Liquidity

The liquidity analysis reflects the contractually agreed redemption amounts:

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

Dec. 31, 2012	up to 3 months	more than 3 months to 1 year	more than 1 year to 5 years	more than 5 years or unspecified maturity
	€ million	€ million	€ million	€ million
Liabilities to banks	279.7	311.7	1,755.4	460.0
Liabilities to customers	306.6	526.8	1,047.1	4,327.5
Securitized liabilities	10,165.8	5,668.7	34,819.6	13,337.1
Negative fair values of derivative financial instruments	296.0	90.0	386.0	57.0
Subordinated liabilities	29.2	118.3	10.4	690.1
Total	**11,077.3**	**6,715.5**	**38,018.5**	**18,871.7**

Net assets

Net assets of the Group

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Loans and advances to banks	49,750.9	51,164.0	-1,413.1
Loans and advances to customers	5,570.6	4,652.4	918.2
Financial assets	20,894.4	22,588.7	-1,694.3
Positive fair values of derivative financial instruments	3,236.1	7,486.4	-4,250.3
Negative fair values of derivative financial instruments	5,796.6	5,832.2	-35.6

In accordance with competition neutrality, Rentenbank basically extends its loans via other banks. Within the net assets, this is reflected in the loans and advances to banks which amount to 60.7% (2012: 57.9%) of total assets. As of December 31, 2013, the carrying amount of this item was € 49.8 billion (2012: € 51.2 billion). The significantly increased volume of special promotional loans was faced with maturing registered debt securities and reduced term deposits and open market operations.

Loans and advances to customers increased by € 0.9 billion to € 5.6 billion (2012: € 4.7 billion) as a result of new business with German federal states.

Financial assets, which consist almost exclusively of bank bonds and notes, declined by € 1.7 billion to € 20.9 billion (2012: € 22.6 billion) as maturing amounts exceeded new business. Information related to the exposure in peripheral states of the eurozone is set out in the risk report in the section 'Credit Risk.'

The positive fair values of derivative financial instruments decreased by € 4.3 billion to € 3.2 billion (2012: € 7.5 billion), while negative fair values remained unchanged at € 5.8 billion (2012: € 5.8 billion). This development was particularly influenced by exchange rate changes. Derivatives are exclusively entered into to hedge existing or expected market price risks. Collateral agreements were concluded with all counterparties with whom the Bank enters into derivative transactions. The Bank does not enter into credit default swaps (CDS).

Net assets of Rentenbank

The net assets of Rentenbank's financial statements in accordance with the HGB is as follows:

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Loans and advances to banks	50,042.5	51,215.6	-1,173.1
Loans and advances to customers	5,451.3	4,560.9	890.4
Bonds and other fixed-income securities	20,301.9	22,026.3	-1,724.4

The development of the net assets under HGB and IFRS was similar in structural terms. The difference between the Group and Rentenbank is due to the measurement at fair value and the application of hedge accounting required under IFRS. Therefore, we refer to the comments on the Group's net assets.

The securities portfolio almost exclusively consisted of bank bonds and notes. At year end, this balance sheet item included bonds classified as fixed assets in a nominal amount of € 19.9 billion (2012: € 21.8 billion). As in the previous year, debt securities of the liquidity reserve were not held in the portfolio.

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

Other key performance indicators

Corporate citizenship

As a public law institution, Rentenbank has a responsibility beyond its promotional mandate to be an active corporate citizen. Rentenbank, with its registered office in Frankfurt, Germany, primarily supports local cultural institutions and selected projects. Grants are provided on a regular basis to Oper Frankfurt, Schirn Kunsthalle, Städel Museum, the English Theatre and the State Academy of Fine Arts (Städelschule). With respect to Städelschule, we support young talented artists through the donation of a group prize within the framework of the annual 'Rundgang.' Rentenbank supports various projects of churches, associations and societies in the context of its regular donation at Christmas. In fiscal year 2013, these included Malteser Migranten Medizin Frankfurt, the Winter Feeding for the Homeless in St. Catherine's Church, Frankfurt, the children and young people's charity 'Die Arche e.V.," Frankfurt, and the association 'Herzen für eine neue Welt' in Königstein, Germany. In addition to these regular charity projects, we were again a sponsor of the Operngala 2013 at Oper Frankfurt.

Employees

The number of employees remained virtually unchanged in the past year. At year-end 2013, Rentenbank employed 257 (2012: 256) employees, of which 214 (2012: 213) were full-time employees. These figures include neither employees in parental leave nor members of the Board of Managing Directors. The average seniority was approximately 11.5 years. The ratio of men and women is almost on par, with 53% of the employees being male and 47% being female. The possibility to work on a part-time basis is primarily utilized by women, which represent 88% of part-time employees.

Compliance with legal and regulatory requirements

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

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

Report on events after the balance sheet date

There were no events of material importance after the end of the fiscal year 2013.

Report on expected developments and opportunities

Development of business and environment

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

At the beginning of 2014, the European Central Bank continued to pursue its monetary policy and left its key interest rate unchanged at 0.25%, although the eurozone inflation rate in January declined unexpectedly to 0.7%.

Rentenbank expects a persistently low price pressure and a moderate recovery of the economy so that the ECB will continue its accommodative monetary policy for the foreseeable future. However, gradual changes in the form of minor reductions of key interest rates or the use of additional monetary policy instruments cannot be ruled out if money markets rates increase or if bank lending, especially in the southern eurozone countries, does not recover.

Also, in view of the ECB's promise to keep its key interest rate at a low level for the foreseeable future (forward guidance), we expect money market rates to remain low during the year.

At the end of January 2014, the US Federal Reserve (Fed) continued the measures resolved at the end of the previous year to quit its accommodative monetary path and cut its purchase program related to government bonds and mortgage securities. The change in the Fed's policy contributed to investors removing capital from and turmoil on the currency markets in some of the major emerging economies. As a result, the demand for safe haven investments, such as German federal government bonds and bonds of Rentenbank, increased worldwide. Accordingly, long-term yields declined.

Against the backdrop of global economic recovery and the less accommodative monetary policy of the Federal Reserve, we expect that long-term interest rates will rise slightly during the year. However, the increase will likely be limited due to the highly accommodative monetary policy of the ECB and only minor price pressures.

According to the agricultural business sentiment, farmers plan slightly lower overall investments in the first half of 2014 compared to the previous year, above all with respect to farm buildings. While they rate their current economic situation as very good, they are only cautiously optimistic as regards their future. Since the promotional activities in the Agriculture line directly depend on the investment activities, a subdued development can be expected here as well.

The fundamentals suggest that the relatively scarce global supply of agricultural commodities will not change in general. The Food and Agriculture Organization of the United Nations (FAO) expects that the international price levels for agricultural commodities will increase in nominal terms in the next few years, but will hardly change when taking into account inflation. In this case, the promotional business within the Agriculture line should be stable.

Animal husbandry remains a subject to critical public discussions. If this debate results in intensified requirements regarding animal welfare and in changes of construction law, the cost for animal husbandry will rise. Another possibility would be that such changes in law trigger investments: generally for animal welfare or in additional facilities such as exhaust air filters or slurry stores. Rentenbank expects that intensified requirements regarding the application of organic fertilizer and building permissions, especially in the stock farming regions, will weigh on construction activities.

The development of the Renewable Energies promotional line is largely dependent upon the Renewable Energy Sources Act (EEG). The German federal government plans to introduce a reform of the EEG by mid-2014, expected to become effective in August. Accordingly, the demand for special promotional loans is not likely to change in the first half. Pull-forward effects are likely prior to the effective date. In order to be able to evaluate the medium to longer-term effects, the detailed stipulations in the amended EEG need to be analyzed. Since the process of developing an informed opinion has yet to be completed, reliable predictions related to the Renewable Energies promotional line are not yet possible.

Taking these conditions into account, Rentenbank anticipates that it will be able to successfully fulfill its promotional mandate based on its conservative risk business policy and triple A ratings.

Against the backdrop of the regulatory changes in the banking sector on EU level, especially in connection with the implementation of Basel III in the European Union (EU) (CRD IV/CRR), Rentenbank's Governing Law was amended within the context of the law implementing CRD IV. Effective January 1, 2014, a government guarantee for the obligations of Rentenbank (refinancing guarantee) was established, complementing the existing institutional liability.

The Group will comply with the requirements of the EU Capital Requirement Regulation (CRR), which became effective on January 1, 2014, and of the EU Capital Requirement Directive (CRD IV). According to the trial calculations, the requirements regarding the capital ratios as well as the liquidity ratios LCR and NSFR will be met.

Forecast of business development

Comprehensive annual plans and multi-year plans are prepared in order to project Rentenbank’s future results of operations, financial position and net assets. They comprise planning for Rentenbank's new business, portfolio, equity, income and costs. Unlike the multi-year plans, the annual plan examines individual factors in greater detail. In the following, the projections refer to the planning period of 2014.

Within the framework of our current planning, the Group assumes that new business volume for fiscal year 2014 in the Promotional Business segment will be slightly below the level of the previous fiscal year. This new business will continue to be funded through Rentenbank's issuance programs. Due to the stabilization that set in on the capital markets in the meantime, we expect margins from new business to decline somewhat.

Special promotional loans will likely remain the focus within the lending business. After the good framework conditions on the agricultural markets and the low interest rate level led to a strong demand for special promotional loans in the past year, new business for 2014 will probably be below the figure for 2013.

The portfolio of securities and standard promotional loans will continue to decrease moderately due to the anticipated large amount of redemptions. In contrast, the share of special promotional loans in the total promotional volume is likely to increase slightly. Overall, we expect a marginal decline of net interest income for the Promotional Business segment attributable to lower margins of the portfolio and lower volumes.

We forecast, that interest income within the Capital Investment segment in 2014 will be slightly below the prior-year level. The higher investment volume from the retention of profits is offset with negative effects from lower interest rates for new investments due to the low interest rate environment as well as the higher yielding funds falling due. In 2014, net interest income of the Treasury Management segment is likely to be considerably below the prior-year level. We expect net interest income for the three segments to decrease slightly in 2014.

Cost planning for 2014 and the following years in particular takes into account the necessary investments for Rentenbank's infrastructure as well as the necessary adjustments to fulfill additional regulatory requirements. This includes investments for the development of the new trading and risk management system, the introduction of a new financial accounting system as well as for the upgrade of hardware and software currently in use. Apart from that, multi-year planning takes into account investments for the modernization of the bank building. The many changes in the regulatory framework and accounting standards will result in a significant increase of administrative expenses in 2014 and the following years, despite our rigorous cost management. This particularly applies to personnel costs as Rentenbank acknowledges the need for new positions to be created.

Against the backdrop of the development of income and costs, the Group expects the operating result to decline by around 15-20% for 2014. This key performance indicator will still remain on a historically high level.

The satisfying earnings trend will enable us to keep the promotional performance on a high level. Therefore, we expect that the promotional performance will stay largely flat compared to 2013.

Due to the decline in income and higher administrative expenses, we expect a substantial increase of the key performance indicator cost-income ratio. The cost-income ratio will still be on a moderate level when compared with competitors.

Opportunities and risks

Based on the forecast results for 2014, additional opportunities and risks may occur for our business development due to changes in framework conditions.

The changes within the economic environment may lead to a renewed aggravation of the financial market crisis, which will impact new business volume and margins in the asset and funding businesses. A deterioration of the economic environment may result in new business volume lower than planned. However, the financial market crisis showed that such difficult situations may also pose opportunities, attributable to Rentenbank's superior credit ratings and its solid capital base. These opportunities may be related to attractive funding opportunities as well as higher margins in the securitized and the standard promotional loan business.

On the one hand, the current low-interest environment presents opportunities for business activities, particularly due to the high demand of the agricultural sector for special promotional loans. On the other hand, the persisting low interest rate level also weighs on the result in the segments Capital Investment and Treasury Management. A change of this low interest environment, e.g. in the wake of a strong rate hike, is therefore associated with both risks and opportunities for Rentenbank. The actual outcome depends on the extent of the rate change as well as on the observation method for the segment and the selected observation period.

Administrative expenses may be subject to further burdens resulting from additional regulatory requirements which are not yet known. This may have an impact on IT and personnel expenses (due to new jobs being created). Apart from the investments already planned, further improvements to the IT and building infrastructure may become necessary.

Even taking Rentenbank's risk-averse new business policy into account, it cannot be ruled out that additional information regarding the financial circumstances of our business partners with a negative impact on their respective credit quality will be identified during the course of 2014. This can result in additional rating downgrades for exposures held in the portfolio and thereby burden the risk covering potential within the context of the risk-bearing capacity concept.

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

Development in the current year

The operating result of all segments was slightly above plan in the first month of the current fiscal year. The result from fair value measurement declined moderately. Based on the results achieved in the current fiscal year, the Board of Managing Directors is confident that planned volumes in the promotional business and the planned operating results will be achieved for fiscal year 2014. As a result of the high volatility of market parameters, the future development of measurement gains or losses in the course of the year cannot be estimated reliably.

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

Risk report

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

Organization of risk management

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

Within the framework of a risk inventory, the Group analyzes which risks may have a significant effect on its assets, capital resources, results of operations, or liquidity situation. The Group's material risks are identified as part of the risk inventory, the risk indicators, within the self-assessment, the New Product Process (NPP), in the ICS key controls as well as in the daily monitoring activities and are reviewed for any concentration effects.

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

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

The requirements of the fourth amendment of the Minimum Requirements for Risk Management (MaRisk) were implemented by year-end 2013. Above all, the Group implemented and fine-tuned the risk strategies, capital planning processes, the risk controlling function as well as the liquidity transfer pricing system. The Compliance Officer was appointed in 2013. Moreover, Rentenbank established the Compliance function pursuant to MaRisk in 2013.

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

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

The risk manual of the Board of Managing Directors provides a comprehensive overview of all risks in the Group on the basis of the risk management and controlling processes. Risk management functions are primarily performed by the divisions Treasury, Promotional Business, and Collateral & Equity Holdings. The member of the Board of Managing Directors which is responsible for the back office function is also responsible for the risk controlling function. The Finance division, including its risk controlling group, and the Financial Institutions division, comprising its Credit Risk desk, report to this Board member. In the Finance division, risk controlling comprises the regular monitoring of the limits determined by the Board of Managing Directors as well as reporting on market price risks, liquidity risks, operational risks, and risk-bearing capacity; risk reporting is based on risk level and regulatory requirements. The Financial Institutions division monitors the limits defined for credit risks and is responsible for reporting on credit risks, taking into account risk aspects and regulatory requirements.

The compliance risks relevant to Rentenbank are characterized primarily by the fact that in case of non-compliance with material (bank) regulatory rules and requirements fines and penalties, claims for damages and/or the nullity of contracts may be the consequences which might endanger the assets of Rentenbank. Rentenbank's compliance function in cooperation with the divisions and as part of the ICS attempts to ensure that the employees can review and guarantee the lawfulness and appropriateness of their actions.

Both the Board of Managing Directors and the Accounting and Audit Committee established by the Board of Supervisory Directors as well as the Risk Committee (since January 1, 2014; Credit Committee until the end of 2013) are informed about the risk situation at least quarterly. If material risk-relevant information or transactions become known and in the case of non-compliance with the MaRisk, the Board of Managing Directors, Internal Audit department and, if necessary, the heads of divisions or departments concerned must be notified immediately. Information about material risk aspects is forwarded immediately by the Board of Managing Directors to the Board of Supervisory Directors.

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

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

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

The risks are monitored generally across segments. If risk monitoring is limited to individual segments, this is presented in the risk types.

Credit risks

Definition

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

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

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

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

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

When granting loans to companies, Rentenbank is only exposed to risks as part of the direct lending business and the syndicated lending business. In 2013, no transactions were entered into with companies in the syndicated lending business.

For the purpose of diversifying credit risks, Rentenbank has intensified its lending business with the German federal states.

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

Organization

The Treasury division represents the front office and is strongly involved in the workflow of the standard and securitized promotional business. In accordance with the MaRisk certain tasks have to be performed separate from the front office. These so-called back office functions are performed by the Financial Institutions and Collateral & Equity Holdings divisions. These divisions issue the independent second vote for lending decisions, process new business entered into and assess collateral. They are also responsible for intensified loan management as well as for the management of non-performing loans. Any necessary measures are agreed upon in cooperation with the Board of Managing Directors. The member of the Board of Managing Directors responsible for the back office function is responsible for the process.

The Financial Institutions division drafts a bank-wide credit risk strategy and is responsible for its implementation. Rentenbank's Board of Managing Directors deliberates on the credit risk strategy on an annual basis and presents this strategy to the Risk Committee established by the Board of Supervisory Directors (since January 1, 2014; Credit Committee until the end of 2013) and for information purposes. In addition, the Financial Institutions division analyzes credit risks, allocates exposures to Rentenbank-specific ratings, prepares votes for lending decisions and the vote of the back office function, and continuously monitors overall credit risk.

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

Credit assessment

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

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

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

Quantification of credit risk

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

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

In accordance with the risk-bearing capacity concept set out in the risk manual, credit risks are allocated a certain portion of the risk covering potential. Internally established limits are monitored daily to ensure compliance at all times.

The stress scenarios also take country-specific effects into account and focus on concentration risks within the loan portfolio. Default of the borrower units or foreign exposures that are largest based on risk exposure level (taking into account product-specific loss given default percentages) as well as the default of all exposures with increased latent risks are assumed in additional worst-case

Balance sheet as of December 31, 2013

Assets

	€ million	€ million	€ million	Dec. 31, 2012 € million
1. Cash and balances with central banks				
a) Cash on hand		0.1		0.2
b) Balances with central banks		32.4		204.2
of which:			32.5	204.4
with Deutsche Bundesbank € 32.4 million (2012: € 204.2 million)				
2. Loans and advances to banks				
a) Payable on demand		304.4		808.4
b) Other loans and advances		49 738.1		50 407.2
			50 042.5	51 215.6
3. Loans and advances to customers				
of which:				
Secured by charges on real estate € -.- million (2012: € -.- million)				
Loans to local authorities € 5 218.2 million (2012: € 4 251.6 million)			5 451.3	4 560.9
4. Bonds and other fixed-income securities				
a) Bonds				
aa) Public-sector issuers	1 317.8			1 345.7
of which:				
Securities eligible as collateral with				
Deutsche Bundesbank € 1 216.4 million (2012: € 1 226.9 million)				
ab) Other issuers	18 550.9	19 868.7		20 047.0
of which:				
Securities eligible as collateral with				
Deutsche Bundesbank € 17 406.5 million (2012: € 19 036.7 million)				
b) Own debt securities		433.2		633.6
Nominal amount € 456.3 million (2012: € 700.7 million)			20 301.9	22 026.3
5. Shares and other variable-income securities			0.2	0.2
6. Equity holdings				
of which:				
in banks € -.- million (2012: € -.- million)				
in financial services institutions € -.- million (2012: € -.- million)			4.2	4.2
7. Investments in affiliated companies				
of which:				
in banks € -.- million (2012: € -.- million)				
in financial services institutions € -.- million (2012: € -.- million)			0.0	0.0
8. Trust assets				
of which:				
Trustee loans € 106.7 million (2012: € 104.5 million)			106.7	104.5
9. Intangible assets				
a) Purchased concessions, industrial property rights				
and similar rights and assets, including licenses to such rights and assets			15.2	14.1
10. Property and equipment			16.4	17.1
11. Other assets			1 712.0	1 034.1
12. Prepaid expenses				
a) From issuance activity and lending business		408.0		3.9
b) Other		160.1		3.2
			568.1	5.1
Total assets			78 251.0	79 186.5

Balance sheet as of December 31, 2013

Liabilities and equity

	€ million	€ million	€ million	Dec. 31, 2012 € million
1. Liabilities to banks				
a) Payable on demand		0.0		1.0
b) With an agreed maturity or period of notice		6 272.1		3 597.5
			6 272.1	3 598.5
2. Liabilities to customers				
a) Other liabilities				
aa) Payable on demand		64.2		69.3
ab) With an agreed maturity or period of notice		4 666.1		5 179.8
			4 730.3	5 249.1
3. Securitized liabilities				
a) Debt securities issued			61 433.8	62 151.4
4. Trust liabilities				
of which:				
Trustee loans € 106.7 million (2012: € 104.5 million)			106.7	104.5
5. Other liabilities			533.8	3 683.2
6. Deferred items				
a) From issuance activity and lending business		159.0		0.9
b) Other		486.6		29.4
			645.6	30.3
7. Provisions				
a) Provisions for pensions and similar obligations		92.1		86.4
b) Other provisions		327.8		312.8
			419.9	399.2
8. Subordinated liabilities			597.7	717.5
9. Fund for general banking risks			2 437.3	2 219.2
10. Equity				
a) Subscribed capital		135.0		135.0
b) Retained earnings				
ba) Principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law	769.9			
Transfers from guarantee reserve	48.5			
Transfers from net income for the year	39.7	858.1		769.9
bb) Guarantee reserve pursuant to Section 2 (3) of Rentenbank's Governing Law	115.9			
Appropriations pursuant to Section 2 (3) of Rentenbank's Governing Law	48.5	67.4		115.9
c) Distributable profit		13.3		12.8
			1 073.8	1 033.6
Total liabilities and equity			78 251.0	79 186.5
1. Contingent liabilities				
a) Liabilities from guarantees and indemnity agreements			2.0	2.7
2. Other commitments				
a) Irrevocable loan commitments			1 828.2	1 238.9

Income statement for the period from January 1 to December 31, 2013

Expenses

				2012
	€ million	€ million	€ million	€ million
1. Interest expense			3 428.3	2 406.5
2. Fee and commission expenses			1.9	2.4
3. Administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	22.2			20.5
ab) Social security contributions and expenses for				
pensions and other employee benefits	7.6			5.1
of which:		29.8		25.6
Pension expenses € 4.8 million (2012: € 2.4 million)				
b) Other administrative expenses		18.9		17,1
			48.7	42.7
4. Depreciation, amortization and write-downs				
of intangible assets and property and equipment			4.5	2.0
5. Other operating expenses			13.4	7.8
6. Additions to the fund for general banking risks			218.1	291.0
7. Amortization and write-downs of				
equity holdings, investments in affiliated companies				
and securities classified as fixed assets			0.0	0.0
8. Taxes on income			0.0	0.0
9. Other taxes not disclosed under item 5			0.1	0.1
10. Net income for the year			53.0	51.0
Total expenses			3 768.0	2 803.5
1. Net income for the year			53.0	51.0
2. Transfers from retained earnings				
from guarantee reserve pursuant to Section 2 (3) of Rentenbank's Governing Law			48.5	21.8
3. Transfers to retained earnings				
to principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law				
from guarantee reserve			48.5	21.8
from net income for the year			39.7	38.2
4. Distributable profit			13.3	12.8

Income statement for the period from January 1 to December 31, 2013

Income

			2012
	€ million	€ million	€ million
1. Interest income from			
a) Lending and money market transactions	3 148.7		2 055.5
b) Fixed-income securities and debt register claims	591.9		703.1
		3 740.6	2 758.6
2. Current income from			
a) Equity holdings		0.4	0.8
3. Fee and commission income		0.2	0.3
4. Income from the reversal of write-downs on loans and advances and certain securities, and from the reversal of provisions in the lending business		15.2	27.4
5. Income from the reversal of write-downs on equity holdings, investments in affiliated companies and securities classified as fixed assets		7.2	10.9
6. Other operating income		4.4	5.5
Total income		3 768.0	2 803.5

Notes to the annual financial statements for the 2013 fiscal year

Accounting policies

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

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

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

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

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

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

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

The following parameters were used as the basis for the calculation as of December 31, 2013:

- Interest rate pursuant to Section 253 (2) sentence 2 of the HGB 4.90% p.a.
- Career trend 1.00% p.a.
- Growth in creditable compensation 2.25% p.a.
- Pension increase (range of adjustments) 1.0–2.25% p.a.
- Employee turnover average 2.00% p.a.
- Development of contribution ceiling 2.5% p.a.

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

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

For calculation purposes, future gains or losses in the banking book were determined by income contributed by closed and open interest rate positions. The future cash flows are discounted on the basis of generally recognized money market and capital market rates corresponding to the respective period. The risk costs were computed on the basis of future

expected losses and the pro rata share of administrative expenses for portfolio management was recognized based on internal analyses.
There was no need for provisions as of December 31, 2013 on the basis of this calculation.

Valuation units within the meaning of Section 254 of the HGB are only established to hedge currency risks. Rentenbank uses currency swaps and cross-currency interest rate swaps to hedge such currency risks. Currency risks are hedged using valuation units.

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

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

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

Notes to the balance sheet

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

Assets		Dec. 31, 2013 € million	Dec. 31, 2012 € million
Item 2:	Loans and advances to banks		
	Sub-item "b) Other loans and advances," classified by remaining time to maturity:		
	• up to 3 months	**2 917**	**5 748**
	• more than 3 months to 1 year	**3 446**	**4 152**
	• more than 1 year to 5 years	**23 459**	**20 135**
	• more than 5 years	**18 968**	**19 246**
Item 3:	Loans and advances to customers		
	This item includes:		
	• Loans and advances to affiliated companies	**144**	**153**
	This item can be broken down by remaining time to maturity as follows:		
	• up to 3 months	**651**	**9**
	• more than 3 months to 1 year	**1 260**	**325**
	• more than 1 year to 5 years	**1 793**	**3 221**
	• more than 5 years	**1 585**	**816**
	There are no loans and advances to customers with an indefinite term within the meaning of Section 9 (3) No. 1 of the RechKredV.		
Item 4:	Bonds and other fixed-income securities		
	All of these are marketable securities and can be broken down as follows:		
	• Listed securities	**19 582**	**21 268**
	• Unlisted securities	**403**	**406**
	Securities at a carrying amount of €19 985 million (2012: €21 674 million) were classified as fixed assets. They are not measured at the lower of cost or market pursuant to HGB (strenges Niederstwertprinzip). Since these securities are anticipated to be held over the long term, no write-downs to fair value are recorded in case of an impairment that is expected to be of a temporary nature. In particular, write-downs are not recognized when the identified impairment is only of a temporary nature with respect to future financial performance and it is expected that the securities are fully repaid when due. The carrying amount of securities carried at values above their fair values amounted to €1 439 million. The fair value of these securities is €1 422 million. Exchange or market prices were used to determine fair value. Accordingly, the unrecognized write-downs amount to €17 million (2012: €54 million). There was no permanent impairment to be taken into account for the securities held as fixed assets (2012: €-.- million).		

Assets		Dec. 31, 2013 € million	Dec. 31, 2012 € million
Item 4:	Bonds and other fixed-income securities maturing in the year following the balance sheet date can be broken down as follows:		
	• from public-sector issuers	50	103
	• from other issuers	2 863	3 527
Item 5:	All of the shares and other variable-income securities held are marketable and listed.		
Item 6 and 7:	The balance sheet items "equity holdings" and "investments in affiliated companies" do not include marketable securities.		
Item 8:	Trust assets		
	This item includes:		
	• Special purpose fund of the German government held at Rentenbank	106	102
	• Loans and advances to banks	1	2
Item 9:	Intangible assets		
	This item includes:		
	• Purchased software and licenses acquired for a consideration	15	14
Item 10:	Property and equipment		
	This item includes:		
	• Owner-occupied land and buildings, flats	0	0
	• Land and buildings used by third parties	15	16
	• Operating and office equipment	1	1
Item 11:	Other assets		
	This item includes:		
	Cash collateral provided for derivatives	1 711	1 034
Item 12:	Prepaid expenses		
	Unlike in the previous year, premiums and discounts of hedged items as well as one-off payments from swaps (upfront payments) are reported on a single transaction level.		
	This item includes:		
	• Differences pursuant to Section 340e (2) of the HGB	184	0
	• Differences pursuant to Section 250 (3) of the HGB	224	4
	• Upfront payments from derivative transactions	159	0

Fixed assets schedule

Fixed assets € million	Cost	Additions	Disposals	Write-ups	Accumulated depreciation, Amortization and write-downs	Carrying amount Dec. 31, 2013	Carrying amount Dec. 31, 2012	Amortization, depreciation, write-downs 2013
Intangible assets	**16**	**4**	**-**	**-**	**5**	**15**	**14**	**3**
Property and equipment	**32**	**1**	**1**	**-**	**16**	**16**	**17**	**1**
Securities classified as fixed assets	**21 687**	**2 167**	**3 860**	**4**	**13**	**19 985**	**21 674**	**-**
Equity holdings	**4**	**-**	**-**	**-**	**0**	**4**	**4**	**-**
Investments in affiliated companies	**27**	**-**	**-**	**-**	**27**	**0**	**0**	**-**

Liabilities		Dec. 31, 2013 € million	Dec. 31, 2012 € million
Item 1:	Liabilities to banks		
	Sub-item "b) With an agreed maturity or period of notice," classified by remaining time to maturity:		
	• up to 3 months	**3 254**	**279**
	• more than 3 months to 1 year	**549**	**290**
	• more than 1 year to 5 years	**1 327**	**1 771**
	• more than 5 years	**370**	**460**
	Total amount excluding accrued interest	**5 500**	**2 800**
	Thereof secured by assets in accordance with Section 13 (2) and Section 18 (1) No. 1 of Rentenbank's Governing Law	**422**	**770**
Item 2:	Liabilities to customers		
	This item includes:		
	• Liabilities to equity holdings	**0**	**0**
	• Liabilities to affiliated companies	**3**	**11**
	Sub-item "b) With an agreed maturity or period of notice," classified by remaining time to maturity:		
	• up to 3 months	**345**	**210**
	• more than 3 months to 1 year	**211**	**459**
	• more than 1 year to 5 years	**907**	**1 045**
	• more than 5 years	**3 067**	**3 312**
	Total amount excluding accrued interest	**4 530**	**5 026**
	Thereof secured by assets in accordance with Section 13 (2) and Section 18 (1) No. 1 of Rentenbank's Governing Law	**926**	**1 501**
Item 3:	Securitized liabilities		
	a) Debt securities issued		
	Classification by remaining time to maturity:		
	• up to 1 year	**9 967**	**14 645**
	• more than 1 year to 5 years	**37 295**	**33 711**
	• more than 5 years	**13 543**	**12 979**
	Total amount excluding accrued interest	**60 805**	**61 335**
	Thereof secured by assets in accordance with Section 13 (2) and Section 18 (1) No. 1 of Rentenbank's Governing Law	**0**	**2**

Liabilities		Dec. 31, 2013 € million	Dec. 31, 2012 € million
Item 4:	Trust liabilities		
	This item includes:		
	• Liabilities from the special purpose fund of the German government held at Rentenbank	**106**	**102**
	• Liabilities to customers	**1**	**2**
Item 5:	Other liabilities		
	This item includes:		
	• Cash collateral received for derivatives	**525**	**3 670**
	Classification by remaining time to maturity:		
	• up to 1 year	**525**	**3 670**
Item 6:	Deferred items		
	Unlike in the previous year, premiums and discounts of hedged items as well as one-off payments from swaps (upfront payments) are reported on a single transaction level.		
	This item includes:		
	• Differences pursuant to Section 340e (2) of the HGB	**3**	**1**
	• Differences pursuant to Section 250 (2) of the HGB	**156**	**0**
	• Upfront payments from derivative transactions	**461**	**0**
Item 8:	Subordinated liabilities		
	Classification by remaining time to maturity:		
	• up to 1 year	**-**	**103**
	• more than 1 year to 5 years	**59**	**26**
	• more than 5 years	**539**	**589**
	Total	**598**	**718**

The subordinated liabilities are structured as promissory note loans, loan agreements, and bearer securities issued in the form of global certificates. The net expense for subordinated liabilities in the amount of €598 million (2012: €718 million) after hedging totals €1 million (2012: €8 million). The terms and conditions of all subordinated liabilities fulfill the requirements of Section 10 (5a) of the German Banking Act and do not provide for early repayment or conversion.

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

1. Bond at a nominal amount of JPY 25 billion; carrying amount: €158 million; maturity: April 21, 2036; interest rate before hedging: 2.8%
2. Bond at a nominal amount of JPY 10 billion; carrying amount: €62 million; maturity: October 28, 2019; interest rate before hedging: 2.0%
3. Bond at a nominal amount of €100 million; carrying amount: €100 million; maturity: August 18, 2021; interest rate before hedging: 1.676%
4. Bond at a nominal amount of €100 million; carrying amount: €100 million; maturity: August 18, 2021; interest rate before hedging: 1.706%

Off-balance sheet disclosures		Dec. 31, 2013 € million	Dec. 31, 2012 € million
Item 1:	Contingent liabilities		
	• Deficiency guarantees	2	3
	• Guarantee of provision of collateral	0	0
	Deficiency guarantees are accepted for capital market loans granted at a reduced rate of interest. We currently do not expect that these deficiency guarantees will be utilized. There are back-to-back guarantees granted by the government for capital market loans at a reduced rate of interest.		
Item 2:	Other commitments		
	The increase of irrevocable loan commitments by €589 million to a total of €1 828 million is attributable to an increase of commitments in the promotional loan business and the secured money market business. Drawdowns on these commitments will be made primarily in 2014.		
Assets and liabilities in foreign currencies			
	Assets and liabilities denominated in a foreign currency have been recorded in the following amounts:		
	• Assets	2 358	1 869
	• Liabilities	37 992	46 031
Computation of cover			
	The liabilities subject to cover requirements are allocated as follows:		
	• Bearer debt securities	-	2
	• Registered debt securities	1 348	2 316
	The following assets are designated to cover debt securities issued:		
	• Loans and advances to banks	4 918	6 649
	• Loans and advances to customers	556	606

Notes to the income statement

Income and expenses

Interest expenses for the recognition of provisions for the interest reduction related to special promotional loans amounted to €78.4 million in 2013 (2012: €70.6 million). Interest income includes the pro rata temporis utilization of the corresponding provisions in the amount of €75.1 million (2012: €70.8 million). Interest expenses include effects from compounding the discount of provisions in the amount of €10.2 million (2012: €7.5 million).

In the previous year, interest income and expenses from derivative hedges were recognized on a net basis for each product group. Recognizing interest income and expenses on an individual transaction basis as either interest income or interest expense, as appropriate, would have increased interest income and expense by €1.2 billion each. Interest expenses and interest income from derivatives are now recognized in the income statement for 2013 separately for each derivative contract. Prior-year comparatives were not adjusted.

In the previous year, the differences from hedged items pursuant to Section 340e (2) of the HGB and Section 250 (2) and (3) of the HGB were offset against upfront payments from derivative contracts, with no effect on the income statement. In 2013, the pro rata temporis amortization of these differences as well as the upfront payments on individual transaction level resulted in interest expenses of €166.8 million (2012: €1.0 million) as well as interest income of €163.4 million (2012: €0.1 million).

Disclosures on the most important individual items pursuant to Section 35 (1) No. 4 of the RechKredV	**2013 € million**	**2012 € million**
Item 5: Other operating expenses		
This item includes the following significant income items:		
• Capital contribution to Rehwinkel-Foundation	**3**	**2**
• Grants for the program “Research on agricultural innovation”	**3**	**0**
• Interest expense from the valuation of pension provisions	**6**	**5**
Item 6: Other operating income		
This item includes the following significant income items:		
• Rental income from Rentenbank's real estate	**2**	**2**
• Other refunds	**1**	**1**
• Other income from the reversal of provisions	**1**	**2**

Other operating expenses include currency translation losses in the amount of €6.9 thousand (2012: €13.0 thousand). Other operating income includes currency translation gains in the amount of €7.1 thousand (2012: €1.0 thousand). These currency translation gains/losses result exclusively from the currency translation of balances on payment transaction accounts in foreign countries.

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

Other disclosures

Derivative financial instruments

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

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

Derivative transactions – presentation of volumes –

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

€ million	Nominal amounts		Fair values positive	Fair values negative
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2013
Interest rate risks				
Interest rate swaps	90 086	88 257	1 920	3 730
• thereof termination and conversion rights embedded in swaps	497	588	27	1
Swaptions				
• Purchases	-	-	-	-
• Sales	983	984	-	44
Other forward interest rate contracts	1	3	1	-
Total exposure to interest rate risks	91 070	89 244	1 921	3 774
Currency risks				
Cross-currency interest rate swaps	37 557	43 514	1 305	1 959
• thereof currency options embedded in swaps	55	158	5	0
• thereof termination rights embedded in swaps	14	88	0	0
Currency swaps	2 736	5 186	6	63
Total exposure to currency risks	40 293	48 700	1 311	2 022
Share price risk and other price risks				
Share index swaps	30	30	4	0
• thereof share options embedded in swaps	30	30	4	0
Total exposure to share price risk and other price risks	30	30	4	0
Interest rate, currency, share price and other price risks	131 393	137 974	3 236	5 796

Derivative transactions – breakdown by maturities –

Nominal amounts € million	Interest rate risks		Currency risks		Share price risk and other price risks	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Remaining time to maturity						
• up to 3 months	4 717	3 878	3 351	10 525	-	-
• more than 3 months to 1 year	6 541	7 195	3 816	5 126	-	-
• more than 1 year to 5 years	50 274	47 764	27 513	26 651	30	30
• more than 5 years	29 538	30 407	5 613	6 398	-	-
Total	91 070	89 244	40 293	48 700	30	30

Derivative transactions – breakdown by counterparties –

€ million	Nominal amounts		Fair values positive	Fair values negative
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2013
Banks in OECD countries	119 187	126 350	2 853	5 351
Other counterparties in OECD countries	12 206	11 624	383	445
Total	131 393	137 974	3 236	5 796

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

Information pursuant to Section 285 No. 23 of the HGB on valuation units

Rentenbank uses currency swaps, cross-currency interest rate swaps and currency forward contracts to hedge currency risks. Currency hedges are presented in the balance sheet using valuation units pursuant to Section 254 of the HGB. The net hedge presentation method (Einfrierungsmethode) is used to account for the offsetting changes in value between hedged item and hedging instrument.

To measure the effectiveness of valuation units, the critical terms match/short cut method is used, where the cash flows of hedged item and hedging instrument are compared. Exchange rate fluctuations of corresponding hedged items and hedging derivatives have an opposite effect and offset each other for the period through the end of their respective maturity.

Hedged items and hedging instruments are combined in valuation units as follows as of the balance sheet date:

Balance sheet item	Carrying amount in € million		Hedged risk
	2013	2012	
Loans and advances to banks	44	44	Currency
Bonds and other fixed-income securities	1 980	1 679	Currency
Liabilities to banks	80	80	Currency
Liabilities to customers	154	175	Currency
Securitized liabilities	38 616	42 812	Currency
Subordinated liabilities	320	442	Currency

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

In fiscal year 2013, the remuneration for Rentenbank's Board of Managing Directors amounted to €1 572 thousand (2012: €1 551 thousand). The remuneration for the individual members of the Board of Managing Directors for fiscal year 2013 was set as follows:

Amounts in € thousand	Fixed remuneration	Variable remuneration	Other remuneration	Total
Hans Bernhardt	510	245	37	792
Dr. Horst Reinhardt	510	245	25	780

As of December 31, 2013, provisions for pension obligations to former members of the Board of Managing Directors and their surviving dependents totaled €14 909 thousand (2012: €14 466 thousand). Current benefit payments amounted to €1 172 thousand (2012: €1 145 thousand). As in the previous year, there were no loans granted to the members of the Board of Managing Directors or members of the Board of Supervisory Directors in fiscal year 2013. In accordance with the remuneration regulations, the Chairman of the Board of Supervisory Directors receives a basic annual remuneration of €30 thousand, his Deputy Chairman €20 thousand, and all other members of the Board of Supervisory Directors €10 thousand each. In addition, members of the Bord of Supervisory Directors working on a committee receive remuneration of €2.0 thousand and members who chair a committee €4.0 thousand.

The total remuneration for activities related to the Board of Supervisory Directors in the year under review amounted to €298 thousand (2012: €295 thousand, including VAT in each case). The following table sets out the individual remuneration (not including VAT in each case):

	Membership		Remuneration	
	2013	**2012**	**2013**	**2012**
			€ thousand	**€ thousand**
Gerd Sonnleitner (Chairman until 07.11.2013)	01.01. - 07.11.	01.01. - 31.12.	**43.4**	**44.0**
Joachim Rukwied (Chairman since 08.11.2013)	01.01. - 31.12.	29.06. - 31.12.	**16.7**	**5.6**
Ilse Aigner*	01.01. - 30.09.	01.01. - 31.12.	**16.5**	**22.0**
Dr. Hans-Peter Friedrich*	01.10. - 31.12.	-	**5.0**	**-**
Dr. Hermann Onko Aeikens	01.01. - 31.12.	01.01. - 31.12.	**10.0**	**10.0**
Dr. Helmut Born	01.01. - 30.09.	01.01. - 31.12.	**10.5**	**14.0**
Georg Fahrenschon	01.01. - 31.12.	05.07. - 31.12.	**12.0**	**5.6**
Udo Folgart	08.11. - 31.12.	-	**2.0**	**-**
Heinrich Haasis	-	01.01. - 04.07.	**-**	**7.0**
Dr. Robert Habeck	01.01. - 31.12.	14.06. - 31.12.	**10.0**	**5.4**
Dr. Werner Hildenbrand	01.01. - 31.12.	01.01. - 31.12.	**10.0**	**10.0**
Werner Hilse	01.01. - 31.12.	01.01. - 31.12.	**12.0**	**12.0**
Ulrike Höfken	01.01. - 31.12.	01.01. - 31.12.	**10.0**	**10.0**
Wolfgang Kirsch	01.01. - 31.12.	01.01. - 31.12.	**14.0**	**14.0**
Dr. Robert Kloos	01.01. - 31.12.	01.01. - 31.12.	**14.0**	**14.0**
Bernhard Krüsken	01.10. - 31.12.	-	**3.2**	**-**
Franz-Josef Möllers	-	01.01. - 28.06.	**-**	**6.0**
Klaus-Peter Müller	01.01. - 31.12.	01.01. - 31.12.	**16.0**	**16.0**
Manfred Nüssel	01.01. - 31.12.	01.01. - 31.12.	**12.0**	**12.0**
Dr. Juliane Rumpf**	-	01.01. - 13.06.	**-**	**4.6**
Harald Schaum	27.12. - 31.12.	-	**-**	**-**
Brigitte Scherb	01.01. - 31.12.	01.01. - 31.12.	**12.0**	**12.0**
Norbert Schindler	01.01. - 31.12.	01.01. - 31.12.	**12.0**	**10.6**
Dr. Klaus Stein	01.01. - 31.12.	01.01. - 31.12.	**14.0**	**14.0**
Klaus Wiesehügel	01.01. - 30.09.	01.01. - 31.12.	**9.0**	**12.0**
Total remuneration			**264.3**	**260.8**

* direct donation to Förderverein Caritas Kinderdorf Irschenberg

** or representative

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

Headcount	2013			2012		
	Male	Female	Total	Male	Female	Total
Full-time employees	132	80	212	129	81	210
Part-time employees	5	39	44	4	36	40
Total	137	119	256	133	117	250

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

	Equity € million Dec. 31, 2013	Shareholding %	Result € million 2013
LR Beteiligungsgesellschaft mbH, Frankfurt/Main	58.8	100.0	+2.4
Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main (in liquidation)	7.6*	25.1	-0.2*
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main	11.7	100.0	-0.3
Niedersächsische Landgesellschaft mbH, Hannover	63.2*	6.3	+4.6*

*) Dec. 31, 2012

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

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

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

The Declaration of Compliance with the German Public Corporate Governance Code is available to the public on Rentenbank’s website.

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

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

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

Members of the Board of Managing Directors and members of the Board of Supervisory Directors

Board of Managing Directors	Dr. Horst Reinhardt (Speaker), Dipl.-Volksw., MBA Hans Bernhardt, Dipl.-Kfm.

Board of Supervisory Directors

Chairman:	Joachim Rukwied Präsident des Deutschen Bauernverbands e.V., Berlin (since 08.11.2013)
	Gerd Sonnleitner Ehrenpräsident des Deutschen Bauernverbands e.V., Berlin (until 07.11.2013)
Deputy:	Ilse Aigner, MdB Bundesministerin für Ernährung, Landwirtschaft und Verbraucherschutz, Berlin (until 30.09.2013)
	Dr. Hans-Peter Friedrich, MdB Bundesminister für Ernährung und Landwirtschaft, Berlin (01.10.2013 until 17.02.2014)
	Christian Schmidt, MdB Bundesminister für Ernährung und Landwirtschaft, Berlin (since 17.02.2014)

Representatives of the Deutscher Bauernverband e.V.:	Dr. Helmut Born Generalsekretär des Deutschen Bauernverbands e.V., Berlin (until 30.09.2013)
	Bernhard Krüsken Generalsekretär des Deutschen Bauernverbands e.V., Berlin (since 01.10.2013)
	Udo Folgart Präsident des Landesbauernverbands Brandenburg e.V., Teltow/Ruhlsdorf (since 08.11.2013)
	Werner Hilse Präsident des Landvolk Niedersachsen-Landesbauernverbands e.V., Hannover
	Brigitte Scherb Präsidentin des Deutschen LandFrauenverbands e.V., Berlin
	Norbert Schindler, MdB Präsident des Bauern- und Winzerverbands Rheinland-Pfalz Süd e.V., Berlin
Representative of the Deutscher Raiffeisenverband e.V.:	Manfred Nüssel Präsident des Deutschen Raiffeisenverbands e.V., Berlin
Representative of the Food Industry:	Dr. Werner Hildenbrand Sprecher GF Hengstenberg GmbH & Co KG Stv. Vorsitzender des Vorstands der Bundesvereinigung der Deutschen Ernährungsindustrie e.V., Berlin
State Ministers of Agriculture:	
Rhineland-Palatinate:	Ulrike Höfken Staatsministerin für Umwelt, Landwirtschaft, Ernährung, Weinbau und Forsten, Mainz (until 31.12.2013)

Saxony-Anhalt:	Dr. Hermann Onko Aeikens Minister für Landwirtschaft und Umwelt des Landes Sachsen-Anhalt, Magdeburg (until 31.12.2013)
Schleswig-Holstein:	Dr. Robert Habeck Minister für Energiewende, Landwirtschaft, Umwelt und ländliche Räume des Landes Schleswig-Holstein, Kiel (until 31.12.2013)
Bavaria	Helmut Brunner Staatsminister für Ernährung, Landwirtschaft und Forsten, München (since 01.01.2014)
Brandenburg	Jörg Vogelsänger Minister für Infrastruktur und Landwirtschaft, Potsdam (since 01.01.2014)
Bremen	Martin Günthner Senator für Wirtschaft, Arbeit und Häfen, Bremen (since 01.01.2014)
Representatives of the Trade Unions:	Klaus Wiesehügel Bundesvorsitzender der IG Bauen-Agrar-Umwelt, Frankfurt am Main (until 30.09.2013) Harald Schaum stellv. Bundesvorsitzender der IG Bauen-Agrar-Umwelt, Frankfurt am Main (since 27.12.2013)
Representative of the Federal Ministry of Food and Agriculture:	Dr. Robert Kloos Staatssekretär, Berlin
Representative of the Federal Ministry of Finance:	Dr. Klaus Stein Ministerialdirigent, Berlin

Representatives of banks or other lending experts:	Georg Fahrenschon Präsident des Deutschen Sparkassen- und Giroverbands e. V., Berlin
	Wolfgang Kirsch Vorsitzender des Vorstands der DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
	Klaus-Peter Müller Vorsitzender des Aufsichtsrats der Commerzbank AG, Frankfurt am Main

Frankfurt am Main, March 4, 2014

LANDWIRTSCHAFTLICHE RENTENBANK

The Board of Managing Directors

Dr. Reinhardt Bernhardt

Statement of Management Responsibility

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

Frankfurt am Main, March 4, 2014

LANDWIRTSCHAFTLICHE RENTENBANK

The Board of Managing Directors

Dr. Reinhardt

Bernhardt

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the combined management report prepared by Landwirtschaftliche Rentenbank, Frankfurt/Main, for the business year from January 1 to December 31, 2013. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law and supplementary provisions of the Governing Law of Landwirtschaftliche Rentenbank [Gesetz über die Landwirtschaftliche Rentenbank] are the responsibility of the Company`s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt/Main, March 4, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Report of the Board of Supervisory Directors

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

The annual financial statements as well as the combined management report were prepared by the Board of Managing Directors in accordance with the accounting principles of the German Commercial Code *(Handelsgesetzbuch, HGB)* as of December 31, 2013 and were audited by the auditors KPMG AG, Berlin, who issued an unqualified audit opinion. The consolidated financial statements as well as the combined management report as of December 31, 2013 were prepared by the Board of Managing Directors in accordance with the International Financial Reporting Standards (IFRS) and the additional requirements of German Commercial Code as defined in Section 315a (1) of the HGB and were audited by the auditors KPMG AG, Berlin, who issued an unqualified audit opinion. The Board of Supervisory Directors acknowledged and approved the findings of the audit.

The Board of Supervisory Directors reviewed the annual financial statements and the consolidated financial statements, including the combined management report, as well as the annual report of Landwirtschaftliche Rentenbank. The Board of Supervisory Directors adopts the bank's annual financial statements including the combined management report for fiscal year 2013 and approves the consolidated financial statements and the combined management report for fiscal year 2013.

In accordance with the regulation that the guarantee reserve *(Deckungsrücklage)* may not exceed 5 % of the amount of the outstanding covered bonds pursuant to Section 2 (3) of Rentenbank's Governing Law, the Board of Supervisory Directors resolved to remove € 48 510 808.63 from the guarantee reserve and to increase the principal reserve *(Hauptrücklage)* by the same amount.

From the net income for the year of € 53 000 000.- as reported in the income statement of the financial statements, € 39 750 000.- is made available for the principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law.

Furthermore, the Board of Supervisory Directors resolved from the residual distributable profit of € 13 250 000.- to provide € 6 625 000.- to the German federal government's Special Purpose Fund and € 6 625 000.- to the Promotional Fund.

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

Frankfurt am Main, March 27, 2014

THE BOARD OF SUPERVISORY DIRECTORS OF
LANDWIRTSCHAFTLICHE RENTENBANK

Joachim Rukwied
(Chairman)

Landwirtschaftliche Rentenbank
Hochstraße 2 / 60313 Frankfurt am Main / Germany
P.O. Box 10 14 45 / 60014 Frankfurt am Main / Germany

phone +49 (0)69 2107-0
fax +49 (0)69 2107-6444
e-mail: office@rentenbank.de
www.rentenbank.de