2012
Unconsolidated Financial Report

Financial Statements in accordance with German Commercial Code (HGB) of Landwirtschaftliche Rentenbank as of 31.12.2012

rentenbank

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Management report

Economic environment

The year 2012 was characterized by the continuing financial and sovereign debt crisis in Europe, the consequences of which are now also materializing in the real economy. Government austerity measures and fears that the European Monetary Union could break apart dampened consumption and willingness to invest, resulting in adjustment-related recession in many euro zone countries.

For the first time in three years, euro zone gross domestic product (GDP) declined in 2012 by 0.5% after expanding by 1.4% the previous year. The situation in the individual euro zone countries was quite mixed. The recession was especially pronounced in Greece, Portugal, Spain and Italy, whereas Germany once again outperformed the euro zone average, posting a rise in GDP of 0.7%. Nevertheless, momentum slowed in Germany as well. In 2011, the economy still grew by 3.0%. In 2012, growth again was spurred by strong exports to emerging markets and domestic demand. By contrast, exports to euro zone countries declined. The unemployment rate in Germany continued to decline from 6.0% in the previous year to an annual average of 5.5% for 2012 as measured by the International Labour Organization (ILO). By contrast, unemployment reached new record highs within the euro zone. The average unemployment rate rose from 10.2% to 11.4% in an annual comparison and at the end of 2012 it reached 11.7%.

Despite recessionary trends, pricing pressure declined only slightly within the euro zone. At 2.5% for 2012, the rise in consumer prices was slightly lower than in the previous year (compared with 2.7% in 2011). This resulted from rising raw material, energy and food prices in particular. Hikes in consumption tax rates in several European countries also played a role in price increases.

The European Central Bank (ECB) initially made no changes to its interest rate policy during the first half of 2012 and left its key lending rate at 1.0%. Against the backdrop of weak economic growth within the euro zone and continued uncertainty in the financial sector, the ECB lowered its key lending rate to 0.75% at the beginning of July. At the same time, the interest rate for the deposit facility was reduced to 0.0%. In addition, the ECB expanded its extraordinary monetary policy measures during 2012 in order to stabilize the banking sector. These measures included, for example, expanding the collateral framework for refinancing transactions between the banks and the ECB and making additional three-year tenders available, which the banks drew down by approximately €530 billion at the end of February. The ECB resumed its purchases of government bonds in order to support financially weak countries of the euro zone as well. Additionally, the ECB announced in early September that it would make unlimited purchases of government bonds of member states of the European Monetary Union on the secondary market under certain circumstances, in order to limit risk premiums for government bonds of countries affected by the crisis and to ensure the transmission mechanism for monetary policy in all euro zone countries.

Yields for safe investments such as German federal government bonds sank to new record lows in 2012 and remained at low levels. The discussion of the possibility of Greece leaving the European Monetary Union in particular led to a rise in risk aversion on the part of many investors. In addition, they doubted whether a European fiscal pact would be adopted. Accordingly, the yield on ten-year German federal government bonds sank clearly, especially towards mid-year, reaching a new record low of 1.17% in July. Yields on German federal government money market securities were even negative at times. The situation eased slightly again during the second half of the year. Nevertheless, investor preference for "safe haven" investments remained high. At the end of the year, the yield on ten-year German federal government bonds was 1.32%.

Favorable conditions in many important markets resulted in continued positive economic trends in the German agricultural sector. However, high prices for input factors, particularly for feedstuff and energy, had a dampening effect. Last but not least, willingness to invest in primary production remained high, not least due to low interest rates. By contrast, investments were significantly lower in renewable energies as a result of amendments to the Erneuerbare-Energien-Gesetz (EEG/Renewable Energy Sources Act). Biogas plants were especially affected.

Underlying conditions

The Rentenbank is a public law institution directly accountable to the German federal government with its registered office in Frankfurt am Main. It operates no branch offices.

As a promotional bank for the agricultural sector and rural areas, Rentenbank provides funds for a variety of investment projects. The range of products is geared towards production businesses in the agricultural and forestry sectors, wine-growing and horticulture sectors as well as in aquaculture and fish farming. Funds are also provided for projects in the food industry and other upstream and downstream companies as well as investments in renewable energies and projects for rural development.

Business strategies are presented by segment. The segments break down into "Promotional Business", "Capital Investment" and "Treasury Management".

The "Promotional Business" segment includes the promotional lending and securitized lending businesses as well as the bank’s refinancing. As part of the promotional lending business, Rentenbank grants special promotional loans as well as standard promotional loans, e.g., in the form of promissory note loans. The transactions predominantly are conducted with other banks. Securitized lending includes investments in securities in order to secure the Bank's liquidity and to invest liquid funds. Accordingly and in particular, they serve to satisfy banking regulatory requirements regarding liquidity management. The Bank is not exposed to securities or receivables with features like structured credit risks such as asset-backed securities or collateralized debt obligations.

The "Capital Investment" segment includes investments of balance sheet equity and long-term provisions.

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

Business performance

Rentenbank’s business development was characterized by sustained buoyant demand for promotional financing in 2012. Demand for special promotional loans was very high, especially due to the strong investment activity based on favorable economic conditions in the agricultural sector. Rentenbank was again able to make the required borrowings available on favorable conditions, as investors preferred safe haven investments.

Promotional volumes, consisting of the segments "Promotional Business" and "Capital Investment", amounted to a total of €67.1 billion (the figures in brackets refer to value as of Dec 31, 2012: €66.7 billion) and thus were 0.6% higher than the previous year. As a result of the increase in new business for special promotional loans, the portfolio of special promotional loans grew by €3.4 billion, or 12.7%, to €30.2 billion (compared with €26.8 billion in 2011). Compared with the previous year, the volume of securitized lending declined as a result of increased maturities and a lower new business volume. During the 2012 fiscal year, the nominal total amount of new business in the segments "Promotional Business" and "Capital Investment" amounted to €10.4 billion (compared with €11.9 billion in 2011).

During the reporting year, the bank raised funds in the amount of €9.6 billion (compared with €12.0 billion in 2011) from domestic and foreign capital markets.

Balance Sheet

The total assets declined by €2.1 billion (compared with an increase of €2.8 billion in 2011), or 2.6% (compared with an increase of 3.6% in 2011), to 79.2 billion (compared with €81.3 billion in 2011). Contingent liabilities amounted to €2.7 million (compared with €3.1 million in 2011). Irrevocable credit commitments rose by €0.2 billion to €1.2 billion (compared with €1.0 billion in 2011). Rentenbank generally extends its loans via other banks. Accordingly, with a share of 64.6 % (compared with 63.7% in 2011), loans and advances to banks carried a special amount of weight on the asset side of the balance sheet. As of the balance sheet date, this line item amounted to €51.2 billion (compared with €51.8 billion in 2011). Loans and advances to customers grew by €1.6 billion to €4.6 billion (compared to €3.0 billion in 2011). This item includes loans to local authorities which increased by €1.7 billion to €4.3 billion (compared to €2.6 billion for 2011) as a result of the acquisition of promissory note loans from several German federal states. The securities portfolio, which almost exclusively comprises bank bonds and notes, fell by €3.2 billion to €22.0 billion (compared to €25.2 billion in 2011). As of December 31, 2012, this balance sheet item included bonds and notes classified as fixed assets in a nominal amount of €21.8 billion (compared to €24.9 billion in 2011). As of the end of the year, the portfolio included no notes in the liquidity reserve. During the prior year, a nominal amount of €40.0 million were measured at the lower of cost or market pursuant to HGB ("strenges Niederstwertprinzip").

On the liability side of the balance sheet, liabilities to banks decreased by €0.2 billion to €3.6 billion (compared to €3.8 billion in 2011). The carrying amount of overnight and term deposits declined by €0.3 billion to €0.2 billion (compared to €0.5 billion in 2011). The carrying amount of registered bonds and promissory note loans, which are also included in this item, amounted to €1.3 billion (compared to €1.3 billion for 2011).

The liabilities to customers declined by €0.8 billion to €5.2 billion (compared to €6.0 billion in 2011). This balance sheet item almost exclusively comprises registered bonds, which are reported with a volume of €4.0 billion at year-end (compared to €4.5 billion in 2011).

The portfolio of securitized liabilities declined by €0.6 billion, or 1.0%, and had a carrying amount of €62.2 billion at year-end (compared to €62.8 billion in 2011). At €38.3 billion (compared to € 37.9 billion in 2011) the Euro Medium Term Note (EMTN) program represents the most important refinancing instrument. The book value of Global bonds totaled € 11.7 billion at the end of the year (compared to € 12.2 billion in 2011). The balance of instruments from the ECP program, which is part of money market funding, declined to €5.3 billion (compared to €7.0 billion in 2011).

All funds borrowed in the money and capital markets for refinancing purposes were made available on an arms-length basis.

Provisions increased by €0.9 million to €399.1 million (compared to €398.2 million in 2011). The gross amount of additions to provisions for pensions and similar obligations was €6.7 million (compared to €5.3 million in 2011). The amount of provisions used for current payments for pensions and similar obligations was €5.1 million (compared to €5.1 million in 2011). The provisions for pensions and similar obligations increased by €1.6 million (compared to €0.2 million in 2011).

Other provisions declined by €0.6 million to €312.8 million (compared to €313.4 million in 2011). This balance sheet item primarily comprises the promotional contribution of Rentenbank to reduce the interest rates of its special promotional loans.

Financial performance

Rentenbank's prevailing positive earnings trend continued in 2012.

In the context of a change in presentation in fiscal year 2012, there was a first-time reclassification relating to the provisions for the interest rate subsidy of special promotional loans. The expenses for these provisions amounting to €70.6 million (compared to €69.2 million in 2011) were formerly accounted for in the cross compensation item of provision for loan losses according to Section 340f (3) of the German Commercial Code (HGB) and have now been accounted for in the interest expense line. Therefore, both items can only be compared to the previous year’s figures on a reconciled basis.

Prior to this change in presentation, the operating result before provision for loan losses and valuation amounted to €374.3 million (compared to €369.8 million in 2011). This translates into an operating result of €303.7 million after change in presentation.

After deducting the interest rate subsidy for the special promotional loans in the amount of €70.6 million, net interest income as of December 31, 2012 amounted to €352.9 million, compared to an unadjusted value of €417.2 for the previous year.

Administrative expenses increased to €44.7 million (compared to €40.5 million in 2011).

While earnings in the Promotional Business and Capital Investment segments continued to develop positively, earnings in the Treasury Management segment declined compared to the prior year.

Amortization and write-downs of loans, advances and securities, equity investments and interests in affiliated companies as well as additions to provisions for loan losses have been recognized in sufficient amounts and take into account all identifiable risks.

Net income

Net income for 2012 amounted to €51.0 million (compared to €49.0 million in 2011), representing an increase of €2.0 million against the previous year. Of this amount, €38.25 million (compared to €36.75 million in 2011) were allocated to the principal reserve (*Hauptrücklage*). Pursuant to Section 2 (3) Sentence 2 of the Rentenbank's Governing Law the guarantee reserve (*Deckungsrücklage*) may not exceed at any time 5% of the nominal amount of the covered bonds outstanding. Accordingly, the decrease in the volume of these covered bonds resulted in a transfer from the guarantee reserve of €21.8 million (compared to €21.4 million in 2011) to the principal reserve. After allocation to the reserves, a net profit of €12.75 million (compared to €12.25 million in 2011) remains, which will be used to promote agriculture and rural areas.

Own funds

After allocation to the principal reserves and appropriation to the fund for general banking risks, own funds reported on the balance sheet reached 3,957.5 million (compared to €3,639.0 million in 2011).

Own funds can be broken down as follows:

	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Capital stock	135.0	135.0
Principal reserve	769.9	709.8
Guarantee reserve	115.9	137.7
Fund for general banking risks	2,219.2	1,928.2
Subordinated liabilities	717.5	728.3
Total	3,957.5	3,639.0

Own funds increased by €318.5 million compared to 2011.

The fund for general banking risks was increased by €291.0 million to €2,219.2 million.

The subordinated liabilities decreased by €10.8 million (compared to €52.5 million) based on exchange rate effects during the conversion of liabilities in foreign currencies.

The regulatory capital of the bank as of December 31, 2012, prior to the adoption of the annual financial statement, was €3,740.8 million (compared to €3,517.5 million in 2011). The total capital ratio, calculated pursuant to Section 10 (1) of the German Banking Act based on the German Solvency Regulation (Solvabilitätsverordnung, SolvV), amounted to 27.5% on the reporting date (compared with 25.7% in 2011) and thus exceeded the legal minimum requirements to a considerable extent.

Overall, the Board of Managing Directors views the business trend as satisfactory for the Bank's results of operations, financial position and net assets.

Financial reporting process

The financial reporting process comprises all activities from account allocation and processing of transactions to preparation of the annual financial statements.

The objective of the financial-reporting internal control system (ICS)/risk management system (RMS) is to ensure compliance with financial reporting standards and regulations, as well as adherence to the accepted accounting principles of financial reporting.

Rentenbank prepares its financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, "HGB"), as amended by the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, "BilMoG") dated May 25, 2009, and the German Accounting Directive for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, "RechKredV") in accordance with Generally Accepted Accounting Principles (Grundsätze ordnungsmäßiger Buchführung, "GoB"). The consolidated financial statements of Rentenbank are prepared in accordance with all International Financial Reporting Standards ("IFRS") applicable in the EU for the reporting period and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, "HGB"). These regulations are documented in manuals and procedural instructions. The Finance division monitors these on a regular basis and adjusts them, if necessary, to take into account any changes in legal and regulatory requirements. The involvement of the Finance division in the "New Product Process" (NPP) ensures that new products are correctly reflected in the financial reporting system.

The documentation of the financial reporting process is comprehensible to knowledgeable third parties. The relevant records are kept in compliance with the statutory retention periods.

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

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

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

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

Other performance indicators

Employees

At the end of 2012, there were 256 employees (compared with 240 in 2011). This figure does not include employees on parental leave or the Board of Managing Directors. The additional number of employees is particularly the result of the further increasing regulatory and technical requirements in the back office functions.

Vacant positions were filled with highly qualified and motivated candidates. This underlines that the Bank is considered an attractive employer at the financial center Frankfurt. Apart from interesting and secure jobs, people especially appreciate the adoption of social responsibility as expressed in the promotional mandate and in the business model focusing on sustainability.

An additional two trainees were retained in 2012 following five trainees in the previous year. The Bank is confident that it will also be able to offer the same perspective to the current group of six trainees.

The expenses for wages and salaries rose €0.8 million to € 21.1 million in 2012 (compared to €20.3 million in 2011) as a result of the higher number of employees and the pay rise from collective wage agreements. Personnel costs of €0.6 million associated with IT-projects were capitalized and they are therefore not included in expenses for wages and salaries of €20.5 million. Social security contributions and expenses for pensions and other employee benefits increased more sharply, rising by €2.4 million to €5.1 million (compared to €2.7 million in 2011). This was the result of an addition to pension provisions in the amount of €1.1 million. In addition, the number of persons entitled to benefits as well as those taking advantage of early retirement compensation increased so that the corresponding provisions or liabilities, as applicable, rose by a total of €1.0 million.

Sustainability

Rentenbank's business model which is based on promotional activities and sustainability, represents the foundation of its commitment to an economically stable, ecological society. Relevant aspects of sustainable behavior are explicitly set out in the Law Governing the Landwirtschaftliche Rentenbank. Within the framework of its promotional lending business, Rentenbank provides funds for investments in renewable energies, measures for emission reduction and energy savings, regenerative energy sources, expansion of ecological farming and regional marketing as well as agriculture-related environmental, animal and consumer protection at particularly low interest rates. In the past few years, the volume of special promotional loans granted for sustainable projects has risen steadily. However, for fiscal year 2012, this figure declined significantly to €1.7 billion (compared with €2.7 billion in 2011). As a result of changes in the Renewable Energy Sources Act (EEG), demand for the funding of biogas plants in particular has declined.

As a service provider, Rentenbank also helps to conserve resources within its daily banking operations and consumes raw materials and energy wisely. Further savings potential is reviewed on a regular basis, ecological aspects are taken into consideration when making decisions as well as in behavior, for example regarding employee housing. Rentenbank is an attractive employer and endeavors to offer a workplace where one may experience appreciation of individual performance and personality and may utilize his or her abilities for meaningful work.

Risk report

General principles

The bank’s corporate objective, derived from the legal mandate, is to promote the agricultural sector and rural areas on a sustainable basis. The bank’s business activities are directed towards achieving this goal. In this context, care must be taken to ensure that the bank is able to fulfill its promotional mandate at all times. The bank’s risk structure is substantially defined by the framework established by the Law and the Statutes of Rentenbank.

The bank started to implement the requirements of the 4th Amendment to MaRisk (Mindestanforderungen an das Risikomanagement / Minimum Requirements for Risk management) at the end of 2012. This includes in particular risk strategies, capital planning processes, the risk controlling and compliance functions and a review of the liquidity cost allocation system.

Organization of risk management processes

Risk management

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

Risks resulting from business operations are identified, limited and managed on the basis of risk-bearing capacity calculations using a risk management system implemented for such purposes. For this purpose, the whole Board of Managing Directors has established a risk strategy as well as sub-strategies based on this risk strategy. The strategies are reviewed at least annually and adjusted by the entire Board of Managing Directors if necessary.

A significant component of the risk management system is the implementation, management and monitoring of limits that are based on the risk-bearing capacity. The risk-bearing capacity concept is for ensuring that the risk covering potential is sufficient to cover all material risks. The risk-bearing capacity concept is based on the going concern approach.

Within the framework of a risk inventory, the bank analyzes which risks may have a material effect on its financial position, operating result or the liquidity situation. The risk inventory serves as the basis for assessing the materiality of risks.

Risk management functions are primarily performed by the divisions Treasury, Promotional Business, Financial Institutions and Collateral & Equity Investments divisions. The Risk Manual of the Board of Managing Directors provides a comprehensive overview of all risks in the bank on the basis of the risk management and controlling processes.

Appropriate potential risk scenarios are used as part of the planning process for the future net asset position, financial position and operating result. Target- performance deviations are analyzed as part of a monthly report. Capital planning targets are set for the coming ten years. The Risk-bearing capacity is planned on the basis of a three-year forecast.

The inclusion of transactions in new products, business types, sales channels or new markets requires the adherence of a "New Product Process" (NPP). Within the scope of the NPP, the organizational units involved analyze the risk level, the processes and the main consequences for risk management.

Risk controlling

From an organizational perspective, risk controlling is part of the Finance and Financial Institutions divisions. In the Finance division, risk control comprises the regular monitoring of the limits determined by the whole Board of Managing Directors as well as reporting on market price risks, liquidity risks, operational risks and risk-bearing capacity 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 whole Board of Managing Directors and the Audit and Credit Committees of the Advisory Board are informed of the risk situation at least quarterly. If material risk-relevant information or transactions become known, and in the case of non-compliance with the Minimum Requirements for Risk Management (MaRisk), the entire Board of Managing Directors, Internal Audit department and, if necessary, the heads of areas or divisions or departments concerned must be notified. Information that is material in terms of risk is forwarded instantaneously by the Board of Managing Directors to the Advisory Board.

The instruments used for risk management and monitoring are reviewed and updated on an ongoing basis.

Internal audit

Internal Audit directly reports to the whole Board of Managing Directors of Rentenbank. It conducts its activities independently and on its own. The whole Board of Managing Directors is authorized to order additional audits to be performed. The chairman of the Advisory Board and the chairman of the Audit Committee may request information directly from Internal Audit.

On the basis of risk-based review planning, the Internal Audit department generally reviews and assesses all of the bank's activities and processes, including risk management and its internal controlling system, on a risk-based and process-independent basis.

Risk categories – Material individual risks

All material risks of the bank are identified and monitored to detect any concentration risks in the context of the risk inventory, the NPP as well as the daily monitoring activities.

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

Credit risk

Definition

The granting of loans and the associated assessment and assumption of credit risk is an essential element of Rentenbank’s business activities.

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

The issuer, counterparty, and original country risk refer to the potential loss due to defaults or deterioration in the credit quality of business partners (counterparties/issuers/countries), taking into account the marked-to-market value of collateral. The derivative country risk results from the general economic and political situation of the country in which the debtor is located. Structural risks (i.e., cluster risks) are risks resulting from the concentration of the lending business on regions, sectors or borrowers. Collateral risk is the risk that results from insufficient recovery value of credit collateral during the loan term or a mispricing of collateral. Investment risk is the risk of a loss incurred on the balance sheet due to negative performance in the portfolio of equity investments.

The scope of the bank's business activities is largely defined by the Rentenbank Law and the Statutes. Accordingly, loans for the promotion of the agricultural sector and rural areas in general are currently granted only to banks in the Federal Republic of Germany or in another EU country as well as Norway (since 2011) that are engaged in business activities with enterprises in the agricultural sector, their related upstream or downstream activities or activities in rural areas. In addition, general promotional transactions may also be concluded with the German federal states. The special promotional loans are limited to Germany as an investment area. Accordingly, the lending business of Rentenbank is primarily limited to the refinancing of banks and other interbank business. The credit risk related to the ultimate borrower is generally assumed by the borrower's bank. Since, in the case of special promotional loans, the receivable due from the ultimate borrower is assigned to Rentenbank a decline in the value of the collateral provided by the ultimate borrower to the principal bank directly impacts the collateralized transaction. Risks related to the ultimate borrower are therefore part of the collateral risk.

Within the framework of the Rentenbank Law and Statutes, the bank may enter into any transactions directly related to the performance of its responsibilities. This also includes the purchase of receivables and securities as well as transactions in the context of Treasury Management and bank risk management.

Rentenbank enters into risks in corporate banking only in the direct lending business and in the syndicated lending business with companies. There were no commitments in this segment during 2012.

The range of promotional activities, within the scope of the Agricultural Risk Capital Fund, also comprises the possibility to provide equity capital to suitable companies in the agricultural sector (up to a limit of €100 million) in order to support established, creditworthy companies by acquiring minority shareholdings. No transactions have been made in the fund to date.

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

The divisions Promotional Business and Treasury are responsible for new business with regard to promotional loans, depending on the type of transaction. The Treasury division is responsible for the purchase of securities and promissory note loans as part of the general promotional business and treasury management as well as new business with regard to money market funding and 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 where we have an existing collateral agreement. The Bank does not enter into credit default swaps (CDS).

Organization

The whole Board of Managing Directors of the bank decides the credit risk strategy on an annual basis and presents this strategy to the Credit Committee of the Advisory Board for its information.

Credit risk monitoring and controlling are conducted on the basis of uniform principles and do not depend on the type of business from which these risks result. The Financial Institutions division formulates a uniform credit risk strategy and is responsible for its implementation. It manages also credit risks. In addition, its responsibilities also include analyzing credit risks, establishing internal rating categories, creating templates for credit approvals, preparing the back office function (or risk management) vote and controlling credit risks. The Treasury division as the front office is involved in the credit business workflow.

In accordance with MaRisk, certain tasks have to be performed outside of the front office. These so-called back office functions are performed by the Promotional Business, Financial Institutions as well as Collateral & Equity Investments divisions. The divisions issue the independent second vote for credit decisions, process transactions and evaluate 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 whole Board of Managing Directors. The responsibility for the processes rests with the Board Member responsible for back office functions.

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

Credit assessment

The bank's internal rating categories, which are determined on the basis of internal credit ranking while taking external ratings into consideration, are a key risk management instrument for credit risks, as reflected in the limit system.

The credit ranking is implemented by the back office function within the Financial Institutions division. Individual business partners or types of transactions are allocated to 20 rating categories using an internally established procedure. The ten best rating categories AAA to BBB- are used for business partners with few risks ("Investment Grade"). Also introduced were seven rating categories (BB+ to C) for latent or heightened risks and three rating categories (DDD to D) for non-performing loans and counterparties already in default.

The credit ranking is carried out at least once per year within the context of the review of the counterparties' financial situation, based on annual financial statements or annual reports. In addition to key performance indicators, the analysis also takes into account so-called "soft factors", the ownership background of the company as well as additional supporting data such as membership in a protection scheme or state liability support. If available credit ratings from external rating agencies are also used. For certain transaction types, collateral such as mortgage bonds is included as an additional assessment criterion. Furthermore, country risks are evaluated separately as a structural risk relevant to Rentenbank. 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 ranking based on early warning indicators and, if necessary, an adjustment of the limit. The internal risk classification procedure is continuously developed and monitored annually.

The consequences of the international financial crisis are also reflected in the changes of the financial situation of Rentenbank's counterparties. Individual counterparties have been classified as commitments with latent risks. Nevertheless, the average credit quality of the Rentenbank's total loan portfolio can still be classified as "good", not least due to the high-quality new business.

In light of their tense economic and fiscal situations, the peripheral euro zone countries are being monitored closely. This is also reflected in credit ratings for these countries. We were able to terminate our commitment in Greece during 2012. Business in Ireland consists solely of a swap transaction with the subsidiary of a large U.S. bank. We were similarly able to significantly reduce our commitments in Italy, Portugal and Spain during the past financial year.

There are no undrawn credit lines or irrevocable loan commitments with counterparties in peripheral euro zone countries. There was no new business concluded with counterparties from peripheral euro zone countries in 2012 and are is not anticipated through at least June 2013. Derivatives not secured by cash collateral are an exception and may continue to be concluded.

The share of total assets as of December 31, 2012 comprised of government bonds from peripheral euro zone countries was 0.7% (compared to 0.6% in 2011); the share of bonds and promissory note loans from banks was 5.3% (compared to 6.7% in 2011).

The exposure of other counterparties in peripheral euro zone countries - so-called indirect exposure - is taken into account for credit assessment purposes as well as in the context of testing for impairment.

Quantification of credit risk

The credit risk strategy and the risk-bearing capacity concept are risk management instruments aimed at achieving a good credit quality for the overall loan portfolio.

Rentenbank's creditworthiness category system forms the basis for measuring credit default risks with the help of statistical procedures. In order to determine the potential default, historical probabilities of default as published by external rating agencies are used. The bank does not have historical internal default rates due to the negligible number of defaults in the past decades. The calculations are made at the end of each month. In order to assess credit risks, a standard scenario (annual, potential default related to utilization) is supplemented by stress scenarios (annual, potential default 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, the bank places its focus on the interbank business. This results in a material concentration risk. A specific risk amount (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 the largest based on risk exposure level (taking into account loss given default percentages) is assumed in additional extreme scenarios. The potential default determined on the basis of these extreme scenarios is used to measure risk concentrations and does not have to be backed by risk covering potential using the going concern approach. Priority is given in this context to the critical reflection of the results and the derivation of possible actions required (for example in the form of limit reductions or intensified risk monitoring). In addition, the effects of current developments on risk covering potential may be examined on the basis of additional stress scenarios on an as-needed basis.

Limitation and reporting

Risk assumption and risk limitation are the key elements of managing credit risk. Risk limitation ensures that the risk actually assumed is in line with the risk strategy determined in the Risk Manual and the bank's risk-bearing capacity. Within this context, limitation takes place both at the borrower level and at the borrower unit level, as well as at the level of the overall loan portfolio. The basis for limitation is the credit risk strategy from which strategy-consistent sub-limits are derived.

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

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

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

Rentenbank has concluded collateral agreements with all counterparties with which it enters into derivative transactions. These agreements secure the positive fair values from derivatives exceeding contractually agreed allowance amounts and minimum transfer amounts with cash deposits denominated exclusively in Euro. In return, Rentenbank undertakes to provide cash deposits denominated in Euro to the counterparties in the case of negative fair values if these exceed the corresponding allowance and minimum transfer amounts. The collateral agreements reduce the utilization of limits and thus the credit risks, the related cover requirements and the utilization of limits for large loan exposures.

At the end of each quarter, the Financial Institutions division (back office functions) prepares a credit risk report for the whole Board of Managing Directors and the Credit Committee of the Advisory Board based on the MaRisk guidelines. Among other things, the report includes quantitative and qualitative information about the performance of the overall loan portfolio, which is monitored on the basis of structural features such as rating categories, collateral, size classes and maturities. In addition, the report includes statements concerning the extent of limits granted internally, new business development, direct business with companies, equity investments, the development of potential defaults from credit risks, new products, new markets, new distribution channels, new countries and large loan exposures. Comparisons with prior years, changes and comments to these changes, and the performance of counterparties that are subject to special monitoring measures or with potential risk are also included.

In line with the risk-bearing capacity concept, as set out in the Risk Manual, an amount of €260 million (compared to €260 million in 2011) of the risk cover potential was allocated to credit risk as of the balance sheet date. The daily review of internally-established limits ensures compliance with this value at all times during the fiscal year.

Market price risks

Definition

Market price risk occurs in the form of interest rate risks, spread risks, foreign exchange risks and other price risks. It takes into account potential losses related to items held in Rentenbank's portfolio as a result of changing market prices.

Organization

Rentenbank does not maintain a trading book according to Section 2 (11) of the German Banking Act (Kreditwesengesetz, "KWG"). Open positions from transactions in the banking book are only entered into to a limited degree.

The objective of risk management is the qualitative and quantitative assessment and control of market price risks. Risk controlling quantifies market price risks, monitors limits and prepares reports. The Operations department controls the market conformity of transactions concluded.

Quantification of market price risks

Interest rate risks

The bank limits interest rate risk largely by hedging transactions recorded on the balance sheet through hedges using derivatives. Derivatives are entered into on the basis of micro or macro hedge relationships.

Gains or losses from maturity transformation are realized from cash deposits and, to a lesser extent, from the promotional lending business. Gains or losses from maturity transformation result only from short-term open positions because individual positions in the promotional business are not hedged at the same time due to their low volumes.

Within the context of monitoring interest rate risks on the overall bank level, present value sensitivities for all transactions subject to interest rate risks of the "Promotional Business" and "Treasury Management" segments are determined on a daily basis and interest rate risks for all open positions of the bank exposed to such interest rate risks are additionally measured on a quarterly basis using a model based on present values.

The quarterly analysis examines the effects of changes in market interest rates as of a specific date. The relevant exposures are allocated to maturity buckets, separately for balance sheet assets and balance sheet liabilities. A net position is then determined for each maturity bucket. Subsequently, the respective net positions are multiplied by the weighting factor for the maturity bucket concerned – as prescribed by the Federal Financial Supervisory Authority (BaFin) – and then added up to form a weighted total net position. The result is the estimated change of the present value, which is analyzed in relation to total regulatory capital. The present value is calculated on the basis of a scenario analysis without taking into account equity components. Pursuant to Section 24 (1) No. 14 of the German Banking Act (Kreditwesengesetz, "KWG"), a negative change in present value exceeding 20% of total regulatory capital must be reported "immediately".

The interest-rate risks from open positions may not exceed the risk limits determined by resolution of the whole Board of Managing Directors. Compliance with the limits is monitored daily and reported to the whole Board of Managing Directors, with utilization of the risk limits being measured using present values on the basis of a sensitivity of 40 basis points.

Value-at-risk (VaR) is calculated daily in relation to "money market business" for information purposes. A forecast is made of the maximum potential valuation loss arising from market effects assuming a probability of occurrence of 99% and a holding period of ten days. The scenarios used are based on historical data. The factors influencing portfolio valuation are concentrated on the interest rate curves for interbank loans (deposit/swap curve) and derivatives (EONIA swap curve).

Spread risks

Changes to market parameters in the form of spread premiums on the deposit/swap curve, in particular cross-currency basis swap spreads (CCY basis swap spreads), basis swap spreads and credit spreads, have a direct effect on the measurement of existing positions and influence risk cover potential. The potential effects of spread risks on the measurement result are simulated using scenario analysis and are covered with the risk covering potential within the scope of the risk-bearing capacity analysis.

The spread risk would only then materialize if the buy-and-hold strategy is breached or a business partner defaults. This is not at all possible on the liability side, because there is no realistic scenario in which the Rentenbank would have to buy back liabilities. Regardless of this fact, these measurement results are also taken into account in the consolidated statement of comprehensive income statement as well as in the risk-bearing capacity calculations.

Foreign currency risk

As a rule, foreign currency risks and other price risks are eliminated from transactions recorded on the balance sheet by means of hedging transactions. Open currency positions result from fractional amounts, but only to a very small extent. There was no material risk to be identified for any currency in 2011 or 2012.

Standard scenarios

Potential market price fluctuations are assumed for purposes of the standard scenario. For all open interest rate-sensitive transactions related to the portfolios "money market business" and "promotional business", present value sensitivity is calculated daily, assuming a positive parallel shift in the yield curves with a 95% probability of occurrence, and it is compared with the relevant limits.

Stress scenarios

In order to estimate risks arising from extraordinary market developments, additional scenarios of interest rate changes individually for the portfolios "money market business" and "promotional business" are calculated regularly, as well as on an ad hoc basis. Under the monthly stress scenario, we do not assume a parallel shift of the interest rate curve, as in the standard scenario, but a non-parallel shift within the framework of two distinct scenarios.

Potential risk premiums and risk discounts on the interbank market for "money market business" are simulated to determine spread risks. In "promotional business", we calculated an increase in the CCY-basis swap spreads and the basis swap spreads as well as a reduction in the credit spreads. Correlation effects are included in the aggregation of specific risks.

An occurrence probability of 99% is assumed.

Limitation and reporting

The risk covering potential allocated to market price risk corresponds to the risk limit of €19 million (compared with €61 million in 2011). No longer required limits in "promotional business" were deleted. In addition, the limits were scaled back corresponding to the adjustments to the standard scenarios in the course of validation.

The interest-rate risks from open positions may not exceed the established risk limits. Compliance with the limits is monitored daily and reported to the whole Board of

Managing Directors. Sensitivity, scenario and VaR analyses, as well as back-testing processes are part of risk management and risk control. The Accounting Committee of the Advisory Board is informed about the results of the risk analyses on a quarterly basis as part of the overall Risk Report.

Back testing

The procedures for assessing market price risks and the market parameters underlying the standard and stress scenarios are validated at least annually.

The scenario parameters in "money market business" and the "promotional business" are validated daily using historical interest rate trends.

The quality of the VaR model is reviewed daily using a back testing procedure. As part of this procedure, potential measurement gains and losses arising from market effects are compared with the VaR.

The results from the daily scenario analyses for monitoring interest rate risks on the level of the entire bank are validated on a quarterly basis using a model based on present values.

Liquidity risk

Definition

Liquidity risk is the risk of not meeting current or future payment obligations without restrictions or of being unable to raise the required funds under the expected terms and conditions.

Market liquidity risk specifically designates the risk that assets may not be sold, i.e., liquidated, at all, not immediately, or only at a loss.

Controlling and monitoring

The liquidity risks resulting from the bank's open cash balances are limited by a value, defined by the whole Board of Managing Directors, that is based on the funding opportunities available. The Finance division monitors liquidity risks daily and reports the results to the whole Board of Managing Directors and the responsible divisions.

Instruments available for managing the short-term liquidity position are interbank funds, securitized money market funding, ECP issues, and open-market transactions with the Deutsche Bundesbank. In addition, securities may be purchased for liquidity management purposes and funds may be borrowed with terms of up to two years via the Euro Medium Term Note (EMTN) program, loans, global bonds, or domestic capital market instruments.

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

For the purpose of calculating medium and long-term liquidity, expected cash inflows and outflows for the coming 15 years are compared on a quarterly basis with a limit for the time bands from 2 to 15 years. The negative cumulative cash flows may not exceed this limit.

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

Persuant to the risk-bearing capacity concept, no liquidity risks have been taken into account on the risk covering potential, since the bank has sufficient cash funds, and its triple A ratings, amongst other factors, enable it to obtain any additionally required cash funds on the interbank money market or, in case of market disruptions, from Eurex Clearing AG (securitized money market funding) or from the Deutsche Bundesbank (collateral loans / Pfandkredite).

Stress scenarios

Stress scenarios are intended to examine the effects of unexpected events on the liquidity position. The main liquidity scenarios are an integral part of the internal controlling model, and they are calculated and monitored on a monthly basis. The scenario analyses take into account price declines in securities, simultaneous draw-downs of all irrevocable credit commitments, defaults by major borrowers and the utilization of cash collateral from collateral agreements, due to an increase in the negative fair values of derivative portfolios or a decrease in the positive fair values of derivative portfolios. This scenario mix is used to simulate the simultaneous (combined) occurrence of bank-specific and market-based stress scenarios. Stress tests are also performed on an ad hoc basis in the event of risk-related events.

Liquidity ratio pursuant to the German Liquidity Regulation

Pursuant to regulatory requirements (German Liquidity Regulation, Liquiditätsverordnung), weighted cash is compared with the weighted payment obligations with matching maturities on a daily basis. Moreover, these indicators are also calculated for future reporting dates within the framework of an extrapolation. In the 2012 reporting year, the monthly reported liquidity ratio for the period up to 30 days was between 2.70 and 4.82 (compared with 2.31 and 5.83, respectively, in 2011) and was thus significantly above the 1.0 ratio defined by regulatory requirements.

Reporting

The whole Board of Managing Directors is provided daily with a short-term liquidity projection and monthly with the liquidity risk report, which include information about short and long-term liquidity as well as the results of the scenario analyses and the determination of the liquidity cushion in accordance with MaRisk. The Accounting Committee of the Advisory Board is informed on a quarterly basis.

Operational risk

Definition

Operational risk refers to risks arising from non-working or defective systems or processes, human failure or external events. Operational risk primarily includes legal risks, risks from violations of law or other criminal acts, risks from outsourcing risks, operating risks, and event or environmental risks, but does not comprise entrepreneurial risks such as business risks, regulatory risk or reputational risks.

Organization

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

Legal risks from business transactions are reduced by the bank by using standardized contracts, as far as possible. The legal department is consulted at an early stage for this purpose.

Based on a hazard analysis pursuant to Section 25c KWG, risks from violations of law or other criminal acts that may endanger the Bank's assets are identified, and actions to optimize fraud prevention are established. Compliance with general and bank-specific requirements for an effective fraud prevention organization is analyzed within fraud-relevant subject areas.

Risks from outsourcing are generally recorded under operational risks. A distinction is made between significant and insignificant outsourcing based on a standardized risk analysis. Significant outsourcing is specifically incorporated in risk management and risk monitoring by means of decentralized outsourcing controlling.

Operating risks as well as event-related or environmental risks are identified on a Group-wide basis and are managed and monitored based on materiality aspects.

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

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

Quantification of operational risk

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

Incident reporting database

All incidents of the Bank are systematically collected and analyzed in an incident reporting database. All ongoing incidents and near-incidents are recorded on a decentralized basis by the relevant operational risk officers. Operational risks are managed in the individual business areas so that, based on this decentralized approach, the measures to prevent and limit risks are primarily the responsibility of the individual organizational units. The analysis and aggregation of incidents as well as the methodological development of the instruments used is part of risk controlling.

Self-assessment

The Bank regularly carries out self-assessments. The goal of such a self-assessment is to benefit from knowledge that is necessary in order to identify and evaluate risks in the business units in which they materialize. Workshops are held at least annually, during which significant potential operational risk scenarios for all material business processes are identified, based on a company-wide process map, and then assessed with respect to amount and frequency of incidents and reduced, if applicable, by additional preventive measures.

Risk indicators

Risk indicators for impending losses have been developed in order to be able to react early to changes in the Bank's risk profile. This permits appropriate measures to be taken in order to address the risk. Their effectiveness is directly reflected in the development of the indicators. Risk controlling is currently developing a system to monitor risk indicators using as a starting point the information gathered as part of the self-assessment or other form of risk analysis. Plans call for preparing a corresponding report in the first quarter of 2013 for the first time and submitting it to the entire Board of Managing Directors as well as senior management.

Limitation and reporting

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

Regulatory and reputational risk

Definition

Regulatory risk describes the risk that a change in regulatory environment could have a negative impact on the Bank's business operations or operating result. In addition, there is a risk that regulatory requirements will be insufficiently fulfilled.

Reputational risks are threats from damage to the Group's reputation that could have negative economic effects.

Monitoring and control

Regulatory risks may impair Rentenbank's business model based on the statutory promotional mandate. Without national and European legal frameworks – in particular for promotional loans – sustainable support for the agricultural sector and rural areas would not be possible. Bases for the business model include, for example, low risk in the lending business as well as stable results of operations, financial position and net assets. Rentenbank will also satisfy additional regulatory requirements imposed on financial institutions, e.g., from Basel III and CRD (Capital Requirements Directive) IV regulations, according to projections that have already been made.

Reputational risks can, inter alia, endanger Rentenbank's ability to obtain funding. However, appropriate funding opportunities are available based on the triple A rating. Rentenbank's statutory promotional mandate and the associated special form of liability (institutional liability) assumed by the Federal Government represented significant factors in being awarded this triple A rating.

Regulatory and reputational risks may negatively affect new business and therefore have a negative impact on margins. They are managed via inclusion in the various scenarios used for purposes of revenue planning. In addition to the monthly target/actual comparisons in the profit and loss accounts, the risks are also monitored via entries in the incident reporting database and in the self-assessments that have been conducted.

Reporting

The Advisory Board Management Committee discusses revenue planning. The whole Board of Managing Directors and the Accounting Committee of the Advisory Board are informed on a quarterly basis of significant incidents and material risks identified in the self-assessments.

Risk-bearing capacity

For purposes of computing risk-bearing capacity, various risk scenarios are used to compare the total sum of the capital charges resulting from the Bank’s credit, market price, and operational risks with a portion of the aggregate risk cover potential. Liquidity, reputational and regulatory risks are not included, in accordance with the risk-bearing capacity concept. Due to their peculiar nature, they are not included because they cannot be usefully limited through risk covering potential. Instead, these risk categories are taken into consideration as part of their risk strategy within the risk management and controlling process.

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

The going concern approach assumes that business operations of the company will continue. In the event of the occurrence of the stress scenarios with a probability of occurrence of at least 99%, which are defined using conservative parameters, there must be available sufficient capital components to meet the regulatory capital requirements pursuant to the German Solvency Regulation (Solvabilitätsverordnung, SolvV) of currently 4% (core capital ratio) and 8% (total capital ratio).

Risk-bearing capacity is calculated using the liquidity approach as part of an additional management unit.

Creditor protection is the primary focus under the liquidity approach. Under this approach, all hidden reserves and liabilities are taken into consideration in the risk covering potential. Subsequently, there must be sufficient risk cover potential available in order to be able cover the effects from the conservative stress scenarios with an probability of occurrence of at least 99.99%.

The allocation of the risk covering potential to the individual risk types (credit, market price, and operational risk) is also the basis for the granting of global limits for credit risk and market price risk. The limits were complied with at all times. The risk covering potential is based on total capital in accordance with IFRS and is therefore set out in detail in the group management report.

Further information on risk-bearing capacity is included in the group management report.

The results from the calculations of the risk-bearing capacity reflect the risk strategy, which is based on sustainability and stability.

Report on events after the balance sheet date

There were no events of material importance after the end of the fiscal year 2012.

Outlook

The economic development of Rentenbank primarily depends on the underlying conditions on the credit and financial markets. These are influenced by the economic activity, the relevant monetary policy of the central banks, the development of prices and exchange rates as well as the development of public sector finances. The demand for promotional loans is particularly influenced by both the interest rate trend and the economic situation on the agricultural markets. The medium and long-term perspectives of the agricultural sector are very positive, above all in view of the growing world population. However, the agricultural markets are not immune to economic volatility.

The global economy continued to weaken during 2012. The low point seems to have been reached, however. Various indicators point to a slight increase in economic momentum in the current year. Yet uncertainties have a negative effect on the outlook, in particular the continuing sovereign debt crisis in the euro zone and future fiscal policies in the United States.

The economic research institutes expect the German economy to grow by less than one per cent during 2013. They even do not rule out an additional year of slight recession in the euro zone. In many European countries, the efforts to consolidate government budgets will likely subdue macroeconomic demand. By contrast, economic recovery in emerging markets could at least provide stimulus in the foreign trade sector.

The average inflation rate in the euro zone is expected to be lower in 2013. This is due to the clouded economic prospects as well as base effects related to energy and food prices. The European Central Bank (ECB) expects prices to rise at less than a 2% rate in the current year.

In this context, the ECB will presumably not change its monetary policy for the foreseeable future and will momentarily keep its key rate at 0.75%. Should the sovereign debt crisis intensify again, however, further easing cannot be fully ruled out. In addition, the Central Bank is likely to continue to provide the financial sector with ample liquidity, even though a certain degree of calming has been observed in the capital markets during the first few weeks of the current year. In addition, these slight normalization trends have resulted in a rise in long-term yields on safe investments such as German government bonds. This rise will likely be limited, however, as many investors continue to avoid risks due to the sovereign debt crisis, which still remains unsolved.

Even 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 rating.

Comprehensive annual plans and multi-year plans are being prepared in order to project the future financial position, cash flows, and profit or loss. The plans consist of forecasts related to the Bank’s financial position, profit or loss, and costs including cost budgets and stress scenarios. Unlike the multi-year plans, the annual plan examines individual factors in greater detail.

Within the framework of our current planning, the Bank assumes that new business volume for fiscal years 2013 and 2014 will remain at levels of the past year with respect to both the promotional lending business and the funding of the bank due to the development of the credit and capital markets. Due to the anticipated large amount of maturing loans, we expect a reduction in portfolio volume and, accordingly, income. Special promotional loans will remain the focus of the lending business. The Bank presumes that demand for special promotional loans in the segments "agriculture" and "agribusiness" will be stable or increase, and it expects a decrease in the "renewable energies" program as well as stable demand in the "rural development" program in particular with regard to cooperation with the promotional banks of federal states. New business may continue to be funded unchanged via all of the issuance programs. Income generated in the "Capital Investment" segment is expected to increase slightly – despite assumed lower investment returns – as a result of increased investment volumes resulting from reallocations. From today's perspective, net interest income of the "Treasury Management" segment is expected to decline in 2013 and 2014 due to projected narrowed margins.

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 rating will come to light during the course of 2013. This can result in additional rating downgrades and thereby burden the risk covering potential.

Cost planning for 2013 and 2014 particularly takes into account the required investments for data processing. These include investments for the implementation of the new trading system, new reporting software implementation and updates to other software currently in use. Despite rigorous cost management, manifold changes in regulatory and accounting legislation will continue to result in rising administrative expenses in the relevant areas. This particularly applies to personnel costs, due to new positions that will need to be created.

Against this backdrop, the Bank expects operating results to decline by up to 20% during 2013 and 2014. However, they will continue to be above pre-crisis levels (fiscal year 2007: €146 million). The satisfying earnings trend will enable the slight increase of the promotional benefits. It serves to satisfy the legally prescribed promotional mandate, particularly to make special promotional loans less expensive, to strengthen the promotional fund and the special purpose fund, as well as to enable special promotions, e.g. to increase the capital of the Edmund Rehwinkel Foundation. In addition, profits are used to further bolster the capital base.

Based on three different scenarios, the determined operating results for 2013 and 2014 fluctuate within a range of up to 25%. They are above the 2007 pre-crisis level, even under stress scenarios.

Promotional business developed in accordance with plans during the first month of the current fiscal year. The entire Board of Managing Directors is confident that planned volumes in the medium and long-term Promotional Lending and the planned results will be achieved for fiscal year 2013.

This outlook contains certain forward-looking statements that are based on current expectations, estimates, forecasts and projections of the Board of Managing Directors and its currently available information. These include, in particular, statements about our plans, strategies and prospects. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", variations of such words and similar expressions are intended to identify 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 potentially prove to be incorrect. Unless required by law, we shall not be obligated to update forward-looking statements after their publication.

Balance sheet of Landwirtschaftliche Rentenbank,

ASSETS

				Dec. 31, 2011
	€ million	€ million	€ million	€ million
1. Cash and balances with central banks				
a) Cash on hand		0.2		0.2
b) Balances with central banks		204.2		778.4
			204.4	778.6
of which: with Deutsche Bundesbank				
€ 204.2 million (2011: € 778.4 million)				
2. Loans and advances to banks				
a) Payable on demand		808.4		10.1
b) Other loans and advances		50 407.2		51 740.1
			51 215.6	51 750.2
3. Loans and advances to customers				
of which: Secured by charges on real property				
€ 0.0 million (2011: € 0.0 million)				
Loans to local authorities				
€ 4 251.6 million (2011: € 2 645.5 million)			4 560.9	2 984.7
4. Debt securities and other fixed-income securities				
a) Money market securities				
aa) Other issuers		0.0		40.1
of which: Securities eligible as collateral				
with Deutsche Bundesbank				
€ 0.0 million (2011: € 40.1 million)				
b) Bonds and debt securities				
ba) Public-sector issuers	1 345.7			1 392.0
of which: Securities eligible as collateral				
with Deutsche Bundesbank				
€ 1 226.9 million (2011: € 1 211.1 million)				
bb) Other issuers	20 047.0	21 392.7		23 117.2
of which: Securities eligible as collateral				
with Deutsche Bundesbank				
€ 19 036.7 million (2011: € 21 399.2 million)				
c) Own debt securities		633.6		633.6
Nominal amount € 700.7 million (2011: € 713.3 million)			22 026.3	25 182.9
5. Shares and other variable-income securities			0.2	0.1
6. Equity investments				
of which: in banks				
€ 0.0 million (2011: € 0.0 million)				
in financial services institutions				
€ 0.0 million (2011: € 0.0 million)			4.2	4.2
7. Interests in affiliated companies				
of which: in banks				
€ 0.0 million (2011: € 0.0 million)				
in financial services institutions				
€ 0.0 million (2011: € 0.0 million)			0.0	0.0
8. Trust assets				
of which: Trustee loans				
€ 104.5 million (2011: € 103.7 million)			104.5	103.7
9. Intangible assets				
a) Concessions, industrial property rights and similar rights				
and values, as well as licenses to such rights and values			14.1	5.2
10. Tangible assets			17.1	17.5
11. Other assets			1 034.1	455.0
12. Prepaid expenses			5.1	4.5
Total assets			**79 186.5**	**81 286.6**

Frankfurt am Main, as of December 31, 2012

LIABILITIES AND EQUITY

	€ million	€ million	€ million	Dec. 31, 2011 € million
1. Liabilities to banks				
a) Payable on demand		1.0		437.7
b) With an agreed maturity or period of notice		3 597.5		3 368.7
			3 598.5	3 806.4
2. Liabilities to customers				
a) Other liabilities				
aa) Payable on demand		69.3		417.0
ab) With an agreed maturity or period of notice		5 179.8		5 615.0
			5 249.1	6 032.0
3. Securitized liabilities				
a) Debt securities issued			62 151.4	62 820.6
4. Trust liabilities				
of which: Trustee loans				
€ 104.5 million (2011: € 103.7 million)			104.5	103.7
5. Other liabilities			3 683.2	4 435.6
6. Prepaid expenses			30.3	38.8
7. Provisions				
a) Provisions for pensions and similar obligations		86.4		84.8
b) Other provisions		312.8		313.4
			399.2	398.2
8. Subordinated liabilities			717.5	728.3
9. Fund for general banking risks			2 219.2	1 928.2
10. Equity				
a) Subscribed capital		135.0		135.0
b) Retained earnings				
ba) Principal reserve pursuant to Section 2 (2) of the Law				
Governing the Landwirtschaftliche Rentenbank	709.8			
Transfers from guarantee reserve	21.8			
Transfers from net income for the year	38.3	769.9		709.8
bb) Guarantee reserve pursuant to Section 2 (3) of the Law				
Governing the Landwirtschaftliche Rentenbank	137.7			
Appropriations pursuant to Section 2 (3) of the				
Rentenbank Law	21.8	115.9		137.7
c) Net profit		12.8		12.3
			1 033.6	994.8
Total liabilities and equity			**79 186.5**	**81 286.6**
1. Contingent liabilities				
a) Liabilities from guarantees and indemnity agreements			2.7	3.1
2. Other commitments				
a) Irrevocable loan commitments			1 238.9	950.1

Income statement of Landwirtschaftliche Rentenbank, Frankfurt am Main,

EXPENSES

				2011
	€ million	€ million	€ million	€ million
1. Interest expenses			2 406.5	2 414.7
2. Fee and commission expenses			2.4	2.6
3. Administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	20.5			20.3
ab) Social security contributions and expenses				
for pensions and other employee benefits	5.1			2.7
of which:		25.6		23.0
pension expenses € 2.4 million (2011: € 0.3 million)				
b) Other administrative expenses		17.1		15.0
			42.7	38.0
4. Depreciation, amortization and write-downs				
of intangible and tangible fixed assets			2.0	2.5
5. Other operating expenses			7.8	9.2
6. Additions to the fund for general banking risks			291.0	580.2
7. Amortization and write-downs of				
equity investments, interests in affiliated companies				
and securities treated like fixed assets			0.0	1.8
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			51.0	49.0
Total expenses			**2 803.5**	**3 098.1**

1. Net income for the year	51.0	49.0
2. Transfers from retained earnings		
from guarantee reserve pursuant to Section 2 (3) of the		
Rentenbank's Governing Law	21.8	21.4
3. Transfers to retained earnings		
to principal reserve pursuant to Section 2 (2) of the		
Rentenbank's Governing Law		
from guarantee reserve	21.8	21.4
from net income for the year	38.2	36.7
4. Net profit	12.8	12.3

for the period from January 1 to December 31, 2012

INCOME

				2011
	€ million	€ million	€ million	
1. Interest income from				
a) Lending and money market transactions		2 055.5		2 058.0
b) Fixed-income securities				
and debt register claims		703.1		773.6
			2 758.6	2 831.6
2. Current income from				
a) Equity investments			0.8	0.3
3. Fee and commission income			0.3	0.3
4. Income from write-ups on loans and advances				
and specific securities as well as the				
reversal of provisions for lending operations			27.4	261.2
5. Income from write-ups on equity investments,				
interests in affiliated companies and				
securities treated like fixed assets			10.9	0.0
6. Other operating income			5.5	4.7
Total income			**2 803.5**	**3 098.1**

Notes to the Financial Statements for the 2012 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 uber 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. and 340e of the HGB. Fixed- income securities, which are allocated to fixed assets, are carried at amortized cost less permanent impairment. Equities as well as debt securities and other fixed-income securities, to the extent to which they are 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). The criteria for including financial instruments in the trading portfolio did not change during the fiscal year. The Rentenbank does not maintain a trading book in accordance with Section 2 (11) of the KWG [German Banking Act]. Equity investments and interests in affiliated companies are recognized at their acquisition costs, less any write-downs, if applicable.

In accordance with applicable commercial law principles, tangible and intangible assets are carried at acquisition or production costs, reduced by scheduled depreciation corresponding to the expected useful life.

Liabilities are recognized at the repayment amount. Premiums and discounts are amortized pro rata temporis. Zero bonds are measured at their issue price amount plus accrued interest based on the issue yield.

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 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, 2012:

- Interest rate pursuant to Section 253 (2) sentence 2 of the HGB 5.06% p.a.
- Career trend (up to the age of 45 years) 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 Rentenbank's own special promotional loans cover the promotional contribution for the whole term or until the repricing date. The provisions recorded prior to the adjustment pursuant to the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) for the promotional contribution related to the special promotional loans were maintained by reference to the election in accordance with Section 67 (1) sentence 2 Introductory Act to the Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EG-HGB).

Adequate provisions were recorded for all identifiable credit risks. The relevant general valuation allowances were deducted from the assets' carrying amount or taken into consideration as a provision in the case of credit commitments. The bank applies an expected loss approach based on internal ratings for purposes of determining general valuation allowances.

An (period-cased) income statement approach was used for the calculation of the amount required to be recognized as a provision within the context of the fair value measurement (verlustfreie Bewertung) of the banking book. The banking book comprises all interest-bearing transactions of the bank and is managed on a uniform basis.
For computational purposes, future profit or loss in the banking book for a period 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. Risk costs were computed on the basis of future expected losses (expected loss) and the pro rata share of administrative expenses for portfolio management were recognized based on internal analyses.
There was no need for provisions as of December 31, 2012 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 dispositive valuation units.

Currency translation and the presentation of the transactions in the balance sheet without currency hedging is made within the meaning of 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."

Interest income or loss from derivatives is offset at the product group level and recognized in interest expense or income.

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

Rentenbank prepares IFRS consolidated financial statements which include LR Beteiligungsgesellschaft mbH, Frankfurt am Main, and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am 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 in presentation of balance sheet items results in the exclusion of accrued interest.

Assets		Dec. 31, 2012 € million	Dec. 31, 2011 € 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	5,748	9,011
	• more than 3 months to 1 year	4,152	4,089
	• more than 1 year to 5 years	20,135	18,222
	• more than 5 years	19,246	19,181
Item 3:	Loans and advances to customers		
	This item includes:		
	• Loans and advances to affiliated companies	153	153
	This item can be broken down by remaining time to maturity as follows:		
	• up to 3 months	9	19
	• more than 3 months to 1 year	325	80
	• more than 1 year to 5 years	3,221	2,394
	• more than 5 years	816	345
	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:	Debt securities and other fixed income securities		
	All of these are marketable securities and can be broken down as follows:		
	• Listed securities	21,268	24,465
	• Unlisted securities	406	405

Securities at a carrying amount of €21,674 million (compared with €24,751 million in 2011) 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 market value amounted to €3,053 million. The fair value of these securities is €2,999 million. Exchange or market prices were used to determine this figure. The unrecognized write-downs accordingly amount to €54 million (compared with €560 million in 2011). Write-downs for permanent impairments for securities classified as fixed assets were not available (compared with €10 million in 2011).

Assets		Dec. 31, 2012 € million	Dec. 31, 2011 € million
Item 4:	Debt securities and other fixed-income securities maturing in the year following the balance sheet date can be broken down as follows:		
	• from public-sector issuers	103	45
	• from other issuers	3,527	4,536

Item 5: All of the equities and other non-fixed-income securities held are marketable and listed.

Items 6 and 7: The balance sheet items "equity investments" and "interests in affiliated companies" do not include marketable securities.

		Dec. 31, 2012 € million	Dec. 31, 2011 € million
Item 8:	Trust assets		
	This item includes:		
	• Special Purpose Fund of the German government held at Rentenbank	102	99
	• Loans and advances to banks	2	5
Item 9:	Intangible assets		
	This item includes:		
	• Software and licenses acquired for a consideration	14	5
Item 10:	Tangible assets		
	This item includes:		
	• Owner-occupied land and buildings, flats	0	0
	• Land and buildings used by third parties	16	16
	• Operating and office equipment	1	1
Item 11:	Other assets		
	This item includes:		
	Cash collateral provided for derivatives	1,034	454
Item 12:	Prepaid expenses		
	Of which:		
	• Differences in accordance with Section 340e (2) of the HGB	4	3

Fixed assets schedule

Fixed assets € million	Costs	Additions	Dispos-als	Write-ups	Cumula-tive Amorti-zation	Carrying amount Dec. 31, 2012	Carrying amout Dec. 31, 2011	Amorti-zation 2012
Intangible assets	**7**	**9**	**0**	**-**	**2**	**14**	**5**	**0**
Tangible assets	**34**	**2**	**2**	**-**	**17**	**17**	**17**	**2**
Securities classi-fied as fixed assets	**24,772**	**2,175**	**5,255**	**3**	**21**	**21,674**	**24,751**	**-**
Equity invest-ments	**4**	**-**	**-**	**-**	**0**	**4**	**4**	**-**
Interests in affili-ated companies	**27**	**-**	**-**	**-**	**27**	**0**	**0**	**-**

Liabilities		Dec. 31, 2012 € million	Dec. 31, 2011 € 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	279	110
	• more than 3 months to 1 year	290	64
	• more than 1 year to 5 years	1,771	1,595
	• more than 5 years	460	880
	Total without accrued interest	2,800	2,649
	Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	770	764
Item 2:	Liabilities to customers		
	This item includes:		
	• Liabilities to equity investments	0	0
	• Liabilities to affiliated companies	11	10
	Sub-item b) "With an agreed maturity or period of notice", classified by remaining time to maturity:		
	• up to 3 months	210	68
	• more than 3 months to 1 year	459	331
	• more than 1 year to 5 years	1,045	1,628
	• more than 5 years	3,312	3,445
	Total without accrued interest	5,026	5,472
	Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	1,501	1,988
Item 3:	Securitized liabilities		
	a) Debt securities issued		
	Classification by remaining time to maturity:		
	• up to 1 year	14,645	15,356
	• more than 1 year to 5 years	33,711	33,933
	• more than 5 years	12,979	12,552
	Total without accrued interest	61,335	61,841
	Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	2	2

Liabilities		Dec. 31, 2012 € million	Dec. 31, 2011 € million
Item 4:	Trust liabilities		
	This item includes:		
	• Liabilities from the Special Purpose Fund of the German government held at Rentenbank	102	99
	• Liabilities to customers	2	5
Item 5:	Other liabilities		
	This item includes:		
	• Cash collateral received for derivatives	3,670	4,423
	Classification by remaining time to maturity:		
	• up to 1 year	3,670	4,423
Item 6:	Prepaid expenses		
	Of which:		
	Differences in accordance with Section 340e (2) of the HGB	1	1
Item 8:	Subordinated liabilities		
	Classification by remaining time to maturity:		
	• up to 1 year	103	-
	• more than 1 year to 5 years	26	103
	• more than 5 years	589	625
	Total	718	728

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 €718 million (compared with €728 million in 2011) after collateralization totals €8 million (compared with €10 million in 2011).

The terms and conditions of all subordinated liabilities fulfill the requirements of Section 10 (5a) of the German Banking Act (KWG) 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 collateralization: 2.8%
2. Bond at a nominal amount of €100 million; carrying amount: €100 million; maturity: August 18, 2021; interest rate before collateralization: 1.676%
3. Bond at a nominal amount of €100 million; carrying amount: €100 million; maturity: August 18, 2021; interest rate before collateralization: 1.706%

Off-balance sheet liabilities		Dec. 31, 2012 € million	Dec. 31, 2011 € million
Item 1:	Contingent liabilities		
	• Default guarantees	3	3
	• Guarantee of provision of collateral	0	0
	Default guarantees are accepted for capital market loans subject to interest subsidies. We currently do not expect that these default guarantees will be utilized. There are back-to-back guarantees granted by the government for capital market loans subject to interest subsidies.		

Item 2: Other commitments

The increase of irrevocable loan commitments by €289 million to a total amount of €1,239 million is exclusively attributable to an increase of commitments in the promotional loan business. Drawdowns on these commitments will be made primarily in 2013.

	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Assets and liabilities in foreign currencies		
Assets and liabilities denominated in a foreign currency are recorded in the following amounts:		
• Assets	1,869	1,975
• Liabilities	46,031	50,877
Computation of cover		
The liabilities subject to cover requirements are allocated as follows:		
• Bearer securities	2	2
• Registered securities	2,316	2,752
The following assets are designated to cover bonds issued:		
• Loans and advances to banks	6,649	7,955
• Loans and advances to customers	606	616

Notes to the income statement

Income

The interest income includes the amount of €70.8 million (compared with €65.6 million in 2011) for the pro rata temporis utilization of the provisions for the promotional contribution of Rentenbank's own special promotional loans. The following adjustment change was made during the 2012 fiscal year: The expense of the creation of this provision in the amount of €70.6 million was re-classified under the item "interest expense." The expense for the creation of these provisions was accounted for last year (€69.2 million) in the cross compensation item of provision for loan losses according to § 340f (3) of the HGB.

Pursuant to Section 277 (5) of the HGB, the item "interest income" includes effects from the discounting of provisions for Rentenbank's own special promotional loans in the amount of € 54.3 thousand (compared with €29.2 thousand in 2011). Interest expenses include effects from unwinding the discount of provisions for the Rentenbank's own special promotional loans in the amount of €7,474.0 thousand (compared with €4,423.7 thousand in 2011).

Interest income or loss from derivatives is offset at the product group level and recognized in interest expense or income. Recognizing interest income or loss from derivatives on an individual transaction basis would increase interest expense and interest income by around €1.2 billion each.

Disclosures on the most important individual items pursuant to Section 35 (1) No. 4 of the RechKredV	**Dec. 31, 2012 € million**	**Dec. 31, 2011 € million**
Item 5: Other operating expenses		
The major expenses included in this item are:		
• Capital contribution to Edmund Rehwinkel Foundation	**2**	**3**
• Interest expense from the measurement of pension provisions	**5**	**4**
Item 6: Other operating income		
This item includes the following significant income items:		
• Rental income from Rentenbank's own buildings	**2**	**2**
• Other refunds	**1**	**2**
• Other income from the reversal of provisions	**2**	**1**

"Other operating expenses" include currency translation losses in the amount of €13.0 thousand (compared with €2.5 thousand in 2011). "Other operating income" includes currency translation gains in the amount of €1.0 thousand (compared with €8.5 thousand in 2011). 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 entered into 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 deemed to be the amount for which a financial instrument could be exchanged between knowledgeable and willing market participants in an arm's length transaction. The fair value of derivatives is determined using accepted valuation models. The 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 interest rate curves and spreads are obtained from an external market data provider, broken down by term and currency. Measurement of contracts with an option feature (option-based contracts) is based on option pricing models accepted by the regulatory authorities. Apart from the interest rate curves and spreads mentioned above, volatility and correlations between observable market data is 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, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2012
Interest rate risks				
Interest rate swaps	**88,257**	**84,650**	**2,812**	**4,973**
• thereof, rights of termination and conversion embedded in swaps	**588**	**715**	**48**	**1**
Swaptions				
• Purchases	**-**	**-**	**-**	**-**
• Sales	**984**	**986**	**-**	**35**
Other forward interest rate contracts	**3**	**5**	**4**	**-**
Total exposure to interest rate risks	**89,244**	**85,641**	**2,816**	**5,008**
Currency risks				
Cross-currency interest rate swaps	**43,514**	**46,888**	**4,662**	**712**
• thereof, currency options embedded in swaps	**158**	**186**	**21**	**1**
• thereof, rights of termination embedded in swaps	**88**	**100**	**0**	**1**
Currency swaps	**5,186**	**7,235**	**5**	**112**
Total exposure to currency risks	**48,700**	**54,123**	**4,667**	**824**
Share price risks and other price risks				
Share index swaps	**30**	**45**	**3**	**0**
• - thereof, stock options embedded in swap	**30**	**45**	**3**	**0**
Total exposure to share price risk and other price risks	**30**	**45**	**3**	**0**
Interest rate, currency, share price and other price risks	**137,974**	**139,809**	**7,486**	**5,832**

Derivative transactions – breakdown by maturities –

Nominal amounts in € million	Interest risks		Currency risks		Share price risk and other price risks	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Remaining time to maturity						
• up to 3 months	3,878	3,170	10,525	8,874	-	-
• more than 3 months to 1 year	7,195	8,762	5,126	6,694	-	15
• more than 1 year and to 5 years	47,764	43,881	26,651	29,359	30	30
• more than 5 years	30,407	29,828	6,398	9,196	-	-
Total	89,244	85,641	48,700	54,123	30	45

Derivative transactions - breakdown by counterparties -

€ million	Nominal amounts		Fair values positive	Fair values negative
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2012
Banks in OECD countries	126,350	127,975	6,638	5,293
Other counterparties	11,624	11,834	848	539
Total	137,974	139,809	7,486	5,832

Forward transactions, particularly those in foreign currencies, not yet settled by the balance sheet date, are entered into by Rentenbank 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 available currency pairs pursuant to Section 254 of the HGB.

To measure the effectiveness of valuation units, the critical terms match/short cut method is used, where 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 2012	2011	Hedged risk
Loans and advances to banks	**44**	**77**	Currency
Debt securities and other fixed income securities	**1,679**	**1,717**	Currency
Liabilities to banks	**80**	**55**	Currency
Liabilities to customers	**175**	**200**	Currency
Securitized liabilities	**42,812**	**46,281**	Currency
Subordinated liabilities	**442**	**454**	Currency

In addition to the measurement and the recognition of valuation units in the balance sheet in accordance with Section 254 of the HGB, accrued interest related to the derivative transactions is reported in the balance sheet items "loans and advances to banks" (€792 million), "loans and advances to customers" (€105 million), "liabilities to banks" (€771 million), and "liabilities to customers" (€59 million).

Remuneration of the Board of Managing Directors and the Advisory Board

Remuneration for the bank's entire Board of Managing Directors amounted to €1,551 thousand for the 2012 fiscal year (compared with €1,499 thousand in 2011). The remuneration for the individual members of the Board of Managing Directors for fiscal year 2012 was set as follows:

Amounts in € thousands	Fixed remuneration	Variable remuneration	Other remuneration	Total
Hans Bernhardt	**510**	**235**	**36**	**781**
Dr. Horst Reinhardt	**510**	**235**	**25**	**770**

As of December 31, 2012, provisions for pension obligations to former members of the Board of Managing Directors and their surviving dependents totaled €14,466 thousand (compared with €15,007 thousand in 2011). Current benefit payments amounted to €1,145 thousand (compared with €1,216 thousand in 2011). As in the previous year, there were no loans granted to the members of the Board of Managing Directors or members of the Advisory Board in fiscal year 2012.

The rules governing remuneration of members of the Advisory Board were changed in 2012. In accordance with the new remuneration arrangements, the Chairman of the Advisory Board receives a fixed remuneration of €30 thousand and the Deputy Chairman €20 thousand and all other members of the Advisory Board receive annual remuneration of €10 thousand each. Members of the Advisory Board working on a committee receive remuneration of €2 thousand and members who chair a committee €4 thousand. The attendance fees paid in 2012 were accounted for in connection with the transition to the new remuneration rates for the Advisory Board.

The total remuneration for Advisory Board activities in the year under review amounted to €295 thousand (compared with €211 thousand in 2011, including VAT in each case). The following table lists the individual remuneration (each without VAT):

Amounts in € thousands	Membership 2012	Remuneration
Gerd Sonnleitner (Chairman)	01/01 - 12/31/	**44.0**
Ilse Aigner*	01/01 - 12/31/	**22.0**
Dr. Hermann Onko Aeikens	01/01 - 12/31/	**10.0**
Dr. Helmut Born	01/01 - 12/31/	**14.0**
Georg Fahrenschon	07/05 - 12/31/	**5.6**
Heinrich Haasis	01/01 - 07/04/	**7.0**
Dr. Robert Habeck	06/14 - 12/31/	**5.4**
Dr. Werner Hildenbrand	01/01 - 12/31/	**10.0**
Werner Hilse	01/01 - 12/31/	**12.0**
Ulrike Höfken	01/01 - 12/31/	**10.0**
Wolfgang Kirsch	01/01 - 12/31/	**14.0**
Dr. Robert Kloos	01/01 - 12/31/	**14.0**
Franz-Josef Möllers	01/01 - 06/28/	**6.0**
Klaus-Peter Müller	01/01 - 12/31/	**16.0**
Manfred Nüssel	01/01 - 12/31/	**12.0**
Joachim Rukwied	06/29 - 12/31/	**5.6**
Dr. Juliane Rumpf**	01/01 - 06/13	**4.6**
Brigitte Scherb	01/01 - 12/31/	**12.0**
Norbert Schindler	01/01 - 12/31/	**10.6**
Dr. Klaus Stein	01/01 - 12/31/	**14.0**
Klaus Wiesehügel	01/01 - 12/31/	**12.0**
Sum total		**260.8**

* direct donation to SOS Children's Village Irschenberg
** or representatives

Average number of employees in accordance with Section 267 (5) of the HGB

Headcount	2012			2011		
	Male	Female	Total	Male	Female	Total
Full-time employees	**129**	**81**	**210**	**127**	**77**	**204**
Part-time employees	**4**	**36**	**40**	**4**	**31**	**35**
Total	**133**	**117**	**250**	**131**	**108**	**239**

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

	Equity € thousands Dec. 31, 2012	Shareholding %	Result € thousands 2012
LR Beteiligungsgesellschaft mbH, Frankfurt am Main	**56.4**	**100.0**	**+0.9**
Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main (in Liquidation)	**7.8***	**25.1**	**-0.2***
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	**11.9**	**100.0**	**-0.2**
Niedersächsische Landgesellschaft mbH, Hannover	**58.6***	**6.3**	**+1.1***

*) Dec. 31, 2011

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, financial performance and cash flows.

As long as Landwirtschaftliche 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 on time 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 electronic Federal Gazette (elektronischer Bundesanzeiger) and may also be requested 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 members of staff, 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 am 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 Advisory Board

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

Advisory Board

Chairman:	Ehrenpräsident Gerd Sonnleitner Deutscher Bauernverband e.V., Berlin
Deputy:	Ilse Aigner MdB Bundesministerin für Ernährung, Land- wirtschaft und Verbraucherschutz, Berlin
Representatives of the Deutscher Bauern-verband e.V.:	Generalsekretär Dr. Helmut Born Deutscher Bauernverband e.V., Berlin
	Präsident Werner Hilse Landvolk Niedersachsen-Landesbauern- verband e.V., Hannover
	Präsident Franz-Josef Möllers Westfälisch-Lippischer-Landwirtschafts- verband e.V., Münster (until 28.06.2012)
	Präsident Joachim Rukwied Deutscher Bauernverband e.V., Berlin (since 29.06.2012)
	Präsidentin Brigitte Scherb Deutscher Landfrauenverband e.V., Berlin
	Präsident Norbert Schindler MdB Bauern- und Winzerverband, Rheinland-Pfalz Süd e.V., Berlin

Representative of the Deutsche Raiffeisenverband e.V.:	Präsident Manfred Nüssel Deutscher Raiffeisenverband e.V., Berlin
Representative of the Food Industry:	Dr. Werner Hildenbrand Sprecher GF Hengstenberg GmbH & Co KG stv. Vorsitzender der BVE, Esslingen
State Ministers of Agriculture:	
Rhineland-Palatinate:	Ulrike Höfken Staatsministerin Staatsministerium für Umwelt, Landwirtschaft, Ernährung, Weinbau und Forsten, Mainz
Saxony-Anhalt:	Minister Dr. Hermann Onko Aeikens Ministerium für Landwirtschaft und Umwelt des Landes Sachsen-Anhalt, Magdeburg
Schleswig-Holstein:	Ministerin Dr. Juliane Rumpf Ministerium für Landwirtschaft, Umwelt und ländliche Räume des Landes Schleswig-Holstein, Kiel (until 13.06.2012) Minister Dr. Robert Habeck Ministerium für Energiewende, Landwirtschaft, Umwelt und ländliche Räume des Landes Schleswig-Holstein, Kiel (since 14.06.2012)
Representative of the Trade Unions:	Klaus Wiesehügel Bundesvorsitzender der IG Bauen-Agrar-Umwelt, Frankfurt am Main
Representative of the Federal Ministry of Food, Agriculture and Consumer Protection:	Dr. Robert Kloos Staatssekretär, Berlin

Representative of the Federal Ministry of Finance:	Dr. Klaus Stein Ministerialdirigent, Berlin
Representatives of banks or other lending experts:	Klaus-Peter Müller Vorsitzender des Aufsichtsrats der Commerzbank AG, Frankfurt am Main
	Präsident Heinrich Haasis Deutscher Sparkassen- und Giroverband e.V., Berlin (until 04.07.2012)
	Wolfgang Kirsch Vorsitzender des Vorstandes DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
	Präsident Georg Fahrenschon Deutscher Sparkassen- und Giroverband e.V., Berlin (since 05.07.2012)

Frankfurt am Main, March 4, 2013

LANDWIRTSCHAFTLICHE RENTENBANK

The Board of Managing Directors

Dr. Horst Reinhardt Hans 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, 2013

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt

Hans 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 management report of Landwirtschaftliche Rentenbank, Frankfurt/Main, for the business year from January 1 to December 31, 2012. The maintenance of the books and records and the preparation of the annual financial statements and 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 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 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 management, 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 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 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, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bernhard	Liebermann
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Advisory Board

The Advisory Board 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 unconsolidated financial statements as well as the complementary 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, 2012. The financial statements and the management report were audited by the auditors KPMG AG, Berlin, who issued an unqualified audit opinion. The consolidated financial statements as well as the complementary group management report as of December 31, 2012 were prepared by the Board of Managing Directors in accordance with the International Financial Reporting Standards (IFRS) and the additional requirements of German commercial law as defined in Section 315a (1) of the HGB. The consolidated financial statements and the group management report were audited by the auditors KPMG AG, Berlin, who issued an unqualified audit opinion. The Advisory Board acknowledged and approved the findings of the audit.

The Advisory Board reviewed the unconsolidated financial statements and the consolidated financial statements, including the complementary management reports, as well as the annual report of Landwirtschaftliche Rentenbank. The Advisory Board adopts the bank's unconsolidated financial statements for fiscal year 2012 and approves the consolidated financial statements and the complementary management reports for fiscal year 2012.

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 the Law Governing Landwirtschaftliche Rentenbank, the Advisory Board resolved to remove € 21 820 127.82 from the guarantee reserve and to increase the principal reserve *(Hauptrücklage)* by the same amount.

From the net income for the year of € 51 000 000.- as reported in the income statement of the financial statements, € 38 250 000.- is made available for the principal reserve pursuant to Section 2 (2) of the Law Governing Landwirtschaftliche Rentenbank.

Furthermore, the Advisory Board resolved from the net profit for the year of € 12 750 000.- to provide € 6 375 000.- to the Special Purpose Fund and € 6 375 000.- for other measures to promote agriculture and rural areas in the public interest.

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

Frankfurt am Main, March 22, 2013

THE ADVISORY BOARD
OF LANDWIRTSCHAFTLICHE RENTENBANK

Gerd Sonnleitner (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