Annual Report 2013

Germany's development agency for agribusiness

rentenbank

Key figures

In accordance with German Commercial Code (HGB)

Balance sheet in € billion (extract)	**2013**	**2012**
Total assets	78.3	79.2
Loans and advances to banks	50.0	51.2
Bonds and other fixed-income securities	20.3	22.0
Liabilities to banks	6.3	3.6
Securitized liabilities	61.4	62.2
Own funds	**4.1**	**4.0**

Income statement in € million (extract)	**2013**	**2012**
Net interest income	312.7	352.9
Administrative expenses	53.2	44.7
Operating result before provision for loan losses and valuation	**248.7**	**303.7**
Provision for loan losses and valuation	195.7	252.7
Net income for the year	53.0	51.0
Distributable profit	**13.3**	**12.8**

Selected key figures in %	**2013**	**2012**
Cost-income ratio	21.2	14.8
Total capital ratio	31.3	27.5
Tier 1 capital ratio	25.6	21.3

Employees	257	256

In accordance with International Financial Reporting Standards (IFRS)

Consolidated balance sheet in € billion (extract)	**2013**	**2012**
Total assets	81.9	88.4
Loans and advances to banks	49.8	51.2
Financial assets	20.9	22.6
Liabilities to banks	5.5	2.9
Securitized liabilities	60.9	66.6
Total equity	3.2	2.5

Consolidated statement of comprehensive income in € million (extract)	**2013**	**2012**
Net interest income before allowance for credit losses/promotional contribution	333.7	365.9
Allowance for credit losses/promotional contribution	34.5	20.7
Administrative expenses	55.2	48.9
Operating result before fair value measurement and hedge accounting	**238.8**	**299.5**
Result from fair value measurement and from hedge accounting	221.2	–55.7
Change in the revaluation reserve	244.6	565.8
Group's total comprehensive income	**704.6**	**809.6**
Group's distributable profit	**13.3**	**12.8**

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 2013

Contents

The English edition of the Annual Report 2013 is an abridged version of the German edition, which was published in April 2014.

Brief Presentation: Landwirtschaftliche Rentenbank

The constant structural change in agribusiness as well as in rural areas turns out to be a permanent challenge for the active players. As a consequence of this, special financing needs and high requirements on their liquidity and risk management arise.

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

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

Rentenbank was established by statute in 1949 as the central refinancing institution for agriculture 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. Our business is subject to continuous supervision by the Federal Financial Supervisory Authority (BaFin) and the Federal Ministry of Food and Agriculture (BMEL), which exercises its supervision in concert with the Federal Ministry of Finance (BMF). Rentenbank is a member of the Association of German Public 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 our distributable profit as well to promote agriculture and rural areas.

Foreword from the Board of Managing Directors

Dr. Horst Reinhardt

Hans Bernhardt

There are many aspects to the issue of 'innovation'. Nowadays, businesses are very keen to use the term and you come across it frequently. After all, who does not want to be seen as innovative and therefore as progressive, dynamic and forward-looking? Nevertheless, not everything that is new is necessarily innovative, and not every innovation represents genuine progress.

Up to now, agribusiness is one sector of the economy that the general public has only rarely associated with innovation. In the public imagination, the industry is still using production methods that were perhaps commonplace two generations ago. There is probably hardly any other industry affected by such a distorted perception. This picture is nurtured not least by food advertisements, frequently portraying the production and processing of foodstuffs in the context of 'the good old days'.

The fact is however that, if we were to use the methods of yesteryear, it would now be impossible to feed the rising global population, satisfy the changes in the nature of the demand and supply the diverse range of healthy food desired by consumers, each with their own individual highly varied tastes.

Against this background, agriculture has made huge progress in terms of productivity – in many cases unnoticed by the general public – and is now one of the most mechanized and capital-intensive sectors in Germany. This is the outcome of innumerable innovations, for example in agricultural machinery, animal husbandry, and crop development, which have simultaneously led to improvements in land use and a substantial reduction in the consumption of resources. All the indications are that these trends will continue in the future.

Agriculture is also witnessing growth in the demand for capital, driven by the deployment of new technologies in the industry. As demonstrated by the performance of Landwirtschaftliche Rentenbank in 2013, we have once again succeeded in fulfilling our role as a reliable partner for the agricultural sector, responding flexibly to the financing needs of our customers – and this of course includes innovation financing.

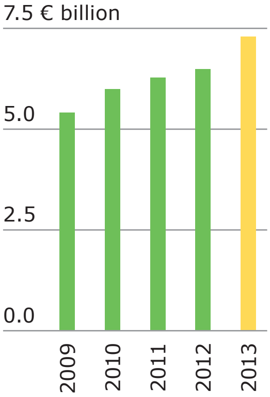
Dr. Horst Reinhardt

Hans Bernhardt

Information on fiscal year 2013

Promotional activities for agribusiness

New business in special promotional loans



Special promotional loans: Rise in new business in all promotional lines

Special promotional loans for the agricultural sector and rural areas take center stage of our promotional strategy. In 2013, new business amounted to € 7.2 billion, exceeding the level achieved in 2012 (€ 6.5 billion) by 11.9 %. Previous years had already seen a continuous increase in the volume of commitments. Factors contributing to the strong demand for loans included sustained favorable conditions in agricultural markets and the low level of interest rates. The impact from these factors was also reinforced by the tightened regulatory liquidity requirements for banks (Basel III) introduced as a result of the financial crisis, making our loans more attractive for local banks.

Growth in new business was primarily driven by increased loan demand from agricultural businesses in the Agriculture promotional line. Dairy farmers in particular, encouraged by the positive world market conditions in the dairy sector, made use of favorable financing opportunities offered by Rentenbank. Likewise, the other promotional lines partially also reported considerable rates of increase.

New business in special promotional loans

€ million	**2013**	**2012**
Agriculture	2 842	2 438
Among them: at particularly low interest rates	*1 221*	*1 035*
Aquaculture and Fish Farming	6	5
Agribusiness	637	480
Renewable Energies	1 599	1 410
Rural Development	2 143	2 130
Special Purpose Fund	10	7
Total	**7 236**	**6 469**

Promotional line Agriculture: Strong growth in all promotional loan programs

In the past year, we financed mainly traditional agricultural investments with our promotional loans. In 2013, we granted loans in our promotional line Agriculture in a total amount of € 2.8 billion (2012: € 2.4 billion). The increase in investments reflects the farmers' optimistic view to future development and their interest in the modernization of their farms.

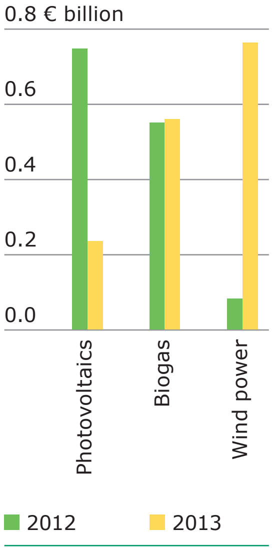
Financings in a total amount of € 1525.8 million (2012: € 1306.7 million) were provided for buildings, in particular stables. Financings for cattle and dairy cattle houses were characterized by a sustained dynamic trend, with a granted volume of € 610.4 million (2012: € 515.1 million). Farmers continue to invest in modern stables, thus preparing themselves for the discontinuation of the dairy produce quota in 2015.

Loans granted for land purchases amounted to € 571.4 million (2012: € 517.5 million), while the financing volume for investments in machinery was € 577.0 million (2012: € 451.1 million). The growing financing volume for land purchases goes along with increased land prices. Hence, the commitments for land purchases rose strongly by 27 % in the federal states of former West Germany, while financings in the federal states of former East Germany declined slightly from € 260.4 million to € 244.5 million. The decrease in this region may be attributable to the decreasing supply of land which in turn facilitates to a further increase in prices. These figures do not include land purchases by means of acquisition of existing farms.

Renewable Energies: Strong growth in wind power, biogas stable, sharp downturn for photovoltaics

New business in our Renewable Energies promotional line increased year-on-year with commitments rising to € 1.6 billion, up by 13.5 % (2012: € 1.4 billion).

New business in Renewable Energies



A new focus of activities in this line was the financing of wind farms, the volume of new business climbing from € 83.4 million in 2012 to € 767.9 million in 2013. This included commitments amounting to € 331.3 million (2012: € 6.0 million) as part of the Bürger- und Bauernwindparks promotional program launched in 2012. Under this program, we have extended our activities beyond our traditional agricultural target customers to provide finance for wind farms in which local residents and farmers invest. This keeps the value creation in the region concerned and can increase acceptance of the project by the local community, since residents who may be adversely impacted by the wind turbines can also benefit financially from the project. A further advantage is the involvement of local banks and savings banks in the financing arrangements.

Investing activities in renewable energies are heavily influenced by the general political framework. As a consequence, our promotional business reflects the changes made in the German Renewable Energy Sources Act (EEG) in the last few years. In 2013, financing for photovoltaic installations was therefore sharply down in line with forecasts, new business falling by 68.3 % to € 237.9 million (2012: € 750.0 million).

In the year under review, new business in financing of biogas plants amounted to € 563.2 million, roughly the same level achieved in the previous year (2012: € 554.0 million). The majority of financed investments was focused on modernizing existing plants, for example to increase efficiency or make electricity feed-in more flexible. In contrast, the construction of new plants largely came to a halt.

Sustainable projects promoted with € 2.0 billion

A core component of our promotional policy is to provide loans with particularly low interest rates to support German agribusiness activities with a focus on environmental protection and animal welfare. In 2013, our programs were used to support investment aimed at improving energy efficiency, reducing emissions, promoting consumer protection, and developing organic farming. Particularly notable was our promotional support for animal husbandry projects, which grew to € 247.4 million (2012: € 176.6 million). Specifically in husbandry, there is a strong need for action to reconcile the demands of society with economic necessity. In 2013, we supported investments in environmental protection, animal welfare and consumer protection with finance amounting to a total of € 401.3 million (2012: € 276.3 million). Including the promotion of renewable energies, we therefore provided € 2.0 billion of financing for projects with a particular emphasis on sustainability in the reporting year (2012: € 1.7 billion).

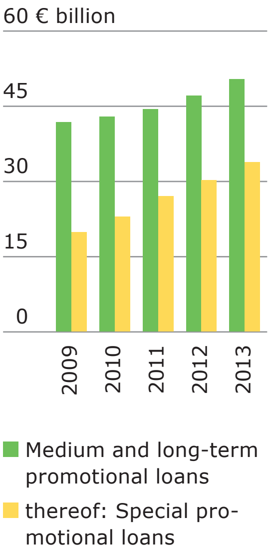
Rural Development promotional line stable

In the year under review, we approved total financing of € 2.1 billion (2012: € 2.1 billion), predominantly for municipal infrastructure measures. In this way, we provide support for local authorities and special-purpose associations in rural areas, complementing the promotional activities aimed at the agricultural sector.

Standard promotional loans exceed previous year's level

In addition to our special promotional loans for specific purposes, we also offer standard promotional loans, mostly to banks (but also to public-sector borrowers) operating in rural areas. In this area, we entered into commitments of € 2.5 billion during the reporting year (2012: € 2.0 billion). New securitized promotional business was stable in 2013 at € 1.9 billion (2012: € 1.9 billion). Total new promotional business in 2013 amounted to € 11.6 billion (2012: € 10.4 billion).

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



New promotional business

€ billion	2013	2012
Special promotional loans	7.2	6.5
Standard promotional loans	2.5	2.0
Securitized promotional business	1.9	1.9
Total	**11.6**	**10.4**

Balance sheet according to German Commercial Code (HGB): promotional volume rises

The buoyant demand for special promotional loans led to strong growth in the loan portfolio. As of December 31, 2013, the value of special promotional loans on the balance sheet was € 33.8 billion (2012: € 30.2 billion) – a year-on-year increase of 11.9 %. Its share in the promotional volume rose to 48.6 % (2012: 45 %). The promotional loan portfolio grew by 7.2 % to € 50.3 billion (2012: € 46.9 billion). Securitized promotional business, which is reported on the balance sheet under 'Bonds and other fixed-income securities,' declined to € 19.2 billion (2012: € 20.2 billion). In aggregate, Rentenbank's total promotional volume reached € 69.5 billion (2012: € 67.1 billion) and was therefore 3.6 % above the previous year.

Appropriation of profits

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

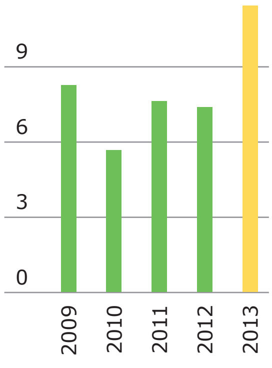
Promotion of innovation through the Special Purpose Fund

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. In 2013, 13 (2012: 18) loans were approved with a total amount of € 11.4 million (2012: € 7.4 million) after approval by the Federal Ministry of Food and Agriculture (Bundesministerium für Ernährung und Landwirtschaft, BMEL). In addition to low-interest loans, we promoted selected projects through grants with a total amount of € 1.7 million (2012: € 0.9 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 distributable profit, amounting to € 6.4 million in 2013 (2012: € 6.1 million).

Promotion of innovation through Special Purpose Fund (loans)

12 € million

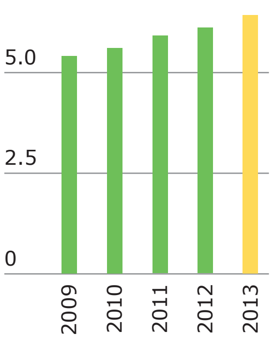


Promotional Fund: research and further training in focus

An amount of € 6.5 million in total 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

7.5 € million



Funding of Rentenbank

Strong demand from investors seeking safety and liquidity

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. Additional support came from the announcement that an explicit guarantee for our liabilities by the Federal Republic of Germany was to be included into Rentenbank's Governing Law effective January 1, 2014. As a result, we benefited from a further reduction in funding costs compared with 2012. In the case of short-term maturities, we were able to obtain funding at very attractive rates, too, through our Euro Commercial Paper (ECP) program.

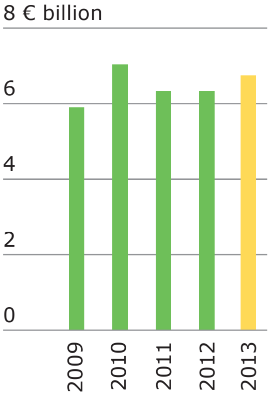
Medium- and long-term issuance volume up on 2012

We raised € 10.2 billion (2012: € 9.6 billion) with maturities of more than two years in domestic and international capital markets, which was slightly in excess of our plan of € 10 billion. The volume split by funding instruments was as follows:

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

	€ billion		Proportion (%)	
	2013	**2012**	**2013**	**2012**
EMTN	6.7	6.3	65.7	65.6
AUD-MTN	2.1	1.1	20.6	11.5
Global bonds	1.4	2.2	13.7	22.9
Total	**10.2**	**9.6**	**100.0**	**100.0**

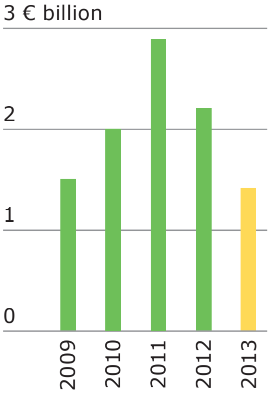
EMTN issues



EMTN program remains most important instrument

Our Euro Medium-Term Note (EMTN) program is our most important funding instrument with a volume of € 60 billion. At year-end 2013, program utilization had reached € 38.8 billion (December 31, 2012: € 38.2 billion). The EMTN program allows us to issue securities denominated in numerous currencies with a variety of amounts, maturities, and structures using standard documentation. In the year under review, we used this program solely to obtain funding with medium- and long-term maturities. The issuance volume with maturities of more than two years amounted to € 6.7 billion (2012: € 6.3 billion), including two benchmark issues each with a volume of € 1.0 billion and with maturities of three years and seven years respectively. Funds raised by means of floating-rate euro issues came to € 1.1 billion. Transactions denominated in US dollars (US$) accounted for a funding volume of € 1.5 billion. We also used the EMTN program to obtain funding in seven other currencies.

Issues of global bonds



Successful global bond in US dollars

Since 2001, the funding instruments used by Rentenbank have included global bonds registered with the Securities and Exchange Commission (SEC), the US market regulator. These bonds facilitate access to the US market and underline our positioning as an ‘agency’ on international capital markets. In the year under review, global bonds accounted for € 1.4 billion (2012: € 2.2 billion) or 13.7 % (2012: 22.9 %) of our total medium-and long-term funding. In March 2013, we issued a five-year global bond in the amount of US$ 1.75 billion. Over 50 percent of this bond was placed with central banks and other official institutions.

Kangaroo market is third funding pillar

In the year under review, we used our Australian dollar medium-term note (AUD MTN) program to place notes in the amount of AU$ 2.85 billion, which equated to € 2.1 billion (2012: € 1.1 billion). Rentenbank remained the third-largest foreign issuer in this market segment, the volume of bonds outstanding amounting to AU$ 10.6 billion. The kangaroo market therefore continues to be an important pillar in our funding structure.

Higher average utilization of the ECP program

Issuances under the € 20 billion ECP program continue to play a major role within the short-term funding segment. Commercial paper are bearer notes with maturities of less than one year and are issued in a discounted, compounded, or indexed form based on a corresponding master documentation. Investor's preference for borrowers of the highest credit quality once again allowed us to raise ECP funding at particularly low cost in the reporting year. Average program utilization for the year under review was € 6.4 billion (2012: € 4.7 billion). Utilization as at December 31, 2013 was € 4.1 billion (2012: € 5.3 billion).

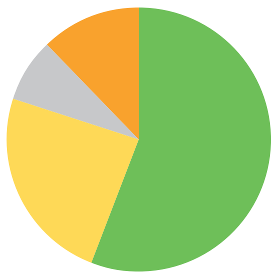
Zero-risk weighting for Rentenbank bonds and notes

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. The explicit guarantee provided by the Federal Republic of Germany ensures that this regulatory treatment will continue to apply after 2013 with the introduction of the Capital Requirements Regulation (CRR) on January 1, 2014. Particularly during the period of the financial crisis and against the background of the new banking regulatory requirements that are now developing, the zero-risk weighting for our issues has proved to be especially useful as it opens up additional opportunities for us to place our securities to domestic and international investors.

Banks once again the most important group of investors

In the year under review, the volume of issues placed with banks as a proportion of the total medium- and long-term issuance volume was 46 % (2012: 53 %). This group of investors was seeking securities with a zero-risk weighting, the highest credit quality and attractive spreads in order to minimize capital and risk costs. The more stringent liquidity rules as part of the worldwide implementation of the Basel III requirements are also tending to have a positive effect on demand from banks as they will be required to hold a portfolio of high-quality assets as a liquidity buffer in the future. In addition, central banks and other official institutions play an important role in our funding structure. The proportion of total funding accounted for by these institutions rose from 26 % to 33 % in 2013. There was only a slight change in the funding shares of other groups of investors, with asset manage-

Medium and long-term issues 2013 – breakdown by regions

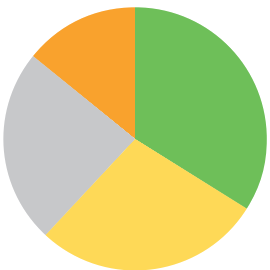


- Europe 56 %
- Asia 24 %
- America 8 %
- Other 12 %

ment companies accounting for 12 % (2012: 14 %), and insurance companies, corporations, and pension funds with 9 % (2012: 7 %).

In 2013, Rentenbank had a particularly broad range of investors in terms of geographical distribution, with the proportion of investors outside Germany rising significantly. We only placed 11 % of our bonds and notes in Germany in the year under review (2012: 27 %). However, the proportion accounted for by other European investors climbed significantly from 31 % to 45 %. Demand from Asian investors at 24 % was approximately at the same level as in 2012 (23 %). In contrast, there was a slight increase in the American investor share to 8 % (2012: 6 %). A further 7 % (2012: 7 %) of our issues were taken up in New Zealand and Australia, with 5 % (2012: 6 %) accounted for by the Middle East and Africa.

Medium and long-term issues 2013 – breakdown by currencies



- EUR 34 %
- USD 28 %
- AUD 24 %
- Other 14 %

Euro most important issuance currency, as in 2012

The medium- and long-term issuance volume spread among nine currencies in the reporting year. The euro was the most important issuance currency, accounting for 34 % (2012: 47 %), followed by the US dollar with 28 % (2012: 30 %). The Australian dollar again ranked in third place with a share of 24 % (2012: 12 %), a record level for this currency at the expense of the euro's share of the total volume. The remaining 14 % of the issuance volume comprised bonds and notes denominated in the following currencies: pound sterling, New Zealand dollar, Norwegian krone, Brazilian real, Turkish lira, and South African rand.

Rentenbank issues recognized as 'liquid assets'...

In the regulatory reports required under the CRR, bonds and notes issued by promotional banks are recognized as 'liquid assets'. Our bonds and notes are explicitly guaranteed by the Federal Republic of Germany and satisfy the operational requirements specified in article 416 of the CRR. However the EU Commission still has to specify the definitive regulations by June 30, 2014. In general terms, we expect our bonds and notes to be recognized as 'liquid assets' without limitation.

... and as assets eligible for use as funding collateral

Our listed euro-denominated issues fulfill the requirements of the European System of Central Banks (ESCB) for Tier 1 eligible assets to be used as collateral in funding transactions. Our bonds and notes have been classified within liquidity category II. Only bonds and notes issued by central banks and central governments are allocated to the higher liquidity category I. Liquidity category II includes bonds and notes from supranational institutions and issues from institutions with a public-sector promotional mandate. In addition, the Reserve Bank of Australia accepts our kangaroo bonds and the Reserve Bank of New Zealand accepts our Kauri bonds as eligible collateral for repos. Our issues enjoy preferential treatment in private repo markets, too. For example, Eurex accepts our issues as collateral for the GC Pooling ECB Basket.

Rentenbank included in key fixed-income indices

Our liquid euro and dollar bonds and notes are included in the most important bond indices, for example the Markit iBoxx Euro 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 on the balance sheet (HGB)

The total amount of medium- and long-term borrowings used for refinancing amounted to € 63.3 billion as at the reporting date (2012: € 63.6 billion). The total amount of bonds outstanding was € 60.8 billion (2012: € 61.0 billion) and the volume of promissory notes placed amounted to € 1.2 billion (2012: € 1.3 billion). Other capital market funds remained unchanged at € 1.3 billion (2012: € 1.3 billion).

Money market business

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

Equity trading

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

Asset/liability management

Conservative liquidity risk management policy remains unchanged

Tighter liquidity requirements are an essential component of the banking regulation under Basel III. Rentenbank has always attached a great deal of importance to managing liquidity risk. Accordingly, Rentenbank's liquidity risk is transparent and is limited by the Board of Managing Directors. Liquidity risk in connection with foreign currencies is eliminated by the use of hedges. Risk measurement is therefore limited to payments denominated in euros. For the purposes of monitoring short-term liquidity, all scheduled euro inflows and outflows for the next two years are netted on a daily basis.

Negative balances (liquidity gaps) must always remain within the amount of our unused refinancing facilities. This approach ensures that Rentenbank has sufficient liquidity at its disposal at all times. As part of our strategic liquidity management, we analyze additional risk scenarios. We also monitor medium- and long-term liquidity risk. Capital cash flows are aggregated on a quarterly basis in the maturity bands of 2 to 15 years and any outstanding liquidity balance must not exceed a limit set by the Board of Managing Directors.

We stayed within all liquidity limits during 2013. The liquidity scenarios calculated monthly did not indicate that Rentenbank would face either individual or cumulative bottlenecks at any time. We are calculating the new liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) on the basis of the information currently available. Test calculations indicate that we will comply with the minimum ratios required. During 2013, we implemented the requirements specified in the fourth amendment to the German Minimum Requirements for Risk Management (MaRisk).

Management of market price risk

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

Short-term interest-rate risks arising from variable-interest assets and liabilities are managed within our money market department. We are thus able to manage market price risk separately from Rentenbank's overall liquidity in a flexible and market-oriented fashion.

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

Derivatives used to hedge market price risk

In the reporting year, Rentenbank entered into swaps with an amount of € 21.5 billion (2012: € 21.6 billion) in order to hedge interest-rate and currency risk. Of this total amount, € 13.4 billion (2012: € 15.9 billion) was accounted for by interest-rate swaps, and € 8.1 billion (2012: € 5.7 billion) by cross-currency interest-rate swaps or cross-currency basis swaps. We also entered into currency swaps to hedge foreign currency exposures arising in connection with our ECP issues and short-term lending denominated in foreign currency.

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

Credit risk resulting from our use of derivatives is mitigated by collateral agreements with our swap counterparties. This risk mitigation method covers our entire derivatives portfolio.

Rentenbank remains a non-trading book institution

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

Sustainability

Sustainability is an integral part of the promotional mandate

As an institution under public law with a legal promotional mandate, Landwirtschaftliche Rentenbank has a special responsibility in terms of sustainability. This is all the more relevant as the term 'sustainability' originates from the forestry sector. A sustainable approach to business is deeply entrenched in the agricultural and forestry sector, influenced by the need to think in terms of generations and by 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 particular, the industry can contribute to global climate protection.

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

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

Particularly favorable terms for sustainable investment

For a number of years, the bank has offered low-interest promotional loans to support sustainable investment. In 2005, Rentenbank introduced a separate program to bring together its promotional activities encompassing farming investment in renewable energies, renewable resources, and agriculture-related environmental protection, animal welfare, and consumer protection. We offer these promotional loans at particularly favorable terms.

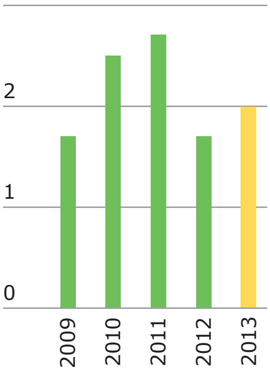
When the range of promotional loans was restructured in 2008, we launched corresponding promotional programs for the food industry and for the sectors of industries that are immediately upstream and downstream of the agricultural sector. These programs focus on investment for projects to reduce emissions, save energy, promote animal welfare and consumer protection, foster organic farming, and support regional marketing. We also offer particularly favorable terms to support the investment in these projects. The program to promote renewable energies, which was also launched in 2008, focuses in addition on the generation of renewable energy. In this respect, the agricultural sector has taken on an important role in helping to achieve the climate policy goals set by the German federal government and the EU. Rentenbank is supporting the industry in these efforts.

Since March 2012, we have also been offering special promotional loans to support investment in wind farms by local residents and farmers. We provide finance for wind power ventures that are majority-owned by private citizens, entrepreneurs and landowners from the area of the wind farm, thereby ensuring that the bulk of the revenues remain in the rural area concerned. Furthermore, this also helps to increase the acceptance of these wind farms – which is becoming a more important factor.

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

New financings for sustainable projects

3 € billion



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

In 2013, commitments related to investment under our promotional programs focusing on sustainability projects rose from € 1.7 billion to € 2.0 billion. This particularly reflected the strong demand for wind farms financings. In the future, we will continue to design our programs with the objective of providing special support for investment by the agricultural sector in sustainability-oriented projects.

Sustainability at the focus of innovation support

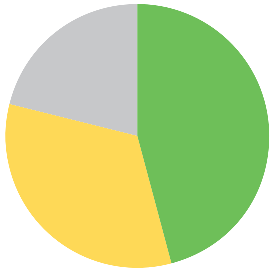
We are also providing a specific stimulus for sustainable agribusiness development in the context of our promotional activities by supporting innovation.

In the period up to 2017, an amount of € 18 million will be made available from the Special Purpose Fund for an invitation to tender issued by the German Federal Ministry of Food and Agriculture (BMEL) on the topic of innovation improving livestock farming. The supported projects will develop livestock farming methods with a greater focus on animal welfare with a view to subsequent implementation in practice.

Given the importance of innovation for sustainable development in the agricultural sector, we are making available an additional amount of € 3 million per year to support appropriate research projects.

SRI-Bond 2013 – Utilization of proceeds

(€ 50 million total)



Rentenbank issues its first SRI bond

In the year under review, Rentenbank issued its first-ever socially responsible investment (SRI) bond in the form of a renewable energy bond for the purposes of supporting sustainability-related projects. We will use the issue proceeds of € 50 million in our Renewable Energies promotional line. SRI bonds enable us to broaden our investor base and improve the maturity structure of our funding.

Sustainability is also a key aspect of personnel policy

Compatibility of family and career, employee health, together with professional, methodological, and personal development, are particularly valued by Rentenbank. For years, Rentenbank has offered its employees numerous options in these areas. Since February 2013, employees have also been offered support from an impartial external professional if they are suffering stress caused by family, personal or work problems. To improve the quality of leadership and management at Rentenbank, we are increasingly taking a more systematic approach to corporate executive development. To this end, we have set up 'orientation centers', which are independent of the management hierarchy and business units, together with a series of workshops structured on a modular basis.

Reducing consumption of resources in internal bank operations

Rentenbank is a service provider and in its day-to-day banking operations also helps to conserve resources and to use energy and raw materials economically. Moreover, we investigate whether there is further potential for improvement and take environmental considerations into account in our decision-making and conduct. As part of Rentenbank's operational environmental protection activities, one of the priorities since 2010 has been to renovate the employee housing built in the late 1950s and early 1960s. By the end of 2012, we had renovated a total of 31 residential units, bringing them up to date in terms of energy efficiency. The energy-related renovation of a further apartment block containing 14 residential units was completed in 2013. During the course of the year under review, we also carried out individual smaller measures, achieving a further reduction in the consumption of resources in employee housing.

Corporate Governance

Rentenbank declares its conformity with the German Public Corporate Governance Code

Effective corporate governance is of central importance for responsible and sustainable corporate management. The aim is to ensure that business practice is seen to be transparent and responsible. The Board of Supervisory Directors of Rentenbank therefore passed a resolution on July 16, 2009 adopting the Public Corporate Governance Code (PCGK, as amended June 30, 2009) issued by the German federal government. The PCGK is primarily intended for legal entities governed by private law, but its application is also recommended for legal entities under public law, such as Rentenbank as a public law institution directly accountable to the German federal government, unless otherwise precluded by legal provisions (for example, those in Rentenbank's Governing Law).

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

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

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

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

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

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

The Board of Supervisory Directors 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 Board of Supervisory Directors may classify certain transactions as being subject to its consent and may issue general or specific instructions to the Board of Managing Directors.

Rules of procedure are in place for the Board of Managing Directors and for the Board of Supervisory Directors and its committees.

Avoiding conflicts of interest

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

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

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

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

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

The individual remuneration paid to the members of the Board of Managing Directors and the Board of Supervisory Directors is disclosed in the notes to the consolidated financial statements on pages 101 and 102.

Transparency and information

Rentenbank attaches particular importance to transparency and information. It follows the principle of equal treatment for investors and other interested parties regarding the distribution of information. All key information published by Rentenbank is also accessible on its website at www.rentenbank.de.

Financial reporting and auditing

The consolidated financial statements for the 2013 fiscal year have been prepared in accordance with IFRS. Rentenbank also prepares and publishes annual financial statements in accordance with the accounting principles set out in the German Commercial Code (HGB) that are relevant to large corporations and pursuant to the specific requirements of the German Accounting Regulation for Banks and Financial Services Institutions (RechKredV). The Board of Supervisory Directors chooses the external auditor, issues the audit engagement, and agrees the fees with the auditor. The Board of Supervisory Directors' Audit Committee assures the independence of the external auditor.

Deviations from the recommendations of the Public Corporate Governance Code

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

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

In fiscal year 2013, Landwirtschaftliche Rentenbank adopted the recommendations of the PCGK, as amended on June 30, 2009, with the following exception:

- The remuneration paid to the members of the Board of Managing Directors and the Board of Supervisory Directors is not disclosed separately in the Corporate Governance Report as the remuneration for named individuals is published in Rentenbank's Annual Report in a manner that can be easily understood (notes to the consolidated financial statements, pages 101 and 102).

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

Landwirtschaftliche Rentenbank
March 2014

The Board of Managing Directors
The Board of Supervisory Directors

Combined Management Report

Table of Contents

The combined management report consists of the group management report of Landwirtschaftliche Rentenbank (Group in accordance with IFRS) and the management report of Landwirtschaftliche Rentenbank (Rentenbank in accordance with HGB). The combined management report was prepared pursuant to the provisions of Section 289 in conjunction with Sections 315 and 315a of the German Commercial Code (Handelsgesetzbuch, HGB) as well as in accordance with German Accounting Standard (GAS) 20.

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

General information on the Group

Group structure

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

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

Promotional mandate

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

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

Management system

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

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

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

- Promotional Business

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

- Capital Investment

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

- Treasury Management

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

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

Financial key performance indicators include:

- Operating result

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

- Cost-income ratio

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

- Promotional performance

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

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

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

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

Economic report

Macroeconomic and bank-specific environment

International interest rate and monetary policy

The fiscal year 2013 – as also its preceding year – was characterized by a very accommodative interest rate and monetary policy, which was further eased in the course of the year, particularly in the eurozone.

The European Central Bank (ECB) initially left the interest rate for its main refinancing transactions unchanged at 0.75 % during the first months of the year. Against the backdrop of lower inflation expectations, deteriorated economic prospects and subdued growth of money supply and lending volume in the eurozone, the ECB reduced this rate in May to 0.5 % in order to support the economic recovery through the remainder of the year. In view of the prevailing uncertainty in the financial sector and in order to establish stable conditions on the money markets, the ECB also announced that interest rates would remain at the current or an even lower level for a sustained period (forward guidance). At the beginning of November, the ECB surprised the markets by cutting the key interest rate to 0.25 %, expecting an easing of price pressures in the eurozone in the medium term. In 2013, ECB's 3-year tenders issued in December 2011 and February 2012 once more caused a structural excess liquidity within the banking sector, resulting in low interest rates for overnight deposits. Additional repayments made by the banking sector to the ECB reduced this excess liquidity by year-end 2013. The money market rates rose moderately.

In contrast to the ECB, the US Federal Reserve decided at year-end 2013 to terminate its accommodative monetary policy. It reduced its purchase program related to government bonds and mortgage securities of initially USD 85 billion to USD 75 billion per month.

Development of the long-term interest rate level

Long-term yields on safe haven investments such as German government bonds initially started to rise at the beginning of the year 2013 due to an easing of the capital markets.

The financial market crisis intensified again in March, with the imminent danger of Cyprus' insolvency. This accordingly curbed the risk appetite of many investors and yields on safe haven investments fell. In May, the yield on German 10-year government bonds reached its 2013 low of 1.17 %. The prospect that the US Federal Reserve could gradually exit its highly accommodative monetary policy as well as a slight alleviation of the eurozone debt crisis caused yields to rise again. Yields declined again temporarily following the budget crisis in the US in October. At year-end, 10-year German government bonds had a yield of 1.94 %.

Development at local banks and within the German agricultural sector

The persistently low interest rate level contributes to the banks increasingly using Rentenbank as a funding source for medium and long-term loans, thus fully eliminating interest rate risks. The demand from local banks for Rentenbank funds, characterized by low costs and margins determined by the risk-adjusted interest system, remained very high.

This effect is intensified by the increased regulatory requirements for banks, particularly the liquidity ratios Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) resulting from Basel III. The objective of the liquidity ratios is to limit the short-term (LCR) and the longer-term maturity transformation (NSFR). This is intended to enable banks to maintain liquidity even in stress scenarios. LCR is scheduled to be introduced in 2015 effectively. However, the required liquidity buffers are to be increased gradually with 100 % of the liquidity buffer to be achieved by 2019.While a decision about the introduction of NSFR from the year 2018 will be made at a later date, local banks are already making efforts to adjust their balance sheets accordingly. Thus, Rentenbank will become an increasingly important partner for banks due to the stable provision of long-term funds.

The demand for promotional loans does not only depend upon the situation on the financial markets, but also and above all, upon the investment activities in the business areas relevant for us. In 2013, as a result of high prices for agricultural products, sentiment remained positive. In addition, the reform of the Common Agricultural Policy in Europe passed in 2013 creates reliable conditions for planning until 2020. The cuts related to direct payments and environmental requirements were smaller than expected.

Sentiment continues to be benign in all types of business (arable farming, dairy farming and stock farming). Above all, arable farms had a successful fiscal year. In the summer of 2013, prices for grain, the most important arable product, fell, but they still remain on a high level when compared over many years. Investments in farm buildings, the major part of the promotional line Agriculture, were dominated by stable buildings. The financial situation within animal husbandry was good. A combination of rising milk prices and abolished production limits led to a particularly high demand for promotional loans within dairy farming. The stock farming sector also had a successful fiscal year characterized by rising profits.

The positive framework, the encouraging economic situation and, last but not least, the low interest rates caused farmers to make huge investments and apply for promotional loans.

The favorable general sentiment in the agricultural sector also leads to strong investment activities in the upstream and downstream industries. This is reflected in our Agribusiness promotional line.

The investment momentum in the Renewable Energies promotional line is determined by the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz (EEG)). The Renewable Energy Sources Act is adjusted regularly. After the amendment in mid 2012, new construction of biogas plants almost came to a grinding halt. However, incentives for making the process for feeding electricity into the grid more flexible and opportunities for follow-up investments at existing plants ensured a stable business development. As expected, photovoltaics suffered from especially high losses compared to the previous year due to the reduction of the feed-in tariffs in the first half of 2012. The installation of new capacity is now capped by law through the development of the feed-in tariffs. We benefited massively from increased installations in the wind energy sector (growth of 29 % year-on-year). This was due to the attractive conditions and the increased distribution of the financing model Bürger- und Bauernwindpark (a special promotional loan program for investments in wind turbine installations of citizens and farmers in rural areas), which we supported with a special program.

Business development

A key feature of Rentenbank's performance in 2013 was a continued buoyant demand for promotional loans. Demand for special promotional loans was very high, especially due to the strong investment activity against the backdrop of a good general environment in the agricultural sector. As stated in the outlook for 2013, demand for special promotional loans in the Rural Development promotional line remained stable, while demand increased in the Agriculture and Agribusiness lines. In contrast to our expectations, demand in the Renewable Energies line rose as a result of the unexpectedly high funding requirements for investments in the wind power sector. The promotional volume, which comprises special promotional loans, standard promotional loans and securitized promotional business, amounted to € 75.0 billion in the balance sheet (2012: € 78.6 billion), representing a decline by 4.6 % over the prior year. While we assumed an almost flat new business volume year-on-year in our forecast for 2013, we were able to increase new business in the past fiscal year even further to € 11.6 billion (2012: € 10.4 billion), largely thanks to the favorable framework for special promotional loans. As a result, the portfolio of special promotional loans grew by € 3.6 billion or 12 % to € 33.7 billion in 2013 (2012: € 30.1 billion). In contrast, the volume of the securitized promotional business declined year-on-year due to the higher volume of redemptions.

Rentenbank was able to raise the necessary borrowings once again at favorable conditions since financial investors preferred safe haven investments. In the reporting year, Rentenbank borrowed funds on domestic and foreign capital markets in the amount of € 10.2 billion (2012: € 9.6 billion). This was in line with the outlook for 2013. The following instruments were used for funding on the capital market:

	2013		2012	
	€ billion	%	€ billion	%
Euro Medium Term Note (EMTN)	6.7	65.7	6.3	65.6
AUD Medium Term Note (MTN)	2.1	20.6	1.1	11.5
Global bonds	1.4	13.7	2.2	22.9
Total	**10.2**	**100.0**	**9.6**	**100.0**

Net assets, financial position and results of operations

Results of operations

Group's results of operations

	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
1) Income statement			
Net interest income before allowance for credit losses/promotional contribution	333.7	365.9	–32.2
Allowance for credit losses/promotional contribution	34.5	20.7	13.8
Administrative expenses	55.2	48.9	6.3
Net other income/expense	–5.2	3.2	–8.4
Operating result	**238.8**	**299.5**	**-60.7**
Result from fair value measurement and from hedge accounting	221.2	–55.7	276.9
Net income for the year	**460.0**	**243.8**	**216.2**
2) Other comprehensive income			
Result from available-for-sale instruments	250.4	583.8	–333.4
Actuarial gains/losses from pension obligations	–5.8	–18.0	12.2
3) Group's total comprehensive income	**704.6**	**809.6**	**–105.0**

Operating result

The operating result for the fiscal year 2013 amounted to € 238.8 million, a decline by € 60.7 million or 20.3 % and below the previous year (2012: € 299.5 million) as expected. This figure historically is still on a relatively high level. The development corresponded to the projected decrease by 20.0 % made in the previous year. Interest income, including contributions from fixed-income securities and equity holdings, reached € 3 678.3 million (2012: € 3 959.5 million). After deducting interest expenses of € 3 344.6 million (2012:

€ 3593.6 million), net interest income amounted to € 333.7 million (2012: € 365.9 million). Maturing transactions with high margins as well as new business subject to lower margins led to an overall decline of portfolio margins. The decrease of net interest income by € 32.2 million or 8.8 % primarily reflects the expected decrease of portfolio margins as well as the effects of the persisting low interest rates.

The item 'Allowance for credit losses/promotional contribution' increased by € 13.8 million or 66.6 %, mainly due to the increase of the promotional contribution to € 22.9 million (2012: € 20.8 million) as well as the additions to portfolio valuation allowances in the amount of € 11.7 million (2012: € 0.0 million).

The promotional contribution largely reflects Rentenbank's future expenses for the interest rate subsidies for special promotional loans granted. A promotional expense arises at the time of the grant which leads to a corresponding promotional income over the remaining term to maturity of the transaction. The expense for the additions to promotional contribution increased by € 6.7 million to € 81.6 million (2012: € 74.9 million), while income from the utilization of the promotional contribution rose by € 4.6 million to € 58.7 million (2012: € 54.1 million).

In accordance with IFRS, impairments resulting from payment defaults are only determined for losses already incurred. Since the Group generally extends loans almost exclusively via other banks, any potential losses are identified in a timely manner. To account for any existing residual risk of not having identified losses already incurred, Rentenbank recognizes for the first time as of the balance sheet date a portfolio valuation allowance based on a model for the presentation of expected losses for loans and advances measured at (amortized) cost. The change of the estimation regarding unidentified losses compared to the previous year resulted in the recognition of a portfolio valuation allowance in the amount of € 11.7 million, thus leading to the increased allowance for credit losses.

Administrative expenses increased significantly in 2013 – as we projected – by 12.9 % to € 55.2 million (2012: € 48.9 million). The personnel expenses included in this figure amounted to € 32.0 million (2012: € 31.1 million), an increase over the prior-year level by € 0.9 million. Wages and salaries including bonuses grew by € 1.6 million to € 22.2 million. This is mainly attributable to the expected increase of the annual average number of employees (2013: 256 on average; 2012: 250 on average) and to collectively agreed pay rises.

Amortization of intangible assets and depreciation of property and equipment increased to € 4.6 million (2012: € 2.2 million). The main reason for this was amortization of expenses for projects related to the introduction of new IT systems capitalized in previous years.

The other administrative expenses grew by € 3.0 million or 19.2 % to € 18.6 million. Above all, this includes IT expenses, which increased significantly by € 2.1 million to € 9.9 million. This was largely attributable to investments required to meet the additional regulatory requirements as well as necessary improvements of the infrastructure, in particular the implementation of the new trading and risk management system. The other non-staff expenses were largely unchanged.

The decline of net other income/expense is particularly attributable to the introduction of the program to finance research projects to promote agricultural innovation. Moreover, the previous year's figures included positive one-off effects owing to the disposal of a security and the reversal of provisions.

Operating result by segment

	Promotional Business		Capital Investment		Treasury Management		Total	
Jan. 1 to Dec. 31	2013 € million	2012 € million	2013 € million	2012 € million	2013 € million	2012 € million	2013 € million	2012 € million
Net interest income before allowance for credit losses/ promotional contribution	184.5	194.5	118.1	114.2	31.1	57.2	333.7	365.9
Allowance for credit losses/ promotional contribution	34.5	20.7	0.0	0.0	0.0	0.0	34.5	20.7
Administrative expenses	42.2	37.0	8.0	7.0	5.0	4.9	55.2	48.9
Net other income/expense	–5.2	3.3	0.0	0.0	0.0	–0.1	–5.2	3.2
Operating result	**102.6**	**140.1**	**110.1**	**107.2**	**26.1**	**52.2**	**238.8**	**299.5**

Net interest income of the Promotional Business segment in fact declined as expected due to lower portfolio margins from € 194.5 million in the previous year to € 184.5 million. The item 'Allowance for credit losses/promotional contribution' increased as a result of higher expenses for the interest rate reduction related to special promotional loans as well as due to the additions to the portfolio valuation allowance to a total of € 34.5 million (2012: € 20.7 million). Administrative expenses in the Promotional Business segment, including depreciation and amortization, rose by € 5.2 million to € 42.2 million. The operating result amounted to € 102.6 million (2012: € 140.1 million).

As expected in our projection for 2013, interest income from the Capital Investment segment in fact increased further by € 3.9 million to € 118.1 million compared to the previous year. The decreased yield for new long-term investments against the backdrop of a persisting low interest rate environment as well as maturing higher yielding funds were more than compensated for by interest income of the newly allocated funds from the retention of prior-year earnings. Overall, the segment's operating result amounted to € 110.1 million (2012: € 107.2 million).

As expected, the result of the Treasury Management segment was characterized by a substantial decline due to lower investment volumes and the further decrease in margins (following the monetary policy of the ECB). Net interest income fell by 45.6 % to € 31.1 million. The segment's operating result amounted to € 26.1 million (2012: € 52.3 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.

In the context of hedged items as part of accounting hedging relationships, only those fair value changes are taken into account where these changes result from changes in the OIS (overnight interest rate swap) curves. With respect to the remaining financial instruments measured at fair value, all market parameters, such as credit spreads, are included.

Changes in interest rates and exchange rates do not have significant measurement effects due to refinancing at largely matching maturities as well as hedging through derivatives. Therefore, the result from fair value measurement and from hedge accounting is largely dominated by reversals of measurement losses recognized in previous years as a result of changes in credit spreads and from macro hedge accounting. It increased considerably to € 221.2 million as of December 31, 2013 (2012: € –55.7 million).

Measurement gains or losses are only of a temporary nature due to the buy and hold strategy of the Group with its status as a non-trading book institution, provided that no counterparty default occurs. These measurement effects are reduced to zero at the latest when the relevant transactions become due.

Net income for the year

Despite the decline of the operating result by € 60.7 million, net income for the year rose by € 216.2 million to € 460.0 million (2012: € 243.8 million) due to the increase of the result from fair value measurement and from hedge accounting by € 276.9 million.

Other comprehensive income

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

The fair value changes largely attributable to changes in credit spreads related to the securities in the 'Available for sale' category are recognized under this item. The changes in the fair value of these securities attributable to fluctuations of the OIS curves are reported in the result from fair value measurement and from hedge accounting. In addition, other comprehensive income includes the amortization of measurement results from securities that were reclassified in 2008 to the 'Held to maturity' category at the then applicable market value.

Due to a certain easing that returned to the financial markets, credit spreads decreased further in 2013, however not to the extent seen in the previous year. This was especially true for issuers from countries hard hit by the crisis. This led to measurement gains in the amount of € 248.3 million (2012: € 575.3 million) due to the resulting higher market values. Amortization for securities reclassified in 2008 resulted in income of € 2.1 million (2012: € 8.5 million).

Actuarial gains and losses from the measurement of pension obligations are caused by differences between expected and actual actuarial assumptions of the prior period and from changes in assumptions for the future. In 2013, actuarial losses reported in the financial statements amounted to € 5.8 million (2012: € –18.0 million).

Group's total comprehensive income

The Group's total comprehensive income for the period ending December 31, 2013 amounted to € 704.6 million (2012: € 809.6 million), representing a decline of € 105.0 million. Apart from the decreased operating result, this decline is attributable to the decrease of measurement gains by € 44.3 million, which consists of the changes in the revaluation reserve as well as of the result from fair value measurement and from hedge accounting.

Reconciliation to distributable profit

Pursuant to Section 2 (3) Sentence 2 of the Law Governing the Landwirtschaftliche Rentenbank, the guarantee reserve (Deckungsrücklage) may not exceed 5 % of the nominal amount of the covered bonds outstanding at any time. Resulting from a decline in the volume of covered bonds, an amount of € 48.5 million (2012: € 21.8 million) was withdrawn from the guarantee reserve and transferred to the principal reserve in the same amount.

Subject to the pending resolutions of the relevant corporate bodies regarding the annual financial statements in accordance with the HGB, Rentenbank intends to transfer € 39.8 million (2012: € 38.3 million) from net income for the year to the principal reserve, and a further amount of € 406.9 million (2012: € 192.7 million) to other retained earnings. The distributable profit remaining after the transfer to reserves amounts to € 13.3 million (2012: € 12.8 million).

Results of operations of Rentenbank

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

	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
Net interest income	312.7	352.9	–40.2
thereof expenses for interest rate subsidy for special promotional loans	*78.4*	*70.6*	*7.8*
Net fee and commission income	–1.7	–2.1	0.4
Administrative expenses	53.2	44.7	8.5
Other operating result	–9.1	–2.4	–6.7
Operating result before provision for loan losses and valuation	**248.7**	**303.7**	**–55.0**
Provision for loan losses and valuation	–195.7	–252.7	57.0
Net income	**53.0**	**51.0**	**2.0**

The development of the operating result before provision for loan losses and valuation corresponds in structural terms with the development of the operating result under IFRS, except for the portfolio valuation allowance in the amount of € 11.7 million recognized under IFRS within the context of the allowance for credit losses. Therefore, we refer to the general comments on the results of operation of the Group.

The personnel expenses included in the administrative expenses amounted to € 29.8 million (2012: € 25.6 million), an increase over the prior-year level of € 4.2 million. Pension expenses increased by € 2.4 million to € 4.8 million, mainly due to a one-time effect under HGB regarding pension provisions. In the IFRS consolidated financial statements, the rise in personnel expenses only amounted to € 0.9 million.

As of December 31, 2013, the operating result before provision for loan losses and valuation amounted to € 248.7 million. As a result of the credit rating improvement of our portfolio, largely due to maturing amounts in the lower rating categories, general valuation allowances in the amount of € 16.6 million could be reversed proportionately. The fund for general banking risks (Section 340g HGB) was increased by € 218.1 million. The overall increase of net income amounted to € 2.0 million, resulting in net income of € 53.0 million (2012: € 51.0 million), of which an amount of € 39.7 million (2012: € 38.2 million) was transferred to the principal reserve. Distributable profit after the transfer to reserves amounts to € 13.3 million (2012: € 12.8 million), which will be used to promote agriculture and rural areas.

Financial key performance indicators

The operating result before provision for loan losses and valuation amounted to € 248.7 million (2012: € 303.7 million) and developed in line with the projected operating result set out in the outlook for 2013. As stated in the section on Group's results of operation, the reason for this was the expected decline of net interest income and the simultaneously rising administrative expenses.

This trend also had an impact on the key performance indicator cost-income ratio. As a result of the growth of expenses to a total amount of € 66.7 million (2012: € 52.6 million) and the simultaneous decline in income to € 315.4 million (2012: € 356.3 million), this indicator increased from 14.8 % to 21.2 %. However, the cost-income ratio still is on a moderate level when compared with competitors.

The promotional performance as a key performance indicator includes the interest rate reduction of the special promotional loans for which a nominal amount of € 77.0 million (2012: € 75.9 million) from own funds was expended in the reporting year. In addition, Rentenbank provided grants in the amount of € 3.0 million in relation to the program Research on Agricultural Innovation. The promotional performance for 2013, including the distributable profit of € 13.3 million and the capital increase at Rehwinkel-Foundation by € 3.0 million, increased in line with our forecast to € 96.3 million (2012: € 90.7 million).

Financial position

Capital structure

Capital structure of the Group

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Liabilities			
Liabilities to banks	5 549.9	2 868.0	2 681.9
Liabilities to customers	5 148.8	5 802.6	–653.8
Securitized liabilities	60 860.9	66 632.3	–5 771.4
Subordinated liabilities	686.8	924.4	–237.6
Equity			
Subscribed capital	135.0	135.0	0.0
Retained earnings	2 999.5	2 552.8	446.7
Revaluation reserve	46.5	–198.1	244.6
Distributable profit	13.3	12.8	0.5

Liabilities

Liabilities to banks increased by € 2.6 billion to € 5.5 billion (2012: € 2.9 billion), largely due to higher positions held in the short-term money market business. Liabilities to customers decreased by € 0.7 billion to € 5.1 billion (2012: € 5.8 billion) due to maturing registered bonds and promissory note loans.

The changes in the nominal volume of securitized liabilities amounted to € 0.8 billion or 1.3 %. However, the carrying amount of securitized liabilities declined by € 5.8 billion or 8.7 % due to exchange rate changes, resulting in a carrying amount of € 60.9 billion (2012: € 66.6 billion) as of December 31, 2013. The Medium Term Note (MTN) programs are furthermore the most important refinancing source and amounted to € 46.3 billion (2012: € 48.9 billion). The carrying amount of the global bonds amounted to € 10.6 billion (2012: € 12.4 billion) as of year-end. The volume of Euro commercial papers (ECP) declined by € 1.3 billion to € 3.9 billion (2012: € 5.2 billion).

Subordinated liabilities decreased by € 0.2 billion to € 0.7 billion (2012: € 0.9 billion) due to maturing amounts and exchange rate changes.

All funds borrowed on the money and capital markets for refinancing purposes were made available on an arm's length basis. The credit spread is a key factor due to the margin-based management of Rentenbank. It declined in the fiscal year under review over the previous year. This led to an improvement of funding costs.

The following analysis is a breakdown of liabilities by maturity, currency and interest structure:

	Maturity					
	up to 1 year		1 to 5 years		more than 5 years	
	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Fixed interest rate						
EUR	5 496.8	2 250.7	9 004.6	8 207.2	7 705.2	8 698.2
USD	2 439.6	4 774.6	11 791.4	12 792.7	948.0	2 229.4
AUD	1 050.0	1 039.9	3 978.3	4 862.9	2 748.7	2 443.8
JPY	470.4	1 000.7	86.5	673.9	408.7	562.3
CHF	83.0	256.4	1 343.0	1 340.4	93.4	241.3
NOK	0.0	298.9	1 158.5	911.3	183.9	472.6
GBP	0.0	320.1	1 147.9	437.8	13.3	14.3
Other	435.0	486.8	1 491.2	1 901.0	169.5	85.6
Zero coupon						
EUR	1 266.9	0.0	96.1	79.9	819.1	836.7
USD	1 979.4	4 208.6	0.0	0.0	37.2	38.6
AUD	12.9	0.0	0.0	0.0	0.0	0.0
CHF	0.0	116.0	0.0	0.0	0.0	0.0
GBP	530.0	539.9	0.0	0.0	0.0	0.0
Other	123.3	326.2	0.0	0.0	0.0	0.0
Variable interest						
EUR	535.5	130.5	5 187.1	4 917.5	3 496.3	3 163.4
USD	1 735.8	417.1	2 482.5	2 857.2	0.0	0.0
AUD	0.0	554.4	670.3	492.0	0.0	0.0
JPY	20.9	19.8	49.0	67.5	345.5	515.1
NOK	0.0	0.0	156.4	138.0	0.0	40.8
Other	0.0	0.0	455.3	419.8	0.0	45.5
Total	**16 179.5**	**16 740.6**	**39 098.1**	**40 099.1**	**16 968.8**	**19 387.6**

Equity

Net income for the year of € 460.0 million (2012: € 243.8 million) led to a rise in equity. In addition, equity increased due to measurement gains in the amount of € 244.6 million (2012: € 565.8 million) reported in the revaluation reserve.

Capital structure of Rentenbank

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

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Liabilities			
Liabilities to banks	6 272.1	3 598.5	2 673.6
Liabilities to customers	4 730.3	5 249.1	–518.8
Securitized liabilities	61 433.8	62 151.4	–717.6
Subordinated liabilities	597.7	717.5	–119.8
Equity (including fund for general banking risks)			
Subscribed capital	135.0	135.0	0.0
Retained earnings	925.5	885.8	39.7
Distributable profit	13.3	12.8	0.5
Fund for general banking risks	2 437.3	2 219.2	218.1

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

Equity, including the fund for general banking risks, increased by € 0.3 billion compared to 2012. The fund for general banking risks was increased by € 0.2 billion to € 2.4 billion.

Capital expenditure

The major capital expenditures made by Rentenbank in fiscal years 2012 and 2013 primarily related to the implementation of a new trading and risk management system, a regulatory reporting software and a rating platform as well as in the implementation of the SEPA and EMIR requirements. For further information, please refer to the explanations regarding administrative expenses in the section on the Groups result of operations.

Liquidity

The liquidity analysis reflects the contractually agreed redemption amounts:

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

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

Net assets

Net assets of the Group

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

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

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

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

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

Net assets of Rentenbank

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

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

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

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

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

Other key performance indicators

Corporate citizenship

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

Employees

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

Compliance with legal and regulatory requirements

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

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

Report on events after the balance sheet date

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

Report on expected developments and opportunities

Development of business and environment

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

At the beginning of 2014, the European Central Bank continued to pursue its monetary policy and left its key interest rate unchanged at 0.25 %, although the eurozone inflation rate in January declined unexpectedly to 0.7 %. Rentenbank expects a persistently low price pressure and a moderate recovery of the economy so that the ECB will continue its accommodative monetary policy for the foreseeable future. However, gradual changes in the form of minor reductions of key interest rates or the use of additional monetary policy instruments cannot be ruled out if money markets rates increase or if bank lending, especially in the southern eurozone countries, does not recover.

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

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

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

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

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

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

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

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

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

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

Forecast of business development

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

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

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

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

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

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

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

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

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

Opportunities and risks

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

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

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

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

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

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

Development in the current year

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

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

Risk report

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

Organization of risk management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit risks

Definition

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

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

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

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

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

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

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

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

Organization

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

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

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

Credit assessment

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

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

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

Quantification of credit risk

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

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

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

The stress scenarios also take country-specific effects into account and focus on concentration risks within the loan portfolio. Default of the borrower units or foreign exposures that are largest based on risk exposure level (taking into account product-specific loss given default percentages) as well as the default of all exposures with increased latent risks are assumed in additional worst-case scenarios. The potential loss determined on the basis of these worst-case scenarios is used to measure risk concentrations and does not have to be backed by risk covering potential under the going concern approach. Priority is given in this context to the critical reflection of the results and the derivation of necessary actions (for example in the form of 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 ad-hoc basis.

Limitation and reporting

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 is made both at borrower level and at borrower unit level or at the level of a group of connected customers as well as at the level of the overall loan portfolio.

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

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

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

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

At the end of each quarter, the Financial Institutions division (back office organizational unit) prepares a credit risk report for the Board of Managing Directors and the Risk Committee (since January 1, 2014; previously the Credit Committee until the end of 2013) established by the Board of Supervisory Directors based on the MaRisk guidelines.

Current risk situation

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

Maximum exposure to credit risk pursuant to IFRS 7:

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Loans and advances to banks	49 750.9	51 164.0	–1 413.1
Loans and advances to customers	5 570.6	4 652.4	918.2
Fair value changes of hedged items in a portfolio hedge	677.3	1 210.7	–533.4
Positive fair values of derivative financial instruments	3 236.1	7 486.4	–4 250.3
Financial assets	20 894.4	22 588.7	–1 694.3
Irrevocable loan commitments	115.2	496.2	–381.0
Total	**80 244.5**	**87 598.4**	**–7 353.9**

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

As regards the positive fair values of derivative financial instruments, the disclosed maximum exposure to credit risk of € 3 236.1 million (2012: € 7 486.4 million) represents the volume of receivables recognized in the balance sheet on an individual contract level. In contrast, the risk-relevant economic collateralization is made on counterparty level. Rentenbank has concluded collateral agreements based on master agreements with netting effect with all counterparties with which it enters into derivative financial instruments. Taking netting agreements and cash collateral into account, the maximum credit risk exposure pursuant to IFRS 7 for derivative financial instruments as of December 31, 2013 amounts to € 29.1 million (2012: € 136 million).

Exposure to credit risk by rating category:

Dec. 31, 2013

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

Dec. 31, 2012

	AAA € million	AA € million	A € million	BBB € million	BB-B € million	CCC-C € million	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 hedged 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 assets	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**

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

Risk concentration by country:

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

Dec. 31, 2012	Germany		Europe (excl. Germany)		OECD countries (excl. EU)	
	€ 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 hedged 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 assets	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**

Risk concentration by group of counterparty:

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

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 hedged 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 assets	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**

Carrying amounts in the peripheral eurozone countries:

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

Dec. 31, 2012:	Italy	Portugal	Spain	Total
	€ million	€ million	€ million	€ million
Government bonds	345.6	125.6	95.3	566.5
Bonds and promissory note loans of banks	1 273.2	451.3	2 620.9	4 345.4
Positive fair values of derivative financial instruments			0.0	0.0
Gross exposure	**1 618.8**	**576.9**	**2 716.2**	**4 911.9**
Collateral	676.1	278.6	2 491.4	3 446.1
Net exposure	**942.7**	**298.3**	**224.8**	**1 465.8**

In light of their strained economic and fiscal situation, the peripheral eurozone countries are being monitored closely. The only business in Ireland consists of a swap transaction with the subsidiary of a large U.S. bank. The transaction had a negative market value at year end.

There are no available credit limits or irrevocable loan commitments with counterparties located in peripheral eurozone countries and no transactions of this type were entered into in 2013. Until further notice, only derivatives that are collateralized by cash collateral may be concluded.

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

	Government bonds		Bonds and promissory note loans of banks	
	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Available for sale	304.0	324.2	3 067.9	3 231.8
Held to maturity	196.5	197.5	174.6	262.0
Loans and receivables	0.0	0.0	21.4	22.0
Designated as at fair value	35.4	44.8	352.8	829.6
Total	**535.9**	**566.5**	**3 616.7**	**4 345.4**

Allowances for credit losses

Allowances for credit losses are recognized in the case of exposures at risk of default on individual exposure level. In this context, impairments resulting from payment defaults are only determined for losses already incurred. The impairment is determined based on the difference between the carrying amount and the present value of the expected cash flows. The method for recognizing the impairment is described in more detail in Note (9) in the notes to the consolidated financial statements. In the reporting year, no specific valuation allowances needed to be recognized. One exposure for which a specific valuation allowance had been recognized previously was repaid as contractually agreed. There were no specific valuation allowances on Group level as of December 31, 2013.

The annual financial statements of Rentenbank include a specific valuation allowance of € 5 million (2012: € 3.6 million). This valuation allowance was not recognized on Group level as the related exposure is measured at fair value through profit or loss in the consolidated financial statements.

The Group has recognized a portfolio valuation allowance of € 11.7 million (2012: € 0.0 million) on the basis of a model for the presentation of expected losses. The method for recognizing the allowance is described in Note (9) in the notes to the consolidated financial statements. Rentenbank recognized a portfolio valuation allowance of € 15.0 million (2012: € 31.6 million) in its annual financial statements. The difference to the Group is based on exposures that are recognized at fair value through profit or loss in the consolidated financial statements and which therefore are not taken into account in the calculation.

Standard scenarios

The basis of the calculations for measuring potential loss under the standard scenario is the annual potential loss related to utilization, taking into account 1-year probabilities of default. As of December 31, 2013, the cumulative potential loss, including a lump-sum risk buffer of € 50 million for sector-related concentration risks, amounted to € 70.4 million (2012: € 88.9 million). The decrease compared to the previous year is primarily attributable to amounts maturing in the lower rating categories and credit rating improvements of single business partners from the banking sector. In fiscal year 2013, the average potential loss, which is calculated on a monthly basis, amounted to € 76.1 million (2012: € 60.2 million). In relation to the allocated risk covering potential for credit risks as of the reporting date, the average potential loss was 29.3% (2012: 23.2 %). The maximum utilization amounted to € 87.7 million (2012: € 88.9 million) and is below the limit of € 260 million approved by the Board of Managing Directors for the standard scenario. The lowest utilization during the reporting year was € 69.2 million (2012: € 36.2 million).

Stress scenarios

In a first stress scenario, the potential loss is calculated based on a full utilization of all internally granted limits, taking into account 1-year probabilities of default. As of December 31, 2013, the potential loss under this stress scenario amounted to € 83.3 million (2012: € 102.3 million). Under two further scenarios, we simulate an increase of default probabilities by a country-specific factor (at least twice as high), deterioration of credit quality (by at least two notches), and higher loss ratios for potential losses of collateralized transactions. The stress scenario associated with the highest risk exposure is used for inclusion within the calculation of the risk-bearing capacity. As of the reporting date, the maximum potential loss calculated under the above mentioned stress scenarios was € 176.6 million (2012: € 242.0 million). 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 buffer for concentration risks within the banking sector of € 50.0 million is also included in the calculations to measure potential credit defaults in the stress scenarios.

Apart from stress scenarios, Rentenbank also analyzed additional worst-case scenarios in order to review risk concentrations. Under the worst-case scenario 'default of the two borrower units with the largest risk exposure,' the potential loss calculated amounted to € 1.3 billion as of December 31, 2013 (2012: € 1.3 billion). Under the worst-case scenario 'default of the two country exposures with the largest risk exposure' (excl. Germany), the potential loss calculated amounted to € 2.0 billion (2012: € 2.3 billion). Under the worst-case scenario 'default of all exposures subject to latent risks,' the potential loss was € 156 million (2012: € 85 million). The increase compared to the previous year is attributable to tighter scenario assumptions. The three worst-case scenarios focus primarily on concentration risks within the credit portfolio and are used to reflect on the results and to take action if necessary.

Market price risks

Definition

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

Organization

Rentenbank does not maintain a trading book pursuant to Section 1a (1) of the German Banking Act (Kreditwesengesetz, KWG) (Section 1 (35) KWG, as amended, in conjunction with Article 4 (1) No. 86 of Regulation (EU) No. 575/2013).

The objective of risk management is the qualitative and quantitative identification, assessment, control and monitoring of market price risks. The Treasury division is responsible for risk management. 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 interest rate risks are largely reduced on group-level by hedging balance sheet items with derivatives. Derivatives are entered on the basis of micro or macro relationships. The effectiveness of micro hedges is monitored daily for new established hedging relationships.

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

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

The quarterly analysis is conducted based on the requirements set out in Circular 11/2011 of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and examines the effects of changes in market rates of interest as of a specific date. The result represents the estimated change in the present value. The present value is calculated on the basis of a scenario analysis, referring to all financial instruments across segments, without taking into account equity components. Pursuant to Section 24 (1) No. 14 KWG, a negative change of the present value exceeding 20 % of total own funds must be notified immediately.

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

The value at risk (VaR) is calculated daily for the money market business only 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 a widening of EONIA deposit spreads or changes in the cross-currency basis swap spreads (CCY basis swap spreads), basis swap spreads and credit spreads have a direct effect on the valuation of existing positions and influence the risk covering potential. The potential effects of spread risks on the measurement result are simulated using scenario analyses 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. Regardless of this fact, these measurement results are also taken into account in the consolidated statement of comprehensive income as well as in the risk-bearing capacity calculations.

Foreign currency risks

As a rule, foreign currency risks and other price risks arising from transactions recorded on the balance sheet are hedged by means of hedges. Open currency positions result from fractional amounts during settlement only, and 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 'lending business,' the 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, and on an as-needed basis, calculate additional scenarios of interest rate changes individually for the portfolios 'money market business' and 'lending business.' Under the monthly stress scenario, we assume a parallel shift in the interest rate curve, as in the standard scenario.

A potential widening of the EONIA deposit spread for the money market business is simulated to determine spread risks. In the 'lending 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.

A probability of occurrence of 99 % is assumed.

Limitation and reporting

The risk covering potential allocated to market price risk corresponds to the risk limit of € 19 million (2012: € 19 million). The interest-rate risks from open positions may not exceed the risk limits. Compliance with the limits is monitored daily and reported to the Board of Managing Directors. The Accounting and Audit Committee, and since January 1, 2014 the Risk Committee of the Board of Supervisory Directors, are informed quarterly about the results from the risk analyses within the risk report.

Back testing

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

The scenario parameters in 'money market business' and 'lending business' are validated daily using historical interest rate trends.

The 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 overall bank level 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 and adjusted during the 2013 fiscal year. The adjustments are shown in the following standard and stress scenarios.

Standard scenarios

As of December 31, 2013, the utilization of the risk limit for the market price risk in the 'money market business' and 'lending business' segments was € 5.2 million (2012: € 6.7 million) or 27.4 % (2012: 35.3 %) in case of a parallel shift of the interest rate curves by 40 basis points (bps) (2012: 40 bps). The average limit utilization in fiscal year 2013 was € 3.2 million (2012: € 5.9 million). This corresponded to an average utilization of 16.8 % (2012: 14.3 %). Maximum risk for the reporting year amounted to € 7.5 million (2012: € 15.6 million), while the lowest utilization was € 0.04 million (2012: € 0.1 million). No limits were exceeded in the whole of 2012, nor in 2013.

Stress scenarios

Risk calculation in stress scenarios for interest rate risk is made in the portfolios 'money market business' and 'lending business.' For each portfolio, the interest rate curves are subjected to parallel shifts (2012: non-parallel shifts within the framework of two individual scenarios). As of the reporting date, the risk exposure calculated assuming a parallel shift of the interest rate curves by 60 bps amounted to € 7.7 million. In the previous year, the risk exposure calculated assuming a non-parallel shift of the interest rate curves EONIA swap by +2 bps and deposit/swap by +60 bps for the short end, and EONIA swap of –2 bps and deposit/swap by –60 bps for the long end amounted to € 8.1 million.

The costs for the swap of flows of interest payments between interest bases of different maturities in the same currency amounted to € 85.4 million (2012: € 105.1 million) based on a parallel increase of the basis swap spreads by 11 bps (2012: 16 bps).

An increase of the CCY basis swap spread by 116 bps (2012: 105 bps) is assumed under the scenario in relation to the costs for the swap of payment flows with the same maturity between different currencies. This resulted in a spread risk of € 989.1 million (2012: € 1 035.4 million).

The credit spreads are based on a debtor's credit (structural credit quality), collateral and market-specific parameters (e. g. liquidity, spreads of government bonds, arbitrage opportunities). Within the relevant rating category, a parallel shift of 115 bps (125 bps) for the asset business and 120 bps (118 bps) for the funding business is assumed in the stress scenario in order to measure sensitivity. The credit spread sensitivity was € 803.0 million (2012: € 791.0 million).

A widening of 56 bps of the EONIA swap deposit spreads is assumed in relation to the measurement risk. The risk exposure amounted to € 0.9 million at the reporting date. No EONIA swaps were held in the previous year.

Value-at-risk (VaR)

The value-at-risk shows the maximum loss from market-related developments in 'money market business,' assuming a holding period of ten days and a prediction accuracy of 99 % and amounted to € 1.1 million as of December 31, 2013 (2012: € 0.8 million).

Interest rate risk at the level of the entire bank

In accordance with the requirements of BaFin, sudden and unexpected interest rate changes were simulated using a parallel shift of +(–)200 bps. Since September 30, 2013, interest rate risks have been determined on Group level as the Group uses the Group waiver pursuant to Section 2a (6) KWG. As of the reporting date, the risk exposure in the case of rising interest rates amounts to € 418.9 million (2012: € 323.1 million). The ratio based on regulatory own funds amounts to 10.6 % (2012: 8.6 %). At no point during 2013 or 2012 did the ratio exceed the notification threshold of 20 %.

Foreign currency risks

No material risk was identified for any currency in 2013 or 2012. Nominal foreign currency amounts are broken down as follows:

Dec. 31, 2013 Nominal amounts in € million	USD	GBP	CHF	JPY	CAD	AUD	Other	Total
Assets								
Loans and advances to banks	0.1	0.0	48.9	0.0	0.0	0.0	0.0	**49.0**
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Financial assets	724.0	816.6	21.2	203.6	205.4	48.6	6.7	**2 026.1**
Positive fair values of derivative financial instruments	21 651.5	1 681.3	1 417.4	1 182.5	428.1	8 031.3	3 712.4	**38 104.5**
Total assets	**22 375.6**	**2 497.9**	**1 487.5**	**1 386.1**	**633.5**	**8 079.9**	**3 719.1**	**40 179.6**
Liabilities								
Liabilities to banks	61.6	0.0	0.0	0.0	0.0	0.0	0.0	**61.6**
Liabilities to customers	108.7	12.0	0.0	34.5	0.0	0.0	0.0	**155.2**
Securitized liabilities	21 006.3	1 669.3	1 417.4	872.7	428.1	8 031.3	3 711.0	**37 136.1**
Subordinated liabilities	0.0	0.0	0.0	345.5	0.0	0.0	0.0	**345.5**
Negative fair values of derivative financial instruments	1 198.9	816.6	70.1	133.4	205.4	48.6	8.1	**2 481.1**
Total liabilities	**22 375.5**	**2 497.9**	**1 487.5**	**1 386.1**	**633.5**	**8 079.9**	**3 719.1**	**40 179.5**
Net currency position	0.1	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**

Dec. 31, 2012 Nominal amounts in € 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 advance to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Financial assets	984.1	331.3	0.0	223.8	221.1	59.0	0.0	**1 819.3**
Positive fair values of 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**
Securitized 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**
Negative fair values of 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**

Liquidity risks

Definition

Liquidity risk describes the risk of not being able to meet 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 defines the risk that assets may not be sold respectively liquidated instantaneously without putting prices under pressure i.e. causing a loss.

Controlling and monitoring

The liquidity risks resulting from Rentenbank's open cash balances are limited by an amount which is defined by the Board of Managing Directors and based on the funding opportunities available to Rentenbank. The Finance division monitors liquidity risks daily and reports the results to the Board of Managing Directors and the Treasury division.

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

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

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

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

Under the risk-bearing capacity concept, liquidity risks are not covered through 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 (collateralized money market funding) and from Deutsche Bundesbank (collateralized loans or so-called Pfandkredite, and collateral assignment in accordance with the KEV procedure Krediteinreichungsverfahren).

Stress scenarios

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

Liquidity ratios pursuant to the Liquidity Regulation

Pursuant to regulatory requirements (German Liquidity Regulation, Liquiditätsverordnung), cash balances and payment obligations are determined for the various payment-effective on-balance and off-balance transactions on a daily basis. These are weighted according to regulatory requirements and a ratio is calculated. Moreover, these indicators are also calculated for future reporting dates based upon extrapolation. In the 2013 reporting year, the monthly reported liquidity ratio for the period up to 30 days was between 2.36 and 3.98 (2012: 2.70 and 4.82, respectively) and thus significantly above the 1.0 ratio defined by regulatory requirements.

Reporting

The Board of Managing Directors is provided daily with a short-term liquidity projection and monthly with the liquidity risk report, which include information about the medium and long-term liquidity as well as the results of the scenario analyses and the calculation of the liquidity buffer pursuant to MaRisk. The Accounting and Audit Committee and from January 1, 2014 the Risk Committee of the Board of Supervisory Directors are informed on quarterly basis.

Current risk situation

Due to its triple A ratings, short-term funding opportunities are available to Rentenbank on the money and capital markets. If a market disruption occurs, liquidity may be raised in the amount of the freely available funding potential. This has always covered the Bank's liquidity requirements for a period of up to two years.

The limit for medium- and long-term liquidity requirements was not exceeded in fiscal 2013 and 2012.

Stress scenarios

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

Operational risks

Definition

Operational risk refers to risks arising from malfunctioning or defective systems or processes, human failure or external events. Operational risk primarily includes legal risks, risks from money laundering and terrorism financing 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 risks or reputational risks.

Organization

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

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

Based on a hazard analysis pursuant to Section 25c KWG, risks from money laundering, terrorism financing and other criminal acts which may endanger the Group's assets are identified and actions to optimize the organization of risk prevention in these areas are established. The Group analyzes compliance with regard to general and bank-specific requirements for an effective organization to prevent fraud within fraud-relevant 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, i.e. there are specific requirements for material outsourcings, in particular with respect to the outsourcing contract, the intervals of the risk analysis and reporting.

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

The Group has appointed an IT security officer and has implemented an IT security program. The IT officer monitors the confidentiality, availability and integrity of information processing and storage systems. He 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 to be used for potential business disruptions. The outsourcing of time-critical activities and processes is also included in these plans.

Quantification of operational risk

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

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

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

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

Limitation and reporting

The limit for operational risks is determined using the modified regulatory basis indicator approach. Reports are prepared on a quarterly basis and submitted to the Board of Managing Directors, the Accounting and Audit Committee, the Risk Committee of the Board of Supervisory Directors (since January 1, 2014) and senior management.

Current risk situation

The risk value for operational risk in standard scenarios amounted to € 29.7 million as of the reporting date (2012: € 31.5 million). Under the stress scenario, the risk exposure determined as of the reporting date amounted to € 59.4 million (2012: € 63.1 million).

In fiscal year 2013, one significant incident (valued at more than € 5 thousand) was entered into the incident reporting database with a loss of € 27 thousand. In the previous year, there were four significant single losses with an initially expected net loss of € 97 thousand, which was reduced to € 4 thousand during fiscal year 2013.

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

Regulatory and reputational risks

Definition

Regulatory risk describes the risk that a change in the regulatory environment could have a negative impact on the Group's business operations or operating result. Additionally, there is the risk, that we fulfill the regular requirements insufficiently.

Reputational risks describe perils from the damage to the Group's reputation that could have negative economic effects. Among other things, they may pose a threat to the funding opportunities of Rentenbank. However, adequate funding opportunities exist in general due to the triple A ratings. The major factors for the triple A ratings are Rentenbank's legal promotional mandate and the associated state guarantee.

Controlling and monitoring

Regulatory and reputational risks may negatively affect new business and therefore have a negative impact on margins. They are recognized in the various scenarios used for purposes of income planning. In addition to monthly target/actual comparisons in the income statement, the results from the self-assessments that have been conducted and the entries in the incident reporting database are taken into account.

Reporting

The Administrative Committee established by the Board of Supervisory Directors discusses Rentenbank's income planning. The Board of Managing Directors as well as the Accounting and Audit Committee and, since January 1, 2014, the Risk Committee of the Board of Supervisory Directors are informed on a quarterly basis whether significant incidents have occurred or material risks were identified in the self-assessments.

Current risk situation

As may be seen from the figures in the revenue plan, these risks are seen as manageable as no scenario endangers risk-bearing capacity.

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

Risk-bearing capacity – going concern approach

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

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

The going concern approach assumes that business operations of the company will be continued. After deducting regulatory capital requirements of currently 4 % (Tier 1 capital ratio) and 8 % (total capital ratio) as of December 31, 2013 and the regulatory adjustment items related to risk covering potential, sufficient capital components must be available to cover the risks from the stress scenarios, which are defined using conservative parameters (probability of occurrence of 99 %).

Risk covering potential

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

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

	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Available operating result	240.0	240.0
Retained earnings (pro rata)	74.0	74.0
Risk covering potential 1	**314.0**	**314.0**
Retained earnings (pro rata)	1854.0	1978.8
Own credit risk	0.0	–16.8
Revaluation reserve	46.5	–179.6
Undisclosed liabilities from securities	–6.1	–8.1
Risk covering potential 2	**2 208.4**	**2 088.3**
Retained earnings (pro rata)	1 071.5	500.0
Subscribed capital	135.0	135.0
Subordinated liabilities	–	924.4
Risk covering potential 3	**3 414.9**	**3 647.7**

The operating result available in the amount of € 240 million (2012: € 240 million) can be derived from the planned result under IFRS. Subordinated liabilities are no longer included in risk covering potential since December 31, 2013.

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

	Dec. 31, 2013		Dec. 31, 2012	
	€ million	%	€ million	%
Credit risk	260.0	82.8	260.0	82.8
Market price risk	19.0	6.1	19.0	6.1
Operational risk	35.0	11.1	35.0	11.1
Overall risk exposure	**314.0**	**100.0**	**314.0**	**100.0**
Risk covering potential 1	**314.0**	**100.0**	**314.0**	**100.0**

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

Risk scenarios

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

Standard scenarios

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

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

	Standard scenarios			
	Dec. 31, 2013		Dec. 31, 2012	
	€ million	%	€ million	%
Credit risk	70.4	66.9	89.0	69.9
Market price risk	5.2	4.9	6.7	5.3
Operational risk	29.7	28.2	31.5	24.8
Overall risk exposure	**105.3**	**100.0**	**127.2**	**100.0**
Risk covering potential 1	**314.0**		**314.0**	
Utilization		**33.5**		**40.5**

In order to take sector-related concentration risks into account, a lump sum risk buffer of € 50 million is included in the scenarios for credit risk. The decrease in the amount taken into account for credit risk compared to the previous year is attributable to amounts maturing in the lower rating categories and the credit rating improvements of single business partners from the banking sector.

Stress scenarios

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

The stress scenarios for market price risks include a parallel shift of the yield curves, a widening of the EONIA deposit spreads, a change of the cost for swaps of flows of interest payments between different interest bases in the same currency, and a change in the cost for swaps of payment flows between various currencies as well as a change in credit spreads.

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

A probability of occurrence 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 the risk covering potential 2. Correlation effects are taken into account when aggregating individual risks within the market price risk, in particular in the case of 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 scenarios			
	Dec. 31, 2013		Dec. 31, 2012	
	€ million	%	€ million	%
Credit risk	176.6	34.2	242.0	36.5
Market price risk	7.7	1.5	8.1	1.2
Market price risk (spread risk)	272.4	52.8	349.5	52.8
Operational risk	59.4	11.5	63.1	9.5
Overall risk exposure	**516.1**	**100.0**	**662.7**	**100.0**
Risk covering potential 2	**2 208.4**		**2 088.3**	
Utilization		**23.4**		**31.7**

Going concern approach

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

After fulfilling the regulatory prescribed minimum capital ratios of currently 4 % (Tier 1 capital ratio) and 8 % (total capital ratios), the risk covering potential 2 available as of the reporting date was sufficient to cover risk exposures under the stress scenarios. This also applies to the internal early warning threshold of 14 % for the Tier 1 capital ratio, as determined by Rentenbank.

Under the 3-year-planning assumptions of December 31, 2013, there is sufficient capital available to also cover the stress scenarios under the going concern approach after meeting the regulatory capital ratios.

Risk-bearing capacity – gone concern approach

Risk-bearing capacity is monitored using the gone concern approach as an additional management item.

Creditor protection is the primary focus under the gone concern approach. Therefore, all undisclosed reserves and liabilities are taken into account in the risk covering potential. Therefore the risk covering potential must be sufficient to cover the effects from the more conservative stress scenarios. Gone Concern and/or worst-case scenarios are simulated for credit, market price and operational risks with a probability of occurrence of 99.99%. The scenarios are quantified using strict risk measures and parameters based on rare loss events.

The worst-case 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 the higher probability of occurrence of 99.99 % using the same assumptions as under the stress scenarios. As regards operational risk, we assume a number of incidents that is four times as high under the gone concern scenario as under the standard scenario.

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

The potential loss calculated under the worst-case or gone concern scenarios, as applicable, should not exceed risk covering potential. This management item primarily serves to observe and critically reflect results.

Risk-bearing capacity was maintained at all times during 2013 and 2012 under the gone concern approach.

Inverse stress tests and economic downturn

Credit, market price, liquidity, and operational risks were also subjected to an inverse stress test. The starting point is a maximum loss to be borne, derived from the Group‘s risk covering potential. The scenarios assumed have a low probability of occurrence.

The effects of an economic downturn on risk-bearing capacity are assessed as well. The Group’s risk-bearing capacity likewise was not at risk under this scenario during 2013 and 2012.

Regulatory own funds

The Group‘s regulatory own funds as of December 31, 2013, amount to € 3 962.5 million (2012: € 3 758.4 million) before the approval of appropriation of net income. The Group notified to Deutsche Bundesbank and BaFin about the exemption of the solvency and large exposures reporting requirements pursuant to Sections 10, 13 and 13a KWG on single-entity level – in accordance with the waiver requirements set out in Section 2a (6) KWG – from September 30, 2013. On the reporting date, the total capital ratio calculated in accordance with Section 10 (1) KWG on the basis of the German Solvency Regulation stood at 29.3 % (2012: 28.2 %) and the core capital ratio at 23.9 % (2012: 21.8 %) exceeded the legal minimum requirements to a considerable extent.

Financial reporting process

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

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

The consolidated financial statements of Rentenbank are prepared in accordance with all International

Financial Reporting Standards (IFRS) required 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). Rentenbank prepares its financial statements in accordance with the HGB and the German Accounting Directive for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV).

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

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

There is a clear separation of functions of 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 are transmitted to the general ledgers via automated interfaces. The Finance division is responsible for accounting, the definition of account allocation rules, methodology for booking transactions, parameterization of the accounting software, and the administration of the financial accounting system.

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

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

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

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

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

Consolidated financial statements

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2013

1) Income statement	Notes	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million
Interest income		3 678.3	3 959.5
Interest expense		3 344.6	3 593.6
Net interest income	26	**333.7**	**365.9**
Allowance for credit losses/promotional contribution	27	34.5	20.7
thereof additions to promotional contribution		*81.6*	*74.9*
thereof utilization of promotional contribution		*58.7*	*54.1*
Net interest income after allowance for credit losses/ promotional contribution		**299.2**	**345.2**
Fee and commission income		0.2	0.3
Fee and commission expenses		1.9	2.5
Net fee and commission income	28	**–1.7**	**–2.2**
Net result from financial assets	29	0.0	3.1
Administrative expenses	30	55.2	48.9
Other operating result	31	–4.1	2.0
Result from fair value measurement and from hedge accounting	32	221.2	–55.7
Net result from taxes	33	0.6	0.3
Group's net income for the year		**460.0**	**243.8**
2) Other comprehensive income			
Items that may be reclassified to profit or loss in certain circumstances:			
Result from available-for-sale instruments	57	250.4	583.8
Items that will not be reclassified to profit or loss:			
Actuarial gains/losses from pension obligations	53	–5.8	–18.0
Other comprehensive income		**244.6**	**565.8**
3) Group's total comprehensive income		**704.6**	**809.6**

For informational purposes: Reconciliation to distributable profit

	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million
Group's net income for the year	460.0	243.8
Transfers from retained earnings		
a) from guarantee reserve pursuant to Section 2 (3) of Rentenbank's Governing Law	48.5	21.8
b) from other retained earnings	0.0	0.0
Transfers to retained earnings		
a) to principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law	88.3	60.1
b) to other retained earnings	406.9	192.7
Distributable profit	**13.3**	**12.8**

Consolidated balance sheet as of December 31, 2013

Assets	Notes	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Cash and balances with central banks	36	32.5	204.4
Loans and advances to banks	37	49 750.9	51 164.0
thereof promotional contribution	*39*	*–310.8*	*–291.1*
Loans and advances to customers	38	5 570.6	4 652.4
thereof promotional contribution	*39*	*–0.1*	*–0.1*
Fair value changes of hedged items in a portfolio hedge	40	677.3	1 210.7
Positive fair values of derivative financial instruments	41	3 236.1	7 486.4
Financial assets	42	20 894.4	22 588.7
Investment property	43	15.4	15.9
Property and equipment	44	22.3	22.5
Intangible assets	45	15.9	14.9
Current income tax assets	46	1.9	1.1
Deferred tax assets	47	1.5	0.9
Other assets	48	1 713.6	1 035.6
Total assets		**81 932.4**	**88 397.5**

Liabilities and equity	Notes	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Liabilities to banks	49	5 549.9	2 868.0
Liabilities to customers	50	5 148.8	5 802.6
Securitized liabilities	51	60 860.9	66 632.3
Negative fair values of derivative financial instruments	52	5 796.6	5 832.2
Provisions	53	131.6	122.4
Subordinated liabilities	54	686.8	924.4
Deferred tax liabilities	55	0.0	0.2
Other liabilities	56	563.5	3 712.9
Equity	57	3 194.3	2 502.5
Subscribed capital		*135.0*	*135.0*
Retained earnings		*2 999.5*	*2 552.8*
Revaluation reserve		*46.5*	*–198.1*
Distributable profit		*13.3*	*12.8*
Total liabilities and equity		**81 932.4**	**88 397.5**

Consolidated statement of changes in equity

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

€ million	Subscribed capital	Retained earnings	Revaluation reserve	Distributable profit	Total equity
Jan. 1, 2012	**135.0**	**2 321.8**	**–763.9**	**12.3**	**1 705.2**
Group’s net income for the year		231.0		12.8	243.8
Unrealized gains/losses from available-for-sale instruments			583.8		583.8
Actuarial gains/losses from pension obligations			–18.0		–18.0
Group’s total comprehensive income	**0.0**	**231.0**	**565.8**	**12.8**	**809.6**
Appropriation of distributable profit				–12.3	–12.3
Dec. 31, 2012	**135.0**	**2 552.8**	**–198.1**	**12.8**	**2 502.5**

Consolidated cash flow statement

	Notes	2013 € million	2012 € million
Group's net income for the year		**460.0**	**243.8**
Non-cash items included in Group's net income for the year and reconciliation to cash flow from operating activities:			
Depreciation and allowance of intangible assets, property and equipment, and investment property	30	4.6	2.2
Allowance for credit losses/promotional contribution	27	33.9	20.8
Addition to/reversal of provisions	53	16.0	11.9
Gains/losses from the disposal of property and equipment		0.2	0.0
Gains from the disposal of financial assets	29	0.0	–3.1
Change in other non-cash items		–0.8	–0.3
Result from fair value measurement and from hedge accounting	32	–221.2	55.7
Net interest income	26	–333.7	–365.9
Subtotal		**–41.0**	**–34.9**
Changes in assets and liabilities after adjustment of non-cash items:			
Loans and advances to banks	37	1 382.4	198.6
Loans and advances to customers	38	–918.3	–1 798.5
Positive fair values of derivative financial instruments	41	4 250.3	361.2
Financial assets	42	154.6	–963.9
Other assets		–145.4	–1 015.7
Liabilities to banks	49	2 681.9	–239.5
Liabilities to customers	50	–653.8	–345.0
Securitized liabilities	51	–5 771.4	–1 529.5
Negative fair values of derivative financial instruments	52	–35.6	1 569.7
Other liabilities		–3 032.2	–179.2
Interest received	26	3 673.9	3 956.7
Dividends received	26	4.4	2.8
Interest paid	26	–3 344.6	–3 593.6
Measurement adjustments		221.2	–55.7
Cash flow from operating activities		**–1 573.6**	**–3 666.5**
Proceeds from the repayment/disposal of:			
Financial assets	42	3 633.3	5 281.6
Property and equipment	44	0.8	0.0
Payments for the acquisition of:			
Financial assets	42	–2 093.6	–2 165.6
Intangible assets and property and equipment	44, 45	–5.9	–11.4
Cash flow from investing activities		**1 534.6**	**3 104.6**
Subordinated liabilities	54	–120.1	0.0
Appropriation of distributable profit pursuant to Section 9 of Rentenbank's Governing Law		–12.8	–12.3
Cash flow from financing activities		**–132.9**	**–12.3**
Cash and cash equivalents at beginning of period		**204.4**	**778.6**
Cash flow from operating activities		–1 573.6	–3 666.5
Cash flow from investing activities		1 534.6	3 104.6
Cash flow from financing activities		–132.9	–12.3
Effect of exchange rate changes		0.0	0.0
Cash and cash equivalents at end of period		**32.5**	**204.4**

The consolidated cash flow statement shows the changes in cash and cash equivalents for fiscal years 2013 and 2012 from operating, investing and financing activities. Cash and cash equivalents correspond to the balance sheet item ‘cash and balances with central banks.’

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

The Group’s liquidity management 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 combined management report.

Notes to the consolidated financial statements

Notes to the balance sheet ... 80

Notes to financial instruments ... 90

Other disclosures ... 97

Additional disclosures pursuant to the German Commercial Code (HGB) ... 103

Accounting principles

The consolidated financial statements of Rentenbank were prepared in accordance with all International Financial Reporting Standards (IFRS) required to be applied in the European Union (EU) for fiscal year 2013 and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB). They are based on Regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 and the regulations by way of which the IFRS were endorsed by the EU. The IFRS encompass the individual standards designated as IFRS as well as the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC).

The consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements. In addition, a combined management report has been prepared, comprising the group management report and the management report of Landwirtschaftliche Rentenbank (Rentenbank). The consolidated financial statements and the combined management report were prepared by the Board of Managing Directors of Rentenbank. The consolidated financial statements are authorized for publication upon the expected adoption of the consolidated financial statements and the combined management report by the Board of Supervisory Directors on March 27, 2014.

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

The required information on credit, liquidity, and market price risks resulting from financial instruments in accordance with IFRS 7.31-42 are generally presented in the combined management report.

The disclosure requirements pursuant to 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 combined management report and in the notes to the consolidated financial statements starting from Note (63).

Application of new or amended standards and interpretations

In the following, we describe, as required, standards and interpretations as well as amendments to these that were required to be applied by Rentenbank for the first time in fiscal year 2013:

Standard/ interpretation	**Title**	**Required to be applied in the EU for fiscal years beginning on or after**
IAS 1 (amended)	Presentation of items of other comprehensive income	July 1, 2012
IAS 12 (amended)	Income taxes – Deferred tax: recovery of underlying assets	January 1, 2013
IAS 19 (amended)	Employee benefits	January 1, 2013
IFRS 1 (amended)	First-time adoption • Severe hyperinflation • Removal of fixed dates for first-time adopters • Government loans	January 1, 2013
IFRS 7 (amended)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	January 1, 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013
Various	Annual Improvements to IFRS 2009 – 2011 Cycle	January 1, 2013

The amendments to IAS 1 regarding the presentation of items of other comprehensive income are required to be applied for fiscal years beginning on or after July 1, 2012. They did not have an impact on the amount of the assets, liabilities, and results presented in the consolidated financial statements. Items presented in other comprehensive income are merely classified into items that may be reclassified to the income statement if certain criteria are met, and items that will not be reclassified to the income statement.

The revised IAS 19 is required to be applied for fiscal years beginning on or after January 1, 2013. In line with transitional provisions, the amendments to IAS 19 were implemented retrospectively.

Accordingly, the so-called corridor approach – pursuant to which actuarial gains or losses are not recognized until they exceed 10 % of actual pension obligations – is eliminated. In the future, actuarial gains or losses are recognized directly upon occurence in equity through other comprehensive income. 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 and a sensitivity analysis for all significant actuarial assumptions that shows the influence on the pension obligation.

The application of IAS 19 affects the following items of the consolidated financial statements:

Consolidated balance sheet:	Dec. 31, 2013 € million	Adjustment € million	Dec. 31, 2012 € million	Adjustment € million
Provisions	131.0	23.7	122.4	18.5
Equity:				
Revaluation reserve	46.5	–24.3	–198.1	–18.5

Consolidated statement of comprehensive income:	Dec. 31, 2013 € million	Adjustment € million	Dec. 31, 2012 € million	Adjustment € million
1) Income statement				
Administrative expenses	55.2	–0.6	48.9	0.0
2) Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Actuarial gains/losses from pension obligations	–5.8	–5.8	–18.0	–18.0

IFRS 13 was already applied by Rentenbank in the previous year. The effects on assets, liabilities and results are shown in the consolidated financial statements as of December 31, 2012.

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

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

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

The new and amended standards will presumably have no effect on the consolidated financial statements. The related provisions and standards issued by the standard setter as of December 31, 2013, but not yet endorsed by the EU, are not applied early.

Accounting policies

(1) General disclosures

Accounting and measurement were based on the going concern assumption. Accounting policies were applied consistently and uniformly to the reporting periods presented, unless otherwise indicated.

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

(2) Accounting estimates and judgments

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

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

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

(3) Scope of consolidation

The consolidated financial statements of Rentenbank for fiscal year 2013 include Rentenbank as the Group's parent company and its two subsidiaries, LR Beteiligungsgesellschaft mbH (LRB), Frankfurt/Main, and DSV Silo- und Verwaltungsgesellschaft mbH (DSV), Frankfurt/Main. A detailed list of Rentenbank's shareholdings is included in Note (67).

Two companies (Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main) were not included in the consolidated financial statements as subsidiary or associate, respectively, due to their minor significance for the assessment of the Group's financial position and results of operations. The equity holdings in these companies are reported as financial assets. Based on the data from the financial statements of these two companies, their share in the Group's total assets and in the Group's net income for the year amounted to less than 1 % each. These data are based on the financial statements for the period ending December 31, 2013 for Getreide-Import-Gesellschaft mbH (GiG), Frankfurt/Main, and on the financial statements for the period ending December 31, 2012 for Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH (DGL), Frankfurt/Main. The financial statements of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH for the fiscal year 2013 were not available, but will presumably deviate only insignificantly from the previous year.

(4) Consolidation principles

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

As of December 31, 2013, total assets of LRB and DSV according to the financial statements prepared in accordance with German commercial law amounted to € 222.1 million (2012: € 220.5 million) and € 13.8 million (2012: € 14.5 million), respectively.

(5) Financial instruments

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

Financial instruments are measured at fair value, which usually equals the sales or purchase price when recorded. Subsequent measurement of financial assets and liabilities depends on the classification in accordance with IAS 39.

Categories of financial instruments

Financial assets/liabilities at fair value through profit or loss

This category comprises two sub-categories:

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

The 'held for trading' sub-category includes all derivatives as well as financial assets or liabilities entered into for the purpose of selling them in the near term. In the Group, only derivatives, including embedded derivatives required to be separated, are allocated to this sub-category. Derivatives are exclusively entered into 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 exercised in the following circumstances:

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

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

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

Loans and receivables

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

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

This category does not include the following:

- Financial assets held for trading as well as financial assets for which the fair value option was used

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

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

Held to maturity

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

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

This category does not include the following:

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

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

Available for sale

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

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

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

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

Other liabilities

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

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

Overview of classes of financial instruments used within the Group

Financial assets

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

Overview of classes of financial instruments used within the Group

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

Reclassification of financial assets

In accordance with IAS 39, non-derivative financial assets that were originally purchased for trading purposes and which are no longer intended for sale in the near term may only be reclassified from the 'held for trading' category under extraordinary circumstances. Financial assets that would have met the definition of loans and receivables upon initial recognition (e.g. promissory note loans) may be reclassified from the categories 'held for trading' and 'available for sale' if the reporting entity has the intention and ability to hold such financial assets for the foreseeable future or until maturity.

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

(6) Determination of the fair value for financial instruments

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

It is determined using various valuation techniques. The inputs used are assigned to one of the following three levels pursuant to IFRS 13:

- Level 1: quoted prices in active markets for identical assets and 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 for similar assets or liabilities in active markets (Level 2)
- Quoted prices for identical or similar assets or liabilities in markets that are not active (Level 2)
- Generally accepted valuation models that are based on largely observable (Level 2) or largely unobservable (Level 3) inputs for the asset or liability concerned

Quoted prices are obtained from pricing services. The documentation and information concerning the price determination provided by the pricing services are used to allocate quoted prices to the hierarchy levels. If no quoted prices are available, the fair value of non-option contracts is determined on the basis of the discounted expected future cash flows (discounted cash flow (DCF) method).

In the case of non-derivative financial assets and liabilities, the deposit/swap curve plus a transaction-specific credit spread is used for discounting. Credit spreads are distinguished according to rating, maturity, currency, and degree of collateralization. The credit quality of the Federal Republic of Germany is taken into account in the credit spreads for Rentenbank's own financial liabilities by way of the institutional liability. 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 OIS (Overnight Interest Rate Swap) curve as well as on so-called basis swap spreads and cross-currency (CCY) basis swap spreads. They are obtained from an external market data provider, differentiated according to maturity and currency. The switch from the EONIA swap curve or deposit/swap curve to the OIS curve resulted in a € 12.7 million one-off reduction reported in the result from fair value measurement and from hedge accounting for the reporting year.

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

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

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

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

The inputs used in the 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

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

The IFRS permit these economic hedging relationships to be accounted for under hedge accounting rules. If these very restrictive requirements for hedge accounting cannot be met on a permanent basis, the hedged items are allocated by Rentenbank to the ‘designated as at fair value’ category.

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

Fair value hedges are used within the Group only to hedge interest rate risks in the financial statements. The changes in the fair value of the hedged item attributable to the hedged interest rate risk are recognized in profit or loss, irrespective of the category used. The changes in the fair value of the derivatives recognized in profit or loss are 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) due to the small volume per transaction.

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

Micro hedges involve one or more similar hedged items forming a hedging relationship with one or more derivative hedging instruments. Ex-ante effectiveness is assumed from the beginning of the hedging period if the material features of the hedging derivative were in line with those of the hedged item (critical terms match). Ex-post effectiveness as well as ex-ante 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, which is conducted bi-annually, is based on data from the preceding six months. In the case of effective hedges, the carrying amount of the hedged items is adjusted to reflect the change in the fair value attributable to interest rate changes and, together with the changes in the fair value of the hedging instrument, recognized in the result from fair value measurement and from hedge accounting.

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

Items hedged within the context of portfolio-based fair value hedges **(macro hedges)** are allocated to a quarterly 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. Generally the hedging period is one month. If the new business within a particular time band exceeds a certain volume during the hedging period, the hedging relationship may be discontinued early for this time band and may be re-defined.

In contrast to the method used for micro hedges, the ex-ante effectiveness for macro hedges is determined on the basis of a sensitivity analysis involving a parallel shift of the relevant interest rate curve by 100 basis points. Ex-post effectiveness is assessed 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 the income statement in the result from fair value measurement and from hedge accounting together with the offsetting changes in the fair value of the hedging instruments at the end of the hedging period. In contrast to the method used for micro hedge accounting, the carrying amount of the individual hedged items is not adjusted. Instead, the adjustment to the carrying amount of the hedged items is reported in the separate balance sheet item 'fair value changes of hedged items in a portfolio hedge.' This is amortized over the term of the relevant 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.

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

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

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

(9) Impairment of financial assets

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

- Internal credit rating as 'non-investment grade'
- Non-performing, forborn or restructured exposures
- Significant downgrade of the business partner's credit quality
- Significant downgrade of the credit quality of the business partner's country of domicile

The assessment of the materiality aspect of a downgrade and the criteria for the credit rating are subject to judgment. The criteria for monitoring credit risks and for credit rating are set out in detail in the combined management report.

A separate impairment review is not performed for financial assets of the 'designated as at fair value' category as these securities are measured at fair value, and accordingly any impairment losses are already taken into account in the fair value and recognized in profit or loss.

Loans and advances and financial assets 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 which take into account the financial condition of the counterparty as well as the liquidation of collateral and further 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 floating-rate loans, advances and securities and the current market yield of a comparable financial asset for equity holdings measured at cost. The valuation allowance determined using this method is recognized in the income statement in the item 'allowance for credit losses/promotional contribution' for loans and advances and in the item 'net result from financial assets' for securities belonging to the 'held to maturity' category and for equity holdings.

In accordance with IFRS, impairments resulting from payment defaults are only determined for losses already incurred. Since the Group generally extends loans almost exclusively to other banks, any potential losses are identified in a timely manner. To account for any existing residual risk of not having identified losses already incurred, Rentenbank recognizes for the first time as of the balance sheet date a portfolio valuation allowance based on a model for the presentation of expected losses for loans and advances measured at (amortized) cost. In this context, a distinction is made between portfolios for banks, companies, and governments. The portfolios' carrying amounts are weighted using probabilities of default and recovery rates, based on ratings. Since there is no statistically relevant number of defaults within the Group, probabilities of default are determined based on external data provided by rating agencies, while recovery rates are taken from regulatory stipulations. The change of the estimation regarding unidentified losses compared to the previous year resulted in the recognition of a portfolio valuation allowance in the amount of € 11.7 million, which was recorded in the income statement under the item 'Allowance for credit losses/promotional contribution.'

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

If objective evidence suggests that financial assets are impaired, such impairment is calculated as the difference between amortized cost and the current fair value. The loss calculated in this manner is recognized as an adjustment to the revaluation reserve in the net result from financial assets.

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

(10) Currency translation

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

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

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

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

In addition to collateralized loans with Deutsche Bundesbank, secured term and overnight deposits are taken out from or granted to Eurex Clearing AG (see Note (65)).

(12) Accounting for leases

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

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

(13) Allowance for credit losses/promotional contribution

The item 'allowance for credit losses/promotional contribution' in the consolidated statement of comprehensive income primarily includes the discounted promotional expenses of the special promotional loans as well as their utilization over the remaining term. The promotional expenses represent the difference between the interest rate of the special promotional loan granted at a reduced rate of interest and the funding rate at the date of the loan commitment, plus an administrative cost rate.

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

(14) Non-current assets held for sale

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

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

(15) Investment property

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

(16) Property and equipment

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

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

Low-value assets are immediately recognized as expenses.

All depreciation amounts are recorded in administrative expenses.

(17) Intangible assets

Intangible assets include purchased and internally generated software.

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

(18) Impairment of non-financial assets

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

(19) Other assets

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

(20) Tax receivables/liabilities

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

(21) Provisions for pensions and similar obligations

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

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

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

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

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

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

(22) Other provisions

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

(23) Other liabilities

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

(24) Equity

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

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

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

(25) Contingent liabilities and other commitments

Contingent liabilities arise from past events that either

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

These obligations are not accounted for as liabilities in accordance with IAS 37.27. Contingent liabilities are disclosed in Note (66).

Notes to the consolidated statement of comprehensive income

(26) Net interest income

	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
Interest income from			
Loans and advances to banks and customers	1 309.9	1 421.5	–111.6
Derivative financial instruments	1 772.9	1 830.6	–57.7
Financial assets	591.1	704.6	–113.5
Current income from			
Equity holdings	4.4	2.8	1.6
Total interest income	**3 678.3**	**3 959.5**	**–281.2**
thereof from financial instruments that are not measured at fair value through profit or loss	*1 774.0*	*1 850.3*	*–76.3*
Interest expenses for			
Liabilities to banks and customers	239.6	291.7	–52.1
Securitized liabilities	1 608.7	2 046.2	–437.5
Derivative financial instruments	1 476.0	1 221.4	254.6
Subordinated liabilities	19.4	24.7	–5.3
Other	0.9	9.6	–8.7
Total interest expenses	**3 344.6**	**3 593.6**	**–249.0**
thereof from financial instruments that are not measured at fair value through profit or loss	*543.4*	*645.2*	*–101.8*
Net interest income	**333.7**	**365.9**	**–32.2**

(27) Allowance for credit losses/ promotional contribution

	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
Expenses for additions to promotional contribution	81.6	74.9	6.7
Income from the utilization of promotional contribution	58.7	54.1	4.6
Additions to portfolio valuation allowances	11.7	0.0	11.7
Reversal of specific valuation allowances	0.1	0.0	0.1
Recoveries on loans and advances previously written off	0.0	0.1	–0.1
Allowance for credit losses/promotional contribution	**34.5**	**20.7**	**13.8**

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

(28) Net fee and commission income

	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € 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	0.0	0.1	–0.1
Total fee and commission income	**0.2**	**0.3**	**–0.1**
thereof from financial instruments that are not measured at fair value through profit or loss	*0.2*	*0.2*	*0.0*
Fee and commission expenses for			
Custody fees	1.6	2.2	–0.6
Other	0.3	0.3	0.0
Total fee and commission expenses	**1.9**	**2.5**	**–0.6**
thereof from financial instruments that are not measured at fair value through profit or loss	*1.4*	*1.7*	*–0.3*
Net fee and commission income	**–1.7**	**–2.2**	**0.5**

(29) Net result from financial assets

	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
Gains from the disposal of securities	0.0	3.1	–3.1
Net result from financial assets	**0.0**	**3.1**	**–3.1**

(30) Administrative expenses

	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
Personnel expenses	**32.0**	**31.1**	**0.9**
Depreciation and amortization			
Intangible assets	3.4	0.8	2.6
thereof internally generated software	*0.1*	*0.2*	*–0.1*
IT equipment	0.5	0.5	0.0
Residential and office buildings	0.5	0.5	0.0
Office equipment and vehicles	0.1	0.3	–0.2
Technical and other equipment	0.1	0.1	0.0
Total depreciation and amortization	**4.6**	**2.2**	**2.4**
Other administrative expenses			
IT licenses, fees, consulting services	6.4	6.8	–0.4
Software maintenance	3.5	1.0	2.5
Public relations	2.2	2.1	0.1
Audits, contributions, donations	1.9	1.8	0.1
Funding	1.6	1.4	0.2
Occupancy cost	1.2	1.0	0.2
Miscellaneous	1.8	1.5	0.3
Total other administrative expenses	**18.6**	**15.6**	**3.0**
Administrative expenses	**55.2**	**48.9**	**6.3**

Miscellaneous administrative expenses include lease expenses in the amount of € 137.6 thousand (2012: € 83.9 thousand). Future lease payments can be broken down as follows:

	Jan. 1 to Dec. 31, 2013 € thousand	Jan. 1 to Dec. 31, 2012 € thousand	Change in € thousand
Future lease payments			
up to 1 year	98.2	76.9	21.3
more than 1 year up to 5 years	196.0	95.3	100.7
more than 5 years	0.0	0.0	0.0

The payments relate to minimum lease payments (fixed lease payments). There were no restrictions imposed by lease arrangements. As of year-end, the Group had 15 (2012: 11) lease agreements, none of which has a renewal option to extend the lease term by one year (2012: 6).

(31) Other operating result	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
Other operating income			
Rental income	1.8	1.8	0.0
Reversal of provisions/liabilities	0.8	2.4	–1.6
Reimbursements of costs	0.3	0.5	–0.2
Other income	0.9	0.4	0.5
Total other operating income	**3.8**	**5.1**	**–1.3**
Other operating expenses			
Increase of capital contribution to Edmund Rehwinkel Foundation	3.0	2.0	1.0
Promotion of research and innovation	3.0	0.0	3.0
Bank-owned housing	0.6	0.4	0.2
Other expenses	1.3	0.7	0.6
Total other operating expenses	**7.9**	**3.1**	**4.8**
Other operating result	**–4.1**	**2.0**	**–6.1**

(32) Result from fair value measurement and from hedge accounting	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
Fair value measurement			
Hedged items	693.7	–368.9	1 062.6
Derivatives	–535.0	556.5	–1 091.5
Result from currency translation	32.8	2.0	30.8
Fair value measurement, total	**191.5**	**189.6**	**1.9**
Micro hedge accounting			
Hedged items	–163.8	89.4	–253.2
Hedging instruments	174.2	–85.9	260.1
Micro hedge accounting, total	**10.4**	**3.5**	**6.9**
Macro hedge accounting			
Hedged items	–327.7	438.2	–765.9
Hedging instruments	347.0	–687.0	1 034.0
Macro hedge accounting, total	**19.3**	**–248.8**	**268.1**
Result from fair value measurement and from hedge accounting	**221.2**	**–55.7**	**276.9**

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

The result from fair value measurement and from hedge accounting also includes the changes in the fair value of hedged items in effective hedging relationships attributable to changes in the OIS curve. After the reversal of hedging relationships in the balance sheet in the case of ineffectiveness, the previously recorded fair value changes of the hedged items attributable to interest rate changes are amortized over the remaining 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, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
Deferred taxes on tax loss carryforwards	0.4	0.4	0.0
Deferred taxes on temporary differences	0.4	−0.1	0.5
Current income taxes	−0.2	0.0	−0.2
Net result from taxes	**0.6**	**0.3**	**0.3**

Segment reporting

(34) Comments on segment reporting

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

- Promotional Business:
  This segment shows the promotional business and funding activities other than capital investment transactions. The Promotional Business segment includes the earnings of Rentenbank and of all subsidiaries, including those of their equity holdings.

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

- Treasury Management:
  This segment shows the results of the Group's liquidity protection and management as well as its short-term interest rate management. Transactions made in this segment have a fixed-interest period of up to one year (e. g. overnight and term deposits, Euro Commercial Paper (ECP), 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 spread-based management approach of Rentenbank. Segment assets and liabilities relate to transactions from third parties. Accordingly, segment results are generated exclusively from external counterparties. No intra-group transactions have been entered into between the segments. There are no material differences between internal reporting and financial reporting under IFRS. Due to the lack of intra-group transactions and due to the agreement between internal reporting lines and external financial reporting, we have not presented any further reconciliation statements.

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

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

(35) Segments

	Promotional Business		Capital Investment		Treasury Management		Total	
Jan. 1 to Dec. 31	2013 € million	2012 € million	2013 € million	2012 € million	2013 € million	2012 € million	2013 € million	2012 € million
Net interest income before allowance for credit losses/ promotional contribution	184.5	194.5	118.1	114.2	31.1	57.2	333.7	365.9
Allowance for credit losses/ promotional contribution	34.5	20.7	0.0	0.0	0.0	0.0	34.5	20.7
Net fee and commission income	−1.7	−2.1	0.0	0.0	0.0	−0.1	−1.7	−2.2
Net result from financial assets	0.0	3.1	0.0	0.0	0.0	0.0	0.0	3.1
Administrative expenses	42.2	37.0	8.0	7.0	5.0	4.9	55.2	48.9
Other operating result	−4.1	2.0	0.0	0.0	0.0	0.0	−4.1	2.0
Net result from taxes	0.6	0.3	0.0	0.0	0.0	0.0	0.6	0.3
Operating result	**102.6**	**140.1**	**110.1**	**107.2**	**26.1**	**52.2**	**238.8**	**299.5**
Result from fair value measurement and from hedge accounting	224.6	−53.0	0.0	0.0	−3.4	−2.7	221.2	−55.7
Group's net income for the year	**327.2**	**87.1**	**110.1**	**107.2**	**22.7**	**49.5**	**460.0**	**243.8**
Dec. 31,	2013 € billion	2012 € billion	2013 € billion	2012 € billion	2013 € billion	2012 € billion	2013 € billion	2012 € billion
Segment assets	**71.3**	**75.5**	**3.7**	**3.1**	**6.9**	**9.8**	**81.9**	**88.4**
Segment liabilities (incl. equity)	**70.3**	**76.1**	**3.7**	**3.1**	**7.9**	**9.2**	**81.9**	**88.4**

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

Notes to the balance sheet

(36) Cash and balances with central banks	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Cash on hand	0.1	0.2	−0.1
Balances with central banks	32.4	204.2	−171.8
Total	**32.5**	**204.4**	**−171.9**

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, 2013 € million	Dec. 31, 2012 € million	Change in € million
Repayable on demand	304.4	808.4	–504.0
Term deposits	1 536.2	3 718.3	–2 182.1
Open market operations	0.0	800.1	–800.1
Promissory note loans/registered bonds	14 301.7	15 689.6	–1 387.9
Special promotional loans	33 307.1	29 661.1	3 646.0
thereof promotional contribution	*–310.8*	*–291.1*	*–19.7*
Global refinancing loans	201.6	385.9	–184.3
Other	99.9	100.6	–0.7
Total	**49 750.9**	**51 164.0**	**–1 413.1**
thereof: due after more than twelve months	*45 410.7*	*42 320.8*	*3 089.9*

(38) Loans and advances to customers

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Repayable on demand	0.1	0.2	–0.1
Medium and long-term loans	0.1	0.2	–0.1
Promissory note loans	5 232.0	4 241.3	990.7
thereof: loans to local authorities	*5 198.2*	*4 189.7*	*1 008.5*
Special promotional loans	336.9	409.1	–72.2
thereof promotional contribution	*–0.1*	*–0.1*	*0.0*
Other	1.5	1.6	–0.1
Total	**5 570.6**	**4 652.4**	**918.2**
thereof: due after more than twelve months	*3 526.0*	*4 232.4*	*–706.4*

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

	Promotional contribution		Specific valuation allowances		Portfolio valuation allowances	
	2013 € million	2012 € million	2013 € million	2012 € million	2013 € million	2012 € million
As of Jan. 1	308.1	287.3	0.1	0.1	0.0	0.0
Addition	81.6	74.9	0.0	0.0	11.7	0.0
Utilization	58.7	54.1	0.0	0.0	0.0	0.0
Reversals	0.0	0.0	0.1	0.0	0.0	0.0
As of Dec. 31	**331.0**	**308.1**	**0.0**	**0.1**	**11.7**	**0.0**
thereof						
Loans and advances to banks	310.8	291.1	0.0	0.0	11.0	0.0
Loans and advances to customers	0.1	0.1	0.0	0.1	0.1	0.0
Loan commitments	20.1	16.9	0.0	0.0	0.6	0.0
Total	**331.0**	**308.1**	**0.0**	**0.1**	**11.7**	**0.0**

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

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Fair value changes attributable to interest changes related to loans allocated to macro hedge accounting	677.3	1 210.7	–533.4
thereof: due after more than twelve months	*671.9*	*1 198.9*	*–527.0*

(41) Positive fair values of derivative financial instruments

Derivatives are classified as follows according to economic hedging relationships:

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
As hedging instruments for:			
Hedged items in hedge accounting (fair value hedge)	1 159.2	1 531.8	–372.6
Hedged items designated as at fair value	2 059.1	5 900.1	–3 841.0
Other hedged items	17.8	54.5	–36.7
Total	**3 236.1**	**7 486.4**	**–4 250.3**
thereof: due after more than twelve months	*2 493.6*	*5 652.6*	*–3 159.0*

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 assets

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Bonds	20 775.2	22 469.7	–1 694.5
Equity holdings	118.8	118.8	0.0
Other financial assets	0.4	0.2	0.2
Total	**20 894.4**	**22 588.7**	**–1 694.3**
thereof:			
due after more than twelve months	*17 645.0*	*18 574.4*	*–929.4*
qualified as collateral	*19 474.0*	*21 192.1*	*–1 718.1*

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, 2013.

(43) Investment property

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

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

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

Investment property changed as follows:

	2013 € million	2012 € million
Cost as of Jan. 1	**19.8**	**19.7**
Additions	0.0	0.1
Disposals	0.0	0.0
Accumulated depreciation	4.4	3.9
Depreciation	*0.5*	*0.5*
Carrying amount as of Dec. 31	**15.4**	**15.9**

The fair value of the property amounted to approx. € 18.8 million (2012: approx. € 18.5 million). It was determined on the basis of the income capitalization approach taking into account an independent valuation opinion.

Other operating income included rental income of € 0.9 million (2012: € 0.9 million). Expenditures directly attributable to the property in the amount of € 10.0 thousand (2012: € 7.3 thousand) as well as real property tax of € 35.9 thousand (2012: € 35.9 thousand) 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, Rentenbank owns housing for employees that is not classified as investment property in accordance with IAS 40.9 (c), but is subject to the requirements of IAS 16. Therefore, they are classified as property and equipment.

Property and equipment changed as follows:

	Land and buildings		Operating and office equipment		Total	
	2013 € million	2012 € million	2013 € million	2012 € million	2013 € million	2012 € million
Cost as of Jan. 1	**23.1**	**23.1**	**10.3**	**9.6**	**33.4**	**32.7**
Additions	0.0	0.0	1.5	1.3	1.5	1.3
Disposals	0.0	0.0	1.3	0.6	1.3	0.6
Accumulated depreciation	0.1	0.1	9.5	9.1	9.6	9.2
Depreciation	*0.0*	*0.0*	*0.7*	*0.9*	*0.7*	*0.9*
Accumulated impairment	1.7	1.7	0.0	0.0	1.7	1.7
Impairment	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Carrying amount as of Dec. 31	**21.3**	**21.3**	**1.0**	**1.2**	**22.3**	**22.5**

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 2013.

(45) Intangible assets

Intangible assets held within the Group comprise purchased and internally developed 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	
	2013 € million	2012 € million	2013 € million	2012 € million	2013 € million	2012 € million
Cost as of Jan. 1	**16.2**	**7.4**	**8.3**	**10.4**	**24.5**	**17.8**
Additions	4.4	9.6	0.0	0.5	4.4	10.1
Disposals	0.2	0.8	2.8	2.6	3.0	3.4
Accumulated amortization	5.1	2.0	4.9	7.6	10.0	9.6
Amortization	*3.3*	*0.6*	*0.1*	*0.2*	*3.4*	*0.8*
Carrying amount as of Dec. 31	**15.3**	**14.2**	**0.6**	**0.7**	**15.9**	**14.9**

(46) Current income tax assets

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Tax refund claims	1.5	0.6	0.9
Income tax assets	0.4	0.5	–0.1
Total	**1.9**	**1.1**	**0.8**

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

(47) Deferred tax assets

The Group's consolidated subsidiaries are subject to taxes. Rentenbank is exempt from corporation taxes in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (Körperschaftssteuergesetz, KStG) and municipal trade taxes in accordance with Section 3 No. 2 of the German Municipal Trade Tax Act (Gewerbesteuergesetz, GewStG). The calculation of deferred taxes was generally based on a corporate income tax rate (including solidarity surcharge) of 15.8 % (2012: 15.8 %) and a uniform municipal trade tax rate of 16.1 % (2012: 16.1 %).

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

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Deferred tax assets from			
tax loss carryforwards	1.3	0.9	0.4
temporary differences	0.2	0.0	0.2
Total	**1.5**	**0.9**	**0.6**

According to the most recent tax assessments as of December 31, 2012, tax loss carryforwards existed within the Group at DSV in an amount of € 51.3 million (2012: € 50.5 million), of which € 26.7 million (2012: € 26.3 million) related to corporation tax and € 24.6 million (2012: € 24.2 million) 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 € 73.1 million (2012: € 73.0 million), € 68.8 million (2012: € 67.7 million) of which related to corporation tax and € 4.3 million (2012: € 5.3 million) to municipal trade tax. The loss carryforwards of LRB primarily refer to the amortization of equity holdings up until fiscal year 1999.

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

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.

A deferred tax asset of € 162.2 thousand (2012: deferred tax liability of € 172.0 thousand) was recognized for the difference between the amounts reported for pension provisions in the tax accounts and the IFRS balance sheet in the amount of € –0.5 million (2012: € 0.5 million).

	Dec. 31, 2012 € million	Utilization € million	Additions € million	Dec. 31, 2013 € million
DSV				
Corporation tax	0.0	0.0	0.1	0.1
Municipal trade tax	0.0	0.0	0.1	0.1
DSV, total	**0.0**	**0.0**	**0.2**	**0.2**
LRB				
Corporation tax	0.0	0.0	0.0	0.0
Municipal trade tax	0.9	0.2	0.6	1.3
LRB, total	**0.9**	**0.2**	**0.6**	**1.3**
Total	**0.9**	**0.2**	**0.8**	**1.5**

(48) Other assets

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Cash collateral from collateral management (payable on demand)	1 711.3	1 033.5	677.8
Prepaid expenses	1.4	1.2	0.2
Other	0.9	0.9	0.0
Total	**1 713.6**	**1 035.6**	**678.0**

(49) Liabilities to banks

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Repayable on demand	0.0	1.0	–1.0
Term deposits	1 404.0	204.0	1 200.0
Open market operations	1 750.0	0.0	1 750.0
Registered bonds and promissory note loans	1 136.6	1 405.4	–268.8
Global loans	1 259.3	1 257.6	1.7
Total	**5 549.9**	**2 868.0**	**2 681.9**
thereof: due after more than twelve months	*2 279.2*	*2 274.1*	*5.1*

(50) Liabilities to customers

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Repayable on demand	104.7	67.6	37.1
Term deposits	303.5	39.4	264.1
Registered bonds and promissory note loans	4 679.1	5 592.9	–913.8
Loan agreements	36.8	47.4	–10.6
Other	24.7	55.3	–30.6
Total	**5 148.8**	**5 802.6**	**–653.8**
thereof: due after more than twelve months	*4 705.7*	*4 977.9*	*–272.2*

(51) Securitized liabilities

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Medium-term notes	46 256.8	48 946.3	–2 689.5
Global bonds	10 632.7	12 432.6	–1 799.9
Euro commercial papers	3 912.5	5 190.7	–1 278.2
Bearer bonds	58.9	61.6	–2.7
Covered Rentenbank bonds	0.0	1.1	–1.1
Total	**60 860.9**	**66 632.3**	**–5 771.4**
thereof: due after more than twelve months	*48 628.4*	*50 732.9*	*–2 104.5*

(52) Negative fair values of derivative financial instruments

Derivatives are classified as follows according to economic hedging relationships:

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
As hedging instruments for:			
Hedged items in hedge accounting (fair value hedge)	3 487.5	4 296.9	–809.4
Hedged items designated as at fair value	2 188.9	940.8	1 248.1
Other hedged items	120.2	594.5	–474.3
Total	**5 796.6**	**5 832.2**	**–35.6**
thereof: due after more than twelve months	*4 730.6*	*4 678.1*	*52.5*

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, 2012 € million	Utilization € million	Reversals € million	Additions € million	Dec. 31, 2013 € million
Pension provisions	110.0	5.6	0.1	12.2	116.5
Other provisions	12.4	1.2	0.3	4.2	15.1
Total	**122.4**	**6.8**	**0.4**	**16.4**	**131.6**

a) Provisions for pensions and similar obligations

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

	Jan. 1 to Dec. 31, 2013 € million	Jan. 1 to Dec. 31, 2012 € million	Change in € million
Present value of pension obligations as of Jan. 1	**110.0**	**91.3**	**18.7**
Current service cost	2.3	1.7	0.6
Interest cost	3.6	4.1	–0.5
Deferred compensation	0.4	0.5	–0.1
Actuarial gains (–)/losses (+) from changes in			
demographic assumptions	3.4	0.1	3.3
financial assumptions	2.4	17.9	–15.5
Pension benefits paid	–5.6	–5.6	0.0
Present value of pension obligations as of Dec. 31	**116.5**	**110.0**	**6.5**

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

Of the pension provisions, € 111.0 million (2012: € 104.6 million) were due after more than twelve months.

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

	Dec. 31, 2013	Dec. 31, 2012
Discount rate	3.25 %	3.40 %
Future salary increases		
Increase based on collective wage agreement	2.25 %	2.25 %
Career trend until the age of 45	1.00 %	1.00 %
Future pension increases	2.00 %	2.00 %
Rate of inflation	2.00 %	2.00 %
Staff turnover rate	2.00 %	2.00 %

The sensitivity analysis shows how changes in the significant measurement assumptions would have impacted pension obligations as of December 31, 2013:

Measurement parameters

	Sensitivity	Effect on pension obligations Dec. 31, 2013 € million
Discount rate	0.50 %	−7.6
	−0.50 %	8.5
Salary increases	0.50 %	7.5
	−0.50 %	−6.8
Rate of inflation/future pension increases	0.25 %	1.2
	−0.25 %	−1.2
Life expectancy	+ 1 year	6.4
	−1 year	−6.5

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

	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Expected benefit payments during the year		
2014	5.6	5.4
2015	5.6	5.4
2016	5.7	5.5
2017	5.8	5.6
2018	5.9	5.7
2019 bis 2023 (2022)	29.5	22.8
Duration	15 years	15 years

b) Other provisions

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Run down of a former equity holding	5.9	6.5	−0.6
Promotion of agriculture	6.0	3.0	3.0
Other provisions	3.2	2.9	0.3
Total	**15.1**	**12.4**	**2.7**

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

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

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

(54) Subordinated liabilities

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Medium-term notes	512.7	698.8	−186.1
Loan agreements	108.9	157.8	−48.9
Promissory note loans	65.2	67.8	−2.6
Total	**686.8**	**924.4**	**−237.6**
thereof: due after more than twelve months	*681.9*	*792.2*	*−110.3*

(55) Deferred tax liabilities

Deferred tax liabilities from temporary differences between the IFRS balance sheet and the tax accounts were reversed as of December 31, 2013.

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Temporary differences	0.0	0.2	−0.2
Total	**0.0**	**0.2**	**−0.2**

	Dec. 31, 2012 € thousand	Reversals € thousand	Additions € thousand	Dec. 31, 2013 € thousand
DSV				
Corporation tax	85.3	85.3	0.0	0.0
Municipal trade tax	86.7	86.7	0.0	0.0
Total	**172.0**	**172.0**	**0.0**	**0.0**

(56) Other liabilities

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Cash collateral from collateral management (payable on demand)	524.8	3 669.7	−3 144.9
Discounted promotional contribution	20.1	16.9	3.2
Deferred income	9.7	16.2	−6.5
Accruals	5.5	5.7	−0.2
Other liabilities	3.4	4.4	−1.0
Total	**563.5**	**3 712.9**	**−3 149.4**

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

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

The deferred income item includes the discounted prepayments of interest rate reductions. These interest rate reductions lower 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 Rentenbank to the agricultural sector in connection with its promotional loans.

Accruals mainly include obligations related to supplementary grants to employees.

Other liabilities primarily include liabilities to the tax authorities amounting to € 1.2 million (2012: € 1.3 million).

(57) Equity

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Subscribed capital	135.0	135.0	0.0
Retained earnings			
Principal reserve	858.2	769.9	88.3
Guarantee reserve	67.4	115.9	−48.5
Other retained earnings	2 073.9	1 667.0	406.9
Total retained earnings	2 999.5	2 552.8	446.7
Revaluation reserve			
Unrealized gains/ losses from available-for-sale instruments	70.8	−179.6	250.4
Actuarial gains/ losses from pension obligations	−24.3	−18.5	−5.8
Revaluation reserve, total	46.5	−198.1	244.6
Distributable profit	13.3	12.8	0.5
Total	**3 194.3**	**2 502.5**	**691.8**

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

(58) Financial instruments by measurement categories

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

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

Dec. 31, 2012	Loans and receivables € million	Available for sale € million	Held to maturity € million	Held for trading € million	Designa-ted as at fair value € million	Total € million
Balances with central banks	204.2					204.2
Loans and advances to banks	38 364.7				12 799.3	51 164.0
Loans and advances to customers	4 299.8				352.6	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 assets		14 240.7	2 422.5		5 925.5	22 588.7
Other assets	1 033.5					1 033.5
Total assets	**45 112.9**	**14 240.7**	**2 422.5**	**7 486.4**	**19 077.4**	**88 339.9**

	Other liabilities € million	Held for trading € million	Designa-ted as at fair value € million	Total € million
Liabilities to banks	1 336.0		1 532.0	2 868.0
Liabilities to customers	4 234.8		1 567.8	5 802.6
Securitized liabilities	18 859.9		47 772.4	66 632.3
Negative fair values of derivative financial instruments		5 832.2		5 832.2
Subordinated liabilities	67.8		856.6	924.4
Other liabilities	3 669.9			3 669.9
Total liabilities	**28 168.4**	**5 832.2**	**51 728.8**	**85 729.4**

(59) Financial instruments designated as at fair value

	Loans and advances		Financial assets		Liabilities	
	2013	2012	2013	2012	2013	2012
	€ million	€ million	€ million	€ million	€ million	€ million
Maximum exposure to credit risk Dec. 31	8 909.3	13 151.9	4 728.3	5 925.5	–	–
Fair value changes attributable to changes in credit risk						
– during the period	0.9	–3.2	–0.6	–5.5	0.0	0.0
– accumulated	–0.7	–55.7	–4.5	–91.9	0.0	0.0

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

The measurement of liabilities only included market-related changes for the year under review and the previous years. The credit rating of Rentenbank, and hence that of its liabilities, did not change in 2013 or in previous years.

	Liabilities		
	Dec. 31, 2013	Dec. 31, 2012	Change in
	€ million	€ million	€ million
Carrying amount	42 864.6	50 844.3	–7 979.7
Repayment at maturity	42 668.2	49 701.4	–7 033.2
Difference	**–196.4**	**–1 142.9**	**946.5**
thereof:			
Capitalization of due interest	*–962.1*	*–1 052.5*	*90.4*

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 gains or losses by measurement categories

	Income Statement				Other comprehensive income	
	Net result from financial assets		Result from fair value measurement and from hedge accounting		Result from available-for-sale instruments	
	2013	2012	2013	2012	2013	2012
	€ million	€ million	€ million	€ million	€ million	€ million
Held for trading	0.0	0.0	–58.8	–211.0	0.0	0.0
Designated as at fair value	0.0	0.0	1 003.3	–356.8	0.0	0.0
Loans and receivables	0.0	0.0	–864.4	736.2	0.0	0.0
Available for sale	0.0	3.1	–385.2	275.0	248.3	575.3
Held to maturity	0.0	0.0	0.0	0.0	2.1	8.5
Other liabilities	0.0	0.0	526.3	–499.1	0.0	0.0
Total	**0.0**	**3.1**	**221.2**	**–55.7**	**250.4**	**583.8**

(61) Disclosures on fair value

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

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

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

Dec. 31, 2012	Fair Value € million	Quoted prices on active markets (Level 1) € million	Significant observable inputs (Level 2) € million	Significant unobservable inputs (Level 3) € million
Loans and advances to banks	12 799.3	0.0	4 518.4	8 280.9
Loans and advances to customers	352.6	0.0	0.0	352.6
Positive fair values of derivative financial instruments	7 486.4	0.0	7 486.4	0.0
Financial assets	20 047.4	15 520.1	4 417.1	110.2
Total assets	**40 685.7**	**15 520.1**	**16 421.9**	**8 743.7**
Liabilities to banks	1 532.0	0.0	1 532.0	0.0
Liabilities to customers	1 567.8	0.0	290.6	1 277.2
Securitized liabilities	47 772.4	31 551.4	16 104.0	117.0
Negative fair values of derivative financial instruments	5 832.2	0.0	5 832.2	0.0
Subordinated liabilities	856.6	0.0	0.0	856.6
Total liabilities	**57 561.0**	**31 551.4**	**23 758.8**	**2 250.8**

With respect to the carrying amounts as of December 31, 2013, transfers were performed between Levels 1 and 2:

	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Transfers from Level 1 to Level 2		
Financial assets	3 500.0	2 977.3
Securitized liabilities	8 761.8	6 759.1
Transfers from Level 2 to Level 1		
Financial assets	0.0	507.0
Securitized liabilities	0.0	1 625.9

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

Reconciliation for measurements at fair value in Level 3:

	Loans and advances to banks		Loans and advances to customers		Financial assets	
	2013 € million	2012 € million	2013 € million	2012 € million	2013 € million	2012 € million
Fair value as of Jan. 1	8 280.9	0.0	352.6	0.0	110.2	0.0
Transfers to Level 3	0.0	8 217.7	0.0	353.4	16.6	90.7
Transfers from Level 3	3 058.5	0.0	299.3	0.0	0.0	0.0
Gains and losses recognized						
in the income statement	−28.0	48.6	−1.7	−1.1	−4.2	−2.1
in other comprehensive income	0.0	0.0	0.0	0.0	−0.1	0.1
Purchases	0.0	0.0	0.0	0.0	0.0	20.5
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Settlements	1 478.1	0.0	50.0	0.0	72.7	0.0
Change in accrued interest	−7.6	14.6	0.0	0.3	−0.6	1.0
Fair value as of Dec. 31	**3 708.7**	**8 280.9**	**1.6**	**352.6**	**49.2**	**110.2**
Unrealized gains and losses recognized in the income statement relating to assets held as of Dec. 31	−25.5	48.6	−1.4	−1.1	−4.3	−2.1

The transfers from Level 3 for loans and advances to banks and customers related to promissory note loans and registered debt securities. In the previous year, the credit spread for these financial instruments were largely based on unobservable inputs. In fiscal year 2013, these unobservable inputs could be replaced by associated observable market parameters.

	Liabilities to customers		Securitized liabilities		Subordinated liabilities	
	2013 € million	2012 € million	2013 € million	2012 € million	2013 € million	2012 € million
Fair value as of Jan. 1	1 277.2	0.0	117.0	0.0	856.6	0.0
Transfers to Level 3	0.0	940.8	178.7	125.5	0.0	844.6
Transfers from Level 3	0.0	0.0	117.0	0.0	0.0	0.0
Gains and losses recognized						
in the income statement	–44.6	–323.7	22.1	11.7	111.9	-6.6
in other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
New issues	0.0	0.0	0.0	0.0	0.0	0.0
Settlements	63.8	0.0	0.0	0.0	120.4	0.0
Change in accrued interest	0.0	12.7	–0.2	3.2	–2.7	5.4
Fair value as of Dec. 31	**1 258.0**	**1 277.2**	**156.4**	**117.0**	**621.6**	**856.6**
Unrealized gains and losses recognized in the income statement relating to liabilities held as of Dec. 31	–42.4	–323.7	22.1	11.7	107.8	–6.6

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

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

Dec. 31, 2013	Fair value € million	Measurement technique	Significant unobservable inputs	Range (weighted average) in bps	Sensitivity +40bps € million
Loans and advances to banks	3 708.7	Discounted cash flow	Credit spread for special promotional loans with repayment structures	–5 to 36 (4.3)	–44.8
Loans and advances to customers	1.6	Discounted cash flow	Credit spread for promissory note loans of companies	17 to 1 293 (0.4)	0.0
Financial assets	49.2	Discounted cash flow	Credit spread for bonds with indemnity agreements	–6 to 5 (–3)	–0.4
Liabilities to customers	1 258.0	Discounted cash flow	Credit spread for own issues in EUR for terms to maturity of > 9 years	–2 to 28 (14)	97.4
Securitized liabilities	156.4	Discounted cash flow	Credit spread for own issues in NOK	4 to 7 (4.7)	0.0
Subordinated liabilities	621.6	Discounted cash flow	Credit spread for subordinated issues	0 to 48 (15.2)	26.1

Dec. 31, 2012	Fair value € million	Measurement technique	Significant unobservable inputs	Range (weighted average) in bps	Sensitivity +40bps € million
Loans and advances to banks	8 280.9	Discounted cash flow	Credit spread for loans	−79 to 1 293 (13.4)	−101.4
Loans and advances to customers	352.6	Discounted cash flow	Credit spread for loans	1 to 6 846 (31.9)	−3.6
Financial assets	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 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
Securitized liabilities	117.0	Discounted cash flow	Credit spread for own issues in BRL	20 (20)	0.0
Subordinated 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 fair value in the balance sheet.

	Dec. 31, 2013			Dec. 31, 2012		
	Fair value € million	Carrying amount € million	Difference € million	Fair value € million	Carrying amount € million	Difference € million
Cash and balances with central banks	32.4	32.4	0.0	204.2	204.2	0.0
Loans and advances to banks	41 819.5	41 142.7	676.8	39 985.6	38 364.7	1 620.9
Loans and advances to customers	5 319.2	5 269.5	49.7	4 386.5	4 299.8	86.7
Fair value changes of hedged items in a portfolio hedge	677.3	677.3	0.0	1 210.7	1 210.7	0.0
Financial assets	3 124.1	3 018.0	106.1	2 552.1	2 422.5	129.6
Total assets	**50 972.5**	**50 139.9**	**832.6**	**48 339.1**	**46 501.9**	**1 837.2**
Liabilities to banks	1 117.3	1 071.9	45.4	1 399.5	1 336.0	63.5
Liabilities to customers	3 469.4	3 423.0	46.4	4 390.7	4 234.8	155.9
Securitized liabilities	21 051.1	20 894.1	157.0	19 005.7	18 859.9	145.8
Subordinated liabilities	63.7	65.2	−1.5	67.0	67.8	−0.8
Total liabilities	**25 701.5**	**25 454.2**	**247.3**	**24 862.9**	**24 498.5**	**364.4**

Financial assets include equity holdings in two banks and several companies at a total carrying amount of € 118.8 million (2012: € 118.8 million). The fair value of these equity holdings could not be reliably measured. The equity holdings are not traded on an active market so that no quoted prices are available. A model-based measurement is not possible either as the future cash flows cannot be reliably estimated. There is no intention to dispose of these equity holdings.

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

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

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

Dec. 31, 2012	Fair value € million	Quoted prices on active markets (Level 1) € million	Significant observable inputs (Level 2) € million	Significant unobservable inputs (Level 3) € million
Loans and advances to banks	39 985.6	0.0	0.0	39 985.6
Loans and advances to customers	4 386.5	0.0	0.0	4 386.5
Fair value changes of hedged items in a portfolio hedge	1 210.7	0.0	1 210.7	0.0
Financial assets	2 552.1	2 065.6	486.5	0.0
Investment property	18.5	0.0	0.0	18.5
Total assets	**48 153.4**	**2 065.6**	**1 697.2**	**44 390.6**
Liabilities to banks	1 399.5	0.0	1 367.4	32.1
Liabilities to customers	4 390.7	0.0	3 171.8	1 218.9
Securitized liabilities	19 005.7	17 868.7	1 137.0	0.0
Subordinated liabilities	67.0	0.0	0.0	67.0
Total liabilities	**24 862.9**	**17 868.7**	**5 676.2**	**1 318.0**

(62) Derivatives

Breakdown by risk:

	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Interest rate risks	91 070.6	89 243.6	1 921.5	2 816.0	3 775.0	5 008.2
Currency risks	40 292.8	48 700.0	1 310.5	4 667.1	2 021.6	824.0
Share price risk and other price risks	30.0	30.0	4.1	3.3	0.0	0.0
Total	**131 393.4**	**137 973.6**	**3 236.1**	**7 486.4**	**5 796.6**	**5 832.2**

Breakdown by counterparty:

	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Banks in OECD countries	119 186.7	126 349.7	2 852.9	6 638.0	5 352.1	5 293.1
Non-banks in OECD countries	10 437.5	9 565.1	381.7	846.3	294.7	317.3
Public-sector entities in OECD countries	1 769.2	2 058.8	1.5	2.1	149.8	221.8
Total	**131 393.4**	**137 973.6**	**3 236.1**	**7 486.4**	**5 796.6**	**5 832.2**

Other disclosures

(63) Capital management

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

(64) Regulatory capital

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

The Group's regulatory own funds were 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 did not use the IFRS consolidated financial statements as the basis. The amount of own funds was determined in accordance with Section 64h (4) KWG using the aggregation method, on the basis of the HGB financial statements of the Group companies. Accordingly, there are differences in the amounts reported for the following items between both the IFRS consolidated financial statements and the HGB financial statements. Under the aggregation method, the own funds of the companies included in the consolidated financial statements are not consolidated, but aggregated, while the carrying amounts of the equity holdings are deducted. Own funds comprise Tier 1 capital and Tier 2 capital (liable capital).

The composition of aggregated own funds as of December 31, 2013 on the basis of the HGB values is shown in the following table:

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Subscribed capital	176	176	0
Disclosed reserves	920	882	38
Fund for general banking risks	2 175	1 884	291
Intangible assets	−18	−15	−3
Loss carryforward	−13	−13	0
Tier 1 capital	**3 240**	**2 914**	**326**
Subordinated liabilities	623	765	−142
Other components	100	79	21
Tier 2 capital	**723**	**844**	**−121**
Liable capital	**3 963**	**3 758**	**205**
Tier 3 capital	0	0	0
thereof Tier 3 capital utilized	*0*	*0*	*0*
Own funds, total	**3 963**	**3 758**	**205**

Pursuant to the German Solvency Regulation, the Tier 1 capital ratio and the total capital ratio may not fall below 4 % and 8 %, respectively.

The following key figures were calculated for the Group as of the reporting date:

	Dec. 31, 2013 %	Dec. 31, 2012 %
Tier 1 capital ratio pursuant to SolvV	23.9	21.9
Total capital ratio pursuant to SolvV	29.3	28.2

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

(65) Assets pledged or accepted as collateral

Derivatives are entered into by the Group exclusively to hedge existing and foreseeable market price risks. Only counterparties from EU/OECD countries are chosen for such transactions. Rentenbank has concluded master netting agreements with all counterparties and entered into collateral agreements based on these. These agreements provide for cash deposits denominated exclusively 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, Rentenbank undertakes to provide cash deposits denominated in euros in the case of negative fair values if these exceed the corresponding allowance and minimum transfer amounts. The interest applied to the collateral provided and accepted is the EONIA rate. Interest payments are made on a monthly basis.

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

	Positive fair values		Negative fair values	
	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Dec. 31, 2013 € million	Dec. 31, 2012 € million
Gross carrying amount	3 236.1	7 486.4	5 796.6	5 832.2
Cash collateral from collateral management	524.8	3 669.7	1 711.3	1 033.5

The following assets are registered as collateral in the cover register for covered bonds in the amount of € 1342.6 million (2012: € 2347.9 million):

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Loans and advances to banks	4 960.0	6 718.5	–1 758.5
Loans and advances to customers	572.4	627.4	–55.0

In order to ensure solvency, freely available refinancing facilities existed in the nominal amount of € 20169 million (2012: € 24104 million) as of the balance sheet date. As of December 31, 2013, Rentenbank took out secured term deposits in the amount of € 800 million (2012: € 0 million). At year-end 2013, securities in a nominal value of € 1750 million were deposited with Deutsche Bundesbank in connection with open market operations.

As of December 31, 2013, receivables from money market business of € 1.1 billion (2012: € 2.5 billion) were owed by Eurex Clearing AG. Rentenbank had received securities as collateral in a nominal amount of € 1.1 billion (2012: € 2.5 billion). Within the scope of the collateral agreement, securities were provided as initial margin in a nominal amount of € 0.4 billion (2012: € 1.5 billion).

(66) Contingent liabilities and other commitments

	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Change in € million
Contingent liabilities			
Liabilities from guarantees and indemnity agreements	2.0	3.0	–1.0
Other commitments			
Irrevocable loan commitments	115.2	496.2	–381.0
Total	**117.2**	**499.2**	**–382.0**

Contingent liabilities only consist of default guarantees for loans subject to interest subsidies. Rentenbank 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 2014.

(67) Equity holdings

	Subscribed capital		Shareholding		Included in the consolidated financial statements	
	Dec. 31, 2013 € million	Dec. 31, 2012 € million	Dec. 31, 2013 %	Dec. 31, 2012 %	Dec. 31, 2013	Dec. 31, 2012
LR-Beteiligungsgesellschaft mbH, Frankfurt	28.6	28.6	100.0	100.0	yes	yes
DSV Silo- und Verwaltungs-gesellschaft mbH, Fankfurt	17.9	17.9	100.0	100.0	yes	yes
Getreide-Import-Gesellschaft mbH, Frankfurt	7.7	7.7	100.0	100.0	no	no
Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landent-wicklung (DGL) GmbH, Frankfurt	8.7	8.7	25.1	25.1	no	no
LAND-DATA Beteiligungs GmbH, Hannover	0.8	0.8	10.9	10.9	no	no
LAND-DATA GmbH, Hannover	1.0	1.0	10.9	10.9	no	no
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	10.2	10.2	9.8	9.8	no	no
Niedersächsische Landgesellschaft mbH, Hannover	0.8	0.8	6.3	6.3	no	no
Landgesellschaft Sachsen-Anhalt mbH, Magdeburg	9.2	9.2	5.6	5.6	no	no
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt	3 160.1	3 160.1	3.4	3.4	no	no
Landgesellschaft Schleswig-Holstein mbH, Kiel	27.5	27.5	3.2	3.2	no	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 assets.

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

	Dec. 31, 2012 € thousand	Dec. 31, 2011 € thousand
Assets	21 554.1	22 588.1
Liabilities	13 936.7	14 807.2
Net loss	−0.2	−0.2

(68) Related party disclosures

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

The following transactions were carried out with related parties:

	Board of Managing Directors		Subsidiaries		Associates	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Deposits	172.4	289.6	472.2	9 160.5	437.6	430.5

The deposits mentioned are unsecured, bear floating-rate 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 € 5.9 million (2012: € 6.5 million) relate to the contractually assumed obligation by Rentenbank to cover pension benefit payments of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt/Main, which currently is in liquidation.

In the reporting year, Getreide-Import-Gesellschaft mbH, Frankfurt/Main, (GiG) granted a loan to the Group in the amount of € 8.5 million. Interest payments made in connection with this loan amounted to € 6.6 thousand. The Group has concluded a management service agreement with GiG. Income received from this agreement amounted to € 90.3 thousand (2012: € 89.4 thousand). In 2013, GiG incurred expenses of € 7.5 thousand (2012: € 4.5 thousand) for internal audit services provided by the Group. GiG had a claim towards the Group for 2013 in the amount of € 108.8 thousand (2012: € 54.9 thousand) resulting from obligations related to pension plan deficits. Based on a profit and loss transfer agreement, the Group absorbed the net loss of GiG in the amount of € 70.0 thousand (2012: € 62.7 thousand).

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

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

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

As in the previous year, no significant transactions were carried out in 2013 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 2013:

	Fixed remuneration		Variable remuneration		Other remuneration		Total remuneration	
€ thousand	2013	2012	2013	2012	2013	2012	2013	2012
Hans Bernhardt	510.0	510.0	245.0	235.0	37.0	35.9	792.0	780.9
Dr. Horst Reinhardt	510.0	510.0	245.0	235.0	24.7	24.6	779.7	769.6
Total	**1 020.0**	**1 020.0**	**490.0**	**470.0**	**61.7**	**60.5**	**1 571.7**	**1 550.5**

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 € 6438.6 thousand as of December 31, 2013 (2012: € 5792.3 thousand). The portion of the additions to pension provisions related to members of the Board of Managing Directors to be classified as personnel expenses amounted to € 421.6 thousand in fiscal 2013 (2012: € 292.9 thousand).

Pension and other obligations to former members of the Board of Managing Directors and former managing directors as well as their surviving dependants totaled € 18122.2 thousand (2012: € 17700.5 thousand) as of December 31, 2013. Benefits and other remuneration paid in the reporting period amounted to € 1247.9 thousand (2012: € 1219.6 thousand).

In accordance with the remuneration regulations, the Chairman of the Board of Supervisory Directors receives a fixed remuneration of € 30.0 thousand (2012:

€ 30.0 thousand), his Deputy Chairman € 20.0 thousand (2012: € 20.0 thousand) and all other members of the Board of Supervisory Directors receive basic annual remuneration of € 10.0 thousand each (2012: € 10.0 thousand). In addition, members of the Board of Supervisory Directors working on a committee receive remuneration of € 2.0 thousand (2012: € 2.0 thousand) and members who chair a committee € 4.0 thousand (2012: € 4.0 thousand).

The total remuneration for Board of Supervisory Directors activities in the year under review amounted to € 298.1 thousand (2012: € 295.1 thousand), including VAT.

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

	Membership		Remuneration	
	2013	2012	2013 € thousand	2012 € thousand
Gerd Sonnleitner (Chairman until Nov. 7, 2013)	Jan. 1 - Nov. 7	Jan. 1 - Dec. 31	43.4	44.0
Joachim Rukwied (Chairman since Nov. 8, 2013)	Jan. 1 - Dec. 31	June 29 - Dec. 31	16.7	5.6
Ilse Aigner*	Jan. 1 - Sep. 30	Jan. 1 - Dec. 31	16.5	22.0
Dr. Hans-Peter Friedrich*	Oct. 1 - Dec. 31	–	5.0	–
Dr. Hermann Onko Aeikens	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	10.0	10.0
Dr. Helmut Born	Jan. 1 - Sep. 30	Jan. 1 - Dec. 31	10.5	14.0
Georg Fahrenschon	Jan. 1 - Dec. 31	July 5 - Dec. 31	12.0	5.6
Udo Folgart	Nov. 8 - Dec. 31	–	2.0	–
Heinrich Haasis	–	Jan. 1 - July 4	–	7.0
Dr. Robert Habeck	Jan. 1 - Dec. 31	June 14 - Dec. 31	10.0	5.4
Dr. Werner Hildenbrand	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	10.0	10.0
Werner Hilse	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	12.0	12.0
Ulrike Höfken	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	10.0	10.0
Wolfgang Kirsch	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	14.0	14.0
Dr. Robert Kloos	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	14.0	14.0
Bernhard Krüsken	Oct. 1 - Dec. 31	–	3.2	–
Franz-Josef Möllers	–	Jan. 1 - June 28	–	6.0
Klaus-Peter Müller	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	16.0	16.0
Manfred Nüssel	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	12.0	12.0
Dr. Juliane Rumpf**	–	Jan. 1 - June 13	–	4.6
Harald Schaum	Dec. 27 - Dec. 31	–	–	–
Brigitte Scherb	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	12.0	12.0
Norbert Schindler	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	12.0	10.6
Dr. Klaus Stein	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	14.0	14.0
Klaus Wiesehügel	Jan. 1 - Sep. 30	Jan. 1 - Dec. 31	9.0	12.0
Total remuneration			**264.3**	**260.8**

* direct donation to Förderverein Caritas Kinderdorf Irschenberg

** or representative

Additional disclosures pursuant to the German Commercial Code (HGB)

(69) Average number of employees

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

(70) Auditors' fees

	2013 € thousand	2012 € thousand
Audit services	233.3	308.0
Other certification services	83.6	68.7
Miscellaneous services	39.4	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/Main, March 4, 2014

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 net assets, financial position, and results of operations of the Group, and the Group's combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt/Main, March 4, 2014

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 statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements, together with the combined management report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch „German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt/Main, March 4, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Corporate Bodies (as of March 1, 2014)

Board of Managing Directors

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

Board of Supervisory Directors

Chairman:
Joachim Rukwied
Präsident des Deutschen Bauernverbands e. V., Berlin
(since 08.11.2013)

Gerd Sonnleitner
Ehrenpräsident des Deutschen Bauernverbands e. V., Berlin
(until 07.11.2013)

Deputy:
Christian Schmidt MdB
Bundesminister für Ernährung und Landwirtschaft, Berlin
(since 17.02.2014)

Dr. Hans-Peter Friedrich MdB
Bundesminister für Ernährung und Landwirtschaft, Berlin
(01.10.2013 until 17.02.2014)

Ilse Aigner MdB
Bundesministerin für Ernährung, Landwirtschaft und Verbraucherschutz, Berlin (until 30.09.2013)

Representatives of the Deutscher Bauernverband e.V.:

Udo Folgart
Präsident des Landesbauernverbands Brandenburg e. V., Teltow/Ruhlsdorf (since 08.11.2013)

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

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

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

Bernhard Krüsken
Generalsekretär des Deutschen Bauernverbands e. V., Berlin
(since 01.10.2013)

Dr. Helmut Born
Generalsekretär des Deutschen Bauernverbands e. V., Berlin
(until 30.09.2013)

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:

Bavaria:
Helmut Brunner
Staatsminister für Ernährung, Landwirtschaft und Forsten, München
(since 01.01.2014)

Rhineland-Westfalia:
Ulrike Höfken
Staatsministerin für Umwelt, Landwirtschaft, Ernährung, Weinbau und Forsten, Mainz (until 31.12.2013)

Brandenburg:
Jörg Vogelsänger
Minister für Infrastruktur und Landwirtschaft, Potsdam
(since 01.01.2014)

Bremen:
Prof. Matthias Stauch
Staatsrat beim Senator für Wirtschaft, Arbeit und Häfen, Bremen
(since 01.01.2014)

Saxony-Anhalt:
Dr. Hermann Onko Aeikens
Minister für Landwirtschaft und Umwelt des Landes Sachsen-Anhalt,
Magdeburg (until 31.12.2013)

Schleswig-Holstein:
Dr. Robert Habeck
Minister für Energiewende, Landwirtschaft, Umwelt und ländliche Räume des Landes Schleswig-Holstein, Kiel (until 31.12.2013)

Representative of the Trade Unions:

Harald Schaum
Stv. Bundesvorsitzender der IG Bauen-Agrar-Umwelt,
Frankfurt am Main (since 27.12.2013)

Klaus Wiesehügel
Bundesvorsitzender der IG Bauen-Agrar-Umwelt,
Frankfurt am Main (until 30.09.2013)

Representative of the Federal Ministry of Food and Agriculture:

Dr. Robert Kloos
Staatssekretär, Berlin

Representative of the Federal Ministry of Finance:

Dr. Klaus Stein
Ministerialdirigent, Berlin

Representatives of banks or other lending experts:

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

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

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

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

Bernhard Groß
Landesbauernverband Brandenburg e. V., Tauche

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., Hadamar

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

Appointed by the Federal State of Mecklenburg-Western Pomerania:

Harald Nitschke
Geschäftsführer der Raminer Agrar GmbH, Ramin

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

Appointed by the Federal State of Lower Saxony:

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

Helmut Meyer
Vizepräsident des Landvolk Niedersachsen-Landesbauernverbands 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, Rackwitz

Appointed by the Federal State of Saxony-Anhalt:

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

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

Appointed by the Federal State of Schleswig-Holstein:

Christoph Freiherr von Fürstenberg
Nehmten

Werner Schwarz
Präsident des Schleswig-Holsteinischen Bauernverbands, Rethwisch

Appointed by the Free State of Thuringia:

Siegmar Arnoldt
Thüringer Bauernverband e.V., Erfurt

Joachim Lissner
Landesverband Gartenbau Thüringen e.V., Erfurt

Trustee

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

Deputy:

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

Report of the Board of Supervisory Directors

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

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

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

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

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

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

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

Frankfurt am Main, March 27, 2014

THE BOARD OF SUPERVISORY DIRECTORS OF
LANDWIRTSCHAFTLICHE RENTENBANK

Joachim Rukwied
(Chairman)

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

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

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

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