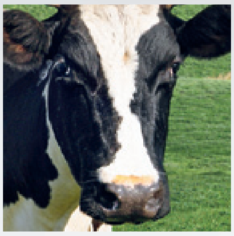
Annual Report 2012



Germany's development agency for agribusiness

rentenbank

Key figures

In accordance with German Commercial Code (HGB)

Balance sheet in € billion (extract)	2012	2011
Total assets	79.2	81.3
Loans and advances to banks	51.2	51.8
Debt securities and other fixed-income securities	22.0	25.2
Liabilities to banks	3.6	3.8
Securitized liabilities	62.2	62.8
Own funds in € million	**3 957.5**	**3 639.0**

Income statement in € million (extract)	2012	2011
Net interest income	352.9 *	417.2
Administrative expenses	44.7	40.5
Operating result before provision for loan losses and valuation	**303.7 ***	**369.8**
Provision for loan losses and valuation	252.7	320.8
Net income for the year	51.0	49.0
Net profit	**12.8**	**12.3**

Selected key figures in %	2012	2011
Cost-income ratio	14.8 *	11.8
Total capital ratio	27.5	25.7
Core capital ratio	21.3	16.7
Employees	256	240

* Due to a change in presentation not comparable to the previous year's figures, see explanation on page 21

In accordance with International Financial Reporting Standards (IFRS)

Consolidated balance sheet in € billion (extract)	2012	2011
Total assets	88.4	88.9
Loans and advances to banks	51.2	51.4
Financial investments	22.6	24.7
Liabilities to banks	2.9	3.1
Securitized liabilities	66.6	68.2
Total equity	2.5	1.7

Consolidated statement of comprehensive income in € million (extract)		
Net interest income before provision for loan losses/ promotional contribution	365.9	361.9
Provision for loan losses/promotional contribution	20.7	15.6
Administrative expenses	48.9	48.0
Operating result before profit and loss from fair value measurement and hedge accounting	**299.5**	**283.1**
Result from fair value measurement and from hedge accounting	–55.7	–352.4
Change in the revaluation reserve	583.8	–359.8
Group's total comprehensive income	**827.6**	**–429.1**
Group's net profit	**12.8**	**12.3**

Rating

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

Annual Report 2012

Contents

The English edition of the Annual Report 2012 is an abridged version of the German edition, which was published in April 2013.

Brief Presentation: Landwirtschaftliche Rentenbank

The agricultural and food sector as well as rural areas in general are faced with constant structural change that entails special financing needs and places high requirements on liquidity and risk management.

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

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

Rentenbank was established by statute in 1949 as the central refinancing institution for the agricultural and food industry, with its registered office in Frankfurt/Main. Rentenbank is a federal institution under public law directly accountable to the German federal government operating under a legal promotional mandate. The bank benefits from the institutional liability of the Federal Republic of Germany *(Anstaltslast)*. Rentenbank is supervised by the Federal Financial Supervisory Authority *(BaFin)* and the Federal Ministry of Food, Agriculture and Consumer Protection *(BMELV)*, which exercises its supervision in concert with the Federal Ministry of Finance *(BMF)*. Rentenbank is a member of the Association of German Public Sector Banks *(Bundesverband Öffentlicher Banken Deutschlands e.V., VÖB)*, Berlin.

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

Foreword from the Board of Managing Directors

Agribusiness, at times, can be likened to soccer: In addition to the players on the field, there are millions of spectators who know how to do it better. This kind of tension currently also exists within the public regarding animal husbandry. Opposition to building new stables frequently occurs. Opinion polls also show that intensive production systems are viewed critically by a large part of the population.

This debate is extremely important for livestock owners, because it may ultimately lead to a solution for the difficult balancing act between price pressure and animal welfare. Meanwhile, it is accepted in the agricultural sector that better communication and transparency are necessary to accomplish this. The lack of information of consumers is obvious: On one hand, the media report on animal husbandry almost exclusively in connection with scandals. On the other hand, food advertisements show a supposedly ideal world that often portrays agriculture from the era of our grandparents.

However, both pictures distort reality. German agriculture is a modern high-performance industry that benefits us all through high product quality and affordable food prices, including high standards for the protection of animals and nature. Efficient processes and management expertise are essential requirements to achieve this, not least high volumes of investments necessary to prevail in competition.

Rentenbank's fiscal year 2012 concluded with positive results. New commitments of € 6.5 billion of our special promotional loans for the agriculture established a new record level, while net income after provision for loan losses and valuation increased from € 49 to € 51 million. Therefore, we can be satisfied again with our achievements for German agriculture this year. All details are available in our comprehensive report. Thank you for your interest.

Dr. Horst Reinhardt

Hans Bernhardt

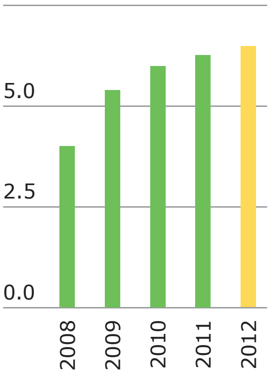
Dr. Horst Reinhardt　　　Hans Bernhardt

Information on fiscal year 2012

Promotional activities for agribusiness

New business in special promotional loans

7.5 € billion



Special promotional loans: Promotion reaches another record level

Special promotional loans for agribusiness and rural areas take center stage of our promotional strategy. New business amounting to € 6.5 billion in 2012 was 3.4 % above the record level of the previous year (2011: € 6.3 billion). Growth was predominantly carried by increased loan demand from agricultural businesses in the promotional segment "Landwirtschaft." Dairy farms in particular made use of the continually favorable financing opportunities offered by Rentenbank and invested significantly more in modernizing their farms than in previous years. In doing so, farmers are obviously preparing for the impending exit of the EU from the dairy produce quota regulation. The investment dynamics varied greatly depending on the size of the business and regional conditions.

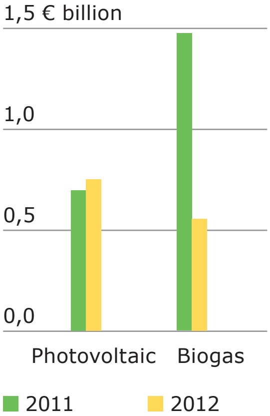
There was also a brisk demand for loans in the promotional segments of "Ländliche Entwicklung" and "Agrar- und Ernährungswirtschaft".
This counterbalanced the decline of investment activity in the promotional segment of "Erneuerbare Energien", particularly in the field of biogas.

New business in special promotional loans

€ million	2012	2011
Landwirtschaft	2 438	1 652
Among them: at particularly low interest rates	*1 035*	*714*
Aquakultur und Fischwirtschaft	5	3
Agrar- und Ernährungswirtschaft	480	330
Erneuerbare Energien	1 410	2 456
Ländliche Entwicklung	2 130	1 808
Other special promotional loans (incl. Special Purpose Fund)	7	7
Total	**6 469**	**6 256**

New business in photovoltaics and biogas

1,5 € billion



"Erneuerbare Energien": Slight increase for photovoltaics, sharp turn down for biogas

The German energy turnaround (Energiewende) is mostly taking place in rural areas. Accordingly, farmers invested heavily in renewable energies. However, investment activity is influenced significantly by political parameters. As a result, the changes to the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG) during the past year are mirrored in our promotional business. In total, we approved € 1.4 billion (2011: € 2.5 billion) in the program "Energie vom Land", 43 % less than the previous year. Financing of biogas plants decreased by 62 % to € 554.0 million (2011: € 1 472.6 million). A large portion of the financed investments was for the modernization of existing plants. This includes upgrading of combined heat and power plants, measures to improve energy efficiency, and increasingly storage and load control. In contrast, the construction of new plants came to a standstill. According to the analyses of the agricultural business sentiment, currently, additional, but somewhat smaller investments are projected with biogas plants.

New business in photovoltaic financing was higher than the previous year, amounting to € 750.0 million for the reporting period (2011: € 696.2 million). However, 84 % of it was accounted for during the first half of the year, and it was therefore completed prior to the most recent EEG amendment. Farmers have been trendsetters of the expansion of photovoltaic technology, because of their large roof surfaces. However, in the future the demand for photovoltaic financing will be driven more strongly by consumers. Not only the feed-in tariffs but personal consumption as well could make these investments profitable, possibly in combination with storage technologies.

Sustainable projects promoted with € 1.7 billion

An essential component of our promotional policy is to support environmentally sound and animal welfare-oriented economic activities by the German agribusiness with particularly low interest rates. With our programs "Nachhaltigkeit" as well as "Umwelt- und Verbraucherschutz", in 2012, we supported measures to improve energy efficiency and to reduce emissions, as well as consumer protection and organic farming projects. The promotion in the field of animal husbandry in particular was expanded from € 112.6 million to € 176.6 million. In this field, a specific need for action exists for the reconciliation of demands of society and requirements of economics. To accomplish this, we have devised effective criteria for the particularly humane housing of animals, and we provide targeted investment incentives through low interest rates.

Including the promotion of renewable energies, we supported environmentally sound and animal welfare-oriented investments in 2012 with a total of € 1.7 billion (2011: € 2.7 billion). The decline compared to the previous year is caused by the decrease in new lending for biogas plants.

Promotional focus "Ländliche Entwicklung" with significant increase

Rural development is supported primarily by global refinancing agreements with promotional banks of federal states. This cooperation with the promotional banks of federal states was further expanded. Based on the respective master agreements, we approved a total of € 1.9 billion (2011: € 1.7 billion) in the reporting year, predominantly for municipal infrastructure measures. Private companies may also apply for low interest-loans in the promotional segment "Ländliche Entwicklung" for the extension of broadband in rural areas. In 2012, we supported the installation of broadband infrastructure with a total of € 60.7 million.

Our promotional program "Räumliche Strukturmaßnahmen" is also used to provide funds for local infrastructure projects in rural areas. It is intended for local authorities and special purpose associations in rural areas, thus complementing the direct promotional activities for the agricultural business. In 2012, new business increased from € 146.6 million to € 210.2 million.

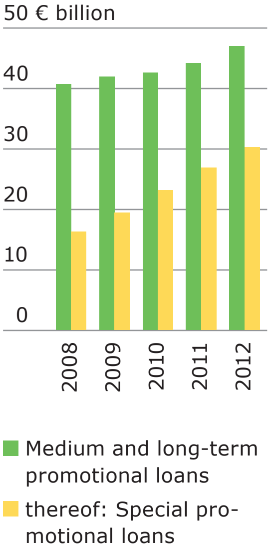
Standard promotional loans exceed previous year's level

In addition to our special promotional loans for specific purposes, we also support agribusiness with standard promotional loans. In this segment we approved € 2.0 billion (2011: € 1.8 billion) during the reporting year. New business in securitized lending declined to € 1.9 billion (2011: € 3.8 billion) during the reporting year. In total, contract closings for the promotional business reached € 10.4 billion in 2012 (2011: € 11.9 billion).

New business in promotional lending

€ million	**2012**	**2011**
Special promotional loans	6 469	6 256
Standard promotional loans	2 020	1 817
Securitized lending	1 863	3 845
Total	**10 352**	**11 918**

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



Balance sheet (HGB): Promotional lending volume rises

The buoyant demand for special promotional loans resulted in a strong increase of the loan portfolio in this segment. As of December 31, 2012, special promotional loans amounted to € 30.2 billion (2011: € 26.8 billion), representing an increase by 12.7 % over the previous year. Their share in the total volume of promotional loans rose to 45 % (2011: 40 %). The portfolio of promotional loans as reported in the balance sheet increased by a total of 6.3 % to € 46.9 billion (2011: € 44.1 billion). Securitized lending, which is reported in the balance sheet item "Debt securities and other fixed-income securities," declined to € 20.2 billion (2011: € 22.6 billion). In aggregate, Rentenbank's total promotional lending volume amounted to € 67.1 billion in 2012 (2011: € 66.7 billion), representing an increase of 0.6 % over the previous year.

Appropriation of profits

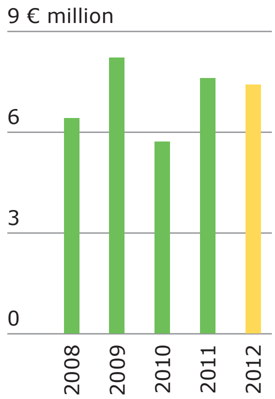
In accordance with the provisions of its constituting law, Landwirtschaftliche Rentenbank uses its net profit to promote agriculture and rural areas. One half of the net profit is transferred to the Special Purpose Fund *(Zweckvermögen)* and the other half to the Promotional Fund *(Förderungsfonds)*.

Promotion of innovation through Special Purpose Fund

In addition to its special promotional loans, Rentenbank is engaged especially in the promotion of innovation by loans offered at very low interest rates raised from the Special Purpose Fund. The interest rates in the reporting year were 1.5 % p. a. (nominal). In 2012, 18 (2011: 26) loans were approved with a total amount of € 7.4 million (2011: € 7.6 million) after approval by the Federal Ministry of Food, Agriculture and Consumer Protection *(Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz, BMELV)*.
In addition to low-interest loans, we promoted selected projects through grants with a total amount of € 0.9 million (2011: € 2.3 million) for feasibility studies as well as the construction of prototypes.

The legal basis for the Special Purpose Fund was formed by the Law on Agricultural Disencumbrances (Entschuldungsabwicklungsgesetz) of 1952. Rentenbank manages the fund as a trustee for the German federal government making annual contributions to the Special Purpose Fund from its net profit, amounting to € 6.1 million in 2012 (2011: € 5.9 million).

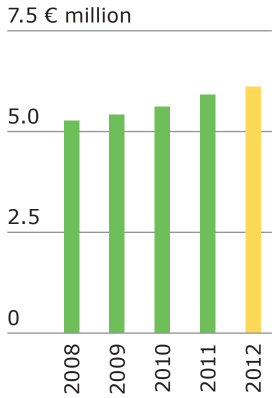
Promotion of innovation through Special Purpose Fund (loans)



Promotional Fund: research and further training in focus

An amount of € 6.4 million was available to the Promotional Fund in the year under review. These funds were used to support individual projects as well as institutions working for the agricultural sector and rural areas. Apart from agriculture-related research projects, the focus is on implementable pilot projects as well as advanced training measures and events. Rural youth work, work for elderly people in rural areas, and the German Country Women's Association (LandFrauenverband) have also been supported by the Promotional Fund for many years now.

Allocations to the Promotional Fund



Refinancing of Rentenbank

Strong demand from investors seeking safety and liquidity

The sovereign debt crises in the "peripheral" countries of the eurozone has shown certain signs of an easing of tensions over the past year. The risk awareness of investors, however, has remained high. As a promotional bank of the strongest economy in the EU we continued to have excellent access to the market due to the demand from safe-haven investors. The increased need of banks to hold high quality and liquid assets in anticipation of tighter banking regulation ("Basel III") also benefited us. Despite a slight increase in average maturity, our funding costs decreased in comparison to the previous year. In short-term maturities we were able to fund at very attractive rates, too, through our Euro Commercial Paper (ECP) program.

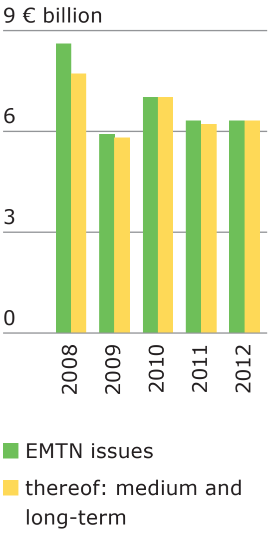
Medium and long-term issuance volumes below previous year

We raised € 9.6 billion (2011: € 12.0 billion) with maturities of more than two years in the domestic and international capital markets. This volume was slightly below the plan of € 10 billion. This volume splits by funding instruments as follows:

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

	2012	2011	2012	2011
	billion €		Share in %	
EMTN	6.3	6.2	65.6	51.7
AUD-MTN	1.1	2.0	11.5	16.6
Global bonds	2.2	2.9	22.9	24.2
International loans/promissory notes	0.0	0.3	0.0	2.5
Domestic capital market instruments	0.0	0.6	0.0	5.0
Total	**9.6**	**12.0**	**100.0**	**100.0**

EMTN issues



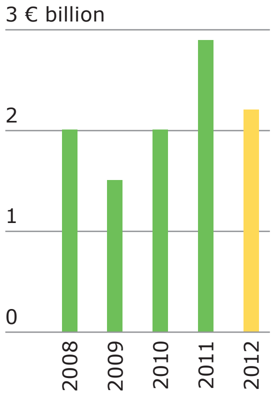
EMTN program remains most important instrument

Our Euro Medium Term Note (EMTN) program is our most important refinancing instrument with a volume of € 60 billion. Program utilization reached € 38.2 billion (2011: € 37.8 billion) at year-end. The EMTN program allows us to issue tranches in all prevalent currencies for different amounts and maturities using standard documentation. In the year under review, we used the program exclusively to raise funds in the medium and long-term segment. The issuance in maturities of more than two years came to € 6.3 billion (2011: € 6.2 billion) including a benchmark issue we successfully placed in the amount of € 1.0 billion with a maturity of eight years. Funds raised via floating-rate euro issues came to € 2.2 billion. Transactions denominated in U.S. dollar contributed € 0.7 billion to the refinancing volume. In addition, we used the EMTN program to raise funds in seven other currencies.

Two global bonds in US dollars

Since 2001, Rentenbank has utilized global bonds as a refinancing instrument. These bonds facilitate the access to the US market and underline our positioning as an "agency" on the international capital markets. In the year under review, global bonds accounted for € 2.2 billion (2011: € 2.9 billion) or 22.9 % (2011: 24.2 %) of total medium and long-term funds. In addition to a global bond in the amount of USD 1.5 billion with a maturity of five years, we issued a global bond with a maturity of seven years in the amount of USD 1.25 billion in October. Both issues were heavily oversubscribed and almost two thirds were placed with central banks and other official institutions.

Issues of global bonds



„Kangaroo" market is third funding pillar

In the year under review, we placed under our AUD-MTN-program bonds in an amount of AUD 1.4 billion, equivalent to € 1.1 billion (2011: € 2.0 billion). With an outstanding volume of AUD 9.7 billion, Rentenbank remained the third-largest foreign issuer in that market segment, as in previous years. Thus, the "Kangaroo" market remains an important pillar of our funding activities.

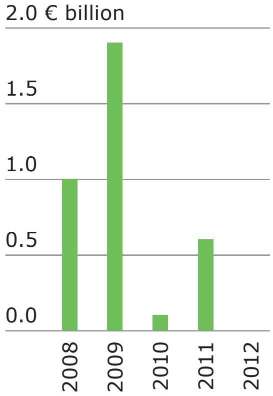
No placement of domestic instruments

Our domestic capital market instruments are especially directed towards domestic insurance companies, which have a particular long-term investment horizon. However, we only have limited need for funds with terms of more than ten years. Therefore, we have not placed any registered bonds or promissory note loans during the reporting year, compared to € 0.6 billion in the previous year.

Lower utilization of ECP program

Issues under the € 20 billion ECP program continue to play a major role within the short-term refinancing segment. Commercial Paper are bearer notes with terms of less than one year and are issued in a discounted, compounded, or indexed form on the basis of a corresponding master documentation. Investor preference for borrowers of highest credit quality allowed us to raise ECP-funding at particularly low cost again in the reporting year. Average program utilization for the year under review was € 4.7 billion (2011: € 6.3 billion). Program utilization reached € 5.3 billion at year-end 2012 (2011: € 7.0 billion).

Domestic capital market instruments



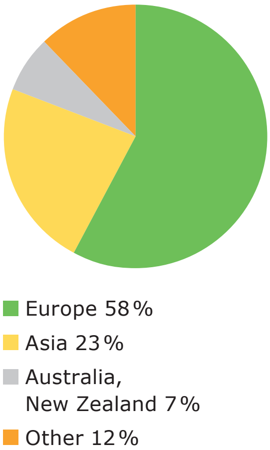
Zero-risk weight for Rentenbank issues

Since January 1, 2007, according to Section 28 of the German Solvency Regulation (Solvabilitätsverordnung), liabilities of Rentenbank have been treated equal to liabilities of the Federal Republic of Germany for risk weighting purposes. Pursuant to the Credit Risk Standardized Approach (CRSA), banks in Germany and other EU countries do not have to back such claims with capital. Especially in times of the crisis in the financial markets, the zero-risk weight proves to be particularly helpful for our issuance activity as it opens up additional distribution channels with regard to domestic and international investors.

Banks once again most important investor group

In the year under review, the volume of issues placed with banks in relation to the total medium and long-term issue volume reached 53 % (2011: 44 %). This group of investors was seeking zero-risk weighted securities offering highest credit quality and attractive spreads, in order to minimize capital and risk costs. The planned tightening of liquidity requirements within the framework of Basel III also tends to have a positive effect on the demand by banks as these will be required to hold a certain amount of high-quality assets as a liquidity buffer. By contrast, the share of central banks and official institutions declined slightly. However, they continue to play an important role with 26 % (2011: 30 %) of placement. Insurance companies, corporations and pension funds with 7 % (2011: 10 %), as well as asset managers with 14 % (2011: 16 %) accounted for smaller shares of distribution, too.

Medium and long-term issues 2012 – breakdown by regions

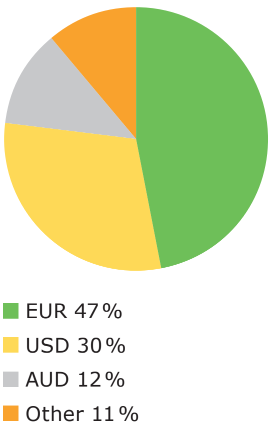


The geographical distribution of our investors was characterized by a particularly broad range, with the share of foreign investors remaining at a high level of 73 % (2011: 77 %). The share of investors from Europe expanded to 58 % (2011: 51 %). The demand of Asian investors was nearly at last year's level with 23 % (2011: 24 %). In contrast, the share of American investors declined significantly from 14 % to 6 %. 7 % (2011: 8 %) of our issues were placed with investors in New Zealand and Australia, while a share of 5 % (2011: 3 %) was attributable to the Middle East.

Euro most important issuance currency, as in previous year

The medium and long-term issuance volume was spread among nine currencies in the reporting year. The euro was the most important issuance currency with a share of 47 % (2011: 38 %), clearly ahead of the U.S. dollar with a share of 30 % (2011: 36 %). The Australian dollar continued to rank in third place with a share of 12 % (2011: 17 %). The remaining 11 % of the medium and long-term issuance volume comprised bonds denominated in Norwegian krone, Turkish lira, Swedish krone, British pound, New Zealand dollar and South African rand.

Medium and long-term issues 2012 – breakdown by currencies



Repo eligibility of Rentenbank's issues

Our listed euro denominated issues fulfill the requirements of the European System of Central Banks (ESCB) with regard to credit quality for repo-eligible "tier-one" marketable debt instruments. Our bonds and notes have been classified in the second best liquidity category II. Only bonds and notes of central banks and central governments have been allocated to the higher category I. Liquidity category II includes bonds from supranational institutions and issues from institutions with a public promotional mandate, amongst others. In addition, the Reserve Bank of Australia accepts our "Kangaroo" bonds and the Reserve Bank of New Zealand accepts our "Kauri" bonds as eligible collateral for repos. Our bonds enjoy a preferential treatment in the private repo markets, too. For example, Eurex accepts our issues as collateral for the GC Pooling ECB Basket, thus high-lighting the exceptional safety of our bonds.

Inclusion of Rentenbank in most important fixed-income indices

Our liquid euro and dollar bonds and notes are included in the most important bond indices, for example the "Markit iBoxx Euro Index", the "Barclays Euro Aggregate Bond Index", and the "Barclays U.S. Aggregate Bond Index", respectively, as well as the "BofA Merrill Lynch US Broad Market Index." Indices measure the performance of domestic or international market segments. Inclusion in an index, therefore, improves the placement prospects of bonds and notes since many institutional investors are benchmarked against their performance, and therefore make allocations accordingly.

Portfolio of medium and long-term borrowings

The total amount of medium and long-term borrowings used for refinancing amounted to € 63.6 billion (2011: € 62.7 billion). The amount of bonds outstanding was € 61.0 billion (2011: € 60.2 billion) and the volume of promissory notes was € 1.3 billion (2011: € 1.2 billion). Other capital market funds remained unchanged at € 1.3 billion (2011: € 1.3 billion).

Money market business

We use a variety of instruments to refinance our short-term lending business, for liquidity management, and to hedge short-term interest rate risks. The funds are raised through the ECP and EMTN programs, overnight and term deposits on the interbank market, and repo transactions with the Eurex as well as refinancing facilities with the ECB. Interest rate risks are managed additionally through derivatives. Deposits from non-banks are accepted to a small extent and only within the scope of our public promotional activities.

Share trading

As a matter of principle, we do not trade in shares. Therefore, ownership of shares is limited to our equity investments.

Asset/liability management

Conservative liquidity risk management remains unchanged

Tightened liquidity requirements are an essential element of future banking regulation as a part of "Basel III". Rentenbank has always attached much importance to managing such risks. Accordingly, Rentenbank's liquidity risks have been limited by the Board of Managing Directors. Liquidity risks related to foreign currencies are eliminated through hedges. Therefore, risk measurement is limited to payments denominated in euro. In the area of short-term liquidity, all scheduled euro inflows and outflows of the next two years are netted on a daily basis. Negative balances must always remain within the amount of our unused refinancing facilities. Additional requirements further restrict the liquidity management. This will ensure Rentenbank's liquidity at all times, even if market disruptions limit the normal access to funds. Within the scope of the strategic liquidity management, we apply additional risk scenarios to the short-term liquidity status.

The medium and long-term liquidity risk is analyzed on a quarterly basis by comparing the scheduled repayments of all transactions for the following 15 years. Negative cash balances may not exceed the limit determined by the Board of Managing Directors.

We are currently implementing the 4th amendment of the Minimum Requirements for Risk Management (MaRisk). In addition, we prepare for imminent changes in the regulatory environment arising within the framework of "Basel III."

Management of market price risk

Our fixed-rate lending business as well as euro denominated issues are mainly swapped into floating rate positions using interest rate swaps. In order to hedge market price risks, we also swap the interest and capital payments denominated in foreign currency arising from asset or lending business through cross-currency swaps or interest rate and foreign currency basis swaps almost exclusively in Euribor positions. We also hedge the price risks (such as currency, equity and option risks) associated with the issue of structured bonds through derivative instruments. Short-term interest rate risks from variable-interest lending and deposit-taking transactions are managed by the money market desk. Thus, we are able to flexibly manage market price risks separately from Rentenbank's overall liquidity, using a market-based approach.

Special promotional loans with fixed interest rates are either swapped into floating rate positions through interest rate swaps or refinanced through traditional capital market instruments with matching maturities.

Our risk exposure from money market transactions and the lending business is monitored on the basis of a daily risk report, which also determines the market risk by means of a shift in the interest rate curve. Market price risks are assessed in compliance with the MaRisk.

Derivatives hedge market price risks

To hedge interest-rate and exchange-rate risks, swaps in an amount of € 21.6 billion (2011: € 27.4 billion) were utilized in the reporting year. Thereof, € 15.9 billion (2011: € 18.6 billion) accounted for interest rate swaps and € 5.7 billion (2011: € 8.8 billion) for cross-currency swaps and currency basis swaps. In addition, we use currency swaps (FX swaps) to hedge foreign currency positions resulting from our ECP issue activities and from short-term loans denominated in foreign currencies.

We use derivatives as hedging instruments for existing or expected price risks in the context of micro or macro hedges. In the case of micro hedges, every swap is matched with a specific balance-sheet position. Swap options are used to hedge market price risks, too. In contrast, we used macro swaps on a portfolio level to hedge market price risks from our special promotional loans.

Credit risk resulting from the use of derivatives is mitigated by collateral agreements with our swap counterparties. These agreements cover our entire derivatives portfolio.

Rentenbank remains non-trading book institution

Rentenbank does not run a trading operation as defined in the German Banking Act (KWG). Therefore, we have classified ourselves as a non-trading-book institution according to § 2 (11) KWG in 1998, and notified the German Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank accordingly. Hence, financial instruments are neither held as proprietary positions with a view to reselling them in the short term nor are they acquired with the intention of profiting for our own account in the short term from existing or expected differences between buying and selling prices or fluctuations in market prices. We allocate all transactions to our banking book pursuant to our buy-and-hold strategy.

Sustainability

Sustainability is part of the promotional mandate

As an institution under public law with a statutory promotional mandate, Landwirtschaftliche Rentenbank has a special responsibility in the area of sustainability. This is all the more relevant as the term "sustainability" originates from the forestry sector. Sustainable entrepreneurial behavior is deeply entrenched in the agricultural and forestry sectors, as it focuses on generational thinking and the elemental nature of soil as a non-reproducible production factor. In addition, the activities within the agricultural sector offer numerous starting points for fulfilling sustainability targets. In this manner it can also contribute to global climate protection.

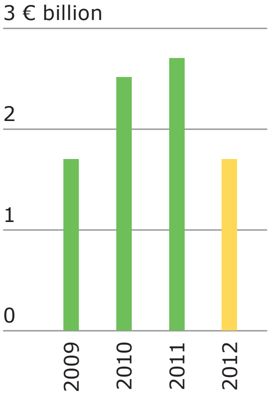
Therefore, corporate social responsibility and the protection of the environment reached a high priority within Rentenbank over the years. Rentenbank's business model, which is based on promotional activities and long-term thinking, represents the foundation of our commitment to an economically stable and ecology-based society. Moreover, as of the effective date of the Fifth Amendment to the Law Governing the Landwirtschaftliche Rentenbank dated August 1, 2002, relevant aspects of sustainable behavior have been explicitly included in the bank's promotional mandate.

Particularly favorable terms for sustainable investments

For many years the bank has offered low-interest promotional loans for sustainable investments. In 2005, Rentenbank focused its promotional activities regarding agricultural investments on renewable energies, regenerative resources as well as agriculture-related environmental, animal and consumer protection within a special program. These promotional loans are offered at particularly favorable conditions.

As a part of the re-design of the promotional programs in 2008, we introduced promotional programs for the food industry, as well as for the upstream and downstream agricultural sector. Investments in measures for emission reduction, energy efficiency, animal and consumer protection, ecological cultivation and regional marketing activities are the focus of these programs. We also promote these investments with particularly favorable conditions. The program "Energie vom Land," also newly established in 2008, focuses on the production of renewable energies. In this respect, the agricultural sector plays an important role in the implementation of the climate policy goals set by the German federal government and the EU. The Rentenbank supports the industry in this effort.

New financings for sustainable projects



We also promote investments in wind farms operated by farmers and private citizens as a part of our special promotional loans since March 2012. We finance wind power ventures that are owned predominantly by private citizens, entrepreneurs and property owners at the location of the wind farm, thereby ensuring that a large portion of the profits remains in that rural area. This also improves the acceptance of these wind parks – which is becoming an increasingly important factor.

With our program "Räumliche Strukturmassnahmen" – and via the promotional banks of federal states – we now also finance investments in the development of broadband infrastructure, such as empty conduits, fiber-optic networks or wireless solutions.

Within the promotional programs for aquaculture and fishery, newly introduced in 2010, investments made for the benefit of environmental protection and resource conservation are promoted also through loans at particularly low interest rates. Sustainable fish farming is a relatively new opportunity for the German agricultural and food sector, in view of the declining natural fish population and the simultaneously rising global demand.

The volume of commitments for our special promotional loans focusing on sustainability aspects has been rising continuously in the past years. During the fiscal year 2012, however, a significant decline to € 1.7 billion (€ 2.7 billion) was recorded. The lower commitment volume in this case particularly reflects the strong decline in the financing of biogas plants. Changes in the Renewable Energy Sources Act (EEG) were the cause of this. In the organization of our programs, we will continue to pursue the goal of giving special support to investments of the agribusiness in sustainable projects.

Reduction of resource consumption in internal bank operations

As a services provider, we also contribute to the preservation of resources, and we conserve energy and raw materials in our daily banking operations. Moreover, we investigate additional potentials and include ecological aspects in our decision making and in our conduct. Since 2010, as part of our corporate environmental protection, the focus was on the renovation of employee housing which had been built in the late 1950s and early 1960s. Meanwhile, six multiple family houses with a total of 31 residential units have been renovated for energy efficiency. During the reporting year, a number of smaller measures were taken that further reduce the resource consumption in the employee apartments.

Sustainability also anchored in Rentenbank's mission statement

In 2012, we adopted a mission statement for Rentenbank that represents our goals and values. Both, sustainability issues of our promotional strategy and sustainability aspects of our internal banking operations, have been firmly anchored in it. In doing so, we commit ourselves to our responsibility for the sustained improvement of economic, social and ecological living conditions.

A new model for working hours introduced

With the new model for working hours that was introduced in December 2012, Rentenbank employees have significantly more flexibility regarding their working hours. Individual organizational units determine their operational hours by taking the requirements of their internal and external business partners into consideration, and they define how long and with how many employees they need to be available. In the context of operational hours, legal provisions, labor agreement and employment contract, employees can now determine the beginning and end of their workdays on their own.

Corporate Governance

Rentenbank declares that it conforms with the German Public Corporate Governance Code

Effective corporate governance is of central importance for responsible and sustainable corporate management. Transparent and responsible behavior should also be made comprehensible. Therefore, Rentenbank has adopted the Public Corporate Governance Kodex des Bundes (PCGK, version of June 30, 2009) by resolution of the Advisory Board of July 16, 2009. The PCGK is primarily addressed to companies that are legal entities governed by private law, but its application is also recommended for companies that are legal entities under public law, such as Rentenbank as a public law institution directly accountable to the German federal government, insofar as not precluded by legal provisions (e. g., Rentenbank's Governing Law "LR-Law").

The Board of Managing Directors and the Advisory Board of Rentenbank identify themselves with these principles and therefore approve them. Compliance with the internationally and nationally recognized standards contained in the code for good and responsible corporate management is explicitly in the interest of the German federal government with regard to Rentenbank's activities.

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

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

The Board of Managing Directors and the Advisory Board cooperate closely for the benefit of the bank and observe the rules of good corporate governance. The Board of Managing Directors regularly contacts the Chairman and the Deputy Chairman of the Advisory Board to discuss important issues relating to corporate management and corporate strategy. On special occasions, the Chairman of the Advisory Board informs the Advisory Board and calls an extraordinary meeting if required.

In the reporting year, the Board of Managing Directors fully informed the Advisory Board about all of Rentenbank's issues regarding planning, risk situation, risk management, business development and financial position.

The Board of Managing Directors manages the bank on its own responsibility according to the provisions of Rentenbank's Governing Law and Statutes. Accordingly, it is bound by the interest of Rentenbank and its legal promotional mandate.

The Advisory Board advises and monitors the Board of Managing Directors in its management of Rentenbank. It appoints the members of the Board of Managing Directors and, together with them, establishes long-term succession plans. In addition to the regulations contained in the Statutes, the Advisory Board can classify certain transactions as being subject to its consent.

Rules of procedure are applicable to both the Board of Managing Directors and the Advisory Board.

Efficiency review of the Advisory Board

The Advisory Board again reviewed the efficiency of its operations in 2012. The self-assessment of the Advisory Board was conducted with the help of structured questionnaires. The participation of the members of the Advisory Board was above 83 %. The survey results revealed that the members of the Advisory Board rate the work and efficiency of the plenum of the Advisory Board as well as the work and efficiency of the committees as mostly positive. To be highlighted, with almost exclusively positive valuations, is the opportunity for constructive criticism and open communication in the plenum as well as the proper distribution of work among the plenum and the committees. The Advisory Board addressed the results of the self-evaluation in its meeting on September 13, 2012, and discussed possible opportunities for improvement. The verification of efficiency should continue to take place at regular intervals.

Avoiding conflicts of interest

The members of the Board of Managing Directors and the Advisory Board are obliged to fulfill their tasks in accordance with the company's interests. Potentially emerging conflicts of interest in connection with their activities must be brought before the Chairman of the Advisory Board or the Advisory Board by the members of the Board of Managing Directors or of the Advisory Board. No conflicts of interest by members of the Board of Managing Directors or the Advisory Board arose during the reporting year.

Remuneration regulations for the Board of Managing Directors and the Advisory Board

Remuneration for members of the Board of Managing Directors is determined by the Advisory Board. An assessment of performance is used to determine the appropriate amount. The overall compensation for members of the Board of Managing Directors contains no components with an incentive effect to enter into specific transactions or take certain risks.

The Advisory Board establishes the evaluation basis for the bonus which is paid for the past calendar year and determined in its spring meeting by reference to the individual performance of a member of the Board of Managing Directors, the performance of all members of the Board of Managing Directors taken together, the economic situation as well as the sustained success and prospects for the future of Rentenbank. To operationalize the process, both, quantitative and qualitative aspects are taken into account. There is no direct link between the amount of the variable remuneration of the members of the Board of Managing Directors and one or more of these criteria.

Remuneration for the members of the Advisory Board is regulated by the Statutes. In this manner, both the responsibility and the extent of the activities of Advisory Board members are taken into account, as well as the economic situation of Rentenbank.

In 2012, a new compensation scheme for the members of the Advisory Board was introduced. Details are set out in the notes to the consolidated financial statements on pages 99 and 100.

The individual compensation for the members of the Board of Managing Directors and the Advisory Board is detailed in the notes to the consolidated financial statements on pages 99 and 100.

Transparency and information

Transparency and information are of special importance to the bank. Rentenbank follows the principle of equal treatment for investors and other interested parties regarding the distribution of information. All important information published by Rentenbank is also accessible on its website (www.rentenbank.de).

Accounting and auditing

The consolidated financial statements for fiscal year 2012 were prepared in accordance with IFRS. Additionally, unconsolidated financial statements are prepared in accordance with the accounting principles set out in the German Commercial Code (HGB) that are relevant to large corporations and pursuant to the specific requirements of the German Accounting Directive for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV). The Advisory Board chooses the external auditor, awards the audit engagement and agrees the fee with the auditor. The Audit Committee, which is set up by the Advisory Board, assures the independence of the external auditor.

Deviations from the recommendations of the Public Corporate Governance Kodex

The PCGK is primarily addressed to corporations. In addition, the PCGK also addresses other legal entities under private or public law whose purpose is, or largely comprises, a commercial or other economic business. Companies that classify as a legal entity under public law are recommended to comply with the PCGK as long as legal provisions (e. g., with regard to the structure of corporate bodies) do not require otherwise.

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

In fiscal year 2012, Landwirtschaftliche Rentenbank adopted the recommendations of the PCGK, as amended on June 30, 2009, with the following exception:

- The remuneration for the members of the Board of Managing Directors and the Advisory Board is not disclosed separately in the Corporate Governance Report as the individual remuneration, identifiable by name, is described in Rentenbank's Annual Report in a generally comprehensible form (notes to the consolidated financial statements, pages 99 and 100).

Landwirtschaftliche Rentenbank also intends in future to comply with the PCGK in the version of June 30, 2009, as set out above.

Landwirtschaftliche Rentenbank
March 2013

The Board of Managing Directors
The Advisory Board

Unconsolidated financial statements in accordance with German Commercial Code (HGB)

Balance sheet and income statement

Pursuant to the Law Governing Landwirtschaftliche Rentenbank, the appropriation of Rentenbank's net profit is based on its HGB financial statements. Apart from IFRS consolidated financial statements, we therefore also prepare unconsolidated financial statements in accordance with HGB. Their major developments are presented in the following.

Total assets decreased

Total assets decreased by € 2.1 billion or 2.6 % to € 79.2 billion in 2012 (2011: € 81.3 billion). In accordance with our competition neutrality, we generally extend loans through other banks. Therefore, loans and advances to banks accounted for a large proportion of total assets with a share of 64.6 % (2011: 63.7 %). As of the balance sheet date, this line item amounted to € 51.2 billion (2011: € 51.8 billion) representing a decrease of € 0.6 billion compared to the prior year. The securities portfolio, which almost exclusively comprises bank bonds and notes, fell by € 3.2 billion to € 22.0 billion (2011: € 25.2 billion).

Liabilities to banks decreased by € 0.2 billion to € 3.6 billion (2011: € 3.8 billion). Liabilities to customers declined by € 0.8 billion to € 5.2 billion (2011: € 6.0 billion). This balance sheet item primarily comprises registered bonds, which are reported with a volume of € 4.0 billion (2011: € 4.5 billion) at year-end. Securitized liabilities decreased by € 0.6 billion to € 62.2 billion (2011: € 62.8 billion).

Slight increase in operating result

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 (2011: € 69.2 million) were formerly accounted for in the cross compensation item of provision for loan losses according to § 340f para. (3) 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 (2011: € 369.8 million). This translates into an operating result of € 303.7 million after change in presentation. The change in presentation does not affect net income.

Net income for 2012 amounted to € 51.0 million (2011: € 49.0 million), representing an increase of € 2.0 million against the previous year. Of this amount, € 38.25 million (2011: € 36.75 million) were allocated to the principal reserve. After allocation to the reserves, a net profit of € 12.75 million (2011: € 12.25 million) remains, which will be used to promote agriculture and rural areas.

Own funds increased

End of 2012, own funds amounted to € 3 957.5 million (2011: € 3 639.0 million) after the transfers to the principal reserve and the additions to the fund covering general banking risks, representing an increase of € 318.5 million over the previous year. 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
Own funds	**3 957.5**	**3 639.0**

The fund for general banking risks was increased by € 291.0 million to € 2 219.2 million. Subordinated liabilities have decreased by € 10.8 million to € 717.5 million, caused by exchange rate effects through the conversion of liabilities denominated in foreign currencies. The share of own funds on the balance sheet total was 5.0 % (2011: 4.5 %).

The regulatory capital of the bank as of December 31, 2012, prior to the approval of the financial statements, was € 3 740.8 million (2011: € 3 517.5 million). On the reporting date, the total capital ratio calculated in accordance with § 10 (1) KWG on the basis of the German Solvency Regulation stood at 27.5 % (2011: 25.7 %) and as the core capital ratio at 21.3 % (2011: 16.7 %) exceeded the legal minimum requirements to a considerable extent.

Balance sheet of Landwirtschaftliche Rentenbank,

ASSETS

	€ million	€ million	€ million	Dec. 31, 2011 € 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**

Group 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 recessions in many eurozone countries.

For the first time in three years, eurozone gross domestic product (GDP) declined in 2012 by 0.5 % after expanding by 1.4 % the previous year. The situation in the individual eurozone countries was quite mixed. The recession was especially pronounced in Greece, Portugal, Spain and Italy, whereas Germany once again outperformed the eurozone average, posting a rise in GDP of 0.7 %. Nevertheless, momentum slowed in Germany as well. For 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 eurozone countries declined. The unemployment rate in Germany continued to decline from 6.0 % in the previous year to an average of 5.5 % for 2012 as measured by the International Labour Organization (ILO). By contrast, unemployment reached new record highs within the eurozone. 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 eurozone. At 2.5 % for 2012 (compared with 2.7 % in 2011), the rise in consumer prices was slightly lower than in the previous year. This particularly resulted from rising raw material, energy and food prices. 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 eurozone 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. In addition, the ECB resumed its purchases of government bonds in order to support financially weak countries of the eurozone. 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 in order to be able to ensure the transmission mechanism for monetary policy in all eurozone 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 particularly 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 again slightly 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 feed and energy, had a dampening effect. Finally, 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

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.

All material risks are concentrated in Rentenbank and are managed by Rentenbank on a Group-wide basis. The business activities of subsidiaries are strictly limited.

Rentenbank has issued a comfort letter to LR Beteiligungsgesellschaft mbH. Subsidiaries are funded exclusively within the Group.

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 segment „Promotional Business“ includes the promotional lending and securitized lending businesses as well as funding of the Group. As part of the promotional lending business, Rentenbank grants special promotional loans as well as standard promotional loans, e. g., in the form of promissory note loans. The 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 Group 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

The business trend of Rentenbank in 2012 saw sustained buoyant demand for promotional financing. 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 volume, consisting of the segments „Promotional Business“ and „Capital Investment“, amounted to a total of € 78.6 billion (compared with € 75.8 billion in 2011) and thus were 3.7 % higher than the previous year. As a result of the increase in new business, the portfolio of special promotional loans grew by € 3.4 billion, or 12.7 %, to € 30.1 billion (compared with € 26.7 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 with a nominal value of € 9.6 billion (compared with € 12.0 billion in 2011) on domestic and foreign capital markets. Refinancing transactions on the capital market used the following instruments:

	2012		2011	
	€ billion	%	€ billion	%
EMTN	6.3	65.6	6.2	51.7
Global bonds	2.2	22.9	2.9	24.2
AUD-MTN	1.1	11.5	2.0	16.6
International loans/promissory notes	0.0	0.0	0.3	2.5
Domestic capital markets instruments	0.0	0.0	0.6	5.0
Total	**9.6**	**100.0**	**12.0**	**100.0**

Total Assets and Business volume

Balance sheet (extract)	Dec. 31, 2012 € billion	Dec. 31, 2011 € billion	Change in € billion
Total assets	88.4	88.9	–0.5
Loans and advances to banks	51.2	51.4	–0.2
Loans and advances to customers	4.7	2.9	1.8
Positive fair values of derivative financial instruments	7.5	7.8	–0.3
Financial investments	22.6	24.7	–2.1
Liabilities to banks	2.9	3.1	–0.2
Liabilities to customers	5.8	6.1	–0.3
Securitised liabilities	66.6	68.2	–1.6
Negative fair values of derivative financial instruments	5.8	4.3	1.5
Provisions	0.1	0.1	0.0

At € 88.4 billion, as of December 31, 2012, total assets remained nearly unchanged compared with December 31, 2011 (€ 88.9 billion). Total assets of the consolidated subsidiaries in accordance with German Commercial Code (HGB) as of December 31, 2012, are as follows:

Subsidiary	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
LR Beteiligungsgesellschaft mbH, Frankfurt am Main	220.5	219.9	0.6
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	14.5	15.0	–0.5

In accordance with its competition neutrality, the Group generally extends its loans via other banks. This is reflected on the asset side of the balance sheet by loans and advances to banks with a share of total assets of 57.9 % (compared with 57.8 % in 2011). As of December 31, 2012, the carrying amount of this item was € 51.2 billion (compared with € 51.4 billion in 2011). The significant increase in the volume of special promotional loans was offset by corresponding decreases in term deposits.

Loans and advances to customers increased by € 1.8 billion to € 4.7 billion (compared with € 2.9 billion in 2011) as a result of new business with German states.

Financial investments consist primarily of bank bonds. They declined by € 2.1 billion to € 22.6 billion (compared with € 24.7 billion in 2011) as redemptions exceeded new business. Information related to the exposure in peripheral states of the eurozone is set out in the Risk Report in the section „Credit risk“.

On the liability side of the balance sheet, liabilities to banks declined by € 0.2 billion to € 2.9 billion (compared with € 3.1 billion in 2011) and liabilities to customers declined by € 0.3 billion to € 5.8 billion (compared with € 6.1 billion in 2011). These changes were primarily the result of the reduced number of positions in short-term money market business.

Liabilities to customers consist almost exclusively of registered bonds and promissory note loans, which remained unchanged at year-end with a carrying amount of € 5.6 billion.

The portfolio of securitised liabilities declined to € 66.6 billion as of December 31, 2012 (compared with € 68.2 billion in 2011) as, in particular, the Euro Commercial Paper (ECP) program was used only to a lesser extent for purposes of money market funding. ECP volumes declined by € 2.2 billion to € 5.2 billion (compared with € 7.4 billion in 2011). The Medium Term Note (MTN) programs remained the most important funding source and amounted to € 48.9 billion (compared with € 47.3 billion in 2011). The carrying amount of global bonds totaled € 12.4 billion at the end of the year (compared with € 13.5 billion in 2011).

The positive fair values of derivative financial instruments declined by € 0.3 billion to € 7.5 billion (compared with € 7.8 billion in 2011), while negative fair values rose by € 1.5 billion to € 5.8 billion (compared with € 4.3 billion in 2011). In particular, the changes resulted from the effects of currency translation. Derivatives are exclusively entered into to hedge existing or expected market price risks. Collateral agreements were concluded with all counterparties with whom the Bank enters into derivative transactions. The Bank does not enter into credit default swaps (CDS).

Provisions slightly decreased to € 103.9 million (compared with € 104.2 million in 2011). An amount of € 6.3 million was added to pension provisions (compared with € 6.4 million in 2011).

Financial performance

1) Income statement	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Net interest income before provision for loan losses	365.9	361.9	4.0
Provision for loan losses	20.7	15.6	5.1
Administrative expenses	48.9	48.0	0.9
Net other income/expenses	3.2	-15.2	18.4
Operating result	**299.5**	**283.1**	**16.4**
Result from fair value measurement and from hedge accounting	-55.7	-352.4	296.7
Group's net income/loss	**243.8**	**-69.3**	**313.1**
2) Other comprehensive income			
Change in the revaluation reserve	583.8	-359.8	943.6
3) Group's total comprehensive income	**827.6**	**-429.1**	**1 256.7**

Operating result

Operating earnings developed positively in the 2012 fiscal year. Interest income, including contributions from fixed-income securities and equity holdings, reached € 3 959.5 million (compared with € 3 906.5 million in 2011). After deducting interest expenses of € 3 593.6 million (compared with € 3 544.6 million in 2011), net interest income amounted to € 365.9 million (compared with € 361.9 million in 2011). Improved margins in the promotional lending business contributed particularly to the increase by € 4.0 million.

Of expenses for wages and salaries, costs associated with software implementation of € 0.6 million were capitalized, and for this reason they were not included in operating results as of December 31, 2012.

During 2011 a measurement loss of € 11.3 million related to a security and recognized in the revaluation reserve directly in equity was reclassified to the net result from financial investments, shown in the above table under „Other comprehensive income." This was due to an impairment based on expected defaults. This resulted in a one-time reduction of earnings in the previous year. This security was sold during the reporting year at a book profit of € 3.1 million.

Result from fair value measurement and from hedge accounting

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

Underlying hedged items as part of hedging relationships on the balance sheet, only fair value changes are taken into account that result from changes in the deposit/swap curves (benchmark curves for the interbank business). All market parameters, such as credit spreads, are included with respect to the remaining financial instruments measured at fair value.

The development of the result from fair value measurement and from hedge accounting is influenced almost exclusively by changes in credit spread induced risk premiums. Changes in interest rates and exchange rates do not have significant measurement effects, due to refinancing with largely matching maturities as well as hedging through derivatives.

As a result of monetary policy measures of the European Central Bank (ECB) relating to the continuing financial and sovereign debt crisis, premiums based on changes in credit spreads declined during the 2012 fiscal year – also for issuers from countries especially affected by the crisis. This resulted in measurement gains with respect to assets to be assigned a higher value. Strong demand for safe bonds also resulted in a decline in premiums based on changes in credit spreads for Rentenbank, which resulted in measurement losses due to our positively revaluated own issues.

As of December 31, 2012, overall measurement losses amounted to € –55.7 million, representing a significant decrease compared with measurement losses from the previous year (compared with € –352.4 million in 2011).

Measurement gains or losses are only of a temporary nature, due to the buy-and-hold strategy of the Group as a non-trading book institution, provided that no counterparty default occurs. The latest, they are neutralized upon maturity of the relevant transactions.

Group's net income

Operating results, which rose by € 16.4 million, combined with the result from fair value measurement and from hedge accounting, which improved by € 296.7 million, resulted in Group's net income of € 243.8 million (compared with a Group's net loss of € –69.3 million in 2011).

Other comprehensive income

Other comprehensive income reflects changes in the revaluation reserve. It primarily includes fair value changes attributable to changes in credit spreads related to „available for sale" securities. The changes attributable to fluctuations of the deposit/swap curve in the fair value of these securities are reported in the result from fair value measurement and from hedge accounting. In addition, other comprehensive income includes the amortization of the fair value changes of securities that were reclassified into the „held to maturity" category in the year 2008 with the fair value at that time.

Premiums based on changes in credit spreads, which declined overall, increased the market value of the securities. This resulted in a measurement gain of € 575.3 million (compared with a measurement loss of € –402.9 million in 2011) to be recognized in the revaluation reserve. Taking into account the amortization of the securities reclassified in 2008 amounting to € 8.5 million (compared with € 43.1 million in 2011), the revaluation reserve increased by a total of € 583.8 million in 2012 (compared with € –359.8 million in 2011).

Group's total comprehensive income

The Group's total comprehensive income as of December 31, 2012 amounted to € 827.6 million (compared with € –429.1 million in 2011), representing an increase of € 1 256.7 million from the previous year. In addition to higher operating results, this improvement is almost exclusively attributable to the higher measurement result, which rose by € 1 240.3 million and comprises the changes in the revaluation reserve as well as the result from fair value measurement and from hedge accounting.

Reconciliation to the net profit

Pursuant to Section 2 (3) Sentence 2 of the Law Governing the Landwirtschaftliche Rentenbank, the guarantee reserve (Deckungsrücklage) may, at any time, not exceed 5 % of the nominal amount of the covered bonds outstanding. As a result of the decreasing volume of covered bonds outstanding, an amount of € 21.8 million (compared with € 21.4 million in 2011) was withdrawn from the guarantee reserve and transferred to the principal reserve.

Subject to the pending resolutions of the responsible organs regarding the appropriation of net income as reported under German Commercial Code (HGB), € 38.3 million will be transferred from Group's net income to the principal reserve. An additional € 192.7 million are to be transferred to other retained earnings. Net profit remaining after the transfer to reserves amounts to € 12.8 million (compared with € 12.3 million in 2011).

Equity

Equity as reported in the balance sheet was € 2 521.0 million (compared with € 1 705.7 million in 2011). This comprises the following:

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Subscribed capital	135.0	135.0	0.0
Retained earnings	2 552.8	2 321.8	231.0
Revaluation reserve	−179.6	−763.4	583.8
Net profit	12.8	12.3	0.5
Total equity	**2 521.0**	**1 705.7**	**815.3**

Equity increased as a result of the Group's net income, which was characterized by the operating result to a greater degree than the previous year. Additional increases were due to measurement gains of € 583.8 million reported in the revaluation reserve.

Subordinated liabilities increased by € 12.0 million to € 924.4 million (compared with € 912.4 million in 2011) due to marking to market valuations. The terms and conditions of all subordinated liabilities fulfill the requirements of Section 10 (5a) of the German Banking Act (KWG) and preclude early repayment or conversion.

The Group's regulatory capital as of December 31, 2012 rose to € 3 758.4 million (compared with € 3 533.1 million in 2011) prior to the approval of the appropriation of net income. 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 28.2 % on the reporting date (compared with 26.4 % in 2011), and the core capital ratio amounted to 21.8 % (compared with 17.2 % 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 assignment and processing of transactions to preparation of the required separate and consolidated financial statements in the form of interim or 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.

The consolidated financial statements of Rentenbank are prepared in accordance with International Financial Reporting Standards („IFRS") to be applied in the EU for the reporting period and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, „HGB"). 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 complies with Generally Accepted Accounting Principles (Grundsätze ordnungsmäßiger Buchführung, GoB) and is presented in a manner 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.

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

The annual financial statements of the subsidiaries are reconciled to IFRS, taking into account Group-wide accounting and valuation policies, and included in the consolidated financial statements. Consolidation of equity capital as well as elimination of liabilities, income and expenses is based on the four-eyes principle.

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 principle of dual control, standardized reconciliation routines as well as comparison of plan data and actual figures are intended to ensure that errors are identified and corrected. 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 includes neither employees on parental leave nor 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 appreciate above all 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 in 2012 rose slightly by € 0.2 million to € 20.6 million (compared with € 20.4 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. Social security contributions and expenses for pensions and other employee benefits increased by € 1.1 million to € 9.4 million (compared with € 8.3 million in 2011). In addition, the number of persons entitled to benefits as well as those taking advantage of early retirement compensation increased, causing the corresponding provisions or liabilities, as applicable, to rise 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, in 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 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 particularly declined.

As a service provider, the Group 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. The Group is an attractive employer and endeavors to offer a workplace where one may experience appreciation of individual performance and personality, and where one may utilize one's abilities for meaningful work.

Risk report

General principles

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

The Group has 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 particularly includes risk strategies, capital planning processes, the risk controlling and compliance functions, as well as 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 Board of Managing Directors determines the Group's sustainable business strategy. The business strategy is defined above all by its 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 Group analyzes which risks may have a material effect on its financial position, capital endowment, 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 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 Group 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 whole Board of Managing Directors, Internal Audit department and, if necessary, the heads of divisions or departments concerned must be notified in writing. 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

The Internal Audit department of Rentenbank acts at the Group level, performing the function of a Group Audit department. Since none of the Group's companies has its own Internal Audit department, the Group Audit department conducts the necessary activities.

The Group Audit department reports directly to the whole Board of Managing Directors of Rentenbank and carries out its duties 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 Group Audit department generally reviews and assesses all of the Group'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 Group 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 that are not classified as material, i. e., are of lesser significance for the Group. 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 Group's business activities is largely defined by the Rentenbank Law and 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, for the most part, 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 Group 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 new commitments 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.

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 include analyzing credit risks, establishing internal rating categories, creating templates for credit approvals, preparing the back office function (or risk management) vote and the ongoing monitoring of credit risks. The Treasury division as the front office is involved in the credit business workflow.

In accordance with the 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 in 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, and 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, such as mortgage bonds, collateral 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 the Group's counterparties. Individual counterparties have been classified as commitments with latent risks. Nevertheless, the average credit quality of the whole Group's overall loan portfolio can still be classified as good, not in the least due to the high quality of new business.

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 Group does not have historical internal default probability 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 Group 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 Group's risk-bearing capacity. Within this context, limitation takes place, both at borrower level and at 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 for 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 are 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 lending, the level of utilization of the limits is calculated on the basis of current market prices and, in the case of derivatives, the positive fair values of derivative portfolios, taking into account any cash collateral received. 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, the bank 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.

Current risk situation

Maximum exposure to credit risk

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Loans and advances to banks	51 164.0	51 383.0	–219.0
Loans and advances to customers	4 652.4	2 853.9	1 798.5
Fair value changes of hedge items in a portfolio hedge	1 210.7	772.5	438.2
Positive fair values of derivative financial instruments	7 486.4	7 847.6	–361.2
Financial investments	22 588.7	24 737.7	–2 149.0
Irrevocable loan commitments	496.2	177.5	318.7
Total	**87 598.4**	**87 772.2**	**–173.8**

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

The Group has received collateral in the form of assignments of receivables, indemnity agreements as well as state guarantees. The remaining risk positions primarily include „covered securities“ such as German Pfandbriefe (covered bonds).

In the case of the positive market values of derivative financial instruments, the disclosed maximum exposure to credit risk of € 7 486.4 million (compared with € 7 847.6 million in 2011) represents the asset volume in the balance sheet at the individual contract level. By contrast, risk-related economic collateralization occurs at the counterparty level. Master netting agreements and the collateralization agreements based thereon are in place with all counterparties with whom derivative financial instruments are concluded. Taking netting agreements and cash collateral into account, exposure to credit risk for derivative financial instruments amounts to € 136.0 million (compared with € 514 million in 2011).

Exposure to credit risk based on internal rating categories:

Dec. 31, 2012

	AAA € million	AA € million	A € million	BBB € million	BB-B € million	CCC-C € million	DDD-D € million
Loans and advances to banks	11 509.6	21 861.5	13 725.3	3 760.3	260.7	46.6	0.0
Loans and advances to customers	4 600.5	0.0	24.1	26.1	0.2	1.5	0.0
Fair value changes of hedge items in a portfolio hedge	238.4	353.2	479.7	139.4	0.0	0.0	0.0
Positive fair values of derivative financial instruments	0.0	2 031.3	5 172.0	192.0	91.1	0.0	0.0
Financial investments	10 302.7	5 329.8	4 852.0	1 678.1	371.1	55.0	0.0
Irrevocable loan commitments	496.2	0.0	0.0	0.0	0.0	0.0	0.0
Total	**27 147.4**	**29 575.8**	**24 253.1**	**5 795.9**	**723.1**	**103.1**	**0.0**

Dec. 31, 2011

	AAA € million	AA € million	A € million	BBB € million	BB-B € million	CCC-C € million	DDD-D € million
Loans and advances to banks	9 724.0	22 500.4	15 017.5	3 586.2	481.6	73.3	0.0
Loans and advances to customers	2 147.8	636.0	11.7	55.5	0.0	2.9	0.0
Fair value changes of hedge items in a portfolio hedge	136.0	193.7	361.6	81.2	0.0	0.0	0.0
Positive fair values of derivative financial instruments	0.0	3 176.1	4 467.9	164.2	37.8	1.6	0.0
Financial investments	10 680.7	8 556.4	3 297.7	1 396.2	552.7	254.0	0.0
Irrevocable loan commitments	166.5	0.0	0.0	11.0	0.0	0.0	0.0
Total	**22 855.0**	**35 062.6**	**23 156.4**	**5 294.3**	**1 072.1**	**331.8**	**0.0**

Risk concentration by countries:

Dec. 31, 2012

	Germany		Europe (without Germany)		OECD countries (without Europe)	
	€ million	%	€ million	%	€ million	%
Loans and advances to banks	48 412.7	55.3	2 751.2	3.1	0.1	0.0
Loans and advances to customers	4 652.4	5.3	0.0	0.0	0.0	0.0
Fair value changes of hedge items in a portfolio hedge	1 210.7	1.4	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	1 424.2	1.6	5 091.3	5.8	970.9	1.1
Financial investments	5 707.3	6.5	16 843.9	19.3	37.5	0.0
Irrevocable loan commitments	496.2	0.6	0.0	0.0	0.0	0.0
Total	**61 903.5**	**70.7**	**24 686.4**	**28.2**	**1 008.5**	**1.1**

Dec. 31, 2011

	Germany		Europe (without Germany)		OECD countries (without Europe)	
	€ million	%	€ million	%	€ million	%
Loans and advances to banks	47 410.6	54.0	3 972.3	4.5	0.1	0.0
Loans and advances to customers	2 853.9	3.3	0.0	0.0	0.0	0.0
Fair value changes of hedge items in a portfolio hedge	772.5	0.9	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	1 219.7	1.4	5 488.9	6.3	1 139.0	1.3
Financial investments	6 845.3	7.8	17 852.9	20.3	39.5	0.0
Irrevocable loan commitments	166.5	0.2	11.0	0.0	0.0	0.0
Total	**59 268.5**	**67.6**	**27 325.1**	**31.1**	**1 178.6**	**1.3**

Risk concentration by counterparties:

Dec. 31, 2012

	Private-sector banks/ other banks		Foreign banks		Public-sector banks		Cooperative banks		Central banks		Non-banks	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Loans and advances to banks	8 739.4	10.0	2 750.9	3.1	29 381.7	33.5	9 491.9	10.8	800.1	0.9	0.0	0.0
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4 652.4	5.3
Fair value changes of hedge items in a portfolio hedge	216.3	0.2	1.2	0.0	561.5	0.6	431.7	0.5	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	840.2	1.0	5 302.7	6.1	260.4	0.3	234.7	0.3	0.0	0.0	848.4	1.0
Financial investments	1 509.8	1.7	15 998.9	18.3	3 320.2	3.8	274.4	0.3	0.0	0.0	1 485.4	1.7
Irrevocable loan commitments	0.0	0.0	0.0	0.0	496.0	0.6	0.0	0.0	0.0	0.0	0.2	0.0
Total	**11 305.7**	**12.9**	**24 053.7**	**27.5**	**34 019.8**	**38.8**	**10 432.7**	**11.9**	**800.1**	**0.9**	**6 986.4**	**8.0**

Dec. 31, 2011

	Private-sector banks/ other banks		Foreign banks		Public-sector banks		Cooperative banks		Central banks		Non-banks	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Loans and advances to banks	11 470.6	13.1	3 971.7	4.5	27 394.6	31.2	8 246.1	9.4	300.0	0.3	0.0	0.0
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2 853.9	3.3
Fair value changes of hedge items in a portfolio hedge	124.6	0.1	0.7	0.0	355.3	0.4	276.3	0.3	0.0	0.0	15.6	0.0
Positive fair values of derivative financial instruments	884.1	1.0	5.516.7	6.3	171.1	0.2	164.5	0.2	0.0	0.0	1 111.2	1.3
Financial investments	1 751.1	2.0	17 046.4	19.4	4 207.6	4.8	272.4	0.3	0.0	0.0	1 460.2	1.7
Irrevocable loan commitments	0.0	0.0	11.0	0.0	166.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Total	**14 230.4**	**16.2**	**26 546.5**	**30.2**	**32 295.1**	**36.8**	**8 959.3**	**10.2**	**300.0**	**0.3**	**5 440.9**	**6.3**

Carrying amounts in the peripheral eurozone countries:

Dec. 31, 2012

in € million	Government bonds	Bonds and promissory note loans of banks	Positive fair values of derivative financial instruments	Gross exposure	Collateral	Net exposure
Italy	345.6	1 273.2	-	1 618.8	676.1	942.7
Portugal	125.6	451.3	-	576.9	278.6	298.3
Spain	95.3	2 620.9	0.0	2 716.2	2 491.4	224.8
Total	**566.5**	**4 345.4**	**0.0**	**4 911.9**	**3 446.1**	**1 465.8**

Dec. 31, 2011 in € million	Government bonds	Bonds and promissory note loans of banks	Positive fair values of derivative financial instruments	Gross exposure	Collateral	Net exposure
Greece	0.0	18.2	0.0	18.2	13.2	5.0
Ireland	0.0	169.8	0.0	169.8	0.0	169.8
Italy	323.5	1 564.1	0.0	1 887.6	604.6	1 283.0
Portugal	116.4	797.0	0.0	913.4	463.6	449.8
Spain	95.9	3 399.6	6.6	3 502.1	2 842.4	659.7
Total	**535.8**	**5 948.7**	**6.6**	**6 491.1**	**3 923.8**	**2 567.3**

In light of their tense economic and fiscal situations, the peripheral eurozone countries are being monitored closely. This is also reflected in credit ratings for these countries. The exposure in Greece was terminated during 2012. The only business in Ireland consists of a swap transaction with the subsidiary of a large U.S. bank that did not evidence exposure to credit risk at year end. In Italy, Portugal and Spain, exposures involving bonds and promissory note loans of banks were reduced significantly. Nominal volumes of government bonds remained unchanged. Higher carrying amounts were due to increased prices for these securities.

There are no available credit limits or irrevocable loan commitments with counterparties located in peripheral eurozone countries and no transactions of this type were conducted in 2012. At least until June 2013, only derivatives that are secured by cash collateral may be concluded.

The share of total assets as of December 31, 2012 comprised of government bonds from peripheral eurozone countries remained unchanged at 0.6 % (compared with 0.6 % in 2011); the share of bonds and promissory note loans of banks declined to 4.9 % (compared with 6.7 % in 2011).

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

	Government bonds		Bonds and promissory note loans of banks	
	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Available for Sale	324.2	290.9	3 231.8	3 796.8
Held to Maturity	197.5	198.4	262.0	556.5
Loans and Receivables	0.0	0.0	22.0	21.6
Designated as at Fair Value	44.8	46.5	829.6	1 573.8
Total	**566.5**	**535.8**	**4 345.4**	**5 948.7**

Provisions for loan losses

Provisions for loan losses are recognized in the case of exposures at risk of default. As of December 31, 2012, no specific valuation allowances needed to be recognized on loans. A security was impaired in the previous year on the basis of expected default. As a result, measurement losses amounting to € 11.3 million for this security that were recognized in the revaluation reserve directly in equity were reclassified to the net result from financial investments. The security that was subject to impairment during the previous year was sold during the reporting year at a book profit of € 3.1 million. In addition, a specific valuation allowance of € 0.1 million was recognized on loans and advances to customers in the previous year.

Standard scenarios

The basis of the calculations for measuring potential credit defaults under the standard scenario is the annual potential default related to utilization, taking into account 1-year probabilities of default. As of December 31, 2012, the cumulative potential default, including a lump-sum risk amount of € 50 million for sector-related concentration risks taken into account for the first time, amounted to € 88.9 million (compared with € 97.0 million in 2011). The decrease in the standard scenario compared with the previous year is primarily attributable to amounts maturing in the lower rating categories and credit enhancements of single business partners from the banking sector. The average potential default in fiscal year 2012 amounted to € 60.2 million (compared with € 117.7 million in 2011). In relation to the allocated risk covering potential for credit risks as of the reporting date, the average potential default was 23.2% (compared with 45.3% in 2011). The highest utilization amounted to € 88.9 million (compared with € 161.0 million in 2011) and is thus below the limit approved by the Board of Managing Directors for the standard scenario of € 260 million. The lowest utilization during the reporting year was € 36.2 million (compared with € 85.0 million in 2011).

Stress scenarios

In a first stress scenario, the potential default is calculated based on a full utilization of all internally granted limits, taking into account 1-year probabilities of default. As of December 31, 2012, the cumulative potential default under this stress scenario amounted to € 102.3 million (compared with € 133.9 million in 2011). Under two further scenarios, we additionally simulate increases of country-specific default probabilities (at least twice as high), deterioration of credit quality (by at least two notches), and higher loss ratios for potential defaults of collateralized transactions. The stress scenario associated with the highest risk exposure is used for inclusion within the context of the risk-bearing capacity. As of the reporting date, the maximum potential default calculated under the above-mentioned stress scenarios was € 242.0 million (compared with € 384.7 million in 2011). The reduction compared with the previous year is largely attributable to the risk-averse new business strategy as well as limit cancellations in the lower rating categories. A lump-sum risk amount for sector-related concentration risks of € 50.0 million was included in the calculations to measure potential credit defaults in the standard and stress scenarios for the first time during the reporting year.

Apart from stress scenarios, additional extreme scenarios were applied in order to analyze risk concentrations. Under the extreme scenario „default of the two borrower units with the largest risk exposure," the calculated potential default amounted to € 1.3 billion as of December 31, 2012 (compared with € 1.3 billion in 2011). Under the extreme scenario „default of the two country exposures with the largest risk exposure" (excl. Germany), the potential default amounts to € 2.3 billion (compared with € 2.9 billion previously). Under the extreme scenario „default of all commitments with elevated latent risks," used for the first time, the potential default amounts to € 85 billion. These three scenarios support the monitoring of concentration risks.

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

The bank, as a sub-entity of the Group, does not maintain a trading book according to Section 2 (11) 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 Group 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 level of the entire bank, 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 Group 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 off-balance sheet assets as well as for balance sheet liabilities and off-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.

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 covering 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 ruled out 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.

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, we regularly, as well as on an ad hoc basis, calculate additional scenarios of interest rate changes individually for the portfolios „money market business“ and „promotional business“. 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 the „promotional business“, we calculated an increase of the CCY-basis swap spreads and of the basis swap spreads as well as a reduction of 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 the „promotional business“ were deleted. In addition, the limits were scaled back corresponding to the adjustments to the standard scenarios in the course of validation.

Compared with the previous year, the limit break-down looks as follows:

	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Money market business	12.0	30.0
Promotional business	7.0	31.0
Total	**19.0**	**61.0**

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.

Current risk situation

The assumptions and market parameters for calculating the standard and stress scenarios were validated during the 2012 fiscal year. During this process, spread changes resulted in the need to make significant changes to the scenarios.

Standard scenarios

As of December 31, 2012, the amount included as risk covering potential for the market price risk in the „money market business" and „promotional business" segments was € 6.7 million (compared with € 15.2 million in 2011) in case of a parallel shift of the interest rate curves by +40 basis points (bps) (compared with +100 bps in 2011). The average limit utilization in the fiscal year 2012 was € 5.9 million (compared with € 5.8 million in 2011). This corresponded to an average utilization of 14.3 % (compared with 9.5 % previously). Maximum risk for the reporting year amounted to € 15.6 million (compared with € 17.6 million previously), while the lowest utilization remained unchanged at € 0.1 million. No limits were exceeded in the whole of 2012, nor in 2011.

Stress scenarios

Risk calculation in stress scenarios for interest rate risk is made in the portfolios „money market business" and „promotional business". For each portfolio, the interest rate curves are subjected to non-parallel shifts within the framework of two individual scenarios. The total sum of the scenarios is determined based on the maximum potential loss of the relevant portfolio. As of the reporting date, the risk exposure calculated assuming a shift of the interest rate curves EONIA by +2 bps (compared with +150 bps in 2011) and deposit/swap by +60 bps (compared with +150 bps in 2011) for the short end and EONIA of -2 bps (compared with +50 bps in 2011) and deposit/swap by -60 bps (compared with +50 bps in 2011) for the long end amounted to € 8.1 million (compared with € 22.2 million in 2011). The EONIA deposit spread of € 2.1 million, which had still been stated separately in the previous year, was integrated into the stress scenarios described above as of the reporting date.

The costs for the swap of flows of interest payments between interest bases of different maturities using interest rate swaps in the same currency amounted to € 105.1 million (compared with € 94.2 million previously) based on a parallel increase of the basis swap spreads by +16 bps (compared with + 15 bps in 2011).

An increase of the CCY basis swap spread by 105 bps (compared with 40 bps in 2011) is assumed in relation to the costs for the swap of flows of interest payments with the same fixed-interest period between different currencies. This resulted in a spread risk of € 1 035.4 million (compared with € 429.2 million in 2011).

For credit spreads, which reflect, among other things, the credit ranking of a debtor (structural credit quality), the underlying collateral, and the market liquidity, but potentially also market spreads for the swap of foreign currency liquidity into Euros, government bond spreads of the corresponding country of domicile or the influence of arbitrage effects, a parallel shift of 125 bps (compared with 120 bps in 2011) for asset business and of 118 bps (compared with 80 bps in 2011) for funding business is assumed under the stress scenario within the relevant rating category. The credit spread sensitivity was € 791.0 million (compared with € 245.5 million in 2011).

Correlation effects of the costs for the swap of flows of interest payments between different currencies, and of the bank's own credit spreads, are taken into account in the stress scenarios as mitigating a risk.

Value at risk (VaR)

As of December 31, 2012, value-at-risk, representing the maximum loss from market-related developments in „money market business" assuming a holding period of ten days and a prediction accuracy of 99 %, amounted to € 0.8 million (compared with € 2.6 million previously).

Overall interest rate risk at the bank level

In accordance with requirements by BaFin, sudden and unexpected changes in interest rates were simulated using a parallel shift of +(-) 200 bps. As of the reporting date, rising interest rates results in risk exposure of € 323.1 million (compared with € 325.8 million previously). This equates to a ratio of 8.6 % (compared with 9.3 % previously) in relation to regulatory capital. At no point during 2011 or 2012 did the ratio exceed the notification threshold of 20 %.

Foreign currency risk

There was no material risk to be identified for any currency in 2011 or 2012.

Nominal foreign currency amounts are broken down as follows:

Dec. 31, 2012 Nominal amounts € million	USD	GBP	CHF	JPY	CAD	AUD	Other	Total
Assets								
Loans and advances to banks	0.1	0.0	49.7	0.0	0.0	0.0	0.0	49.8
Loans and advances to Customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	984.1	331.3	0.0	223.8	221.1	59.0	0.0	1 819.3
Derivative financial instruments	27 203.8	1 255.5	1 805.8	2 582.5	729.1	8 686.4	4 242.0	46 505.1
Total assets	**28 188.0**	**1 586.8**	**1 855.5**	**2 806.3**	**950.2**	**8 745.4**	**4 242.0**	**48 374.2**
Liabilities								
Liabilities to banks	64.4	0.0	0.0	0.0	0.0	0.0	0.0	64.4
Liabilities to customers	136.4	12.3	0.0	44.0	0.0	0.0	0.0	192.7
Securitised liabilities	26 427.8	1 243.2	1 723.0	2 168.8	729.1	8 686.4	4 242.0	45 220.3
Subordinated liabilities	22.7	0.0	82.8	457.7	0.0	0.0	0.0	563.2
Derivative financial instruments	1 536.6	331.3	49.7	135.8	221.1	59.0	0.0	2 333.5
Total liabilities	**28 187.9**	**1 586.8**	**1 855.5**	**2 806.3**	**950.2**	**8 745.4**	**4 242.0**	**48 374.1**
Net currency position	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**

Dec. 31, 2011 Nominal amounts € million	USD	GBP	CHF	JPY	CAD	AUD	Other	Total
Assets								
Loans and advances to banks	0.1	1.0	74.1	0.0	0.0	0.0	6.7	81.9
Loans and advances to Customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	1 026.7	323.7	0.0	272.0	212.2	59.0	0.0	1 893.6
Derivative financial instruments	31 684.8	3 439.2	2 171.8	3 392.3	1 107.0	7 613.1	3 842.4	53 250.6
Total assets	**32 711.6**	**3 763.9**	**2 245.9**	**3 664.3**	**1 319.2**	**7 672.1**	**3 849.1**	**55 226.1**
Liabilities								
Liabilities to banks	38.6	0.0	0.0	0.0	0.0	0.0	0.0	38.6
Liabilities to customers	166.2	12.0	0.0	49.9	0.0	0.0	0.0	228.1
Securitised liabilities	29 503.7	3 427.2	2 089.5	2 469.1	1 107.0	7 571.0	3 842.4	50 009.9
Subordinated liabilities	23.2	0.0	82.3	519.0	0.0	0.0	0.0	624.5
Derivative financial instruments	2 979.8	324.7	74.0	626.3	212.2	101.1	6.7	4 324.8
Total liabilities	**32 711.5**	**3 763.9**	**2 245.8**	**3 664.3**	**1 319.2**	**7 672.1**	**3 849.1**	**55 225.9**
Net currency position	**0.1**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**

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.

Pursuant to the risk-bearing capacity concept, no liquidity risks have been taken into account on the risk covering potential, since the Group has sufficient cash funds, and its triple A ratings, amongst other factors, enable it to obtain any additionally required cash funds on the interbank markets or, in case of market disruptions, from Eurex Clearing AG (securitized money market funding) and from the Deutsche Bundesbank (collateralized 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 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 pursuant to MaRisk. The Accounting Committee of the Advisory Board is informed on a quarterly basis.

Current risk situation

The bank's triple A rating, along with its short-term refinancing options on the money and capital markets, indicates that in efficient markets, the liquidity risk is manageable also in the event that principal and interest payments are not made when due. If a market disruption occurs, liquidity may be raised in the amount of the freely available refinancing potential. This has always exceeded the Bank's liquidity requirements for a period of up to two years.

The limit for medium and long-term liquidity was not exceeded in the fiscal years 2011 or 2012.

Stress scenarios

Rentenbank also performs scenario analyses for liquidity risks. For purposes of these analyses, the liquidity requirement resulting from all scenarios is added to cash flows that are already known, in order to examine the effects on the solvency of the bank. As in the previous year, the results of the scenario analyses demonstrate that as of the balance sheet date, the Group will be able to meet its payment obligations at all times without restrictions.

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, operating risks, and event or environmental risks, but does not comprise entrepreneurial risks such as business risks, regulatory risk or reputational risks.

Organization

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

Legal risks from business transactions are reduced by the Group by using standardized contracts, as far as possible. In this connection, the legal department is consulted at an early stage.

Based on a hazard analysis pursuant to Section 25c KWG, risks from violations of law or other criminal acts that may endanger the Group'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 they are managed and monitored based on materiality aspects.

The Group has appointed an IT security officer and has implemented an IT security program. The IT officer monitors the confidentiality, availability and integrity of information processing and storage systems. He 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 Group are systematically collected and analyzed in an incident reporting database. All current incidents and near-incidents are recorded on a decentralized basis by the relevant operational risk officers. 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 Group'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 for the first time a corresponding report in the first quarter of 2013 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 entire Board of Managing Directors, the Advisory Board and senior management.

Current risk situation

The utilization of operational risk in standard scenarios amounted to € 31.5 million as of the reporting date (compared with € 30.9 million previously). Under the stress scenario, the risk exposure determined as of the reporting date amounted to € 63.1 million (compared with € 61.8 million previously).

In fiscal year 2012, four significant incidents (valued at more than € 5 thousand) were entered into the incident reporting database, the net loss of which amounted to € 97 thousand. There were four significant individual losses from operational risks with a net loss of € 284 thousand.

Regulatory and reputational risk

Definition

Regulatory risk describes the risk that a change in regulatory environment could have a negative impact on the Group'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 entire 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.

Current risk situation

As part of the annual planning process, scenarios are calculated that take regulatory and reputational risks into consideration. These are primarily the risk of a lower margin and thus earnings risks. As may be seen from the figures in the revenue plan, this risk is seen as manageable as no scenario endangers risk-bearing capacity.

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

Risk-bearing capacity – Going concern approach

For purposes of computing risk-bearing capacity, various risk scenarios are used to compare the total sum of the capital charges resulting from the Group's credit, market price, and operational risks with a portion of the aggregate risk covering potential. Liquidity, reputational and regulatory risks are not included, in accordance with the risk-bearing capacity concept. Due to their peculiar nature, they are not included because they cannot be 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 99 %, which are defined using conservative parameters, there must be sufficient capital components available 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 covering potential

The risk covering potential is derived from the consolidated figures in accordance with IFRS.

	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Available operating result	240.0	240.0
Retained earnings (proportionately)	74.0	116.0
Risk covering potential 1	**314.0**	**356.0**
Retained earnings (proportionately)	1 978.8	2 206.1
Own credit risk	–16.8	–147.4
Revaluation reserve	–179.6	–763.5
Hidden liabilities from securities	–8.1	–76.4
Risk covering potential 2	**2 088.3**	**1 574.8**
Retained earnings (proportionately)	500.0	0.0
Subscribed capital	135.0	135.0
Subordinated liabilities	924.4	912.3
Risk covering potential 3	**3 647.7**	**2 622.1**

Risk covering potential 1 amounts to € 314 million (compared with € 356 million in 2011); which included the available operating result of € 240 million (compared with € 240 million in 2011). The available operating result can be derived from the plan result under IFRS calculated using a conservative approach. The lower of the two plan results is applied. An amount of € 74 million (compared with € 116 million in 2011) of retained earnings was allocated to risk covering potential 1.

Global limits for credit risk and market price risk are based on the allocation of the risk covering potential to the risk types credit, market price, and operational risk. This may be broken down as follows:

	Allocated risk cover			
	Dec. 31, 2012		Dec. 31, 2011	
	€ million	%	€ million	%
Credit risk	260.0	82.8	260.0	73.1
Market price risk	19.0	6.1	61.0	17.1
Operational risk	35.0	11.1	35.0	9.8
Total risk	**314.0**	**100.0**	**356.0**	**100.0**
Risk covering potential 1	**314.0**	**100.0**	**356.0**	**100.0**

In view of the persisting financial crisis, the Group again used an unchanged amount of € 260 million from risk covering potential 1 to cover credit risks as of December 31, 2012.

Risk covering potential 2 is not allocated to the individual risk types. It functions as a global limit and amounts to € 2 088 million as of the reporting date (compared with € 1 575 million in 2011).

A proportional share of retained earnings, subscribed capital and subordinated liabilities of risk covering potential 3 are available in order to fulfill the regulatory capital ratios according to the going concern approach. At the same time, the risk covering potential is modified according to the regulatory requirements and amounts to € 1 514 million as of the reporting date (compared with € 2 153 million in 2011).

Risk scenarios

The calculation of the potential utilization of the risk covering potential is based on the analysis of two risk scenarios (standard and stress scenarios). In this context, certain changes according to predefined scenarios are applied to the underlying risk factors for credit, market price and operational risks.

Standard scenarios

In the standard scenario, potential market price fluctuations, defaults and the occurrence of significant operational incidents are assumed. The resulting change of the risk exposures is compared with risk covering potential 1 in order to determine the risk-bearing capacity related to potential losses. Any potential losses as calculated under the standard scenario should not exceed the available operating result plus a portion of retained earnings (risk covering potential 1). The occurrence probability for the standard scenarios credit, market price and operational risks is 95 %. Risks are monitored on a daily basis.

Risk exposures as well as the utilization of risk covering potential are presented in the following table:

	Standard scenario			
	Dec. 31, 2012		Dec. 31, 2011	
	€ million	%	€ million	%
Credit risk	89.0	69.9	97.1	67.8
Market price risk	6.7	5.3	15.2	10.6
Operational risk	31.5	24.8	30.9	21.6
Total risk	**127.2**	**100.0**	**143.2**	**100.0**
Risk covering potential 1	**314.0**		**356.0**	
Utilization		**40.5**		**40.2**

As of December 31, 2012, 70 % (compared with 68 % in 2011) of the overall risk exposure in the standard scenario related to credit risks. In order to take sector-related concentration risks into account, a lump sum risk amount equal to € 50 million was included in the scenarios for credit risk for the first time as of December 31, 2012. The decrease compared with the previous year is attributable to amounts maturing in the lower rating categories and the credit improvements of single bank business partners. The risk-weighted assets are presented in a table and grouped by rating categories for the fiscal years 2012 and 2011 in the „Credit risk" section.

Market price risks accounted for 5 % (compared with 11 % in 2011) in the standard scenario, and operational risks accounted for 25 % (compared with 22 % in 2011) of the Group's overall risk exposure.

In the standard scenario, the Group's overall risk exposure amounted to € 127.2 million (compared with € 143.2 million previously). The overall risk limit was utilized at 41 % (compared with 40 % in 2011).

Stress scenarios

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

The stress scenario for market price risks includes a non-parallel shift of the yield curves, a widening of risk premiums in the interbank market, a change in the cost of swaps of flows of interest payments between different interest bases in the same currency, a change in the cost for swaps of liquidity between various currencies as well as a change in credit spreads.

We assume a loss amount that is twice as high under the stress scenario as under the standard scenario in the case of operational risks.

Occurrence probability of 99 % is assumed.

The risk exposures from the individual risk types (credit risk, market price risk, and operational risk) are aggregated and compared with risk covering potential 2. Correlation effects are taken into account when aggregating individual risks within the market price risk, in particular in the case of spread risks.

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

	Stress scenario			
	Dec. 31, 2012		Dec. 31, 2011	
	€ million	%	€ million	%
Credit risk	242.0	36.5	384.8	42.1
Market price risk	8.1	1.2	22.2	2.4
Market price risk (spread risk)	349.5	52.8	445.7	48.7
Operational risk	63.1	9.5	61.8	6.8
Total risk	**662.7**	**100.0**	**914.5**	**100.0**
Risk covering potential 2	**2 088.3**		**1 574.8**	
Utilization		**31.7**		**58.1**

As of December 31, 2012, 37 % (compared with 42 % in 2011) of the overall risk exposure related to credit risks. The share of market price risks was 54 % (compared with 51 % in 2011) and that of operational risks 9 % (compared with 7 % in 2011). Correlations are taken into consideration when aggregating the stress scenarios for market price risks when calculating risk-bearing capacity.

Based on the stress scenario assumptions, overall risk exposure amounted to € 662.7 million (compared with € 914.5 million previously). The utilization of risk covering potential 2 was 32 % (compared with 58 % in 2011).

Going concern approach

After the inclusion of risk exposures under the stress scenarios, there must be sufficient risk covering potential (equity) available under the going concern approach in order to comply with the capital ratios calculated pursuant to the Solvency Regulation. Equity assumed for this purpose is determined on the basis of modified risk covering potential 3 (mod. RCP 3), taking into account so-called prudential filters prescribed by BaFin. Prudential filters mainly refer to the inclusion of the revaluation reserve and the effects of the entity's own credit quality.

The minimum capital ratios prescribed by the SolvV of 4 % for core capital and 8 % for total capital were exceeded at 7.2 % (compared with 9.7 % in 2011) and 10.4 % (compared with 14.6 % in 2011) respectively – even after taking into account risk exposures from stress scenarios.

The regulatory capital ratios are likewise complied with in the multi-year plans based on the going concern approach.

Risk-bearing capacity – Liquidity approach

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

Liquidity approach

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 covering potential available in order to be able cover the effects from the conservative stress scenarios. Liquidation and/or extreme scenarios are simulated for credit default, market price and operational risks with an occurrence probability of 99.99%. These scenarios are quantified using strict risk measures and parameters based on infrequent loss events.

The extreme scenarios for credit default risks evaluate risk concentrations in the lending business based on region, industry segments or counterparties. Market price risks are determined based on high probabilities of occurrence using the same premises as under the stress scenarios. With regard to operational risk, we assume four times as many loss events in the liquidation scenario as under the standard scenario.

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

The potential default calculated under the extreme or liquidation scenario, as applicable, should not exceed risk covering potential. This management unit primarily serves to observe and critically reflect results.

Risk-bearing capacity was maintained at all times during 2012 under the liquidity approach.

Inverse stress tests and economic downturn

Credit, market price, liquidity and operational risks were also subjected to an inverse stress test. In contrast to the regular stress tests, inverse stress tests focus the analysis on the viability of credit institutions. The starting point is a maximum loss to be borne, derived from the Group's risk covering potential. Inverse stress tests may be designed especially for credit risks. The scenarios assumed have a low probability of occurrence.

The effects of an economic downturn on risk-bearing capacity are assessed as well. The Group's risk-bearing capacity was likewise not at risk under this scenario for the years 2011 and 2012.

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 eurozone 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 eurozone. 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 eurozone 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 ratings.

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 Group 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 Group 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 Group 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 benefit. 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 pre-crisis level of the year 2007, even under stress scenarios.

Market-driven changes in measurement parameters in the first month of 2013, in particular the recovery in bond prices from peripheral eurozone countries, had a positive impact on measurement results. As a result of the high volatility of market parameters, the future development of measurement gains or losses cannot be reliably estimated.

The 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 business 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 whole 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" and similar expressions are intended to identify such forward-looking statements. These statements are not to be understood as guarantees of future performance, but rather as being dependent upon factors that involve risks and uncertainties and are based on assumptions which may prove to be incorrect. Unless required by law, we shall not be obligated to update forward-looking statements after their publication.

Consolidated financial statements

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2012

1) Income statement	Notes	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million
Interest income		3 959.5	3 906.5
Interest expense		3 593.6	3 544.6
Net interest income	26	**365.9**	**361.9**
Provision for loan losses	13, 27	20.7	15.6
thereof addition of promotional contribution		74.9	68.5
thereof utilization of promotional contribution		54.1	48.6
Net interest income after provision for loan losses		**345.2**	**346.3**
Fee and commission income		0.3	0.3
Fee and commission expenses		2.5	2.6
Net fee and commission income	28	**−2.2**	**−2.3**
Net result from financial investments	29	3.1	−11.3
Administrative expenses	30	48.9	48.0
Net other operating result	31	2.0	-0.4
Result from fair value measurement and from hedge accouting	32	−55.7	−352.4
Net result from taxes	33	0.3	−1.2
Group's net income/loss		**243.8**	**−69.3**
2) Other comprehensive income			
Change in revaluation reserve	57	583.8	-359.8
3) Group's total comprehensive income		**827.6**	**-429.1**

For informational purposes: Reconciliation to the Group's net profit

	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million
Group's net income/loss	243.8	−69.3
Transfers from retained earnings		
a) from guarantee reserve pursuant to Section 2 (3) of the Rentenbank's Governing Law	21.8	21.4
b) from other retained earnings	0.0	118.4
Transfers to retained earnings		
a) to principal reserve pursuant to Section 2 (2) of the Rentenbank's Governing Law	60.1	58.2
b) to other retained earnings	192.7	0.0
Net profit	**12.8**	**12.3**

Consolidated balance sheet as of December 31, 2012

Assets	Notes	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Cash and balances with central banks	36	204.4	778.6
Loans and advanves to banks	37	51 164.0	51 383.0
thereof promotional contribution	*39*	*–291.1*	*–270.7*
Loans and advances to customers	38	4 652.4	2 853.9
thereof promotional contribution	*39*	*–0.1*	*–0.1*
Fair value changes of hedged items in a portfolio hedge	40	1 210.7	772.5
Positive fair values of derivative financial instruments	41	7 486.4	7 847.6
Financial investments	42	22 588.7	24 737.7
Investment property	15, 43	15.9	16.3
Property and equipment	16, 44	22.5	22.4
Intangible assets	17, 45	14.9	5.7
Current income tax assets	20, 46	1.1	2.0
Deferred tax assets	20, 47	0.9	0.5
Other assets	19, 48	1 035.6	456.9
Total assets		**88 397.5**	**88 877.1**

Liabilities and equity	Notes	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Liabilities to banks	49	2 868.0	3 107.5
Liabilities to customers	50	5 802.6	6 147.6
Securitised liabilities	51	66 632.3	68 161.8
Negative fair values of derivative financial instruments	52	5 832.2	4 262.5
Provisions	21, 22, 53	103.9	104.2
Subordinated Liabilities	54	924.4	912.4
Deferred tax liabilites	20, 55	0.2	0.1
Other liabilities	23, 56	3 712.9	4 475.3
Equity	24, 57	2 521.0	1 705.7
Subscribed capital		*135.0*	*135.0*
Retained earnings		*2 552.8*	*2 321.8*
Revaluation reserve		*–179.6*	*–763.4*
Net profit		*12.8*	*12.3*
Total liabilities and equity		**88 397.5**	**88 877.1**

Consolidated statement of changes in equity

Changes in equity for the period from January 1 to December 31, 2012

€ million	Subscribed capital	Retained earnings	Reva-luation reserve	Net profit	Total for 2012
Equity as of Jan. 1, 2012	**135.0**	**2 321.8**	**-763.4**	**12.3**	**1 705.7**
Group's net income		231.0		12.8	243.8
Change in unrealised gains and losses			583.8		583.8
Group's total comprehensive income	**0.0**	**231.0**	**583.8**	**12.8**	**827.6**
Appropriation of net profit				–12.3	–12.3
Equity as of Dec. 31, 2012	**135.0**	**2 552.8**	**-179.6**	**12.8**	**2 521.0**

Changes in equity for the period from January 1 to December 31, 2011

€ million	Subscribed capital	Retained earnings	Reva-luation reserve	Net profit	Total for 2011
Equity as of Jan. 1, 2011	**135.0**	**2 403.4**	**–403.6**	**11.8**	**2 146.6**
Group's net loss		–81.6		12.3	–69.3
Change in unrealised gains and losses			–359.8		–359.8
Group's total comprehensive income	**0.0**	**–81.6**	**–359.8**	**12.3**	**–429.1**
Appropriation of net profit				–11.8	–11.8
Equity as of Dec. 31, 2011	**135.0**	**2 321.8**	**–763.4**	**12.3**	**1 705.7**

Further information on equity is included in Notes (24) and (59).

Consolidated cash flow statement

	Notes	2012 € million	2011 € million
Group's net income/loss		**243.8**	**–69.3**
Non-cash items included in Group's net profit/loss and reconciliation to cash flow from operating activities:			
Amortization, depreciation and impairment of intangible assets, property and equipment, and investment property	30	2.2	4.9
Provision for loan losses	27	20.8	16.2
Impairment of financial investments	29	0.0	11.3
Addition to/reversal of provisions	53	11.9	14.6
Gains from the disposal of property and equipment		0.0	–0.3
Gains from the disposal of financial investments	29	–3.1	0.0
Change in other non-cash items		–0.3	1.1
Result from fair value measurement and from hedge accounting	32	55.7	352.4
Net interest income	26	–365.9	–361.9
Subtotal		**–34.9**	**–31.0**
Changes in assets and liabilities from operating activities after adjustment of non-cash items:			
Loans and advances to banks	37	198.6	–2 114.0
Loans and advances to customers	38	–1 798.5	–1 336.6
Positive fair values of derivative financial instruments	41	361.2	–1 807.9
Financial investments	42	-963.9	4.2
Other assets from operating activities		–1 015.7	–931.2
Liabilities to banks	49	-239.5	613.2
Liabilities to customers	50	-345.0	518.7
Securitised liabilities	51	–1 529.5	3 060.0
Negative fair values of derivative financial instruments	52	1 569.7	920.7
Other liabilities from operating activities		-179.2	82.5
Interest received	26	3 956.7	3 901.3
Dividends received	26	2.8	5.2
Interest paid	26	–3 593.6	–3 544.6
Net other adjustments		-55.7	–352.4
Cash flow from operating activities		**–3 666.5**	**–1 011.9**
Proceeds from the repayment/disposal of:			
Financial investments	42	5 281.6	6 627.8
Property and equipment		0.0	1.1
Payments for the acquisition of:			
Financial investments	42	–2 165.6	–4 828.0
Intangible assets and property and equipment	44, 45	–11.4	–7.6
Cash flow from investing activities		**3 104.6**	**1 793.3**
Subordinated liabilities	54	0.0	–44.5
Payment of net profit		–12.3	–11.8
Cash flow from financing activities		**–12.3**	**–56.3**
Cash and cash equivalents at beginning of period		**778.6**	**53.5**
Cash flow from operating activities		–3 666.5	–1.011.9
Cash flow from investing activities		3 104.6	1 793.3
Cash flow from financing activities		–12.3	–56.3
Effect of exchange rate differences		0.0	0.0
Cash and cash equivalents at end of period		**204.4**	**778.6**

The consolidated cash flow statement shows the changes in cash and cash equivalents for fiscal years 2012 and 2011 from operating, investing and financing activities. Cash and cash equivalents correspond to the balance sheet item "cash and balances with central banks."

The reported cash flows from operating activities were determined using the indirect method. With this method, the net income for the year is adjusted for non-cash items and for payments and receipts arising from investing and financing activities. The adjusted net income for the year is further adjusted for changes in assets and liabilities. Interest paid and interest received together with dividends are classified under cash flows from operating activities. The cash flows from investing and financing activities were determined using the direct method.

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

Notes to the consolidated financial statements

Basis of accounting

The consolidated financial statements of Rentenbank have been prepared in accordance with all International Financial Reporting Standards („IFRS") to be applied in the EU for the fiscal year 2012 and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, „HGB"). They are based on Regulation No. 1606/ 2002 of the European Parliament and of the Council from July 19, 2002, as well as the regulations by way of which the IFRSs were endorsed by the EU. The IFRS encompass the individual standards designated as IFRS as well as the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements. A Group Management Report was also prepared. The consolidated financial statements and the Group Management Report were prepared by the entire Board of Managing Directors of Landwirtschaftliche Rentenbank. They are expected to be authorized for publication on March 22, 2013, upon adoption of the consolidated financial statements and the Group Management Report by the Advisory Board.

The reporting currency is the euro. All amounts are generally shown in millions of euro (€ million).

The required information on credit, liquidity, and market price risks resulting from financial instruments in accordance with IFRS 7.31 to 7.42 are generally presented in the Risk Report, which is an integral part of the Group Management Report.

The disclosure requirements in accordance with the German Solvency Regulation (Solvabilitätsverordnung, SolvV) are met through the publication of a separate disclosure report. Among other things, this report refers to explanations in the Risk Report as part of the Group Management Report and in the notes to the consolidated financial statements starting from Note (64).

Application of new or amended standards and interpretations

In the following, we describe, as required, standards and interpretations as well as their amendments that were required to be applied by Rentenbank for the first time in fiscal year 2012. However, these had no effect on the present consolidated financial statements.

Standard/ interpretation	Title	Required to be applied in the EU for fiscal years beginning on
IFRS 7	Disclosures – Transfers of Financial Assets	July 1, 2011

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

Standard/ interpretation	Title	Required to be applied in the EU for fiscal years beginning on
IAS 1	Presentation of items of other comprehensive income	July 1, 2012
IAS 12	Income taxes – deferred tax: Recovery of underlying assets	January 1, 2013
IAS 19	Employee benefits	January 1, 2013
IAS 27	Separate financial statements	January 1, 2014
IAS 28	Investments in associates and joint ventures	January 1, 2014
IAS 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	January 1, 2014
IFRS 1	First-time adoption – Severe hyperinflation and removal of fixed dates for first-time adopters	January 1, 2013
IFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	January 1, 2013
IFRS 10	Consolidated financial statements	January 1, 2014
IFRS 11	Joint arrangements	January 1, 2014
IFRS 12	Disclosure of interests in other entities	January 1, 2014
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013

The application of the new IAS 19 eliminates the so-called corridor approach according to which actuarial gains or losses are not recognized until they exceed 10 % of the actual pension obligation. In the future, actuarial gains or losses are directly recognized upon occurrence in other comprehensive income and in equity, respectively. This consequently results in increased volatility in the comprehensive income and equity. The new IAS 19 also requires additional disclosures for pension obligations. In addition to a detailed description of the pension obligations, they include a maturity profile for the pension obligations and a sensitivity analysis for all significant actuarial assumptions that shows the influence on the pension obligation.

The EU endorsed IFRS 13 on December 29, 2012. Rentenbank has already implemented IFRS 13 in these consolidated financial statements. IFRS 13 is applied prospectively from the 2012 fiscal year in compliance with the transitional provisions. IFRS 13 defines the fair value, consolidates the requirements for the measurement of the fair value in a single standard and requires disclosures regarding the measurement of the fair value. For the Group, the application of IFRS 13 primarily affects the use of quoted prices. Using the bid price for financial assets and ask price for financial liabilities is no longer mandatory. Instead, the price within the bid-ask spread that is most representative of fair value shall be used.

The application of IFRS 13 affects the following items from the consolidated financial statements:

	Presentation as of Dec. 31, 2012 € million	thereof amount of adjustment as of Dec. 31, 2012 € million
Consolidated balance sheet:		
Financial investments	22 588.7	48.6
Securitised liabilities	66 632.3	–47.7
Equity		
Revaluation reserve	-179.6	38.4
Retained earnings	2 552.8	57.9
Consolidated statement of comprehensive income:		
1) Income statement		
Result from fair value measurement and from hedge accounting	–55.7	57.9
2) Other comprehensive income		
Change in revaluation reserve	583.8	38.4

The other new and amended standards will presumably have no effect on the consolidated financial statements. The provisions of these standards will not be applied early.

The standards issued by the standard setter as at December 31, 2012, but not yet endorsed by the EU, will not be applied early within the Group.

Accounting policies

(1) General disclosures

The accounting and measurement were conducted under the going concern assumption. The accounting policies were applied consistently and uniformly to the reporting periods presented unless otherwise stated.

Measurements at fair value as well as at (amortized) costs were used in the consolidated financial statements. Income and expenses are recognized and presented in the period to which they relate economically (on an accrual basis). With respect to financial instruments, directly attributable transaction costs (e.g., commissions) and interest components paid on a one-off basis (e. g., premiums and discounts, upfront/ backend payments for derivatives) are amortized through profit or loss over the term according to the effective interest method and directly offset against the respective balance sheet item. Accrued pro rata interest is presented in the balance sheet item in which the underlying financial instrument is recognized.

(2) Estimates

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

Above all, estimates materially affect the measurement of impairment losses due to anticipated defaults, the measurement of the fair value of financial instruments and the measurement of benefit obligations. They are, therefore, explained in detail within the context of the relevant accounting policies.

(3) Scope of consolidation

The consolidated financial statements of Rentenbank for fiscal year 2012 include Rentenbank as the Group's parent company and its two subsidiaries, LR Beteiligungsgesellschaft mbH, Frankfurt/Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main, (DSV). A detailed list of the bank's shareholdings is included in Note (68).

Two companies (Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main) were not included in the consolidated financial statements as subsidiary and associate, respectively, due to their minor significance for the assessment of the Group's financial position, cash flows, and profit or loss. The interests held in these companies are reported as financial investments. Based on the data from the financial statements of these two companies, their share in the Group's total assets and in the Group's net income for the year amounted to less than 1% each. This data is based on the financial statements for the period ended December 31, 2012 for Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and on the financial statements as of December 31, 2011 for Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main. The financial statements of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH for the fiscal year 2012 were not available, but will presumably deviate only insignificantly from the previous year.

(4) Consolidation methods

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

Total assets of LRB according to the financial statements prepared in accordance with German Commercial Code as of December 12, 2012 amountet to € 220.5 million (€ 219.9 million); that of DSV amounted to € 14.5 million (€ 15.0 million).

(5) Financial instruments

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

At initial recognition financial instruments are measured at fair value, which usually equals the transaction price. Subsequent measurement of financial assets and liabilities depends on the classification in accordance with IAS 39.

<u>**Categories of financial instruments**</u>

Financial assets/
liabilities at fair value through profit and loss

This category comprises two sub-categories:

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

The „held for trading" sub-category includes all derivatives and financial assets or liabilities entered into for the purpose of selling them in the near term. In the Group, only derivatives, including embedded derivatives required to be separated, are allocated to this sub-category. The derivatives are exclusively entered into to hedge existing or expected market price risks.

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

- Its application eliminates or reduces otherwise existing accounting mismatches.

- The financial assets and/or liabilities are part of a portfolio which is managed based on fair value.
- The financial assets or financial liabilities contain derivatives required to be separated.

If financial assets and liabilities are part of an economic hedging relationship together with derivatives, and if the restrictive hedge accounting requirements (see Note (7)) cannot be applied on a permanent basis, then the fair value option is used for these financial assets and liabilities. The related financial assets and liabilities would otherwise be measured at amortized cost or at fair value, with changes in fair value recognized in other comprehensive income, whereas derivative hedging instruments are measured at fair value through profit or loss. This potential accounting mismatch is thereby eliminated.

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

Loans and receivables

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

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

This category excludes the following:

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

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

Held to maturity

The „held to maturity“ category includes all financial assets that meet all of the following criteria:

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

This category excludes the following:

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

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

Available for sale

The category „available for sale“ includes all financial assets that are not allocated to one of the other categories for financial assets.

Financial assets of this category are measured at fair value with gains or losses from fair value changes recognized directly in equity in the revaluation reserve.

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

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

Other liabilities

The category „other liabilities“ includes all financial liabilities that are not at fair value through profit or loss.

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

Overview of classes of financial instruments used within the Group

Financial assets

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

Financial liabilities

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

Reclassification of financial assets

Non-derivative financial assets that were originally purchased for trading purposes and which are no longer intended for sale in the near term may only be reclassified from the „held for trading“ category under extraordinary circumstances. Financial assets that would have met the definition of loans and receivables upon initial recognition (e.g., promissory note loans) may be reclassified from the categories „held for trading“ and „available for sale“ if there is the intention and ability to hold such financial assets for the foreseeable future or until maturity.

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

(6) Determination of the fair value for financial instruments

The fair value is the price that would be paid in an arm’s length transaction between market participants to sale an asset or to transfer a liability.

It is determined with various valuation techniques. The input parameters used in this are assigned to the following three levels according to IFRS 13:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: observable inputs other than quoted prices included within level 1
- Level 3: unobservable inputs

For financial instruments, for which there are no quoted prices in active markets for identical assets or liabilities (level 1)the fair value is determined using the following valuation techniques:

- Quoted prices in active markets for similar assets or liabilities (level 2)
- Quoted prices for identical or similar assets or liabilities in markets that are not active (level 2)
- Valuation models accepted by regulatory bodies that are mainly based on observable (level 2) or unobservable (level 3) inputs for the asset and/or liability.

Quoted prices are obtained from pricing services. The documentation and information concerning the price determination that are provided by the service providers is used for allocating quoted prices to the hierarchy levels. If no quoted prices are available, the fair value of non-option contracts is determined by discounting expected future cash flows.

In the case of non-derivative financial assets and liabilities, the deposit/swap curve plus a transaction-specific credit spread is used for discounting. Credit spreads are distinguished according to rating, maturity, currency and degree of collateralization. Due to the institutional liability the credit rating of the Federal Republic of Germany is accounted for in the credit spreads for own financial liabilities. Scope for discretion exists in deciding which sources of market data may be used to derive credit spreads. Changes in the market data sources used for credit spreads affect the fair values of the financial instruments presented in the consolidated financial statements.

The discounting of derivatives is based on the EONIA swap curve or deposit/swap curve as well as on so-called basis swap spreads and cross-currency (CCY) basis swap spreads. They are obtained from an external market data provider distinguished according to maturity and currency.

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

An increase in refinancing costs due to changes in spreads leads to measurement gains as the value of liabilities decreases. In contrast, declining refinancing costs result in measurement losses as the value of the liabilities increases. The opposite effect from changes of credit spreads applies to financial assets. Higher margins arising from increasing credit spreads lead to measurement losses, and declining margins to measurement gains.

With respect to hedge accounting, only the changes in the fair value of the hedged item attributable to the hedged risk are taken into account. In this context, the hedged risk within the Group is limited to the interest rate risk. The fair value changes attributable to changes in interest rates are determined on the basis of the deposit/swap curve plus the constant individual margin of the trade.

The valuation processes, including the definition of the valuation techniques and determination of the inputs are defined by the finance department in cooperation with the treasury department. The finance department analyzes the results from measurement at fair value and reports them to the Board of Managing Directors and the responsible division and department managers. The plausibility of the measurement results is verified each day based on the change to the underlying market data.

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

(7) Hedge accounting

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

IFRS permits these economic hedging relationships to be accounted for under hedge accounting requirements. If these very restrictive requirements for hedge accounting cannot be met on a permanent basis, the hedged items are designated as at fair value by the bank.

The hedging relationships accounted for in the balance sheet are divided into fair value hedges and cash flow hedges. Due to the bank's business strategy, according to which interest rate risks are transferred into a variable structure denominated in Euros mainly through the use of derivatives, only fair value hedges are used when accounting for these hedging relationships.

In the case of a fair value hedge, the changes in the fair value of the hedged item attributable to the hedged interest rate risk are recognized in profit or loss, irrespective of the category of the hedged item. The changes in the fair value of the derivatives recognized in profit or loss are compensated to a high degree in this way.

Large-volume transactions are generally hedged on an individual basis (micro hedges). The special promotional loans granted under the promotional mandate were mainly hedged on a portfolio basis (macro hedges) as a result of the small volume per transaction.

When a transaction is entered into, the relationship between the hedged item and the hedging instrument as well as the nature of the risk being hedged is documented. In addition, the judgment whether the hedge is highly effective is documented both at inception (prospective effectiveness) and on a continuing basis (prospective and retrospective effectiveness).

Micro hedges involve one or more similar hedged items forming a hedging relationship with one or more derivative hedging instruments. Prospective effectiveness is assumed from the beginning of the hedging period if the critical terms of the hedging derivative match with those of the hedged item. Retrospective effectiveness as well as prospective effectiveness are assessed during the hedging period as of the reporting dates, using the regression analysis. A hedging relationship is deemed effective when the slope of the linear regression line, as determined on the basis of the changes in the fair value of hedged items and hedging instruments attributable to interest rate changes, is between –0.8 and –1.25. In addition, the quality of the regression, measured by the coefficient of determination, must amount to 0.8 or more. The regression analysis conducted every half year is based on data from the last six months. In the case of effective hedges, the carrying amount of the hedged items is adjusted to reflect the change in the fair value attributable to interest rate changes and, together with the changes in the fair value of the hedging instrument, recognized in profit or loss in the result from fair value measurement and from hedge accounting.

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

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

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

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

(8) Hybrid financial instruments (embedded derivatives)

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

Certain embedded derivatives are accounted for as stand-alone derivatives, if their economic characteristics and risks are not closely related to those of the host contract. In addition, the hybrid financial instrument may not be already measured at fair value through profit or loss. Loan agreements for which repayment may be made by providing either equities or cash are an example of separable embedded derivatives. In this case, the development of the value of the repayment option is not closely related to the performance of the interest-bearing host contract (loan).

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

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

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

(9) Impairment of financial assets

As of each balance sheet date, there is an evaluation of whether there is any objective evidence that interest and principal payments may not be made in the full amount as agreed. This is assessed primarily using the following criteria:

- Default related to interest or principal payments of more than 90 days
- Significant downgrade in the internal rating system
- Inclusion in the group of noteworthy exposures subject to monitoring

The assessment of the materiality aspect of a downgrade and the criteria for the classification as a noteworthy exposure are subject to judgment. The criteria for monitoring credit risks and for credit ranking are set out in detail in the Group Management Report.

An impairment review is not performed for financial assets designated as at fair value as any impairment losses are already taken into account in the fair value and recognized in profit or loss.

Loans and advances and financial investments measured at (amortized) cost

Rentenbank assesses the recoverability for significant single exposures and securities as well as for exposures of insignificant amounts on an individual basis. If there is objective evidence of impairment, the valuation allowance is determined based on the difference between the carrying amount and the present value of expected cash flows. The expected cash flows are determined based on qualified estimates that take into account the financial condition of the counterparty as well as the realization of collateral and additional supporting data, such as membership in a protection scheme or liability mechanisms provided by the government. The discount factor used for fixed-interest loans, advances and securities is the original effective interest, while the current effective interest is used for variable-interest loans, advances and securities and the current market return of a comparable financial asset for equity investments measured at cost.

In accordance with IFRS, impairments resulting from payment defaults are only determined for losses already incurred, but not for future expected losses. The Group generally extends credit almost exclusively via other banks. Any potential losses are timely identified due to the publication requirements of banks. Therefore, valuation allowances are not required to be recognized on portfolio level.

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

If objective evidence suggests that financial investments are impaired, such impairment is calculated as the difference between amortized cost and the current fair value. The loss calculated in this manner is recognized as an adjustment to the revaluation reserve for securities belonging to the „available for sale“ category and as an adjustment of the carrying amount in the „net result from financial investments“ for securities belonging to the "held to maturity" category as well as for equity investments.

If the reasons for an impairment of debt instruments no longer apply, then the impairment loss has to be reversed through profit or loss.

(10) Currency translation

Monetary foreign currency items are translated daily at the closing rate on the balance sheet date. No non-monetary items (e.g. property and equipment) denominated in foreign currency are held.

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

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

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

In addition to collateralized loans with Deutsche Bundesbank, collateralized term and overnight deposits are taken out from or granted to Eurex Clearing AG (see Note (66)). Genuine repurchase agreements are not carried out.

(12) Accounting for leases

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

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

(13) Provision for loan losses

The item „provision for loan losses" in the consolidated statement of comprehensive income primarily includes the discounted promotional contributions of the special promotional loans as well as their amortization over the remaining term.

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

(14) Non-current assets held for sale

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

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

(15) Investment property

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

(16) Property and equipment

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

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

Low-value assets are immediately recorded as expenses.

All occurring depreciations are shown in the administrative expenses.

(17) Intangible assets

Intangible assets include internally generated and purchased software.

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

(18) Impairment of non-financial assets

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

(19) Other assets

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

(20) Tax receivables/liabilities

The tax receivables and tax liabilities comprise current income tax assets/liabilities and deferred tax assets/liabilities and exclusively relate to the consolidated subsidiaries LRB and DSV. Current income tax assets that are refunded by the taxation authorities are calculated using the currently applicable tax rates. Deferred tax assets and liabilities result from the difference between the carrying amounts of recognized assets and liabilities in the IFRS consolidated balance sheet and their tax base. Existing tax loss carry forwards are also used in this context. The calculation is based on the expected tax rates applicable to the subsidiaries.

(21) Provisions for pensions and similar obligations

The Group only maintains defined benefit plans, which are funded internally. There are various defined benefit plans depending on the date of entry of the employee. The amount of the retirement benefits is determined on the basis of the relevant length of service and the pensionable remuneration. Individual agreements on retirement benefit obligations have been concluded with the members of the Board of Managing Directors. The benefits to be paid have been committed to by way of agreement.

The amount to be recognized as a provision for defined benefit obligations is based on the present value of the total pension obligations as of the balance sheet date, adjusted by not yet recognized actuarial gains and losses, less any unrecognized past service cost, if applicable. Actuarial gains and losses arise from differences between the actual and the expected development of the measurement bases and the parameters. Past service cost is caused by the first-time grant or the change of existing defined benefit obligations to the extent that the entitlements refer to previous periods of service. The amount of the pension obligations is determined annually by an independent actuary according to the projected unit credit method.

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

If, as of the balance sheet date, actuarial gains or losses exceed 10% of the amount of the pension obligations, they are amortized over the expected average remaining working life and recognized in profit or loss. Actuarial gains and losses within the 10% corridor are not taken into account. The notes to the balance sheet include separate disclosures on this (see Note (53)).

(22) Other provisions

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

(23) Other liabilities

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

(24) Equity

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

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

The revaluation reserve primarily includes changes in the fair value of „available for sale" securities attributable to changes in credit spreads. Fair value changes attributable to changes in credit spreads result from changes to risk premiums. Fair value changes attributable to interest rate changes in relation to securities that are part of effective hedging relationships are reported in the „result from fair value measurement and from hedge accounting," together with the fair value changes of the related hedging derivatives.

(25) Contingent liabilities and other commitments

Contingent liabilities arise from past events that either

- lead to possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group (e. g., guarantees); or
- result in a present obligation that is not likely to result in a reduction of net assets or where the settlement amount cannot be estimated with sufficient reliability (e. g., pending litigation).

These obligations are not accounted for as liabilities in accordance with IAS 37.27. Contingent liabilities are disclosed in Note (67).

Notes to the consolidated statement of comprehensive income

(26) Net interest income	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million	Change in € million
Interest income from			
Loans and advanves to banks and customers	1 421.5	1 435.8	–14.3
Derivative financial instruments	1 830.6	1 692.4	138.2
Financial investments	704.6	773.1	–68.5
Current income from			
Shares and other non-fixed-income securities	0.0	0.0	0.0
Equity holdings	2.8	5.2	–2.4
Total interest income	**3 959.5**	**3 906.5**	**53.0**
thereof from financial instruments that are not measured at fair value through profit or loss	*1 850.3*	*1 837.4*	*12.9*
Interest expenses for			
Liabilities to banks and customers	291.7	316.4	–24.7
Securitised liabilities	2 046.2	2 090.4	–44.2
Derivative financial instruments	1 221.4	1 102.7	118.7
Subordninated liabilities	24.7	24.5	0.2
Premiums from financial investments	8.5	9.4	–0.9
Other	1.1	1.2	–0.1
Total interest expenses	**3 593.6**	**3 544.6**	**49.0**
thereof for financial instruments that are not measured at fair value through profit or loss	*645.2*	*650.2*	*–5.0*
Net interest income	**365.9**	**361.9**	**4.0**

(27) Provision for loan losses	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million	Change in € million
Expenses for additions to promotional contribution	74.9	68.5	6.4
Income from the utilization of promotional contribution	54.1	48.6	5.5
Impairment and write-offs of loans and advances	0.0	0.1	–0.1
Reversal of portfolio valuation allowances	0.0	3.8	–3.8
Recoveries on loans and advances previously written off	0.1	0.6	–0.5
Provision for loan losses	**20.7**	**15.6**	**5.1**

The item „provision for loan losses „ primarily includes the discounted future promotional expenses for the special promotional loans (additions to promotional contribution) as well as their utilization over the remaining term.

(28) Net fee and commission income	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million	Change in € million
Fee and commission income from			
Compensation for administrative expenses	0.2	0.2	0.0
Trustee loans and pass-through loans	0.1	0.1	0.0
Total fee and commission income	**0.3**	**0.3**	**0.0**
thereof from financial instruments that are not measured at fair value through profit or loss	*0.2*	*0.3*	*–0.1*
Fee and commission expenses for			
Custody fees	2.2	2.2	0.0
Other	0.3	0.4	–0.1
Total fee and commission expenses	**2.5**	**2.6**	**–0.1**
thereof for financial instruments that are not measured at fair value through profit or loss	*1.7*	*1.6*	*0.1*
Net fee and commission income	**–2.2**	**–2.3**	**0.1**

(29) Net result from financial investments	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million	Change in € million
Write-down of securities	0.0	–11.3	11.3
Gains from the disposal of securities	3.1	0.0	3.1
Total	**3.1**	**–11.3**	**14.4**

(30) Administrative expenses	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million	Change in € million
Other administrative expenses for			
Personnel	31.1	29.6	1.5
IT licenses, fees, consulting services	6.8	5.0	1.8
Public relations	2.1	1.9	0.2
Audit, contributions, donations	1.8	1.7	0.1
Refinancing	1.4	1.4	0.0
Occupancy costs	1.0	1.0	0.0
Maintenance of software	1.0	0.9	0.1
Miscellaneous	1.5	1.6	–0.1
Total other administrative expenses	**46.7**	**43.1**	**3.6**
Depreciation and amortization of			
Intangible assets	0.8	3.4	–2.6
thereof internally generated software	*0.2*	*2.5*	*–2.3*
IT equipment	0.5	0.6	–0.1
Residential and office buildings	0.5	0.5	0.0
Office equipment and vehicles	0.3	0.2	0.1
Technical and other equipment	0.1	0.2	–0.1
Total depreciation and amortization	**2.2**	**4.9**	**–2.7**
Total administrative expenses	**48.9**	**48.0**	**0.9**

Miscellaneous administrative expenses include lease expenses in the amount of € 83.9 thousand (compared with € 95.0 thousand in 2011). Future minimum lease payments due within one year totaled € 76.9 thousand (compared with € 77.3 thousand in 2011); payments due between one and five years amounted to € 95.3 thousand (compared with € 60.2 thousand in 2011). Contracts with payment obligations over a term of more than five years have not been entered into. The payments relate to minimum lease payments (fixed lease installments). There were no restrictions imposed by lease arrangements. As of year-end, the Group had 11 (compared with 16 in 2011) lease agreements, 6 (compared with 6 in 2011) of which have a renewal option to extend the lease term by one year.

(31) Net other operating result

	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million	Change in € million
Other operating income			
Rental income	1.8	1.8	0.0
Reimbursement of costs	0.5	0.4	0.1
Reversals of provisions/liabilities	2.4	2.3	0.1
Other income	0.4	1.2	–0.8
Total other operating income	**5.1**	**5.7**	**–0.6**
Other operating expenses			
Increase of capital contribution to Edmund Rehwinkel Foundation	2.0	2.7	–0.7
Additions to provisions	0.0	1.9	–1.9
Bank-owned housing	0.4	0.8	–0.4
Other expenses	0.7	0.7	0.0
Total other operating expenses	**3.1**	**6.1**	**–3.0**
Net other operating income	**2.0**	**–0.4**	**2.4**

(32) Result from fair value measurement and from hedge accounting

	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million	Change in € million
Fair value measurement			
Hedged items	–368.9	–258.3	–110.6
Derivatives	556.5	–20.5	577.0
Result from currency translation	2.0	–9.0	11.0
Fair value measurement, total	**189.6**	**–287.8**	**477.4**
Micro hedge accounting			
Hedged items	89.4	161.6	–72.2
Hedging instruments	–85.9	–174.4	88.5
Micro hedge accounting, total	**3.5**	**–12.8**	**16.3**
Macro hedge accounting			
Hedged items	438.2	487.3	–49.1
thereof amortization of fair value changes of hedged items in a portfolio hedge	*–194.2*	*–45.1*	*–149.1*
Hedging instruments	–687.0	–539.1	–147.9
Macro hedge accounting, total	**–248.8**	**–51.8**	**–197.0**
Result from fair value measurement and from hedge accounting	**–55.7**	**–352.4**	**296.7**

Derivatives and financial instruments designated as at fair value are measured at fair value. Changes in the fair value are recorded as unrealized gains or losses in the result from fair value measurement and from hedge accounting.

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

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

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

(33) Net result from taxes	Jan. 1 to Dec. 31, 2012 € million	Jan. 1 to Dec. 31, 2011 € million	Change in € million
Deferred taxes on tax loss carryforwards	0.4	−1.0	1.4
Deferred taxes on temporary differences	−0.1	−0.1	0.0
Current income taxes	0.0	−0.1	0.1
Total	**0.3**	**−1.2**	**1.5**

Segment reporting

(34) Comments on segment reporting

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

- **Promotional Business:** This segment shows the promotional business and refinancing other than capital investment transactions. The Promotional Business segment includes the earnings of the bank and of all subsidiaries including those of the equity holdings held by these subsidiaries.

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

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

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

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

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

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

(35) Segments

from Jan. 1 to Dec. 31	Promotional Business 2012 € million	Promotional Business 2011 € million	Capital Investment 2012 € million	Capital Investment 2011 € million	Treasury Management 2012 € million	Treasury Management 2011 € million	Total 2012 € million	Total 2011 € million
Net interest income	194.5	186.7	114.2	107.5	57.2	67.7	365.9	361.9
Provision for loan losses	20.7	15.6	0.0	0.0	0.0	0.0	20.7	15.6
Net fee and commission income	–2.1	–2.2	0.0	0.0	–0.1	–0.1	–2.2	–2.3
Net result from financial investments	3.1	–11.3	0.0	0.0	0.0	0.0	3.1	–11.3
Other administrative expenses	35.4	32.3	6.7	6.2	4.7	4.5	46.8	43.0
Depreciation and amortization	1.6	3.7	0.3	0.7	0.2	0.6	2.1	5.0
Net other operating result	2.0	–0.4	0.0	0.0	0.0	0.0	2.0	–0.4
Result from fair value measurement and from hedge accounting	–53.0	–348.7	0.0	0.0	–2.7	–3.7	–55.7	–352.4
Net result from taxes	0.3	–1.2	0.0	0.0	0.0	0.0	0.3	–1.2
Group's net income/loss	**87.1**	**–228.7**	**107.2**	**100.6**	**49.5**	**58.8**	**243.8**	**–69.3**
	Dec. 31, 2012 € billion	Dec. 31, 2011 € billion	Dec. 31, 2012 € billion	Dec. 31, 2011 € billion	Dec. 31, 2012 € billion	Dec. 31, 2011 € billion	Dec. 31, 2012 € billion	Dec. 31, 2011 € billion
Segment assets	**75.5**	**72.8**	**3.1**	**3.0**	**9.8**	**13.1**	**88.4**	**88.9**
Segment liabilities (incl. equity)	**76.1**	**72.9**	**3.1**	**3.0**	**9.2**	**13.0**	**88.4**	**88.9**

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

Notes to the balance sheet

(36) Cash and balances with central banks

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Cash on hand	0.2	0.2	0.0
Balances with central banks	204.2	778.4	–574.2
Total	**204.4**	**778.6**	**–574.2**

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

(37) Loans and advances to banks

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Payable on demand	808.4	10.2	798.2
Term deposits	3 718.3	7 618.2	–3 899.9
Promissory note loans/registered bonds	15 689.6	16 616.5	–926.9
Special promotional loans	29 661.1	26 194.9	3 466.2
thereof promotional contribution	*–291.1*	*–270.7*	*–20.4*
Open market operations	800.1	300.0	500.1
Global refinancing facility	385.9	407.0	–21.1
Other	100.6	236.2	–135.6
Total	**51 164.0**	**51 383.0**	**–219.0**
thereof: due after more than twelve months	*42 320.8*	*39 075.1*	*3 245.7*

(38) Loans and advances to customers

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Payable on demand	0.2	0.1	0.1
Medium and long-term loans	0.2	1.2	–1.0
Promissory note loans	4 241.3	2 391.0	1 850.3
Special promotional loans	409.1	459.6	–50.5
thereof promotional contribution	*–0.1*	*–0.1*	*0.0*
Other	1.6	2.0	–0.4
Total	**4 652.4**	**2 853.9**	**1 798.5**
thereof: due after more than twelve months	*4 232.4*	*2 567.9*	*1 664.5*

(39) Provision for loan losses

	Promotional contribution		Specific valuation allowances		Portfolio valuation allowances		Total	
	2012 € million	2011 € million	2012 € million	2011 € million	2012 € million	2011 € million	2012 € million	2011 € million
As of Jan. 1	287.3	267.4	0.1	0.0	0.0	3.8	287.4	271.2
Addition	74.9	68.5	0.0	0.1	0.0	0.0	74.9	68.6
Utilization	54.1	48.6	0.0	0.0	0.0	0.0	54.1	48.6
Reversals	0.0	0.0	0.0	0.0	0.0	3.8	0.0	3.8
As of Dec. 31	**308.1**	**287.3**	**0.1**	**0.1**	**0.0**	**0.0**	**308.2**	**287.4**
thereof								
Loans and advances to banks	291.1	270.7	0.0	0.0	0.0	0.0	291.1	270.7
Loans and advances to customers	0.1	0.1	0.1	0.1	0.0	0.0	0.2	0.2
Loan commitments	16.9	16.5	0.0	0.0	0.0	0.0	16.9	16.5
Total	**308.1**	**287.3**	**0.1**	**0.1**	**0.0**	**0.0**	**308.2**	**287.4**

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

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Fair value changes attributable to interest changes related to loans allocated to macro hedge accounting	1 210.7	772.5	438.2
thereof: due after more than twelve months	*1 198.9*	*749.4*	*449.5*

(41) Positive fair values of derivative financial instruments

Derivatives are classified as follows according to economic hedging relationships:

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
As heding instruments for hedged items:			
Hedge accounting (fair value hedge)	1 531.8	1 005.7	526.1
Designated as at Fair Value	5 900.1	6 788.8	–888.7
Other	54.5	53.1	1.4
Total	**7 486.4**	**7 847.6**	**–361.2**
thereof: due after more than twelve months	*5 652.6*	*6 062.6*	*–410.0*

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

(42) Financial investments

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Money market securities	0.0	40.1	–40.1
Bonds	22 469.7	24 578.6	–2 108.9
Equity holdings	118.8	118.8	0.0
Other financial investments	0.2	0.2	0.0
Total	**22 588.7**	**24 737.7**	**–2 149.0**
thereof:			
due after more than twelve months	*18 574.4*	*19 279.1*	*-704.7*
acceptable as collateral	*21 192.1*	*22 533.0*	*-1 340.9*

The equity holdings were recognized at cost due to the absence of both quoted prices and relevant measurement parameters in accordance with IAS 39.46 (c). No write-downs were necessary as of December 31, 2012.

(43) Investment property

The item „investment property“ includes one property that is fully leased to third parties. The expected useful life was set at 33 years.

There were no restrictions with respect to the relevant land and buildings that could impede disposal.

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

Investment property changed as follows:

	2012 € million	2011 € million
Cost as of Jan. 1	**19.7**	**19.7**
Additions	0.1	0.0
Disposals	0.0	0.0
Reclassifications	0.0	0.0
Accumulated depreciation	3.9	3.4
Depreciation	*0.5*	*0.5*
Carrying amount as of Dec. 31	**15.9**	**16.3**

The fair value of the property amounted to approx. € 18.5 million (compared with approx. € 18.9 million in 2011). The fair value was determined on the basis of the income capitalization approach taking into account a valuation opinion.

Other operating income included rental income of € 0.9 million (compared with € 0.9 million in 2011). Expenditures directly attributable to the property in the amount of € 7.3 thousand (compared with € 45.8 thousand in 2011) as well as real property tax in the amount of € 35.9 thousand (compared with € 35.9 thousand in 2011) were reported in „other operating expenses."

(44) Property and equipment

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

Property and equipment changed as follows:

	Land and buildings		Operating and office equipment		Total	
	2012 € million	2011 € million	2012 € million	2011 € million	2012 € million	2011 € million
Cost as of Jan. 1	**23.1**	**23.1**	**9.6**	**10.2**	**32.7**	**33.3**
Additions	0.0	0.0	1.3	1.0	1.3	1.0
Disposals	0.0	0.0	0.6	1.6	0.6	1.6
Accumulated depreciation	0.1	0.1	9.1	8.5	9.2	8.6
Depreciation	*0.0*	*0.0*	*0.9*	*1.0*	*0.9*	*1.0*
Accumulated impairment	1.7	1.7	0.0	0.0	1.7	1.7
Impairment	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Carrying amount as of Dec. 31	**21.3**	**21.3**	**1.2**	**1.1**	**22.5**	**22.4**

Land was tested for impairment on the basis of current standard land values. As in the previous year, the impairment test did not indicate any requirement to recognize impairment losses for 2012.

(45) Intangible assets

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

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

Intangible assets changed as follows:

	Acquired software		Internally generated software		Total	
	2012 € million	2011 € million	2012 € million	2011 € million	2012 € million	2011 € million
Cost as of Jan. 1	**7.4**	**1.7**	**10.4**	**11.7**	**17.8**	**13.4**
Additions	9.6	5.8	0.5	0.8	10.1	6.6
Disposals	0.8	0.1	2.6	2.1	3.4	2.2
Accumulated amortization	2.0	2.2	7.6	9.9	9.6	12.1
Amortization	*0.6*	*0.9*	*0.2*	*2.5*	*0.8*	*3.4*
Carrying amount as of Dec. 31	**14.2**	**5.2**	**0.7**	**0.5**	**14.9**	**5.7**

(46) Current income tax assets

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Tax refund claims	0.6	1.3	–0.7
Income tax assets	0.5	0.7	–0.2
Total	**1.1**	**2.0**	**–0.9**

Tax refund claims against the tax authorities resulted from transactions which were subject to withholding tax on investment income. In addition, current income tax assets resulted from offsetting the tax-related prepayments with the taxes owed as reported in the tax assessment notice.

(47) Deferred tax assets

The Group's consolidated subsidiaries are subject to taxes. 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). The calculation of deferred taxes was generally based on a corporate income tax rate (including solidarity surcharge) of 15.8 % (compared with 15.8 % in 2011) and a uniform municipal trade tax rate of 16.1 % (compared with 16.1 % in 2011).

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Tax loss carryforwards	0.9	0.5	0.4
Deferred tax assets	**0.9**	**0.5**	**0.4**

According to the most recent tax assessments as of December 31, 2011, tax loss carryforwards existed within the Group at DSV in an amount of € 50.5 million (compared with € 50.6 million in 2010), € 26.3 million (compared with € 26.3 million in 2010) of which related to corporation tax and € 24.2 million (compared with € 24.3 million in 2010) to municipal trade tax. The loss carryforwards at DSV mainly result from impairment losses recognized in previous fiscal years.

LRB had tax loss carryforwards of € 73.0 million (compared with € 72.3 million in 2010), € 67.7 million (compared with € 65.1 million in 2010) of which related to corporation tax and € 5.3 million (compared with € 7.2 million in 2010) to municipal trade tax. The loss carryforwards of LRB primarily refer to the amortization of equity holdings up until fiscal year 1999.

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

The planning horizon of LRB was set at five years due to the lack of visibility of its income, which is mainly generated from dividend payments.

Deferred tax assets	Dec. 31,2011 € million	Utilization € million	Addition € million	Dec. 31,2012 € million
DSV				
Corporation tax	0.2	0.2	0.0	0.0
Municipal trade tax	0.3	0.3	0.0	0.0
DSV, total	**0.5**	**0.5**	**0.0**	**0.0**
LRB				
Corporation tax	0.0	0.0	0.0	0.0
Municipal trade tax	0.0	0.0	0.9	0.9
LRB, total	**0.0**	**0.0**	**0.9**	**0.9**
Total	**0.5**	**0.5**	**0.9**	**0.9**

(48) Other assets

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Cash collateral from collateral management (payable on demand)	1 033.5	454.3	579.2
Prepaid expenses	1.2	1.4	–0.2
Other	0.9	1.2	–0.3
Total	**1 035.6**	**456.9**	**578.7**

(49) Liabilities to banks

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Payable on demand	1.0	437.7	–436.7
Term deposits	204.0	110.0	94.0
Registered bonds and promissory note loans	1 405.4	1 336.2	69.2
Global loans	1 257.6	1 223.6	34.0
Total	**2 868.0**	**3 107.5**	**–239.5**
thereof: due after more than twelve months	*2 274.1*	*2 468.0*	*–193.9*

(50) Liabilities to customers

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Payable on demand	67.6	416.7	–349.1
Term deposits	39.4	24.8	14.6
Registered bonds and promissory note loans	5 592.9	5 601.7	–8.8
Loan agreements	47.4	52.2	–4.8
Other	55.3	52.2	3.1
Total	**5 802.6**	**6 147.6**	**–345.0**
thereof: due after more than twelve months	*4 977.9*	*5 223.5*	*–245.6*

(51) Securitised liabilities

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Medium-term notes	48 946.3	47 261.4	1 684.9
Global bonds	12 432.6	13 500.4	–1 067.8
Euro commercial papers	5 190.7	7 351.1	–2 160.4
Bearer bonds	61.6	47.9	13.7
Rentenbank bonds	1.1	1.0	0.1
Total	**66 632.3**	**68 161.8**	**–1 529.5**
thereof: due after more than twelve months	*50 732.9*	*50 960.9*	*–228.0*

(52) Negative fair values of derivative financial instruments

Derivatives are classified as follows according to economic hedging relationships:

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
As hedging instruments for hedged items:			
Hedge accounting (fair value hedge)	4 296.9	2 998.4	1 298.5
Designated as at fair value	940.8	930.1	10.7
Other	594.5	334.5	260.0
Total	**5 832.2**	**4 263.0**	**1 569.2**
thereof: due after more than twelve months	*4 678.1*	*3 377.6*	*1 300.5*

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

(53) Provisions

	Dec. 31, 2011 € million	Utilization € million	Reversals € million	Additions € million	Dec. 31, 2012 € million
Pensions provisions	90.8	5.6	0.0	6.3	91.5
Other provisions	13.4	6.6	1.6	7.2	12.4
Total	**104.2**	**12.2**	**1.6**	**13.5**	**103.9**

a) Provisions for pensions and similar obligations

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

	2012 € million	2011 € million	Change in € million
Present value of pension obligations as of Jan. 1	**91.3**	**90.0**	**1.3**
Less unrecognized actuarial gains (-) / losses (+)	0.5	0.0	0.5
Balance of provisions as of Jan. 1	**90.8**	**90.0**	**0.8**
Current service cost	1.7	1.7	0.0
Interest cost	4.6	4.7	–0.1
Additions to pension provisions	**6.3**	**6.4**	**–0.1**
Pension benefits paid	–5.6	–5.6	0.0
Balance of provisions as of Dec. 31	**91.5**	**90.8**	**0.7**
Plus unrecognized actuarial gains (-) / losses (+)	18.5	0.5	18.0
Present value of pension obligations as of Dec. 31	**110.0**	**91.3**	**18.7**

Differences between the present value of pension obligations and the provision reported in the balance sheet result from the application of the corridor approach set out in IAS 19.92 et seq. Pursuant to this approach, gains and losses resulting from changes in measurement bases and parameters (so-called actuarial gains/losses) are recognized pro rata temporis only when such gains or losses exceed 10% of the actual pension obligation. Actuarial gains or losses within the 10% corridor are not taken into account. Unrecognized actuarial losses as of December 31, 2012 amounted to € 18.5 million (compared with € 0.5 million in 2011).

Of the pension provisions, € 86.1 (compared with € 85.3 million in 2011) were due after more than twelve months.

The additions to pension provisions of € 6.3 million (as compared with € 6.4 million in 2011) were reported in full under administrative expenses.

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

	Dec. 31, 2012	Dec. 31, 2011
Discount rate	3.4 %	4.8 %
Future salary increases		
Increase based on collective wage agreement	2.3 %	2.3 %
Career trend until the age of 45	1.0 %	1.0 %
Future pension increases	1.0 % – 2.3 %	1.0 % – 2.3 %
Rate of inflation	2.0 %	2.0 %
Staff turnover rate	2.0 %	2.0 %

The Group maintains various pension plans. The differences in the pension increase rates are due to the fact that different rates of increase apply to the various pension plans.

The present value of pension obligations changed as follows:

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2008 € million
Present value of pension obligation	110.0	91.3	90.0	87.9	87.9
Experience adjustments of pension obligations	0.0	0.5	1.5	–1.8	1.1

Experience adjustments of pension obligations are defined as the effects of differences between the previous actuarial assumptions and their actual development.

b) Other provisions

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Administration of former equity holdings	6.5	7.1	–0.6
Promotion of agriculture	3.0	2.5	0.5
Other provisions	2.9	3.8	–0.9
Total	**12.4**	**13.4**	**–1.0**

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

Other provisions for the promotion of agriculture concern amounts from the promotional fund that have not yet been allocated.

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

(54) Subordinated liabilities

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Medium-term notes	698.8	677.2	21.6
Loan agreements	157.8	171.2	−13.4
Promissory note loans	67.8	64.0	3.8
Total	**924.4**	**912.4**	**12.0**
thereof: due after more than twelve months	*792.2*	*903.5*	*−111.3*

(55) Deferred tax liabilities

Only the Group's consolidated subsidiaries are subject to taxes. 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). The calculation of deferred taxes was generally based on a corporate income tax rate (including solidarity surcharge) of 15.8 % (compared with 15.8 % in 2011) and a uniform municipal trade tax rate of 16.1 % (compared with 16.1 % in 2011).

Deferred tax liabilities were calculated from temporary differences between the IFRS balance sheet and the tax accounts.

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Temporary differences	0.2	0.1	0.1
Deferred tax liabilities	**0.2**	**0.1**	**0.1**

A deferred tax liability of € 172.0 thousand (compared with € 125.7 thousand in 2011) was recognized for the difference between the amounts reported for pension provisions in the tax accounts and the IFRS balance sheet in the amount of € 0.5 million (compared with € 0.4 million in 2011).

Deferred tax liabilities	Dec. 31, 2011 € '000	Utilisation € '000	Addition € '000	Dec. 31, 2012 € '000
DSV				
Corporation tax	62.3	0.0	23.0	85.3
Municipal trade tax	63.4	0.0	23.3	86.7
Total	**125.7**	**0.0**	**46.3**	**172.0**

(56) Other liabilities

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Cash collateral from collateral management (payable on demand)	3 669.7	4 422.7	−753.0
Deferred income	16.2	27.3	−11.1
Discounted promotional contribution	16.9	16.5	0.4
Accruals	5.7	5.9	−0.2
Other liabilities	4.4	2.9	1.5
Total	**3 712.9**	**4 475.3**	**−762.4**

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

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

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

Accruals mainly include obligations related to supplementary grants to employees.

Other liabilities primarily include liabilities to the tax authorities amounting to € 1.3 million (compared with € 1.1 million in 2011).

(57) Equity

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Subscribed capital	135.0	135.0	0.0
Retained earnings			
Principal reserve	769.9	709.8	60.1
Guarantee reserve	115.9	137.7	–21.8
Other retained earnings	1 667.0	1 474.3	192.7
Total retained earnings	2 552.8	2 321.8	231.0
Revaluation reserve	–179.6	–763.4	583.8
Net profit	12.8	12.3	0.5
Total	**2 521.0**	**1 705.7**	**815.3**

The principal reserve and the guarantee reserve are recognized in the bank's separate financial statements and transferred to the consolidated financial statements. The remaining net income is included in other retained earnings after deducting distributable net profit.

Notes to financial instruments

(58) Financial instruments by measurement categories

Dec. 31, 2012	Held for Trading € million	Designated as at Fair Value € million	Loans and Receivables € million	Available for Sale € million	Held to Maturity € million	Other Liabilities € million	Total € million
Assets							
Balances with central banks			204.2				204.2
Loans and advances to banks		12 799.3	38 364.7				51 164.0
Loans and advances to customers		352.6	4 299.8				4 652.4
Fair value changes of hedged items in a portfolio hedge			1 210.7				1 210.7
Positive fair values of derivative financial instruments	7 486.4						7 486.4
Financial investments		5 925.5		14 240.7	2 422.5		22 588.7
Other assets			1 033.5				1 033.5
Total assets	**7 486.4**	**19 077.4**	**45 112.9**	**14 240.7**	**2 422.5**	**–**	**88 339.9**
Liabilities							
Liabilities to banks		1 532.0				1 336.0	2 868.0
Liabilities to customers		1 567.8				4 234.8	5 802.6
Securitised liabilities		47 772.4				18 859.9	66 632.3
Negative fair values of derivative financial instruments	5 832.2						5 832.2
Subordinated liabilities		856.6				67.8	924.4
Other liabilities						3 669.9	3 669.9
Total liabilities	**5 832.2**	**51 728.8**	**–**	**–**	**–**	**28 168.4**	**85 729.4**

Dec. 31, 2011	Held for Trading € million	Designated as at Fair Value € million	Loans and Receivables € million	Available for Sale € million	Held to Maturity € million	Other Liabilities € million	Total € million
Assets							
Balances with central banks			778.4				778.4
Loans and advances to banks		18 030.9	33 352.1				51 383.0
Loans and advances to customers		356.0	2 497.9				2 853.9
Fair value changes of hedged items in a portfolio hedge			772.5				772.5
Positive fair values of derivative financial instruments	7 847.6						7 847.6
Financial investments		8 212.5		14 050.9	2 474.3		24 737.7
Other assets			454.3				454.3
Total assets	**7 847.6**	**26 599.4**	**37 855.2**	**14 050.9**	**2 474.3**	**–**	**88 827.4**
Liabilities							
Liabilities to banks		1 778.7				1 328.8	3 107.5
Liabilities to customers		1 584.5				4 563.1	6 147.6
Securitised liabilities		52 791.3				15 370.5	68 161.8
Negative fair values of derivative financial instruments	4 262.5						4 262.5
Subordinated liabilities		848.4				64.0	912.4
Other liabilities						4 422.7	4 422.7
Total liabilities	**4 262.5**	**57 002.9**	**–**	**–**	**–**	**25 749.1**	**87 014.5**

(59) Financial instruments designated as at fair value

	Loans and advances designated as at fair value		Financial investments designated as at fair value		Liabilities designated as at fair value	
	2012 € million	2011 € million	2012 € million	2011 € million	2012 € million	2011 € million
Maximum exposure to credit risk as of Dec. 31	13 151.9	18 386.9	5 925.5	8 212.5	–	–
Fair value changes attributable to changes in credit risk						
– during the period	–3.2	–14.7	–5.5	–12.6	0.0	0.0
– cumulatively	–55.7	–52.5	–91.9	–86.4	0.0	0.0

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

The measurement of liabilities only included market-related changes for the year under review and the previous years. The credit rating of the bank, and hence that of its liabilities, did not change in 2012 or in previous years.

	Liabilities designated as at fair value		
	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Carrying amount	50 844.3	55 327.3	–4 483.0
Repayment at maturity	49 701.4	55 057.0	–5 355.6
Difference	**–1 142.9**	**–270.3**	**–872.6**
thereof:			
Capitalisation of due interest	*–1 052.5*	*–1 403.3*	*350.8*

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

(60) Net income or losses by measurement categories

	Income statement				Other comprehensive income	
	Net result from financial investments		Result from fair value measurement and from hedge accounting		Change in revaluation reserve	
	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Held for Trading	0.0	0.0	–211.0	–734.8	0.0	0.0
Designated as at Fair Value	0.0	0.0	–356.8	–245.9	0.0	0.0
Loans and Receivables	0.0	0.0	736.2	754.7	0.0	0.0
Available for Sale	3.1	–11.3	275.0	311.8	575.3	–402.9
Held to Maturity	0.0	0.0	0.0	0.0	8.5	43.1
Other Liabilities	0.0	0.0	–499.1	–438.2	0.0	0.0
Total	**3.1**	**–11.3**	**–55.7**	**–352.4**	**583.8**	**–359.8**

(61) Disclosures on fair value

Financial instruments recognized on the balance sheet at fair value:

	Fair value		Quoted prices in active markets (Level 1)		Significant observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Loans and advances to banks	12 799.3	18 030.9	0.0	0.0	4 518.4	18 030.9	8 280.9	0.0
Loans and advances to customers	352.6	356.0	0.0	0.0	0.0	356.0	352.6	0.0
Positive fair values of derivative financial instruments	7 486.4	7 847.6	0.0	0.0	7 486.4	7 847.6	0.0	0.0
Financial investments	20 047.4	22 144.6	15 520.1	19 694.7	4 417.1	2 449.9	110.2	0.0
Total assets	**40 685.7**	**48 379.1**	**15 520.1**	**19 694.7**	**16 421.9**	**28 684.4**	**8 743.7**	**0.0**
Liabilities to banks	1 532.0	1 778.7	0.0	0.0	1 532.0	1 778.7	0.0	0.0
Liabilities to customers	1 567.8	1 584.5	0.0	0.0	290.6	1 584.5	1 277.2	0.0
Securitised liabilities	47 772.4	52 791.3	31 551.4	40 508.3	16 104.0	12 283.0	117.0	0.0
Negative fair values of derivative financial instruments	5 832.2	4 262.5	0.0	0.0	5 832.2	4 262.5	0.0	0.0
Subordinated liabilities	856.6	848.4	0.0	0.0	0.0	848.4	856.6	0.0
Total liabilities	**57 561.0**	**61 265.4**	**31 551.4**	**40 508.3**	**23 758.8**	**20 757.1**	**2 250.8**	**0.0**

With respect to the carrying amounts, transfers were performed between levels 1 and 2 as of Dec. 31, 2012:

	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Transfers from Level 1 to Level 2		
Financial investments	2 977.3	1 074.0
Securitised liabilities	6 759.1	1 314.5
Transfers from Level 2 to Level 1		
Financial investments	507.0	1 507.8
Securitised liabilities	1 625.9	89.3

The reason for these transfers was, as appropriate, either the availability, or the absence of quoted prices on active markets. They are always recognized at the beginning of the reporting period, irrespective the actual time of the event that triggered the transfer.

Reconciliation for measurements at fair value in level 3:

	Loans and advances to banks € million	Loans and advances to customers € million	Financial investments € million
Fair value as of Jan. 1, 2012	0.0	0.0	0.0
Transfers to level 3	8 232.3	353.7	91.7
Transfers from level 3	0.0	0.0	0.0
Gains and losses recognised			
in the result from fair value measurement and from hedge accounting	48.6	–1.1	–2.1
in other comprehensive income	0.0	0.0	0.1
Purchases	0.0	0.0	20.5
Sales	0.0	0.0	0.0
Settlements	0.0	0.0	0.0
Fair value as of Dec. 31, 2012	**8 280.9**	**352.6**	**110.2**
Unrealised gains and losses recognised in the result from fair value measurement and from hedge accounting relating to assets held at Dec. 31, 2012	48.6	–1.1	–2.1

	Liabilities to customers € million	Securitised liabilities € million	Subordinated liabilities € million
Fair value as of Jan. 1, 2012	0.0	0.0	0.0
Transfers to level 3	953.5	128.7	850.0
Transfers from level 3	0.0	0.0	0.0
Gains and losses recognised			
in the result from fair value measurement and from hedge accounting	–323.7	11.7	-6.6
in other comprehensive income	0.0	0.0	0.0
Issues	0.0	0.0	0.0
Settlements	0.0	0.0	0.0
Fair value as of Dec. 31, 2012	**1 277.2**	**117.0**	**856.6**
Unrealised gains and losses recognised in the result from fair value measurement and from hedge accounting relating to liabilities held at Dec. 31, 2012	–323.7	11.7	–6.6

The transfers in level 3 are attributed to the first-time application of IFRS 13. The assignment of measurement inputs to the three hierarchy levels was clarified substantially in IFRS 13 as compared to IFRS 7. A number of measurement inputs, which it was still possible to assign to level 2 in the previous year according to IFRS 7, had to be assigned to level 3 for the current reporting year according to IFRS 13. Transfers are always recognized at the beginning of the reporting period, irrespective the actual time of the event that triggered the transfer.

The following unobservable inputs were used to determine the fair value in level 3:

	Fair value Dec. 31, 2012 € million	Valuation technique	Unobservable inputs	Range (weighted average) Dec. 31, 2012 in bps	Sensitivity +40bps Dec. 31, 2012 € million
Loans and advances to banks	8 280.9	Discounted cash flow	Credit spreads for loans	−79 to 1 293 (13.4)	−101.4
Loans and advances to customers	352.6	Discounted cash flow	Credit spreads for loans	1 to 6 846 (31.9)	−3.6
Financial investments	110.2	Discounted cash flow	Credit spread for bonds with indemnity agreements	−1 to 5 (3.3)	−0.6
			Credit spread for bonds guaranteed by foreign governments	−26 (−26)	−0.1
			Credit spread for unsecured bonds with a BBB rating	322 (322)	0.0
Liabilities to customers	1 277.2	Discounted cash flow	Credit spread for own issues in EUR for terms to maturity of > 9 years	6 to 26 (17)	115.6
Securitised liabilities	117.0	Discounted cash flow	Credit spread for own issues in BRL	20 (20)	0.0
Subordninated liabilities	856.6	Discounted cash flow	Credit spread for subordinated issues	2 to 45 (24.1)	34.1

Disclosure of fair value in the notes:

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

	Dec. 31, 2012			Dec. 31, 2011		
	Fair value € million	Carrying amount € million	Difference € million	Fair value € million	Carrying amount € million	Difference € million
Assets						
Cash and balances with central banks	204.2	204.2	0.0	778.4	778.4	0.0
Loans and advances to banks	39 985.6	38 364.7	1 620.9	34 181.4	33 352.1	829.3
Loans and advances to customers	4 386.5	4 299.8	86.7	2 516.8	2 497.9	18.9
Fair value changes of hedged items in a portfolio hedge	1 210.7	1 210.7	0.0	772.5	772.5	0.0
Financial investments	2 552.1	2 422.5	129.6	2 449.2	2 474.3	−25.1
Total assets	**48 339.1**	**46 501.9**	**1 837.2**	**40 698.3**	**39 875.2**	**823.1**
Liabilities						
Liabilities to banks	1 399.5	1 336.0	63.5	1 364.0	1 328.8	35.2
Liabilities to customers	4 390.7	4 234.8	155.9	4 542.3	4 563.1	−20.8
Securitised liabilities	19 005.7	18 859.9	145.8	15 450.8	15 370.5	80.3
Subordinated liabilities	67.0	67.8	−0.8	56.2	64.0	−7.8
Total liabilities	**24 862.9**	**24 498.5**	**364.4**	**21 413.3**	**21 326.4**	**86.9**

Financial investments include one equity holding in a bank and several equity holdings in companies at a total carrying amount of € 118.8 million (compared with € 118.8 million in 2011). The fair value of these equity holdings could not be reliably measured. The equity holdings are not traded on an active market, and consequently no quoted prices are available. Neither a model-based measurement is possible, as the future cash flows cannot be reliably estimated. There is no intention to dispose of these equity holdings.

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

	Fair value		Quoted prices in active markets (Level 1)		Significant observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Loans and advances to banks	39 985.6	34 181.4	0.0	0.0	0.0	34 181.4	39 985.6	0.0
Loans and advances to customers	4 386.5	2 516.8	0.0	0.0	0.0	2 516.8	4 386.5	0.0
Fair value changes of hedged items in a portfolio hedge	1 210.7	772.5	0.0	0.0	1 210.7	772.5	0.0	0.0
Financial investments	2 552.1	2 449.2	2 065.6	2 273.0	486.5	176.2	0.0	0.0
Investment property	18.5	18.9	0.0	0.0	0.0	0.0	18.5	18.9
Total assets	**48 153.4**	**39 938.8**	**2 065.6**	**2 273.0**	**1 697.2**	**37 646.9**	**44 390.6**	**18.9**
Liabilities to banks	1 399.5	1 364.0	0.0	0.0	1 367.4	1 364.0	32.1	0.0
Liabilities to customers	4 390.7	4 542.3	0.0	0.0	3 171.8	4 542.3	1 218.9	0.0
Securitised liabilities	19 005.7	15 450.8	17 868.7	15 083.5	1 137.0	367.3	0.0	0.0
Subordinated liabilities	67.0	56.2	0.0	0.0	0.0	56.2	67.0	0.0
Total liabilities	**24 862.9**	**21 413.3**	**17 868.7**	**15 083.5**	**5 676.2**	**6 329.8**	**1 318.0**	**0.0**

(62) Derivatives

Presentation of volumes

	Nominal amounts		Fair values positive		Fair values negative	
	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Interest rate risks						
Interest rate swaps	88 257	84 650	2 812	2 357	4 973	3 435
– *thereof EONIA-Swaps*	*0*	*200*	*0*	*0*	*0*	*0*
– *thereof termination and conversion rights embedded in swaps*	*588*	*715*	*48*	*38*	*1*	*12*
Swaptions						
– Purchases	0	0	0	0	0	0
– Sales	984	986	0	0	35	48
Other forward interest rate contracts	3	7	4	6	0	0
Total exposure to interest rate risk	**89 244**	**85 643**	**2 816**	**2 363**	**5 008**	**3 483**
Currency risks						
Cross-currency interest rate swaps	43 514	46 888	4 662	5 160	712	780
– *thereof currency options embedded in swaps*	*158*	*186*	*21*	*27*	*1*	*5*
– *thereof termination rights embedded in swaps*	*88*	*100*	*0*	*0*	*1*	*2*
Currency swaps	5 186	7 235	5	324	112	0
Total exposure to currency risks	**48 700**	**54 123**	**4 667**	**5 484**	**824**	**780**
Share price risk and other price risks						
Share index swaps	30	45	3	1	0	0
– *thereof stock options embedded in swaps*	*30*	*45*	*3*	*1*	*0*	*0*
Total exposure to share price risk and other price risks	**30**	**45**	**3**	**1**	**0**	**0**
Total	**137 974**	**139 811**	**7 486**	**7 848**	**5 832**	**4 263**

Structure of counterparties

	Nominal amounts		Fair values positive		Fair values negative	
	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Banks in the EU/OECD countries	126 350	127 976	6 638	6 737	5 293	4 093
Other counterparties in the EU/OECD countries	11 624	11 835	848	1 111	539	170
Total	**137 974**	**139 811**	**7 486**	**7 848**	**5 832**	**4 263**

(63) Liquidity analysis

	up to 3 months		more than 3 months to 1 year		more than 1 year to 5 years		more than 5 years or unspecified maturity	
	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Dec. 31, 2012 € million	Dec. 31, 2011 € million
Liabilities to banks	279.7	553.8	311.7	85.4	1 755.4	1 573.8	460.0	880.0
Liabilities to customers	306.6	512.6	526.8	409.1	1 047.1	1 635.4	4 327.5	4 499.0
Securitised liabilities	10 165.8	10 314.1	5 668.7	6 620.0	34 819.6	35 922.9	13 337.1	13 424.3
Negative fair values of derivative financial instruments	296.0	271.0	90.0	51.0	386.0	313.0	57.0	100.0
Subordinated liabilities	29.2	5.5	118.3	17.3	10.4	125.4	690.1	759.4
Total	**11 077.3**	**11 657.0**	**6 715.5**	**7 182.8**	**38 018.5**	**39 570.5**	**18 871.7**	**19 662.7**

The amounts stated in the liquidity analysis represent the contractually agreed repayment amounts. These differ from the carrying amounts reported in the balance sheet.

Other disclosures

(64) Capital management

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

(65) Regulatory capital

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

The Group's regulatory capital was determined pursuant to the provisions of Sections 10 and 10a of the German Banking Act (Kreditwesengesetz, KWG). Pursuant to the option set out in Section 10a (7), we elected not to use the IFRS consolidated financial statements as the basis. The calculation of the capital was made in accordance with Section 64h (4) KWG using the aggregation method, on the basis of the separate financial statements of the Group companies prepared in accordance with German Commercial Code (HGB). Accordingly, there are differences in the amounts reported for the following items between both the IFRS consolidated financial statements and the separate financial statements prepared in accordance with German Commercial Code (HGB). Under the aggregation method, the capital of the companies included are not consolidated, but aggregated, while the carrying amounts of the equity holdings are deducted. The capital comprises core capital and supplementary capital (liable capital).

The composition of the Group's aggregated regulatory capital as of December 31, 2012 on the basis of the values in accordance with German Commercial Code (HGB) is shown in the following table:

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Composition of regulatory capital			
Subscribed capital	176	176	0
Disclosed reserves	882	842	40
Fund for general banking risks	1 884	1 304	580
Intangible assets	–15	–6	–9
Loss carryforward	–13	–12	–1
Core capital	**2 914**	**2 304**	**610**
Subordinated liabilities	765	823	–58
Other components	79	406	–327
Supplementary capital	**844**	**1 229**	**–385**
Liable capital	**3 758**	**3 533**	**225**
Tier 3 capital	0	0	0
thereof Tier 3 capital utilized	0	0	0
Total regulatory capital	**3 758**	**3 533**	**225**

Pursuant to the German Solvency Regulation, the core capital ratio and the total capital ratio may not exceed 4 % and 8 % respectively.

The following key figures result for the Group on the balance sheet date:

	Dec. 31, 2012 %	Dec. 31, 2011 %
Core capital ratio pursuant to the German Solvency Regulation	21.9	17.2
Total capital ratio pursuant to the German Solvency Regulation	28.2	26.4

The regulatory capital requirements were fulfilled at all times in the reporting year as in the previous year.

(66) Assets pledged or accepted as security

Derivatives are entered into by the Group exclusively to hedge existing and foreseeable market price risks. Only counterparties from EU/OECD countries with top credit quality are chosen for such transactions. The bank has concluded collateral agreements with all such counterparties. These agreements provide for cash deposits denominated in Euros to secure the positive fair values from derivatives exceeding the contractually agreed allowance amounts and minimum transfer amounts, which depend on the credit quality. In return, the bank undertakes to provide cash deposits denominated in euros in the case of negative fair values, if these exceed the corresponding allowance and minimum transfer amounts. The interest applied to the collateral provided and accepted is the EONIA rate. Interest payments are made on a monthly basis. The carrying amounts of the cash collateral from the collateral management agreements amounted to € 1 033.5 million (compared with € 454.3 million in 2011) for collateral provided and € 3 669.7 million (compared with € 4 422.7 million in 2011) for collateral received.

The following assets are registered as collateral in the cover register for covered bonds in the amount of € 2 347.9 million (compared with € 2 778.9 million in 2011):

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Loans and advances to banks	6 718.5	8 046.9	–1 328.4
Loans and advances to customers	627.4	636.1	–8.7

In order to ensure solvency, freely available refinancing facilities existed in the nominal amount of € 24 104 million (compared with € 26 958 million in 2011) as of the balance sheet date. As of December 31, 2011, the bank did not take out any secured overnight and term deposits (compared with € 510 million in 2011) from Deutsche Bundesbank. As in the prior year, no securities were deposited with Deutsche Bundesbank in Frankfurt/Main within the context of open market operations at year-end 2012.

As of December 31, 2012, receivables from money market business of € 2.5 billion (compared with € 5.9 billion in 2011) were owed by Eurex Clearing AG. The bank had received securities as collateral in a nominal amount of € 2.5 billion (compared with € 7.0 billion in 2011). Within the scope of the collateral agreement, securities were provided as the initial margin in a nominal amount of € 1.5 billion (compared with € 1.2 billion in 2011).

(67) Contingent liabilities and other commitments

	Dec. 31, 2012 € million	Dec. 31, 2011 € million	Change in € million
Contingent liabilities			
Liabilities from guarantees and indemnity agreements	3.0	3.1	–0.1
Other commitments			
Irrevocable loan commitments	496.2	177.5	318.7
Total	**499.2**	**180.6**	**318.6**

Contingent liabilities included exclusively default guarantees for loans at reduced rate of interest. The bank has back-to-back guarantees granted by the government that fully collateralize the default guarantees. Drawdowns resulting from the guarantees are not expected.

Other commitments include irrevocable loan commitments from the lending business. These commitments are expected to be drawn down in 2013.

(68) Equity holdings

	Dec. 31, 2012			Dec. 31, 2011		
	Subscribed capital € million	Shareholding %	included in the consolidated financial statements	Subscribed capital € million	Shareholding %	included in the consolidated financial statements
LR-Beteiligungsgesellschaft mbH, Frankfurt	28.6	100.0	yes	28.6	100.0	yes
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt	17.9	100.0	yes	17.9	100.0	yes
Getreide-Import-Gesellschaft mbH, Frankfurt	7.7	100.0	no	7.7	100.0	no
Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt	8.7	25.1	no	8.7	25.1	no
LAND-DATA Gesellschaft für Verarbeitung landwirtschaftlicher Daten GmbH, Hannover	–	–	–	0.8	10.9	no
LAND-DATA Beteiligungs GmbH, Hannover	0.8	10.9	no	–	–	–
LAND-DATA GmbH, Hannover	1.0	10.9	no	–	–	–
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	10.2	9.8	no	10.2	9.8	no
Niedersächsische Landgesellschaft mbH, Hannover	0.8	6.3	no	0.8	6.3	no
Landgesellschaft Sachsen-Anhalt mbH, Magdeburg	9.2	5.6	no	9.2	5.6	no
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt	3 160.1	3.4	no	3 160.1	3.4	no
Landgesellschaft Schleswig-Holstein mbH, Kiel	27.5	3.2	no	27.5	3.2	no

The shares held in Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main, were not included in the consolidated financial statements for want of materiality.

The remaining companies are neither controlled nor can a significant influence be exercised on these companies. Therefore, the interests held in these companies are reported as financial investments.

The currently available financial information in accordance with German Commercial Code (HGB) of the associate Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main, can be summarized as follows:

	Dec. 31, 2011 € ’000	Dec. 31, 2010 € ’000
Assets	22 588.1	8 994.9
Liabilities	14 807.2	1 012.5
Net loss	–0.2	–0.2

(69) Related party disclosures

In accordance with IAS 24, transactions between related parties and the Group of the Landwirtschaftliche Rentenbank must be disclosed. Related parties are the members of the Board of Managing Directors and of the Advisory Board, the Federal Ministry of Food, Agriculture and Consumer Protection as well as the subsidiaries not included in the consolidated financial statements and the associates not measured at equity (Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main).

The following transactions were carried out with related parties:

	Board of Managing Directors		Subsidiaries		Associates	
€ ’000	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Deposits	289.6	220.1	9 160.5	9 281.5	430.5	472.6

The deposits mentioned are unsecured, bear variable interest, are payable on demand and correspond to the generally applicable terms and conditions for Rentenbank employees. Loan and securities transactions were not entered into.

Provisions of € 6.5 million (compared with € 7.1 million in 2011) relate to the contractually assumed obligation by Rentenbank to cover pension benefit payments of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main, which currently is in liquidation.

The Group has concluded a management service agreement with Getreide-Import-Gesellschaft mbH, Frankfurt/Main, (GiG). Income received from this agreement amounted to € 89.4 thousand (compared with € 90.2 thousand in 2011). In 2012, Getreide-Import-Gesellschaft mbH, Frankfurt am Main paid an amount of € 4.5 thousand (compared with € 2.5 thousand in 2011) for internal audit services provided by the Group. GiG had a claim towards the Group for 2012 in the amount of € 54.9 thousand (compared with € 153.3 thousand in 2011) resulting from obligations related to pension plan deficits. Based on a profit and loss transfer agreement, the Group absorbed the net loss of GiG in the amount of € 62.7 thousand (compared with € 11.7 thousand in 2011).

In 2012, Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH made payments in the amount of € 24.6 thousand (compared with € 26.6 thousand in 2011) to Rentenbank based on a service agreement.

No transactions with members of the Advisory Board were entered into.

Rentenbank is subject to the supervision of the German Federal Ministry of Food, Agriculture and Consumer Protection (the „supervisory authority“), which makes its decisions by mutual agreement with the German Federal Ministry of Finance. The supervisory authority ensures that the operations of the bank are in line with the public interest, particularly regarding the promotion of agriculture and rural areas as well as compliance with the Law and the Statutes.

As in the previous year, no significant transactions were carried out in 2012 with the supervisory authority or with companies that are controlled by the supervisory authority or where the supervisory authority exercises significant influence.

The following remuneration was determined for the individual members of the Board of Managing Directors for fiscal year 2012:

	Fixed remuneration		Variable remuneration		Other remuneration		Total	
€ ’000	2012	2011	2012	2011	2012	2011	2012	2011
Hans Bernhardt	510.0	485.0	235.0	235.0	35.9	34.7	780.9	754.7
Dr. Horst Reinhardt	510.0	485.0	235.0	235.0	24.6	23.9	769.6	743.9
Total	**1 020.0**	**970.0**	**470.0**	**470.0**	**60.5**	**58.6**	**1 550.5**	**1 498.6**

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

The pension obligations due to members of the Board of Managing Directors amounted to € 5 792.3 thousand as of December 31, 2012 (compared with € 3 745.1 thousand in 2011). The portion of the additions to pension provisions related to members of the Board of Managing Directors to be classified as personnel expenses amounted to € 292.9 thousand in fiscal year 2012 (compared with € 260.0 thousand in 2011).

Pension and other obligations to former members of the Board of Managing Directors and former managing directors as well as their surviving dependents totaled € 17 700.5 thousand (compared with € 16 174 thousand in 2011). Benefits and other remuneration paid in the reporting period amounted to € 1 219.6 thousand (compared with € 1 292 thousand in 2011).

New remuneration regulations for the members of the Advisory Board were concluded in 2012. In accordance with the new remuneration arrangements, the Chairman of the Advisory Board receives a fixed remuneration of € 30 thousand, his Deputy Chairman € 20 thousand and all other members of the Advisory Board receive annual remuneration of € 10 thousand each. In addition, members of the Advisory Board working on a committee receive remuneration of € 2 thousand and members who chair a committee € 4 thousand.

In accordance with the old remuneration arrangements, the Chairman of the Advisory Board received a fixed remuneration of € 25 thousand and the Deputy Chairman € 12.5 thousand. Members who chaired a committee of the Advisory Board received € 10 thousand, unless they already received a higher remuneration. Members of the Advisory Board working on a committee received remuneration of € 8.5 thousand, while members not working on a committee received remuneration of € 7 thousand. In addition, an attendance fee amounting to € 0.5 thousand was paid per day, which is eliminated by the new regulations. The attendance fees paid in 2012 were offset against the new remuneration 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.

The following table shows the individual remuneration (each without VAT):

	Membership		Remuneration		Attendance fees	
€ '000	2012	2011	2012	2011	2012	2011
Gerd Sonnleitner (Vorsitzender)	01.01. – 31.12.	01.01. – 31.12.	44.0	25.0	–	3.0
Ilse Aigner*	01.01. – 31.12.	01.01. – 31.12.	22.0	12.5	–	1.0
Dr. Hermann Onko Aeikens	01.01. – 31.12.	–	10.0	–	–	–
Dr. Helmut Born	01.01. – 31.12.	01.01. – 31.12.	14.0	8.5	–	1.5
Georg Fahrenschon	05.07. – 31.12.	–	5.6	–	–	–
Bruno Fehse	–	01.01. – 15.11.	–	6.1	–	1.0
Udo Folgart	–	01.01. – 30.06.	–	3.5	–	0.5
Heinrich Haasis	01.01. – 04.07.	01.01. – 31.12.	7.0	8.5	–	0.0
Dr. Robert Habeck	14.06. – 31.12.	–	5.4	–	–	–
Dr. Werner Hildenbrand	01.01. – 31.12.	16.11. – 31.12.	10.0	0.9	–	0.0
Werner Hilse	01.01. – 31.12.	01.01. – 31.12.	12.0	8.5	–	2.0
Dr. Benjamin-Immanuel Hoff	–	01.01. – 06.12.	–	6.4	–	1.5
Ulrike Höfken	01.01. – 31.12.	–	10.0	–	–	–
Dietrich Jahn	–	01.01. – 30.06.	–	4.3	–	0.0
Wolfgang Kirsch	01.01. – 31.12.	01.01. – 31.12.	14.0	8.5	–	1.0
Dr. Robert Kloos	01.01. – 31.12.	01.01. – 31.12.	14.0	8.5	–	1.0
Franz-Josef Möllers	01.01. – 28.06.	01.01. – 31.12.	6.0	8.5	–	1.5
Klaus-Peter Müller	01.01. – 31.12.	01.01. – 31.12.	16.0	10.0	–	1.0
Manfred Nüssel	01.01. – 31.12.	01.01. – 31.12.	12.0	8.5	–	1.5
Johannes Remmel	–	01.01. – 31.12.	–	7.0	–	0.5
Joachim Rukwied	29.06. – 31.12.	–	5.6	–	–	–
Dr. Juliane Rumpf**	01.01. – 13.06.	–	4.6	–	–	–
Brigitte Scherb	01.01. – 31.12.	01.01. – 31.12.	12.0	8.5	–	2.0
Norbert Schindler	01.01. – 31.12.	09.08. – 31.12.	10.6	2.9	–	0.5
Dr. Klaus Stein	01.01. – 31.12.	01.07. – 31.12.	14.0	3.7	–	1.0
Klaus Wiesehügel	01.01. – 31.12.	01.01. – 31.12.	12.0	8.5	–	0.5
Herbert Wolff	–	01.01. – 31.12.	–	7.0	–	1.0
Total remuneration			**260.8**	**165.8**	**–**	**22.0**

* direct donation to SOS Kinderdorf Irschenberg

** or representatives

Additional disclosures pursuant to German Commercial Code (HGB)

(70) Average number of employees

	2012			2011		
	Men	Women	Total	Men	Women	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**

(71) Auditors' fees

	2012 € '000
Audit services	308.0
Other certification services	68.7
Miscellaneous services	4.0

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

Frankfurt 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 for financial reporting, the consolidated 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 group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Frankfurt am Main, March 4, 2013

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt Hans Bernhardt

Auditor's Report

We have audited the consolidated financial statements prepared by Landwirtschaftliche Rentenbank, Frankfurt/Main, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt/Main, March 4, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bernhard	Liebermann
Wirtschaftsprüfer	Wirtschaftsprüfer

Corporate Bodies (as of April 1, 2013)

Board of Managing Directors

Dipl.-Volksw. Dr. Horst Reinhardt, MBA (Speaker)
Dipl.-Kfm. Hans Bernhardt

Advisory Board

Chairman:

Gerd Sonnleitner
Ehrenpräsident des Deutschen Bauernverbands e.V., Berlin

Deputy:

Ilse Aigner, MdB
Bundesministerin für Ernährung, Landwirtschaft und Verbraucherschutz, Berlin

Representatives of the Deutscher Bauernverband e.V.:

Dr. Helmut Born
Generalsekretär des Deutschen Bauernverbands e.V., Berlin

Werner Hilse
Präsident des Landvolks Niedersachsen-Landesbauernverband e.V., Hannover

Franz-Josef Möllers
Präsident des Westfälisch-Lippischen-Landwirtschaftsverbands e.V., Münster (until 28.06.2012)

Joachim Rukwied
Präsident des Deutschen Bauernverbands e.V., Berlin (since 29.06.2012)

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

Norbert Schindler, MdB
Präsident des Bauern- und Winzerverbands Rheinland-Pfalz Süd e.V., Mainz

Representative of the Deutscher Raiffeisenverband e.V.:

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

Representative of the Food Industry:

Dr. Werner Hildenbrand
stv. Vorsitzender des Vorstands der Bundesvereinigung der Deutschen Ernährungsindustrie e.V., Berlin

State Ministers of Agriculture:

Rhineland-Palatinate:
Ulrike Höfken
Staatsministerin für Umwelt, Landwirtschaft, Ernährung, Weinbau und Forsten, Mainz

Saxony-Anhalt:
Dr. Hermann Onko Aeikens
Minister für Landwirtschaft und Umwelt des Landes Sachsen-Anhalt, Magdeburg

Schleswig-Holstein:
Dr. Juliane Rumpf
Ministerin für Landwirtschaft, Umwelt und ländliche Räume des Landes Schleswig-Holstein, Kiel (until 13.06.2012)

Dr. Robert Habeck
Minister 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 Protecion:

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

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

Heinrich Haasis
Präsident des Deutschen Sparkassen- und Giroverbands e.V.,
Berlin (until 04.07.2012)

Georg Fahrenschon
Präsident des Deutschen Sparkassen- und Giroverbands e. V.,
Berlin (since 05.07.2012)

General Meeting

Appointed by the Federal State of Baden-Wuerttemberg:

Gerd Hockenberger
Ehrenpräsident des Landesbauernverbands
in Baden-Württemberg e.V., Stuttgart

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

Appointed by the Free State of Bavaria:

Werner Reihl
Arzberg-Bergnersreuth

Jürgen Ströbel
Rügland

Appointed by the Federal States of Berlin and Brandenburg:

Jürgen Ebel
Oberkrämer-Vehlefanz

Bernhard Groß
Vizepräsident des Landesbauernverbands
Brandenburg e.V., Tauche

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

Appointed by the Free Hanseatic City of Bremen:

Hermann Sündermann
Präsident der Landwirtschaftskammer Bremen,
Bremen

Appointed by the Free and Hanseatic City of Hamburg:

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

Appointed by the Federal State of Hesse:

Jürgen Mertz
Präsident des Hessischen Gärtnereiverbands e.V.,
Frankfurt am Main

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

Appointed by the Federal State of Mecklenburg-Western Pomerania:

Harald Nitschke
Geschäftsführer der Raminer Agrar GmbH, Ramin

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

Appointed by the Federal State of Lower Saxony:

Heinz Korte
Vizepräsident des Landvolks Niedersachsen
Landesbauernverband e.V., Bremervörde

Helmut Meyer
Vizepräsident des Landvolks Niedersachsen
Landesbauernverband e.V., Betheln

Appointed by the Federal State of North Rhine-Westfalia:

Johannes Frizen
Präsident der Landwirtschaftskammer
Nordrhein-Westfalen, Alfter

Friedrich Ostendorff, MdB
Landwirt, Bergkamen

Appointed by the Federal State of Rhineland-Palatinate:

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

Michael Prinz zu Salm-Salm
Schloss Wallhausen

Appointed by the Federal State of Saarland:

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

Appointed by the Free State of Saxony:

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

Roland Freiherr von Fritsch
Präsident des Verbands der privaten Landwirte
und Grundeigentümer Sachsen e.V. – VDL, Pfaffroda-Dittmannsdorf

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)

Forward-Looking Statements

This annual report contains forward-looking statements that are based on current expectations, estimates, forecasts and projections of Rentenbank's management and currently available information. Such statements 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 guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. Except as required by law, Rentenbank does not have any intention or obligation to update publicly any forward-looking statements after they are made, whether as a result of new information, future events or otherwise.

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This annual report was produced carbon neutral
on paper from certified sustainably managed forests.