 450.7	2 147.0	1 694.7	1 363.9	1 410.1	880.3	1 759.9	**44 682.9**
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	344.3	**344.3**
Negative fair values of derivative financial instruments	883.9	50.6	1 410.0	0.0	97.3	0.0	241.0	125.7	**2 808.5**
Total liabilities	**26 971.4**	**9 501.3**	**3 569.8**	**1 694.7**	**1 461.2**	**1 410.1**	**1 121.3**	**2 264.3**	**47 994.1**
Net currency position	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**

Dec. 31, 2013 Nominal amounts in EUR million	USD	AUD	GBP	NZD	CHF	NOK	CAD	Other	Total
Assets									
Loans and advances to banks	0.1	0.0	0.0	0.0	48.9	0.0	0.0	0.0	**49.0**
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Financial assets	724.0	48.6	816.6	0.0	21.2	0.0	205.4	210.3	**2 026.1**
Positive fair values of derivative financial instruments	21 651.5	8 031.3	1 681.3	871.8	1 417.4	1 422.9	428.1	2 600.2	**38 104.5**
Total assets	**22 375.6**	**8 079.9**	**2 497.9**	**871.8**	**1 487.5**	**1 422.9**	**633.5**	**2 810.5**	**40 179.6**
Liabilities									
Liabilities to banks	61.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**61.6**
Liabilities to customers	108.7	0.0	12.0	0.0	0.0	0.0	0.0	34.5	**155.2**
Securitized liabilities	21 006.3	8 031.3	1 669.3	871.8	1 417.4	1 422.9	428.1	2 289.0	**37 136.1**
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	345.5	**345.5**
Negative fair values of derivative financial instruments	1 198.9	48.6	816.6	0.0	70.1	0.0	205.4	141.5	**2 481.1**
Total liabilities	**22 375.5**	**8 079.9**	**2 497.9**	**871.8**	**1 487.5**	**1 422.9**	**633.5**	**2 810.5**	**40 179.5**
Net currency position	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**

Liquidity risks

Definition

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

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

Controlling and monitoring

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

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

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

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

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

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

Stress scenarios

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

Liquidity ratios pursuant to the Liquidity Regulation

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

Liquidity ratios pursuant to the CRR

The regulatory reports as regards liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), which initially include only volumes, but no ratios, have to be submitted to the national regulatory authority (observation period) since March 31, 2014. The objective of the liquidity ratios is to limit the short-term (LCR) and the longer-term maturity transformation (NSFR). This is intended to enable banks to maintain liquidity even in stressed environments. LCR is scheduled to be introduced as of October 1, 2015 effectively. However, the required liquidity buffer of 100 % must be achieved only by 2019, after gradual increases. While a decision about the introduction of the

NSFR from the year 2018 onwards will be made at a later date, the preliminary availabe minimum ratios for the liquidity ratios LCR and NSFR were complied with based on test calculations in the reporting year 2014.

Reporting

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

Current risk situation

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

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

Stress scenarios

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

Operational risks

Definition

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

Organization

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

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

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

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

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

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

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

Quantification of operational risk

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

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

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

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

Limitation and reporting

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

Current risk situation

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

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

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

Regulatory and reputational risks

Definition

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

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

Controlling and monitoring

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

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

Reporting

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

Current risk situation

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

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

Risk-bearing capacity – going concern approach

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

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

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

Risk covering potential

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

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

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

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

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

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

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

Risk scenarios

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

Standard scenarios

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

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

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

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

Stress scenarios

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

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

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

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

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

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

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

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

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

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

Going concern approach

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

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

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

Risk-bearing capacity – gone concern approach

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

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

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

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

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

Inverse stress tests and economic downturn

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

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

Regulatory capital ratios

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

Financial reporting process

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

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

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

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

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

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

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

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

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

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

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

Consolidated Financial Statements

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2014

	Notes	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million
1) Income statement			
Interest income		3 532.3	3 678.3
Interest expense		3 207.5	3 344.6
Net interest income	26	**324.8**	**333.7**
Allowance for credit losses/promotional contribution	27	15.3	34.5
thereof additions to promotional contribution		*75.3*	*81.6*
thereof utilization of promotional contribution		*63.0*	*58.7*
Net interest income after allowance for credit losses/ promotional contribution		**309.5**	**299.2**
Fee and commission income		0.2	0.2
Fee and commission expenses		1.8	1.9
Net fee and commission income	28	**–1.6**	**–1.7**
Administrative expenses	29	59.3	55.2
Other operating result	30	–2.8	–4.1
Result from fair value measurement and from hedge accounting	31	–183.5	221.2
Net result from taxes	32	–1.9	0.6
Group's net income for the year		**60.4**	**460.0**
2) Other comprehensive income			
Items that may be reclassified to profit or loss in certain circumstances:			
Result from available-for-sale instruments	55	92.5	250.4
Items that will not be reclassified to profit or loss:			
Actuarial gains/losses from pension obligations	52	–26.5	–5.8
Other comprehensive income		**66.0**	**244.6**
3) Group's total comprehensive income		**126.4**	**704.6**

For informational purposes: Reconciliation to distributable profit

	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million
Group's net income for the year	60.4	460.0
Transfers from retained earnings		
a) from guarantee reserve pursuant to Section 2 (3) of Rentenbank's Governing Law	21.6	48.5
b) from other retained earnings	0.0	0.0
Transfers to retained earnings		
a) to principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law	62.8	88.3
b) to other retained earnings	5.4	406.9
Distributable profit	**13.8**	**13.3**

Consolidated balance sheet as of December 31, 2014

Assets	Notes	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Cash and balances with central banks	35	29.0	32.5
Loans and advances to banks	36	51 407.6	49 750.9
thereof promotional contribution	*38*	*–326.4*	*–310.8*
Loans and advances to customers	37	5 530.3	5 570.6
thereof promotional contribution	*38*	*0.0*	*–0.1*
Fair value changes of hedged items in a portfolio hedge	39	1 600.7	677.3
Positive fair values of derivative financial instruments	40	5 958.4	3 236.1
Financial assets	41	21 701.2	20 894.4
Investment property	42	14.9	15.4
Property and equipment	43	22.3	22.3
Intangible assets	44	13.6	15.9
Current income tax assets	45	1.7	1.9
Deferred tax assets	46	0.2	1.5
Other assets	47	2 565.8	1 713.6
Total assets		**88 845.7**	**81 932.4**

Liabilities	Notes	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Liabilities to banks	48	2 184.7	5 549.9
Liabilities to customers	49	4 954.7	5 148.8
Securitized liabilities	50	69 178.8	60 860.9
Negative fair values of derivative financial instruments	51	6 810.6	5 796.6
Provisions	52	164.0	131.6
Subordinated liabilities	53	691.8	686.8
Other liabilities	54	1 553.7	563.5
Equity	55	3 307.4	3 194.3
Subscribed capital		*135.0*	*135.0*
Retained earnings		*3 046.1*	*2 999.5*
Revaluation reserve		*112.5*	*46.5*
Distributable profit		*13.8*	*13.3*
Total liabilities		**88 845.7**	**81 932.4**

Consolidated statement of changes in equity

EUR million	Subscribed capital	Retained earnings	Revaluation reserve	Distributable profit	Total equity
Jan. 1, 2014	**135.0**	**2 999.5**	**46.5**	**13.3**	**3 194.3**
Group's net income for the year		46.6		13.8	60.4
Unrealized gains/losses from available-for-sale instruments			92.5		92.5
Actuarial gains/losses from pension obligations			–26.5		–26.5
Group's total comprehensive income	**0.0**	**46.6**	**66.0**	**13.8**	**126.4**
Appropriation of distributable profit				–13.3	–13.3
Dec. 31, 2014	**135.0**	**3 046.1**	**112.5**	**13.8**	**3 307.4**

EUR million	Subscribed capital	Retained earnings	Revaluation reserve	Distributable profit	Total equity
Jan. 1, 2013	**135.0**	**2 552.8**	**–198.1**	**12.8**	**2 502.5**
Group's net income for the year		446.7		13.3	460.0
Unrealized gains/losses from available-for-sale instruments			250.4		250.4
Actuarial gains/losses from pension obligations			–5.8		–5.8
Group's total comprehensive income	**0.0**	**446.7**	**244.6**	**13.3**	**704.6**
Appropriation of distributable profit				–12.8	–12.8
Dec. 31, 2013	**135.0**	**2 999.5**	**46.5**	**13.3**	**3 194.3**

Consolidated cash flow statement

	Notes	2014 EUR million	2013 EUR million
Group's net income for the year		**60.4**	**460.0**
Non-cash items included in net income for the year and reconciliation to cash flow from operating activities:			
Amortization, depreciation and allowance of intangible assets, property and equipment, and investment property	29	5.7	4.6
Allowance for credit losses/promotional contribution	27	15.1	33.9
Addition to/reversal of provisions	52	45.6	16.0
Gains/losses from the disposal of property and equipment		0.1	0.2
Change in other non-cash items		1.3	–0.8
Result from fair value measurement and from hedge accounting	31	183.5	–221.2
Net interest income	26	–324.9	–333.7
Subtotal		**–13.2**	**–41.0**
Changes in assets and liabilities after adjustment of non-cash items:			
Loans and advances to banks	36	–1 674.1	1 382.4
Loans and advances to customers	37	40.3	–918.3
Positive fair values of derivative financial instruments	40	–2 722.3	4 250.3
Financial assets	41	–835.1	154.6
Other assets		–1 775.3	–145.4
Liabilities to banks	48	–3 365.2	2 681.9
Liabilities to customers	49	–194.1	–653.8
Securitized liabilities	50	8 317.9	–5 771.4
Negative fair values of derivative financial instruments	51	1 014.0	–35.6
Other liabilities		1 051.2	–3 032.2
Interest received	26	3 526.7	3 673.9
Dividends received	26	5.7	4.4
Interest paid	26	–3 207.5	–3 344.6
Measurement adjustments		–183.5	221.2
Cash flow from operating activities		**–14.5**	**–1 573.6**
Proceeds from the repayment/disposal of:			
Financial assets	41	2 912.5	3 633.3
Property and equipment	43	0.2	0.8
Payments for the acquisition of:			
Financial assets	41	–2 885.1	–2 093.6
Intangible assets and property and equipment	43, 44	–3.3	–5.9
Cash flow from investing activities		**24.3**	**1 534.6**
Subordinated liabilities	53	0.0	-120.1
Appropriation of distributable profit pursuant to Section 9 of Rentenbank's Governing Law		–13.3	–12.8
Cash flow from financing activities		**–13.3**	**–132.9**
Cash and cash equivalents at beginning of period		**32.5**	**204.4**
Cash flow from operating activities		–14.5	-1 573.6
Cash flow from investing activities		24.3	1 534.6
Cash flow from financing activities		–13.3	-132.9
Cash and cash equivalents at end of period		**29.0**	**32.5**

The consolidated cash flow statement shows the changes in cash and cash equivalents for fiscal years 2014 and 2013 from operating, investing and financing activities. Cash and cash equivalents correspond to the balance sheet item 'cash and balances with central banks.'

The reported cash flows from operating activities were determined using the indirect method. With this method, the Group's net income for the year is adjusted for non-cash items, such as depreciation, amortization, measurement gains or losses, and additions or reversals of provisions. The adjusted Group net income for the period is further adjusted for cash-related changes in assets and liabilities attributable to operating activities. Interest paid and interest received together with dividends are classified under cash flows from operating activities. The cash flows from investing and financing activities were directly derived from financial accounting.

The Group's liquidity management is concentrated at Rentenbank. The consolidated cash flow statement, which was prepared in accordance with the requirement set out in IAS 7, is only of limited informative value as an indicator of the liquidity position. In this context, we refer to the explanations regarding the Group's liquidity management in the combined management report.

Notes to the consolidated financial statements

Accounting principles

The consolidated financial statements of Rentenbank were prepared in accordance with all International Financial Reporting Standards (IFRS) required to be applied in the European Union (EU) for fiscal year 2014 and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB). They are based on Regulation No. 1606/ 2002 of the European Parliament and of the Council of July 19, 2002 and the regulations by way of which the IFRS were endorsed by the EU. The IFRS encompass the individual standards designated as IFRS as well as the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC).

The consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements. In addition, a combined management report has been prepared, comprising the group management report and the management report of Landwirtschaftliche Rentenbank (Rentenbank). The consolidated financial statements and the combined management report were prepared by the Board of Managing Directors of Rentenbank. The consolidated financial statements are authorized for publication upon the adoption of the consolidated financial statements and the combined management report by the Board of Supervisory Directors on March 26, 2015.

The reporting currency is the euro (EUR). Unless stated otherwise, all amounts are generally shown in millions of euros (EUR million).

The major qualitative disclosures on credit, liquidity, and market price risks resulting from financial instruments in accordance with IFRS 7.31-42 are summarized in the combined management report.

The disclosure requirements pursuant to the Capital Requirements Regulation (CRR) are met through the publication of a separate disclosure report. Among other things, this report refers to explanations in the risk report as part of the combined management report and in the notes to the consolidated financial statements starting from Note (61). The expanded disclosure requirements concerning country by country reporting pursuant to section 26a of the German Banking Act (Kreditwesengesetz, KWG) are presented in Note (63).

Application of new or amended standards and interpretations

In the following, we describe, as required, standards and interpretations as well as amendments to these that were required to be applied by Rentenbank for the first time in fiscal year 2014:

Standard/ interpretation	**Title**	**Required to be applied in the EU for fiscal years beginning on or after**
IAS 27 (amended)	Separate financial statements	January 1, 2014
IAS 28 (amended)	Investments in associates and joint ventures	January 1, 2014
IAS 32 (amended)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	January 1, 2014
IAS 36 (amended)	Recoverable amount disclosures for non-financial assets	January 1, 2014
IAS 39 (amended)	Novation of derivatives and continuation of hedge accounting	January 1, 2014
IFRS 10	Consolidated financial statements	January 1, 2014
IFRS 11	Joint arrangements	January 1, 2014
IFRS 12	Disclosure of interests in other entities	January 1, 2014

Portions of the standards IAS 27 and IAS 28 were replaced by the new standards IFRS 10, IFRS 11, and IFRS 12.

Only the requirements set out in IFRS 12 led to some additional disclosures concerning information about companies in which shares are held, such as the nature and the extent of existing significant limitations. The expanded disclosures are presented in Note (66) in the list of equity holdings.

The amendment to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities – does not apply to Rentenbank since the prerequisites for netting items in the balance sheet still remain not matched.

The amended IAS 36 requires additional disclosures on the recoverable amount in case of changes in impairment losses of non-financial assets. Impairment losses of non-financial assets have changed neither in fiscal 2013 nor in fiscal 2014.

Derivatives are only entered into by Rentenbank directly with the relevant counterparty. Therefore, the amendment to IAS 39 regarding the novation of derivatives with a central counterparty is not relevant for Rentenbank.

The other standards to be applied for the first time as well as the amended standards also had no effects on the consolidated financial statements presented.

The following amendments to standards have already been published, but are required to be applied in the EU only for future fiscal years:

Standard/ interpretation	Title	Required to be applied in the EU for fiscal years beginning on or after
IAS 19 (amended)	Employee benefits	July 1, 2014
IFRIC 21	Levies	June 17, 2014
Various	Annual Improvements to IFRSs 2010 – 2012 Cycle	July 1, 2014
Various	Annual Improvements to IFRSs 2011 – 2013 Cycle	July 1, 2014

The standards and interpretations set out above have to be applied by Rentenbank only from January 1, 2015, due to the fact that Rentenbank's fiscal year corresponds to the calendar year.

The amendment to IAS 19 – Employee Benefits –, which takes into account contributions of employees not linked to work performance within the context of the remeasurement of pension provisions, is expected to have a minor impact on the consolidated financial statements.

The related provisions and standards issued by the standard setter as of December 31, 2014, but not yet endorsed by the EU, are not applied early.

Accounting policies

(1) General disclosures

The Group's accounting policies are prepared under the going-concern premise. Accounting policies were applied consistently and uniformly to the reporting periods presented, unless otherwise indicated.

The measurement of items included in the consolidated financial statements is based on both fair values and (amortized) cost. Income and expenses are recognized and reported in the period to which they relate to economically (accrual accounting principles). In the case of financial instruments, directly attributable transaction costs (e.g. commissions) as well as interest components paid on a one-off basis (such as premiums and discounts, upfront/back-end payments for derivatives) are amortized through profit or loss over the relevant financial instrument's term based on the effective interest method and directly offset against the respective balance sheet item. Pro-rata interest is reported in the balance sheet item in which the underlying financial instrument is recognized.

(2) Accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires certain estimates. These may have a material impact on the assets and earnings position. These estimates used are validated on a continuing basis. They are based on past experience as well as on expectations as to future events.

Above all, estimates materially affect

- the calculation of impairment losses due to anticipated defaults,
- the determination of impairment losses for losses incurred but not yet identified (portfolio valuation allowance),
- the determination of the fair value for financial instruments, especially taking into consideration Credit Valuation Adjustments (net exposure of derivatives with a positive fair value) and Debt Valuation Adjustments (net exposure of derivatives with a negative fair value), and
- the calculation of pension obligations.

They are, therefore, explained in detail within the context of the relevant accounting policies.

Judgments made by exercising available accounting options are described in the relevant sections.

(3) Scope of consolidation

The consolidated financial statements of Rentenbank for fiscal year 2014 include Rentenbank as the Group's parent company and its two subsidiaries, LR Beteiligungsgesellschaft mbH (LRB), Frankfurt/Main, and DSV Silo- und Verwaltungsgesellschaft mbH (DSV), Frankfurt/Main. A detailed list of Rentenbank's shareholdings is included in Note (66).

Two companies (Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main) were not included in the consolidated financial statements as subsidiary or associate, respectively, due to their minor significance for the assessment of the Group's financial position and results of operations. The equity holdings in these companies are reported as financial assets. Based on the data from the financial statements of these two companies, their share in the Group's total assets and in the Group's net income for the year amounted to less than 1 % each. These data are based on the financial statements for the period ending December 31, 2014 for Getreide-Import-Gesellschaft mbH (GIG), Frankfurt/Main, and on the financial statements for the period ending December 31, 2013 for Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH (DGL), Frankfurt/Main. The financial statements of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH for the fiscal year 2014 were not available, but will presumably deviate only insignificantly from the previous year.

Further information on associates and consolidated companies is included in Note (66).

(4) Consolidation principles

The consolidated financial statements were prepared using uniform accounting policies applicable throughout Rentenbank. Intra-group receivables, liabilities and profits or losses as well as intra-group income and expenses are eliminated during consolidation.

As of December 31, 2014, total assets of LRB and DSV according to the financial statements prepared in accordance with German commercial law amounted to EUR 222.2 million (2013: EUR 222.1 million) and EUR 13.2 million (2013: EUR 13.8 million), respectively.

(5) Financial instruments

All financial assets and financial liabilities, including all derivative financial instruments, are recognized in the balance sheet in accordance with IAS 39. Non-derivative financial instruments are recognized as per the settlement date and derivatives as per the trade date.

Financial instruments are measured at fair value, which usually equals the sales or purchase price (mid price) when recorded. Subsequent measurement of financial assets and liabilities depends on the classification in accordance with IAS 39. Please refer to Note (6) for details on the determination of the fair value.

Categories of financial instruments

Financial assets/liabilities at fair value through profit or loss

This category comprises two sub-categories:

- Financial assets or liabilities held for trading
- Financial assets or liabilities designated as at fair value

The 'held for trading' sub-category includes all derivatives as well as financial assets or liabilities entered into for the purpose of selling them in the near term. In the Group, only derivatives, including embedded derivatives required to be separated, are allocated to this sub-category. Derivatives are exclusively entered into in order to hedge existing or expected market price risks (mainly interest rate and currency risks).

Certain financial assets or liabilities can be designated as at fair value upon initial recognition (fair value option). In accordance with IAS 39, the fair value option may only be exercised in the following circumstances:

- Its application eliminates or reduces otherwise existing accounting mismatches; or
- The financial assets and/or liabilities are part of a portfolio which is managed based on fair value; or
- The financial assets or financial liabilities contain embedded derivatives required to be separated.

If financial assets and liabilities are part of an economic hedging relationship together with derivatives and if the restrictive hedge accounting provisions (see Note (7)) cannot be applied on a permanent basis, the fair value option is used for these financial assets and liabilities. The classification to the fair value option is primarily in the context of hedging relationships where foreign currency instruments or products with option features are involved. The related financial assets and liabilities would otherwise be measured at amortized cost or at fair value, with changes in fair value recognized outside of profit or loss, whereas derivative hedging instruments have to be measured at fair value through profit or loss. This potential accounting mismatch is eliminated by applying the fair value option.

The financial assets or liabilities of the category 'financial assets/liabilities at fair value through profit or loss' are measured at fair value through profit or loss. Gains or losses from fair value changes are recognized in the result from fair value measurement and from hedge accounting. Any impairment losses or reversals of impairment losses are reflected in measurement. Income or expenses from the amortization of premiums or discounts are reported as accrued interest in net interest income.

Loans and receivables

The 'loans and receivables' category includes all financial assets that meet all of the following criteria:

- Not a derivative
- Not quoted on an active market
- Fixed or determinable payments

This category does not include the following:

- Financial assets held for trading as well as financial assets for which the fair value option was used
- Financial assets designated as available for sale upon initial recognition
- Financial assets for which the holder may not substantially recover all of its initial investment, other than because of credit deterioration (e.g. index certificates, the repayment of which depends on a particular index development)

Financial assets of the 'loans and receivables' category are measured at amortized cost. Any premiums and discounts as well as other transaction costs are directly added to or deducted from the relevant balance sheet item and amortized using the effective interest method. Income or expenses from amortization are reported as accrued interest in net interest income. Any impairment losses or reversals of impairment losses are offset directly against the carrying amount and recognized in the consolidated statement of comprehensive income in the item 'allowance for credit losses.'

Held to maturity

The 'held to maturity' category includes all financial assets meeting all of the following criteria:

- Not a derivative
- Fixed or determinable payments
- Positive intention and ability to hold these financial assets until final maturity

This category does not include the following:

- Financial assets designated as at fair value or available for sale upon initial recognition
- Financial assets which are, by definition, allocated to the 'loans and receivables' category

Financial assets of the 'held to maturity' category are measured at amortized cost. Any premiums and discounts as well as other transaction costs are directly added to or deducted from the relevant balance sheet item and amortized using the effective interest method. Income or expenses from amortization are reported as accrued interest in net interest income. Any impairment losses or reversals of impairment losses are offset directly against the carrying amount and recognized in the consolidated statement of comprehensive income in the item 'net result from financial assets.'

Available for sale

The category 'available for sale' includes all financial assets that are not allocated to one of the other categories for financial assets. Categorized as available for sale are mainly fixed-income securities, which are hedged by hedging instruments against interest rate risks. In addition, this category includes equity holdings.

Financial assets of this category are measured at fair value outside profit or loss. Gains or losses from fair value changes are recognized directly in equity in the 'revaluation reserve' or outside profit or loss in other comprehensive income presented in the consolidated statement of comprehensive income. Income or expenses from the amortization of premiums or discounts are reported as accrued interest in net interest income.

Upon disposal or in case of impairment, the cumulative gains or losses recorded in the revaluation reserve are transferred to the consolidated statement of comprehensive income and recognized in the item 'net result from financial assets.'

Unquoted equity instruments whose fair value cannot be reliably determined are measured at cost less any impairment losses. In the Group, this relates to equity holdings reported under 'financial assets.'

Other liabilities

The category 'other liabilities' includes all financial liabilities that are not allocated to 'financial liabilities at fair value through profit or loss.'

Financial liabilities classified as 'other liabilities' are measured at amortized cost. Any premiums and discounts as well as other transaction costs are directly added to or deducted from the relevant balance sheet item and amortized using the effective interest method. Income or expenses from amortization are reported as accrued interest in net interest income.

Overview of classes of financial instruments used within the Group

Financial assets

Class	Measurement category
Cash and balances with central banks	Loans and receivables
Loans and advances to banks	Loans and receivables Designated as at fair value
Loans and advances to customers	Loans and receivables Designated as at fair value
Fair value changes of hedged items in a portfolio hedge	Loans and receivables
Positive fair values of derivative financial instruments	Held for trading
Financial assets	Available for sale Held to maturity Designated as at fair value
Other assets	Loans and receivables
Irrevocable loan commitments	–

Financial liabilities

Class	Measurement category
Liabilities to banks	Other liabilities Designated as at fair value
Liabilities to customers	Other liabilities Designated as at fair value
Securitized liabilities	Other liabilities Designated as at fair value
Negative fair values of derivative financial instruments	Held for trading
Subordinated liabilities	Other liabilities Designated as at fair value
Other liabilities	Other liabilities

Reclassification of financial assets

In accordance with IAS 39, non-derivative financial assets that were originally purchased for trading purposes and which are no longer intended for sale in the near term may only be reclassified from the 'held for trading' category under extraordinary circumstances. As Rentenbank does not maintain a trading book, only derivative hedging instruments are included in the 'held for trading' category. Reclassification to another category is not possible.

Financial assets that would have met the definition of loans and receivables upon initial recognition (e.g. promissory note loans) may be reclassified from the categories 'held for trading' and 'available for sale' if the reporting entity has the intention and ability to hold such financial assets for the foreseeable future or until maturity.

Financial assets of the 'available for sale' category may be reclassified to the 'held to maturity' category if the reporting entity has the intention and the ability to hold such financial assets until maturity. A reverse reclassification from the category 'held to maturity' to 'available for sale' is only possible if specific requirements are met.

(6) Determination of the fair value for financial instruments

The fair value is defined as the price that would be received if selling an asset or be paid if transfering a liability between market participants in a market-driven transaction at the measurement date.

Quoted prices are determined using various measurement techniques and inputs. The inputs used are assigned to one of the following three levels pursuant to IFRS 13 and Accounting Practice Statement 'IDW HFA 47' issued by the German Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW):

- Level 1: quoted prices in active markets for identical assets or liabilities, without taking into account mixed prices
- Level 2: quoted prices (other than quoted prices included within Level 1) calculated based on observable inputs, including taking into account mixed prices
- Level 3: quoted prices determined on the basis of unobservable inputs, including taking into account mixed prices

For financial instruments for which there are no quoted prices in active markets for identical assets or liabilities, the fair value is determined using the following measurement techniques:

- Quoted prices for similar assets or liabilities in active markets (Level 2)
- Quoted prices for identical or similar assets or liabilities in markets that are not active (Level 2)
- Generally accepted measurement models that are based on largely observable (Level 2) or largely unobservable (Level 3) inputs for the asset or liability concerned

Transfers between the individual levels are presented only as of the end of the period.

Quoted prices are obtained from pricing services at mid prices. In terms of the allocation of quoted prices to the hierarchy levels, additional information about the pricing source used is taken into account such as sales volume. In accordance with the Accounting Practice Statement 'IDW HFA 47' issued by the Main Technical Committee (Hauptfachausschuss, HFA) of the German Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW), no mixed prices – such as those calculated by Bloomberg – were used as Level 1 quoted prices.

If no quoted prices are available, the fair value of non-option contracts is determined on the basis of the discounted expected future cash flows (discounted cash flow (DCF) method). In the case of non-derivative financial assets and liabilities, the deposit/swap curve plus a transaction-specific credit spread is used for discounting. Credit spreads are distinguished according to rating, maturity, currency, and degree of collateralization. The credit quality of the Federal Republic of Germany is taken into account in the credit spreads for Rentenbank's own financial liabilities based upon the institutional liability and refinancing guarantee stated in the law. Assets with a rating of DDD to D (non-performing loans) are discounted on the basis of the deposit/swap curve since defaults are already taken into account in the estimate of the expected future cash flows. Room for discretion exists in deciding which sources of market data may be used to derive credit spreads. Changes in the market data sources used for credit spreads affect the fair values of the financial instruments presented in the consolidated financial statements. In addition, the determination of expected future cash flows of securities rated DDD to D also requires judgment.

As a result of the existing collateral agreements with all derivatives business partners, the discounting of derivatives is based on the OIS (Overnight Interest Rate Swap) curve as well as on basis swap spreads and cross-currency (CCY) basis swap spreads. They are obtained from external market data providers, distinguished according to maturity and currency.

Measurement of contracts with an option feature (option-based contracts) is based on accepted option pricing models. Apart from the interest rate curves and spreads mentioned above, volatilities and correlations between observable market data are also taken into account in the calculation.

In order to account for any deterioration of the business partner's credit quality, a so-called Credit Valuation Adjustment (CVA) for counterparty credit risk and a so-called Debt Valuation Adjustment (DVA) for own credit risk is taken into account. The basis for calculating CVA and DVA is the expected loss model. The probabilities of default used in the model are based on data published by rating agencies. The calculation of probabilities of default with matching maturities was refined. Judgment may be exercised for the data used within the expected loss model.

As a result of the refinement of the procedure compared to the previous year, the CVA value increased to EUR 9.6 million, while a DVA value of EUR 1.5 million was taken into account for the first time. Overall, the result from fair value measurement and from hedge accounting declined by EUR 8.1 million.

An increase of own credit spreads leads to measurement gains as the value of liabilities decreases. In contrast, declining credit spreads result in measurement losses as the value of the liabilities increases. Increasing credit spreads lead to measurement losses from financial assets, and declining credit spreads to measurement gains.

With respect to hedge accounting, only the changes in the fair value of the hedged item attributable to the hedged risk are taken into account. In this context, the hedged risk within the Group is limited to the interest rate risk related to the deposit/swap curve. The fair value based on interest rate changes is determined by discounting contractual cash flows using the deposit/swap curve plus the constant transaction-specific margin.

The measurement processes, including the definition of measurement techniques and determination of the inputs are defined by the Finance division. The Finance division also analyzes the results from fair value measurement and reports these to the Board of Managing Directors and the responsible managers. The plausibility of measurement results is verified each day based on the changes of underlying market data.

The inputs used in the measurement models are continuously validated. For this purpose, the fair value of a transaction calculated with the measurement model on the trade date is compared with the transaction price.

(7) Hedge accounting

Rentenbank enters into derivatives only for the purpose of hedging existing or anticipated market price risks. Derivatives are always measured at fair value through profit or loss. By contrast, the hedged items are initially measured either at amortized cost or at fair value, with changes in fair value recognized outside of profit or loss in the revaluation reserve. The different approaches result in corresponding accounting mismatches and thus to fluctuations in the income statement.

The IFRS permit these economic hedging relationships to be accounted for under hedge accounting rules. If the associated very restrictive requirements cannot be met on a sustained basis, Rentenbank allocates the hedged items to the 'designated as at fair value' category upon initial recognition.

The hedging relationships accounted for in the balance sheet are divided into fair value hedges and cash flow hedges. Due to Rentenbank's business strategy, according to which interest rate risks are transferred into a floating Euro-denominated interest rate mainly through the use of derivatives, only fair value hedges are used to account for these hedging relationships.

Fair value hedges are used within the Group only to hedge interest rate risks. The changes in the fair value of the hedged item attributable to the hedged interest rate risk are recognized in profit or loss, irrespective of the category used. The changes in the fair value of the derivatives recognized in profit or loss are largely compensated in this way.

Large-volume transactions are generally hedged on an individual basis (micro hedges). The special promotional loans issued under the promotional mandate were mainly hedged on a portfolio basis (macro hedges) due to the small volume per transaction. When a transaction is entered into, Rentenbank documents the relationship between the hedged item and the hedging instrument as well as the nature of the risk being hedged. In addition, the judgment whether the hedge is highly effective is documented both at inception (ex-ante effectiveness) and on a continuing basis (ex-ante and ex-post effectiveness).

Micro hedges involve one or more similar hedged items forming a hedging relationship with one or more derivative hedging instruments. Ex-ante effectiveness is assumed from the beginning of the hedging period if the material features of the hedging derivative were in line with those of the hedged item (critical terms match). Any changes that arise from transactions during the hedging period are also reviewed within the framework of the critical terms match method. Ex-ante effectiveness is therefore evidenced permanently. Ex-post effectiveness is measured as of the balance sheet dates using regression analysis. A hedging relationship is deemed effective when the slope of the linear regression line, as determined on the basis of the changes in the fair value of hedged items and hedging instruments attributable to interest rate changes, is between –0.8 and –1.25. In addition, the quality of the regression, measured by the coefficient of determination, must amount to 0.8 or more. The regression analysis, which is conducted bi-annually, is based on data from the preceding six months. In the case of effective hedges, the carrying amount of the hedged items is adjusted to reflect the change in the fair value attributable to interest rate changes and, together with the changes in the fair value of the hedging instrument, recognized in the result from fair value measurement and from hedge accounting.

The hedge accounting rules may not be applied for ineffective hedging relationships in the relevant period. The hedged item is measured according to the category to which it is allocated. In previous effective hedging periods, recognized changes in the fair value of the designated hedged item attributable to interest rate changes are amortized over their remaining term using the effective interest method and recognized in the result from fair value measurement and from hedge accounting.

Items hedged within the context of portfolio-based fair value hedges **(macro hedges)** are allocated to a quarterly maturity band at the beginning of each hedging period on the basis of the individual expected cash flows. For each maturity band, interest rate swaps are determined as hedging instruments, in an amount not exceeding the nominal amount of the accumulated underlying hedged items. Generally the hedging period is one month. If the new business within a particular maturity band exceeds a certain volume during the hedging period, the hedging relationship may be discontinued early for this time band and may be re-defined.

In contrast to the method used for micro hedges, the ex-ante effectiveness for macro hedges is determined on the basis of a sensitivity analysis involving a parallel shift of the relevant interest rate curve by 100 basis points. Ex-post effectiveness is assessed using the dollar-offset method. Under this method, the fair value changes of the hedged item attributable to interest rate changes are compared with those of the hedging instrument. The hedge is deemed effective if the changes in the fair value of the hedged item offset the changes in the fair value of the hedging instrument within a range of –80 % to –125 %.

As far as effective time bands are concerned, the fair value changes of the hedged items attributable to interest rate changes are recognized in the income statement in the result from fair value measurement and from hedge accounting together with the offsetting changes in the fair value of the hedging instruments at the end of the hedging period. In contrast to the method used for micro hedge accounting, the carrying amount of the individual hedged items is not adjusted. Instead, the adjustment to the carrying amount of the hedged items is reported in the separate balance sheet item 'fair value changes of hedged items in a portfolio hedge.' This is amortized over the term of the relevant maturity bands and charged against the result from fair value measurement and from hedge accounting or, in the case of unscheduled repayment of financial instruments, derecognized on a pro rata basis. Fair value changes of hedged items attributable to interest rate changes are not recognized for ineffective time bands.

(8) Hybrid financial instruments (embedded derivatives)

Hybrid financial instruments are transactions that comprise a host contract and one or more derivative financial instruments, where the embedded derivatives are an integral component of the host contract and cannot be traded separately.

Certain embedded derivatives are accounted for as stand-alone derivatives if their economic characteristics and risks are not closely related to those of the host contract. Furthermore, separation is required when derivative components from hybrid financial instruments are also traded on the market as stand-alone derivatives. A prerequisite is that the hybrid financial instrument is not already measured at fair value through profit or loss.

The Group generally allocates all structured products with embedded derivatives, all of which are hedged by hedging derivatives and otherwise required to be separated, to the 'designated as at fair value' category. Exceptions to this are the liquidity assistance loans, which are callable daily and where the host contract belongs to the 'loans and receivables' category.

In the case of embedded derivatives that are not required to be separated from the host contract (e.g. interest rate cap options), the entire structured product is measured on the basis of the host contract's category. Embedded derivatives required to be separated are measured at fair value through profit or loss.

Embedded derivatives not required to be separated are reported in the relevant consolidated balance sheet item, together with the associated host contract. Embedded derivatives required to be separated are reported either in 'positive fair values of derivative financial instruments' or 'negative fair values of derivative financial instruments,' depending on their current fair value.

(9) 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. This is assessed using the following criteria:

- Internal credit rating as 'non-investment grade'
- Non-performing, forborne 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.

<u>Loans and advances and financial assets measured at (amortized) cost</u>

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 factors such as membership in a protection scheme or state support mechanisms. The discount factor used for fixed-rate loans, advances and securities is the original effective interest rate, while the current effective interest rate 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. 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.

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) Currency translation

Monetary foreign currency positions are translated daily at the closing rate on the valuation date. The Group does not hold any non-monetary items (e.g. property and equipment) denominated in foreign currency.

The results from currency translation are recognized in the consolidated statement of comprehensive income. The line items used are 'result from fair value measurement and from hedge accounting' for hedged currency exposures, and 'other operating result' for open currency positions from payment settlement accounts.

Expenses and income are translated at the closing rate applicable on the date upon which they affect profit or loss.

(11) Genuine repurchase agreements, collateralized loans, and securities lending transactions

In addition to collateralized loans with Deutsche Bundesbank, genuine repurchase agreements ('repo agreements') are entered into with Eurex Clearing AG on the General Collateral Pooling market. A characteristic feature of those repo agreements is raising or lending of funds against the transfer or receipt of collateral from a pool of deposited securities (securities basket) (see Note (63)).

(12) Accounting for leases

Leases are classified as either finance leases or operating leases. A lease is considered a finance lease if it substantially transfers all the risks and rewards incidental to the ownership of a leased asset to the lessee. In all other cases, the lease is classified as an operating lease.

The Group acts as a lessee. The lease agreements concluded are classified as operating leases. The leased assets are office equipment and motor vehicles. The lease payments to be paid by the Group are recognized as administrative expenses. There were no subleases.

(13) Allowance for credit losses/promotional contribution

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.

(14) Non-current assets held for sale

The item 'non-current assets held for sale' is used when non-current assets (e.g. property) are intended to be disposed of within a year and their disposal is highly probable.

Such assets are recognized at the lower of their carrying amount or fair value less costs to sell. Write-downs are recognized as impairment losses in administrative expenses.

(15) Investment property

The third-party used investment properties are held to generate rental income. Investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses, similar to property and equipment. Depreciation is recognized in administrative expenses.

(16) Property and equipment

Property and equipment includes owner-occupied land and buildings as well as operating and office equipment.

Property and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is made on a straight-line basis, using useful lives of 33 to 50 years for buildings and three to six years for operating and office equipment. Land is not subject to depreciation.

Low-value assets are immediately recognized as expenses.

All depreciation amounts are recorded in administrative expenses.

(17) Intangible assets

Intangible assets include purchased and internally generated software.

They are recognized at cost and amortized on a straight-line basis over a period of four years. Any impairment losses are recognized in the income statement. Amortization and impairment losses are reported as administrative expenses.

(18) Impairment of non-financial assets

Property and equipment, investment property, and intangible assets are tested for impairment at each balance sheet date. If the recoverable amount is lower than the carrying amount, the asset is written down to its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell.

(19) Other assets

The balance sheet item 'other assets' includes cash collateral provided within the framework of collateral agreements for derivatives. It also includes assets that are not significant individually and that cannot be allocated to other balance sheet items. They are recognized at cost, which corresponds to the assets' nominal value.

(20) Tax receivables/liabilities

The tax receivables and tax liabilities comprise current income tax assets/liabilities and deferred tax assets/liabilities and are incurred exclusively at the consolidated subsidiaries LRB and DSV. Rentenbank is exempt from corporation taxes in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (Körperschaftssteuergesetz, KStG) and municipal trade taxes in accordance with Section 3 No. 2 of the German Municipal Trade Tax Act (Gewerbesteuergesetz, GewStG). Current income tax assets, which are refunded by the taxation authorities, are calculated using the currently applicable tax rates. Deferred tax assets and liabilities result from the difference between the carrying amounts of recognized assets and liabilities in the IFRS consolidated balance sheet and their tax base. Existing tax loss carryforwards are also used in this context. The calculation is based on the tax rates expected to apply to the subsidiaries.

(21) Provisions for pensions and similar obligations

Pension obligations are based on direct commitments. These commitments provide for (early) old-age pensions, disability pensions, surviving dependent benefits, and continuation of salary payments in the event of death. In addition to the pension obligations towards members of the Board of Managing Directors based on individual agreements, there are obligations towards employees on the basis of various benefit plans depending on the date of entry of the employee.

The amount of the retirement benefits is determined on the basis of the relevant length of service and the pensionable remuneration. After commencement of actual benefit payments, the pensions will be increased based on factors like adjusted collective wage agreements, inflation adjustments or a fixed percentage. Accordingly, the obligation is particularly dependent on the development of income and inflation. In the case of benefit commitments where payments from statutory pension schemes and further pension payments, if any, are taken into account, the obligation is directly tied to the development of statutory pension schemes.

All pension obligations are funded internally. There are no plan assets.

The amount of the provisions recognized for defined benefit obligations is based on the present value of the volume of pension obligations as of the balance sheet date. The amount of the pension obligations is determined annually by an independent actuary based on the projected unit credit method.

Changes in the provisions are recorded on the one hand in the income statement in the item 'personnel expenses' as current service cost and interest cost and on the other hand in other comprehensive income (i.e. in equity) as actuarial gains or losses. Current service cost represents the benefits earned in the current service period. Interest cost represents the present value effect which is attributable to the reduction by one year of the period until fulfillment of the obligations. Actuarial gains and losses arise from differences between the actual and the expected development of the measurement bases and the parameters.

The present value of the pension obligations depends on various parameters for which assumptions and estimates are required. Changes in these assumptions and estimates affect the carrying amount of the reported pension provisions. One of the most significant parameters is the interest rate used to discount the pension obligations. This rate is based on the interest rate applicable as of the balance sheet date for high quality corporate bonds denominated in euros with remaining times to maturity matching those of the pension obligations.

(22) Other provisions

Provisions are recognized for liabilities to third parties of uncertain timing or amount; the amount recognized is based on the best estimate of the expenditure required to settle the obligation. Changes of these estimates affect the carrying amount of the reported provisions. Non-current provisions are discounted if the effect of the time value of money is material. Provisions are recognized and reversed through profit or loss in the items 'administrative expenses' or 'other operating result.'

(23) Other liabilities

The balance sheet item 'other liabilities' comprises cash collateral received within the context of collateral agreements for derivatives. In addition, this line item comprises the amounts measured for outstanding commitments related to the special promotional loans as well as other obligations that are not significant individually and that cannot be allocated to other balance sheet items in accordance with IFRS. The other liabilities are recognized at cost except for the discounted promotional contribution of outstanding commitments related to the special promotional loans.

(24) Equity

In accordance with IFRS, equity consists of subscribed capital, retained earnings, revaluation reserve, and distributable profit.

Subscribed capital represents paid-in capital. It was formed by contributions paid by the German agricultural and forestry sector between 1949 and 1958. Subscribed capital is not associated with any rights. Retained earnings comprise the legally prescribed principal reserve (Hauptrücklage) and guarantee reserve (Deckungsrücklage), which were taken from the financial statements in accordance with the German Commercial Code, as well as other retained earnings.

The revaluation reserve primarily includes actuarial gains or losses from pension obligations (see Note (21)) and the changes in the fair value of available-for-sale securities attributable to changes in credit spreads. Fair value changes attributable to changes in credit spreads result from changes to risk premiums. Fair value changes attributable to interest rate changes in relation to securities which are part of effective hedging relationships are reported in the 'result from fair value measurement and from hedge accounting,' together with the fair value changes of the related hedging derivatives.

(25) Contingent liabilities and other commitments

Contingent liabilities arise from past events that either

- lead to possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not completely within the control of the Group (e.g. indemnities); or

- result in a present obligation which is not likely to result in a reduction of net assets or where the settlement amount cannot be estimated with sufficient reliability (e.g. pending litigation).

These obligations are not accounted for as liabilities in accordance with IAS 37.27. Contingent liabilities are disclosed in Note (65).

Notes to the consolidated statement of comprehensive income

(26) Net interest income

	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million	Change in EUR million
Interest income from			
Loans and advances to banks and customers	1 243.9	1 309.9	–66.0
Derivative financial instruments	1 701.6	1 772.9	–71.3
Financial assets	581.1	591.1	–10.0
Current income from			
Equity holdings	5.7	4.4	1.3
Total interest income	**3 532.3**	**3 678.3**	**–146.0**
thereof from financial instruments that are not measured at fair value through profit or loss	*1 672.3*	*1 774.0*	*–101.7*
Interest expenses for			
Liabilities to banks and customers	212.0	239.6	–27.6
Securitized liabilities	1 541.3	1 608.7	–67.4
Derivative financial instruments	1 435.9	1 476.0	–40.1
Subordinated liabilities	17.6	19.4	–1.8
Other	0.7	0.9	–0.2
Total interest expenses	**3 207.5**	**3 344.6**	**–137.1**
thereof from financial instruments that are not measured at fair value through profit or loss	*507.0*	*543.4*	*–36.4*
Net interest income	**324.8**	**333.7**	**–8.9**

(27) Allowance for credit losses/promotional contribution

	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million	Change in 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/promotional contribution	**15.3**	**34.5**	**–19.2**

The item ‘allowance for credit losses/promotional contribution’ primarily includes the discounting of future expenses for special promotional loans (addition of promotional contribution) as well as their utilization over the remaining term.

(28) Net fee and commission income	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million	Change in EUR million
Fee and commission income from			
Compensation for administrative expenses	0.2	0.2	0.0
Total fee and commission income	**0.2**	**0.2**	**0.0**
thereof from financial instruments that are not measured at fair value through profit or loss	*0.2*	*0.2*	*0.0*
Fee and commission expenses for			
Custody fees	1.6	1.6	0.0
Other	0.2	0.3	−0.1
Total fee and commission expenses	**1.8**	**1.9**	**−0.1**
thereof from financial instruments that are not measured at fair value through profit or loss	*1.3*	*1.4*	*−0.1*
Net fee and commission income	**−1.6**	**−1.7**	**0.1**

(29) Administrative expenses	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million	Change in EUR million
Personnel expenses	**34.4**	**32.0**	**2.4**
Amortization			
Intangible assets	4.6	3.4	1.2
thereof internally generated software	*0.1*	*0.1*	*0.0*
IT equipment	0.5	0.5	0.0
Residential and office buildings	0.4	0.5	−0.1
Office equipment and vehicles	0.1	0.1	0.0
Technical and other equipment	0.1	0.1	0.0
Total depreciation and amortization	**5.7**	**4.6**	**1.1**
Other administrative expenses			
IT licenses, fees, consulting services	8.8	6.4	2.4
Software maintenance	0.9	3.5	−2.6
Public relations	2.0	2.2	−0.2
Audits, contributions, donations	3.5	1.9	1.6
Funding	1.3	1.6	−0.3
Occupancy cost	1.2	1.2	0.0
Other	1.5	1.8	−0.3
Total other administrative expenses	**19.2**	**18.6**	**0.6**
Administrative expenses	**59.3**	**55.2**	**4.1**

Miscellaneous administrative expenses include lease expenses in the amount of EUR 167.7 thousand (2013: EUR 137.6 thousand). Future lease payments can be broken down as follows:

	Jan. 1 to Dec. 31, 2014 EUR thousand	Jan. 1 to Dec. 31, 2013 EUR thousand	Change in EUR thousand
Future lease payments			
up to 1 year	96.4	98.2	−1.8
more than 1 year up to 5 years	145.6	196.0	−50.4
more than 5 years	0.0	0.0	0.0

The payments relate to minimum lease payments (fixed lease payments). There were no restrictions imposed by lease arrangements. As of year-end, the Group had 19 (2013: 15) lease agreements. The leases have a term of not more than one year; there are no renewal or purchase options.

(30) Other operating result	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million	Change in EUR million
Other operating income			
Rental income	1.8	1.8	0.0
Reversal of provisions/liabilities	0.9	0.8	0.1
Reimbursements of costs	0.2	0.3	–0.1
Other income	0.5	0.9	–0.4
Total other operating income	**3.4**	**3.8**	**–0.4**
Other operating expenses			
Increase of capital contribution to Edmund Rehwinkel Foundation	0.0	3.0	–3.0
Promotion of research and innovation	3.0	3.0	0.0
Bank-owned housing	0.6	0.6	0.0
Other expenses	2.6	1.3	1.3
Total other operating expenses	**6.2**	**7.9**	**–1.7**
Other operating result	**–2.8**	**–4.1**	**1.3**

(31) Result from fair value measurement and from hedge accounting	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million	Change in EUR million
Fair value measurement			
Hedged items	–352.2	693.7	–1 045.9
Derivatives	256.3	–535.0	791.3
Result from currency translation	–5.1	32.8	–37.9
Fair value measurement, total	**–101.0**	**191.5**	**–292.5**
Micro hedge accounting			
Hedged items	124.5	–163.8	288.3
Hedging instruments	–159.2	174.2	–333.4
Micro hedge accounting, total	**–34.7**	**10.4**	**–45.1**
Macro hedge accounting			
Hedged items	1 217.1	–327.7	1 544.8
Hedging instruments	–1 264.9	347.0	–1 611.9
Macro hedge accounting, total	**–47.8**	**19.3**	**–67.1**
Result from fair value measurement and from hedge accounting	**–183.5**	**221.2**	**–404.7**

Derivatives and financial instruments of the category 'financial assets/liabilities at fair value through profit or loss' are measured at fair value. Changes in the fair value are recorded as unrealized gains or losses in the income statement in the item 'result from fair value measurement and from hedge accounting.'

The result from fair value measurement and from hedge accounting also includes the changes in the fair value of hedged items in effective hedging relationships attributable to changes of the deposit/swap curve. After the reversal of hedging relationships in the balance sheet in the case of ineffectiveness, the previously recorded fair value changes of the hedged items attributable to interest rate changes are amortized over the remaining time.

The Group has no open foreign currency positions. However, measurement at fair value leads to currency translation differences that are reported here.

Income and expenses from the amortization of, among other things, premiums/discounts, upfront payments and promotional contributions, which represent part of the changes in the fair value, are recognized in net interest income due to their interest rate nature.

(32) Net result from taxes	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million	Change in EUR million
Deferred taxes on tax loss carryforwards	−1.4	0.4	−1.8
Deferred taxes on temporary differences	0.0	0.4	−0.4
Current income taxes	−0.5	−0.2	−0.3
Net result from taxes	**−1.9**	**0.6**	**−2.5**

Segment reporting

(33) Comments on segment reporting

In accordance with IFRS 8, significant results must be broken down by operating business segments and countries. For the purposes of defining segments, the Group's organizational and management structure as well as its internal financial reporting structure were considered. Our operating segments are as follows:

- Promotional Business:
  This segment shows the promotional business and related funding activities. Promotional business activities are also presented in the Capital Investment segment. The Promotional Business segment includes the earnings of Rentenbank and of all subsidiaries, including those of their equity holdings.

- Capital Investment:
  This segment shows the earnings contributions from the investment of Rentenbank's own funds and of medium to long-term provisions in the form of securities, promotional loans and the direct equity holdings of Rentenbank.

- Treasury Management:
  This segment shows the results of the Group's liquidity supply and management as well as its short-term interest rate management. Transactions made in this segment have a fixed-interest period of up to one year (e.g. overnight and term deposits, Euro Commercial Paper (ECP), securities and promissory note loans).

The segments are controlled centrally exclusively in Frankfurt/Main. All income and expenses are generated at this location. Consequently, we do not present regional segment information as required by IFRS 8.

The results are presented on a net basis in the segment report in accordance with the spread-based management approach of Rentenbank. Segment assets and liabilities relate to transactions from third parties. Accordingly, segment results are generated exclusively from external counterparties. No intra-group transactions have been entered into between the segments. There are no material differences between internal reporting and financial reporting under IFRS. Due to the lack of intra-group transactions and due to the agreement between internal reporting lines and external financial reporting, we have not presented any further reconciliation statements.

The distribution of the components of net interest income, net fee and commission result, and net result from financial assets as well as of the result from fair value measurement and from hedge accounting is made on the basis of individual transactions. Administrative expenses, other operating result, and net result from taxes from the consolidated subsidiaries are allocated to the relevant segments either directly or indirectly using allocation keys. These keys are mainly based on the number of the respective employees, consumption of resources, and other allocations of resources.

Segment assets and liabilities are allocated to the individual segments in line with earnings contributions.

(34) Segments

Jan. 1 to Dec. 31	Promotional Business 2014 EUR million	Promotional Business 2013 EUR million	Capital Investment 2014 EUR million	Capital Investment 2013 EUR million	Treasury Management 2014 EUR million	Treasury Management 2013 EUR million	Total 2014 EUR million	Total 2013 EUR million
Net interest income before allowance for credit losses/ promotional contribution	192.5	184.5	114.2	118.1	18.1	31.1	324.8	333.7
Allowance for credit losses/ promotional contribution	15.3	34.5	0.0	0.0	0.0	0.0	15.3	34.5
Net fee and commission income	−1.6	−1.7	0.0	0.0	0.0	0.0	−1.6	−1.7
Administrative expenses	45.0	42.2	8.6	8.0	5.7	5.0	59.3	55.2
Other operating result	−2.8	−4.1	0.0	0.0	0.0	0.0	−2.8	−4.1
Net result from taxes	−1.9	0.6	0.0	0.0	0.0	0.0	−1.9	0.6
Operating result	**125.9**	**102.6**	**105.6**	**110.1**	**12.4**	**26.1**	**243.9**	**238.8**
Result from fair value measurement and from hedge accounting	−184.8	224.6	0.0	0.0	1.3	−3.4	−183.5	221.2
Group's net income for the year	**−58.9**	**327.2**	**105.6**	**110.1**	**13.7**	**22.7**	**60.4**	**460.0**
Dec. 31,	2014 EUR billion	2013 EUR billion	2014 EUR billion	2013 EUR billion	2014 EUR billion	2013 EUR billion	2014 EUR billion	2013 EUR billion
Segment assets	**79.5**	**71.3**	**3.9**	**3.7**	**5.4**	**6.9**	**88.8**	**81.9**
Segment liabilities (incl. equity)	**77.4**	**70.3**	**3.9**	**3.7**	**7.5**	**7.9**	**88.8**	**81.9**

As in the previous year, interest income generated from transactions with one single counterparty did not account for 10 % or more of total interest income.

Notes to the balance sheet

(35) Cash and balances with central banks	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Cash on hand	0.1	0.1	0.0
Balances with central banks	28.9	32.4	−3.5
Total	**29.0**	**32.5**	**−3.5**

As in the previous year, the item 'balances with central banks' consists of balances held with Deutsche Bundesbank.

(36) Loans and advances to banks

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Repayable on demand	1.0	304.4	–303.4
Term deposits	955.7	1 536.2	–580.5
Promissory note loans/registered bonds	13 713.0	14 301.7	–588.7
Special promotional loans	36 436.2	33 307.1	3 129.1
thereof promotional contribution	*–326.4*	*–310.8*	*–15.6*
Global refinancing loans	201.6	201.6	0.0
Other	100.1	99.9	0.2
Total	**51 407.6**	**49 750.9**	**1 656.7**
thereof: due after more than twelve months	*46 556.1*	*45 410.7*	*1 145.4*

(37) Loans and advances to customers

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Repayable on demand	0.2	0.1	0.1
Medium and long-term loans	29.9	0.1	29.8
Promissory note loans	5 205.4	5 232.0	–26.6
thereof: loans to local authorities	*5 183.7*	*5 198.2*	*–14.5*
Special promotional loans	293.2	336.9	–43.7
thereof promotional contribution	*0.0*	*–0.1*	*0.1*
Other	1.6	1.5	0.1
Total	**5 530.3**	**5 570.6**	**–40.3**
thereof: due after more than twelve months	*4 587.8*	*3 526.0*	*1 061.8*

(38) Allowance for credit losses/promotional contribution in the lending business

	Promotional contribution		Specific valuation allowances		Portfolio valuation allowances	
	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million
As of Jan. 1	331.0	308.1	0.0	0.1	11.7	0.0
Addition	75.3	81.6	0.0	0.0	3.0	11.7
Utilization	63.0	58.7	0.0	0.0	0.0	0.0
Reversals	0.0	0.0	0.0	0.1	0.0	0.0
As of Dec. 31	**343.3**	**331.0**	**0.0**	**0.0**	**14.7**	**11.7**
thereof						
Loans and advances to banks	326.4	310.8	0.0	0.0	12.9	11.0
Loans and advances to customers	0.0	0.1	0.0	0.0	0.1	0.1
Loan commitments	16.9	20.1	0.0	0.0	0.8	0.6
Financial assets	0.0	0.0	0.0	0.0	0.9	0.0

(39) Fair value changes of hedged items in a portfolio hedge

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Fair value changes attributable to interest changes related to loans allocated to macro hedge accounting	1 600.7	677.3	923.4
thereof: due after more than twelve months	*1 588.0*	*671.9*	*916.1*

(40) Positive fair values of derivative financial instruments

Derivatives are classified as follows according to economic hedging relationships:

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
As hedging instruments for:			
Hedged items in hedge accounting (fair value hedge)	1 538.9	1 159.2	379.7
Hedged items designated as at fair value	4 345.2	2 059.1	2 286.1
Other hedged items	74.3	17.8	56.5
Total	**5 958.4**	**3 236.1**	**2 722.3**
thereof: due after more than twelve months	*4 623.0*	*2 493.6*	*2 129.4*

Derivatives used to hedge other hedged items mainly result from hedging relationships that were ineffective in accordance with hedge accounting criteria as of the balance sheet date.

(41) Financial assets

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Bonds	21 582.2	20 775.2	807.0
Equity holdings	118.8	118.8	0.0
Other financial assets	0.2	0.4	−0.2
Total	**21 701.2**	**20 894.4**	**806.8**
thereof:			
due after more than twelve months	*16 129.6*	*17 645.0*	*−1 515.4*
qualified as collateral	*19 843.9*	*19 474.0*	*369.9*

Equity holdings were recognized at cost due to the absence of both quoted prices and relevant measurement parameters in accordance with IAS 39.46 (c). No write-downs were necessary as of December 31, 2014.

(42) Investment property

The item ‘investment property’ includes one property that is fully leased to third parties. The expected useful life was estimated at 33 years.

There were no restrictions that could impede a disposal of this property.

No impairment losses had to be recognized for investment property as no permanent impairment was identified by the impairment test as required under IAS 36.

Investment property changed as follows:

	2014 EUR million	2013 EUR million
Cost as of Jan. 1	**19.8**	**19.8**
Additions	0.0	0.0
Disposals	0.0	0.0
Accumulated depreciation	4.9	4.4
Depreciation	*0.5*	*0.5*
Carrying amount as of Dec. 31	**14.9**	**15.4**

The fair value of the property amounted to EUR 19.9 million (2013: EUR 18.8 million). It was determined on the basis of the income capitalization approach taking into account an independent valuation opinion.

Other operating income included rental income of EUR 0.9 million (2013: EUR 0.9 million). Expenditures directly attributable to the property in the amount of EUR 12.5 thousand (2013: EUR 10.0 thousand) as well as real property tax of EUR 35.9 thousand (2013: EUR 35.9 thousand) were reported in other operating expenses.

(43) Property and equipment

Land and buildings include the owner-occupied office building at Hochstrasse 2, Frankfurt/Main, Germany. In addition, Rentenbank owns housing for employees that is not classified as investment property in accordance with IAS 40.9 (c), but is subject to the requirements of IAS 16. Therefore, they are classified as property and equipment.

Property and equipment changed as follows:

	Land and buildings		Operating and office equipment		Total	
	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million
Cost as of Jan. 1	**23.1**	**23.1**	**10.5**	**10.3**	**33.6**	**33.4**
Additions	0.0	0.0	0.9	1.5	0.9	1.5
Disposals	0.0	0.0	0.5	1.3	0.5	1.3
Accumulated amortization	0.1	0.1	9.9	9.5	10.0	9.6
Amortization	*0.0*	*0.0*	*0.7*	*0.7*	*0.7*	*0.7*
Accumulated impairment	1.7	1.7	0.0	0.0	1.7	1.7
Impairment	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Carrying amount as of Dec. 31	**21.3**	**21.3**	**1.0**	**1.0**	**22.3**	**22.3**

Land was tested for impairment on the basis of current standard land values. As in the previous year, the impairment test did not indicate any requirement to recognize impairment losses for 2014.

(44) Intangible assets

Intangible assets held within the Group comprise acquired and internally generated software.

Amortization is recognized in administrative expenses. As in the previous year, no impairment losses were required to be recognized in accordance with IAS 36.

Intangible assets changed as follows:

	Acquired software		Internally generated software		Total	
	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million
Cost as of Jan. 1	**20.4**	**16.2**	**5.5**	**8.3**	**25.9**	**24.5**
Additions	2.3	4.4	0.0	0.0	2.3	4.4
Disposals	0.3	0.2	2.2	2.8	2.5	3.0
Accumulated amortization	9.3	5.1	2.8	4.9	12.1	10.0
Amortization	*4.5*	*3.3*	*0.1*	*0.1*	*4.6*	*3.4*
Carrying amount as of Dec. 31	**13.1**	**15.3**	**0.5**	**0.6**	**13.6**	**15.9**

(45) Current income tax assets

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Tax refund claims	1.4	1.5	–0.1
Income tax assets	0.3	0.4	–0.1
Total	**1.7**	**1.9**	**–0.2**

Tax refund claims against the tax authorities resulted from transactions which were subject to capital gains tax. In addition, current income tax assets resulted from offsetting the tax-related prepayments with the taxes owed as reported in the tax assessment notice. Payment is expected to be received in fiscal year 2015.

(46) Deferred tax assets

The Group's consolidated subsidiaries are subject to taxes. Rentenbank is exempt from corporation taxes in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (Körperschaftssteuergesetz, KStG) and municipal trade taxes in accordance with Section 3 No. 2 of the German Municipal Trade Tax Act (Gewerbesteuergesetz, GewStG). The calculation of deferred taxes was generally based on a corporate income tax rate (including solidarity surcharge) of 15.8 % (2013: 15.8 %) and a uniform municipal trade tax rate of 16.1 % (2013: 16.1 %).

Deferred tax assets arise from existing loss carryforwards in the Group and from temporary differences between the IFRS financial statements and the tax base.

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Deferred tax assets from			
tax loss carryforwards	0.0	1.3	–1.3
temporary differences	0.2	0.2	0.0
Total	**0.2**	**1.5**	**–1.3**

According to the most recent tax assessments as of December 31, 2013, tax loss carryforwards existed within the Group at DSV in an amount of EUR 51.8 million (2012: EUR 51.3 million), of which EUR 26.9 million (2012: EUR 26.7 million) related to corporation tax and EUR 24.9 million (2012: EUR 24.6 million) to municipal trade tax. The loss carryforwards at DSV mainly result from impairment losses recognized in previous fiscal years.

As of December 31, 2013, LRB had tax loss carryforwards of EUR 69.1 million (2012: EUR 73.1 million), EUR 66.8 million (2012: EUR 68.8 million) of which related to corporation tax and EUR 2.3 million (2012: EUR 4.3 million) to municipal trade tax. The loss carryforwards of LRB primarily refer to the amortization of equity holdings up until fiscal year 1999.

Deferred taxes on tax loss carryforwards were calculated at DSV on the basis of a planning horizon of 20 years (starting January 1, 2006) for the discharge of the company's pension obligations and the average earnings in recent years. Based on the assumption of expected negative earnings in the future, no deferred taxes were recognized on corporation tax or municipal trade tax.

In fiscal year 2014, the remaining loss carryforwards in relation to municipal trade taxes for LRB were fully offset against tax liabilities. Therefore, deferred tax assets in the amount of EUR 1 083 thousand (after deducting pro-rata reversal in 2014) were reversed.

A deferred tax asset of EUR 187.3 thousand (2013: EUR 162.2 thousand) was recognized for the difference between the amounts reported for pension provisions in the tax accounts and the IFRS balance sheet in the amount of EUR -0.6 million (2013: EUR –0.5 million).

	Dec. 31, 2013 EUR million	Utilization EUR million	Reversals EUR million	Additions EUR million	Dec. 31, 2014 EUR million
DSV					
Corporation tax	0.1	0.0	0.0	0.0	0.1
Municipal trade tax	0.1	0.0	0.0	0.0	0.1
DSV, total	**0.2**	**0.0**	**0.0**	**0.0**	**0.2**
LRB					
Municipal trade tax	1.3	0.2	1.1	0.0	0.0
LRB, total	**1.3**	**0.2**	**1.1**	**0.0**	**0.0**
Total	**1.5**	**0.2**	**1.1**	**0.0**	**0.2**

(47) Other assets

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Cash collateral from collateral management (payable on demand)	2 563.6	1 711.3	852.3
Prepaid expenses	1.2	1.4	–0.2
Other	1.0	0.9	0.1
Total	**2 565.8**	**1 713.6**	**852.2**

(48) Liabilities to banks

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Repayable on demand	1.0	0.0	1.0
Term deposits	0.0	1 404.0	–1 404.0
Open market operations	0.0	1 750.0	–1 750.0
Registered bonds and promissory note loans	1 066.8	1 136.6	–69.8
Global loans	1 116.9	1 259.3	–142.4
Total	**2 184.7**	**5 549.9**	**–3 365.2**
thereof: due after more than twelve months	*1 802.1*	*2 279.2*	*–477.1*

(49) Liabilities to customers

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Repayable on demand	112.3	104.7	7.6
Term deposits	20.9	303.5	–282.6
Registered bonds and promissory note loans	4 760.1	4 679.1	81.0
Loan agreements	37.0	36.8	0.2
Other	24.4	24.7	–0.3
Total	**4 954.7**	**5 148.8**	**–194.1**
thereof: due after more than twelve months	*4 591.9*	*4 705.7*	*–113.8*

(50) Securitized liabilities

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Medium-term notes	49 340.0	46 256.8	3 083.2
Global bonds	13 848.9	10 632.7	3 216.2
Euro commercial papers	5 924.4	3 912.5	2 011.9
Bearer bonds	65.5	58.9	6.6
Total	**69 178.8**	**60 860.9**	**8 317.9**
thereof: due after more than twelve months	*53 925.0*	*48 628.4*	*5 296.6*

(51) Negative fair values of derivative financial instruments

Derivatives are classified as follows according to economic hedging relationships:

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
As hedging instruments for:			
Hedged items in hedge accounting (fair value hedge)	4 917.5	3 487.5	1 430.0
Hedged items designated as at fair value	1 566.3	2 188.9	–622.6
Other hedged items	326.8	120.2	206.6
Total	**6 810.6**	**5 796.6**	**1 014.0**
thereof: due after more than twelve months	*6 006.8*	*4 730.6*	*1 276.2*

Derivatives used to hedge other hedged items mainly result from hedging relationships that were ineffective in accordance with hedge accounting criteria as of the balance sheet date.

(52) Provisions

	Dec. 31, 2013 EUR million	Utilization EUR million	Reversals EUR million	Additions EUR million	Dec. 31, 2014 EUR million
Pension provisions	116.5	5.5	0.0	33.1	144.1
Other provisions	15.1	7.8	0.4	13.0	19.9
Total	**131.6**	**13.3**	**0.4**	**46.1**	**164.0**

a) Provisions for pensions and similar obligations

The changes in pension obligations and the amounts recognized in the consolidated statement of comprehensive income are shown in the following table:

	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million	Change in EUR million
Present value of pension obligations as of Jan. 1	**116.5**	**110.0**	**6.5**
Current service cost	2.6	2.3	0.3
Interest cost	3.6	3.6	0.0
Deferred compensation	0.4	0.4	0.0
Actuarial gains (–)/losses (+) from changes in			
demographic assumptions	2.3	3.4	–1.1
financial assumptions	24.2	2.4	21.8
Pension benefits paid	–5.5	–5.6	0.1
Present value of pension obligations as of Dec. 31	**144.1**	**116.5**	**27.6**

Current service cost and interest cost are recognized as administrative expenses, while actuarial gains or losses are included in the revaluation reserve.

Of the pension provisions, EUR 138.5 million (2013: EUR 111.0 million) were due after more than twelve months.

Pension obligations were primarily calculated on the basis of the following actuarial assumptions:

	Dec. 31, 2014	Dec. 31, 2013
Discount rate	2.00 %	3.25 %
Future salary increases		
Increase based on collective wage agreement	2.25 %	2.25 %
Career trend until the age of 45	1.00 %	1.00 %
Future pension increases	2.00 %	2.00 %
Rate of inflation	2.00 %	2.00 %
Staff turnover rate	2.00 %	2.00 %

The sensitivity analysis shows how changes in the significant measurement assumptions would have impacted pension obligations as of December 31, 2014:

	sensitivity	impacted pension obligations Dec. 31, 2014 EUR million	impacted pension obligations Dec. 31, 2013 EUR million
Discount rate	0.50 %	−10.0	−7.6
	−0.50 %	11.4	8.5
Salary increases	0.50 %	9.3	7.5
	−0.50 %	−8.3	−6.8
Rate of inflation/future pension increases	0.25 %	1.8	1.2
	−0.25 %	−1.7	−1.2
Life expectancy	+1 year	8.4	6.4
	−1 year	−8.4	−6.5

The non-parallel gradient, e.g. in case of a reduction or an increase of the discount rate, is primarily attributable to the compounded interest effect which has corresponding effects if maturities of 16 years are assumed.

The maturity profile shows which cash flows will likely be associated with the pension obligations:

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Expected benefit payments during the year		
2015	5.6	5.6
2016	5.8	5.7
2017	5.9	5.8
2018	6.0	5.9
2019	5.9	5.8
2020 to 2024 (2023)	30.3	23.7
Duration	16 years	15 years

b) Other provisions

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Run down of a former equity holding	6.5	5.9	0.6
Promotion of agriculture	9.0	6.0	3.0
Other provisions	4.4	3.2	1.2
Total	**19.9**	**15.1**	**4.8**

The provisions for the run down of a former equity holding relate to the obligation contractually assumed by Rentenbank to cover pension benefit payments of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main, which currently is in liquidation. Rentenbank, together with the other shareholders of DGL, has undertaken to contribute pro-rata coverage amounts in order to secure the solvency of DGL until its expected liquidation in roughly 50 years.

Provisions for the promotion of agriculture relate to unallocated amounts from the promotional fund and the Research on Agricultural Innovation program.

Other provisions primarily included provisions for potential payments for service anniversaries, early retirement or litigation costs.

(53) Subordinated liabilities

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Medium-term notes	513.2	512.7	0.5
Loan agreements	109.8	108.9	0.9
Promissory note loans	68.8	65.2	3.6
Total	**691.8**	**686.8**	**5.0**
thereof: due after more than twelve months	*687.5*	*681.9*	*5.6*

(54) Other liabilities

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Cash collateral from collateral management (payable on demand)	1 524.7	524.8	999.9
Discounted promotional contribution	4.7	20.1	−15.4
Deferred income	16.8	9.7	7.1
Accruals	4.6	5.5	−0.9
Other liabilities	2.9	3.4	−0.5
Total	**1 553.7**	**563.5**	**990.2**

Rentenbank received cash collateral from collateral agreements. This cash collateral is determined from the positive fair values based on counterparties in consideration of the agreed allowance amounts and minimum transfer amounts.

Discounted promotional contributions relate to the interest subsidies and lump-sum administrative costs for committed special promotional loans that have not yet been disbursed.

The deferred income item includes the discounted prepayments of interest rate reductions. These interest rate reductions cause lower interest costs and are granted by the German federal states within the framework of investment support programs. These interest rate reductions are passed on by Rentenbank to the agricultural sector in connection with its promotional loans.

Accruals mainly include obligations related to supplementary grants to employees.

Other liabilities primarily include liabilities to the tax authorities amounting to EUR 1.1 million (2013: EUR 1.2 million).

(55) Equity

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Subscribed capital	135.0	135.0	0.0
Retained earnings			
Principal reserve	921.0	858.2	62.8
Guarantee reserve	45.8	67.4	–21.6
Other retained earnings	2 079.3	2 073.9	5.4
Total retained earnings	3 046.1	2 999.5	46.6
Revaluation reserve			
Unrealized gains/ losses from available-for-sale instruments	163.3	70.8	92.5
Actuarial gains/ losses from pension obligations	–50.8	–24.3	–26.5
Revaluation reserve, total	112.5	46.5	66.0
Distributable profit	13.8	13.3	0.5
Total	**3 307.4**	**3 194.3**	**113.1**

The principal reserve and the guarantee reserve pursuant to Rentenbank's Governing Law are transferred from Rentenbank's annual financial statements to the consolidated financial statements. The remaining net income for the year is transferred to other retained earnings after deducting distributable profit.

Notes to financial instruments

(56) Financial instruments by measurement categories

Dec. 31, 2014	Loans and receivables EUR million	Available for sale EUR million	Held to maturity EUR million	Held for trading EUR million	Designa-ted as at fair value EUR million	Total EUR million
Balances with central banks	28.9					28.9
Loans and advances to banks	44 254.9				7 152.7	51 407.6
Loans and advances to customers	5 229.9				300.4	5 530.3
Fair value changes of hedged items in a portfolio hedge	1 600.7					1 600.7
Positive fair values of derivative financial instruments				5 958.4		5 958.4
Financial assets		12 535.2	3 501.6		5 664.4	21 701.2
Other assets	2 563.6					2 563.6
Total assets	**53 678.0**	**12 535.2**	**3 501.6**	**5 958.4**	**13 117.5**	**88 790.7**

	Other liabilities EUR million	Held for trading EUR million	Designa-ted as at fair value EUR million	Total EUR million
Liabilities to banks	1 270.0		914.7	2 184.7
Liabilities to customers	3 438.6		1 516.1	4 954.7
Securitized liabilities	22 262.4		46 916.4	69 178.8
Negative fair values of derivative financial instruments		6 810.6		6 810.6
Subordinated liabilities	68.8		623.0	691.8
Other liabilities	1 553.7			1 553.7
Total liabilities	**28 593.5**	**6 810.6**	**49 970.2**	**85 374.3**

Dec. 31, 2013	Loans and receivables EUR million	Available for sale EUR million	Held to maturity EUR million	Held for trading EUR million	Designa-ted as at fair value EUR million	Total EUR million
Balances with central banks	32.4					32.4
Loans and advances to banks	41 142.7				8 608.2	49 750.9
Loans and advances to customers	5 269.5				301.1	5 570.6
Fair value changes of hedged items in a portfolio hedge	677.3					677.3
Positive fair values of derivative financial instruments				3 236.1		3 236.1
Financial assets		13 148.1	3 018.0		4 728.3	20 894.4
Other assets	1 711.3					1 711.3
Total assets	**48 833.2**	**13 148.1**	**3 018.0**	**3 236.1**	**13 637.6**	**81 873.0**

	Other liabilities EUR million	Held for trading EUR million	Designa-ted as at fair value EUR million	Total EUR million
Liabilities to banks	1 071.9		4 478.0	5 549.9
Liabilities to customers	3 423.0		1 725.8	5 148.8
Securitized liabilities	20 894.1		39 966.8	60 860.9
Negative fair values of derivative financial instruments		5 796.6		5 796.6
Subordinated liabilities	65.2		621.6	686.8
Other liabilities	525.0			525.0
Total liabilities	**25 979.2**	**5 796.6**	**46 792.2**	**78 568.0**

(57) Financial instruments designated as at fair value

	Loans and advances		Financial assets		Liabilities	
	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million
Maximum exposure to credit risk Dec. 31	7 453.1	8 909.3	5 664.4	4 728.3	–	–
Fair value changes attributable to changes in credit risk						
– during the period	0.2	0.9	0.0	–0.6	0.0	0.0
– accumulated	–2.9	–0.7	–1.9	–4.5	0.0	0.0

Fair value changes attributable to changes in credit risk are determined as the amount of the fair value changes that is not attributable to changes in market conditions that give rise to market price risk. This means that the amount is determined on the basis of measurement effects resulting from changes to the credit rating of business partners or the own credit rating.

The measurement of liabilities only included market-related changes for the year under review and the previous years. The credit rating of Rentenbank, and hence that of its liabilities, did not change in 2014 or in previous years.

	Liabilities		
	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Carrying amount	49 504.7	42 864.6	6 640.1
Repayment at maturity	48 843.9	42 668.2	6 175.7
Difference	**–660.8**	**–196.4**	**–464.4**
thereof:			
Capitalization of due interest	*–954.6*	*–962.1*	*7.5*

The difference between the carrying amount and contractually agreed repayment at maturity results from the capitalization of due interest, particularly in the case of zero coupon bonds, in addition to the measurement at fair value.

(58) Net gains or losses by measurement categories

	Income Statement		Other comprehensive income	
	Result from fair value measurement and from hedge accounting		Result from available-for-sale instruments	
	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million
Held for trading	–1 173.5	–58.8	0.0	0.0
Designated as at fair value	–30.0	1 003.3	0.0	0.0
Loans and receivables	1 414.5	–864.4	0.0	0.0
Available for sale	182.9	–385.2	92.3	248.3
Held to maturity	0.0	0.0	0.2	2.1
Other liabilities	–577.4	526.3	0.0	0.0
Total	**–183.5**	**221.2**	**92.5**	**250.4**

Reconciliation to Note (31)

Amortized amounts from ineffective hedging relationships are included in fair value measurement as part of the result from fair value measurement and from hedge accounting. Amortized amounts relate to hedged items of the categories 'loans and receivables' and 'other liabilities.' A reconciliation of the item 'fair value measurement' included in the result from fair value measurement and from hedge accounting to the categories shown here is only possible in aggregate amounts.

The result from currency translation set out in Note (31) in the amount of EUR –5.1 million (2013: EUR 32.8 million) refers to hedges in the held-for-trading category in the amount of EUR –5.8 million (2013: EUR –45 million) and hedged items in the 'designated as at fair value' category in the amount of EUR 0.7 million (2013: EUR 77.8 million).

(59) Disclosures on fair value

The following overviews show financial instruments carried at fair value in the balance sheet:

Dec. 31, 2014	Fair Value EUR million	Quoted prices on active markets (Level 1) EUR million	Significant observable inputs (Level 2) EUR million	Significant unobservable inputs (Level 3) EUR million
Loans and advances to banks	7 152.7	0.0	3 632.8	3 519.9
Loans and advances to customers	300.4	0.0	300.0	0.4
Positive fair values of derivative financial instruments	5 958.4	0.0	5 958.4	0.0
Financial assets	18 080.8	9 774.1	8 262.7	44.0
Total assets	**31 492.3**	**9 774.1**	**18 153.9**	**3 564.3**
Liabilities to banks	914.7	0.0	914.7	0.0
Liabilities to customers	1 516.1	0.0	211.0	1 305.1
Securitized liabilities	46 916.3	24 486.4	22 429.9	0.0
Negative fair values of derivative financial instruments	6 810.6	0.0	6 810.6	0.0
Subordinated liabilities	623.0	0.0	0.0	623.0
Total liabilities	**56 780.7**	**24 486.4**	**30 366.2**	**1 928.1**

Loans and advances to banks included in Level 3 mainly refer to special promotional loans granted at a reduced rate of interest.

Dec. 31, 2013	Fair Value EUR million	Quoted prices on active markets (Level 1) EUR million	Significant observable inputs (Level 2) EUR million	Significant unobservable inputs (Level 3) EUR million
Loans and advances to banks	8 608.2	0.0	4 899.5	3 708.7
Loans and advances to customers	301.1	0.0	299.5	1.6
Positive fair values of derivative financial instruments	3 236.1	0.0	3 236.1	0.0
Financial assets	17 757.6	11 069.2	6 639.2	49.2
Total assets	**29 903.0**	**11 069.2**	**15 074.3**	**3 759.5**
Liabilities to banks	4 478.0	0.0	4 478.0	0.0
Liabilities to customers	1 725.8	0.0	467.8	1 258.0
Securitized liabilities	39 966.8	19 671.3	20 139.1	156.4
Negative fair values of derivative financial instruments	5 796.6	0.0	5 796.6	0.0
Subordinated liabilities	621.6	0.0	0.0	621.6
Total liabilities	**52 588.8**	**19 671.3**	**30 881.5**	**2 036.0**

The following transfers were performed between Levels 1 and 2 based on carrying amounts as of December 31, 2014:

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Transfers from Level 1 to Level 2		
Financial assets	2 232.8	3 500.0
Securitized liabilities	3 087.6	8 761.8
Transfers from Level 2 to Level 1		
Financial assets	975.0	0.0
Securitized liabilities	3 792.9	0.0

The reason for these transfers was either the availability or the absence of quoted prices on active markets.

Reconciliation for measurements at fair value in Level 3:

	Loans and advances to banks		Loans and advances to customers		Financial assets	
	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million
Fair value as of Jan. 1	3 708.7	8 280.9	1.6	352.6	49.2	110.2
Transfers to Level 3	0.0	0.0	0.0	0.0	15.2	16.6
Transfers from Level 3	0.0	3 058.5	0.0	299.3	0.0	0.0
Gains and losses recognized						
in the result from fair value measurement and from hedge accounting (income statement)	17.2	–28.0	0.3	–1.7	–0.5	–4.2
in the result from available-for-sale instruments (other comprehensive income)	0.0	0.0	0.0	0.0	0.1	–0.1
Purchases	0.0	0.0	2.5	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Settlements	205.5	1 478.1	4.0	50.0	19.5	72.7
Change in accrued interest	–0.5	–7.6	0.0	0.0	–0.5	–0.6
Fair value as of Dec. 31	**3 519.9**	**3 708.7**	**0.4**	**1.6**	**44.0**	**49.2**
Unrealized gains and losses recognized in the income statement relating to assets held as of Dec. 31	16.0	–25.5	–2.2	–1.4	0.0	–4.3

	Liabilities to customers		Securitized liabilities		Subordinated liabilities	
	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million	2014 EUR million	2013 EUR million
Fair value as of Jan. 1	1 258.0	1 277.2	156.4	117.0	621.6	856.6
Transfers to Level 3	0.0	0.0	0.0	178.7	0.0	0.0
Transfers from Level 3	17.5	0.0	156.4	117.0	0.0	0.0
Gains and losses recognized						
in the result from fair value measurement and from hedge accounting (income statement)	–100.7	–44.6	0.0	22.1	–2.0	111.9
in the result from available-for-sale instruments (other comprehensive income)	0.0	0.0	0.0	0.0	0.0	0.0
New issues	0.0	0.0	0.0	0.0	0.0	0.0
Settlements	35.0	63.8	0.0	0.0	0.0	120.4
Change in accrued interest	–1.1	0.0	0.0	–0.2	–0.6	–2.7
Fair value as of Dec. 31	**1 305.1**	**1 258.0**	**0.0**	**156.4**	**623.0**	**621.6**
Unrealized gains and losses recognized in the income statement relating to liabilities held as of Dec. 31	–101.1	–42.4	0.0	22.1	-2.0	107.8

Transfers are always recognized at the beginning of the reporting period, irrespective of the actual time of the event that triggered the transfer.

The following unobservable inputs were used to determine the fair value in Level 3; if no additional disclosure is made, the results are presented in the result from fair value measurement and from hedge accounting in the income statement:

Dec. 31, 2014	Fair value EUR million	Measurement technique	Significant unobservable inputs	Range (weighted average) in bps	Sensitivity +40bps EUR million
Loans and advances to banks	3 519.9	Discounted cash flow	Credit spread for loans	−7 to 37 (−1.8)	−31.0
Financial assets	28.8	Discounted cash flow	Credit spread for bonds with indemnity agreements	−17 to −15 (−15.6)	−0.3
thereof: in the result from fair value measurement and from hedge accounting (income statement)	8.1				−0.1
thereof: in the result from available-for-sale instruments (other comprehensive income)	20.7				−0.2
Financial assets	15.2	Bloomberg BVAL	significant portion of unobservable inputs in relation to the Bloomberg BVAL price		−0.1
thereof: in the result from fair value measurement and from hedge accounting (income statement)	15.2				−0.1
Liabilities to customers	1 305.1	Discounted cash flow	Credit spread for own issues in EUR for terms to maturity of > 10 years	−11 to 10 (−3.3)	119.3
Subordinated liabilities	623.0	Discounted cash flow	Credit spread for subordinated issues	−3 to 26 (5.1)	25.9

Dec. 31, 2013	Fair value EUR million	Measurement technique	Significant unobservable inputs	Range (weighted average) in bps	Sensitivity +40bps EUR million
Loans and advances to banks	3 708,7	Discounted cash flow	Credit spread for special promotional loans with repayment structures	−5 to 36 (4.3)	−44.8
Loans and advances to customers	1.6	Discounted cash flow	Credit spread for promissory note loans of companies	17 to 1 293 (0.4)	0.0
Financial assets	49.2	Discounted cash flow	Credit spread for bonds with indemnity agreements	−6 to 5 (−3)	−0.4
thereof: in the result from fair value measurement and from hedge accounting (income statement)	28.8				−0.1
thereof: in the result from available-for-sale instruments (other comprehensive income)	20.4				−0.3
Liabilities to customers	1 258.0	Discounted cash flow	Credit spread for own issues in EUR for terms to maturity of > 9 years	−2 to 28 (14)	97.4
Securitized liabilities	156.4	Discounted cash flow	Credit spread for own issues in NOK	4 to 7 (4.7)	0.0
Subordinated liabilities	621.6	Discounted cash flow	Credit spread for subordinated issues	0 to 48 (15.2)	26.1

The fair values of two financial instruments with a rating of DDD to D amounting to a total of EUR 384 thousand (2013: EUR 47 thousand) are allocated to Level 3 as of December 31, 2014. Defaults in a nominal amount of EUR 4 845 thousand (2013: EUR 5 000 thousand) were assumed in relation to the future cash flows from these loans.

Disclosure of fair value in the notes:

The carrying amount is compared with the fair value for all financial instruments not recognized at fair value in the balance sheet.

	Dec. 31, 2014			Dec. 31, 2013		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Cash and balances with central banks	28.9	28.9	0.0	32.4	32.4	0.0
Loans and advances to banks	45 176.6	44 254.9	921.7	41 819.5	41 142.7	676.8
Loans and advances to customers	5 413.6	5 229.9	183.7	5 319.2	5 269.5	49.7
Fair value changes of hedged items in a portfolio hedge	1 600.7	1 600.7	0.0	677.3	677.3	0.0
Financial assets	3 725.5	3 501.6	223.9	3 124.1	3 018.0	106.1
Total assets	**55 945.3**	**54 616.0**	**1 329.3**	**50 972.5**	**50 139.9**	**832.6**
Liabilities to banks	1 305.1	1 270.0	35.1	1 117.3	1 071.9	45.4
Liabilities to customers	3 541.6	3 438.7	102.9	3 469.4	3 423.0	46.4
Securitized liabilities	22 409.9	22 262.4	147.5	21 051.1	20 894.1	157.0
Subordinated liabilities	68.9	68.8	0.1	63.7	65.2	−1.5
Total liabilities	**27 325.5**	**27 039.9**	**285.6**	**25 701.5**	**25 454.2**	**247.3**

Financial assets include equity holdings in two banks and several companies at a total carrying amount of EUR 118.8 million (2013: EUR 118.8 million). The fair value of these equity holdings could not be reliably measured. The equity holdings are not traded on an active market so that no quoted prices are available. A model-based measurement is not possible either as the future cash flows cannot be reliably estimated. There is no intention to dispose of these equity holdings.

Positive differences for assets and negative differences for liabilities represent unrealized gains, while negative differences for assets and positive differences for liabilities represent unrealized losses.

The fair values disclosed in the notes are assigned to the following hierarchy levels:

Dec. 31, 2014	Fair value EUR million	Quoted prices on active markets (Level 1) EUR million	Significant observable inputs (Level 2) EUR million	Significant unobservable inputs (Level 3) EUR million
Loans and advances to banks	45 176.6	0.0	11 252.7	33 923.9
Loans and advances to customers	5 413.6	0.0	3 797.3	1 616.3
Fair value changes of hedged items in a portfolio hedge	1 600.7	0.0	1 600.7	0.0
Financial assets	3 725.5	2 017.3	1 636.0	72.2
Investment property	20.0	0.0	0.0	20.0
Total assets	**55 936.4**	**2 017.3**	**18 286.7**	**35 632.4**
Liabilities to banks	1 305.1	0.0	1 156.0	149.1
Liabilities to customers	3 541.6	0.0	2 762.6	779.0
Securitized liabilities	22 409.9	18 836.5	3 573.4	0.0
Subordinated liabilities	68.9	0.0	0.0	68.9
Total liabilities	**27 325.5**	**18 836.5**	**7 492.0**	**997.0**

Loans and advances to banks and customers included in Level 3 mainly refer to special promotional loans granted at a reduced rate of interest.

Dec. 31, 2013	Fair value EUR million	Quoted prices on active markets (Level 1) EUR million	Significant observable inputs (Level 2) EUR million	Significant unobservable inputs (Level 3) EUR million
Loans and advances to banks	41 819.5	0.0	11 413.4	30 406.1
Loans and advances to customers	5 319.2	0.0	4 946.4	372.8
Fair value changes of hedged items in a portfolio hedge	677.3	0.0	677.3	0.0
Financial assets	3 124.1	1 519.5	1 604.6	0.0
Investment property	18.8	0.0	0.0	18.8
Total assets	**50 958.9**	**1 519.5**	**18 641.7**	**30 797.7**
Liabilities to banks	1 117.3	0.0	1 086.8	30.5
Liabilities to customers	3 469.4	0.0	2 277.6	1 191.8
Securitized liabilities	21 051.1	17 814.5	3 236.6	0.0
Subordinated liabilities	63.7	0.0	0.0	63.7
Total liabilities	**25 701.5**	**17 814.5**	**6 601.0**	**1 286.0**

(60) Derivatives

Breakdown by risk:

	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Interest rate risks	95 746.2	91 070.6	2 314.2	1 921.5	5 336.8	3 775.0
Currency risks	48 039.7	40 292.8	3 639.2	1 310.5	1 473.8	2 021.6
Share price risk and other price risks	30.0	30.0	5.0	4.1	0.0	0.0
Total	**143 816.0**	**131 393.4**	**5 958.4**	**3 236.1**	**6 810.6**	**5 796.6**

Breakdown by counterparty:

	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Banks in OECD countries	126 844.5	119 186.7	5 200.1	2 852.9	6 089.9	5 352.1
Non-banks in OECD countries	15 369.3	10 437.5	757.1	381.7	607.9	294.7
Public-sector entities in OECD countries	1 602.2	1 769.2	1.2	1.5	112.8	149.8
Total	**143 816.0**	**131 393.4**	**5 958.4**	**3 236.1**	**6 810.6**	**5 796.6**

Other disclosures

(61) Capital management

The investment of capital in the Capital Investment segment is decided by the Board of Managing Directors. Forecasted interest rate trends as well as the maturity profile are of major significance in this context.

(62) Regulatory capital

In accordance with IAS 1.135, disclosures have to be made on regulatory own funds in the consolidated financial statements.

From January 1, 2014, the Group's regulatory own funds have to be determined based on applicable EU law as a result of the entry into force of the Capital Requirements Regulation (CRR) – the regulation on the implementation of the capital adequacy requirements of Basel III – within the context of the adoption of the Capital Requirements Directive IV (CRD IV), the directive on transposing the capital adequacy requirement framework into national law. These were determined on the basis of the IFRS consolidated financial statements using the scope of consolidation as applied in the financial statements; this scope of consolidation is equivalent to the regulatory scope of consolidation.

Eligible own funds comprise Tier 1 capital and Tier 2 capital. These eligible own funds consist of the IFRS amounts as of December 31, 2014, as shown in the following table:

	Dec. 31, 2014 EUR million
Subscribed capital pursuant to Art. 26 (1) point a) CRR	135.0
Retained earnings pursuant to Art. 26 (1) point c) CRR	2 999.5
Deductions from Common Equity Tier 1 (Difference portfolio valuation allowance: as of reporting date compared to the previous year)	–3.0
Revaluation reserve pursuant to Art. 26 (1) point d) CRR in conjunction with Art. 468 CRR (transitional provisions)	0.0
Measurement effects from own credit risk prudential filters, own credit pursuant to Art. 33 (1) point b) CRR	87.7
Additional value adjustments pursuant to Art. 34 CRR (prudent valuation)	–261.0
Intangible assets pursuant to Art. 37 CRR	–18.1
Deferred tax assets that rely on future profitability pursuant to Art. 38 CRR in conjunction with Art. 469 (transitional provisions)	–0.3
Tier 1 capital	**2 939.8**
Subordinated liabilities pursuant to Art. 62 point a) CRR	48.1
Subordinated liabilities pursuant to Art. 484 CRR	455.1
Credit risk adjustment pursuant to Art. 110 (1) CRR	14.7
Tier 2 capital	**517.9**
Eligible own funds	**3 457.7**

A direct prior-year comparison of own funds cannot be made since eligible own funds were calculated in 2013 on the basis of HGB figures using the aggregation method. Only the breakdown of own funds in the previous year is presented here as additional information:

	Dec. 31, 2013 EUR million
Subscribed capital	176
Disclosed reserves	920
Fund for general banking risks	2 175
Intangible assets	–18
Loss carryforward	–13
Tier 1 capital	**3 240**
Subordinated liabilities	623
Other components	100
Tier 2 capital	**723**
Liable capital	**3 963**
Tier 3 capital	0
thereof tier 3 capital utilized	*0*
Eligible own funds	**3 963**

Moreover, business partner ratings are used instead of country ratings under the credit-risk standardized approach pursuant to the CRR, and a CVA charge (taking into account a deterioration in the credit quality of derivative counterparties in accordance with regulatory requirements) is applied in relation to own funds. This leads to a corresponding increase of risk-weighted assets.

Pursuant to the CRR, the Tier 1 capital ratio may not be less than 5.5 %, while the total capital ratio may not be less than 8 %.

The following key figures were calculated for the Group in accordance with the CRR as of the reporting date:

	Dec. 31, 2014 %
Tier 1 capital ratio pursuant to CRR	16.4
Total capital ratio pursuant to CRR	19.3

In the previous year, minimum ratios of 4 % and 8 % applied to Tier 1 capital and total capital, respectively, pursuant to the German Solvency Regulation (Solvabilitätsverordnung, SolvV). The following key figures were calculated for the Group:

	Dec. 31, 2013 %
Tier 1 capital ratio pursuant to SolvV	23.9
Total capital ratio pursuant to SolvV	29.3

The regulatory requirements regarding own funds were fulfilled at all times in the reporting year – as in the previous year.

(63) Country-by-country reporting

In accordance with Section 26a (1) sentence 2 KWG, the Group makes the following disclosures as of December 31, 2014.

Company name

Landwirtschaftliche Rentenbank, which has its registered office in Frankfurt/Main, Germany, has no branch offices engaged in banking business. All the information presented in the annual financial statements in accordance with Section 26a (1) sentence 2 KWG relates solely to Germany.

Revenue

The Group defines its revenue as earnings before tax, allowance for credit losses, and administrative expenses. Revenue earned during the fiscal year ended December 31, 2014 is shown in the table below:

	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million
Interest income	3 532.3	3 678.3
Interest expense	3 207.5	3 344.6
Net interest income	**324.8**	**333.7**
Fee and commission income	0.2	0.2
Fee and commission expenses	1.8	1.9
Net fee and commission income	**–1.6**	**–1.7**
Other operating result	–2.8	–4.1
Result from fair value measurement and from hedge accounting	–183.5	221.2
Revenue	**136.9**	**549.1**

Because the two subsidiaries LR Beteiligungsgesellschaft mbH, Frankfurt/Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main, (DSV) together generate less than 1 % of the Group's operating result (before consolidation), their revenue is not presented here.

Wage and salary earners

The calculation of the number of wage and salary earners in terms of full-time equivalents is based on the requirements set out in Section 267 (5) HGB.

Rentenbank employed 260 (2013: 256) employees on average in 2014, of which 215 (2013: 212) were full-time employees. The two subsidiaries LRB and DSV have no employees of their own.

Earnings before tax/taxes on profit or loss

The Group's net income is shown in the following table:

	Jan. 1 to Dec. 31, 2014 EUR million	Jan. 1 to Dec. 31, 2013 EUR million
Interest income	3 532.3	3 678.3
Interest expense	3 207.5	3 344.6
Net interest income	**324.8**	**333.7**
Allowance for credit losses/promotional contribution	15.3	34.5
Net interest income after allowance for credit losses/promotional contribution	**309.5**	**299.2**
Fee and commission income	0.2	0.2
Fee and commission expenses	1.8	1.9
Net fee and commission income	**−1.6**	**−1.7**
Administrative expenses	59.3	55.2
Other operating result	−2.8	−4.1
Result from fair value measurement and from hedge accounting	−183.5	221.2
Group's net income before taxes	**62.3**	**459.4**
Net result from taxes	−1.9	0.6
thereof: deferred taxes on tax loss carryforwards	−1.4	0.4
thereof: deferred taxes on temporary differences	0.0	0.4
thereof: current income taxes	−0.5	−0.2
Group's net income for the year	**60.4**	**460.0**

The tax receivables and tax liabilities comprise current income tax assets/liabilities and deferred tax assets/liabilities and are incurred exclusively at the consolidated subsidiaries LRB and DSV. Rentenbank is exempt from corporation taxes in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (Körperschaftssteuergesetz, KStG) and municipal trade taxes in accordance with Section 3 No. 2 of the German Municipal Trade Tax Act (Gewerbesteuergesetz, GewStG).

Government assistance

The Federal Republic of Germany has an institutional liability (Anstaltslast) and has issued a guarantee for the liabilities of Rentenbank (refinancing guarantee). Rentenbank has not received government assistance.

(64) Assets pledged or accepted as collateral

Derivatives are entered into by the Group exclusively to hedge existing and foreseeable market price risks. Only counterparties from EU/OECD countries are chosen for such transactions. Rentenbank has concluded master netting agreements with these counterparties and entered into collateral agreements based on these. Thus, the net positive fair values from derivatives which exceed either the contractually agreed allowance amounts or the minimum transfer amounts are secured by cash deposits which are denominated in euro only. 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 to the collateral provided and accepted is the EONIA rate. Interest payments are made on a monthly basis.

Positive and negative fair values of derivative financial instruments are not offset pursuant to IAS 32.42, but reported on a gross basis.

	Positive fair values		Negative fair values	
	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million
Gross carrying amount	5 958.4	3 236.1	6 810.6	5 796.6
Cash collateral from collateral management	1 524.7	524.8	2 563.6	1 711.3

The following assets are registered as collateral in the cover register for covered bonds in the amount of EUR 897.4 million (2013: EUR 1 342.6 million):

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Loans and advances to banks	1 294.7	4 960.0	−3 665.3
Loans and advances to customers	0.0	572.4	−572.4

In order to ensure solvency, freely available refinancing facilities existed in the nominal amount of EUR 21 828 million (2013: EUR 20 169 million) as of the balance sheet date. As of December 31, 2014, Rentenbank had not taken out any secured term deposits (2013: EUR 800 million). At year-end 2014, no securities were deposited with Deutsche Bundesbank in connection with open market operations (2013: EUR 1 750 million).

As of December 31, 2014, receivables from reverse repo transactions in connection with General Collateral Pooling amounted to EUR 350 million (2013: EUR 1 100 million) due from Eurex Clearing AG. In this context, Rentenbank received collateral from the securities basket with a market value of EUR 366 million (2013: EUR 1 156 million) and a nominal amount of EUR 344 million (2013: EUR 1 101 million). Within the scope of the collateral agreement, Rentenbank deposited securities with a collateral value of EUR 261 million (2013: EUR 416 million) and a nominal amount of EUR 253 million (2013: EUR 405 million) as collateral at Eurex Clearing AG.

(65) Contingent liabilities and other commitments

	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Change in EUR million
Contingent liabilities			
Liabilities from guarantees and indemnity agreements	1.6	2.0	−0.4
Other commitments			
Irrevocable loan commitments	195.3	115.2	80.1
Total	**196.9**	**117.2**	**79.7**

Contingent liabilities only consist of default guarantees for loans subject to interest subsidies. Rentenbank has back-to-back guarantees granted by the Federal Government that fully cover the default guarantees. Drawdowns resulting from the guarantees are not expected.

Other commitments include irrevocable loan commitments from the lending business. These commitments are expected to be drawn down in 2015.

(66) Equity holdings

	Subscribed capital		Shareholding		Included in the consolidated financial statements	
	Dec. 31, 2014 EUR million	Dec. 31, 2013 EUR million	Dec. 31, 2014 %	Dec. 31, 2013 %	Dec. 31, 2014	Dec. 31, 2013
LR-Beteiligungsgesellschaft mbH, Frankfurt	28.6	28.6	100.0	100.0	yes	yes
DSV Silo- und Verwaltungs-gesellschaft mbH, Frankfurt	17.9	17.9	100.0	100.0	yes	yes
Getreide-Import-Gesellschaft mbH, Frankfurt	7.7	7.7	100.0	100.0	no	no
Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landent-wicklung (DGL) GmbH, Frankfurt	8.7	8.7	25.1	25.1	no	no
LAND-DATA Beteiligungs GmbH, Hannover	0.8	0.8	10.9	10.9	no	no
LAND-DATA GmbH, Hannover	1.0	1.0	10.9	10.9	no	no
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	10.2	10.2	9.8	9.8	no	no
Niedersächsische Landgesellschaft mbH, Hannover	0.8	0.8	6.3	6.3	no	no
Landgesellschaft Sachsen-Anhalt mbH, Magdeburg	9.2	9.2	5.6	5.6	no	no
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt	3 646.3	3 160.1	2.9	3.4	no	no
Landgesellschaft Schleswig-Holstein mbH, Kiel	27.5	27.5	3.2	3.2	no	no

In accordance with Rentenbank's statutes, the Group structure provides for limitations between the subsidiaries LRB, DSV and GIG in terms of funding and transfer of assets. Approval by the Rentenbank (shareholder) is required in individual cases.

Additional disclosures on consolidated companies and associates

The shares held in 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 for want of materiality. The remaining companies in which Rentenbank holds interests are neither controlled nor can Rentenbank exercise significant influence on such companies. Therefore, the interests held in these companies are reported as financial assets.

The currently available financial information pursuant to HGB of the associated company Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main, can be summarized as follows:

	Dec. 31, 2013 EUR thousand	Dec. 31, 2012 EUR thousand
Assets	20 615.7	21 554.1
Liabilities	13 197.2	13 936.7
Net loss	−0.2	−0.2

(67) Related party disclosures

In accordance with IAS 24, transactions between related parties and the Group of Rentenbank must be disclosed. Related parties are the members of the Board of Managing Directors and of the Board of Supervisory Directors, the Federal Ministry of Food and Agriculture as well as the subsidiary not included in the consolidated financial statements (Getreide-Import-Gesellschaft mbH, Frankfurt/Main), and the associate not accounted for using the equity method (Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main).

The following transactions were carried out with related parties:

	Board of Managing Directors		Subsidiaries		Associated Companies	
	Dec. 31, 2014 EUR thousand	Dec. 31, 2013 EUR thousand	Dec. 31, 2014 EUR thousand	Dec. 31, 2013 EUR thousand	Dec. 31, 2014 EUR thousand	Dec. 31, 2013 EUR thousand
Deposits	405.2	172.4	428.2	472.2	441.6	437.6

The deposits mentioned are unsecured, bear floating-rate interest and are payable on demand. The deposits of the Board of Managing Directors correspond to the generally applicable terms and conditions for Rentenbank employees. Loan and securities transactions were not entered into.

Provisions of EUR 6.5 million (2013: EUR 5.9 million) relate to the contractually assumed obligation by Rentenbank to cover pension benefit payments of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main, which currently is in liquidation.

Interest in connection with GIG's loan obligation to the Group of EUR 8.5 million was paid in the amount of EUR 20.4 thousand in the reporting year (2013: EUR 6.6 thousand). The Group has concluded a management service agreement with GIG. Income received from this agreement amounted to EUR 87.8 thousand (2013: EUR 90.3 thousand). The Group's internal audit services for current audit activities and the audit of financial statements resulted in expenses at GIG in 2014 in the amount of EUR 4.0 thousand (2013: EUR 7.5 thousand). GIG had a claim towards the Group for 2014 in the amount of EUR 121.4 thousand (2013: EUR 108.8 thousand) resulting from obligations related to pension plan deficits. Based on a profit and loss transfer agreement, the Group absorbed the net loss of GIG in the amount of EUR 51.5 thousand (2013: EUR 70.0 thousand).

In 2013, Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main made payments totaling EUR 24.6 thousand (2012: EUR 24.6 thousand) to Rentenbank based on a service agreement.

The Group did not enter into any transactions with members of the Board of Supervisory Directors.

Rentenbank is subject to the supervision of the German Federal Ministry of Food and Agriculture (the supervisory authority), which makes its decisions in concert with the Federal Ministry of Finance. The supervisory authority ensures that the operations of Rentenbank are in line with the public interest, particularly as regards the promotion of agriculture and rural areas as well as compliance with Laws and its Statutes.

As in the previous year, no material transactions were carried out in 2014 with the supervisory authority or with companies that are controlled by the supervisory authority or where the supervisory authority exercises significant influence.

The following remuneration was determined for the individual members of the Board of Managing Directors for fiscal year 2014:

	Fixed remuneration		Variable remuneration		Other remuneration		Total remuneration	
	2014 EUR thousand	2013 EUR thousand	2014 EUR thousand	2013 EUR thousand	2014 EUR thousand	2013 EUR thousand	2014 EUR thousand	2013 EUR thousand
Hans Bernhardt	517.5	510.0	245.0	245.0	38.6	37.0	801.1	792.0
Dr. Horst Reinhardt	517.5	510.0	245.0	245.0	26.2	24.7	788.7	779.7
Imke Ettori (from Sep. 1, 2014)	133.3	0.0	0.0	0.0	3.8	0.0	137.1	0.0
Total	**1 168.3**	**1 020.0**	**490.0**	**490.0**	**68.6**	**61.7**	**1 726.9**	**1 571.7**

Remuneration is classified exclusively as current benefits since they are paid within twelve months after the end of the fiscal year.

The pension obligations due to members of the Board of Managing Directors amounted to EUR 9 288.6 thousand as of December 31, 2014 (2013: EUR 6 438.6 thousand). The portion of the additions to pension provisions related to members of the Board of Managing Directors to be classified as personnel expenses amounted to EUR 434.5 thousand in fiscal 2014 (2013: EUR 421.6 thousand).

Pension and other obligations to former members of the Board of Managing Directors and former managing directors as well as their surviving dependants totaled EUR 20 356.7 thousand (2013: EUR 18 122.2 thousand) as of December 31, 2014. Benefits and other remuneration paid in the reporting period amounted to EUR 1 284.6 thousand (2013: EUR 1 247.9 thousand).

In accordance with the remuneration regulations, the Chairman of the Board of Supervisory Directors receives a fixed remuneration of EUR 30.0 thousand (2013: EUR 30.0 thousand), his Deputy Chairman EUR 20.0 thousand (2013: EUR 20.0 thousand) and all other members of the Board of Supervisory Directors receive basic annual remuneration of EUR 10.0 thousand each (2013: EUR 10.0 thousand). In addition, members of the Board of Supervisory Directors working on a committee receive remuneration of EUR 2.0 thousand (2013: EUR 2.0 thousand) and members who chair a committee EUR 4.0 thousand (2013: EUR 4.0 thousand).

The total remuneration for Board of Supervisory Directors activities in the year under review amounted to EUR 291.0 thousand (2013: EUR 298.1 thousand), including VAT.

The following table shows the individual remuneration (not including VAT each):

	Membership		Remuneration	
	2014	2013	2014 EUR thousand	2013 EUR thousand
Joachim Rukwied (Chairman since Nov. 8, 2013)	Jan. 1 - Dec. 31	Jan. 1 – Dec. 31	42.0	16.7
Gerd Sonnleitner (Chairman until Nov. 7, 2013)	–	Jan. 1 – Nov. 7	–	43.4
Ilse Aigner[1]	–	Jan. 1 – Sep. 30	–	16.5
Dr. Hans-Peter Friedrich[2]	Jan. 1 – Feb. 17	Oct. 1 – Dec. 31	2.8	5.0
Dr. Hermann Onko Aeikens	–	Jan. 1 – Dec. 31	–	10.0
Dr. Helmut Born	–	Jan. 1 – Sep. 30	–	10.5
Helmut Brunner	Jan. 1 – Dec. 31	–	10.0	–
Georg Fahrenschon	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	14.0	12.0
Udo Folgart	Jan. 1 – Dec. 31	Nov. 8 – Dec. 31	12.3	2.0
Dr. Robert Habeck	–	Jan. 1 – Dec. 31	–	10.0
Dr. Werner Hildenbrand	Jan. 1 – July 4	Jan. 1 – Dec. 31	5.0	10.0
Werner Hilse	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	12.0
Ulrike Höfken	–	Jan. 1 – Dec. 31	–	10.0
Wolfgang Kirsch	Jan. 1 – June 30	Jan. 1 – Dec. 31	8.0	14.0
Dr. Robert Kloos	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	14.0	14.0
Bernhard Krüsken	Jan. 1 – Dec. 31	Oct. 1 – Dec. 31	14.0	3.2
Klaus-Peter Müller	Jan. 1 – July 4	Jan. 1 – Dec. 31	7.0	16.0
Manfred Nüssel	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	12.0
Michael Reuther	July 4 – Dec. 31	–	7.0	–
Harald Schaum	Jan. 1 – Dec. 31	Dec. 27 – Dec. 31	11.5	–
Brigitte Scherb	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	12.0
Norbert Schindler	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	12.0
Christian Schmidt[3]	Feb. 17 – Dec. 31	–	19.0	–
Prof. Matthias Stauch	Jan. 1 – Dec. 31	–	10.0	–
Dr. Klaus Stein	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	17.0	14.0
Dr. Caroline Toffel	Nov. 6 – Dec. 31	–	2.0	–
Jörg Vogelsänger	Jan. 1 – Dec. 31	–	10.0	–
Konrad Weiterer	July 4 – Dec. 31	–	5.0	–
Klaus Wiesehügel	–	Jan. 1 – Sep. 30	–	9.0
Total remuneration			**258.6**	**264.3**

[1] direct donation to Förderverein Caritas Kinderdorf Irschenberg

[2] direct donation to Diakoniewerk Martinsberg e. V. and Evangelische Jugendsozialarbeit Bayern e. V.

[3] direct donation to Freiwilige Feuerwehr Uehlfeld e. V., Osing-Verein and Hospizverein Fürth e. V.

Additional disclosures pursuant to the German Commercial Code (HGB)

(68) Average number of employees

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

(69) Auditors' fees

	2014 EUR thousand	2013 EUR thousand
Audit services*	325.9	233.3
Other certification services	76.2	83.6
Miscellaneous services	166.6	39.4

* Of the fees for audit services, an amount of EUR 60.4 thousand relates to the previous year

The Declaration of Compliance with the German Public Corporate Governance Code has been submitted and is available to the public on Rentenbank's website.

Frankfurt/Main, March 5, 2015

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt   Hans Bernhardt   Imke Ettori

Statement of Management Responsibility

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and the Group's combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt/Main, March 5, 2015

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt	Hans Bernhardt	Imke Ettori

Auditor's Report

We have audited the consolidated financial statements prepared by Landwirtschaftliche Rentenbank, Frankfurt/Main, comprising the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements, together with the combined management report for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch „German Commercial Code"] are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, March 5, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bernhard	Liebermann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Corporate Bodies (as of March 1, 2015)

Board of Managing Directors

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

Board of Supervisory Directors

Chairman:

Joachim Rukwied
Präsident des Deutschen Bauernverbands e. V., Berlin

Deputy:

Christian Schmidt MdB
Bundesminister für Ernährung und Landwirtschaft, Berlin

Representatives of the Deutscher Bauernverband e.V.:

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

Brigitte Scherb
Präsidentin des Deutschen LandFrauenverbands e. V., Berlin

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

Norbert Schindler MdB
Ehrenpräsident des Bauern- und Winzerverbands Rheinland-Pfalz Süd eV., Berlin

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

Representative of the Deutscher Raiffeisenverband e.V.:

Manfred Nüssel
Präsident des Deutschen Raiffeisenverbands e.V., Berlin

Representative of the Food Industry:

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

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

State Ministers of Agriculture:

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

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

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

Representative of the Trade Unions:

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

Representative of the Federal Ministry of Food and Agriculture:

Dr. Robert Kloos
Staatssekretär, Berlin

Representative of the Federal Ministry of Finance:

Dr. Klaus Stein
Ministerialdirigent, Berlin

Representatives of banks or other lending experts:

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

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

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

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

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

General Meeting

Appointed by the Federal State of Baden-Wuerttemberg:

Hannelore Wörz
Präsidentin des LandFrauenverbands Württemberg-Baden e.V.,
Stuttgart (since 24.06.2014)

Gerd Hockenberger
Ehrenpräsident des Landesbauernverbands
in Baden-Württemberg e. V., Stuttgart (until 10.04.2014)

Werner Räpple
Präsident des Badischen Landwirtschaftlichen
Hauptverbands e. V., Freiburg

Appointed by the Free State of Bavaria:

Franz Kustner
Bezirkspräsident des Bayerischen Bauernverbands, Hirschau
(since 13.05.2014)

Jürgen Ströbel
Rügland (until 10.04.2014)

Bernhard Weiler
Bezirkspräsident des Bayerischen Bauernverbands,
Stadtlauringen (since 13.05.2014)

Werner Reihl
Arzberg-Bergnersreuth (until 10.04.2014)

Appointed by the Federal States of Berlin and Brandenburg:

Norbert Pinnow
Geschäftsführer der BBF Unternehmensberatung GmbH, Oberkrämer (since 23.05.2014)

Jürgen Ebel
Oberkrämer-Vehlefanz (until 10.04.2014)

Henrik Wendorff
Vizepräsident des Landesbauernverbands Brandenburg e.V., Teltow/Ruhlsdorf (since 23.05.2014)

Bernhard Groß
Landesbauernverband Brandenburg e.V., Tauche (until 10.04.2014)

Karsten Jennerjahn
Präsident des Bauernbunds Brandenburg e.V., Schrepkow

Appointed by the Free Hanseatic City of Bremen:

Hermann Sündermann
Präsident der Landwirtschaftskammer Bremen a. D., Bremen

Appointed by the Free and Hanseatic City of Hamburg:

Heinz Behrmann
Präsident des Bauernverbands Hamburg e.V., Hamburg

Appointed by the Federal State of Hesse:

Jürgen Mertz
Präsident des Hessischen Gärtnereiverbands e.V., Hadamar

Friedhelm Schneider
Präsident des Hessischen Bauernverbands e.V., Friedrichsdorf

Appointed by the Federal State of Mecklenburg-Western Pomerania:

Harald Nitschke
Geschäftsführer der Raminer Agrar GmbH, Ramin

Rainer Tietböhl
Präsident des Bauernverbands Mecklenburg-Vorpommern e.V., Neubrandenburg

Appointed by the Federal State of Lower Saxony:

Heinz Korte
Vizepräsident des Landvolk Niedersachsen-Landesbauernverbands e.V., Bremervörde

Andreas Jessen
Vorsitzender der Landesvereinigung Ökologischer Landbau Niedersachsen e.V., Visselhövede (since 04.06.2014)

Helmut Meyer
Vizepräsident des Landvolk Niedersachsen-Landesbauernverbands e.V., Betheln (until 10.04.2014)

Appointed by the Federal State of North Rhine-Westfalia:

Johannes Frizen
Präsident der Landwirtschaftskammer Nordrhein-Westfalen, Alfter

Friedrich Ostendorff MdB
Landwirt, Bergkamen

Appointed by the Federal State of Rhineland-Palatinate:

Leonhard Blum
Präsident des Bauern- und Winzerverbands Rheinland-Nassau e.V., Niederbettingen

Michael Prinz zu Salm-Salm
Schloss Wallhausen

Appointed by the Federal State of Saarland:

Klaus Fontaine
Präsident des Bauernverbands Saar e.V., Saarwellingen

Appointed by the Free State of Saxony:

Dr. Hartwig Kübler
Stv. Vorsitzender der AG land- und forstwirtschaftlicher Betriebe in Sachsen und Thüringen e.V., Naundorf OT Raitzen (since 30.05.2014)

Roland Freiherr von Fritsch
Präsident des Verbands der privaten Landwirte und Grundeigentümer Sachsen e.V. – VDL, Rackwitz (until 10.04.2014)

Gerhard Förster
Vizepräsident des Sächsischen Landesbauernverbands e.V., Dresden

Appointed by the Federal State of Saxony-Anhalt:

Jochen Dettmer
Vorstandsmitglied des Bauernbunds Sachsen-Anhalt e.V., Belsdorf

Torsten Wagner
Vorstandsmitglied des Landesbauernverbands Sachsen-Anhalt e.V., Sangerhausen

Appointed by the Federal State of Schleswig-Holstein:

Kirsten Wosnitza
Vorsitzende des Landesteams Schleswig-Holstein des Bundesverbands Deutscher Milchviehhalter BDM e.V., Löwenstedt (since 16.06.2014)

Christoph Freiherr von Fürstenberg
Nehmten (until 10.04.2014)

Werner Schwarz
Präsident des Schleswig-Holsteinischen Bauernverbands, Rethwisch

Appointed by the Free State of Thuringia:

Dr. Lars Fliege
Vizepräsident des Thüringer Bauernverbands e.V., Pfiffelbach (since 02.06.2014)

Siegmar Arnoldt
Thüringer Bauernverband e.V., Erfurt (until 10.04.2014)

Joachim Lissner
Geschäftsführer des Landesverbands Gartenbau Thüringen e.V., Erfurt

Trustee

Dr. Theodor Seegers
Ministerialdirektor
Bundesministerium für Ernährung und Landwirtschaft, Berlin

Deputy:

Dr. Karl Wessels
Ministerialrat
Bundesministerium für Ernährung und Landwirtschaft, Berlin

Report of the Board of Supervisory Directors

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

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

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

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

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

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

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

Berlin, March 26, 2015

THE BOARD OF SUPERVISORY DIRECTORS OF
LANDWIRTSCHAFTLICHE RENTENBANK

Joachim Rukwied
(Chairman)

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

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