AKA

Annual Report 2014

aka export finance BANK

Who we are:
AKA is a consortium of 19 German banks including the leading banks active in foreign trade finance whose aim is to support German and European exports.

What we do:
AKA grants short-, medium- and long term financing, mainly under ECA-cover, and supports shareholders, borrowers and exporters through services.

What we offer:
Financing, refinancing, assumption of risk, services connected with short-, medium- and long term export financing and other international and commercial transactions.

Report of the Supervisory Board

As part of the bank's statutory duties, the Supervisory Board has continuously monitored and advised the work of management during the past fiscal year. It has commissioned detailed reports on business and risk development, the implementation of regulatory requirements and has discussed relevant issues of business management.

Main activities of the Supervisory Board: In the five regular meetings of the Supervisory Board, the business performance, the development of profitability, the development of risk, the preservation of liquidity as well as the refinancing for AKA were each addressed in detail.

Liquidity management focused on the attainment of key performance indicators. In this context, the Supervisory Board adopted the managements' proposal to expand the liquidity reserve to the foreign currency USD.

As a result of market developments, both the Risk Committee and the Supervisory Board have received reports over the course of the year regarding the development of individual country portfolios and have discussed the risk policy in individual markets with management.

With regard to business planning, the Supervisory Board discussed in its first meeting the proposal by management regarding the plan for fiscal year 2014, and over the course of the year discussed updates to the existing business plan.

With regard to the implementation of regulatory requirements, the Supervisory Board also integrated into its work reports from internal auditors, compliance, anti-money-laundering analysts and the company's management as well as the outcome of the annual regulatory meeting with the German Bundesbank.

Based on preliminary work by the relevant committees, the Supervisory Board has been dealing with the update of AKA's overall risk strategy and it's remuneration policy, and has agreed to the proposed amandments.

The results of various external audits were included in the work of the Supervisory Board, such as the auditor's report on the year-end financial statements, the report of the Auditing Association of German Banks from an audit performed in the first half of the year, the report on an audit of the German Pension Fund and the report on the renewal of AKA's ISO certification.
The Supervisory Board was informed that these objective assessments by external auditors were completed without significant findings.

In the context of implementing regulatory requirements, the Supervisory Board has amended its own rules of procedure on the basis of the provisions of Section 25d German Banking Act (Kreditwesengesetz – KWG). In this respect proportionality concerns were taken into account. Instead of implementing an audit committee, the corresponding task will be assumed by the Supervisory Board as a whole. Moreover, the decision was made to merge the Nomination and Compensation Control Committees into one designated committee only.

With respect to the age-related retirement on 31 March 2015 of one of the present Managing Directors, the Human Resources Committee proposed a succession plan and the appointment of Ms Beate Bischoff from BHF-BANK AG as Managing Director of AKA. The Supervisory Board accepted this proposal and decided on the appointment of Ms Bischoff as Managing Director of AKA effective as of 4th December 2014.

Committee work: The work of the Supervisory Board is supported by committees that work on decision papers and recommendations and report on their work to the full committee.

The Risk Committee met five times during the year in preparation for the meetings of the Supervisory Board. It has regularly reported on the development of AKA's loan portfolio and market and liquidity risk. With regard to the assessment of credit risk, the first and second halves of the year the results of the stress tests were adressed. In addition the development of individual country profiles was analysed. The Supervisory Board was fully informed of the results in meetings held immediately thereafter. In addition, the Risk Committee has worked extensively on updating the risk strategy as a bank policy comprising all aspects of risk management and provided the Supervisory Board with a decision recommendation.

The Nomination and Compensation Control Committee met five times in the past year. It worked on the succession plan for the bank's retiring Managing Director. The committee discussed the criteria for determining variable compensation for company management.
It determined the bank's bonus budget for the previous fiscal year and approved the update of the bank's compensation guidelines on the basis of the German Institute Compensation Directive.

Review and approval of the year-end financial statements for fiscal year 2014: The financial statements for fiscal year 2014, the accounting and the management report of the Managing Directors were audited and provided with an unqualified audit opinion by the public audit firm PwC PricewaterhouseCoopers AG, Frankfurt (Main), which was appointed as financial statement auditor by way of a shareholder resolution.

The Supervisory Board has approved and acknowledged the audit result. Following the definitive result of its independent review, the Supervisory Board has no objections and endorses the year-end financial statements. The year-end financial statements have therefore been approved, and the Supervisory Board supports the management proposal regarding the appropriation utilisation of balance sheet profits.

Personnel changes: Ms Beate Bischoff, BHF-BANK AG, resigned as an ordinary member of the Supervisory Board on 26 June 2014 after 15 years of involvement in various AKA committees. Her deputy, Ms Birgitta Heinze, assumed her responsibilities effective 26 June 2014.

Dr. Michael Diederich of UniCredit Bank AG resigned effective 31 December 2014 as a full member of the Supervisory Board. Mr Philipp Reimnitz was appointed as his successor, effective 01 January 2015.

The Supervisory Board would like to thank the management and all employees of the bank for their dedication and hard work.

Frankfurt (Main), March 2015

The Supervisory Board of AKA Ausfuhrkredit-Gesellschaft mbH

Michael Schmid
(Chairman)

Supervisory Board:

Full members	Deputy members
Michael Schmid Former Executive Vice President Commerzbank AG – Chairman –	Klaus Windheuser Managing Director Commerzbank AG, Frankfurt (Main)
Werner Schmidt Managing Director Deutsche Bank AG, Frankfurt (Main) – 1st Vice Chairman –	Frank Schütz Director Deutsche Bank AG, Frankfurt (Main)
Philipp Reimnitz Executive Vice President UniCredit Bank AG, Munich as of 01 January 2015	Inés Lüdke Managing Director UniCredit Bank AG, Munich
Dr. Michael Diederich Executive Vice President UniCredit Bank AG, Munich – 2nd Vice Chairman – until 31 December 2014	
Alexander von Dobschütz Managing Director Bayerische Landesbank, Munich – 3rd Vice Chairman –	Beate Mayer Director Bayerische Landesbank, Munich
Birgitta Heinze Director BHF-BANK AG, Frankfurt (Main) from 26 June 2014	n.n.
Beate Bischoff Managing Director BHF-BANK AG, Frankfurt (Main) until 26 June 2014	Birgitta Heinze Director BHF-BANK AG, Frankfurt (Main) until 26 June 2014
Jörg Hartmann Director Landesbank Hessen-Thüringen Girozentrale, Frankfurt (Main)	Diana Häring Vice President Landesbank Hessen-Thüringen Girozentrale, Frankfurt (Main)
Joachim Landgraf Senior Vice President Landesbank Baden-Württemberg, Stuttgart	Elvira Bergmann Vice President Landesbank Baden-Württemberg, Stuttgart
Winfried Münch Director DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt (Main)	Manfred Fischer Director DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt (Main)
Max Niesert Managing Director Portigon AG, Düsseldorf	Barbara Caspary-Pitzer Director Portigon AG, Düsseldorf
Hans Jürgen Kulartz Board Member Landesbank Berlin AG, Berlin	Knut Richter Director Landesbank Berlin AG, Berlin

Shareholders:

Deutsche Bank AG, Frankfurt (Main)

Bayerische Landesbank, Munich

BHF-BANK AG, Frankfurt (Main)

Bremer Kreditbank AG Bremen as of 10 October 2014

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen

Commerzbank AG, Frankfurt (Main)

DekaBank Deutsche Girozentrale, Frankfurt (Main)

Deutsche Postbank AG, Bonn

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt (Main)

HSH Nordbank AG, Hamburg-Kiel

IKB Deutsche Industriebank AG, Düsseldorf

KBC Bank Deutschland AG, Bremen until 10 October 2014

KfW IPEX-Bank GmbH, Frankfurt (Main)

Landesbank Baden-Württemberg, Stuttgart

Landesbank Berlin AG, Berlin

Landesbank Hessen-Thüringen Girozentrale, Frankfurt (Main)-Erfurt

Norddeutsche Landesbank Girozentrale, Braunschweig-Hannover-Magdeburg

Portigon AG, Düsseldorf

SEB AG, Frankfurt (Main)

UniCredit Bank AG, Munich

Managing Directors:

Rüdiger Eggert
Friedrichsdorf

Marck Wengrzik
Frankfurt (Main)

Beate Bischoff
Frankfurt (Main)
as of 04 December 2014

Management Report

1. Major market developments in 2014

2014 will be remembered as a exceptional year, both in terms of the geopolitical and economic developments.
In view of the crisis in Ukraine and the associated necessary reformulation of Western foreign policy with respect to Russia, developments in the Middle East and the continuing globalisation of Islamist terror and the Ebola epidemic in West Africa, 2014 can be retrospectively viewed as a "year of geopolitical concerns".

In economic terms, 2014 was particularly shaped by the surprising development of oil prices. Against all expectations, the price of crude oil – still the most important raw material price in the world – fell in the second half of the year more than ever before. At the same time, 2014 was a record year in other respects: stock indexes reached record highs and the European crisis countries paid less interest on their new debt issues than ever before.

However, central banks are proving to be even more important to the financial markets than oil prices. The influence of the central banks cannot be overstated.

Thus, the clearly defined focus of the ECB's monetary policy to fight deflationary tendencies, in conjunction with an improvement of the competitiveness of the economies of the European Union, has also shown its effects in 2014. The year was marked by renewed significant reductions in the ECB's key interest rate to a record low of 0.05 %. Moreover, in 2014 – in a previously unimaginable act – the ECB introduced negative interest rates on its deposit facility.

Along with the first reduction in key ECB interest rates on 11 June 2014, a further reduction was observed in EURIBOR rates, especially in the second half of 2014. The average 6-month EURIBOR therefore fell in 2014 versus previous year by a further 6.5 basis points to 30.8 basis points. At the same time, a new record low was set during the year at 17.1 basis points. AKA's return on equity was therefore once again under pressure in 2014.

On the other hand, the increased investment pressure driven by the ECB policy, has led to reduced spreads for AKA over the course of the year for long-term funding as well as EUR money market funding.

In this context, however, it should be noted that confidence in the interbank market – expressed by increased EURIBOR-EONIA spreads – has lessened slightly over the course of 2014. This perception of increased risk is also apparent to AKA upon consideration of the slightly increased USD money market spreads over the course of the year, since AKA also relies upon this market segment in the interbank market.

The continued high availability of liquidity in 2014 has helped to continue to support 2013's trend of convergence of primary to secondary market prices in the syndication market. Overall, the pressure for adjustment has increased over the course of 2014 – with the exception of very difficult markets such as Russia.

The liquidity pressure in 2014 resulted in further growth of the global syndication market, which after already strong growth in 2013 increased by an additional 9 % to 4.7 trillion USD. This was also evident with growth in the EMEA region – which is of parti-cular importance to AKA – where a volume of 950 billion EUR in 2013 increased to 1.14 trillion USD in 2014.

However, this analysis also needs to take into account that this development was triggered solely by growth in the syndication market in Western Europe and that the markets highly relevant to AKA, such as CIS/Eastern Europe, showed significant declines in view of geo-political developments. The market for Russian banking risks in particular, where AKA has historically always been involved, has contracted significantly in 2014. All the more gratifying is the fact that AKA was unaffected by these developments in 2014, as the total volume in the syndication market was increased, therefore even exceeding the goals set for 2014.

In particular, the historically highly active structured finance market in the CIS region in 2014 was difficult in view of the much-changed political situation. While in 2013, many commodity-exporting borrowers – primarily in the Russian market – still received funding on an unstructured basis, only a few transactions were completed at much lower volumes in 2014 due to the introduction of sanctions, concerns about their escalations, and overall economic conditions. AKA has also been restrained in this region as a result and was only able to meet its internal goals for structured finance with increased activities on the African continent.

The Hermes-backed volume declined significantly in 2014. With a total of 24.8 billion EUR in 2014, down from 27.8 billion EUR in 2013, backed volume decreased by 11 %. As a consequence the Hermes-covered volume remains significantly above the level prior to the financial crisis, but is steadily approaching this level. One particular development is that the sector structure of the covered volume has moved substantially in the direction of the ship sector, which had by far the largest share of covered volume with a 34.8 % share – a sector to which AKA has historically not had close ties due to its high degree of specialisation.

This development has also influenced AKA's final volume in 2014 in the export finance sector and led to a lower overall volume versus 2013, comparable to the percentage change in Hermes-covered volume. We therefore fell short of the ambitious export finance goals set for 2014.

2. Development of new business in 2014

Very good figures in 2014: In 2014, AKA achieved one of the highest total volume of contracts concluded in its history. The shareholder banks took even greater advantage of the services of AKA, thereby showing their confidence in its expertise and its high level of quality in partnership support. The bank increased its volume of transactions completed by around 20 % to 1.536 billion EUR (previous year: 1.278 billion EUR). This intensified cooperation with its shareholder banks has also brought about an increase in the number of new transactions of approximately 30 % above the previous year.

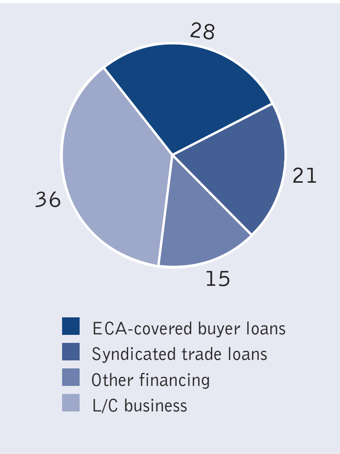
These excellent developments are mainly attributable to the following factors:

- The volume of risk sub-participations in letters of credit and related short term products significantly exceeded the budget expectations. AKA increased its contract volume by 71 % to 556 million EUR. This result is particularly noteworthy against the background of previous year's strong performance.
- In spite of a declining market, AKA maintained its position in its core business of ECA-covered transactions. While the bank did not reach the previous year's level, AKA was able to negotiate strong margins in this sector and accordingly secured future positive earnings contributions.
- In addition to the traditional Euler Hermes-covered transactions, AKA also processed a portion of the ECA-covered transactions in 2014 with other European export credit agencies (ECAs), thereby securing its path for further Europeanisation. In this context, AKA has extended its funding options through the refinancing programmes of selected European ECAs.
- The use of Commercial Interest Reference Rate funds (CIRR), which AKA makes available for refinancing long-term Euler Hermes-covered fixed-rate loans was subdued despite the very favourable terms for these funds particularly in the USD CIRR sector.
- AKA recorded an increase of 15 % to 324 million EUR in participations in syndicated trade loans in primary and secondary markets.

The final volume of new business is divided among the following product groups:

For the first time, the largest share of the new business product portfolio represented risk sub-participations in letters of credit and related products. Their share in the portfolio increased to 36 % from 25 % last year. Next were the participations in ECA-covered transactions with a portfolio share of 28 % (2013: 37 %). This was followed with a volume of 21 % by participations in syndicated trade loans (2013: 22 %). The proportion of structured finance remained virtually unchanged at 7 % (6 %). Investments in non-recourse financing fell to 4 % (2013: 7 %). The other product groups such as guarantees, down payment financings and other financings reached a combined share of 4 %.

New business by
main product group (AKA-share)
in percent



2.1 The development of new business in detail

ECA-covered transactions – intensive use of AKA's extended range of services: AKA's services were used extensively by its shareholders during the reporting year. The volume of the AKA share of the contracts concluded is 426 million EUR (2013: 472 million EUR), slightly below the previous year due to a sluggish market.

As part of AKA's strategy to develop a European trade finance institution, AKA has significantly expanded the range of services offered to its shareholders. In addition to its traditional cooperation in Euler Hermes-covered transactions, shareholder banks relied actively on these extended services. To further support this approach, AKA has signed contracts with several European ECAs, which provide access to their attractive refinancing programmes.

Expansion of the AKA network through ”Basic Agreements“: The use of classic basic agreements made available by AKA to its shareholder banks, which for the most part involve financial institutions as borrowers has declined. However, AKA continues to handle ECA-covered financing through its broad network of basic agreements. Their documentation is updated and adapted to the needs of the shareholder banks on a continual basis. To the benefit of the shareholder banks and the borrowers, individual financings under basic agreements have significantly lower administrative expenses. In the reporting year, AKA expanded its network of basic agreements to include banking partners in Turkey and in Bangladesh, a market new to AKA. In the African market, the bank is in negotiations with Angolan and Nigerian banking partners.

”Solitaires“ trend further reinforced: A trend that was already apparent in previous years has also influenced AKA's loan book. An increasing number of transactions in the ECA market so-called Solitaires, meaning, loan agreements established on an individual basis with foreign corporates are concluded. The documentation and administration of these transactions are much more complex in comparison to financings under basic agreements.

AKA 100 % financing: A positive development was shown in so-called 100 % financings – transactions AKA facilitates as sole borrower on behalf of its shareholder banks. Approximately one-eighth of the final volume of ECA-covered transactions – but almost half of the number of transactions – are arranged on this basis. This product is used in particular to reduce costs associated with smaller volumes for all parties involved. These transactions include financing under basic agreements as well as solitaires.

Weak demand for CIRR funds: The demand for CIRR funds by AKA was very subdued in the EUR and in the USD sector. For the year 2015, however, AKA has already arranged for reservations of transactions, primarily in the USD CIRR sector.

Downpayment financing: AKA observed a very low contribution by its shareholder banks in the area of down payment financing in connection with ECA-covered transactions. This was mainly due to low demand by borrowers and lower risk tolerance among banks.

Risk sub-participations in letters of credit: With an increase of around 70 % over the previous year, AKA's segment of silent risk participations in letters of credit and related products in AKA's new business portfolio has performed very well. For the most part, AKA was involved in transactions without funding with maturities of up to one year.

Expansion of cooperation to non-shareholder banks in the syndication sector: As decided upon by the Supervisory Board end of 2013, AKA is increasing its risk participations in letters of credit and related products with selected non-shareholder banks.

The target group in this case consists of globally positioned banks with a first-class reputation in trade finance business. In 2014, AKA signed 3 BAFT agreements with new partners. This increased involvement not only resulted in a positive earnings contribution but also in a more active utilisation of previously under-utilised country and address limits in the AKA portfolio.

AKA cooperation with the EBRD in the Trade Facilitation Programme: AKA's activities in partnership with the EBRD Trade Facilitation Programme were restrained due to the currently suspended commitment of EBRD in Russia.

Syndicated trade loans: AKA recorded an increase of 15 % to 324 million EUR in investments in syndicated trade loans in the secondary market and to a lesser extent in the primary market. In 2014, AKA assumed the role of documentation agent for the first time. The borrowers in particular include banks that have systemic importance in their home countries and large international trading companies with first-class reputation. A further part of this portfolio includes transactions in an A- and B- tranche structure issued by the IFC, the EBRD and other multilateral institutions. These commitments for the most part have a lifetime of up to one year.

Structured finance, commodity trade finance: New business volume increased slightly to 7 % of the final volume (2013: 6 %). The newly completed financings are mainly participations in the sector of oil, metals and selected agricultural commodities.

Non-recourse financings: New business declined for non-recourse financings – revolving facilities with maturities of up to 3 months for well-known European clients. The portion of newly completed purchases of receivables in AKA's portfolio decreased in volume from the previous year (7 %) to 4 %.

Supplier credits and bank guarantees: Supplier credits and bank guarantees played a minimal role in AKA's new business portfolio during the reporting year.

2.2 Total commitments

The total commitments as of 31 December 2014 amount to 4.6 billion EUR, a slight decline compared to the previous year (4.7 billion EUR).

This total includes the AKA share and the share of shareholder banks in the loan portfolio as well as receivables held in trust by AKA. Furthermore, financing reservations applied for with AKA are accounted for.

2.3 Promising prospects for AKA's new business in 2015

For 2015 AKA assumes an improved competitiveness for the European export sector due to the weak Euro and low oil prices.
In the area of long-term financing, AKA's new business continues to focus on ECA-covered transactions arranged for European exporters. The completion of some major transactions is expected in the first half of 2015.
In the area of short-term financing, AKA seeks to enlarge cooperation with further non-shareholder banks in the syndication of risk participations in letters of credit. The aim is to achieve a more active utilisation of country and adress limits provided by AKA, while maintaining the high absorption capacity of AKA for the requests of its shareholder banks. A continuation of the cooperation with EBRD regarding the extension to further participating countries in their Trade Facilitation Programme is planned. In the sector of syndicated trade loans AKA will keep its focus. Additionally, an intensified cooperation with further multilateral banks is planned.

AKA sees growth markets in the short-term and in the long-term sector in Asia. In general, AKA maintains sufficient country and address limits to support its shareholder banks to the extent desired.

Due to the strong deal pipeline, the well-diversified limit and product structure and active cooperation with shareholder banks to expand their trade finance business worldwide, AKA sees good prospects for a business performance comparable to that in 2014.

3. Risk Report 2014

3.1 Targets, principles and organisation of risk management

Business targets of AKA: The essential target of AKA is to successfully participate in credit transactions offered by its shareholder banks after having undertaken an appropriate analysis. In the context of the expansion of its credit business as scheduled in its business policy, AKA applies high quality norms to avoid, among others, risk concentrations. AKA manages and monitors its risks with the aim to optimise its risk-revenue profile and to guarantee its risk bearing capacity at all times.

AKA

- is a special credit institute, established to participate in short, medium and long-term finance of foreign trade, with an emphasis on emerging markets (EM);
- is, besides participation in the aforementioned types of financing, only active in those banking products, that are necessary to secure its core business;
- is furthermore active in services such as the administration of claims from debt restructuring and also on behalf of third parties;
- is not active in the primary market but only in the secondary market, which means AKA acts essentially on invitations of its shareholder banks; exception: L/C transactions may also be concluded with non-shareholder banks;
- is a non-trading credit institute and is thus not active in accepting time and/or savings deposits in compliance with its licence;
- is only operative in treasury transactions, which are needed for refinancing;
- refinances by means of its equity, refinancing lines of its shareholder banks and others and may raise funds directly from the capital markets in order to diversify sources of refinancing, however under consideration of costs;
- aims on the basis of a current policy decision, to exclude or minimise risks arising from interest rate changes and variations in the exchange rate by means of adequate and matching refinancing.

Risk policy: The current risk policy and the overall bank management comprises all provisions directed towards a scheduled and target-oriented analysis, monitoring and control of all risks incurred. AKA's policy rules determine to possibly restrict risks to credit risks arising from AKA's core business, that is, finance of foreign trade.

Principles of risk management: The management determines risk policy guidelines for all recognisable risks under consideration of the risk bearing capacity and based on an analysis of the initial business policy position and the assessment of the risks connected with credit business. These are documented in the risk strategy, which includes all quantitative and non-quantitative risk types. This is reassessed annually by the management and, if necessary, adjusted in agreement with the Supervisory Board. It is the overall responsibility of the management to ensure that the risk concept is consistently integrated in the organisation and that the risk awareness is firmly positioned within the company culture.

This is ensured through, among other means, an adequate structural and process related organisation as directed by the management. The responsibility for a successful implementation of such risk policy determined by the management rests foremost with the departments entrusted with credit business; these are Credit Risk Management/Controlling, Loan Administration and Business Development.

Risk strategy: A risk strategy that is compliant with the Minimum Requirements for Risk

Management (MaRisk) comprises detailed rules related to all material aspects of risk management, such as risk-bearing capacity, risk management, definition of competencies, market conformity review, stress testing, principles for determining risk provisions as well as a comprehensive risk inventory of all quantitative and non-quantitative risks.

Risk-bearing capacity: The risk-bearing capacity is calculated monthly, based on actual balance sheet values in line with the liquidation approach. For regulatory required consideration beyond the next balance sheet date, relevant target figures will be contrasted with corresponding target values deriving from the multi-annual business plan for a time period of more than 12 months.

The computation of the funds available for risk coverage is newly effected every month by Credit Risk Management/Controlling (CRM/CO), which also monitors maintenance with the risk bearing capacity. The management of AKA, composed of the Managing Directors and the heads of departments, as well as the Supervisory Board, are informed on a regular basis.
The funds available for risk coverage are divided into primary funds, consisting of the operating result and the accumulated value adjustments provided as well as secondary funds, made up exclusively of supplementary capital, disclosed revenue reserves and subscribed capital. The funds available for risk coverage determined in this manner constitute the overall maximum loss ceiling within the scope of risk bearing capacity.

In line with its risk strategy and on the basis of its available equity and the funds available for risk coverage, AKA has determined a maximum loss ceiling for all essential and quantifiable risks with respect to the limit system and defined individual limits respectively. These apply to counterparty default risks based on the country of establishment principle, broken down by countries, borrower units, single counterparties and industry segments as well as for market price and liquidity risks.
AKA reviewed the previously set limits as part of its regular evaluation of the risk strategy. As a result of the regular retention of earnings by AKA, regulatory capital allocated to counterparty default risks was raised to 150 million EUR and the regulatory capital limit allocated to operational risks was raised to 7.5 million EUR.

The previously allocated regulatory capital limits for market price, interest rate and liquidity risks remain unchanged and comprise 20 million EUR for interest rate risks, 10 million EUR for liquidity risks and 8 million EUR for foreign currency risks. In line with its risk monitoring, AKA allows for a risk buffer for non-quantifiable risks of 10 % of the allocated funds available for risk coverage.

Once annually, a risk inventory is carried out regarding all essential and non-quantifiable risks, such as operational risks, reputational risks and business risks. Due to its low level, the participation risk was not classified as being significant. The risk inventory conducted in 2014 has not shown any increasing risk potential for 2014 and as a forecast for 2015. Hence, the limits established for all types of risk were shown to be sufficient.

As at 31 December 2014, the risk bearing capacity shows unutilised funds available for risk coverage amounting to approximately 142 million EUR, even after consideration of interest rate and liquidity risks – which are not subject to a deduction obligation according to the Credit Risk Standardised Approach (CRSA) – as well as a buffer for non-quantifiable risks of 10 % of the allocated funds available for risk coverage. As of the balance sheet date, the funds available for risk coverage showed an utilisation ratio of around 47 %, thus proves the capability to assume additional risks in line with the intended business expansion according to AKA's business plan for 2012 – 2016. In the course of the fiscal year, the minimum utilisation rate was around 47 % in December (2013: 45 % in May) and the maximum utilisation rate came to approx. 55 % in June (2013: 50 % in October).

In addition, within the scope of the computation of the risk bearing capacity, stress tests regarding all important risks, such as counterparty risks of default as well as market price, interest rate and liquidity risks as well as operational risks, are carried out at least once every year.
AKA is a special credit institution aligned to international trade finance and does not pursue any retail or mortgage business transactions. Securities are held only for the purpose of monitoring liquidity. It holds no shares and does not finance customer loans for the acquisition of securities. Nor does the bank maintain accounts for payment transactions or ATMs from which customers can independently withdraw or transfer funds, e.g., a sudden or unscheduled liquidity drain cannot occur. Domestic securities (ECB-eligible) are held exclusively for liquidity management.

In the typical AKA trade finance business in the EM, domestic changes in GDP growth do not have any measurable impact. This applies for example to the development of stock prices, the number of private customer insolvencies or the development of real estate prices in the euro zone. AKA profits more by developments in foreign countries. The portfolio of net counterparty risk remains unchanged at around 90 % in foreign markets and includes only banks, corporates and sovereign borrowers.

Therefore, the scenarios on which such stress tests are based, were defined under consideration of the business model and the bank's orientation towards participations in short, medium and long-term foreign trade financings predominantly with regard to emerging markets.

Part of such stress tests related to counterparty risks of default are currently scenario observations which imply the political and economic developments in Eastern Europe. These scenarios are based on creditworthiness shifts in the overall portfolio as well as in individual core markets (portfolio shift).

The Supervisory Board of the Bank is regularly involved in the selection and the assessment of the adequacy of these stress test scenarios. The result of the stress test computations is continuously communicated to both the management and the Supervisory Board within the process of regular reporting.

Reporting of AKA, in accordance with the regulatory requirements, is effected on the basis of the Credit Risk Standardised Approach (CRSA) and is unchanged.

The risk profile of AKA according to the CRSA:

	2014	2013
Risk-weighted assets (incl. market risk position and operational risk) in million EUR	1,081.8	1,061.8
Net worth (core capital) in million EUR	202.7	195.7
Overall ratio (according to solvency regulation) in %	18.7	18.0

Organisation of risk management: AKA's risk organisation unconditionally complies with MaRisk; it is adapted to the bank's particular business structure as a specialised credit institution. The risk management system regulates in a comprehensible manner all risk relevant business activities of AKA. It comprises a monitoring system, developed in line with AKA's risk strategy that also includes organisational security measures as well as internal control functions. Essentially, the economic success of AKA depends on early recognition, proper quantification and adequate risk monitoring of counterparty risks of default within the course of business. In this context, AKA's appropriate and conservative risk culture, having been developed over many years, is embedded in the structural organisation, in the business processes and in its business policy.

The independence of market and market follow-up in conformity with MaRisk is assured in line with the bank's organisational structure through the separation of these functions and is appropriately implemented in adequate processes. Within the scope of risk management, the prevailing MaRisk have been completely implemented in line with Amendment Four.

Risk management, risk monitoring and risk controlling: The operational realisation of risk management, risk monitoring and the risk controlling function in the AKA rests with the Credit Risk Management/Controlling department. One of its core functions is the management of all individual risks related to the counterparty risk of default. This embraces the creditworthiness analysis of countries, financial institutions, corporates, insurance companies and commodities and trade finance risks. This includes credit decisions on an individual basis and under portfolio aspects as well as credit decisions made within its own competency. Credit decisions which come under the competence level of the management are voted by Credit Risk Management/Controlling upon submission of the credit application through Business Development. Furthermore, Credit Risk Management/Controlling develops risk standards for concentration risks and limits for countries, industries and counterparties within the scope of active risk management and determines these after clearance with the management.

Controlling supports the management in all aspects of business management and monitoring under special consideration of risk relevant criteria. One essential task of AKA's controlling function is the identification of risks, their classification as well as their measurement, assessment and monitoring according to the risk strategy to consequently contribute to the achievement of business objectives. Furthermore, controlling supports all individuals who exercise management responsibility with respect to their planning, monitoring and control of all revenue-related processes and target values.

Related to this, controlling is responsible for the preparation of an independent internal reporting system that provides all risk relevant information. It is made available monthly, if necessary, with appropriate recommendations to act, to the management and to all individuals who exercise management responsibility as a basis for business and risk monitoring at the bank. In addition to statements about the development of business and revenues, it comprises detailed information concerning credit risk, market risks, that is, liquidity risk, change of interest rate risk, market price and foreign currency risks, IT risks, legal risks and operational risks. The reporting therefore provides the basis for reconciliation with the risk and business strategy as determined by the management and the Supervisory Board.

Pertaining to its principle activities, the responsibilities of Credit Risk Management/Controlling include the permanent maintenance and further enhancement of risk measuring and monitoring instruments for the risk functions of risk management as well as risk controlling.

Risk Committee: AKA has at its disposal a Risk Committee, which convenes if and when necessary, in a risk oriented manner under the chairmanship of the head of Credit Risk Management/Controlling. The Risk Committee concerns itself with cross-departmental aspects of risk assessment and risk monitoring within the overall business process.

Objectives of the Risk Committee: The Risk Committee handles risk issues from the perspective of overall risk management as well as with respect to the exchange of information and experience. It aims to foster cooperation between company management and the departments involved in loan processing.

Duties of the Risk Committee: On the basis of the adopted risk strategy, the Risk Committee defines the risk management objectives and regularly monitors compliance. Organisation, control and monitoring are performed under compliance with legal and regulatory requirements.

These comprise:

– Making fundamental decisions with relevance to the risk policy;
– Determining parameters for acceptable risk management with respect to AKA's overall bank risk, risk bearing ability and periodic monitoring;
– Monitoring all quantitative and non-quantitative risks on the basis of the risk/controlling report prepared by controlling;
– Determining key IT applications based on the business impact and security needs analyses performed by the individual functional divisions.

Competency of the Risk Committee: The Risk Committee has decision-making competency on fundamental issues. Decisions on loans falling under the Risk Committee's duties are restricted to authorised loan personnel in accordance with authorisation rules. When required, the Risk Committee can develop decision recommendations that will then be addressed by processes installed for this purpose.

The Risk Committee of the Supervisory Board (Risk Committee): The Risk Committee of the Supervisory Board – consisting of the Chairman and at least two, currently four other Supervisory Board members – monitors all risks connected with the business operations of AKA on overall bank level and the measures taken by the management with regard to risk

Organisation of Risk Management

monitoring and risk controlling. In addition to this, it supports management as an advisory body in regular meetings held for the opening and development of new business segments. 5 meetings were held in 2014.

Supervisory Board: The Supervisory Board (SB) consists of representatives of the six largest shareholders and three further representatives of those shareholders who contribute the highest transaction volumes as well as one representative elected by the other shareholders. Among other issues, the SB decides on principles of risk policy and matters of business structure. In regular meetings the management reports in detail by means of an AKA-internal risk report to the Supervisory Board and the Risk Committee of the Supervisory Board about the business development, the earnings position as well as all types of risk related to risk management, their development, the observation of predetermined limits and their risk-compliant monitoring.
The risk report provides, amongst others, recommendations of the management and the risk management. The summary of the most important findings and recommendations is presented in form of a cockpit. The conclusions are supported by a signal light system.
5 meetings were held in 2014.

Internal Audit: According to the regulatory requirements applicable to credit institutions, AKA has available an independent internal audit division that carries out its audit function in conformity with applicable regulatory requirements.

Internal audit attends to the conception and the implementation of internal projects as well as the internal monitoring of work processes. It examines and appraises in a risk-oriented manner and independent of the relevant processes the effectiveness and appropriateness of the risk management, the impact of the security measures as scheduled in the workflows and predetermined internal controls. The management is separately informed about the realisation of the actions proposed in the findings of such examinations. During fiscal year 2014, all activities of internal audit took place within an audit plan, which was approved and is continuously controlled by the management with respect to its implementation. No ad-hoc audits were conducted.

3.2 Counterparty default risks

Due to its business purpose, counterparty risks of default are the most significant risks for AKA.
While "non-financial" in nature, the investment grade portion of new long-term business volume represents however a key performance indicator for AKA. For fiscal year 2014, the target value was 44 %. This value could be achieved by the end of September 2014, but by the end of the year, it was reduced to 39 %, primarily due to rating downgrades.

AKA defines counterparty risk of default as the threat of possible impairment of a receivable due from a contracting party as a result of

- unexpected complete, partial or temporary inability or unwillingness to pay;
- decrease in value of a receivable accompanying an unexpected deterioration in a debtor's creditworthiness (creditworthiness risk);
- unexpected reduction in the adequate recovery value of collateral or guarantees (collateral risk).

Besides the counterparty risk of default based on an individual transaction, AKA considers country exposures as a significant default risk, due to its business structure, which is oriented towards emerging markets.

AKA classifies exposures into the traditional exposure classes:
– Countries/sovereigns
– Corporates
– Banks

Due to the AKA's specialised business purpose, additional categories include:
– Commodity, structured and project financings as well as
– Special risks
associated with private insurance cover.

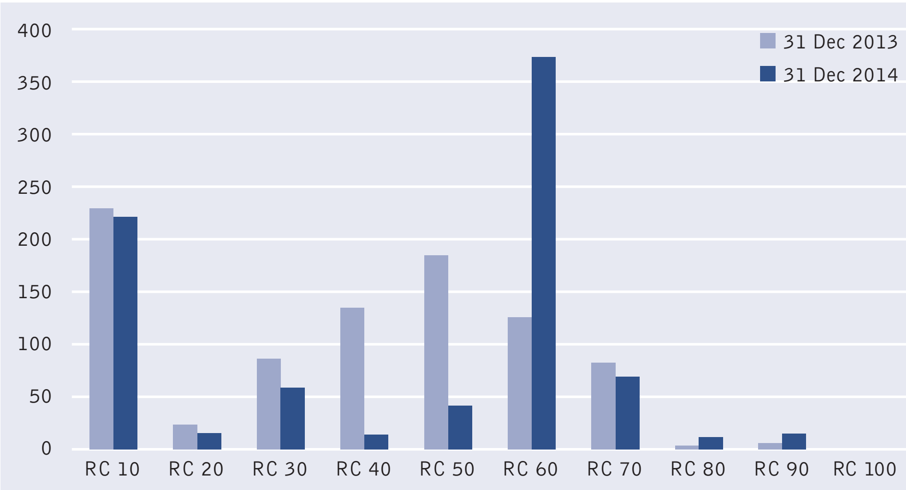
Country risk: The country risk defines the capability of a country to effect interest and redemption payments related to foreign debt and/or foreign currency debt in due form and due time. Thus, one essential aspect is the transfer risk, that is, a country may restrict or prohibit payments to a foreign country due to a lack of foreign exchange. This may be the case even if the individual borrower is willing and capable of paying and the domestic solvency of a country and its economy may be sound.

The determination of the country ratings and their regular update for those countries which have a noteworthy exposure with AKA are carried out by Credit Risk Management/Controlling on the basis of reports from rating agencies (predominantly Fitch), international organisations, central banks and other well-known and reliable sources. Besides the annual country risk analyses, additional valuations and ad-hoc reports, if required, are prepared for the principal markets of AKA. Special crisis regions as well as countries with exceptional economic problems are constantly and increasingly observed by AKA's rating analysts.

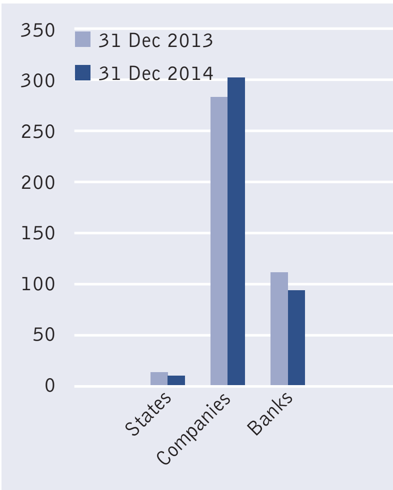
Country risk reporting is rotationally updated and further developed. In this context, principal focus is placed on the analysis of political stability, the sensitivity of the economy to shocks, the development of inflation and foreign trade, the national budget and how it is financed, as well as the banking system and its stability and regulation.

Especially in emerging countries on which AKA focuses its lending activities, the repayment potential is very much dependent on the political and economic situation of the respective country which strongly affects the creditworthiness of the borrower.

Structure of Medium and
Long-Term Credit Risk
according to Country Risk Category
in million EUR



Structure of Medium and
Long Term Credit Risk
according to Credit Risk Category
in million EUR



Corporate risks: Annual reports of corporate companies are analysed by means of a rating system implemented in cooperation with a firm of chartered accountants. The rating tool is regularly enhanced and adapted commensurate with AKA's expanding portfolio. Within an internal validation process, the informative and predictive faculties of the individual ratios with respect to their accuracy but also with regard to the overall rating result examined with the support of external experts and adjusted if needed.

The basis for every assessment of a counterparty are at least the two most recent annual financial statements and, if applicable, interim statements in order to obtain real-time insight into the current economic condition of the borrower. Important ratios for the assessment of a corporate's creditworthiness include, among others, profitability, liquidity and the debt to equity ratio.

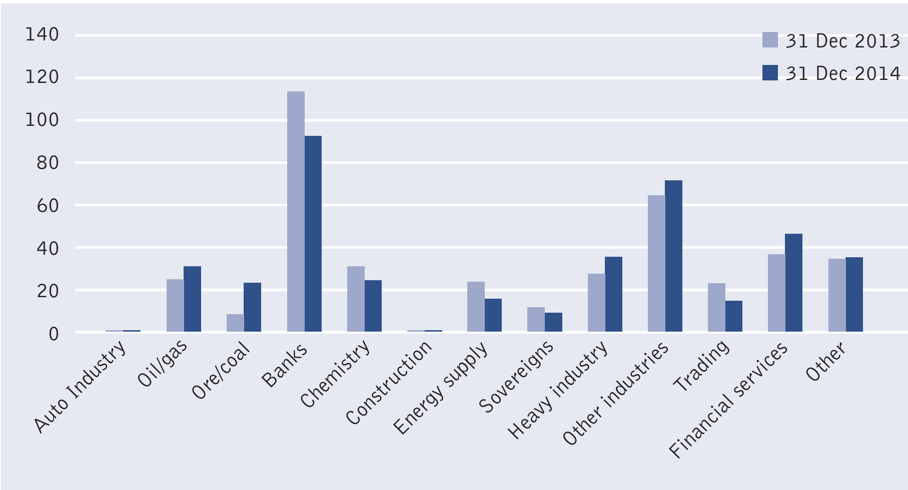
When compiling a rating for a corporate, consideration is given to the type of audit opinion assigned by the external auditors as well as to the accounting principles. AKA's rating tool, which is used for the assessment, comprises a rating scale from 10 – 100. The rating results are therefore comparable with those of the international rating agencies by means of analogous mapping charts. Rating categories from 10 – 50 are classified as investment grade, those from 60 – 100 as non-investment grade or emerging markets respectively.

The first step of assessment is an index rating. In order to calculate such performance indices, AKA resorts to a benchmarking system which is based on the breakdown into several industries and eight geographical regions.

The benchmarks are regularly reviewed and updated, at last at the end of 2014, in order to ensure up-to-date comparisons in the national and international corporate lending activities of AKA. Additionally, for the final assessment, qualitative criteria are drawn on, which may lead to a modification of the rating result.

These are essentially the management quality, the size of the corporate as well as up-to-date information about the borrower. Furthermore, distinctive characteristics such as local accounting regulations and possible qualifications in the audit report must be considered in the basic rating. The affiliation to a corporate group is evaluated depending on the type of integration, and finally the country rating, being the overriding factor, which has to be allowed for.

Structure of Medium and Long-Term Credit Risk according to Sectors in million EUR



Banking risks: Annual financial statements of financial institutions are analysed by means of a rating system developed in cooperation with an external auditing firm. The basis for any rating is the analysis of the two most recent annual financial statements and, if applicable, a quarterly report. The input of quantitative data contains among others capitalisation, profitability, deposit cover and liquidity. The resulting key ratios are applied to the 90 AKA rating categories using a benchmarking system. Qualitative aspects such as foreign currency risk, interest rate sensitivity or the degree of matching maturities of assets and liabilities, and particularly the asset quality are allowed for by applying either a premium or a discount to the rating assessment.

Furthermore, the country rating functions as an overriding factor. A further important component is the evaluation of a possible government support. The reason for this is that experience in lending to banks has shown that banks with a system impact may count on government support in case of emergency.

The enhancement of the rating tool is checked at irregular intervals in line with the process of quality assurance by accountancy firms specially commissioned for this purpose, with respect to its compliance with the regulatory requirements as well as the current market practice. The last review of the weightings was intended to diversify over six geographic regions; this was objectified based on a benchmarking system.

Risks arising from structured and project financing: Due to AKA's alignment as regards its special business policy, specific risk categories coinciding with structured financing, especially those based on commodities, and risks associated with project financings need to be considered.

For the assessment of project risks from financing AKA also uses a rating tool. The essential rating features for assessing the expected project result are the sponsorship risk, the completion risk, the operational risk and the market risk. Furthermore, the financing risk and the planning risk also need to be evaluated. These elements relating to creditworthiness are, corresponding to the other rating modules of AKA, evaluated in a quantitative and a qualitative manner and are finally combined into an aggregate rating.

Insurance risks: AKA provides a further rating tool for the client group of insurance companies after counterparty risks of default are increasingly covered by private insurance companies. As a policyholder, the bank only accepts counterparties with an investment grade rating in connection with risk management in order to relieve the limit. The main focus of the rating focuses on the development of premiums and earnings as well as the ratio of provisions and premiums.

Industry risks: In order to further avoid risk concentrations with respect to the long- and short-term credit business, the bank has additionally established limits for industries. Limits of 10 % each of the overall limit for the 18 industrial sectors were established.
15 % of the total limit is reserved for the sector "raw materials/oil and gas". However, the country limit, depending on the country rating, may function as a corrective.

Risk concentration: In line with its portfolio management, AKA uses a field-tested limit system for managing the country, industry, and counterparty limits, as well as for avoiding concentration risks, according to the following regulations, parameters, and criteria:

– Determination of annual targets of business development in terms of maturity and product types;

– Portfolio structure related to counterparty and default risks;
– Country limits;
– Industry limits;
– Large exposures according to the capital requirements regulation (CRR);
– Size categories/granularity referring to borrower units;
– Counterparty limits in line with refinancing.

The aforementioned regulations and criteria for monitoring and avoiding risk concentrations are laid out in the bank's work instructions and process descriptions, and published in the leadership and organisational manual. They are regularly applied in line with controlling, continuously adjusted according to changing requirements/conditions and checked for suitability at least once per year in the context of risk strategy review.

Limit framework for counterparty credit risks and portfolio management: The limit framework used by AKA for portfolio management limits gross risks under consideration of recognised collateral pursuant to CRR. These are valuation-free, financial securities from government export credit insurances.
The limit framework for counterparty risk has a scope of 2.0 billion EUR.

The limits are divided into long and short time frames. The amount of the nominal country limit is set according to the rating. Long-term limits can also be used for short-term business upon approval.
There is an identical limit framework for short-term financing transactions with terms of up to 12 months as well as for the long-term credit business with a limit of 1 billion EUR. In view of the financial products offered by AKA, the short-term limit framework is used almost exclusively for banks. In 2014, the bank was specifically able to grow the letter of credit business with this sector.

The limit framework is adjusted on an annual basis according to AKA's business policy objectives and presented to the Supervisory Board for its information. By order of the Supervisory Board on 4 December 2014, the Supervisory Board announced its approval of the risk strategy and the associated limit frameworks as presented by the management. The compliance with all risk-relevant control parameters is continuously monitored by the controlling department. The assessment of the suitability of control parameters occurs in the course of the risk strategy review, which is conducted at least once per year. The limits provided for concentration, counterparty, market price and operational risks are adequate and were complied in 2014.

Internal credit model for risk monitoring: The aforementioned nominal limit framework and its Credit Risk Standardised Approach (CRSA) equity utilisation is complemented by a financial internal monitoring and control component.

Internal risk measuring at portfolio level is based on the credit risk model "Credit Metrics", which is a protected trademark. Important decision criteria are calculated, which are based on credit volumes, recovery parameters according to the Internal Rating Based Foundation (IRBF), specifically determined default probabilities relevant to AKA, and given concentrations and correlations. These include the expected loss and the unexpected loss. The registered confidence level comes to 99.9 %, which corresponds to the bank's target rating of A-. The bank deploys the system in the context of simulation computations to estimate the usage of economic risk capital and for stress test calculations for counterparty risks of default. Moreover, the data is used for validating of AKA's own rating system in line with the selectivity analysis.

The data obtained with the facility of the internal model are regularly adjusted with such regular parameter of the CRSA which are applicable to AKA. The thus identified economic capital requirements correlate closely with the amount of capital adequacy as calculated in accordance with the CRSA, whereby the CRSA continues to be the basis for the bank's risk management.

Credit approval process and competence organisation: Supported by AKA's own rating results, Credit Risk Management decides on transaction within its own competency or votes on those outside its own competency for the further decision making process.

Within the credit application process the separation of functions between market and market follow-up mandated by MaRisk is reflected in the credit application process. Every credit decision requires consenting votes from both, Business Development and Credit Risk Management/Controlling. Both departments jointly command power of approval for single transactions of up to 1 million EUR net, that is, after consideration of collateral. In case Credit Risk Management, within the scope of such credit competency, declines to deliver a positive vote, the Business Development department may in an escalation process present the credit application to the management for a final decision. The Business Development department and the Managing Director responsible for the market function render the first vote for transactions with a net credit risk higher than 1 million EUR. Credit Risk Management/Controlling and the Managing Director responsible for the market follow-up function provide the independent second vote. In the event of a tied vote (2:2), the loan will not be granted. The market follow-up cannot be overruled in risk matters.

A sufficient creditworthiness and a risk-adequate pricing are indispensable conditions for a positive credit decision. Therefore, a RAROC computation is carried out within a preliminary calculation. A minimum RAROC, defined by the management with regard to the target achievement, may only in exceptional cases fall below such a target. Should the minimum RAROC fall below target, a positive loan decision requires a strong justification; this is to be documented in the loan application by the market function.

Exceeding approved limits for individual borrowers and countries by 10 % may be allowed by duly authorised senior employees for a time period of up to 12 months or by 20 % for a maximum of 90 days. Limits may be overbooked with reservations by up to 30 %. The provision of an overdraft facility exceeding these limits would need the consent of the Supervisory Board.

To the extent needed for Business Development, the management may request the creation of respective special limits from the Supervisory Board according to demand and corresponding to the overall profile. Such a procedure was not initiated in 2014.

Risk limitation/monitoring: All exposures are continuously monitored with regard to their economic conditions and collateral as well as to their compliance with interest and redemption payments, contractual information obligations and further external and internal requirements.

Exposures with increased risks are recognised at an early stage by means of specified early warning indicators. Exposures which become noticeable through a negative qualitative development of the borrower's economic circumstances or in the country of residence, or for example, in the borrower's environment, are registered in a pre-watch list. Exposures on the pre-watch list are subject to particular observation. Depending on further development, these are either returned to normal loan processing or resubmitted to the watch list when needed. The watch list is divided into intensive and problem loans.

Loans in "intensive treatment" are defined as exposures bearing a latent risk of default and which are subject to a special observation. If, however, impairment of performance occurs, either through the non-payment of interest and/or loan instalments, some other breach of contract or notification of default, which would entitle the lender to serve notice to termination of such loan, such exposure is to be classified as a "problem loan". Special emphasis is placed on loans whose interest and/or principal payments are 90 days or more overdue. These loans will be specially checked for their continued viability. Depending on the result the assessment leads to an action plan with the aim of implementing specific measures to reduce the risk and/or to prevent them from occurring – e.g. restructuring, pledging of additional collateral, turnaround programmes, etc. If these measures are not successful, the processing of this account is assigned to employees specifically tasked with processing problem loans.

Management and the Supervisory Board are regularly informed in the risk report about the performance of accounts on the watch list and the effectiveness of initiated actions.

3.3 Market and liquidity risks

Market risks are determined through a change in market prices and rates, which are principally interest rates, foreign exchange rates and stock prices. For AKA, the interest rate risk and foreign currency risk are relevant in this context. In principle, it is the aim to avoid such risks by congruent refinancing of the lending business. As a non-trading book institution AKA does not conduct any transactions with the aim of realising additional revenue arising from changes in market prices. AKA also does not maintain a securities portfolio which would have to be allocated to the trading book. As a result, AKA has not established a trading book and has no trading limits.

AKA has concluded derivative contracts (interest rate swaps) with its associated banks to a minor extent (10 million EUR) exclusively to ensure refinancing of the lending business in a matching maturity manner. The risk arising from this may solely result from a possible default of counterparty.

Market risks are integrated in the risk-bearing capacity concept and subject to a limitation stipulated therein.

Interest rate risk: In order to control risks arising from changes in interest rates, AKA conducts sensitivity analysis monthly and quantifies their impact on asset positions and revenues.

On the one hand, this is accomplished by means of determining variations in the present value in the asset book according to the risk monitoring as required by the Federal Supervisory Authority for Financial Services (BaFin) by means of determining the implications on assets and liabilities to a sudden and unexpected change in interest rates. If a negative change in the present value, in scope with a stress test, exceeds a volume of 20 % of the regulatory capital, this indicates a significant interest rate risk (e.g. credit institute subject to an increased risk of default) which have to be disclosed to the Federal Supervisory Authority for Financial Services and the Deutsche Bundesbank. As at 31.12.2014 an interest rate coefficient of 7.7 % was determined using this methodical evaluation and thus is considerably below the relevant size. On the other hand, the impact on the earnings position which may arise from a sudden market-induced decline in interest rates needs to be ascertained. Furthermore, AKA quarterly applies a gap analysis in order to monitor long-term fixed interest rate periods. This provides information on interest rate periods of the loan and refinancing positions held. Besides the presentation of asset and liability surpluses in the respective periods, AKA also determines marginal interest rates, which are essential to arrive at a revenue-related equilibrium

Foreign currency risk: The monitoring of foreign currency risks is effected through congruent currency and maturity refinancing. A possibly remaining marginal foreign currency risk arises primarily from the valuation of receivables in line with an adequate risk provision on these loans. With regard to this, the foreign currency risk is low and of the regulatory capital amounts to 1.5 million EUR as at 31.12.2014 in accordance with the Capital Requirements Regulation (CRR).

Liquidity risk: According to AKA's risk definition, the concept of liquidity risk is divided into two risk groups:
– Insolvency risk;
– Liquidity maturity transformation risk.

Insolvency risk is defined as the risk that present and future payment obligations may not be fulfilled or not be repaid on due date. It includes the risk that refinancing cannot be effected or obtained only at higher market prices (refinancing risk) and that assets may only be liquidated with a discount (market liquidity risk).

The liquidity maturity transformation risk represents the risk that a loss may arise due to a variation in AKA's own refinancing curve (spread risk) with respect to the liquidity maturity transformation, within a predetermined period of time at a defined confidence level.

Refinancing sources: Due to AKA's special shareholder structure (shareholders of AKA are exclusively 19 renowned banks), AKA is able to secure the necessary refinancing for its lending business through its associated banks, even in difficult market phases. An important source of refinancing are loans granted by shareholders and non-shareholders. Besides, the associated banks also provide funds for short-term refinancing in the context of money market limits. In the past year, AKA was able to refinance ECA-covered loans at favourable interest rates by using funds from the cover registers of the shareholders. A further extension is in progress.

AKA also uses refinancing funds from customers of the public and private sectors in order to diversify the refinancing portfolio. These funds are accepted as fixed-term deposits and bonded loans. Unconfirmed lines for regular trading activities in fixed-term deposits are available with individual clients.
Accordingly, the refinancing structure of AKA is based on 3 pillars which have been used to the following extent:

	31 Dec 2014 million EUR	31 Dec 2013 million EUR
Shareholders	344	311
Non-shareholders	418	530
Publicly available funds	978	727
Total amount drawn	1,740	1,568

Short-term liquidity: In order to ensure financial solvency at all times, AKA has built up a liquidity reserve amounting to 146.7 million EUR as at 31.12.2014. A volume of 87.5 million EUR is invested in securities with variable interest rates and maturities of up to 1 year, which are acceptable as collateral by Deutsche Bundesbank (obligations by German federal states or institutions with equivalent collateral). Additional liquidity is deposited as overnight funds with Deutsche Bundesbank and/or associated banks. In the fourth quarter of 2014, cash reserves were extended to USD, as another essential currency in AKA's lending business, for the first time.

For the purpose of liquidity management, AKA conducts on regular basis liquidity calculations over a period of several months on the basis cash flows from loan transactions under consideration of future payment obligations. These calculations allow for three possible scenarios which may present different stress situations for AKA on the money and capital markets. Even in a "going-concern-scenario", which merely provides for financing through associated banks on the hitherto existing scale, AKA's capability to finance its business was secured permanently for any respective period throughout 2013.

In addition, monitoring of AKA's short-term liquidity risk is effected on the basis of performance indicators such as liquidity ratio, liquidity index in accordance with the German Liquidity Regulations (LiqV) and liquidity coverage ratio (LCR) pursuant to the Capital Requirements Regulation (CRR).

The liquidity coverage ratio is defined as the ratio of the stock of highly liquid assets to net cash outflows for the next 30 days. At the end of the year, highly liquid assets exceeded the net cash outflows and inflows, expected in January 2015, by the factor of 1.93. On an annual average, the LCR was 1.75. As of October 2015, the minimum ratio is 0.6, in accordance with the CRR.

The liquidity index defined as the relation of liquid assets to short term liabilities within the range of up to one month, according to the definition of the German Liquidity Regulations, was charged between 1.81 to 2.63 in 2014; as at the balance sheet date this figure amounted to 2.17. The liquidity is deemed adequate, if a value of 1 or higher is reached. In this maturity range a liquidity surplus amounting to 333 million EUR was recognised as at the balance sheet date.

The liquidity ratio is defined as the ratio of existing liquid assets, unrestricted money market lines and refinancing commitments to short term payment obligations within the range of up to 3 months. At the end of the fiscal year, AKA's liquid assets exceeded its payment obligations in the reported period by the factor of 2.2. During the course of the year, the coefficient varied from 1.7 to 3.1.

Long-term liquidity: The refinancing of the loan portfolio is largely effected under consideration of matching maturities. Maturity transformation is only possible in narrow confines as allowed by AKA's supervisory bodies and which are monitored permanently. During the previous fiscal year, the extent of maturity transformation was further reduced due to the market situation and thus the maturity transformation rested markedly below the permitted volume in course of the year.
The funding ratio, which reflects the ratio of refinancing funds to loan receivables with a maturity of notice of more than one year, is used for measuring and monitoring purposes. In the past financial year it fluctuated between 0.97 to 1.0, reaching the upper limit of 1.0 at the end of the year.

The risk of increasing refinancing costs which derives from the maturity transformation (spread risk) is regularly quantified and controlled. Within the scope of a standard scenario it is presumed that additional margins in favour of AKA double, compared with the prevailing level, and derives the associated impact on earnings. For 2014, the associated risks ranged between 0.7 million EUR and 0.3 million EUR. A potential spread risk of 0.3 million EUR was recorded at the end of the year.

Forward liquidity exposure and short or medium-term cash flow forecasts were drawn up to monitor liquidity risks. Within the scope of scenarios the effect of borrower and lender defaults is examined.

Essential parameters are communicated by means of a system of financial control. For the previous business year the following values were shown in comparison with business year 2013:

	31 Dec 2014	31 Dec 2013
Liquidity reserve (million EUR)	146.7	104.8
Liquidity Coverage Ratio Ratio of cash and highly liquid assets to net cash outflows in the next 30 days	1.93	1.09
Liquidity Index Ratio defined under LiqV Ratio of receivables to liabilities in the 1 month band under the Liquidity Regulation	2.17	1.95
Liquidity Ratio Ratio of receivables to liabilities in the 3 month band	2.18	2.10
Funding Ratio Ratio of refinancing funds to loan receivables with remaining maturities > 1 year	1.0	0.97
Spread risk standard scenario (million EUR)	0.3	0.9
Spread risk extreme scenario (million EUR)	2.4	6.3
Interest rate risk (million EUR)	1.4	1.4

3.4 Risk provisioning

AKA makes adequate allowances for all identifiable risks of its banking business. The departments of Credit Risk Management/Controlling, Loan Administration and Accounting are involved in the determining process of risk provisions.

Country risk provisions (LWB): In accordance with its risk strategy, country risk provisions are the central element of AKA's risk provisioning. Country risk provisions are made for loan exposures in those countries where urgent country risks exist. Thereby the assessment of the amount of the respective country risk provisions is aligned to the valuate adjustment rates published by the German Federal Ministry of Finance (BMF). Risk provisions are usually not made for country risks with a remaining maturity of less than 12 months. The specification of the extent of the risk provision for long-term loans is determined within the acceptable range for single loan loss provisions, based on the so-called "rating model" developed by the German Federal Ministry of Finance. In case the borrower-related risk is assessed to be higher than the country risk, the former will be the basis for a higher risk provision, however within the acceptable range for single loan loss provisions.

Other risk provisions for urgent risks: For loans which are not solely based on the economic performance of the borrower, but are additionally subject to collaterals arising from revenues from existing purchase agreements and/or project cash flows which do not exclude, however conversion, transfer as well as garnishment and moratoria risks, the country risk provisions of the BMF will be considered according to the country rating by the country domiciles of the supplier with a discount of 25 % to 33 % maximum. For structured financing, this means financing which serves advanced financing of raw material exports from emerging markets and exclude conversion, transfer, garnishment and moratoria risks, AKA has defined two risk categories under conside-ration of the immanent risks for these transactions. Depending on the assessment of the political stability, these loans are adjusted at 5 % or 10 %.

Single allowance for bad debt (EWB): Single allowances for bad debts will be built for loans, where it will be possible that the company will not receive all contractually agreed interest and redemption payments in course of business after detailed examinations.

Depending on the rating of the borrower, the collateral provided and, if applicable, under consideration of probable restructuring measures, a real time allowance amounting to the potential loss will be made. Credit Risk Management/Controlling, in coordination with the Managing Directors, is responsible for the determination of the coverage required.

Value adjustments/provisions for inherent default risks: Value adjustments and provisions for inherent default risks are generally made for all loans which are not assessed as acutely impaired. For these loans, AKA builds lump-sum provisions which are determined in terms of commercial law, unless tax regulations do not lead to higher assessments. The detailed development of the risk allowance in the past year is shown as follows:

	2014 million EUR		2013 million EUR	
	EWB	LWB	EWB	LWB
Value adjustments for loans				
Carry-forward on 01 Jan	11,1	21,0	10,2	25,6
Utilisation	4,7	0,0	0,6	0,0
Reversal	4,7	8,8	0,8	12,5
Newly provided	7,9	12,1	2,2	7,9
Reclassification	+ 0,8	- 0,8	0,0	0,0
31 Dec	10,4	23,5	11,0	21,0
Provisions for credit losses				
Carry-forward on 01 Jan	5,0	6,9	4,3	4,9
Utilisation	0,0	0,0	0,0	0,0
Reversal	0,3	6,6	0,3	2,5
Newly provided	1,0	1,8	1,0	4,5
Reclassification	- 3,5	+ 3,5	0,0	0,0
31 Dec	2,2	5,5	5,0	6,9
Lump-sum value adjustments	0,8		0,8	
Total risk provisions	42,4		44,7	

AKA was able to dissolve value adjustments amounting to 15.4 million EUR in connection with country risk provisions. Due to the structure of new business, a higher allocation to country risk provisions, amounting to 13.9 million EUR, was required in 2014 . In the previous financial year, 0.8 million EUR were allocated to single allowances for bad debts. At the end of the year value adjustments amounted to EUR 29.0 million.
Single allowances for bad debts and provisions for credit risks were dissolved in the amount of 5.0 million EUR and an amount of 8.9 million EUR was newly accrued. 3.5 million EUR were allocated to country risk provisions during the year. Risk provisions in the amount of EUR 4.7 million were utilised as a result of an asset sale. Risk provisions totalled 12.6 million EUR.

Provision for general banking risks: For general banking risks AKA has appropriated a provision in accordance with § 340f HGB, which remained unchanged in 2014 at 16.1 million EUR.

3.5 Other and non-quantifiable types of risk

Operational risks: According to the regulations of the German Federal Financial Supervisory Authority (BaFin), AKA defines operational risk as the threat of losses which may occur due to the inappropriateness and/or failure of internal processes, people and systems or through external incidents or calamities. The definition includes legal and technological risks.

The CRR provides various approaches for calculating regulatory capital necessary to back operational risk. For reporting purposes, AKA uses the Basic Indicator Approach (BIA). The identification of the underlying equity is made on the basis of an indicator for the estimation of the risk, which is representative for the entire operational risk of AKA.

An equity limit in the amount of 5.1 million EUR has been allocated for AKA's operational risk. The calculatory value identified according to the Basic Indicator Approach, which AKA takes as a basis for capital backing for operational risks according to the CRR, was 4.5 million EUR throughout the reporting year (2013: 4.2 million EUR).

The operational management is in the responsibility of each individual department. The Credit Risk Management/Controlling department coordinates and monitors the management of operational risks.
Damages which have occurred and amounting to more than 1,500 EUR are recorded in a respective databank and communicated to the management and Heads of Departments by means of a regularly compiled risk report. Damages amounting to more than 0.01 million EUR are reported immediately.
Damages incurred are appropriately analysed and investigated as to possible adjustments of work processes and responsibilities; if necessary, the former of these will be adapted to avoid repetitions in the future.

Summary of the results of the risk inventory in 2014 and its review by the Risk Committee for the purpose of a qualitative evaluation: As part of the annual risk inventory for all essential, non-quantifiable risks in 2014, an ascertainment of operational risks was again carried out affecting all departments as well as the management of AKA within a scope of a self-assessment (SA) process.
All departments were questioned in writing to assess their risks as well for 2014 as for the entire year 2015 as a forward-looking evaluation.
The reports from the individual departments were consolidated, evaluated, checked by Credit Risk Management/Controlling department for plausibility and pooled into an overall conclusion. The entire bank-related results are discussed for qualitative evaluation and final reconciliation during a Risk Committee meeting with all the department heads and the management. If necessary, appropriate risk mitigating steps for implementation will be proposed to the management. In fiscal year 2014, an operational loss in the amount of 0.13 million EUR was incurred in connections with a currency transaction due to an improperly executed remittance by one of our business partners.
In line with a stress test internally conducted, a maximum amount of 5 million EUR – as in previous year – was identified for AKA.

Legal risk: the legal risk is also subsumed under the operational risk. It includes consulting risks, litigation risks, risks of illegal, invalid or unenforceable credit and/or collateral agreements, liability risks resulting from breaches of foreign or international law and regulatory risks. It is the responsibility of the legal department to proactively identify potential legal risks and to implement potential solutions to prevent, reduce or eliminate these, possibly in consultation with management. All contracts and other documents with legally binding effect can be used for operational purposes only after approval by the legal department. Corresponding processes ensure that functional departments involve the legal department.

IT risks: IT risks are another component of operational risk. In order to recognise IT risks, the bank has established an early warning system for risk detection, analysis, evaluation and communication. CRM/CO communicates risks identified by the system in its monthly controlling report to the executives and all managers in charge of the bank.

The early detection method includes procedures for "individual data processing" (IDV) in the departments as well as the management of user rights. A catalogue of all IDV applications was collected and rated as part of the risk inventory 2014 CRM/CO.

In addition to providing a secure infrastructure for a consistent database, the task of the IT department is to ensure high availability of the IT systems for on-going operations. This requires a target availability of 99.9 % for mission-critical application software, IT systems are also continuously adjusted to the required business process changes, as well as the changing legal requirements, where appropriate.

In addition to the standard systems, AKA has instituted detailed emergency arrangements for infrastructure and IT based on a risk policy that is part of the risk strategy. It includes processes, procedures and concepts for standard and emergency operation, including the necessary documentation similar to the standard 100-4 of the Federal Office for Information Security (BSI). Emergency arrangements undergo an annual adequacy check and are updated as needed based on a live test.

In September 2014, an external specialised service provider conducted a penetration test on the installed firewall according to the methodology of the BSI. No critical vulnerabilities were identified, and no negative findings were made. A higher security level that handles incoming and outgoing connections very restrictively was attested for the demilitarised zone (DMZ) accessible from the Internet firewall.

In addition to backup/restore tests to verify the backup, the following emergency tests were carried out with the involvement of the departments during 2014:

– In February, a failover test of payment processing systems (mandatory);
– In January 2014, a failover test of the central credit application;
– In November 2014, a failover test of the email environment;
– In November 2014, an emergency drill for the loss of all data centres and offices in the Rhine-Main area.

The results of the emergency tests and emergency drills led to no significant negative findings.
The improvement suggestions from the departments on the basis of the findings obtained during the emergency drill were included in a catalogue of measures in 2015.

Non-quantifiable risk types
Reputation risk: Reputation risks are part of the non-quantifiable risk sector. Reputation risks may lead to damage to the bank's trustworthiness. This would affect the shareholders of the bank, its business partners and the general public. Against this background all arrangements and activities of the bank will be carefully judged and decided in view of the external impact but also vis-à-vis the business partners involved and our shareholder banks.

Business and business strategy risks: Business risks are defined as unexpected negative deviations from the business plan as regards interest and fee revenues and operational expen-diture due to deteriorating market conditions, changes in the competitive position and/or customers' attitudes, but also due to possible changes within the legal framework. Strategic risks comprise the threat to the long-term success of the bank.

The responsibility for the strategic management rests with the management which defines, determines and implements the strategic goals in cooperation with the Supervisory Board.

The risk strategy of AKA which covers all types of risk is defined by the management on the basis of the business strategy as agreed with the Supervisory Board, reviewed once annually and, if necessary, also in agreement with the Supervisory Board, adapted to the new requirements.

The business policy of AKA is aligned to the needs of the shareholder banks. It is continuously reviewed on the basis of the placements by the shareholders and validated in regular meetings with these banks and updated, if necessary.

In addition to ensure a continuous processing capability of managing counterparty risks, the focus is on the demand-driven expansion of the range of loan products offered, as well as a further orientation of AKA as a service provider for its shareholder banks with respect to the adaption of administrative activities.

Compliance risks: AKA considers and monitors compliance with the applicable statutory, regulatory and internal requirements as part of its global operations. In addition to the risk analysis of AKA, this specifically includes national laws against insider trading and money laundering as well as embargo monitoring. These risks play a very minor role since AKA is not a securities brokerage firm and processes no cash payments.

The compliance function also includes compliance with regulatory requirements for the prevention of fraudulent acts directed against the company, as well as data protection. AKA has tasked its compliance officer with the continuous performance of the compliance function.

3.6 Risk reporting and communication

The reporting about all risks which are material to the business operations of AKA is effected by means of a regularly compiled risk report through controlling. The aim of reporting is too early and extensively indicate developments which require an allowance in terms of risk and business monitoring activities in order to attain the business objectives.

With regard to MaRisk and CRR, the report serves as a continuous control and monitoring tool at portfolio level with the special focus on the elements relevant for AKA. Essentially these include quantifiable risks, in particular the counterparty default risks, the development of the currency, refinance, liquidity and operational risks, as the basis for identifying and restricting concentration risks. Part of risk/controlling reporting also involves an evaluation of all significant but unquantifiable risks, which are recorded once a year in a risk inventory as part of a self-assessment. They are then assessed and – if necessary – addressed by way of resolutions and subsequent implementation of risk-reducing measures.

The MaRisk-compliant risk/controlling report is itself divided into the following topics:

– Development of business
– Situation of earnings
– Risk management
– Risk-bearing capacity
– Definition and calculation of stress tests
– Credit risks, including watch list
– Market price risks
– Liquidity risk
– Operational risk

The contents and/or the extent of the report are adjusted according to the course of business as well as to the risk progression.

The risk/controlling report contains first a summary of the most important early findings and recommendations in the form of a cockpit. The statements are supported by a traffic light system.

The report informs the management, the head of internal audit as well as all members of the management team of the bank. The heads of departments as well as other specialized seniors receive the report in view of their subject related involvement in the business and risk management.

On the basis of the report format (usually 5 times a year), information is also provided to the Supervisory Board and the Risk Committee, and to regulatory authorities on a quarterly basis. The report is periodically reviewed by the Risk Committee and adapted to new reporting requirements as necessary.

Ad-hoc information, emergencies and crises: The management will be informed immediately about essential changes in the risk position which emerge at short-notice, such as the violation of large exposure limits, violation of credit limits by more than 10 % or potentially foreseeable liquidity shortages.

In the aforementioned events, management provides the relevant information at first to the Chairman of the Supervisory Board according to a procedure agreed upon with the Supervisory Board, either by telephone or by e-mail. The further course of action, such as the information of the Risk Committee and the other members of the Supervisory Board will then be determined in cooperation with the Chairman.

In order to cope with extraordinary situations such as emergencies and crises, the bank has allowed for suitable precautions which are separately documented. The document foresees, among others, that it is the function of the management to decide whether such an emergency or crisis situation has occurred and, if applicable, which action needs to be initiated.

3.7 Implementation of regulatory requirements

Within the scope of risk management, AKA pursues the development in the international and national boards with regard to the regulatory requirements for financial institutions and consequently strives to implement these as early as possible.

EU Directive No. 575/2013 of the European Parliament and of the Commission dated 27 June 2013 introduced and redesigned requirements. They have been thoroughly analysed in consideration of exigencies and implications with regard to AKA and appropriate actions are derived thereof. The enforcement of CRR and CRD IV as of 01 January 2014 has resulted in new, additional reporting requirements, the modification of existing as well as the introduction of new indicators that are currently subject to a monitoring phase. The in this context newly developed indicators for indebtedness (leverage ratio) and liquidity (liquidity coverage ratio and net stable funding ratio) are currently calculated regularly and are an element of the risk report, which is compiled monthly by Credit Risk Management/Controlling as a basis for business and risk monitoring.

AKA consistently meets the stringent qualitative and quantitative requirements for equity capital funding as well as the requirements of the leverage ratio. In 2009, the bank already established a liquidity provision in response to market developments and the volatility of expected cash flows. As a result, the bank currently already meets the liquidity coverage ratio requirements, so that the transition periods for the legal implementation do not apply in this case. The final definition of the net stable funding ratio (NSFR) is still outstanding, thus only the adherence to the NSFR definition known to the public may be examined and/or fulfilled.

In the course of the update of the business strategy in 2012 and the new multi-annual business plan compiled simultaneously, the abidance of all regulatory requirements was examined and considered accordingly in the context of corresponding simulation processes.

4. Net assets and financial position

As at 31 December 2013 AKA's total assets amounting to 2,787 billion EUR remained almost unchanged compared with the previous year (2,796 billion EUR on 31 Dec 2013). The business volume – including contingent liabilities and other commitments – decreased by 1.8 % to 3,812 billion EUR. After adjusting for changes and special effects arising from AKA's trust business, the business volume increased by 0.7 %.

An increase of 35.9 million EUR to 378.8 million EUR was recorded in letter of credit, guarantee obligations and guarantee transactions involving risk elements with contingent liabilities from guarantees. Irrevocable loan commitments, disclosed under other obligations, dropped by 98.4 million EUR to 645.5 million EUR.

Loans and advances to banks and customers constitute the essential asset positions and result from the lending business of the bank. They increased in the past financial year by 49.1 million EUR to 1,978 billion EUR. To refinance such assets, the bank has available liabilities to banks amounting to 1,667 billion EUR and liabilities to customers amounting to 227.1 million EUR. The loan volume with banks rose by 180.7 million EUR and the part of the business which is financed by customers decreased by 91.2 million EUR.

Trust assets, administered by AKA for third parties, comprising essentially indemnified loans and CIRR loans, which were concluded until 2010, has declined by 92.4 million EUR to 667.5 million EUR as at the balance sheet date.

Trust assets are offset by matching trust liabilities.

Debenture bonds and other fixed-income securities essentially contain securities with variable interest rates of impeccable creditworthiness, which are eligible as collateral with Deutsche Bundesbank and constitute the major part of AKA's liquidity reserve.

At the balance sheet date they amounted to 87.5 million EUR.

The debit difference resulting from asset offsetting represents the carrying amount of fund assets in excess of the settlement value of pension provisions.
The fund assets transferred to a trustee in form of a CTA amounted to 22,554 thousand EUR at the balance sheet date. The acquisition costs of the settled shares amounted to 22,666 thousand EUR. The settlement amount of pension provision amounts to 21,085 thousand EUR.

AKA's equity is composed of the subscribed and fully paid in capital of 20.5 million EUR and the revenue reserves. As of 01 Jan 2014 revenue reserves increased to 166.4 million EUR, the net profit of 14.1 million EUR is applied as follows: 10.0 million EUR are appropriate to further strengthen the revenue reserves which now amount to 176.4 million EUR.The balance sheet profit of 4.1 million EUR is intended for distribution to the shareholders.

Thus AKA has a core capital of 196.7 million EUR available, which is sufficient to realise the planned business under both the consideration of capital utilisation in accordance with EU Directive No. 575/2013 (CRR) as well as in terms of the leverage ratio as planned in the Basle III Accord based on a period of 24 months.

Specific occurences after the balance sheet date, which may have an impact on the net assets and earnings position of the bank, did not emerge.

5. Earnings position

The result for the fiscal year 2014 is characterised by increasing revenues from loan transactions.

The interest result for the previous financial year rose by 4.4 million EUR or 18.3 % compared with the fiscal year 2013, and now amounts to 28.5 million EUR. The increase of the average loan volume as well as the increase in the margins, despite a decline in market interest rates compared to the previous year, had an essential part in this development.

Net fee and commission income increased by 13.6 % to 7.1 million EUR as compared to the previous financial year. The increase results from the extension of short-term trade financing, particularly in confirmations of letters of credit. Compared to the year before, the contribution of the administration of trust receivables to AKA's net fee and commission income remained unchanged.

Overall, the result from lending rose by 17.3 % from 30.3 million EUR to 35.6 million EUR. With an increase of 5.5 million EUR to 33.8 million EUR, the net earnings from lending, as an important performance indicator, also developed positively. This represents a further improvement of 3.1 million EUR or 10.1 % compared with the 2014 budgets. Compared with the business plan, higher volumes and improved margins in the lending business contributed to the positive performance.

In 2014, general administrative expenses increased by 0.9 million EUR due to higher personnel costs and other administrative expenses.

The operating result rose to 22.2 million EUR, an increase of 4.3 million EUR compared with the prior year.

The cost income ratio (CIR) is a key performance indicator for AKA. In the past year, the ratio of administrative expenses to net interest income and net fee and commission income decreased from 41 % to 38 %. Compared with the 2014 budget, which included a maintenence of CIR at the level of the previous year, the improvement was based on AKA's improved earnings position during the previous fiscal year in accordance with the adherence of administrative cost budgeting.

Other operating expenditure largely contain interest rate-induced charges for pension provisions, whereas other operating revenues originate from reimbursement of costs related to affiliated companies, the valuation of actuarial capital, and the reversal of accruals.

AKA has appropriately allowed for risks arising from loan transactions in the 2014 annual financial statements. This resulted in a net allocation of 2.5 million EUR. In balance risk provisions for country risk amounting to 1.6 million EUR were dissolved. This was offset by expenses for credit risks of 3.9 million EUR. A depreciation of 0.1 million EUR was registered for the securities portfolio.

After the deducation of profit-related taxes which were considerably lower than previous year, AKA was able to post a net profit for the fiscal year 2014 of 14.1 million EUR. This figure was significantly above the target value of the long term business plan of 7 million EUR. The return on investment as the ratio of net profit to AKAs total assets saw a significant improvement from 0.4 % in 2013 to 0.5 % in the previous fiscal year.

AKA was able to improve the pre-tax return on equity as the third performance indicator of the bank from 10.0 % to 10.3 %. It is determined as the ratio of pre-tax net profit to the equity available at the beginning of the year less the distributable profit to the shareholders. With regard to the annual plan this represents an increase of 21 % which stipulated a pre-tax return on equity of 8.5 %. In addition to the improved earnings performance, in compliance with the provided administrative budget a reduced demand for risk provisioning also had a positive impact on the return on equity.

Earnings position	2014	2013		Changes
	million EUR	million EUR	million EUR	%
Net interest income	28.5	24.1	+ 4.4	+ 18.3
Net fee and commission income	7.1	6.3	+ 0.8	+ 13.6
Administrative expenses (including depreciation)	13.4	12.5	+ 0.9	+ 7.2
Operating result	22.2	17.9	+ 4.3	+ 24.4
Other income/expenses	– 0.5	– 0.5	0.0	– 0.0
Risk provision	– 2.5	+ 0.5	– 3.0	–525.2
Corporate tax	– 5.2	– 6.7	– 1.5	– 23.3
Net profit	14.1	11.2	+ 2.9	+ 25.7
Net earnings from lending business	33.8	28.3	+ 5.5	19.2
Cost-income ratio adjusted	38 %	41 %	– 3 %	– 8.7
Return on equity (pre-tax)	10.3 %	10.0 %	+0.3 %	+ 3.3

6. Committees and human resources

Committees: According to the corporate charter, the Supervisory Board of the bank comprises at least 6 and is currently made up of 10 representatives of shareholder banks. In accordance with regulatory requirements, it monitors and advises management about business affairs and according to the corporate charter also makes policy decisions related to lending.
To increase its efficiency, the Supervisory Board has formed committees to assist it in its work.

The Risk Committee specifically advises the Supervisory Board and management on issues of risk assessment, risk management and risk control. In addition, the committee is also concerned with the strategic direction of the Bank.

The Nomination and Remuneration Control Committee (NVKA) is composed of the Chairman of the Board and his representatives on the Supervisory Board. Its mission is to support the Supervisory Board and management on all basic human resources issues under its authority in accordance with the corporate charter, and also with the appointment of executives.

There is also a Chairman's Committee with similar composition to the NVKA that meets occasionally.

The bank has established a human resources (HR) board. It consists of the heads of the department and a representative of the human resources department and addresses the human resources work of the bank in coordination with the strategies and objectives of management. Human resources policy issues of strategic importance are first discussed and then prioritised before appropriate decision recommendations are submitted to management.

The pension fund of AKA was spun off in 2007 in agreement with the Supervisory Board as part of a CTA. Because the investment performance fell well short of forecasts and expectations, a decision was made in 2012 to transfer the pension fund to a CTA managed by AKA in-house. In autumn of 2013, AKA founded AKA Treuhand e.V. and invested the previously segregated balance sheet portion of these pension assets into this CTA.

Human resources: The basis of human resources management are the business strategy as well as the guidelines and principles of AKA. Moreover, proven methods are retained and recent developments in human resources and health management are closely monitored and checked for their suitability to AKA. The improved results from the employee survey conducted in 2014 showed that employees praise, criticism and suggestions from the previous survey were taken seriously and addressed in a solution-oriented manner.

Training: It is the aim of AKA to promote the professional and personal development of its employees in order to prepare them for their assignments. In 2014, this was also again the focus of human resources work. In total, 58 % of employees attended at least one training course or congress in 2014. Also, due to a number of new regulatory requirements and regulatory and legislative changes, the proportion of professional training was 75 %. The human resources development programme (PEP) with its four modules was continued. AKA continued to expand its intensive human resources development and employee qualification efforts in an objective-driven manner.

Personnel structure: At year-end, AKA had 88 (2013: 85) employees. Taking into account employees on parental leave and part-time employees, the active headcount capacity – converted to full-time employees – was 76.56 versus 72.94 in the previous year.

The proportion of exempt employees is 49 % (2013: 45 %), and the average age of all employees is approximately 45 years (2013: 44 years). The average length of service is 11 years (2013: 12 years) and the proportion of employees with more than 10 years of seniority at AKA is 45.5 %. The turnover rate has decreased slightly.

Work-life balance: AKA is increasingly focusing on promoting a proper balance between work and family life. In implementing the corporate philosophy, opportunities for part-time employment are offered that are currently used by 30 % of employees. AKA has also signed a cooperation agreement with the pme family service to offer employees support in the areas of child care, home/elderly care and various other areas.

Diversity: By signing the diversity charter in 2007, AKA publicity stressed the importance the bank places on cultural diversity, openness and mutual respect. In 2014, the share of employees with an international background has increased from 24 % to 26 %. For AKA, as a specialised credit institution focused on financing international trade transactions, the cultural diversity of its employees is one of its great strengths. Cultural diversity is seen as an asset that contributes significantly to creativity and quality.

AKA thanks all its employees for their initiative, commitment and identification with our company. AKA is convinced that the knowledge, skills and dedication of our employees is a strong foundation to continue successfully building AKA into the future.

7. Outlook

In 2014, AKA was again able to expand all sectors of its short, medium and long-term international trade finance business, and the key financial performance indicators have continued to improve in 2014 compared to the previous year. The business performance expectations for 2014 outlined in the annual report for fiscal year 2013 were not only met but greatly exceeded in some cases.

AKA continued to place its central focus on funding and the assumption of risk with links to the real economy, and a regional focus on emerging markets. The systematic pursuit of this business policy direction also determines the planning of activities and income for 2015. The most important related influencing parameters are the development of German foreign trade activities, the economic and political conditions in target markets, and the overall development of global trading volume. Estimates are based on forecasts from economic research institutes and international rating agencies, in addition to forecasts from the federal government and supranational institutions, which were used as the basis for planning activities and compared with our own expectations.

Assuming positive trends for German exports and world trade, AKA's outlook for 2015 focuses on counter-cyclical movements in individual target countries in emerging markets important to AKA.
Positive trends are expected for the German economy and exports. For 2015, experts predict that the German economy will grow in a range of 1 % – 1.6 %. Lower oil and commodity prices will have a positive effect for a commodity importing country like Germany. The weaker Euro against the US Dollar is also expected to have a positive impact on German exports, which are expected to increase by about 5 % over the previous year.

The prospects for world trade as a whole continue to be favourable with projected growth rates of 3 % or more. The economic recovery in the US with an expected growth of 3.1 % is seen as one of the key drivers. But growth of 4.1 % is also predicted for emerging markets as a whole.

However, on closer inspection, discrepancies in emerging markets indicate unequal growth prospects, resulting in particular from the sharp decline in commodity prices, with oil leading the way. Petroleum exporting countries, whose national budgets depend greatly on oil exports, will be adversely affected, while oil importing countries will be affected by the reduction in commodity prices, which is beneficial for national economic strength. This positive effect will be felt especially by the major economies of Asia.

Russia is traditionally an important target market in German foreign trade for specific industries such as machinery and process equipment. Political and economic factors will equally lead to a significantly negative outlook for the Russian economy and – by virtue of the EU economic sanctions imposed as a result of the Ukraine conflict – force a reduction of involvement in international trade. A recession is expected for the Russian economy in 2015. Due to the close regional economic integration within the CIS region, this will also have a negative impact on economic conditions for the countries in the region.

In the overall analysis, AKA expects slower growth for its export and trade-oriented business in emerging markets when compared with the two previous years. A contraction is expected for the traditionally important markets of the CIS region. AKA will seek to offset this effect by an even greater diversification of target countries in other regions, and to reach values on par with the previous year from new business and from lending income.

AKA will continue its conservative approach to managing liquidity in 2015 by refinancing its credit operations with matching currency and maturity dates whenever possible, and also by complying with all regulatory ratios.

In 2014, refinancing options were expanded and diversified with institutional and non-institutional partners. The basis for the funding requirements of AKA in terms of size, maturity bands and currencies – especially Euro and USD – will therefore remain stable for the coming fiscal year.

Regarding the interest environment in the Euro zone, interest rates are expected to remain low in 2015. For AKA, the currently low returns on federal bonds and negative interest rates on deposits with the Bundesbank are generate costs for maintaining an adequate liquidity reserve equivalent to the volume of the previous year.

AKA assumes payroll and administrative costs for 2015 to increase by an amount comparable to 2014. These are based on the selective recruitment of staff and in the context of responding to increasing regulatory requirements.

In summary, AKA has budgeted new business volume of around 1.6 billion EUR for 2015. This will involve an investment grade share target for long-term financing business in the amount of at least 34 %. In terms of net income from lending, the result is expected to be slightly higher than last year. With regard to the development of the cost-income ratio, AKA expects a ratio of about 40 % in 2015. This corresponds to the value planned for 2014, which was outperformed due to the very favourable business performance. Taking into account the loan loss provisions reflected in the business performance budgeted for 2015, net income before taxes as well as return on equity before taxes are expected at the level of the previous year.

In 2015, AKA will replace the existing multi-year business plan for the period 2012 – 2016 by a plan for the fiscal years 2015 – 2019. These will reflect the changes already evident in 2014 in the market environment as a result of political crises – such as the Ukraine-conflict and instability in the Middle East – as well as the global economic conditions. AKA will continue the policy dialogue with the Supervisory Board in 2015 and also reflect the results of these discussions in the multi-year plan.

In addition to the normal course of business, fiscal year 2015 will again be influenced by monitoring the changes and implementation of the regulatory framework, and the bank assumes that this will result in a sustained increase of committed resources. Following the implementation of Basle III regulations in the form of CRR and CRD IV, and the continued publication of the EBA in the form technical standards, an amendment to the German Minimum Requirements for Risk Management (MaRisk) will be announced in 2015. General regulatory audit practices require placing a focus on regulatory compliance of the IT environment of financial institutions. In 2015, the actions resulting from these issues will also force AKA to commit increased personnel and operating expenses.

Following the successful debut in 2014, AKA again plans to hold an Investor Day in 2015. The Investor Day is an opportunity to solidify existing relationships with business partners and to continue building the network outside of the shareholder base, particularly for the purpose of diversifying sources of funding.

As in previous years, AKA will again perform its role in 2015 as a multiplier in foreign issues of importance to German trade and help to shape the discourse in committees such as Hermes-IMA or the association of German federal states.

Frankfurt (Main), 27 February 2015

The management of AKA Ausfuhrkredit Gesellschaft mbH

Marck Wengrzik Beate Bischoff Rüdiger Eggert

Export finance architecture as a guarantor for stability – the Berne Union Secretariats perspective

2014 was a remarkable year for medium to long-term export financing:

i. Regarding the existing competition for export financing and and the resulting market prices, a large number of European operators have been reminded of the times before the global financial crisis.

ii. In a highly regulated environment for banks, including an increasingly important compliance obligation in cross-border lending to prevent money laundering, the implementation of sanctions or international tax compliance have had a negative long-term effect on the costs of the business initiation process and the credit management.

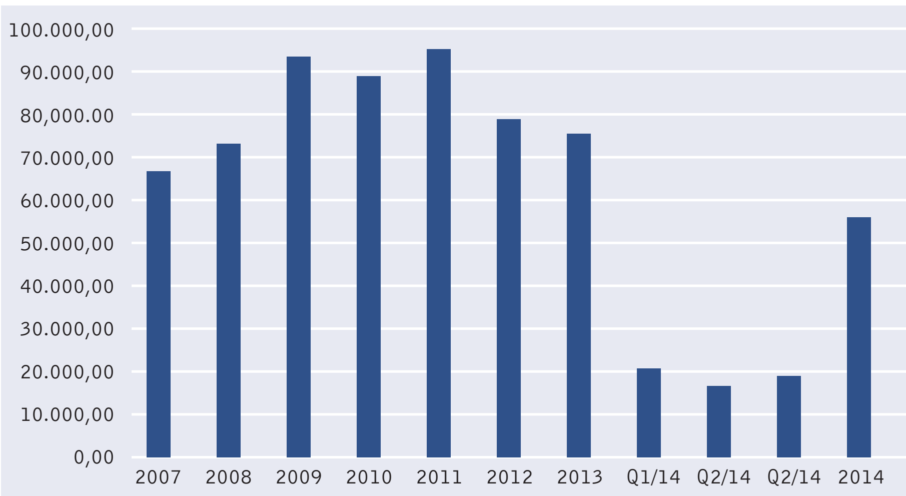
iii. The systematic assessment of product-specific balance sheet risks by the Banking Commission of the International Chamber of Commerce (ICC), as well as intensive educative efforts by the European Banking Federation (EBF) towards European regulators resulted in an initial understanding reached with policy makers about the specific features of ECA-backed export financing.

Depending on the different perspectives of exporters, borrowers, banks or credit insurers, the causes and effects of this development will of course be perceived and evaluated differently. The reasons for the current market situation are various and should certainly be viewed partly as the result of a return to normality in financial markets.

This article does not claim to fully elaborate on these different perspectives nor to provide a fully comprehensive overview of the market segment, but takes a look at the strengths and weaknesses of the infrastructure of export-financing.

The relative product strength underpinned by seven years of strong growth: With the outbreak of the global financial crisis, ECA-backed export financing experienced a strong renaissance around the world. Members of the Berne Union, the Association of International Export and Investment Credit Insurers, reported for the medium/long-term a total portfolio of 450 billion USD in the fiscal year 2008 (European ECAs: approx. 255 billion USD), which rose by the end of 2013 to 657 billion USD (Europe: 350 billion USD). After this very strong growth, which is definitely to be classified as anti-cyclical in relative comparison with other long-term financial products, first indicators suggest that a plateau might have been reached, or may even have already been partly exceeded.

At the end of the third quarter of 2014, the members of the Berne Union reported a total portfolio of medium/long-term export credit cover (including direct loans) worldwide in the amount of 649 billion USD and from Europe in the amount of 339 billion USD.



New business European ECAs from 2007 to Q3/2014

Source: Berne Union

The new business development of the European ECAs rose sharply by 29.6 % (2008: 73.7 billion USD, 2011: 95.6 billion USD) between 2008 and 2011, but is now showing a downward trend, albeit consistently well above the pre-crisis level.

In hindsight, the impressive stability of these loan volumes has to be noted, especially in relative comparison to other bank financing products. Strengthened by special refinancing (schemes) for export loans for example in Germany from KfW, continuing product enhancements of the ECAs required for capital market investors with funding guarantees in a variety of countries (beside Germany, for example Belgium, the Netherlands and Denmark), and also supported by specialised institutions such as AKA and KfW IPEX Bank in Germany or, for example, OeKB in Austria and SEK in Sweden, the increased demand from today's perspective was absorbed by the market comparatively well.

An additional option, already used in Germany for more than 30 years and in Austria, is to refinance export credit transactions through the asset covered bond programmes of local banks licenced accordingly.

However, the unique value proposition of specialised service providers such as AKA and SEK – both with different underlying directions – goes far beyond a mere capacity expansion for the banks: it is the high degree of specialisation in export finance that provides these platforms with above average know how and expertise on specific ECA programmes and import markets.

Challenges need to be addressed: One of the other great strengths of covered loans is the partnership-based compensation practices of ECAs highly valued by banks and exporters, not only for contractual guarantees, but also for credit insurance. These compensation practices are accompanied by clearly documented, on-going compliance requirements for cover holders, which generally reflect the obligations of the counterparties.

Combined with the Basle II regulation, which imposes on ECA backed products a very low risk weighting and thus minimal capital requirements compared to other credit products, this resulted in above average attractiveness for lenders in virtually all OECD countries.

Even if the following thesis is likely to be somewhat controversial: due to the aforementioned attractiveness attributes, medium/long-term export finance providers have in the past tended to subscribe to the occasionally self-imposed assumption that their knowledge of these product characteristics must also represent general knowledge for regulators, policymakers, capital market investors and risk managers.

When presenting the Basle III rules, however, it became painfully obvious that from a regulatory perspective no "ECA-credit" product of any kind existed.

Especially when compared to short-term trade finance products and capital market-eligible credit alternatives, there was a lack of standards and harmonisation. Furthermore there was no sustainable empirical evidence by which the low probability of loss of export loans could be proven. In this regard, both bank and ECA representatives encountered strong resistance by regulators, still under the impression of the impact of the global financial crisis: without publicly available hard data, compiled by several banks, there would be no consideration of a special treatment for this financial product.

The ICC Trade Register – empirical evidence of the low risk of loss: Finally, in 2012, a group of export financing banks, followed the good example that had been established in

2009 by their trade finance colleagues: in close cooperation with the Banking Commission of the ICC a product-specific data register was created to facilitate systematic evidence regarding the probability of default, the amount of loss in the event of default, and ultimately the (average) expected loss for export loans.

In 2014 some 14 banks from Europe, the US, Asia and Australia could establish a reliable data base by providing information for a period of 7 years from about 20,000 transactions with more than 8,000 borrowers.
For the first time, the unique selling proposition of export financing was empirically demonstrated even if this had been anecdotally known to specialised service providers for a long time: if backed by guarantees or credit covers of ECAs in the OECD, expected losses on export loans for the bank providing ECA covered loans are smaller than on bonds with the best risk ratings. In addition, the probability of default was lower than for borrowers with comparable ratings without ECA backing.
In other words, it appears that the very presence of ECAs in a transaction positively affects the behaviour of borrowers in distressed situations (which is so far insufficiently reflected in the OECD premium model).

Therefore, the ICC Trade Register is an excellent example of how focused multi-bank commitment can be a very worthwhile investment. At the same time, there is no reason to be satisfied with the robustness of the obtained statistical data: to be recognised as a special "asset class" in the future, regulatory rules require permanent, hard evidence of special risk features of export loans. Each market participant therefore has a vested interest to contribute toward data consistency. The ICC Trade Register is an indispensable tool for decision makers in export financing, taking part results in a significant contribution toward shareholder and client benefit based on prima facie evidence that individual banks cannot validate with their own data.

Using joint platforms to increase efficiency – even for export financing: The international trade finance market certainly has examples that demonstrate the benefits of information platforms. The KYC – Know Your Customer initiative of SWIFT, the Society for Worldwide Interbank Financial Telecommunication to mention just an example, illustrates this. Therein via a shared database compliance challenges can be addressed and costs for initial KYC checks and on-going monitoring can be reduced. Each user can thus use a standardised access point for information, but supplement it at any time with its own documentation.

Going forward, a joint platform could make a significant contribution toward increased efficiency and effectiveness, reduce operational risk, help to improve information processing and address existing or potential gaps in the trade financing product range.

In banks a client-oriented process architecture in a highly regulated environment leads to strong vertical in-house integration of services. There were and there will also certainly continue to be very good reasons to validate such a model. But an increasing internationalisation of the real economy and thus of the clients of banks and ECAs requires increasingly the ability to complement the internal value chain by external offers.

Often client needs can be satisfied better when cooperating with specialised service providers in fringe markets or on fringe activities, or even outsource transactions to them if possible under the prevailing regulatory requirements.
Even if the European export financing market seems very well covered in the current environment and a large number of banks have demonstrated a substantial lending

appetite: the increasing focusing on core markets and core products show how valuable the existence of a joint infrastructure of specialised service providers in Europe can be.

AKA offers its services to its shareholder banks not only to provide additional services, capital, liquidity and market knowledge, but as an intrinsic value that is not available in other markets. Strategic stability and consistency of the services offered by the on-demand option to conclude an export loan either by themselves or through a non-competitive, specialised partner, without having to sacrifice their client relationship and (complete) transaction gains.

Today AKA offers European export financing solutions and has built up substantial consulting know-how, which is available to shareholder banks whose clients are exporters and last but not least to professional borrowers.

Due to lower volumes in the local markets, many European countries do not really have the option to build an external infrastructure for export financing like AKA.
This points to a more systematic cooperation with European ECAs and local banks to provide processing services for export credit insurers in difficult markets, which are often familiar terrain for AKA. Ultimately this would result in the development of expertise, making it available to the shareholder banks of AKA.

A special feature that results from participating in and using a shared service platforms, goes far beyond the service aspect: the opportunity to contribute one's in-house expertise toward constantly developing and implementing a benchmark for best practice process execution and organisational results in cooperation with experienced competitors and partners.

Ultimately, participants can validate their competitive position by permanently testing their own knowledge against competing ideas. However, true to the original idea for the foundation AKA: it can help to divide workloads and close knowledge gaps.

Understanding each other as an industry: As already stated above, the public continues to feel a lack of information about ECA-backed export financing. The overall market and the volume of business are substantial, and ECAs and banks together make a significant contribution to the stability and expansion of world trade and cross-border investment.

To address this knowledge gap, providers should collectively present themselves as an export finance industry, especially to jointly emphasise the practical benefits of the product for the real economy and to sustainably convince decision-makers at regulators and public policy makers of the extremely low risk profile for banks.

Such cooperation would also help to permanently ensure attractive quality and pricing for these services, especially in view of the on-going implementation of the Basle III regulation. In this case, all market participants need to be called on to persevere because a more structured cooperation will ultimately improve the foundation. The lessons learned from the global financial crisis and the subsequent regulatory response is clear: more than any other credit product, export credit even more justifies a strong joint commitment.

As a syndicate partner neutral in competition, AKA offers a solid basis for such a collaborative commitment already today.


Kai Preugschat

Berne Union
Secretary General

Financial Statements

Balance sheet as of 31 December 2014

Assets	EUR	31 Dec 2014 EUR	31 Dec 2013 thousand EUR
1. Cash Reserves			
a) Cash in hand	3,137.28		5
b) Balances with central banks	41,289,619.86	41,292,757.14	9,317
thereof: with Deutsche Bundesbank 41,289,619.86 EUR (2013: 9,317 thousand EUR)			
2. Loans and advances to banks			
a) Payable on demand	20,977,145.28		11,087
b) Others	583,918,174.47	604,895,319.75	672,389
3. Loans and advances to customers		1,373,540,349.74	1,245,898
4. Debenture bonds and other fixed income securities			
a) Bonds and debenture bonds			
aa) from public issuers	61,714,741.49		
thereof: acceptable as collateral with Deutsche Bundesbank 61,697,039.00 EUR (2013: 83,169 thousand EUR)			
ab) from other issuers	25,829,891.57	87,544,633.06	87,390
thereof: acceptable as collateral with Deutsche Bundesbank 25,821,960.00 EUR (2013: 4,002 thousand EUR)			
5. Shares in affiliated companies		8,387,107.30	8,387
6. Trust assets		667,450,030.70	759,841
thereof: loans on a trust basis 667,450,030.70 EUR (2013: 759,841 thousand EUR)			
7. Intangible assets		207,118.56	213
8. Fixed assets		432,144.00	431
9. Other assets		1,736,861.21	415
10. Prepaid expenses		461,443.78	199
11. Debit difference resulting from asset offsetting		1,297,044.34	0
Total assets		**2,787,244,809.58**	**2,795,572**

Liabilities		EUR	31 Dec 2014 EUR	31 Dec 2013 thousand EUR
1. Amounts due to banks				
a) Payable on demand		874,188.73		4,090
b) With agreed term or period of notice		1,666,520,447.82	1,667,394,636.55	1,482,622
2. Amounts due to customers				
Other liabilities				
a) Payable on demand		8,654,270.45		16,525
b) With agreed term or period of notice		218,440,874.62	227,095,145.07	301,809
3. Trust liabilities			667,450,030.70	759,841
thereof: loans on a trust basis 667,450,030.70 EUR (2013: 759,841 thousand EUR)				
4. Other liabilities			203,104.59	116
5. Deferred income			9,187,952.94	10,710
6. Provisions				
a) Pension provisions and similar obligations		0.00		8,443
b) Tax provisions		3,155,576.64		4,806
c) Other provisions		11,726,259.94	14,881,836.58	15,603
7. Equity				
a) Subscribed capital		20,500,000.00		20,500
b) Revenue reserves				
Other revenue reserves as of 01 Jan 2014	166.407.103,15			159,272
Transfer from net income	10.025.000,00	176,432,103.15		7,135
c) Balance sheet profit 2014		4,100,000.00	201,032,103.15	4,100
Total liabilities			**2,787,244,809.58**	**2,795,572**
1. Contingent liabilities from guarantees and sureties			378,840,152.21	342,920
2. Other obligations from irrevocable loan commitments			645,454,194.96	743,836

Profit and loss statement for the period between 1 January and 31 December 2014

Expenses	EUR	EUR	2014 EUR	2013 thousand EUR
1. Interest expenses			27,971,435.58	27,371
2. General administrative expenses				
a) Staff expenses				
aa) Wages and salaries	6,789,064.96			6,420
ab) Social security contributions, expenses for pensions and other employee benefits	2,030,958.06	8,820,023.02		1,888
thereof: for pensions 1,142,866.71 EUR (2013: 1,047 TEUR)				
b) Other administration expenses		4,281,204.72	13,101,227.74	3,875
3. Depreciation and value adjustments on intangible and fixed assets			265,505.71	286
4. Depreciation and value adjustments on loans and advances as well as certain securities and allocations to provisions for lending business (2013: Income from the revaluation of receivables and certain securities)			2,457,879.46	(578)
5. Other operating expenses			1,235,988.23	1,001
6. Taxes on income			5.155,988.28	6,723
7. Other taxes			33,667.28	31
8. Net income			14,125,000.00	11,235
Total expenses			**64,346,692.28**	**58,252**

1. Net income	14,125,000.00	11,235
2. Transfer to other revenue reserves	10,025,000.00	7,135
3. **Balance Sheet Profit**	**4,100,000.00**	**4,100**

Income	EUR	2014 EUR	2013 thousand EUR
1. Interest income from			
a) Loan and money market transactions	56,162,605.42		50,884
b) fixed interest rate securities	269,691.26	56,432,296.68	540
2. Fee and commission income		7,121,917.57	6,271
3. Other operating income		792,478.03	557
Total income		**64,346,692.28**	**58,252**

General explanations: The annual financial statements of AKA Ausfuhrkredit-Gesellschaft mbH for the financial year from 1 January to 31 December 2014 have been drawn up in accordance with the requirements of the German Commercial Code and the generally accepted accounting principles under BilMoG (Accounting Law Reform Act) the German limited liability company law as well as the German ordinance on bank accounting.

Accounting policies and valuation methods: Cash reserves, loans and advances to banks and customers and other assets as well as assets offset pursuant to § 246 (2) of the German Commercial Code are shown at par or at acquisition costs.
Credit risks have been allowed for by means of individual value adjustments, sovereign value adjustments and specific provisions. Furthermore, a contingency reserve according to § 340f of the German Commercial Code is disclosed to cover general banking risks. The overall credit risk was taken into account by means of a general value adjustment, which is shown at the amount permitted by tax law. Necessary revaluations were made up in accordance to § 253 (5) of the German Commercial Code.

According to the rules for current assets, with the strict lower-of-cost-or-market-principle, liquidity reserve securities are shown at the lower of acquisition cost and fair value.

Shares in affiliated companies are valued at acquisition costs.

Intangible and fixed assets are capitalised at acquisition cost less scheduled straight-line depreciation. Low-value assets were fully written-off in the year of acquisition.

Liabilities are recorded at their settlement value.

Provisions for pension obligations are built in accordance with the Accounting Law Reform Act (BilMoG). Valuation is made according to the Projected Unit Credit Method using biometric data based on the 2005 G mortality tables of Dr. Klaus Heubeck. The calculation is based on anticipated salary and wage increases of 2.5 % p.a. Pension obligations with a remaining maturity of more than one year are discounted at an interest rate of 4.53 % as published by Deutsche Bundesbank for remaining maturities of 15 years.

In accordance with § 253 (1) sentence 2 of the German Commercial Code provisions for taxes and other provisions are recognised at the amount according to reasonable commercial assessment. Provisions with a maturity of more than one year are discounted at the average market interest rate of the past seven financial years.

Currency conversion has been based on the principles of § 256a German Commercial Code in conjunction with § 340 h German Commercial Code. Foreign currency receivables and liabilities are converted at the reference rate published by the European Central Bank as at 31 December 2014.

The present-value method is used for the loss-free valuation of the banking book. The banking book comprises all on- and off-balance sheet financial instruments.

Hidden reserves or hidden losses result from the netting of the banking book's present value under consideration of administration expenses and risk costs with the banking book's carrying amount. In cases where this results in a surplus of hidden liabilities, a provision will be made in accordance to § 340a of the German Commercial Code in conjunction with § 249 (1) sentence 1 alternative 2 of the German Commercial Code.

Assets

Loans and advances to banks: Loans and advances to banks mainly result from loans under AKA's plafond E facility. Other loans and advances to banks are divided up according to the remaining maturities as follows:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
up to 3 months	81,697	62,621
more than 3 months up to 1 year	239,177	270,508
more than 1 year up to 5 years	242,376	311,546
more than 5 years	20,668	27,714
	583,918	**672,389**

Loans and advances to banks contain loans to shareholders with a total amount of 19,271 thousand EUR (2013: 19,941 thousand EUR).

Loans and advances to customers: Loans and advances to customers have the following remaining maturities:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
up to 3 months	65,990	121,455
more than 3 months up to 1 year	192,152	165,219
more than 1 year up to 5 years	666,810	583,491
more than 5 years	448,588	375,733
	1,373,540	**1,245,898**

Debenture bonds and other fixed income securities: Debenture bonds and other fixed income securities comprise securities of the liquidity reserve only.

(Amounts in thousand EUR)

	Marketable		Quoted		Not quoted	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Debenture bonds and other fixed income securities	87,545	87,390	87,545	87,390	0	0

This position includes securities amounting to 87,545 thousand EUR (2013: 87,390 thousand EUR) which shall mature in the year after balance sheet date.

Assets

Shares in affiliated companies: AKA holds a participation of 100 % in the capital amounting to 31 thousand EUR of Grundstücksverwaltung Kaiserstraße 10 GmbH, Frankfurt (Main) (GVK). GVK is the owner of the business properties Kaiserstraße 10 and Große Gallusstraße 1 – 7. For financial year 2013, this company recorded a surplus of 435 thousand EUR (2012: 718 thousand EUR). In addition, AKA holds a 100 % share (51 thousand EUR) of Privatdiskont-Aktiengesellschaft, Frankfurt (Main). This company currently has no operating business. For financial year 2013, PDA posted a net loss of 0.1 thousand EUR (2012: surplus of 0.1 thousand EUR). Owing to the minor importance of these subsidiaries no consolidated financial statements for the group, consisting of AKA, GVK and PDA, were prepared. The shares are non-negotiable.

Trust assets: Trust assets include trust loans which were granted by AKA for third parties (banks) as well as receivables from indemnified or rescheduled loans managed for third parties. These assets are divided up as follows:

	thousand EUR	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
Loans and advances to banks			
a) Payable on demand	0		1
b) Other	2,130	2,130	9,729
Loans and advances to customers			
a) Payable on demand	3		61
b) Other	665,317	665,320	750,050
		667,450	**759,841**

Assets analysis: The assets analysis was set up in accordance with Art. 31 (6) of the Introductory Act on the German Commercial Code (EGHGB).

(Amounts in thousand EUR)

	Acquisition/ Historical costs 1 Dec 2014	Additions (A) Disposals (D) Disposals due to balancing (D/B)	Depreciation 2014	Depreciation Total	As at 31 Dec 2014	As at 31 Dec 2013
Shares in affiliated companies	8,387	–	–	–	8,387	8,387
Intangible fixed assets	1,242	87 (A) 2 (D)	93	1,120	207	213
Tangible assets (factory and office equipment)	2,946	173 (A) 67 (D)	172	2,620	432	431
	12,624	**260 (A) 69 (D)**	**265**	**3,740**	**9,026**	**9,031**

Other assets: Other assets include tax receivables amounting to 1,686 thousand EUR (2013: 355 thousand EUR) and receivables from affiliated companies amounting to 15 thousand EUR (2013: 7 thousand EUR).

Debit difference resulting from asset offsetting: The item of the debit difference resulting from asset offsetting in the amount of 1,297 thousand EUR (2013: 0 thousand EUR) represents the carrying amount of fund assets in excess of the settlement value of pension provisions.

Liabilities

Amounts due to banks: Amounts due to banks with an agreed term or period of notice have the following remaining maturities:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
up to 3 months	195,385	253,186
more than 3 months to 1 year	278,121	254,657
more than 1 year to 5 years	710,729	569,783
more than 5 years	482,285	404,996
	1,666,520	**1,482,622**

Amounts due to banks contain amounts due to shareholders in the amount of 461,517 thousand EUR (2013: 501,826 thousand EUR).
Assets in a total amount of 1,211,240 thousand EUR (2013: 1,026,892 thousand EUR) have been transferred as collateral.

Amounts due to customers: Amounts due to customers with an agreed term or period of notice have the following remaining maturities:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
up to 3 months	138,941	207,809
more than 3 months to 1 year	79,500	84,000
more than 1 year to 5 years	0	10,000
more than 5 years	0	0
	218,441	**301,809**

Amounts due to customers include unsecuritised liabilities to affiliated companies amounting to 2,699 thousand EUR (2013: 2,144 thousand EUR).

Trust liabilities: Trust liabilities consist of:

	thousand EUR	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
Amounts due to banks			
a) Payable on demand	3		61
b) With an agreed term or notice period	606,927	606,930	703,127
Amounts due to customers			
a) Payable on demand	0		0
b) With an agreed term or notice period	60,520	60,520	56,653
		667,450	**759,841**

Pension provisions and similar obligations: As of the balance sheet date the settlement amount of pension provisions amounts to 21,085 thousand EUR (2013: 20,254 thousand EUR). It was offset against fund assets which were transferred to AKA Treuhand e.V. in a Contractual Trust Arrangement (CTA). After allocations to fund assets of 10,686 thousand EUR in 2014 they now amount to 22,554 thousand EUR (2013: 11,811 thousand EUR). The amount of fund assets in excess of the settlement amount of pension provisions is classified as debit difference resulting from asset offsetting. An allocation of income and expenses was not necessary.

Other provisions: Other provisions comprise provisions for imminent credit risks in an amount of 8,062 thousand EUR (2013: 12,130 thousand EUR). The change in the portfolio took into account the discounting of provisions for imminent credit risks amounting to 150 thousand EUR (2013: 102 thousand EUR) and the reduction of discounting of these provisions amounting to 379 thousand EUR (2013: 143 thousand EUR).

Profit and loss statement

Interest income from loan and money market transactions: Interest income from loan and money market transactions according to their geographical origin can be broken down as follows:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
Africa	3,296	3,190
Asia and Oceania	6,598	5,563
EU	8,856	7,419
Europe (non-EU)	2,207	618
CIS and Russia	12,268	13,800
Middle East	926	1,169
Near East	13,507	12,241
North and Central America	7,588	5,560
South America	917	1,325
	56,163	**50,884**

Interest income from fixed interest rate securities: Interest income from fixed income securities amounting to 270 thousand EUR (2013: 540 thousand EUR) originate from securities of the EU area.

Net fee and commission income: Net fee and commission income results primarily from AKA's trust business as well as risk subparticipations in confirmed letters of credit and purchase agreements with domestic banks.

Other operating income: During the last fiscal year, interest-related income accured from the discounting of provisions amounting to 9 thousand EUR (2013: 33 thousand EUR).

Other operating expenses: Other operating expenses primarily consist of interest expenses arising from the discounting of provisions in the amount of 1,012 thousand EUR (2013: 987 thousand EUR) and expenses arising from currency conversions amounting to 161 thousand EUR (2013: 14 thousand EUR).

Income taxes: Income taxes exclusively affect the result of ordinary business.

Foreign currency business: The total amount of assets in foreign currency – after deduction of value adjustments – comprises as follows:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
Cash	32,942	0
Loans and advances to banks	107,745	89,191
Loans and advances to customers	583,943	391,559
Trust assets	53,001	59,648
Prepaid expenses	128	127
	777,759	**530,525**

The total amount of liabilities in foreign currencies comprises the following:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
Amounts due to banks	745,220	485,497
Amounts due to customers	14	27
Trust liabilities	53,001	59,648
Provisions	1,258	1,756
Other liabilities	0	1
Deferred income	291	1,321
	799,784	**548,250**

Irrevocable loan commitments in the amount of 104,509 thousand EUR (2013: 68,040 thousand EUR) and contingent liabilities amounting to 159.006 thousand EUR (2013: 124,557 thousand EUR) are posted in foreign currency as at balance sheet date.

In principle, foreign currency assets and liabilities correspond in currency, amount and maturity.

Deferred taxes: Deferred tax assets were not recognised in accordance with the option specified in § 274 (1) sentence 2 of the German Commercial Code. They essentially result from provisions for contingent losses, which cannot be verified fiscally, as well as from the provision of reserves pursuant to § 340f of the German Commercial Code and temporary differences relating to pension provisions. The measurement of deferred taxes was effected on the basis of individual corporate tax rates. The calculation basis for corporation tax was 15.825 %, and 16.10 % for trade tax.

Contingent liabilities: Contingent liabilities from guarantees can be broken down as follows:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
Loan guarantees	191,160	172,733
Letters of credit	151,634	134,141
Other contingent liabilities	36,046	36,046
	378,840	**342,920**

The utilisation risk of contingent liabilities is assessed to be low since they concern letters and guarantees associated with foreign trade financing.

Other obligations: Irrevocable loan commitments comprise as follows:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
Irrevocable loan commitments for the lending business	633,196	723,846
Irrevocable loan commitments for securitisation guaranties	12,258	19,990
	645,454	**743,836**

The utilisation of irrevocable loan commitments is expected.

Other financial obligations: AKA has concluded securitisation guarantees with the Federal Republic of Germany as collateral for refinancing loans. As part of supplementary guarantee covenants, AKA is committed to reimburse the guaranteed amount in case of the utilisation of securitisation guarantees. Possible payment claims from guarantee provisioning in connection with securitisation guarantees existed at the end of the year in an amount of 612,536 thousand EUR (2013: 584,181 thousand EUR).

Forward transactions/hedge accounting: As at the balance sheet date, AKA had forward transactions with interest rate risks in the form of interest swaps. All transactions merely serve to hedge interest rate and currency risks arising from loan transactions. Together with the associated loan receivables they constitute valuation units based on micro-hedges and thus are not recognised at fair value. The carrying amounts of the receivables comprising such valuation units correspond to the nominal volume of the forward transactions.
The volumes in nominal values, fair values and maturities of these transactions are shown as follows:

	Volumes 31 Dec 2014 thousand EUR	Value 31 Dec 2014 thousand EUR	Volumes 31 Dec 2013 thousand EUR
Interest risks			
remaining maturity up to 1 year	0	0	0
remaining maturity up to 5 years	5,000	293	10,000
remaining maturities more than 5 years	0	0	0
	5,000	**293**	**10,000**

Hedge relationships are recorded from the point of their conclusion and examined to check the effectiveness of such hedging provisions. Prospective effectiveness is measured by means of the critical terms match method. Retrospective effectiveness is measured by means of the dollar-offset method. Effectiveness is given if the correlation of the variations related to the allocated cash flows ranges between 0.5 and 2.0. AKA applies for the net hedge presentation method in order to present the effective parts of the valuation unit.

A positive fair value in the amount of 135 thousand EUR arises from an interest rate swap with a nominal volume of 5,000 thousand EUR, which is not part of valuation units.

Counterparties for derivative products are exclusively shareholders of AKA.

Remuneration: The members of the Supervisory Board receive a remuneration of 223 thousand EUR (2013: 259 thousand EUR) plus VAT.

As at 31 December 2014 provisions for pension obligations to former Managing Directors and their surviving dependents were built amounting to 5,411 thousand EUR (2013: 5,697 thousand EUR). In 2014, remunerations amounted to 479 thousand EUR (2013: 564 thousand EUR).

With regard to the remuneration of Managing Directors, AKA applies for the derogation mentioned in § 286 (4) of the German Commercial Code in conjunction with § 285 no. 9a of the German Commercial Code.

Auditor's fees: Fees for the auditor of the annual financial statements for the financial year 2014 is composed as follows:

	31 Dec 2014 thousand EUR	31 Dec 2013 thousand EUR
Annual audit fee	190	151
Other confirmation or valuation services	6	16
Tax consulting services	34	20
Other services	78	0
	308	**187**

Employees: AKA Ausfuhrkredit-Gesellschaft mbH and its subsidiaries, Grundstücksverwaltung Kaiserstraße 10 GmbH and Privatdiskont-Aktiengesellschaft as well as Liquiditäts-Konsortial-bank GmbHi.L. – all resident in Frankfurt (Main) – are conducted under common management. The average of AKA's employees in the past financial year is made up as follows:

	male	female	2014 total	2013 total
Full-time staff	35	25	60	58
Part-time staff	3	22	25	24
Parental leave	0	1	1	2
	38	**48**	**86**	**84**

Executive bodies: The AKA Supervisory Board is composed as follows:

Full members

Michael Schmid 1) 2)
Former Executive Vice President
Commerzbank AG
– Chairman –

Werner Schmidt 1)2)
Managing Director
Deutsche Bank AG,
Frankfurt (Main)
– 1st Vice Chairman –

Philipp Reimnitz
Executive Vice President
UniCredit Bank AG,
Munich
as of 01 January 2015

Dr. Michael Diederich 1)2)
Executive Vice President
UniCredit Bank AG,
Munich
– 2nd Vice Chairman –
until 31 December 2014

Deputy members

Klaus Windheuser
Managing Director
Commerzbank AG,
Frankfurt (Main)

Frank Schütz
Director
Deutsche Bank AG,
Frankfurt (Main)

Inés Lüdke
Managing Director
UniCredit Bank AG,
Munich

Alexander von Dobschütz 1) 2)
Managing Director
Bayerische Landesbank,
Munich
– 3rd Vice Chairman –

Beate Mayer
Director
Bayerische Landesbank,
Munich

Birgitta Heinze
Director
BHF-BANK AG,
Frankfurt (Main)
from 26 June 2014

n.n.

Beate Bischoff 2)
Managing Director
BHF-BANK AG,
Frankfurt (Main)
until 26 June 2014

Birgitta Heinze
Director
BHF-BANK AG,
Frankfurt (Main)
until 26 June 2014

Jörg Hartmann
Director
Landesbank Hessen-Thüringen Girozentrale,
Frankfurt (Main)

Diana Häring
Vice President
Landesbank Hessen-Thüringen Girozentrale,
Frankfurt (Main)

Joachim Landgraf
Senior Vice President
Landesbank Baden-Württemberg,
Stuttgart

Elvira Bergmann
Vice President
Landesbank Baden-Württemberg,
Stuttgart

Winfried Münch
Director
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt (Main)

Manfred Fischer
Director
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt (Main)

Max Niesert 2)
Managing Director
Portigon AG,
Düsseldorf

Barbara Caspary-Pitzer
Director
Portigon AG,
Düsseldorf

Hans Jürgen Kulartz
Board Member
Landesbank Berlin AG,
Berlin

Knut Richter
Director
Landesbank Berlin AG,
Berlin

1) Member of the Risk Committee 2) Member of the Nomination and Remuneration Supervisory Committee

The management of AKA is composed as follows:

Rüdiger Eggert
Director
Friedrichsdorf

Marck Wengrzik
Director
Frankfurt (Main)

Beate Bischoff
Director
Frankfurt (Main)
as of 04.12.2014

Appropriation of net profit: We propose to distribute the balance sheet profit of 4,100 thousand EUR to our shareholders.

Frankfurt (Main), 27 February 2015

The management of AKA Ausfuhrkredit Gesellschaft mbH

Marck Wengrzik Beate Bischoff Rüdiger Eggert

We have audited the annual financial statements, comprising the balance sheet, income statement and the notes to the financial statements, together with the bookkeeping system and the management report of the AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung, Frankfurt (Main), for the business year from 1 January to 31 December 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German Commercial law are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt (Main), 27 February 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Christoph Theobald	ppa. Dr. Jürgen Kuhlmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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