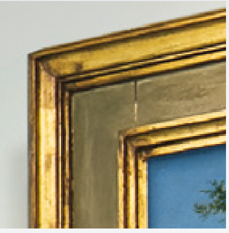
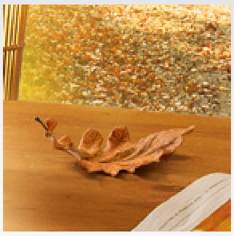
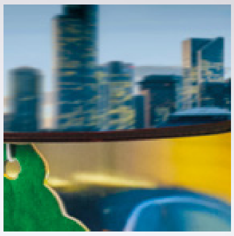



Annual Report 2019

Germany's development agency
for agribusiness and rural areas

rentenbank

Key figures

Balance sheet in EUR billion	2019	2018
Total assets	90.9	90.2
Loans and advances to banks	60.4	60.1
Loans and advances to customers	6.5	6.5
Bonds and other fixed-income securities	17.2	16.5
Liabilities to banks	2.3	2.5
Securitised liabilities	77.5	76.6
Equity reported on the balance sheet	4.6	4.5

Income statement in EUR million	2019	2018
Net interest income	300.6	295.1
Administrative expenses	72.9	71.8
Operating profit before provision for loan losses and valuation	**210.1**	**207.1**
Provision for loan losses and valuation	177.6	144.1
Net income	32.5	63.0
Distributable profit	**16.3**	**15.8**
Cost/income ratio* (%)	27.8	24.6
Employees (year end)	303	304

*excluding promotional contribution/grant

Capital ratios (%)	2019	2018
Common Equity Tier 1 capital ratio	30.1	29.7
Tier 1 capital ratio	30.1	29.7
Total capital ratio	31.1	31.2

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 2019

Contents

The English edition of the Annual Report 2019 is an abridged version of the German edition which was published in April 2020.

Company Profile – Landwirtschaftliche Rentenbank

Landwirtschaftliche Rentenbank is Germany's development agency for agribusiness and rural areas. Our range of products is geared towards businesses operating in the agriculture, forestry, viticulture and horticulture sectors, manufacturers of agricultural production resources and enterprises and service providers which are closely connected to agriculture. In addition, we finance projects in the food industry and the associated upstream and downstream industries, across the entire value chain of food production. We also promote community-based projects and public-sector investments in rural areas. We place considerable importance on promoting sustainable investments including renewable energy and innovation.

As part of our promotional business, we provide special promotional loans to end borrowers via local banks and finance banks, savings banks and local authorities which are connected to rural areas. Furthermore, we award grants to innovations and applied research projects, as well as projects and institutions that are of particular importance to agribusiness and rural areas. Rentenbank's Rehwinkel Foundation supports scientific research, promotes events that foster collaboration between agricultural science and industry, and awards scholarships to university students.

We fund our promotional business in the capital markets by issuing securities and providing loans. Rating agencies have assigned their highest ratings (AAA and Aaa) to Rentenbank's long-term obligations.

Rentenbank was established in 1949 as a central funding institution with a statutory promotional mandate. Rentenbank's capital stock was raised between 1949 and 1958 by the German agriculture and forestry sectors. Rentenbank is a federal public law institution with its registered office in Frankfurt am Main. The German government bears the institutional liability, and the Bank benefits from the guarantee of the Federal Republic of Germany for its liabilities.

Rentenbank is subject to banking supervision by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin)) and the Bundesbank. Legal supervision is exercised by the Federal Ministry of Food and Agriculture (BMEL) acting in concert with the Federal Ministry of Finance (BMF). Rentenbank is a member of the Association of German Public Banks (*Bundesverband Öffentlicher Banken Deutschlands e. V., VÖB*), Berlin and the European Association of Public Banks (EAPB).

Foreword from the Management Board

Dr Horst Reinhardt

The term 'sustainability' is a common thread running through current discussions about climate change. Coincidentally, it has long been used in the 'green' sector where the term means the commercial use of natural resources in a way which is feasible in the long run. Indeed, the term sustainability (*Nachhaltigkeit*) was first coined in German forestry in the eighteenth century.

Increasing average temperatures, extreme weather events, storms, as well as floods and droughts are causing serious damage in the agriculture and forestry sectors around the world. German forests have been adversely affected by the very hot and dry summers of the last two years. Sometimes there is even talk of a second forest dieback. At the same time forests present tremendous potential for climate protection due to their ability to remove and absorb CO_2 from the atmosphere.

Dietmar Ilg

Rentenbank supports forestry in taking on these challenges. In the fiscal year under review, we have bundled and expanded our activities to promote forestry in a new promotional line. In doing so we are complementing the federal government's and the federal states' existing promotional offering whilst supporting initiatives to make forests more resilient and better suited to their location.

Agribusiness and rural areas are also faced with the task of responding to ecological challenges and changes within society. Rentenbank helps with the promotion of innovations and investments to reconcile commercial competitive edge with constantly increasing demands, for instance in relation to animal welfare, environmental and consumer protection.

You can find out just how we are going to do this and the results we are aiming for from reading this annual report. Wishing you a rewarding read!

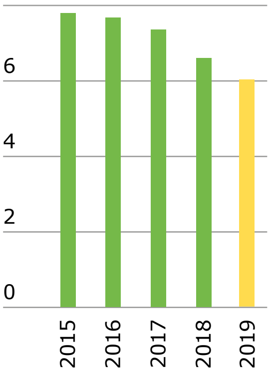
Dr Horst Reinhardt | Dietmar Ilg | Dr Marc Kaninke

Dr Marc Kaninke

The 2019 Fiscal Year in review

Promotional activities for agribusiness and rural areas

New business in special promotional loans



Special promotional loans for investments in agribusiness and rural areas are at the heart of our promotional activities. In addition, we provide funding for banks, savings banks and local authorities operating in rural areas by means of registered bonds, promissory notes and securities. In 2019, our new business in promotional loans amounted to EUR 10.6 billion which is slightly above the prior year level of EUR 10.3 billion.

Special promotional loans - new business continues in robust fashion

With our six promotional lines, we support businesses and entrepreneurs along the entire agribusiness value chain. Furthermore, we back the expansion of renewable energy and the development of rural areas.

In the 2019 fiscal year, the demand for our special promotional loans fell by 10.2% to EUR 6.0 billion (EUR 6.7 billion in 2018). The number of approved special promotional loans declined by 8.6% to 18,818 (20,579 in 2018). This development was in line with our expectations given the economic environment.

New business in special promotional loans

in EUR million	**2019**	**2018**
Agriculture	2,174	2,117
of which: best rates	*901*	*952*
Forestry	25	–
Aquaculture and fisheries	7	10
Agribusiness	1,167	1,173
Renewable energy	894	1,425
Rural Development	1,745	1,969
Overall*	**6,011**	**6,694**

*Totals may include differences due to rounding.

Slight increase in the Agriculture promotional line

Despite the difficult underlying conditions, we increased our new business in the Agriculture promotional line by 2.7% to EUR 2.2 billion (EUR 2.1 billion in 2018). We provided EUR 0.9 billion of this business at our best rates (EUR 1.0 billion in 2018). Young farmers (under 41) are eligible for these rates as well as applicants investing in sustainable projects. Our best rates also apply to Rentenbank Liquidity Assistance loans.

Demand for Rentenbank Liquidity Assistance loans tails off

The economic situation within agriculture is to a large extent impacted by external factors, such as livestock epidemics, weather-related crop failures or indeed the increasing volatility of agricultural prices which can all elicit funding requirements. In such cases as these, we support those affected with our Liquidity Assistance programme. Overall, we provided 98 Liquidity Assistance loans with a total volume of EUR 10.2 million (318 loans with a total volume of EUR 30.8 million in 2018).

New Forestry promotional line launched

Until 2019, we funded investments into forestry from within the Agribusiness promotional line. In May 2019, we bundled up and expanded our activities, and set up a specific promotional line for forestry. We can therefore support forest owners, forestry commissions and forestry cooperatives as well as leaseholders of forest areas with tackling the current challenges in a more targeted way. In the year under review, we provided promotional loans in the amount of EUR 25.0 million from our new Forestry promotional line.

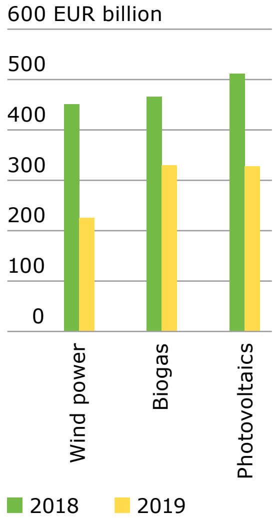
Steady demand in the Agribusiness promotional line

We promote businesses along the entire value chain from contractors as service providers to agriculture, agricultural trade and the food industry to foods as a craft in our Agribusiness promotional line. In 2019, the funding volume remained at a constant level of EUR 1.2 billion.

Renewable Energy promotional line continues to decline

Investments in the production of renewable energy are very much influenced by the political climate. The impact of the changes to the German Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz* (EEG)) as at 1 January 2017 is currently making itself felt. Since then, the green electricity feed-in payments have been determined in a tendering process. Consequently, the payments and the incentive to invest in renewable energy have declined. In the reporting year, new business in our Renewable Energy promotional line was therefore down again. The volume of newly awarded special promotional loans fell by 37.3% to EUR 0.9 billion (EUR 1.4 billion in 2018).

New business in Renewable Energy



The building of wind turbines continued to tail off in 2019 causing the demand for funding to reduce significantly, as anticipated. At EUR 222.9 million the funding volume for wind power was halved (EUR 446.5 million in 2018). EUR 108.9 million of this was allocated to community wind farms where local residents and farmers are involved (EUR 294.2 million in 2018). This initiative helps to increase the willingness to accept the building of new turbines.

As a result of the decline in the building of new biogas plants, there was a significant drop in new business in biogas to EUR 325.7 million vis à vis the previous year (EUR 462.2 million in 2018). In addition, changed parameters are impeding the conversion of existing plants to a flexible way of producing electricity.

A decline in demand is also apparent with funding for photovoltaic power plants. New business in this area fell by 36.0% to EUR 324.3 million (EUR 506.5 million in 2018).

EUR 1.2 billion staked in sustainable projects

We promote sustainable projects with particularly low interest rates. This includes investments in environmental, animal and consumer protection as well as renewable energy. As part of the Sustainability programme and the Environmental and Consumer Protection programme, we support initiatives to improve animal welfare, to reduce emissions and energy efficiency. In addition, we back the direct and regional marketing of agricultural products, especially humane husbandry and organic farming.

In 2019, we funded investments in environmental, animal and consumer protection in the amount of EUR 321.0 million in total (EUR 396.5 million in 2018). This contained investments in organic farming amounting to EUR 84.0 million (EUR 81.9 million in 2018). At EUR 118.8 million we funded investments in humane husbandry (EUR 114.0 million in 2018). Despite the considerable decline in renewable energy, we funded sustainable initiatives totalling EUR 1.2 billion (EUR 1.8 billion in 2018). As a result, a fifth of our new promotional business went into sustainable investments with our special promotional loans.

Drop in the Rural Development promotional line

In 2019, new business in the Rural Development promotional line fell by 11.4% to EUR 1.7 billion (EUR 2.0 billion in 2018). We promote rural development with our Rural Infrastructure and Living in the Country programmes.

In the Rural Infrastructure programme, we support local authorities by funding infrastructure initiatives in rural areas. The funds are used for building local authority and educational facilities, water and sewage and the building of roads and pathways for example. In this line, the funding volume sank to EUR 104.7 million (EUR 179.5 million in 2018).

Furthermore, we support rural development through global funding agreements with the promotional banks of the *Länder* (German federal states). In so doing, we also support rural local authorities and complement our promotion of agribusiness. In 2019, we provided global loans in the total amount of EUR 1.4 billion (EUR 1.6 billion in 2018).

Slight increase in new promotional activity

In addition, Rentenbank provides funding for other banks, savings banks, and local authorities operating in rural areas through registered bonds, promissory notes and securities. Here we increased our new promotional activity in 2019 by 27.0% to EUR 4.6 billion (EUR 3.6 billion in 2018). This means that new promotional business rose overall by 2.9% to EUR 10.6 billion (EUR 10.3 billion in 2018).

New promotional business in EUR billion	2019	2018
Special promotional loans	6.0	6.7
Registered bonds/promissory notes/securities	4.6	3.6
Overall	**10.6**	**10.3**

Appropriation of profits

In accordance with Rentenbank's Governing Law, the Bank uses its distributable profit to promote agriculture and rural areas. Rentenbank's net profit for the year is divided equally between the Special Purpose Fund (*Zweckvermögen*) and the Promotional Fund (*Förderungsfonds*).

Special Purpose Fund promotes innovation

In addition to its special promotional loans, Rentenbank is particularly committed to promoting innovation. To this end, the Bank provides low-interest loans and grants from the Special Purpose Fund. Rentenbank manages the fund, serving as a trustee of the German Federal Government.

Promotional Fund focuses on research and training

In the year under review, the Promotional Fund had a total of EUR 8.2 million available to support individual projects as well as institutions operating in the agricultural sector and rural areas. Apart from agriculture-related research projects, the focus lies on practice-oriented pilot projects, training programmes, and events. For a number of years, the fund has also supported rural youth work, activities for senior citizens living in rural communities, as well as the German Rural Women's Association (*LandFrauenverband*).

Promoting innovation

Support for research and development

The challenge facing agribusiness in Germany is twofold: agricultural enterprises need to meet new standards in relation to animal welfare, environmental and consumer protection while, at the same time, they have to survive in an increasingly competitive environment. New technologies and processes are making an important contribution to overcoming the challenge of combining ecological, social and economic benefits in a sustainable way. Whether it's better conditions, animal husbandry or health or reduced emissions and a more efficient use of resources, innovations and technical advancement are key to being successful in this scenario of conflicting priorities. That's why we are especially committed to promoting innovations. We award grants to market-oriented research projects in which for-profit partners from within agribusiness also collaborate. With our innovation programmes, we support the entire innovation process from the development through market entry to widespread use of particularly innovative products or processes.

We encourage innovations in agriculture and forestry, viticulture, horticulture as well as fisheries and aquaculture. The funding comes from the Federal Republic's Special Purpose Fund which is administered by Rentenbank, and from our Research on Agricultural Innovation programme (Innovation Fund).

In 2019, 49 innovation projects were offered support from the Special Purpose Fund (47 in 2018). The volume of grants dropped to EUR 10.4 million (EUR 16.7 million in 2018). This fall is due to the fact that in 2018 there was one major project which increased the volume substantially. We also provided additional funds amounting to a total of EUR 4.0 million (EUR 2.7 million in 2018) from our Innovation Fund.

Overall, we supported newly approved innovation projects with grants in the amount of EUR 14.4 million (EUR 19.5 million in 2018). Furthermore, we provided additional funds for on-going projects which had already been initiated in previous years.

Sustainability

Sustainability is a guiding principle within our promotional mandate

Although the agriculture, forestry, fisheries and horticulture sectors only have a share of 0.7% of the gross value added in Germany, they utilise around 80% of the surface area. These enterprises not only work in nature but largely with nature. Their activities have an impact on the environment and the climate and, at the same time, they themselves are specifically and directly affected by any changes. They have always aligned their business activities with a long-term approach which extends from one generation to the next and protects resources. In fact, the term 'sustainability', in the sense of the perpetual use of natural resources, was originally coined within German forestry in the 18th century.

Agribusiness as a 'green sector' keeps evolving and offers an enormous potential for meeting sustainability and climate protection targets. A significant amount of the greenhouse gases which damage the climate can be absorbed through sustainable cultivation of the agricultural and forest land. Promoting biodiversity in these areas also combines aspects of both ecological and economic sustainability in equal measure. Agricultural enterprises are also key players involved in the production of renewable energy. Modern and innovative production technology is increasingly lowering direct emissions such as methane from animal husbandry. In addition, the agricultural sector in Germany makes an important contribution to sustainable secure food supply in a growing world population.

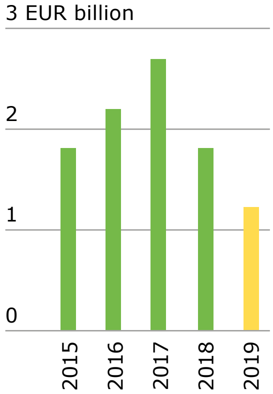
Sustainability has always been an important principle for Rentenbank. Since 2002, key aspects of ecological sustainability have also been enshrined in Rentenbank's Governing Law and are reflected in our promotional offering.

Special rates of interest for sustainable investments

We promote sustainable investments in agribusiness with our best rates and tailored promotional programmes. As part of both the Sustainability programme and the Environmental and Consumer Protection programme, we support initiatives to improve animal welfare, to reduce emissions and energy efficiency. Organic farming and the direct and regional marketing of agricultural products also come under these programmes. An additional priority is the promotion of renewable energy as part of our Rural Energy promotional programme. Here, our investment focus is on the production, storage and distribution of renewable energy. In this programme, we also promote community wind farms, which are owned by a majority of local citizens, companies and property owners.

In the year under review, we supported sustainable projects with an investment volume in the total amount of EUR 1.2 billion (EUR 1.8 billion in 2018); EUR 0.9 billion of this figure is accounted for by the promotion of renewable energy (EUR 1.4 billion in 2018).

New commitments for sustainable projects



Sustainability is a permanent feature of our promotion of innovations

Innovation and technological progress are key to tackling new challenges associated with the sustainable development of agribusiness. These factors will safeguard the sector's competitiveness and facilitate the protective use of resources at the same time, especially when even more stringent standards are required for animal welfare and climate and environment protection. Therefore, we support innovative projects with our innovation programmes, from development and launch to widespread use of highly innovative products or processes.

The innovative projects we finance include those which are aimed at improving animal welfare, more efficient use of resources through digital technologies, increasing the biodiversity of the land which is farmed and using protein feed grown in Germany.

Rentenbank is committed to sustainable forest management geared towards climate and species protection

We do also initiate and undertake projects which make an important contribution to sustainability and which are closely related to agribusiness, forestry and rural areas. This is in addition to our special promotional loans business and our support for innovations.

Rentenbank's forest project which it started in 2016 in collaboration with the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben* (BImA)) is such an example. Rentenbank and BImA have concluded a framework agreement on the long-term ecological cultivation of 550 hectares of forest in the district of Wetterau in Hesse. In addition, BImA runs several biodiversity projects on this land. In 2019, we launched three new projects in collaboration with BImA.

The On Silent Paws (*Auf leisen Pfoten*) project is about recording and documenting the wildcat population across the entire contractual area. The wildcat is on the endangered species watch list for Germany. It needs forest edges and sunny, dry places where it can stalk its prey. Due to the way in which the Buchenborn Forest estate is managed in harmony with nature and the fact that there are different projects there, the vast, uninterrupted forest provides the wildcats with the quiet and space they need to choose an area for breeding and remaining out of sight.

Improving the living conditions of wildcats is also at the heart of the *Sommerhang* project. In order to achieve this, BImA has established and maintains an oak forest covering an area of two hectares which is bathed in light. A significantly warmer and drier forest climate is created due to the thinning of the trees. This not only suits the wildcats, but also a variety of other rarer animal and plant species which can find an ideal habitat here.

An alder forest mire (1.6 ha) has been established and maintained through natural rewetting thanks to support from the Wet Feet (*Nasse Füße*) project. Forest mires are great assets in the protection of nature. These mires are actually forests which are constantly wet and flooded over a longer time. The base of the trees in these forests is always in water. For numerous insects and amphibians, the source, the water holes and puddles all provide a habitat and breeding ground. The plant diversity in the 'undergrowth' (herbaceous layer) should also increase.

Our sustainable HR policy

Offering the option of combining family, care and professional life with professional, structured and personal development as well as developing our managers are extremely important to Rentenbank. We also attach a high degree of importance to the health of our employees. This involves not only eliminating any stress or strain at work but actively taking preventative measures to promote the good health of our employees.

Corporate citizenship

As a federal public law institution with a promotional mandate, Rentenbank has a particular responsibility to act as a good corporate citizen. The Bank mainly supports cultural institutions and selected charitable projects in Frankfurt am Main, where it has its registered office. Grants are provided on a regular basis to the Frankfurt Opera House (*Oper Frankfurt*), the Schirn Art Gallery (*Schirn Kunsthalle*), the Städel Museum, the English Theatre and the State Academy of Fine Arts (*Städelschule*) among others. In the case of the Städelschule, Rentenbank supports young talented artists by awarding a group prize as part of the *Rundgang*, an annual exhibition of works by students of the academy. Rentenbank also supports various charitable projects organised by churches, associations and societies with regular donations at Christmas.

Reducing the consumption of resources within our internal banking operations

As a service provider, we also make our contribution to protecting resources in our regular banking operations and consume energy and raw materials in an economical way. As part of the Rentenbank's environmental management, our attention is currently focused on the plans for a comprehensive modernisation, expansion and energy-oriented refurbishment of our listed building. We have set ourselves the goal of preserving our architectural monument which was built in the 1950s and which will create a striking architectural ensemble along with the current Fleming's Hotel and Eschenheimer Tor for many years to come. The main style-forming elements of the building such as the contemporaneous 'flying roof', the structured natural stone facade and the open stairwell will all remain intact. Despite the special challenges involved with the refurbishment of our listed building, during the planning stage we are attaching great importance to energy efficiency and lower consumption of resources in the future.

Funding

The ECB's purchase programmes and their significant impact on Rentenbank

Our triple-A credit ratings and the special regulatory treatment in which the federal government guarantees Rentenbank's obligations allows us to maintain our excellent market access across all maturities.

Our funding costs have increased in comparison with the previous year when measured in terms of the margin against the 6-month Euribor. Our funds were mostly raised in euros. The yields, which fell sharply and were at times negative over the course of the year, had a dampening effect on the demand by some investor groups. The interim limitation of the ECB's asset purchase programmes on the reinvestment of maturities encouraged a moderate spread widening. At the same time, funding through issuances in foreign currencies was far less attractive than in the previous year. In the short-term funding segment, we continued to raise funds at very attractive negative yields under our Euro Commercial Paper (ECP) Programme.

Medium and long-term issuance volume lower than 2018

We raised EUR 10.3 billion (EUR 11.3 billion in 2018) in the capital markets with maturities of more than two years. The breakdown by funding instruments is shown in the table below:

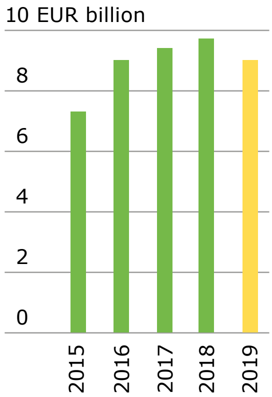
Medium and long-term issuance volume (maturities of more than 2 years)

	EUR billion		Share (%)	
	2019	**2018**	**2019**	**2018**
EMTN	9.0	9.7	87.1	85.6
Global bonds	0.9	1.1	8.8	9.7
AUD MTN	0.4	0.5	4.1	4.7
Total	**10.3**	**11.3**	**100.0**	**100.0**

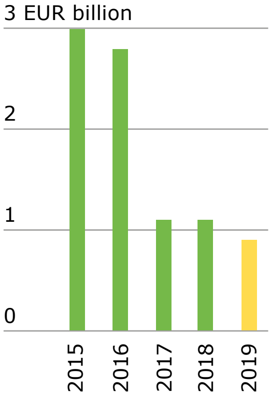
The vital importance of the EMTN Programme

Our Euro Medium Term Note (EMTN) Programme is our most important funding instrument with a programme capacity of EUR 60 billion. The programme capacity used amounted to EUR 54.0 billion at year end 2019 (EUR 51.4 billion in 2018). The EMTN Programme allows us to issue securities denominated in numerous currencies with different sizes, maturities and structures using standard documentation. In the year under review, we used this programme to obtain medium and long-term funding only. The volume of issues with maturities of more than two years amounted to EUR 9.0 billion (EUR 9.7 billion in 2018), including two benchmark issues of EUR 2.3 billion in total as well as US dollar-denominated transactions equivalent to EUR 0.7 billion. In addition, we placed bonds denominated in four other currencies under this programme.

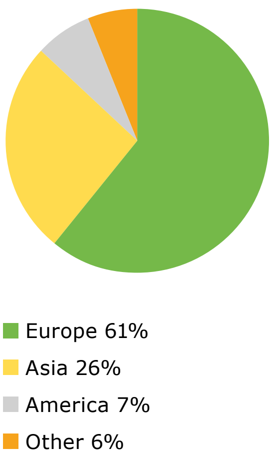
EMTN issues
(medium and long-term)



Issues of global bonds



Medium and long-term issues 2019 – breakdown by region



Successful US dollar-denominated global bond

Global bonds, registered with the US stock market regulator Securities and Exchange Commission (SEC), play an important role in our funding activities. The registration under Schedule B provides us with access to the US market. Only foreign governments and their political subdivisions are eligible to register securities under Schedule B. This underlines our positioning as an agency in the international capital markets. In 2018, we issued a 2-year global bond with a volume in excess of USD 1 billion.

Lower issuance volume in the Kangaroo market

In 2019, we issued a total of AUD 0.7 billion in bonds and notes under our Australian Dollar Medium Term Note (AUD MTN) Programme, which is equivalent to EUR 0.4 billion (EUR 0.5 billion in 2018). At year end 2019, Rentenbank was the fourth largest foreign issuer in this market segment with a volume of notes outstanding amounting to AUD 12.9 billion. The Kangaroo market remained an essential pillar of our funding.

Lower capacity used in the ECP Programme

Issuances under our EUR 20 billion ECP Programme continue to play a key part in our short-term funding. They comprise bearer notes with maturities of less than one year, generally issued at a discount (i.e. without a coupon). The euro played virtually no role as an issuance currency in light of significantly negative yields. However, we were able to continue to place our currency-hedged debt instruments, which were predominantly US dollar-denominated, at attractive terms in the year under review. The average programme capacity used in 2019 was EUR 5.8 billion (EUR 7.6 billion in 2018). At year end 2019, the programme capacity used was EUR 4.4 billion (EUR 5.4 billion in 2018).

Zero-risk weighting for Rentenbank bonds and notes

Under the Credit Risk Standardised Approach provided for in the CRR, banks in the EU do not have to hold own funds against claims on Rentenbank. Due to the explicit guarantee of the Federal Republic of Germany, corresponding rules also apply in many non-EU countries, such as Norway, Canada, Australia and New Zealand. The zero-risk weighting for our issuances has proven to be advantageous by virtue of the regulatory requirements for banks.

Banks remain the leading group of investors

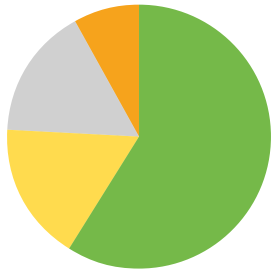
In the year under review, the proportion of our medium and long-term funding volume placed with banks saw an increase to 44% (39% in 2018). This group of investors is looking for zero-risk weighted securities of the best credit quality which are also recognised as liquid assets with attractive spreads. This means banks can reduce their costs in terms of capital, risk and liquidity. In addition, central banks and other official institutions played an important role in our funding. Their share increased to 38% (29% in 2018). The proportion of asset managers remained unchanged at 14%. The share of insurance companies, corporations and pension funds decreased to 4% (18% in 2018). The yields from bonds of the highest quality, which had sharply decreased and were often negative, caused a significant decline in demand from this investor group.

Compared to 2018, the share of German investors decreased to 15% (23% in 2018), while 46% of our bonds and notes were placed with other European investors (47% in 2018). Demand from Asian investors was at 26%, which was above the prior-year level of 24%, whereas the share of investors from the Americas slightly increased to 7% (6% in 2018). We deposited an additional 5% (5% in 2018) of our issuances in the Middle East and Africa as well as 1% (1% in 2018) in New Zealand and Australia.

The euro as the main currency of issuance

In 2018, our medium and long-term funding was raised in seven currencies. The most important issuing currency was once again the euro, which at 59% (54% in 2018), contributed slightly more to the funds raised than in the previous year. It was followed by the pound sterling, the share of which increased significantly to 17% (9% in 2018). The US dollar ranked third with 16% (24% in 2018). The remaining 8% was divided between the Australian dollar, the Hong Kong dollar, the Norwegian krone and the Swedish krona.

Medium and long-term issues 2019 – breakdown by currency



- EUR 59%
- GBP 17%
- USD 16%
- Other 8%

Rentenbank issuances recognised as liquid assets ...

Under the supervisory reporting framework set out in the CRR, bonds issued by promotional banks qualify as liquid assets in the EU. Our bonds are explicitly guaranteed by the Federal Republic of Germany. Therefore, they meet the eligibility requirements for Level 1 liquid assets in the EU. Corresponding provisions also apply in Canada and Switzerland.

... and as repo-eligible assets

Our listed euro-denominated issues fulfil the requirements of the European System of Central Banks (ESCB) for eligible tier one assets. Our bonds and notes fall under liquidity category II. Only securities issued by central banks and central governments are allocated to liquidity category I. Liquidity category II includes, among others, securities issued by supranational institutions and issuers classified as agencies. Furthermore, our Kangaroo bonds and Kauri bonds are repo-eligible with the Reserve Bank of Australia and the Reserve Bank of New Zealand, respectively. Our issues also enjoy a privileged status in private repo markets. For example, Eurex Clearing AG accepts our issues as collateral for the GC Pooling ECB Basket.

Rentenbank bonds unchanged in key bond indices

Our liquid, large-volume euro and US dollar-denominated bonds are included in the most important bond indices. These comprise, among others, the Markit iBoxx EUR Broad Index, the Bloomberg Barclays Euro Aggregate Bond Index, the Bloomberg Barclays Capital US Aggregate Bond Index and the ICE BofA Merrill Lynch US Broad Market Index. These indices measure the performance of national or international market segments. They also serve as performance benchmarks against which many institutional investors are measured. Therefore, bonds that are part of an index typically enjoy stronger demand since institutional investors buy these bonds and manage their portfolios to match the index performance.

Money market business

We use a variety of instruments to fund our short-term assets, to manage liquidity and to hedge short-term interest rate risk. The funds can be raised through the ECP and EMTN Programmes, overnight and term deposits in the interbank market and ECB funding facilities. We also use derivatives to manage interest rate risk. We accept deposits from non-banks only to a very limited extent and only as part of our statutory promotional activities.

Equity trading

As a general rule, we do not trade in equities. We hold shares only in relation to our participations.

Market risk hedged by derivatives

In 2019, Rentenbank entered into swaps with a value of EUR 20.7 billion (EUR 24.2 billion in 2018) to hedge interest rate and currency risk. Of the total amount, EUR 16.0 billion (EUR 16.7 billion in 2018) related to interest rate swaps, while EUR 4.7 billion (EUR 7.5 billion in 2018) represented cross-currency swaps or cross-currency basis swaps. We also hedged our foreign currency-denominated ECP issuances with currency swaps (FX swaps).

We use derivatives exclusively to hedge existing or expected market risk. We mitigate counterparty credit risk arising from our derivative transactions with all our swap partners through collateral agreements.

Rentenbank remains a non-trading book institution

Rentenbank does not keep a trading book as defined in the German Banking Act (KWG) or in Article 4 (1) point (86) CRR. In 1998, the Bank classified itself as a non-trading book institution, which was reported to the Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank. We do not hold any positions with trading intent as defined in Article 4 (1) point (85) CRR. All transactions are allocated to the banking book.

Corporate Governance

Rentenbank is committed to complying with the German Public Corporate Governance Code

Effective Corporate Governance plays a pivotal role within responsible and sustainable management. Rentenbank's Supervisory Board therefore adopted the Public Corporate Governance Code (*Public Corporate Governance Kodex* (PCGK)), as agreed by the Federal Government on 30 June 2009, on 16 July 2009. The PCGK is primarily directed at enterprises that are legal entities incorporated under private law and in which the Federal Republic holds a majority stake. However, corporations that are legal entities under public law are also recommended to comply with the PCGK, unless otherwise precluded by law.

Rentenbank's Management and Supervisory Boards identify with and recognise the principles of the PCGK. Compliance with the PCGK's nationally and internationally recognised standards for good and responsible management in relation to Rentenbank's activities is explicitly in the general interest of the Federal Government. Any deviations from the principles of the PCGK are disclosed and explained in the declaration of conformity on an annual basis.

Management and Supervision of the Bank by the Management and Supervisory Boards

The Management Board and the Supervisory Board work closely together for the benefit of the Bank by applying the principles of proper management. The Management Board regularly reports (at least quarterly) to the Supervisory Board on the course of business, including all relevant matters regarding the Bank's planning, risk situation, risk management, compliance with the regulatory requirements and its financial position. In addition, the Management Board maintains regular contact with the Chairman of the Supervisory Board and his deputy and consults with them on important matters relating to management and strategy. The Supervisory Board has also determined a non-exhaustive list of events and criteria that trigger the obligation to immediately notify the Supervisory Board, its Chairman and the Chairpersons of the committees.

In the reporting year, the Management Board informed the Supervisory Board about all matters relating to the Bank's planning, risk situation, risk management, compliance with regulatory requirements, business performance and financial position.

Management Board

The Management Board is responsible for managing the Bank in accordance with the legal requirements, in particular the 'Governing Law of Landwirtschaftliche Rentenbank', its statutes and the Management Board's rules of procedure. It is obliged to act in the best interests of the Bank and to comply with the statutory promotional mandate.

Members of the Management Board:

- Dr Horst Reinhardt (Chairman)
- Dietmar Ilg (Chief Risk Officer)
- Dr Marc Kaninke (Chief Financial Officer/Chief Information Officer)

Supervisory Board

The Supervisory Board supervises and advises the Management Board in its management of Rentenbank in accordance with the Governing Law of Landwirtschaftliche Rentenbank, its statutes and the Supervisory Board's rules of procedure. It appoints the members of the Management Board and decides on the formal approval of their actions. The Supervisory Board may issue general or specific instructions to the Management Board.

According to Rentenbank's Governing Law, the Supervisory Board comprises 18 members. The Chairman of the Supervisory Board is elected by the board from among the members appointed by the German Farmers' Association

(*Deutscher Bauernverband*, DBV). In the year under review, Joachim Rukwied, President of the DBV, served as Chairman of the Supervisory Board. During the 2019 fiscal year, there were six women on the Supervisory Board.

In the reporting year, two members of the Supervisory Board attended fewer than half of the board meetings.

Legal supervision

In accordance with section 11 (1) of the Governing Law of Landwirtschaftliche Rentenbank, Rentenbank is subject to the legal supervision of the Federal Ministry of Food and Agriculture (supervisory authority) which makes its decisions in concert with the Federal Ministry of Finance. The supervisory authority ensures that Rentenbank operations are consistent with the public interest, particularly with respect to the promotion of agriculture and rural areas, and that the Bank's activities are commensurate with the Governing Law of Landwirtschaftliche Rentenbank and its statutes.

Efficiency review of the Supervisory Board

In accordance with Section 25d (11) sentence 2 Nos 3 and 4 of the German Banking Act (KWG), every year the Supervisory Board assesses the structure, size, composition and performance of both the Management and Supervisory Boards as a whole. This includes an assessment of their knowledge, capabilities and the experience of each individual board member as well as those of all the respective management bodies. In accordance with Section 9 (3) No 2 c and d of the Supervisory Board's rules of procedure, the Nominations Committee supports the Supervisory Board in the carrying out of the assessment by preparing a questionnaire at its autumn meeting.

The Supervisory Board comprised 18 members, 17 of whom took part in the evaluation. The participation level therefore was 94.4%. 15 members took part in the assessment of the Management Board. In this case, the participation level was 83.3%. The outcomes of the efficiency review as well as possible options for improvement were discussed by the Supervisory Board at its meeting on 28 March 2019.

Avoiding conflicts of interest

The members of the Management and Supervisory Boards are required to perform their duties in the best interests of Rentenbank. They are obliged to disclose any potential conflicts of interests arising in connection with their business activities to the Chairman or the members of the Supervisory Board. No conflicts of interest involving members of the Management or Supervisory Boards arose during the reporting year.

Remuneration arrangements for the Management and Supervisory Board members

The Supervisory Board determines the appropriate levels of remuneration for the members of the Management Board. The total remuneration of the members of the Management Board does not include any components that provide incentives for the members to enter into certain transactions or to take on certain risks.

The arrangement for the Management Board is exclusively comprised of a fixed remuneration package which was introduced in 2016.

The remuneration of the members of the Supervisory Board is determined by a decision taken at the General Meeting, in consideration of the members' responsibilities and the scope of their activities as well as Rentenbank's financial situation. The decision requires the consent of the legal supervisory authority.

The individual remuneration of the members of the Management and Supervisory Boards is disclosed in the notes to the financial statements on pages 67 and 68.

Transparency and information

Transparency and information are of particular importance to Rentenbank. The Bank follows the principle of equal treatment of investors and other interested parties regarding information exchange. All relevant information published by Rentenbank is also available on the Bank's website at www.rentenbank.de. In addition to the annual financial statements, all of Rentenbank's press releases and ad hoc announcements, together with the declaration of conformity with the PCGK, can be found on our website.

Financial reporting and auditing

Rentenbank has prepared its annual financial statements for the 2019 fiscal year in accordance with the provisions of the German Commercial Code (HGB) applicable to large corporations as well as with the relevant provisions of the German Regulation on the Accounting of Banks and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV*). The Supervisory Board appoints the external auditor, issues the audit mandate and agrees the fee with the external auditor. The Audit Committee, established by the Supervisory Board, verifies that the external auditor is independent.

Declaration of conformity by the Management Board and the Supervisory Board

In the 2019 fiscal year, Landwirtschaftliche Rentenbank has complied with the recommendations of the PCGK, as amended on 30 June 2009, with the following exceptions:

- As the remuneration of each member of the Management Board and the Supervisory Board is disclosed by name in Rentenbank's Annual Report in a generally comprehensible way (notes to the financial statements, pages 67 and 68), these disclosures are not included in the Corporate Governance Report.
- In accordance with Section 4 (2) of the Management Board's rules of procedure, the allocation of responsibilities to its members can be defined in a schedule of responsibilities – deviating from clause 4.2.2 of the PCGK – without the approval of the Supervisory Board. This is to ensure the flexibility required to make necessary changes.
- In exceptional cases, the committees not only prepare the decisions of the Supervisory Board but also – deviating from clause 5.1.8 of the PCGK – make final decisions. This is done for reasons of practicality and efficiency.

Landwirtschaftliche Rentenbank intends to continue to comply with the PCGK (as amended on 30 June 2009), as set out above.

Landwirtschaftliche Rentenbank
April 2020

Management Board
Supervisory Board

Management Report

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General information about Rentenbank

Promotional mandate

Rentenbank is a promotional bank operating at federal level. According to its Governing Law, Rentenbank is mandated to promote agriculture and the associated upstream and downstream industries as well as rural areas. The Bank's business activity is geared towards this promotional mandate. The business model is primarily defined by the framework set out in Rentenbank's Governing Law and the Bank's statutes.

As a promotional bank for agribusiness and rural areas, Rentenbank provides funds for a variety of investments. Rentenbank grants its special promotional loans for projects in Germany via local banks in a competition-neutral manner (on-lending). The range of products is geared towards businesses in the agricultural, horticultural, viticultural and forestry sectors, as well as in the aquaculture sector. Rentenbank also finances projects in the food industry and agriculture-related up-stream and downstream industries, investments in renewable energy and rural infrastructure. In addition, Rentenbank provides funding for other banks, savings banks and local authorities operating in rural areas, through purchases of registered bonds, promissory notes and securities.

Management structure

Rentenbank pursues the following goals as part of its business strategy:

- performing self-supporting promotional activity,
- sustainability is secured through appropriate net interest income from diversified sources as part of a prudent risk policy,
- with the possibility of adjusting the promotional activity at any time to account for changing requirements.

<u>Segments</u>

Rentenbank's financing activities are based on its Governing Law. They can be categorised into three segments:

- Promotional Business
- Capital Investment
- Treasury Management

Within Promotional Business, the Bank promotes investments in agribusiness and rural areas. This is achieved through funding with special purpose loans which are extended to end borrowers via local banks. The loans are granted in accordance with the terms and conditions applicable to our special promotional loans for supporting projects related to agriculture and rural areas in Germany. By managing interest rate terms, we promote our preferred promotional targets, such as animal welfare, environmental protection and investments made by young farmers.

In addition, the Bank fulfils its promotional mandate by acting as a funding partner to banks with business activities in agribusiness and rural areas as well as to German local authorities operating in rural areas. This is effected though the provision of different forms of financing (registered bonds, promissory notes and securities). To some extent, these transactions also contribute to complying with regulatory liquidity requirements. Rentenbank manages the business volume as well as the risk structure.

Funding, which is mainly maturity-matched, is also allocated to the Promotional Business segment.

The Capital Investment segment includes the investments of equity reported in the balance sheet and of long-term provisions. The investments are principally made in securities, promissory notes and registered bonds issued by banks and public-sector issuers.

Short-term liquidity and short-term interest rate risks are managed within the Treasury Management segment.

<u>Key performance indicators</u>

Financial key performance indicators are the key accounting-related metrics used to measure the achievement of the strategic objectives within the internal management system. Non-financial key performance indicators complement this management system.

The financial key performance indicators reflect the operating activities. The financial key performance indicators include:

- Operating profit before provision for loan losses/ valuation

The business activities of Rentenbank are aimed at fulfilling its promotional mandate, rather than at generating profits. However, in order to be able to provide self-supporting promotional activity, the Bank has to take business principles into account. This specifically includes acting in an economically responsible way to ensure the Bank can carry out its promotional activities sustainably and adjust its promotional activity at any time. Due to increasing regulatory requirements, operating profit is used to strengthen the Bank's capital base through the retention of profits. For our promotional activities to function without relying on subsidies from the government, Rentenbank needs to practice good business principles and generate steady earnings. In doing so, Rentenbank uses its high credit quality as a public law institution, combined with its capital market strategy, to borrow funds at favourable rates.

- Cost/income ratio

The cost/income ratio is a key performance indicator that measures the efficient use of Rentenbank's resources. This performance indicator is influenced by changes in both expenses and income. The cost/income ratio is monitored over a longer period of time. In addition, we regularly analyse changes in expenses.

- Promotional contribution

Promotional contribution is a key performance indicator reflecting the total quantitative promotional benefit within one fiscal year. It includes income used for granting special promotional loans at reduced interest rates. It also comprises distributable profit and other promotional measures, such as funds provided by Rentenbank as grants for the Research on Agricultural Innovation programme.

The three financial key performance indicators and their main components are determined in monthly reporting and compared with targets. They are also included as separate parameters in multi-year plans.

Further information on the financial key performance indicators is included in the sections on Rentenbank's net assets, financial position and results of operations as well as in the report on expected developments.

The non-financial key performance indicators comprise corporate citizenship and responsibility towards employees. They are managed primarily on a qualitative basis within the context of our business strategy.

The non-financial key performance indicators are described in more detail in the corresponding section.

Ownership structure

All material risks relating to the subsidiaries rest with, and are centrally managed by Rentenbank. Our direct and indirect subsidiaries are:

- LR Beteiligungsgesellschaft mbH (LRB)
- DSV Silo- und Verwaltungsgesellschaft mbH (DSV)
- Getreide-Import-Gesellschaft mbH (GIG)

The business activities of the subsidiaries are strictly limited. Rentenbank has issued a letter of comfort for LR Beteiligungsgesellschaft mbH.

German Public Corporate Governance Code

The declaration of conformity with the German Public Corporate Governance Code by the Management Board and the Supervisory Board is publicly available on Rentenbank's website.

Economic report

Macroeconomic and bank-specific environment

International interest rate and monetary policy

2019 was characterised by a global economic slowdown, which resulted from ongoing uncertainties from international trade conflicts and the repeated postponing of Brexit, among other things. This induced the US Federal Reserve (the Fed) to relax its monetary policy once again for 2019. It reduced the federal funds rate in July, September and October by 25 basis points to a level ranging from 1.50% to 1.75%.

In addition, the European Central Bank (ECB) eased its already expansionary monetary policy during the course of 2019. After ending net purchases as part of its Asset Purchase Programme (APP) in December 2018, the ECB restarted them from November 2019 at EUR 20 billion a month. As the ECB reinvested the proceeds from maturing bonds, it remained active on the bond market throughout 2019. Its portfolio of assets remained steady until November and it has since further increased by the amount of net asset purchases since then. The ECB reduced the interest rate on the deposit facility in September 2019 from –0.40% to –0.50% while leaving the interest rate on the main refinancing operations unchanged at 0.00%. Furthermore, it introduced additional free deposits six times the remuneration of the required reserves.

The euro devalued compared to the US dollar during 2019. At the end of 2019, the ECB set the reference rate for the EUR/USD exchange rate at 1.12, which was around 2.6% below the rate of 1.15 at year end 2018.

Movements in long-term interest rates

As a result of the global uncertainty, the yields from ten-year federal bonds almost continually tailed off from a position of 0.17% at the start of 2019 until the start of September and reached their low for the year of – 0.72% in September. Despite the resultant increase, the yield remained negative and was at – 0.21% at the end of 2019.

Changes in the economic environment for our promotional business

Our promotional loans are largely used for investments by the German agribusiness sector, in renewable energy and rural development. Investments in forestry have so far been funded within the Agribusiness Promotional line. In the year under review, we bundled up and expanded our activities, and set up a separate promotional line for forestry. We can therefore support forest owners, forestry commissions and forestry cooperatives as well as leaseholders of forest areas with tackling the current challenges in a more targeted way.

Business development

After an economic recovery in the 2016/17 and 2017/18 fiscal years, the situation for German agriculture deteriorated in the 2018/19 fiscal year. Average earnings of agricultural businesses, at EUR 54,900, were 18% down on the previous year (EUR 67,200). The decline can be attributed to the poor harvest due to the drought in 2018, which dealt a blow to the results in this fiscal year. Despite the difficult background, we were able to slightly increase new promotional business in our Agriculture promotional line compared with the prior year by 2.7% to EUR 2.2 billion.

In German agribusiness we saw a steady demand for our promotional loans versus the previous year at EUR 1.2 billion. Unwavering domestic sales and rising export sales in particular put agribusiness in robust shape. According to the German Export Association for Food and Agriproducts (GEFA) the export of agricultural products and food was 2.1% above the prior-year level at EUR 79.5 billion.

Investments in renewable energy are essentially influenced by the regulatory framework. The impact of the changes to the German Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz* (EEG)) as at 1 January 2017 is still making itself felt. Since then, green electricity feed-in payments have been set by tender, which has resulted in lower feed-in tariffs and, consequently, reduced incentive to invest in renewable energy. Lengthy planning approval procedures also had a negative effect. This is reflected in our new business in wind and photovoltaic power stations and biogas plant funding, which was down again in 2019.

The rural development promotional line is geared towards companies and local authorities in rural areas. In the current fiscal year, we saw lower volume in this promotional line.

The nominal amounts for new promotional business are as follows:

	1 Jan to 31 Dec 2019 EUR billion	1 Jan to 31 Dec 2018 EUR billion	Change EUR billion
Special promotional loans	6.0	6.7	– 0.7
Registered bonds/promissory notes	2.9	1.9	1.0
Securities	1.7	1.7	0.0
Total	**10.6**	**10.3**	**0.3**

In the year under review, new promotional business amounted to EUR 10.6 billion and was therefore slightly above the level of the previous year (EUR 10.3 billion in 2018).

Rentenbank raised the necessary funds again at favourable terms. In the reporting year, Rentenbank raised a nominal amount of EUR 10.3 billion (EUR 11.3 billion in 2018) in medium and long-term funding in the national and international capital markets. The following instruments were used for medium and long-term funding:

	1 Jan to 31 Dec 2019 EUR billion	1 Jan to 31 Dec 2018 EUR billion	Change EUR billion
Euro Medium Term Notes (EMTN)	9.0	9.7	−0.7
Global bonds	0.9	1.1	−0.2
AUD Medium Term Notes (MTN)	0.4	0.5	−0.1
Total	**10.3**	**11.3**	**−1.0**

Results of operations, financial position, and net assets

Results of operations

The results of operations, as presented in the following table, were better than anticipated:

	1 Jan to 31 Dec 2019 EUR million	1 Jan to 31 Dec 2018 EUR million	Change EUR million
Net interest income [1]	300.6	295.1	5.5
Net commission income	−1.9	−1.7	−0.2
Administrative expenses	72.9	71.8	1.1
Other operating results	−14.5	−13.3	−1.2
Taxes on income	1.2	1.2	0.0
Operating result before loan losses/valuation	**210.1**	**207.1**	**3.0**
Loan losses/valuation	177.6	144.1	33.5
Net income	**32.5**	**63.0**	**−30.5**

[1] Net interest income, including income from participations

Operating profit before provision for loan losses and valuation

In 2019, the operating profit before provision for loan losses and valuation amounted to EUR 210.1 million and was therefore better than expected. The prior-year figure of EUR 207.1 million was exceeded by EUR 3.0 million.

Net interest income

Interest income, including income from participations, was EUR 2,974.7 million (EUR 3,410.4 million in 2018). After deducting interest expenses of EUR 2,674.1 million (EUR 3,115.3 million in 2018), net interest income amounted to EUR 300.6 million (EUR 295.1 million in 2018).

Net interest income by segment:

	1 Jan to 31 Dec 2019 EUR million	1 Jan to 31 Dec 2018 EUR million	Change EUR million
Net interest income			
Promotional Business	189.8	158.3	31.5
Capital Investment	94.3	104.7	−10.4
Treasury Management	16.5	32.1	−15.6
Total net interest income	**300.6**	**295.1**	**5.5**

Rentenbank's aim is to provide special promotional loans at favourable rates. Net interest income for **Promotional Business** was EUR 189.8 million and consequently significantly above the level of the previous year (EUR 158.3 million in 2018), therefore exceeding our expectations at the planning stage. The negative funding rates, which were primarily seen in the last six months of the year, could not be completely passed on – despite the introduction of a promotional grant – due to a de facto lower limit of 0% for the interest rate within our lending business. The resultant positive margins improved the net interest income on the one hand and reduced the expenses for the promotional contribution on the other. In particular, the smaller promotional contribution had a highly positive impact on net interest income, causing net interest income for promotional business to increase by 19.9% versus the prior year.

In **Capital Investment**, net interest income decreased in comparison with the previous year in line with expectations by 9.9% to EUR 94.3 million. The additional income from the higher investment volume resulting from new investments has for some time no longer been able to offset lower reinvestment rates of maturing investments of own funds.

Net interest income from **Treasury Management** was below expectations at EUR 16.5 million and also significantly below the prior-year level of EUR 32.1 million. The reason for this was a reduced overall margin, essentially due to increased funding costs as part of the ECP Programme. Furthermore, the segment's average volume was also slightly down on the prior year.

Administrative expenses

Administrative expenses increased by 1.5% and therefore not as much as expected. They amounted to EUR 72.9 million overall (EUR 71.8 million in 2018).

Personnel expenses increased by EUR 0.9 million. The increase was essentially due to increased staff volumes by an average of 6 employees (in accordance with Section 267 (5) HGB) as well as collectively agreed pay increases and increased expenses for retirement provisions.

The slight decline in material expenses to EUR 33.1 million (EUR 33.7 million in 2018) was primarily the result of IT consultancy costs which were reduced by EUR 1.9 million. By contrast, the expenditure for regulatory charges/fees increased in total by EUR 1.2 million.

Amortisation and write-downs of intangible assets increased according to plan by EUR 0.6 million due to the recognition of intangible assets for SAP software (financial application) and Murex software (trade management application).

Other operating results

In contrast with the prior year period, **other operating results** decreased by EUR 1.2 million. The reason for this was the increased expense from the valuation of pensions provisions.

Provision for loan losses and valuation

In connection with the provision for loan losses and valuation, a net amount of EUR 177.6 million was allocated to the contingency reserve, i.e. 23% more than in the previous year.

Net income/distributable profit

In comparison with the previous year, a greater amount was allocated to contingency reserves. As a result, net income fell according to plan from EUR 63.0 million for 2018 to EUR 32.5 million for the financial year under review.

A total of EUR 16.2 million (EUR 47.2 million in 2018) was allocated from net income to the principal reserve.

The distributable profit remains unaffected by the aforementioned reduction in net income and stands at EUR 16.3 million as planned, which is slightly above the level of the previous year (EUR 15.8 million in 2018) after allocating funds to the principal reserve. One half of the distributable profit is allocated to the Federal Government's Special Purpose Fund administered by Rentenbank and the other half goes to Rentenbank's Promotional Fund.

Financial key performance indicators

In 2019, the operating profit before provision for loan losses amounted to EUR 210.1 million (EUR 207.1 million in 2018) and was significantly better than expected. Net interest income increased slightly by 1.9% to EUR 300.6 million (EUR 295.1 million in 2018) and was better than we had planned. This is essentially down to the significantly smaller promotional contribution. The increase in administrative expenses by 1.5% to EUR 72.9 million (EUR 71.8 million in 2018) is mainly due to the increased IT expenditure and other consultancy charges. The increase was smaller than planned. Personnel expenses were also significantly lower than planned because the average number of employees did not increase as much as expected.

The developments that affected operating profit were also reflected in the cost/income ratio, one of our key performance indicators, whose increase was accordingly lower than anticipated. From fiscal year 2019, expenses for the interest subsidy for new business in special promotional loans will no longer be factored into the calculation of the cost/income ratio. The cost/income ratio calculated in this way increased from 24.6% to 27.8% (it increased from 30.5% to 31.0% after factoring in the promotional contribution). Overall, when compared with other sizeable German promotional banks, our cost/income ratio remains at a moderate level.

Promotional contribution, a further key performance indicator, comprises the interest rate reduction granted for our special promotional loans, among other items. In the year under review, we used a nominal EUR 19.3 million from our own earnings (EUR 63.2 million in 2018) for this purpose. The decline is solely down to interest rate trends in the last six months of 2019, as it was not possible to pass on in full the negative funding rates obtained by Rentenbank. In addition, we provided our Research on Agricultural Innovation Programme with grants of EUR 5.0 million as in 2018. The promotional contribution, including the distributable profit of EUR 16.3 million intended for distribution, decreased to EUR 41.3 million (EUR 84.2 million in 2018). This figure is below our planning assumptions, mostly due to the low level of allowance for special promotional loans in light of the low interest rate environment.

Net assets

Based on the financial statements, Rentenbank's net assets may be shown as follows:

Changes in the main asset categories

	31 Dec 2019 EUR million	31 Dec 2018 EUR million	Change EUR million
Loans and advances to banks	60,417.3	60,137.6	279.7
Loans and advances to customers	6,486.5	6,486.3	0.2
Bonds and other fixed-income securities	17,162.0	16,520.0	642.0

Loans and advances to banks amounted to a year-end total of EUR 60.4 billion (EUR 60.1 billion in 2018). Their share of total assets was 66.4% and is almost unchanged in comparison with the previous year. They continue to constitute the most significant portion of total assets.

Loans and advances to customers are largely made up of promissory notes issued by the German states. This item remained unchanged at EUR 6.5 billion.

The portfolio of bonds and other fixed-income securities rose by EUR 0.7 billion to EUR 17.2 billion. As in the prior year, they were held exclusively in the banking book.

Changes in the main equity and liabilities categories

	31 Dec 2019 EUR million	31 Dec 2018 EUR million	Change EUR million
External funds			
Liabilities to banks	2,256.8	2,460.2	−203.4
Liabilities to customers	2,774.8	3,490.4	−715.6
Securitised liabilities	77,499.0	76,577.0	922.0
Subordinated liabilities	302.7	374.7	−72.0
Own funds (including fund for general banking risks)			
Subscribed capital	135.0	135.0	0.0
Retained earnings	1,163.0	1,146.8	16.2
Distributable profit	16.3	15.8	0.5
Fund for general banking risks	3,294.5	3,241.1	53.4

External funds

Liabilities to banks decreased by EUR 0.2 billion to EUR 2.3 billion, mainly due to maturing promissory notes. Liabilities to banks decreased by EUR 0.7 billion to EUR 2.8 billion, mainly due to maturing registered bonds.

Securitised liabilities declined slightly by EUR 0.9 billion (1.2%) to EUR 77.5 billion. The most important funding instruments remained the Medium Term Note Programmes (MTN). Its portfolio increased to EUR 62.8 billion (EUR 60.1 billion in 2018). In contrast, the portfolio of global bonds decreased to EUR 9.8 billion (EUR 10.6 billion in 2018) and the portfolio of Euro Commercial Paper (ECP) issues fell to EUR 4.4 billion (EUR 5.4 billion in 2018).

Subordinated liabilities dwindled to EUR 0.3 billion as EUR 0.1 billion matured.

Equity

Equity including the fund for general banking risks in accordance with Section 340g HGB rose by a total of EUR 70.1 million to EUR 4,608.8 million. From net income of EUR 32.5 million, an amount of EUR 16.2 million was allocated to retained earnings and an amount of EUR 16.3 million was recognised as distributable profit. The fund for general banking risks was increased by EUR 53.4 million.

Regulatory capital ratios

The promissory notes taken into account in total capital meet the requirements of Article 63 of the Capital Requirements Regulation (CRR). Subordinated liabilities in the form of bearer securities issued as global certificates do not meet the requirements set out in point (k) of Article 63 CRR and, in accordance with the transitional provisions, are included in tier 2 capital only until 31 December 2021.

For the Group, both the total capital ratio and the Common Equity Tier 1 capital ratio of 31.1% (31.2% in 2018) and 30.1% (29.7% in 2018), respectively, were well above the minimum regulatory requirements specific to the Group.

Financial position

Capital structure

Please refer to the net assets section for the structure of liabilities and equity.

Capital expenditure

In the last year, Rentenbank continued to make significant investments in the modernisation of its IT environment. The objective is to replace the proprietary iSeries applications largely with the Murex and SAP platforms as well as to modernise the electronic loan processing in the promotional business on a gradual basis. In 2019, a partial Murex project came into use as well as a central data warehouse and a central reporting platform for our Finance division were introduced as part the SAP implementation. The electronic cover letter system implemented in 2018 to optimise promotional business processes was expanded upon.

Liquidity

The Federal Republic of Germany bears the institutional liability and has issued a guarantee for Rentenbank's liabilities (statutory guarantee).

As a result, the Bank enjoys AAA ratings and can acquire liquid funds on the market at any time. The large volumes of securities eligible for repo transactions accepted by the Bundesbank constitute an additional liquidity reserve. For additional details we refer to the presentation of liquidity risks in the risk report, which forms part of this management report.

Summary presentation of business development and position

The Management Board is satisfied with the Bank's performance as well as with the development of the net assets, financial position and result of operations. This also applies to the strategic parameters defined within the internal management system.

Non-financial key performance indicators

Corporate citizenship

As a federal public law institution, Rentenbank is committed to being a good corporate citizen over and above its promotional mandate. The Bank mainly supports cultural institutions. Grants are provided on a regular basis to Oper Frankfurt, Schirn Kunsthalle, Städel Museum, the English Theatre and the Städelschule (State Academy of Fine Arts), among others. Rentenbank also supports various charity projects of churches, associations and societies with regular donations at Christmas in Frankfurt and the surrounding area. Furthermore, the Bank supports numerous institutions, societies and foundations from the cultural, science and business worlds through its memberships.

Furthermore, the Bank supports additional community projects which are closely linked with its promotional mandate. The Bank supports individual projects and institutions serving agriculture and rural areas from its promotional fund which is fed into from distributable profit. This includes agribusiness-orientated research projects, practical pilot projects, educational programmes and events. For instance, the Promotional Fund supports work with rural youth and rural seniors groups with funding. The Bank's foundation Edmund Rehwinkel Stiftung promotes agronomic research activities and projects of practical use to agriculture and awards grants. As part of its sponsoring activities, Rentenbank supports trans-regional events and projects with substantial reach and significance for the sector and rural areas. Rentenbank's Gerd Sonnleitner Prize worth EUR 3,000 is awarded every year to a winner under 35, if they have demonstrated their commitment to the reconciliation of interests within rural areas.

Employees

At year-end 2019, Rentenbank employed 303 (304 in 2018) employees (excluding trainees, interns, employees on parental leave and members of the Management Board). Qualified and committed employees are key to Rentenbank's long-term success. The Bank's HR strategy is derived from the business strategy. It comprises safeguarding appropriate quantitative and qualitative staffing levels, the promotion of gender equality, as well as safeguarding and further development of instruments and processes within staff management, among other things.

Rentenbank's HR policy is oriented to the long term. As a public law institution with a proven business model, it offers its employees a great deal of job security. The small rate of employee turnover is contained in the risk inventory as a risk ratio. The average length of service is around 11 years.

In order to ensure it has appropriate staff levels, the Bank positions itself as an attractive employer for current and future employees. To recruit and develop university graduates, Rentenbank benefits from its tried and tested trainee programme. The 'training on the job' programme consists of cross-divisional seminars and tailored training sessions in different departments within the Bank. In 2019, six new trainees commenced their traineeships.

An appropriate level of qualification is ensured by providing training sessions as the need arises. The number of training days per employee is one of the aims contained in the business strategy. In 2019, the average number of training days was 1.7 days per employee (excluding development events which are free of charge/internal training sessions).

The gender equality plan, which is accessible to all employees, contains targeted measures to improve equality between men and women and reconciling working and taking care of a family or caring for family members. Flexible and part-time working count among some of the measures we have taken as well as grants for nursery places, and the corporate benefits offered by 'pme Familienservice' for employees with family members to care for young and old. Furthermore, the gender equality plan contains specific key figures regarding the proportion of women in management positions and the distribution of remuneration for men and women according to the pay group they are in. The proportion of women in management roles was 20% in 2019. The overall ratio between male and female employees was almost level at 55% to 45% respectively. 86% of those working part-time were women.

Report on expected developments

Changes in business and market conditions

The economic development of Rentenbank primarily depends on the prevailing conditions in the credit and financial markets.

These are mainly influenced by the monetary policy of the central banks, price and exchange rate movements, as well as the development of public finances. The demand for promotional loans is particularly influenced by both the interest rate trend and the situation in the agricultural markets and in agribusiness. These, in turn, are influenced by the agricultural policy of the EU and the German federal government and states.

Macroeconomic outlook

After a substantial economic downturn last autumn and winter, the economic outlook for the current year brightened up again. The trade disputes between the US and China have relaxed and the probability of a hard Brexit has receded, as negotiations over the future relationship are currently underway and will continue until the end of 2020, now that the UK has left the EU on 31 January 2020. However, a new kind of coronavirus which was first discovered in China is spreading globally. As economic activity has been very severely impacted in the areas which have been largely isolated, the pandemic has had immediate negative impacts on the economy. It is difficult to predict how it will take its course and therefore it constitutes a new considerable risk to the economy.

The central banks and regulatory authorities have taken initial action to deal with it in response. As there is currently no expectation of inflation rising significantly in the eurozone, the ECB should have some flexibility to relax its monetary policy even further if required. Accordingly, Rentenbank is anticipating interest rates to be unchanged or lower for the current year, depending on how the corona pandemic evolves.

Economic forecast for our promotional business

Agriculture is an integral part of the global economy and is affected by many factors such as trade conflicts, plant and animal diseases, as well as extreme weather events and climate change. Price volatility on the global markets is increasingly more likely as a result.

In the Agricultural Outlook 2019–2028, the Organization for Economic Cooperation and Development (OECD) and the Food and Agriculture Organization of the United Nations (FAO) anticipate steady to slightly falling agricultural commodity prices up to 2028. Agricultural productivity will grow more quickly globally than the demand for agricultural products. The use of grain for feed and food will increase in the next ten years due to the growth of the population. An increase in the consumption of sugar and plant oil is expected.

Estimates regarding the current and future economic situation for farmers may be made using the business indicator study for the German agriculture sector (*Konjunkturbarometer Agrar*), which is supported by Rentenbank. Farmers and contractors are surveyed for this purpose four times a year. In December 2019, the sample was comprised of 1,500 farmers and 200 contractors. According to the survey results, the estimated investment volume of EUR 3.8 billion for the next six months was below the prior-year level by 12% (EUR 4.3 billion in 2018). The planned investment volumes for purchases of agricultural land and premises remain behind those of the prior-year level.

Exports are of importance to German agribusiness over and above domestic demand. The OECD and FAO anticipate slow growth in demand for food up to 2028 versus the previous decade. At the same time, international trade relations are increasing in importance for more and more countries with regard to food security.

Brexit will not affect exports of German agribusiness in 2020 as much as had been feared in 2019 according to the Thünen Institute. The trade surplus in agricultural products is expected to decline by around EUR 1.0 billion. In previous calculations, by contrast, a decline of EUR 1.9 billion was forecast.

The federal government expects a further increase in the number of employees and an increase in personal income according to its 2020 economic report. This will stabilise the domestic economy and investment activity.

The German Wind Energy Association (*Bundesverband Windenergie* (BWE)) and VDMA Power Systems expect an increase in the construction of new installations in 2020. Following 1,078 MW in 2019, around 1,400 to 1,800 MW of new capacity is expected to be added in 2020. In addition, the federal government would like to accelerate the expansion of renewable energy in 2020 with a revision of the Renewable Energy Sources Act (EEG).

The promotional volume agreed for the individual promotional lines depends on the actual level of investment spending. It will also be significantly affected by the current low level of interest rates. Therefore, within our special promotional loans for 2020, we intend to make product adjustments in order to maintain the attractiveness of our promotional products in the prevailing interest environment. The introduction of negative interest rates for our local intermediary banks is a priority here. This means that we can pass on Rentenbank's negative funding costs to end borrowers in a suitable way. Due to the planned adjustments, we estimate a slight increase in new business volumes.

Forecast for business development

Annual plans and multi-year plans with a five-year time horizon are prepared in order to project Rentenbank's future asset, financial position and net asset situation. They cover new business, portfolio, equity, income and costs as well as stress scenarios. In addition, the planning includes regulatory indicators relevant for management purposes as well as the development of risk-bearing capacity. The following projections relate to the 2020 planning period.

Projections: operating profit

In our current planning, we expect to have a portfolio for new promotional loans business which is on average slightly above the prior-year level. Due to the ECB's ongoing Asset Purchase Programme (APP), we anticipate slightly falling asset and liability margins for new business. As the planned new business margins are also significantly below the margins of the maturities in 2020, this will lead to a slightly declining net interest income within our Promotional Business segment overall despite the larger portfolio.

Special promotional loans will remain the focus of our lending business. Based on new business volume of EUR 6.0 billion in 2019, we expect that the new business volume will increase somewhat in 2020, driven by various changes in our end borrowers' investment activities. Accordingly, we expect a slightly larger portfolio of special promotional loans with an almost steady percentage share in the total assets.

The portfolio of securities as well as registered bonds and promissory notes increased in the year under review. The portfolio is expected to increase slightly in 2020.

Within the Capital Investment segment, we expect interest income in 2020 to be around the level of 2019. Although lower yields in new business owing to the low interest rate environment are having a negative impact, the slightly higher average portfolio volume can, in part, offset this effect, causing the segment's total interest income to be expected as almost constant.

Net interest income within Treasury Management is expected to be below the prior-year level in 2020, as we anticipate margins to fall further. Additional revenue from foreign currency financing can no longer be factored in on the same scale as in the prior year, as the market opportunities from foreign currency swaps have reduced considerably.

As far as net interest income for the three segments is concerned, we expect a decrease in 2020 overall.

Cost planning in 2020 specifically takes on board the successful, long-term investments in the Bank's infrastructure. With the saving we have made from the removal of the expense for ECB supervision and the bank levy, we are able to continue to invest in Rentenbank's future sustainability. The investments in IT, in particular the further development of the two key systems Murex and SAP, will hover around the prior year level in 2020. In addition, the costs for renovating our building in 2020, which will include the move to an interim building will increase costs by a figure in the low single-digit millions. Overall, we anticipate a slight increase in administrative costs versus the previous year.

Due to the development of income and expenses, we expect the operating profit before provision for loan losses and valuation for 2020 to decline overall by around 10%. That would still be a satisfactory level for this key performance indicator based on a long-term comparison.

In our planning, we expect to keep the promotional contribution KPI at the prior-year level.

Due to falling income combined with the simultaneous investment-driven increase in administrative expenses, the cost/income ratio is expected to increase slightly. Nevertheless, the ratio will remain at a comparatively low level for the market.

Opportunities and risks

In contrast to the planned results for 2020, additional opportunities and risks may arise for our business development due to changes in market conditions.

As such, the current economic slump could be prolonged and intensified due to the spread of the coronavirus (COVID-19). If there is a recession, we could also see the sovereign debt crisis in the eurozone come to a head again. This would have a detrimental effect on our assets in terms of new business volumes and the risk situation in the lending business, but it could also have a positive effect of widening credit spreads. By contrast, in an uncertain economic environment, our own credit spreads have often proven to be relatively stable. This is due to the guarantee of the Federal Republic that enables Rentenbank to benefit from a 'flight to safe havens'. As a result, increasing lending/funding margins would have a positive impact on net interest income; a fall in business volume would by contrast have a dampening effect.

The prevailing low interest rate environment, primarily due to the ECB's monetary policy, supports demand for loans in agribusiness and rural areas. However, low interest rates also weigh on earnings in the Capital Investment segment. Measures introduced by the ECB as part of ongoing expansionary monetary policy could lead to an additional impact on earnings due to falling asset yields and margins. A change in the low interest rate environment, for instance, in the wake of a strong rate hike, would be associated with both risks and opportunities for Rentenbank due to the aforementioned factors. The possible specific consequences depend on the extent and the speed of interest rate changes as well as on the respective segment and the selected period in question.

The ability to pass on our favourable funding rates to local banks or more specifically end borrowers is curbed by the ongoing low and negative interest rate environment. In order to tackle this, product adjustments have been made (e.g. promotional grant and upfront premium) and additional adjustments are in the offing (e.g. negative funding rate). However, we cannot rule out that, like last year, potential delays in the adjustment process in 2020 may lead to weaker demand for special promotional loans and that, consequently, new business volumes will be smaller than planned. In addition, the promotional contribution may not attain the planned amount, which could tend to lead to an increase in net interest income.

We may see additional opportunities and risks as a result of the United Kingdom officially leaving the European Union on 31 January 2020. On the one hand, Brexit could lead to subsequent rising credit spreads on the capital markets and hence to increased new business margins (similar to the above explanations). On the other hand, due to the significance of exports for German agribusiness, Brexit could also have a negative impact on economic development and, subsequently, on the sector's willingness to invest. For example, this could result in declining demand for our special promotional loans, which, in turn, would lead to a smaller volume of total assets as well as lower promotional contributions.

Administrative expenses may be subject to additional burdens resulting from additional regulatory requirements that are not yet known. This may lead to rising IT and personnel expenses. Additionally, further changes to the IT infrastructure may become necessary over and above the investments already planned. As part of the upcoming renovation of our building, there could be negative changes to plan, which could lead to higher costs.

Despite Rentenbank's risk-conscious new-business policy, it cannot be ruled out that the credit quality of business partners will deteriorate during the course of the year, which would have a detrimental effect on the risk coverage potential within the context of risk-bearing capacity analysis.

Further information on risks is presented in the risk report.

Development in the current year

In January and February 2020, the anticipated development of net interest income in the three segments was above the pro rata projected figure and the prior-year level. Nevertheless, this was primarily due to the reduced expenses for the promotional contribution.

New business promotional loans transacted up to now and the lending/funding margins obtained so far in promotional business tend to indicate a difficult market environment in 2020. As net interest income is mostly generated by the existing portfolio, the Management Board considers the planned operating earnings for the 2020 fiscal year to be ambitious but nevertheless currently achievable.

This report on expected developments contains certain forward-looking statements that are based on current expectations, estimates, forecasts and projections of and information available to the Management Board. 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 on factors that involve risks and uncertainties and are based on assumptions that may prove to be incorrect. Unless required by law, we shall not be required to update forward-looking statements after their publication.

Risk report

Rentenbank has implemented a risk management system (RMS) to manage risks resulting from its business activities. The RMS is based on

- a risk strategy, consistently derived from the overall business strategy,
- the Risk Appetite Framework and the Risk Appetite Statement,
- ongoing review of an adequate capital and liquidity position,
- the organisational structures and workflows of the RMS,
- Risk Controlling, Compliance and Internal Audit.

With the entry into force of the amendment to the CRD on 27 June 2019, Rentenbank became exempt from this directive. As a result, Rentenbank is no longer subject to CRR within the meaning of Section 1 (3) d KWG and will be the responsibility of BaFin and the Bundesbank as national regulators. The provisions of the CRR therefore apply to the Bank analogously in accordance with Section 1a (1) KWG. Rentenbank does not have a trading book pursuant to Article 4 (1) (85) and (86) CRR.

Organisation of risk management

The Management Board has the overall responsibility for the RMS.

Risk reporting is carried out in line with the regulatory Minimum Requirements for Risk Management (MaRisk). The Management Board is kept informed every month and on an ad-hoc basis about the risk situation.

The Supervisory Board Audit and Risk Committees are informed about the risk situation on a quarterly basis. Furthermore, the Supervisory Board is kept informed about material risk-related events by the Management Board at its regular meetings and in the event of a material risk.

In accordance with MaRisk, the Bank has delegated the management of the Risk Controlling function (RCF) to the head of the Risk Controlling department. The latter is responsible for monitoring and communicating the risks and is involved in all important management decisions regarding risk policy. The Risk Controlling department carries out all RCF tasks. These include the drafting of the risk strategy and the regular monitoring of the limits within the risk-bearing capacity. In addition, the department regularly monitors the maximum limit for all credit risk and the upper limit for unsecured lines, the risk reporting, the daily valuation of the financial instruments and risk assessment within the New Product Process (NPP). The monitoring and reporting of risks take place independently from the front-office functions (Promotional Business and Treasury) according to the provisions of MaRisk.

The back-office functions are performed by the Credit division. It has an independent second vote in credit decisions and processes transactions involving purchased promissory notes and registered bonds. It also develops the credit risk strategy in conjunction with the Risk Controlling department. The Credit division evaluates the collateral and administers payment instructions in the special promotional loan business and is also responsible for the intensive monitoring and management of non-performing loans. Any necessary measures are taken here in consultation with the Management Board.

Furthermore, as part of loan portfolio management, the Credit division monitors compliance with the credit risk limits. In addition, the Credit division analyses credit and country risks, among other issues. Business partners and types of transactions with each business partner are classified using Rentenbank's own rating categories. In addition, the Credit division prepares proposals for credit decisions and monitors the aggregate lending portfolio on an ongoing basis.

As front-office functions, the Promotional Business and Treasury divisions are responsible for new business within the Promotional Business Segment. Treasury manages market and liquidity risks within the defined strategic framework. This combines the risk strategy with the risk appetite statement and the treasury sub-strategy. As processing and controlling units, the Operations Financial Markets department and the Loan Transactions department within the Credit division monitor trading transactions in accordance with MaRisk. Risk Controlling is responsible for market conformity checks.

Independent risk assessment and monitoring is an inherent part of how Rentenbank is organised.

The Internal Audit department reviews and assesses the appropriateness of activities and processes as well as the appropriateness and effectiveness of the RMS and the Internal Control System (ICS) on a risk-oriented and process-independent basis. It reports directly to Rentenbank's Management Board and carries out its duties in an independent and autonomous way. The Management Board may issue instructions to perform additional checks. The members of the Audit Committee as well as the chairpersons of the Administrative and Risk Committees may request information directly from the head of Internal Audit.

In the context of MaRisk compliance, Rentenbank's compliance function, a part of the ICS, acts in collaboration with the other organisational units to avoid risks that may arise from non-compliance with the relevant legislation (compliance risk). It encourages both the implementation of effective procedures to ensure compliance with the relevant legislation and requirements for Rentenbank as well as corresponding mechanisms for control. It reports directly to Rentenbank's Management Board and carries out its duties in an independent and autonomous way. In terms of risk to assets, the risk indicators to determine materiality comprise sanction risk, other financial risk and the reputational risk in the event of non-compliance with a standard.

The Regulatory working group (*Arbeitskreis regulatorische Themen* (*ART*)) is primarily responsible for tracking and evaluating regulatory and other legislative initiatives as well as for strengthening the compliance structure. It addresses the regulatory issues identified as relevant and ensures that unambiguous responsibilities are defined for the implementation within the Bank and that the issues are dealt with in a timely manner.

Business and risk strategy

The Management Board determines the Bank's sustainable business strategy based on the company mission derived from the relevant legislation Rentenbank's business strategy is primarily defined by its promotional mandate and the measures taken to fulfil it. Rentenbank does not keep a trading book. Rentenbank's business activities are not geared towards generating profits, but towards fulfilling its statutory promotional mandate.

Rentenbank provides its special promotional loans for agribusiness and rural areas via local banks (on-lending) and has to comply with the applicable regulatory requirements at all times.

Rentenbank's Risk Appetite Framework comprises all strategies and guidelines, methods, processes, responsibilities, controls and systems from which the Bank derives, communicates and monitors its risk appetite. Apart from the minimum target values, alert thresholds and limit systems, this also includes soft factors such as appropriate compliance and an active risk culture.

Rentenbank's risk strategy is derived from and is consistent with its business strategy. It comprises an overarching risk strategy as well as sub-strategies that focus on each specific type of risk.

The business and risk strategy are discussed with the Supervisory Board every year.

In the risk strategy and the risk appetite statement, the Management Board defines the core framework for the Bank's risk management.

Rentenbank defines risk appetite as the overall risk which it is willing to assume within the scope of the allocated risk coverage potential in order to achieve its strategic objectives. It is determined on the basis of quantitative requirements and qualitative assertions. The quantitative requirements are specified mainly through the definition of limits and alert thresholds within the scope of the risk-bearing capacity. They are also set out in the requirements in relation to products and markets as well as in the Treasury sub-strategy.

The credit risk strategy is shaped by the promotional mandate. Funds for promotion of the agricultural sector and rural areas are primarily granted to banks registered in the Federal Republic of Germany or in other EU member states. These banks must be engaged in business activities with companies operating in the agricultural sector or in the associated upstream or downstream industries or in rural areas. Special promotional loans are limited to Germany as an investment location.

In addition, the Bank can acquire participations and provides funding via promissory notes, registered bonds or bearer securities issued by the German states. Rentenbank's lending business is limited to the funding of banks and institutions as defined in Art. 4 CRR II and to the provision of capital to German local authorities. In accordance with the credit risk strategy, loans may be granted to companies only as part of the direct loan business with Rentenbank's subsidiaries. No corresponding new business was transacted in 2019.

Derivatives are used only as hedging instruments and with business partners where there is a collateral agreement in place.

Rentenbank's credit risk strategy requires prudent selection of business partners and products in all business activities. In accordance with its core competencies and business model, Rentenbank focuses on banks and public sector borrowers. Rentenbank has sectoral concentration risk with regard to the banking sector. This emanates from the statutory mandate and therefore from the business model enshrined in law and is specifically characterised by demand for special promotional loans. The average credit quality of the total loan portfolio, an indicator of the Bank's risk profile, is supposed to be at least A+, having taken product credit quality into account.

The market risk strategy prescribes that interest rate risks are limited by using derivatives and that foreign currency risks are generally hedged. Market risks are limited within the framework of the risk-bearing capacity.

The liquidity risk strategy aims to secure the Bank's ability to pay at any time, optimisation of the funding structure and coordination of the Bank's own issuance on the money and capital markets.

The management of operational risks focuses on preventing damages and, consequently, on ensuring the quality of all bank processes. Compliance with regulatory requirements as well as the minimisation of reputational risk by means of appropriate communications management and a code of conduct are also components of the risk strategy.

All material risks are limited within the specified risk appetite as part of the risk-bearing capacity analysis.

Risk culture

Rentenbank's risk culture characterises its understanding of dealing with risks in day-to-day business. It comprises all company standards, attitudes and behavioural patterns in relation to risk awareness, risk appetite and risk management.

Risk inventory

A risk inventory is used to obtain a structured overview of all risks that have a negative impact on Rentenbank's net assets, capital resources, results of operations or liquidity situation. This overview also comprises risk concentrations both among and between risk types.

In addition, material risks are identified using indicators based on quantitative and qualitative risk characteristics and are detected at an early stage as part of an internal review or 'self-assessment'. Further identification of risks takes place within NPP, ICS key controls, as well as the daily control and monitoring activities.

Rentenbank's risk profile encompasses the following as material types of risk: credit risks, market risks, liquidity risks, operational risks and strategic risks. In terms of market risks, Rentenbank distinguishes between interest rate risks, spread and other risks (currency and volatility risks) as well as CVA risks. The material types of risk within strategic risks are reputational risk, regulatory risk and pension risk.

Rentenbank defines non-financial risk (NFR) as risks within operational and strategic risks.

An increasing focus is placed on environmental, social and governance (ESG) risk. In one of its 2019 circulars, BaFin published its expectations with regard to factoring in sustainability risks within risk management. Rentenbank takes these on board in its risk management system.

Validation of risk measurement

The regulatory requirements are followed in a framework for validating methods and procedures for measuring material risks in Rentenbank's internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP).

Validation of the methods and processes takes place at least once a year, with separate teams ensuring independence between method development and validation. The aim of the validation is to critically review the quality of methods and models used for risk measurement, their parameters and assumptions employing the quantitative and qualitative analyses. The assessment is based on predefined methods. The validation results are reported to the Management Board. Any changes to the methods and parameters following from the validation results must be approved by the Management Board.

Risk-bearing capacity

The risk-bearing capacity of Rentenbank (as a group) is the core element of its internal capital adequacy assessment process (ICAAP) and constitutes the basis for operational implementation of the risk strategy. The aim of the risk-bearing capacity concept is the continuation of the Bank's ability to meet its statutory mandate by complying with regulatory requirements and to safeguard the Bank's capital in the long term, and to protect creditors from losses from an economic perspective. The objectives are reflected in the two perspectives of Rentenbank's risk-bearing capacity concept, which comprises a normative approach and an economic approach. The risk management processes are geared towards meeting these objectives and requirements equally. Stress tests supplement the monitoring of the limits within the risk-bearing capacity.

In 2019, Rentenbank further developed its ICAAP and specifically the normative approach in view of the new regulatory requirements from the ECB's and BaFin's ICAAP guidelines.

Risk-bearing capacity – normative approach

The risk management objective of the normative approach is to meet all regulatory minimum capital requirements and regulations. Here a check is made as to whether capital resources have complied with all regulatory requirements at the reporting date and in the multi-year (5-year) capital plan and therefore ensure that the Bank can continue as a going concern in the base scenario and adverse scenarios. The Bank's capital resources should allow for the business strategy to be pursued in an enduring way, even in these adverse scenarios.

The following table shows regulatory own funds within the normative approach at the balance sheet date versus the prior-year figures.

	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Subscribed capital	163.6	163.6
Retained earnings	1,131.3	1,082.5
Fund for general banking risks	3,115.0	3,069.5
Intangible assets	− 22.6	− 17.4
Tier 2 capital	138.9	214.0
Regulatory own funds	**4,526.2**	**4,512.2**

The changes from the previous year result from the appropriation of profit and the phasing out of tier 2 capital instruments.

The risk exposures or risk-weighted assets (RWAs) are presented in the following table:

	Risk value 31 Dec 2019 EUR million	Risk value 31 Dec 2018 EUR million
Credit risk	13,298.2	13,105.8
CVA charge	710.4	713.9
Operational risk	570.9	654.9
Overall RWAs	**14,579.5**	**14,474.6**

RWAs remain almost unchanged on the previous year.

This gives the regulatory capital ratios (total capital ratio, Tier 1 capital ratio, common equity Tier 1 capital ratio (CET 1 ratio) and the leverage ratio) at the reporting date. In addition, the planned values for the following three years for the base scenario in the capital plan are detailed for information purposes here:

	Balance sheet date	Base scenario		
	31 Dec 2019	2020	2021	2022
Total capital ratio in %	31.05	31.5	32.1	31.9
Tier 1 capital ratio in %	30.09	30.6	31.6	31.9
Common Equity Tier 1 capital ratio in %	30.09	30.6	31.6	31.9
Leverage ratio	4.99	5.05	5.06	5.08

The regulatory provisions are met at the reporting date and in the base scenario in the capital plan at all dates observed. The regulatory provisions were also adhered to in the various adverse scenarios of the capital plan. These simulate negative developments across the market (economic downturn and low interest rates) and effects specific to the Bank (such as rising costs).

Risk-bearing capacity – economic approach

The objective of the economic approach is to safeguard the Bank for the long term and to protect creditors from losses from an economic perspective. In order to achieve this, the economic risk coverage potential is compared with overall risk exposure and assessed both at the reporting date and in the capital plan base scenario.

Risk coverage potential takes into account hidden reserves and liabilities from securities and promissory notes issued by the German states, including related hedging transactions, as well as reserves according to section 340f HGB. Net income (accrued during the course of the year) from the income statement is taken into account; profits budgeted for but not yet generated are not included.

The risk coverage potential under the economic approach is illustrated below as of the reporting date compared to the prior year:

	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Subscribed capital	163.6	163.6
Reserves	1,150.2	1,131.3
Fund for general banking risks	3,168.4	3,115.0
Hidden liabilities/reserves	872.1	776.5
Risk coverage potential	**5,354.3**	**5,186.4**

The planned appropriation of profits for 2019 is factored into the risk coverage potential. The economic risk coverage potential slightly increased year on year by allocations to retained earnings and higher reserves.

Under the economic approach, risks from all exposures are analysed irrespective of their accounting. The risks are calculated based on a confidence level of 99.9% and a timeframe of one year. The risk exposures for the individual risk types are aggregated without considering the effects of diversification and are distributed as follows:

	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Credit Risk	330.7	790.1
Market risk	1,211.9	1,085.6
of which risk from interest rate changes	*469.5*	*288.9*
of which CVS risk from derivatives	*77.0*	*155.7*
of which spread and other risks	*650.4*	*621.0*
of which risk buffer	*15.0*	*20.0*
Operational risk	88.9	91.4
Strategic risk	74.0	133.2
Total risk	**1,705.5**	**2,100.3**

The decrease in the overall risk exposure amount essentially results from lower credit risk exposure. The reason for this is the improved methodology for credit portfolio modelling. With the new credit portfolio model comes an improved calculation of the credit value at risk (CVaR), primarily by more precisely accounting for concentration risks. Interest rate risks have increased, mostly due to revisions made to a scenario during the course of validation. In the case of strategic risks, risk exposure decreased as a result of updating the scenario.

Utilisation of the risk coverage potential has reduced significantly from 40.50% to 31.85% at the reporting date due to the higher risk coverage potential with a lower overall risk. The risk-bearing capacity under the economic approach was maintained at a comfortable level in 2019. All limits were maintained.

Risk-bearing capacity – stress tests

The objective of the stress tests is to analyse whether Rentenbank's risk-bearing capacity is guaranteed even in exceptional but plausible scenarios across various risk types. For this purpose, Rentenbank simulates a hypothetical scenario (of a serious economic downturn) as well as a historical scenario (financial market crisis and subsequent sovereign debt crisis) and analyses both market-wide and bank-specific aspects. The main risk parameters on which the stress scenarios are based are a deterioration of credit quality and change in interest rates and credit spreads. These stress tests are used to analyse the effects of the stress scenarios under the normative and economic approaches. Under the normative approach, the effects of the scenarios on the income statement and equity base and notably the effect on risk-weighted assets are simulated over a time period of three years. The predominant risk we monitor under the normative approach is credit risk, whereas under the economic approach, credit risk and most of all market price risk are particularly relevant.

The risk-bearing capacity was guaranteed in both approaches even under stress scenarios, confirming the Bank's comfortable capital situation.

In addition to these stress scenarios, Rentenbank uses an inverse stress test to examine which events could lead to a situation where the risk-bearing capacity is no longer maintained.

Credit risks

Definition

Credit risk is the risk that a contractual partner does not meet or only partially meets their payment obligations. It is also the risk of losses due to a rating downgrade. Distinctions are made between credit risk, migration risk and country risk subtypes.

Rentenbank's lending business is mostly limited to the funding of banks and institutions or financial institutions as defined in Article 4 CRR as well as to other interbank transactions. The credit risk on the part of the end borrower with special promotional loans is borne by the end borrower's local bank.

Quantification and management

The calculation of credit risk is based on the core risk parameters probability of default, loss given default, exposure at default and the correlations between business partners. The latter serve to simulate simultaneous defaults by business partners within our loans portfolio model.

Our business partners' probability of default is derived from their credit ratings. We gauge credit quality by carrying out an internal risk classification process. This involves allocating individual business partners or types of transactions to one of twenty credit rating categories. The ten best rating categories (AAA to BBB-) are assigned to business partners who are subject to low credit risk (investment grade). The next seven rating categories (BB+ to C) denote latent or increased latent risks and the three remaining rating categories (DDD to D) are reserved for non-performing loans or business partners in default.

Our business partners' credit ratings are reviewed at least once a year based on the assessment of their annual financial statements and an analysis of their financial position. In addition to the key performance indicators, the analysis also takes into account qualitative characteristics, the background of the company, and other relevant factors, such as protection schemes or state guarantees. In addition, country risks pertaining to our business partners' country of incorporation are reflected in the determination of credit quality. In the case of certain products, such as mortgage bonds (*Pfandbriefe*), the associated collateral or cover assets are regarded as an additional criterion for determining the product rating over and above the respective national statutory provisions. If new information becomes available concerning a deterioration in the financial position or in the economic prospects of a business partner, the Credit division reviews the credit rating and, if necessary, adjusts the rating.

The loss given default rate quantifies the proportion of the exposure that is not recoverable after the default of a business partner and the liquidation of collateral provided. Rentenbank uses loss given default rates that are specific for products and types of transactions to quantify credit risk; these are determined based on an analytical and expert-based procedure. In this connection, the liquidation chain related to the special promotional loans (which are granted on an 'on-lending' basis) is specifically taken into account in measurement and parameterisation of the loss ratio for special promotional loans. In addition, the Bank uses external data sources for individual transaction types.

The exposure at default corresponds to the balance at the reporting date plus off-balance-sheet transactions with individual debtors. This is the residual value of the exposure. The exposure value of derivatives is based on the mark-to-market method, taking into account contractual netting and cash collateral.

The calculation of the economic capital for credit value at risk (CVaR) is effected with a credit portfolio model, factoring in correlations between business partners and, additionally, migration risks. The credit portfolio model was radically overhauled in 2019 and is based on a Merton simulation model.

The method described enables Rentenbank to assess and monitor its risks in accordance with MaRisk. Negative developments as well as portfolio concentrations can therefore be identified at an early stage and countermeasures initiated.

Limitation and reporting

A maximum limit for all credit risk limits as well as an upper limit for unsecured lines are determined by the Management Board. Concentration risks are managed and effectively limited within the Bank at various levels by means of targeted policies. In addition, individual country exposure limits and country transfer risk limits have been established. Currency transfer risks can be limited per currency to mitigate risks.

A limit system manages the level and structure of all credit risks. Limits are specified for all borrowers, issuers and counterparties and, if applicable, subdivided by product and maturity. Rentenbank's risk rating system forms the basis for decisions on granting limits. Furthermore, a certain minimum credit quality is required for certain types of business or limits.

The limitation of credit risks within the context of risk-bearing capacity is effected using CVaR calculated based on the credit portfolio model.

In addition, risk and recovery indicators provide an indication of potential risk increases or of risk migration within the portfolio at an early stage. Warning thresholds ensure that higher limit utilisations are identified early on and that appropriate measures can be taken.

Additional limits are monitored daily. The Management Board is notified immediately if limits are exceeded.

Credit risks are managed, monitored and reported for individual transactions at borrower level as well as at the level of the group of associated clients, at country level and the level of the total loan portfolio.

Portfolio overview

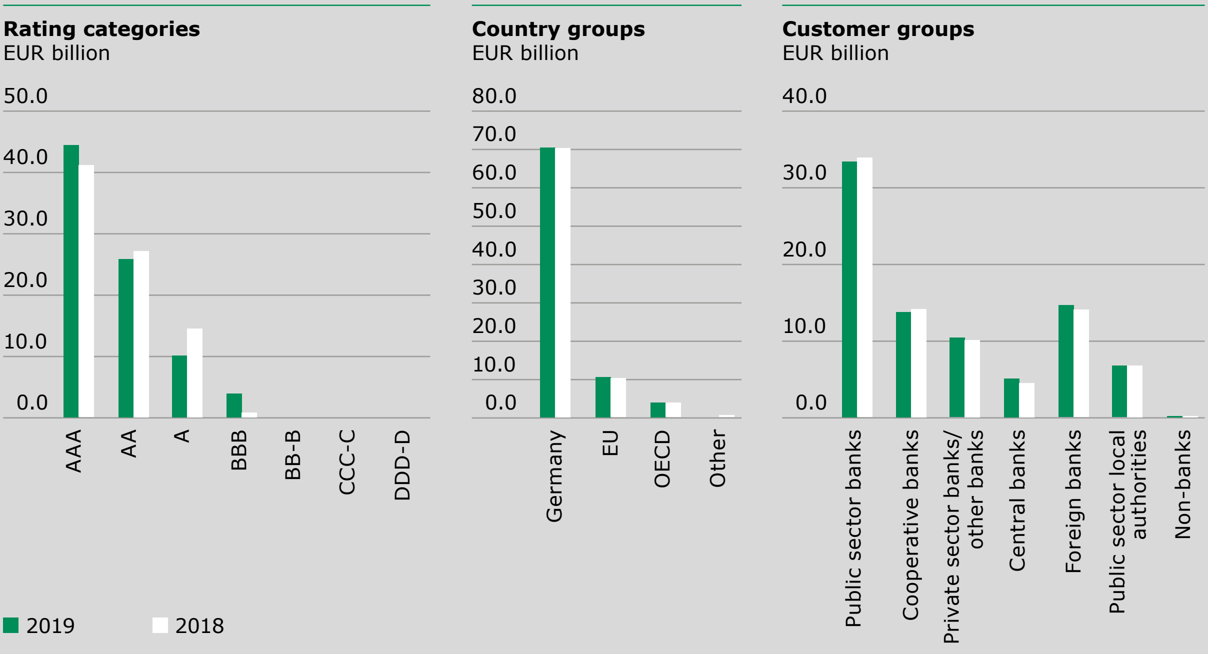
The Bank has received collateral for the vast majority of its risk exposures in the form of government guarantees and of assignments of the claims from loans to end borrowers which were funded by Rentenbank. The remaining risk exposures mostly include collateralised products such as German mortgage bonds (*Pfandbriefe*). Unsecured risk exposures mainly relate to loans and advances to credit institutions which are members of joint liability schemes in Germany (*Haftungsverbünde*).

The total loan portfolio of EUR 85.3 billion (EUR 84.5 billion in 2018) comprises the nominal amounts of the risk exposures in euros. These include special promotional loans including the assignment of the claims from loans to end borrowers, special promotional loans guaranteed by the German states, purchased registered bonds, promissory notes and securities, money market and derivatives transactions, participations as well as any lines of credit agreed externally. However, they do not include guarantees or sureties as well as loans granted from the Federal Republic's Special Purpose Fund. Participations include the risk exposures associated with Rentenbank's direct participations.

Entering into financial instruments in the derivatives business is permitted only as a hedging instrument on the basis of a netting and collateral agreement.

The aggregation in the following three tables is based on the country of incorporation and on the level of the legally independent business partner, without taking group relationships into account. The allocation to credit quality categories is effected using the product ratings. The figures presented are based on the nominal amount.

The portfolio is distributed as follows:



Risk exposures in peripheral countries:

The portfolio of securities and promissory notes of banks from the 'peripheral' countries of the eurozone has been reduced to zero (EUR 24.0 million in 2018).

In addition, there are repayment claims from cash collateral provided to Spanish counterparties for derivatives transactions in the amount of EUR 1.4 million due to reporting date differences.

Provision for loan losses

Specific valuation allowance

Rentenbank assesses on a monthly basis whether there is any objective evidence that not all interest and principal payments may be made in accordance with the contractual terms. For accounting purposes, the Bank uses the following criteria to determine whether the recognition of a specific valuation allowance for a receivable is required:

- internal credit rating as non-investment grade,
- non-performing, deferred or restructured exposures,
- material deterioration in the business partner's credit quality,
- material deterioration in the credit quality of the business partner's country of incorporation.

Rentenbank assesses the recoverability of both significant individual exposures and securities and exposures of amounts of minor significance on an individual basis. If there is objective evidence of impairment, the allowance is determined as the difference between the carrying amount and the present value of the expected cash flows.

As in the previous year, Rentenbank has not recognised any specific valuation allowances at the balance sheet date.

General valuation allowance

General valuation allowances are made for latent credit risks, the amount of which is calculated using the probability of default and the loss ratio as a basis.

Rentenbank recognised general valuation allowances of EUR 2.5 million (EUR 3.6 million in 2018) for receivables, securities and irrevocable loan commitments.

Market risks

Definition

Market risk is the potential loss resulting from changes in market variables. It comprises interest rate risks, CVA risks from derivatives as well as spread and other market risks. The latter include currency and volatility risks.

Interest rate risk is the risk from unexpected changes in the economic value or the present value of interest-sensitive positions as well as in net interest income due to changes in interest rates. The interest rate risk in terms of the present value is subsumed under the regulatory term Economic Value of Equity (EVE), while the interest rate risk in terms of net interest income is subsumed under the term Net Interest Income (NII). Rentenbank has allocated all transactions to the banking book and calculates interest rate risk from the EVE and NII perspective under the term Interest Rate Risk in the Banking Book (IRRBB).

The CVA risk is the risk of a potential decline in the market value of derivative financial instruments due to a deterioration in counterparty credit quality.

Spread risks are classified as credit spread risks, cross-currency basis swap risks and basis swap risks.

Currency risk is the risk of a present value loss on foreign currency positions based on adverse changes in exchange rates. Open currency positions only result from very low balances on nostro accounts. In the case of foreign currency positions, the market values of underlyings and hedging transactions are essentially distinct from credit spreads due to different valuation parameters. This leads to temporary market value differences caused by exchange rates.

Volatility risk is the risk that the value of an option is changed due to changes to the implicit volatility. Options also include embedded options.

Further market risks, such as share price and commodity transaction risks, are not relevant due to Rentenbank's business model.

Quantification and management

Interest rate risks

Interest rate risks from a present value or economic perspective are measured daily based on a parallel shift in the interest rate by 160 basis points for the Treasury Management segment and lending business and on a monthly basis at the level of the entire Bank. Equity is not shown as a liability in line with the regulatory accounting method used.

The income-related measurement of interest rate risks is effected as part of the stress scenarios under the normative approach over a time period of three years based on the fixed interest curve in the interest scenarios under analysis.

Risks from negative interest rates are taken into account in present value and income terms, especially the risks from variable-yield transactions with 0% floors.

The risk bearing capacity calculations are supplemented by analysis of stress scenarios.

Interest rate risk in the banking book under the economic approach primarily relates to long-term investment of equity in the Capital Investment segment. Therefore, only increasing interest scenarios are risk-relevant from a present value perspective (EVE). From an income-related perspective (NII), however, falling interest rates are risk-relevant as the effects of interest on new business over time are the main factor here.

The Bank calculates interest rate risk in the banking book in accordance with BaFin circular 06/2019. This involves examining whether the negative change of the present value exceeds 20% of total regulatory own funds in the event of a parallel change in interest rates of +/-200 basis points. In addition, as early warning indicators, changes in present value resulting from six specified interest rate scenarios are calculated in relation to Tier 1 capital. The threshold for the early warning indicators is 15%. The interest rate co-efficient and Rentenbank's early warning indicators are below the threshold values.

Generating material income by entering into interest rate risks does not constitute part of Rentenbank's business strategy.

The Bank limits its exposure to interest rate risks primarily through the use of derivatives. Derivatives are entered into on the basis of micro or macro relationships, the latter being used for special promotional loans.

CVA Risk

The CVA risk is the risk of a potential decline in the market value of derivative financial instruments due to a deterioration of the credit quality of the counterparty. In addition to business partners' probability of default and the loss given default rate, the calculation includes potential future exposure at the level of netting pools.

Spread and other risks

Rentenbank quantifies spread risks using a VaR model based on a historical simulation. The present value sensitivities regarding the spreads of the included transactions are taken into account in the VaR calculation. The maximum loss for the defined confidence level is calculated on the basis of historical market data that goes back up to eight years. Credit spread risks are calculated for securities and highly liquid promissory notes from German states.

Currency and volatility risks are measured by scenario-based changes in exchange rates and volatilities.

Risk buffer

Model inaccuracies and simplifications are given appropriate consideration by means of a risk buffer.

Limitation and reporting

The market risk limit is allocated to interest rate risk, the CVA risk, spread and other risks as well as to the risk buffer. Compliance with the limits for interest rate risks within the Treasury Management segment and the Promotional Business segment is monitored daily and reported. Reporting of the remaining market risks is on a monthly basis.

Liquidity risks

Definition

Rentenbank defines liquidity risk as the risk of not being in a position to meet current or future payment obligations without restriction.

Quantification and management

Rentenbank's liquidity gaps are limited by an amount defined by the Management Board on the basis of the funding opportunities available to Rentenbank. The liquidity position and the capacity used is monitored on a daily basis.

Instruments available for managing the short-term liquidity position include interbank funds, the issuance of ECP, and open-market transactions with the Bundesbank. Short-term funds up to two years can be borrowed via the Euro Medium Term Note programme (EMTN programme) or by issuing promissory notes and global bonds and using domestic capital market instruments. Furthermore, securities can be bought to manage liquidity.

Under the risk-bearing capacity concept, liquidity risks are not covered by the risk coverage potential but by counterbalancing capacity or liquid assets. Rentenbank's triple-A ratings and the statutory guarantee of the Federal Republic of Germany allow the Bank to raise liquidity on the market at any time. In addition, any collateral held at the Bundesbank may be pledged.

In accordance with the liquidity coverage ratio (LCR), the bonds issued by Rentenbank are classified as liquid assets in the EU. Rentenbank bonds also qualify as highly liquid assets in other jurisdictions, such as the United States and Canada.

Liquidity stress scenarios

Stress scenarios are intended to examine the effects of unexpected events on Rentenbank's liquidity position and market liquidity risk. The liquidity stress scenarios developed for this purpose are an integral part of the internal control model. They are calculated and monitored on a monthly basis. The scenario analyses comprise a market-wide scenario with a price decline for securities (market liquidity) and calls of cash collateral as well as an idiosyncratic scenario with a simultaneous drawdown of all irrevocable credit commitments and defaults by major borrowers. A scenario mix is used to simulate the cumulative occurrence of liquidity stress scenarios. Liquidity stress tests are also performed on an ad hoc basis if risk-related events occur.

Liquidity ratios pursuant to the CRR

The regulatory liquidity ratios LCR and NSFR (Net Stable Funding Ratio) are used to limit short-term as well as medium to long-term liquidity risks. The objective is to enable banks to remain liquid even during periods of stress by holding a liquidity buffer and maintaining stable funding. The LCR (i.e. the ratio of high-quality liquid assets to total net cash outflows under stress scenarios) must be at least 1.0.

The minimum requirement for the NSFR (i.e. ratio of the amount of available stable funding relative to the amount of required stable funding) is 1.0 from 2021.

Limitation and reporting

The liquidity requirement calculated up to 30 days under stress assumptions has to be within the portfolio of liquid assets pursuant to the Liquidity Coverage Ratio (LCR) and under the freely available funding potential.

The imputed liquidity requirement for 30 days to two years is limited by the freely available funding potential.

In addition, for the purpose of calculating medium and long-term liquidity, capital inflows and outflows over two years are aggregated on a quarterly basis and carried forward. The cumulative net cash outflows may not exceed a limit set by the Management Board.

The scenario mix is defined as a scenario relevant for control purposes and limits the survival horizon by means of a traffic-light tool.

The short-term and medium to long-term liquidity limits are monitored daily. In the reporting year as in the previous year, liquidity was secure even within stress assumptions at every point in time analysed. All liquidity limits and regulatory liquidity key figures were comfortably maintained. On average, the LCR amounted to 5.29 (6.29 in 2018) and the NSFR to 1.32 (1.31 in 2018).

Reporting on short-term and medium and long-term liquidity, the results of the scenario analyses, the liquidity ratios LCR and NSFR and calculation of the liquidity buffer pursuant to MaRisk is carried out on a monthly basis.

Operational risks

Definition

Operational risks arise from failed or inadequate systems and processes, human error or external events. Operational risks also include legal risks, risks from money laundering, terrorist financing or other criminal acts, behavioural risks, risks from outsourcing, operating risks and event or environmental risks. In the Bank's view, they do not comprise entrepreneurial risks, such as business risks, regulatory risks, reputational risks or pension risks.

Quantification and management

Under the risk-bearing capacity concept, operational risks are quantified for the economic approach at double the figure of the regulatory basic indicator approach.

All loss events and near misses are recorded in a loss event database by operational risk officers on a decentralised basis. The Risk Controlling function is accountable for the analysis and aggregation of incidents as well as for methodological development of the instruments used.

Rentenbank also carries out self-assessments in the form of workshops. Material operational risk scenarios are analysed and assessed here with regard to individual business processes from a risk-based perspective. This also involves specifying subsequent measures (e.g. as regards fraud prevention).

All operational risks are aggregated and analysed on a centralised basis by Risk Controlling. It is responsible for the use of instruments and the methodological development of risk identification, assessment, management and communication. Operational risks are managed by the relevant organisational unit.

Legal risks are managed and monitored by the Legal and Human Resources division. It informs the Management Board about current or potential legal disputes both on an ad hoc basis as well as in the form of semi-annual reports. Legal risks from business transactions are reduced by the Bank by largely using standardised contracts. The Legal department is involved at an early stage in decision-making and significant projects are to be carried out in collaboration with the Legal & Human Resources division. Legal disputes are recorded immediately in the loss event database. They are monitored using a defined risk indicator for the purpose of early risk identification.

In addition to the Compliance function, Rentenbank has set up a central unit for the prevention of money laundering, terrorist financing and other criminal acts. Such risks, which could put the Bank's assets at risk, are identified on the basis of a risk analysis in accordance with Section 25h German Banking Act (*Kreditwesengesetz*, KWG). Organisational measures are then derived from the risk analysis to optimise risk prevention. For this purpose, the Bank also analyses whether general and Bank-specific requirements for an effective organisation are being complied with.

Risks associated with outsourcing are captured as operational risks. Rentenbank has introduced centralised outsourcing management for outsourcing arrangements, while outsourcing arrangements are monitored on a decentralised basis. The central outsourcing management comprises risk management and risk monitoring. A distinction is made between significant and insignificant outsourcing based on a standardised risk analysis. Significant outsourcing is subject to special requirements, in particular with respect to the contracts, the intervals of the risk analyses and reporting.

Operating risks as well as event-related or environmental risks are identified throughout the Bank. They are managed and monitored based on how material they are.

The Bank has put in place an Information Security Management System (ISMS) to protect data, systems, networks and its site. The Information Security Officer (ISO) monitors compliance with the requirements defined by the ISMS as regards confidentiality, availability and integrity of information. Employees are regularly trained in information security and sensitised to risks via various channels. Information security risks are integrated into the operational risk management and are presented in a transparent way. This includes risks arising from the threats relating to cyber risks. The Bank has its service providers carry out regular penetration tests.

The Bank's Crisis Management has set up preventative and reactive measures in the event of emergencies or crises for time-critical business processes. The emergency manual and business continuity plans establish how to deal with disruptions to business. The Bank checks and monitors the effectiveness of these plans using test or training plans.

Limitation and reporting

The limits for operational risks are set at the amount of the risk exposure value. During the fiscal years 2018 and 2019 there were no loss events for which the potential loss could have exceeded EUR 100 thousand. Reporting is carried out as part of the risk report.

Strategic risks

Definition

Regulatory risk, reputational risk and pension risk, as material risk types, are allocated to the strategic risks.

Regulatory risk is the risk that a change to the regulatory environment could adversely affect the Bank's business activities or operating profit or that regulatory requirements are only being met at an insufficient level. Reputational risks arise from damage to the Bank's reputation that has a negative effect on its business operations. Transactions that result in reputational risk for Rentenbank are not entered into. In addition to that, no business is transacted with undertakings that conduct banking or credit brokering outside a regulated framework (shadow banking) as defined in Regulation (EU) No 575/2013. The calculation of pension provisions is based on various assumptions (e.g. interest rate development and mortality tables). The pension risk consists of changing assumptions causing a requirement to increase the pension provisions which are recognised as an expense.

Quantification and management

Regulatory and reputational risks are quantified using a corresponding scenario as part of medium-term planning (capital plan). To this end, regulatory and reputational risks are assumed to have monetary effects (e.g. increased funding costs or unexpected operating and personnel expenses) on the implementation of regulatory requirements. Pension risks are calculated on the basis of sensitivities and assumed parameter changes from an external actuarial opinion.

The risk exposures in the calculation of the risk-bearing capacity are derived from the scenario in the capital plan.

Losses incurred are monitored in the loss event database as well as in the monthly target/actual comparisons made by the Finance division in the income statement.

Regulatory risks are managed by actively monitoring regulatory projects as well as other legislative initiatives affecting Rentenbank and by identifying any implications for Rentenbank. The Regulatory working group (ART) plays a central role in this process. In particular, it is responsible for monitoring and evaluating regulatory and other legislative initiatives, as well as for strengthening the compliance function. To this end, the Regulatory working group initiates and monitors implementation projects. It reports to the Management Board on a regular basis.

A code of conduct and professional external corporate communications contribute to the management of reputational risks.

The calculation of pension provisions is based on current external parameters such as interest rates, inflation and life expectancy. Interest rate risks are taken into account for this purpose based on the interest-rate risks in the banking book (IRRBB).

Limitation and reporting

As with operational risks, the limits for strategic risks are also set at the amount of the risk exposure value. As in the prior year, no loss events materialised from strategic risks. Reporting is carried out as part of the monthly risk report.

Financial reporting process

The purpose of the financial reporting process is to reflect account allocation and processing of transactions until the required annual financial statements are prepared.

The objectives of the accounting-related ICS (Internal Control System)/RMS are to comply with financial reporting standards and regulations as well as to maintain proper accounting.

The annual financial statements of Rentenbank have been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, HGB) and the German Regulation on the Accounting of Banks and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute*, RechKredV).

The rules are documented in manuals and work instructions. The Finance division monitors them on a regular basis and adjusts them, if necessary, to take into account any changes in legal, regulatory and process-related requirements. The involvement of the Finance division in the New Product Process ensures that new products are included in a proper manner in the financial reporting system.

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

There is a clear separation of functions of the organisational units primarily involved in the financial reporting process. Money market transactions, loans, securities and liabilities are entered in corresponding subledgers and are allocated to different organisational units which monitor these subledgers. The data is transferred from the subledgers to the general ledger via automated interfaces. The Finance division is responsible for accounting, the definition of account allocation rules, the methodology for booking transactions, management of the accounting software and administration of the financial accounting system.

Apart from SAP employed as commercially available software for the Bank's operations, Rentenbank uses internally developed financial accounting software. The granting of authorisations solely for required tasks is intended to protect the financial reporting process from unauthorised access. Plausibility checks are conducted regularly. In addition, the principle of dual control, standardised reconciliation routines as well as comparison of plan data and actual figures are intended to ensure that errors are identified and corrected on a timely basis. These measures also ensure the correct recognition, presentation and measurement of assets and liabilities.

The Internal Audit department regularly performs process-independent reviews to assess whether the accounting-related ICS/RMS is functioning efficiently.

Timely, reliable and relevant reports are provided to the responsible persons within the framework of the management information system. The Management Board regularly informs the Supervisory Board and its committees about current business developments and about extraordinary events in a timely manner.

Financial Statements

Balance Sheet of Landwirtschaftliche Rentenbank

ASSETS

	Notes	EUR million	EUR million	EUR million	31 Dec 2018 EUR million
1. Cash and balances with central banks					
a) Cash on hand			0.3		0.2
b) Balances with central banks			20.0		18.2
of which: with Deutsche Bundesbank				**20.3**	18.4
EUR 20.0 million (2018: EUR 18.2 million)					
2. Loans and advances to banks	11				
a) Payable on demand			5,144.3		5,649.7
b) Other loans and receivables			55,273.0		54,487.9
				60,417.3	60,137.6
3. Loans and advances to customers	12				
of which: Collateralised by mortgages					
EUR –.– million (2018: EUR –.– million)					
Municipal loans					
EUR 6,417.1 million (2018: EUR 6,433.8 million)				**6,486.5**	6,486.3
4. Bonds and other fixed-income securities	13/17				
a) Bonds and notes					
aa) Public sector issuers		654.8			676.9
of which: Securities eligible as collateral					
with Deutsche Bundesbank					
EUR 525.3 million (2018: EUR 547.4 million)					
ab) Other issuers		16,479.7	17,134.5		15,815.6
of which: Securities eligible as collateral					
with Deutsche Bundesbank					
EUR 12,747.5 million (2018: EUR 12,658.2 million)					
b) Own debt securities			27.5		27.5
Nominal amount					
EUR 29.0 million (2018: EUR 27.2 million)				**17,162.0**	16,520.0
5. Shares and other variable-yield securities	14			**0.1**	0.1
6. Participations	15/17				
of which: in banks					
EUR 321.9 million (2018: EUR 321.9 million)					
in financial services institutions					
EUR –.– million (2018: EUR –.– million)				**327.9**	327.2
7. Investments in affiliated companies	15/17				
of which: in banks					
EUR –.– million (2018: EUR –.– million)					
in financial services institutions					
EUR –.– million (2018: EUR –.– million)				**49.6**	49.6
8. Assets held in trust	16				
of which: Loans held in trust					
EUR 108.9 million (2018: EUR 110.1 million)				**108.9**	110.1
9. Intangible assets	17				
a) Purchased concessions, industrial property rights and similar rights				**18.2**	13.8
10. Property and equipment	17			**13.5**	14.4
11. Other assets	18			**4,291.0**	4,705.3
12. Prepaid expenses	19				
a) From issuing and lending business			1,717.3		1,539.1
b) Other			291.3		239.2
				2,008.6	1,778.3
Total assets				**90,903.9**	90,161.1

as at 31 December 2019

LIABILITIES AND EQUITY

	Notes	EUR million	EUR million	EUR million	31 Dec 2018 EUR million
1. Liabilities to banks	20				
a) Payable on demand			0.3		0.7
b) With agreed term or notice period			2,256.5		2,459.5
				2,256.8	**2,460.2**
2. Liabilities to customers	21/31				
a) Other liabilities					
aa) Payable on demand			227.4		157.9
ab) With agreed term or notice period			2,547.4		3,332.5
				2,774.8	**3,490.4**
3. Securitized liabilities	22				
a) Debt securities issued				**77,499.0**	**76,577.0**
4. Liabilities held in trust	23				
of which: Loans held in trust					
EUR 108.9 million (2018: EUR 110.1 million)				**108.9**	**110.1**
5. Other liabilities	24			**861.9**	**305.0**
6. Deferred income	25				
a) From issuing and lending business			284.1		234.0
b) Other			1,764.8		1,594.1
				2,048.9	**1,828.1**
7. Provisions	26				
a) Provisions for pensions and similar obligations			126.4		118.3
b) Other provisions			315.7		358.6
				442.1	**476.9**
8. Subordinated liabilities	27			**302.7**	**374.7**
9. Fund for general banking risks				**3,294.5**	**3,241.1**
10. Equity	45				
a) Subscribed capital			135.0		135.0
b) Retained earnings					
ba) Principal reserve pursuant to Section 2 (2)					
of Rentenbank's Governing Law		1,145.8			
Allocations from guarantee reserve		0.0			
Allocations from net income		16.2	1,162.0		1,145.8
bb) Guarantee reserve pursuant to Section 2 (3)					
of Rentenbank's Governing Law		1.0			
Withdrawals pursuant to Section 2 (3)					
of Rentenbank's Governing Law		0.0	1.0		1.0
c) Distributable profit			16.3		15.8
				1,314.3	1,297.6
Total liabilities and equity				**90,903.9**	**90,161.1**
1. Contingent liabilities	29				
a) Liabilities from guarantees and indemnity agreements				**0.4**	0.5
2. Other commitments	30				
a) Irrevocable loan commitments				**717.8**	**716.8**

Income Statement of Landwirtschaftliche Rentenbank for the period from 1 January to 31 December 2019

	Notes	2019 EUR million	2019 EUR million	2019 EUR million	2018 EUR million
1. Interest income from	32				
a) Lending and money market transactions		2,665.2			3,096.7
b) Fixed-income securities and					
debt register claims		301.7			306.0
			2,966.9		3,402.7
less negative interest of EUR 43.5 million					(41.6)
2. Interest expense	33		2,674.1		3,115.3
less positive interest of EUR 5.1 million					(−1.0)
				292.8	287.4
3. Current income from					
a) Shares and other variable-yield securities			0.0		0.0
b) Participations			7.8		7.7
				7.8	7.7
4. Fee and commission income			0.1		0.1
5. Fee and commission expense			2.0		1.8
				−1.9	−1.7
6. Other operating income	34			**6.0**	4.4
7. Administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		27.8			27.4
ab) Social security contributions and expenses for					
pensions and other employee benefits		5.9			5.5
			33.7		32.9
of which: for pensions EUR 2.2 million					(1.9)
b) Other administrative expenses			33.1		33.7
				66.8	66.6
8. Depreciation, amortization and write-downs of intangible assets as well as property and equipment				**6.1**	5.2
9. Other operating expenses	35			**20.5**	17.7
10. Write-downs of and allowances for loans and advances and certain securities as well as additions to loan loss provisions				**124.4**	99.6
11. Income from reversals of write-downs of participations, investments in affiliated companies and securities held as fixed assets				**0.2**	1.0
12. Additions to the fund for general banking risks				**53.4**	45.5
13. Profit on ordinary activities				**33.7**	64.2
14. Taxes on income and profit			1.1		1.1
15. Other taxes not included in Other operating expenses			0.1		0.1
				1.2	1.2
16. Net income				**32.5**	63.0
17. Withdrawals from retained earnings					
from guarantee reserve pursuant to Section 2 (3) of					
Rentenbank's Governing Law				**0.0**	0.0
18. Allocations to retained earnings					
to principal reserve pursuant to Section 2 (2) of					
Rentenbank's Governing Law					
from guarantee reserve				**0.0**	0.0
from net income				**16.2**	47.2
19. Distributable profit				**16.3**	15.8

Cash flow statement for the period ending 31 December 2019

EUR million	2019	2018
Net income/loss for the period	33	63
Depreciation and write-downs, allowances for and reversals of write-downs of loans and advances and fixed assets	7	3
Increase/decrease in provisions	–35	5
Other non-cash expenses/income	178	145
Other adjustments (net)	–231	–250
Increase/decrease in loans and advances to banks	–404	294
Increase/decrease in loans and advances to customers	0	397
Increase/decrease in other assets from operating activities	182	477
Increase/decrease in liabilities to banks	–203	–251
Increase/decrease in liabilities to customers	–715	–364
Increase/decrease in securitised liabilities	922	–317
Increase/decrease in other liabilities from operating activities	777	241
Interest expense/interest income	–293	–287
Income tax expense/income	1	1
Interest and dividends received	3,210	3,617
Interest paid	–2,686	–3,080
Income tax payments	–1	–1
Cash flow from operating activities	**742**	**693**
Proceeds from disposal of financial investments	1,699	2,134
Payments for investments in financial investments	–2,341	–2,784
Proceeds from disposal of property and equipment	0	0
Payments for investments in property and equipment	–1	–1
Payments for investments in intangible fixed assets	–9	–6
Cash flow from investing activities	**–652**	**–657**
Appropriation of distributable profit pursuant to Section 9 of Rentenbank's Governing Law	–16	–15
Net change resulting from other financing activities	–72	–31
Cash flow from financing activities	**–88**	**–46**
Net change in cash and cash equivalents	2	–10
Cash and cash equivalents at beginning of period	18	28
Cash and cash equivalents at end of period	**20**	**18**

The cash flow statement shows the changes in cash and cash equivalents for the 2019 and 2018 fiscal years from operating, investing and financing activities. The item "Cash and cash equivalents at the end of the period" corresponds to the item "Cash and balances with central banks" reported in the balance sheet.

The allocation of cash flows to operating activities is based on the definition of operating profit. The cash flows from investing and financing activities were directly derived from financial accounting. The cash flows from investing activities result from proceeds from and payments for property and equipment and intangible assets as well as from proceeds from and payments for securities held as fixed assets. The change in cash resulting from financing activities comprises proceeds from and payments for regulatory tier 2 capital as well as the appropriation of our distributable profit.

The cash flow statement was prepared in accordance with the provisions set out in German Accounting Standard No 21.

The cash flow statement is only of limited informative value as an indicator of the liquidity position. For further details on liquidity management, please refer to the information in the management report.

Statement of changes in equity as at 31 December 2019

EUR million	Subscribed capital	Principal reserve	Guarantee reserve	Distributable profit	Total 2019
Equity as of 1 Jan	135.0	1,145.8*	1.0	15.8	1,297.6
Profit distribution	–	–	–	–15.8	–15.8
Net income	–	16.2	–	16.3	32.5
Allocation to/withdrawal from guarantee reserve	–	0.0	0.0	–	–
Equity as of 31 Dec	**135.0**	**1,162.0**	**1.0**	**16.3**	**1,314.3**

* Difference to principle reserve as of 31 Dec 2018 due to rounding as in balance sheet.

Statement of changes in equity as at 31 December 2018

EUR million	Subscribed capital	Principal reserve	Guarantee reserve	Distributable profit	Total 2018
Equity as of 1 Jan	135.0	1,098.5	1.0	15.3	1,249.8
Profit distribution	–	–	–	–15.3	–15.3
Net income	–	47.2	–	15.8	63.0
Allocation to/withdrawal from guarantee reserve	–	0.0	0.0	–	–
Equity as of 31 Dec	**135.0**	**1,145.7**	**1.0**	**15.8**	**1,297.5**

Notes

Accounting principles

Landwirtschaftliche Rentenbank (hereinafter referred to as Rentenbank) has its registered office in Frankfurt am Main. The Bank is registered in the Commercial Register of the Local Court of Frankfurt am Main under registration number HRA 30636.

The annual financial statements of Rentenbank have been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, HGB) and the German Regulation on the Accounting of Banks and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute*, RechKredV). The structure of the balance sheet and the income statement is based on the templates set out in RechKredV. Balance sheet and income statement items that are included in the template, but not used at Rentenbank, are not reported.

Taking into account the exemption as set out in Section 290 (5) in conjunction with Section 296 (2) HGB, Rentenbank is not required by law to prepare consolidated financial statements in accordance with the HGB. Consequently, pursuant to Section 315e HGB, Rentenbank is not required to prepare consolidated financial statements in accordance with IFRS. Voluntary consolidated financial statements of Rentenbank were not prepared.

Rentenbank is exempt from corporation tax in accordance with section 5 (1) No 2 of the German Corporation Tax Act (*Körperschaftsteuergesetz*, KStG) and trade tax in accordance with section 3 (2) of the German Trade Tax Act (*Gewerbesteuergesetz*, GewStG). Accordingly, deferred taxes pursuant to Section 274 HGB do not have to be recognised in the annual financial statements of Rentenbank.

Accounting policies

(1) General disclosures

Assets, liabilities and pending transactions are measured pursuant to the provisions of Sections 252 et seq. HGB, taking into account the supplementary provisions for credit institutions (Sections 340 et seq. HGB). The annual financial statements to 31 December 2019 are generally based on the same accounting policies as were applied in the prior year's annual financial statements. Any changes are described below.

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

(2) Recognition and measurement of financial instruments

In accordance with Section 11 RechKredV, pro rata interest is reported in the corresponding balance sheet item.

Loans and advances/liabilities

Loans and advances are accounted for pursuant to Section 340e (2) HGB, i.e. at their nominal amount less impairment losses, if any. Liabilities are recognised at their settlement amount in accordance with Section 253 (1) sentence 2 HGB. Premiums and discounts from loans and advances as well as from liabilities are reported either as prepaid expenses or deferred income. Zero bonds are accounted for at their issue price plus capitalised interest based on the issue yield.

Securities held as fixed assets

All securities are carried at amortised cost if need be less any impairment. Reversals of impairment losses are recognised if the reasons for the impairment no longer apply.

Fixed-income securities held as fixed assets are measured using the moderate lower of cost or market principle pursuant to Section 253 (3) sentence 5 HGB. Following the criteria defined by the Insurance Committee of the Institute of Public Auditors in Germany (IDW), Rentenbank tests for a potential permanent impairment if the bond price was more than 20% below the carrying amount of the bond (cf note 4) in the last six months prior to the balance sheet date or if the average of the daily fair value over the last twelve months was more than 10% below the carrying amount.

Since these securities are intended to be held over the long term, no write-downs to fair value are recognised if an impairment is considered to be temporary. In particular, write-downs are not recognised when an identified impairment is only of a temporary nature with respect to future financial performance and it is expected that the securities are fully repaid when due.

Securities allocated to the liquidity reserve

Securities allocated to the liquidity reserve are measured using the strict lower of cost or market rule (Section 253 (4) HGB). These instruments are written down to their lower fair value.

Participations and investments in affiliated companies

Participations and investments in affiliated companies are carried at cost in accordance with the requirements for fixed assets. In the case of a probable permanent impairment, they are written down to their lower fair value.

Derivatives

We use derivatives exclusively to hedge known or expected market risk. Measurement effects from derivatives are taken into account within the context of the loss-free valuation of the banking book.

Upfront payments made or received from derivatives contracts are reported in prepaid expenses/deferred income. The amortisation amounts from upfront payments from swap transactions are offset with the nominal interest income or expenses depending on the swap. In the previous year, reversal amounts were not offset.

Other assets/liabilities

Other assets are accounted for at the nominal amount and liabilities at their settlement amount.

(3) Provision for loan losses

Any identifiable risks in the lending business are sufficiently accounted for by specific valuation allowances and provisions. In addition to the fund for general banking risks reported in the balance sheet, general valuation allowances (GVAs) and contingency reserves pursuant to Section 340f HGB are recognised for latent (credit) risks and deducted from the corresponding asset items.

As at each balance sheet date, Rentenbank assesses whether there is any objective evidence that not all interest and principal payments may be made in accordance with the contractual terms. For accounting purposes, the Bank uses the following criteria to determine whether the recognition of a specific valuation allowance for a receivable is required:

- Internal credit rating as non-investment grade,
- Non-performing, deferred or restructured exposures
- Material deterioration in the business partner's credit quality
- Material deterioration in the credit quality of the business partner's country of incorporation.

General valuation allowances are recognised for latent credit risks, the amount of which is calculated using the probability of default and the loss ratio as a basis.

Bonds and notes are taken into account to the extent that they are recognised at amortised cost.

Due to the fact that its portfolio experiences very few defaults, Rentenbank does not have enough of a default history to allow for a robust estimate of its default rate to be made.

The internal master scale is therefore derived from the rates of default put in place by the Fitch, Moody's and S&P ratings agencies. The probabilities of default are allocated on the basis of the credit quality of the respective business partner.

The loss given default (LGD) rates for specific products and types of business transactions are determined using an analytical and expert-based procedure, taking into account the respective collateralisation.

The use of an expert-based procedure leads to a more accurate measurement of latent default risks and, therefore, to a more precise presentation of a true and fair view of the net assets, financial position and results of operations.

(4) Determination of fair value for financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is determined by using either directly observable market prices or own internal calculations on the basis of valuation models and observable market parameters. The fair value of contracts without option features is determined on the basis of the discounted expected future cash flows (discounted cash flow (DCF) method). Hedged items are discounted using a basis curve plus a credit spread based on credit quality.

The discounting of derivatives is based on the OIS (overnight interest rate swap) curve as well as on basis swap spreads and cross-currency (CCY) basis swap spreads. These are distinguished by maturity and currency and obtained from external market data providers. Contracts with option features (option-based contracts) are valued using standard 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.

(5) Loss-free valuation of the banking book

In accordance with the IDW statement on individual aspects of the loss-free valuation of interest-bearing transactions in the banking book (interest book) (IDW RS BFA 3), a provision for contingent losses must be recognised for any excess obligations resulting from the banking book in an overall assessment of the transactions.

A periodic (income statement) approach was used to calculate the amount required to be recognised as a provision within the context of the loss-free valuation of the banking book. The banking book comprises all interest-bearing transactions made by the Bank and is managed on a uniform basis.

For calculation purposes, future gains or losses in the banking book were determined by income contributed by closed and open interest rate positions.

These future cash flows were discounted as of the reporting date using generally recognised money market and capital market rates which correspond to the respective period. Risk costs were calculated on the basis of future expected losses and the pro rata share of administrative expenses for portfolio management was determined on the basis of internal analyses. As of 31 December 2019, there was no need for provisions on the basis of this calculation.

(6) Assets/liabilities held in trust

Assets and liabilities held in trust are reported as separate balance sheet items pursuant to Section 6 RechKredV. Owing to the correlation between assets held in trust and liabilities held in trust, both are recognised at the nominal amount.

(7) Property and equipment and intangible assets

In accordance with German commercial law, property and equipment as well as intangible assets are recorded at cost, less any depreciation and amortisation over their estimated useful lives.

Depreciation of property and equipment as well as amortisation of intangible assets are recognised using the straight-line method over their estimated useful lives, ranging from 33 to 50 years for buildings and from three to six years for operating and office equipment. Intangible assets are amortised on a straight-line basis over a period of three to four years.

(8) Prepaid expenses/deferred income

Additional prepaid expenses and deferred income are reported pursuant to Section 250 (1) and (2) HGB.

(9) Provisions

Provisions are recognised as liabilities at their expected settlement amount applying the principles of prudent business judgement and taking into account future price and cost increases. Provisions with a remaining term of more than one year are discounted to the balance sheet date.

<u>Pension provisions</u>

Pension obligations are discounted using the average market interest rate for the last ten fiscal years and this corresponds to the remaining term of the provisions. The rates used are determined and published monthly by the Deutsche Bundesbank in accordance with the German Regulation on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung, Rück-AbzinsV*). Pursuant to Section 253 (2) sentence 2 HGB, provisions for pension obligations are discounted at the average market interest rate applicable to an assumed remaining term of 15 years.

In accordance with Section 253 HGB, as amended in 2016, provisions for pension obligations are discounted using the average market interest rate for the past ten fiscal years in accordance with their remaining term (until and including 2015, average market interest rate for the past seven fiscal years). The resulting difference was EUR 14 million in 2019 (EUR 16 million in 2018).

In accordance with Section 253 (6) sentence 2 HGB, profits may only be distributed if the distributable reserves remaining after distribution, adding profit carried forward and deducting loss carried forward, at least equal the difference determined pursuant to Section 253 (6) sentence 1 HGB.

Pension provisions are measured in accordance with actuarial principles, using the projected unit credit (PUC) method. Under the PUC method, the provision amount is defined as the actuarial present value of the pension obligations, earned by the employees in the past periods of service prior to the relevant date in accordance with the pension benefit formula and vesting provisions. The Prof Dr Klaus Heubeck 2018 G mortality tables were used as the biometric calculation parameters.

The following parameters were used as the basis for the calculation as of 31 December 2019:

	2019	2018
Discount rate pursuant to Section 253 (2) sentence 2 HGB	2.71% p.a.	3.21% p.a.
Career trend	1.00% p.a.	1.00% p.a.
Expected rate of salary increases	2.25% p.a.	2.25% p.a.
Expected rate of pension increases (range of adjustments)	1.0 – 2.25% p.a.	1.0 – 2.25% p.a.
Employee turnover	average 5.00% p.a.	average 3.50% p.a.
Increase in Consumer Price Index (CPI)	1.75% p.a.	1.75% p.a.
Development of contribution ceilings	2.50% p.a.	2.50% p.a.

Other provisions

Other provisions are discounted at the average market interest rates for the past seven fiscal years which correspond to the remaining term of the provisions. The rates used are determined and published monthly by the Deutsche Bundesbank in accordance with the German Regulation on the Discounting of Provisions.

Provisions for special promotional loans cover the shortfalls in interest payments for the whole term or until the repricing date. The provisions recorded prior to the BilMoG adjustment for the interest rate reductions granted for special promotional loans are maintained by reference to the option available under Article 67 (1) sentence 2 of the Introductory Act to the Commercial Code (*Einführungsgesetz zum Handelsgesetzbuch, EGHGB*).

(10) Valuation units/currency translation

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

Rentenbank uses FX swaps and cross-currency swaps to hedge currency risks. Currency hedges are presented in the balance sheet using valuation units pursuant to Section 254 HGB. In these valuation units, the cash flows of the hedged item are fully reflected in the hedging instrument, i.e. the derivative (perfect hedge). The Bank utilises the net hedge presentation method (*Einfrierungsmethode*) to offset value changes between the hedged item and the hedging instrument. To measure the effectiveness of hedging relationships, the Bank uses the critical term match method, which compares the cash flows of the hedged item with those of the hedging instrument. Exchange rate fluctuations of the corresponding hedged items and hedging derivatives offset each other over the remaining period to their respective maturity dates.

Foreign currency-denominated assets, liabilities and pending transactions were translated into euros at the mid spot rate as of 31 December 2019. For this purpose, Rentenbank uses the European System Central Bank (ECB) foreign exchange reference rate.

Notes to the balance sheet

The reporting in the notes excludes pro rata interest, which may result in differences compared to the amounts reported in the balance sheet

(11) Loans and advances to banks

Breakdown by residual maturity	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Payable on demand	5,144	5,650
Other loans and receivables		
– up to 3 months	1,799	2,035
– more than 3 months to 1 year	5,270	5,160
– more than 1 year to 5 years	23,545	23,116
– more than 5 years	23,970	23,411
Total amount	**59,728**	**59,372**

Loans and advances to companies in which participating interests are held amount to EUR 4,325 million (EUR 4,529 million in 2018).

(12) Loans and advances to customers

Breakdown by residual maturity	31 Dec 2019 EUR million	31 Dec 2018 EUR million
– up to 3 months	28	95
– more than 3 months to 1 year	192	342
– more than 1 year to 5 years	2,049	1,191
– more than 5 years	3,984	4,641
Total amount	**6,253**	**6,269**

As at 31 December 2019, there were no loans and advances to customers with an indefinite term within the meaning of Section 9 (3) No 1 RechKredV.

(13) Bonds and other fixed-income securities

The total portfolio of bonds and other fixed-income securities is carried as financial investments. As in the previous year, no securities are held in the liquidity reserve.

Securities held as fixed assets are recorded at a carrying amount of EUR 16,981 million (EUR 16,340 million in 2018). The carrying amount for securities totalling EUR 665 million exceeds the fair value of EUR 660 million. As in the prior year, there is no permanent impairment for securities held as fixed assets. Accordingly, the avoided write-downs amount to EUR 5 million (EUR 10 million in 2018).

As in the prior year, bonds and other fixed-income securities do not include securities of affiliated companies or companies in which participating interests are held.

Disclosures on securities exchange listing and residual maturity:

Securities exchange listing	31 Dec 2019 EUR million	31 Dec 2018 EUR million
– Listed securities	16,633	16,088
– Unlisted securities	348	252
Total amount	**16,981**	**16,340**

Residual maturity of up to 1 year	31 Dec 2019 EUR million	31 Dec 2018 EUR million
from public sector issuers	–	21
from other issuers	1,687	1,606
Total amount	**1,687**	**1,627**

(14) Shares and other variable-yield securities

As in the previous year, all of the shares and other variable-yield securities held are marketable and listed.

(15) Participations and investments in affiliated companies

Rentenbank holds participations in the amount of EUR 328 million (EUR 327 million in 2018) and investments in affiliated companies in the amount of EUR 50 million (EUR 50 million in 2018). As in the previous year, participations and investments in affiliated companies do not include marketable securities.

(16) Assets held in trust

Breakdown	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Receivables from the Federal Republic's Special Purpose Fund held at Rentenbank	109	110
Loans and advances to banks	0	0
Total amount	**109**	**110**

(17) Fixed assets

Statement of changes in fixed assets in EUR million

	Intangible assets	**Property and equipment**		**Financial investments**		
	Software and licenses	Land and buildings	OOE	Bonds and notes	Participa-tions	Investments in affiliated companies
Historical cost						
Cost as of 1 Jan 2019	41	20	14	16,340	327	50
Additions	9	–	1			
Disposals	–	–	0		642*	
Transfers	–	–	–			
Cost as of 31 Dec 2019	50	20	15	16,981	328	50
Depreciation, amortization and write-downs						
Accumulated depreciation, amortization and write-downs as of 1 Jan 2019	27	7	13	–	0	–
Accumulated depreciation, amortization and write-downs from disposals	–	–	0			
Depreciation, amortization and write-downs 2019	5	1	1			
Accumulated depreciation, amortization and write-downs as of 31 Dec 2019	32	8	14	–	0	–
Reversals of write-downs	–	–	–	–	0	–
Carrying amount as of 31 Dec 2019	**18**	**12**	**1**	**16,981**	**328**	**50**
Carrying amount 31 Dec 2018**	14	13	1	16,340	327	50

* Net change pursuant to Section 34 (3) sentence 2 HGB
** In 2018, the carrying amount for bonds and notes included pro rata interest

(18) Other assets

Breakdown	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Cash collateral provided for derivatives	4,290	4,705
Other items	1	0
Total amount	**4,291**	**4,705**

(19) Prepaid expenses

Breakdown	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Premium from lending business	1,393	1,182
Discount from issuing business	324	357
Upfront payments from derivative transactions	289	238
Other items	3	1
Total amount	**2,009**	**1,778**

(20) Liabilities to banks

Breakdown by residual maturity	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Payable on demand	0	1
Other liabilities		
– up to 3 months	1	–
– more than 3 months to 1 year	120	185
– more than 1 year to 5 years	885	855
– more than 5 years	635	785
Total amount	**1,641**	**1,826**

(21) Liabilities to customers

Breakdown by residual maturity	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Payable on demand	227	158
Other liabilities		
– up to 3 months	59	148
– more than 3 months to 1 year	13	342
– more than 1 year to 5 years	570	425
– more than 5 years	1,830	2,321
Total amount	**2,699**	**3,394**

Liabilities to customers include liabilities to affiliated companies in the amount of EUR 100 million (EUR 101 million in 2018). Liabilities to companies in which participating interests are held amount to EUR 1 million (EUR 1 million in 2018).

(22) Securitised liabilities

Breakdown by residual maturity	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Debt securities issued		
– up to 1 year	16,636	13,776
– more than 1 year to 5 years	34,672	37,406
– more than 5 years	25,764	24,958
Total amount	**77,072**	**76,140**

(23) Liabilities held in trust

Breakdown	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Liabilities from the Federal Republic's Special Purpose Fund held at Rentenbank	109	110
Liabilities to customers	0	0
Total amount	**109**	**110**

(24) Other liabilities

Breakdown	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Cash collateral received for derivatives	858	300
Other items	4	5
Total amount	**862**	**305**

(25) Deferred income

Breakdown	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Discount from lending business	3	3
Premium from issuing business	281	231
Upfront payments received from derivative transactions	1,764	1,593
Other items	1	1
Total amount	**2,049**	**1,828**

(26) Provisions

This balance sheet item includes provisions for pension obligations of EUR 126 million (EUR 118 million in 2018) to employees who are contractually entitled to receive pension benefits. Other provisions consist of the following:

Other provisions	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Shortfall in interest payments from special promotional loans	286	330
Promotion of Research on Agricultural Innovation	13	11
Promotion of agriculture (Promotional Fund)	5	4
Other provisions	12	14
Total amount	**316**	**359**

(27) Subordinated liabilities

Breakdown by residual maturity	31 Dec 2019 EUR million	31 Dec 2018 EUR million
– up to 1 year	–	72
– more than 1 year to 5 years	303	263
– more than 5 years	–	40
Total amount	**303**	**375**

The subordinated liabilities are issued in the form of promissory notes (carrying amount: EUR 40 million) and bearer securities (carrying amount: EUR 263 million after hedging). The net interest expenses for subordinated liabilities before hedging total EUR 8 million (EUR 9 million in 2018).

Disclosures in relation to funds raised in an amount exceeding 10% each of the total amount of subordinated liabilities (before hedging):

1. Bond of EUR 100 million;
   carrying amount: EUR 100 million;
   Maturity: 18 August 2021; interest rate: 0.62%
2. Bond of EUR 100 million;
   carrying amount: EUR 100 million;
   Maturity: 18 August 2021; interest rate: 0.65%
3. Bond of JPY 5 billion;
   carrying amount: EUR 41 million;
   Maturity: 28 March 2022; interest rate: 5.78%
4. Bond of JPY 5 billion;
   carrying amount: EUR 41 million;
   Maturity: 30 September 2022; interest rate: 5.005%

In the case of the four above-mentioned subordinated bonds, early repayment is only possible if there is a change or amendment to tax legislation. The remaining subordinated liabilities in the form of promissory notes with a nominal value in the amount of EUR 40 million have original terms to maturity of 20 years and attract 5% interest. A conversion into capital or another form of debt has not been agreed or provided for.

(28) Foreign currency assets and liabilities

As of the balance sheet date, assets denominated in foreign currency amounted to EUR 5,198 million (EUR 4,699 million in 2018) and liabilities denominated in foreign currency stood at EUR 45,096 million (EUR 46,345 million in 2018). Foreign currency balances were hedged almost entirely through derivatives.

(29) Contingent liabilities

The contingent liabilities in the amount of EUR 436 thousand (EUR 518 thousand in 2018) generally result from deficiency guarantees. Rentenbank entered into deficiency guarantees with respect to capital market loans granted at a reduced rate of interest for which the federal government has provided counterguarantees. We do not expect these guarantees to be called upon.

(30) Other commitments

Other commitments consist of irrevocable loan commitments of EUR 718 million (EUR 717 million in 2018) in the special promotional loan business.

The irrevocable loan commitments result from loan commitments where Rentenbank has made a binding commitment to its customers, therefore exposing the Bank to a potential credit risk. Based on experience from previous years, Rentenbank expects that drawdowns on these irrevocable loan commitments will be made almost entirely in 2020.

(31) Cover calculation

The outstanding liabilities requiring cover include only registered bonds in the amount of EUR 19 million (EUR 19 million in 2018).

An amount of EUR 39 million (EUR 41 million in 2018) of loans and advances to banks is designated to cover debt securities issued.

Notes to the income statement

(32) Interest income

Interest income from cash collateral provided as well as from lending and money market transactions is reported net of negative interest of EUR 43.5 million (i.e. reducing income by this amount). Interest income includes the pro rata utilisation of the corresponding provisions of EUR 80.1 million (EUR 84.5 million in 2018).

(33) Interest expense

Interest expense is reported net of positive interest of EUR 5.1 million from money market liabilities and cash collateral received (i.e. reducing expenses by this amount).

Interest expense for provisions for the shortfalls in interest payments from special promotional loans amounted to EUR 26.4 million in 2019 (EUR 70.1 million in 2018). In addition, interest expense includes effects in the amount of EUR 7.1 million from the unwinding of the discount on these provisions (EUR 9.6 million in 2018).

From 2019, the promotional grant in the amount of EUR 9.4 million is presented in interest expense (EUR 0.4 million within ‘Other operating expenses’ in 2018).

(34) Other operating income

Disclosures on the most important items pursuant to Section 35 (1) No 4 RechKredV:

Item 6: Other operating income	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Rental income from residential buildings and properties	2	2
Income from reversals of provisions	1	0
Capitalisation of project work carried out by Rentenbank employees	1	1
Other refunds	1	1

Other operating income includes currency translation gains of EUR 0.8 thousand (EUR 0.9 thousand in 2018). These currency translation gains result exclusively from the currency translation of balances on current accounts at correspondent banks in foreign countries.

(35) Other operating expenses

Disclosures on the most important items pursuant to Section 35 (1) No 4 RechKredV:

Item 9: Other operating expenses	31 Dec 2019 EUR million	31 Dec 2018 EUR million
Interest expense from the valuation of pension provisions	12	11
Grants for the Research on Agricultural Innovation programme	5	5

Other operating expenses include currency translation losses of EUR 14.9 thousand (EUR 122.5 thousand in 2018). These currency translation losses result exclusively from the currency translation of balances on current accounts at correspondent banks in foreign countries.

Other disclosures

(36) Other financial commitments

In 2019, framework agreements were concluded with promotional institutions of the federal states in relation to the granting of promotional loans for the 2020 fiscal year in the amount of EUR 1,100 million (EUR 1, 790 million in 2018).

(37) Derivative financial instruments

We use derivatives exclusively to hedge known or expected market risk. The volume of the transactions is capped by counterparty-specific and product-specific limits and is continuously monitored in our risk management.

Derivative transactions

The following table shows the derivatives not accounted for at fair value in accordance with Section 285 No 19 HGB (netting and collateral agreements have not been taken into account):

Derivatives in the banking book to hedge:	Nominal amounts		Fair values positive	Fair values negative
	31 Dec 2019 EUR million	31 Dec 2018 EUR million	31 Dec 2019 EUR million	31 Dec 2019 EUR million
Interest rate risks				
Interest rate swaps	108,065	106,645	1,683	5,048
– of which termination and conversion rights embedded in swaps	952	925	87	0
Swaptions				
– Sales	396	797	–	0
Total exposure to interest rate risks	**108,461**	**107,442**	**1,683**	**5,048**
Currency risks				
Cross-currency swaps	45,544	45,494	1,948	2,099
– of which currency options embedded in swaps	16	32	2	–
Currency swaps	4,353	5,328	7	46
Total exposure to currency risks	**49,897**	**50,822**	**1,955**	**2,145**
Total exposure to interest rate and currency risks	**158,358**	**158,264**	**3,638**	**7,193**

The following table presents a breakdown of derivative transactions by residual maturity:

Derivatives in the banking book	Nominal amounts Interest rate risks		Nominal amounts Currency risks	
	31 Dec 2019 EUR million	31 Dec 2018 EUR million	31 Dec 2019 EUR million	31 Dec 2018 EUR million
– up to 3 months	2,553	5,309	8,678	4,561
– more than 3 months to 1 year	10,178	9,745	4,023	6,191
– more than 1 year to 5 years	51,035	48,095	23,281	25,652
– more than 5 years	44,695	44,293	13,915	14,418
Total	**108,461**	**107,442**	**49,897**	**50,822**

The following table presents a breakdown of derivative transactions by counterparty group:

Derivatives in the banking book	Nominal amounts		Fair values positive	Fair values negative
	31 Dec 2019 EUR million	31 Dec 2018 EUR million	31 Dec 2019 EUR million	31 Dec 2019 EUR million
Banks in OECD countries	141,323	143,897	3,212	6,450
Other counterparties in OECD countries	16,704	14,046	425	743
Banks in non-OECD countries	331	321	1	–
Total	**158,358**	**158,264**	**3,638**	**7,193**

(38) Disclosures on valuation units pursuant to Section 285 No 23 HGB

The following table provides an overview of the hedged items in valuation units as of the balance sheet date:

Balance sheet item	Hedged risk	Carrying amount 2019 EUR million	Carrying amount 2018 EUR million
Other loans and receivables to banks	Currency	54	26
Bonds and other fixed-income securities	Currency	4,900	4,621
Liabilities to customers	Currency	126	163
Securitised liabilities	Currency	45,257	46,995
Subordinated liabilities	Currency	63	125

(39) Management Board and Supervisory Board remuneration

In the 2019 fiscal year, the total remuneration paid to the members of the Management Board of Rentenbank in accordance with Section 285 No 9a and 9b HGB amounted to EUR 1,875 thousand (EUR 1,912 thousand in 2018). The following remuneration was paid to the individual members of the Management Board in the 2019 fiscal year:

Breakdown	Fixed renumeration EUR thousand	Variable renumeration*** EUR thousand	Other renumeration EUR thousand	Total EUR thousand
Dr Horst Reinhardt	745	27	29	801
Dietmar Ilg	480	–	16	496
Dr Marc Kaninke*	280	–	10	290
Hans Bernhardt**	248	27	13	288
Management Board total	**1,753**	**54**	**68**	**1,875**

* Beginning of contract term: 1 June 2019
** End of contract term: 30 April 2019
*** Last tranche of the payment deferrals for the 2015 fiscal year

As of 31 December 2019, provisions for pension obligations to the former members of the Management Board and their surviving dependants totalled EUR 19,724 thousand (EUR 15,237 thousand in 2018). Current benefit payments amounted to EUR 1,411 thousand (EUR 1,285 thousand in 2018).

In accordance with the remuneration stipulations, the Chairman of the Supervisory Board receives an annual basic remuneration of EUR 30 thousand, his deputy EUR 20 thousand, and each other member of the Supervisory Board receives EUR 10 thousand. Furthermore, the members of the Supervisory Board who are members of a committee receive a remuneration of EUR 2 thousand and members who chair a committee EUR 4 thousand. Remuneration was set at nil for members of the federal government, who are members of the Supervisory Board in accordance with section (7) 1 No 4 of the Governing Law of Landwirtschaftliche Rentenbank.

The total remuneration of the Supervisory Board in the year under review amounted to EUR 295 thousand (EUR 301 thousand in 2018), partly including VAT.

The following table shows the individual remuneration (excluding VAT):

Member	Time period		Remuneration in EUR thousand	
	2019	2018	2019	2018
Joachim Rukwied	1 Jan – 31 Dec	1 Jan – 31 Dec	46.0	42.0
Julia Klöckner	1 Jan – 31 Dec	14 March – 31 Dec	0.0	17.4*
Udo Folgart	1 Jan – 4 July	1 Jan – 31 Dec	7.0	14.0
Bernhard Krüsken	1 Jan – 31 Dec	1 Jan – 31 Dec	18.0	16.0
Michael Reuther	1 Jan – 31 Dec	1 Jan – 31 Dec	15.0	14.0
Dr Caroline Toffel	1 Jan – 31 Dec	1 Jan – 31 Dec	14.0	14.0
Werner Hilse	1 Jan – 31 Dec	1 Jan – 31 Dec	11.0	12.0
Manfred Nüssel	1 Jan – 4 July	1 Jan – 31 Dec	7.0	12.0
Harald Schaum	1 Jan – 31 Dec	1 Jan – 31 Dec	14.0	12.0
Brigitte Scherb	1 Jan – 31 Dec	1 Jan – 31 Dec	12.0	12.0
Dr Marcus Pleyer	1 Jan – 31 Dec	1 Jan – 31 Dec	18.0	16.0
Werner Schwarz	1 Jan – 31 Dec	1 Jan – 31 Dec	13.0	10.0
Dr Werner Hildenbrand	1 Jan – 4 July	1 Jan – 31 Dec	5.0	10.0
Dr Hermann Onko Aeikens	1 Jan – 31 Dec	1 Jan – 31 Dec	16.0	16.0
Dr Birgit Roos	1 Jan – 31 Dec	1 Jan – 31 Dec	13.0	12.0
Priska Hinz	1 Jan – 31 Dec	1 Jan – 31 Dec	10.0	10.0
Dr Till Backhaus	1 Jan – 31 Dec	1 Jan – 31 Dec	10.0	10.0
Barbara Otte-Kinast	1 Jan – 31 Dec	1 Jan – 31 Dec	10.0	10.0
Franz-Josef Holzenkamp	4 July – 31 Dec	–	6.0	–
Karsten Schmal	4 July – 31 Dec	–	6.0	–
Rainer Schuler	4 July – 31 Dec	–	5.0	–
Christian Schmidt	–	1 Jan – 13 March	–	4.6**
Total remuneration			**256.0**	**264.0**

* Direct donation to the ʻMittelpunkt Menschʼ foundation
** Direct donation to ʻEv.-luth. Kirchengemeinde Obernzenn/Urphertshofenʼ

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

Employees	2019			2018		
	Men	Women	Total	Men	Women	Total
Full-time employees	156	81	237	153	81	234
Part-time employees	10	58	68	8	57	65
Total	**166**	**139**	**305**	**161**	**138**	**299**

Overall, Rentenbank employed an annual average of 139 female employees (138 in 2018) and 166 male employees (161 in 2018) as full-time and part-time employees.

(41) Participations pursuant to Section 285 No 11 and Section 340a (4) No 2 HGB

In accordance with Section 286 (3) sentence 1 No 1 HGB, we do not provide a list of participations pursuant to Section 285 No 11 HGB due to their minor significance for the assessment of the Bank's net assets, financial position and results of operations.

Pursuant to Section 340a (4) No 2 HGB, the participations in large corporations, where the participation exceeds 5% of the voting rights, are shown below:

- Niedersächsische Landgesellschaft mbH, Hanover
- Landgesellschaft Schleswig-Holstein mbH, Kiel

(42) Other commitments

As long as Rentenbank holds 100% of the shares in LRB, Rentenbank has committed itself in a letter of comfort to provide financial resources to LRB, enabling it to fulfil its obligations at all times when due.

(43) Auditors' fees pursuant to Section 285 No 17 HGB

Rentenbank's auditors' fees are as follows:

Breakdown	2019 EUR thousand	2018** EUR thousand
Audit services*	406.6	429.0
Other assurance services	54.2	78.4
Other services	0.0	300.6
Total	**460.8**	**808.0**

* Of the auditors' fees for 2019, the following amounts were attributable to the prior-year period:
– EUR 34.7 thousand for audit services.

** Of the auditors' fees for 2018, the following amounts were attributable to the prior-year period:
EUR 72.9 thousand for audit services, EUR 0.2 thousand for other assurance services and EUR 16.3 thousand for other services.

(44) Disclosure in accordance with Part 8 of Regulation (EU) No 575/2013

In relation to the disclosure in accordance with Part 8 of the Capital Requirements Regulation (CRR) (Articles 435 to 455), readers are referred to the Disclosure Report which is published at www.rentenbank.de.

(45) Events after the reporting date pursuant to Section 285 No 33 HGB

After the end of the fiscal year, no significant events occurred that would affect the Bank's income statement or balance sheet.

(46) Proposal for the appropriation of profit pursuant to Section 285 No 34 HGB

The preparation of the annual financial statements for the fiscal year 2019 with respect to profit appropriation is subject to the approval of the SupervisoryBoard. The proposal for the 2019 appropriation of net income and profit presents the following resolutions:

- Of the net income of EUR 32,500,000 reported in the income statement, EUR 16,250,000 is allocated to the principal reserve (*Hauptrücklage*) pursuant to Section 2 (2) of Rentenbank's Governing Law.
- With respect to the remaining distributable profit of EUR 16,250,000, EUR 8,125,000 is provided for the Federal Republic's Special Purpose Fund and EUR 8,125,000 for the Promotional Fund.

(47) Disclosure of mandates held pursuant to Section 340a (4) No 1 HGB

In accordance with Section 340a (4) No 1 HGB, mandates held by statutory representatives or other employees of Rentenbank in supervisory bodies to be formed by law of large corporations (Section 267 (3) HGB) are shown below:

Dietmar Ilg	VR Smart Finanz AG, Eschborn (Member of the Supervisory Board)

The Declaration of Conformity with the German Public Corporate Governance Code by the Management Board and the Supervisory Board is publicly available on Rentenbank's website.

The annual financial statements and the management report are available on Rentenbank's website as well as in the electronic Federal Gazette (*Bundesanzeiger*). They may also be obtained at the registered office of Rentenbank.

Members of the Management Board and Supervisory Board (during the period from 1 January 2019 to 13 March 2020)

Management Board

Dr Horst Reinhardt (Chairman, Chief Markets Officer), Dipl.-Volkswirt, MBA
Dietmar Ilg (Chief Risk Officer), Dipl.-Kaufmann
Dr Marc Kaninke (Chief Financial Officer/Chief Information Officer), Dipl.-Volkswirt, Dipl.-Kaufmann (from 1 June 2019)
Hans Bernhardt (Chief Finance and IT Officer), Dipl.-Kaufmann (until 30 April 2019)

Supervisory Board

Chairman:

Joachim Rukwied
President of the German Farmers' Association (DBV)

Deputy Chairwoman:

Julia Klöckner
Federal Minister for Food and Agriculture

Representatives of the German Farmers' Association:

Werner Hilse
Farmers' Association of Lower Saxony

Bernhard Krüsken
Secretary General of the German Farmers' Association

Brigitte Scherb
German Rural Women's Association

Werner Schwarz
President of the Farmers' Association of Schleswig-Holstein

Karsten Schmal
President of the Farmers' Association of Hesse (from 4 July 2019)

Udo Folgart
Honorary President of the Farmers' Association of Brandenburg (until 4 July 2019)

Representatives of the German Raiffeisen Association:

Franz-Josef Holzenkamp
President of the German Raiffeisen Association (from 4 July 2019)

Manfred Nüssel
Honorary President of the German Raiffeisen Association (until 4 July 2019)

Representatives of the Food Industry:

Rainer Schuler
President of the Federal Association of Agricultural Traders (from 4 July 2019)

Dr Werner Hildenbrand
Deputy Chairman of the Federation of German Food and Drink Industries (BVE) (until 4 July 2019)

State Ministers of Agriculture:

Hesse:
Priska Hinz Member of the Landtag (State Parliament)
Minister for Environment, Climate Protection, Agriculture and Consumer Protection (until 31 December 2019)

Lower Saxony:
Barbara Otte-Kinast
Minister for Food, Agriculture and Consumer Protection (until 31 December 2019)

Mecklenburg-Western Pomerania:
Dr Till Backhaus, Member of the Landtag (State Parliament)
Minister for Agriculture and the Environment
(until 31 December 2019)

Saarland:
Sebastian Thul
State Secretary for the Ministry of Environment and Consumer Protection, Saarland (from 1 January 2020)

North Rhine-Westphalia:
Ursula Heinen-Esser
Minister of State for Environment, Agriculture, Conservation and Consumer Protection, North Rhine-Westphalia (from 1 January 2020)

Saxony:
Wolfram Günther
Minister of State for Energy, Climate Protection, Environment and Agriculture, Free State of Saxony (from 1 January 2020)

Representative of the Trade Unions:

Harald Schaum
Deputy Chairman of IG Bauen-Agrar-Umwelt

Representative of the Federal Ministry for Food and Agriculture:

Dr Hermann Onko Aeikens
State Secretary (retired)

Representative of the Federal Ministry of Finance:
Dr Marcus Pleyer
Head of Directorate

Representatives of credit institutions or other lending experts:

Michael Reuther
Member of the Management Board of Commerzbank AG
(until 31 December 2019)

Dr Birgit Roos
Chairwoman of the Management Board of Sparkasse Krefeld

Dr Caroline Toffel
Member of the Management Board of Berliner Volksbank eG, Berlin

Frankfurt am Main, 13 March 2020

LANDWIRTSCHAFTLICHE RENTENBANK
The Management Board

Dr Horst Reinhardt Dietmar Ilg Dr Marc Kaninke

Responsibility Statement from the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Bank, and the management report includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the principal opportunities and risks associated with the expected development of the Bank.

Frankfurt am Main, 13 March 2020

LANDWIRTSCHAFTLICHE RENTENBANK
The Management Board

Dr Horst Reinhardt	Dietmar Ilg	Dr Marc Kaninke

Independent Auditor's Report

To Landwirtschaftliche Rentenbank, Frankfurt am Main/Germany

Report on the Audit of the Annual Financial Statements and of the Management Report

Audit Opinions

We have audited the annual financial statements of Landwirtschaftliche Rentenbank, Frankfurt am Main/Germany, which comprise the balance sheet as at 31 December 2019, the statement of profit and loss, the statement of cash flows and the statement of changes in equity for the financial year from 1 January to 31 December 2019 and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Landwirtschaftliche Rentenbank, Frankfurt am Main/Germany, for the financial year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the declaration of compliance of the executive board and the supervisory board concerning the Public Corporate Governance Code of the German Federal Government referred to in section "Basic information on the Bank", subsection "Public Corporate Governance Code" of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the declaration of compliance of the executive board and the supervisory board concerning the Public Corporate Governance Code of the German Federal Government referred to in section "Basic information on the Bank", subsection "Public Corporate Governance Code" of the management report.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019.

These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the issue of identification and measurement of provisions for credit losses, which we have determined in the course of our audit to be a key audit matter. Our presentation of this key audit matter has been structured as follows:

a) description (including reference to corresponding information in the annual financial statements and the management report)

b) auditor’s response

Identification and measurement of provisions for credit losses

a) In its annual financial statements for the financial year ended 31 December 2019, Landwirtschaftliche Rentenbank discloses loans and advances to credit institutions, loans and advances to customers, securities and contingent liabilities as well as irrevocable loan commitments totalling bEUR 84.8 arising from its lending business. In the light of the relative significance of credit transactions in the balance sheet of Rentenbank given a balance sheet total of bEUR 90.9, we considered the provisions for credit losses to be a key audit matter. The provisions for credit losses as at 31 December 2019 are as follows:

Rentenbank has set up general allowances of mEUR 2.5 and general provisions of kEUR 7 to provide for inherent credit risks in the lending business. As in the prior year, no specific allowances and/or provisions for imminent credit losses are recognised in the annual financial statements.

For the purpose of determining general allowances for inherent credit risks, loans and advances to credit institutions, loans and advances to customers, securities, contingent liabilities and irrevocable loan commitments without any identifiable imminent credit losses are allocated to rating levels on the basis of quantitative and qualitative criteria. They are calculated using an expected loss approach. For this purpose, the Bank uses annual probabilities of default in accordance with the respective internal rating levels. The probabilities of default are derived from data published by rating agencies using regression analyses. The loss given default is determined individually for each business line.

For determining potential specific allowances and/or provisions for imminent credit losses, the loans and advances, securities, contingent liabilities and irrevocable loan commitments for which a sustainable debt servicing capacity is not expected are identified in a first step. Subsequently, the specific allowances and/or provisions are determined on a case-by-case basis based on estimated future cash flows, taking into account expected cash inflows from the sale of collateral, if applicable.

The loss given default is the key value-determining parameter for determining the general allowances. In addition to this, in the light of the credit volume, we consider the identification of any need for specific allowances to be significant, as, in the scope of credit monitoring, this identification requires appropriate assumptions to be made concerning the solvency of the borrowers and, if applicable, the recoverability of collateral, and as, in this respect, these estimations and/or assumptions are subject to the judgement of the executive directors of Rentenbank.

Concerning an explanation of the system for risk provisioning, we draw attention to section 3 “Provision for loan losses” of the notes to the financial statements of Landwirtschaftliche Rentenbank as well as section “Credit risks” in the management report.

b) In the scope of our audit, we relied, based on our risk assessment, on control-based and substantive procedures. We performed the following audit procedures, among others:

First, we obtained an understanding of the development and composition of the credit portfolio, the associated credit risks and the internal control system with regard to the identification, management, monitoring and valuation of provisions for credit losses and assured ourselves of the appropriateness and effectiveness of the relevant accounting-related system of internal controls.

With regard to Rentenbank’s recognition and measurement policies, we assessed whether the method for measuring the general allowances and provisions complies with legally required accounting principles. As part of our audit of the risk management, we assessed and reviewed the methodological appropriateness of the parametrisation of default probabilities and loss given default. Moreover, we audited the correctness of the calculations for determining the general allowances and/or provisions. In addition, we audited the implementation and effectiveness of controls regarding the up-to-dateness and correctness of borrower ratings used by Rentenbank as well as for identifying defaulted borrowers and/or issuers. By means of a sample, which we determined both by risk-orientated means and on a random basis, we audited whether specific allowances for imminent credit losses were necessary using documentation supplied for proving creditworthiness and, if applicable, collaterals.

Other Information

The executive directors are responsible for the other information. The other information comprises:

- the declaration of compliance of the executive board and the supervisory board concerning the Public Corporate Governance Code of the German Federal Government referred to in section "Basic information on the Bank", subsection "Public Corporate Governance Code" of the management report,
- the executive directors' confirmation regarding the annual financial statements and the management report pursuant to Section 264 (2) sentence 3 HGB and Section 289 (1) sentence 5 HGB, respectively, and
- all the remaining parts of the annual report, with the exception of the audited annual financial statements and management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit

Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by resolution of the supervisory board on 28 March 2019. We were engaged by the supervisory board on 4 July 2019. We have been the auditor of Landwirtschaftliche Rentenbank, Frankfurt am Main/Germany, since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to our audit, we provided the audited company and/or the entities controlled by that company with the following services, which were not disclosed in the annual financial statements or management report of the audited company:

- project-based audit of the project for implementing SAP,
- issuance of a comfort letter and other related assurance services, and
- preparatory services in relation to a quality assessment of the internal audit function.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Stephanie Fischer.

Frankfurt am Main/Germany, 13 March 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Christian Schweitzer)	(Stephanie Fischer)
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Management Bodies (As at 13 March 2020)

Management Board

Dr Horst Reinhardt (Chairman), Dipl.-Volkswirt, MBA
Dietmar Ilg (Chief Risk Officer), Dipl.-Kaufmann
Dr Marc Kaninke (Chief Financial Officer/Chief Information Officer), Dipl.-Volkswirt, Dipl.-Kaufmann

Supervisory Board

Chairman:

Joachim Rukwied
President of the German Farmers' Association

Deputy Chairwoman:

Julia Klöckner
Federal Minister for Food and Agriculture

Representatives of the German Farmers' Association:

Werner Hilse
Farmers' Association of Lower Saxony

Bernhard Krüsken
Secretary General of the German Farmers' Association

Brigitte Scherb
German Rural Women's Association

Werner Schwarz
President of the Farmers' Association of Schleswig-Holstein

Karsten Schmal
President of the Farmers' Association of Hesse

Representative of the German Raiffeisen Association:

Franz-Josef Holzenkamp
President of the German Raiffeisen Association

Representative of the Food Industry:

Rainer Schuler
President of the Federal Association of Agricultural Traders (BVA)

State Ministers of Agriculture:

North Rhine-Westphalia:
Ursula Heinen-Esser
Minister for Environment, Agriculture, Conservation and Consumer Protection, North Rhine-Westphalia

Saarland:
Sebastian Thul
State Secretary for the Ministry of Environment and Consumer Protection of Saarland

Saxony:
Wolfram Günther
Minister of State for Energy, Climate Protection, Environment and Agriculture, Free State of Saxony

Representative of the Trade Unions:

Harald Schaum
Deputy Chairman of IG Bauen-Agrar-Umwelt

Representative of the Federal Ministry for Food and Agriculture:

Dr Hermann Onko Aeikens
State Secretary (retired)

Representative of the Federal Ministry of Finance:

Dr Marcus Pleyer
Head of Directorate

Representatives of credit institutions or other lending experts:

Michael Reuther

Dr Caroline Toffel
Member of the Management Board of Berliner Volksbank eG

Dr Birgit Roos
Chairwoman of the Management Board of Sparkasse Krefeld

General Meeting

Appointed by the State of Baden-Württemberg:

Werner Räpple
President of the Main Agricultural Association of Baden

Juliane Vees
President of the Rural Women's Association of Württemberg-Hohenzollern
Rural Women's Institution for Education and Charity

Appointed by the Free State of Bavaria:

Walter Heidl
President of the Bavarian Farmers' Association

Stefan Köhler
District President of Lower Franconia, Bavarian Farmers' Association

Appointed by the State of Berlin:

Silvia Bender
State Secretary for the Ministry for Agriculture, Environment and Climate Protection, Brandenburg

Appointed by the State of Brandenburg:

Rüdiger Müller
Member of the Management Board and Deputy Chairman of the Association for the Family-Owned Agricultural and Forestry Businesses of Brandenburg

Henrik Wendorff
President of the Farmers' Association of Brandenburg

Appointed by the Free Hanseatic City of Bremen:

Ralf Hagens
President of the Chamber of Agriculture of Bremen

Appointed by the Free and Hanseatic City of Hamburg:

Heinz Behrmann
Honorary President of the Farmers' Association of Hamburg

Appointed by the State of Hesse:

Jürgen Mertz
Vice President of the Horticultural Association of Baden-Württemberg-Hesse

Stefan Schneider
Vice President of the Farmers' Association of Hesse

Appointed by the State of Mecklenburg-Western Pomerania:

Detlef Kurreck
President of the Farmers' Association of Mecklenburg-Western Pomerania

Harald Nitschke
Managing Director of Raminer Agrar GmbH

Appointed by the State of Lower Saxony:

Elisabeth Brunkhorst
Chairwoman of the Rural Women's Association of Lower Saxony

Dr Holger Hennies
Vice President of the Farmers' Association of Lower Saxony

Appointed by the State of North Rhine-Westphalia:

Karl Werring
President of the Chamber of Agriculture of North Rhine-Westphalia

Bernhard Conzen
President of the Rhineland Farmers' Association

Appointed by the State of Rhineland-Palatinate:

Eberhard Hartelt
President of the Farmers' and Vintners' Association Rhineland-Palatinate South

Michael Prinz zu Salm-Salm
Member of the Management Board of the Association for the Family-Owned Agricultural and Forestry Businesses

Appointed by the State of Saarland:

Peter Hoffmann
President of the Farmers' Association of Saar

Appointed by the Free State of Saxony:

Gerhard Förster
Chairman of the Regional Farmers' Association of Elbe/Röder

Dr Hartwig Kübler
Chairman of the Association for the Family-Owned Agricultural and Forestry Businesses in Saxony and Thuringia

Appointed by the State of Saxony-Anhalt:

Jochen Dettmer
Farmer

Olaf Feuerborn
President of the Farmers' Association of Saxony-Anhalt

Appointed by the State of Schleswig-Holstein:

Dietrich Pritschau
Vice President of the Farmers' Association of Schleswig-Holstein

Kirsten Wosnitza
Chairwoman of the Schleswig-Holstein Team of the Federal Association of Dairy Farmers

Appointed by the Free State of Thuringia:

Dr Lars Fliege
Vice President of the German Farmers' Association, Thuringia

Joachim Lissner
District Managing Director of the Horticultural Association of Thuringia

Trustee

Ralf Wolkenhauer
Head of Section (*Ministerialdirigent*)
Federal Ministry for Food and Agriculture

Deputy:

Dr Carlo Prinz
Head of Department (*Regierungsdirektor*)
Federal Ministry for Food and Agriculture

Report from the Supervisory Board

The Supervisory Board and its committees performed the duties delegated to them in accordance with Rentenbank's Governing Law, its statutes and corporate governance principles, and advised and supervised the Management Board on its orderly conduct of business throughout the fiscal year.

The annual financial statements as well as the management report were prepared by the Management Board in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch, HGB*) to 31 December 2019 and were audited by the auditors Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, who issued an unqualified audit opinion. The findings of the audit were noted with approval by the Supervisory Board.

The Supervisory Board reviewed the annual financial statements, including the management report and the 2019 annual report on Landwirtschaftliche Rentenbank. The Supervisory Board adopts the Bank's annual financial statements including the management report for the 2019 fiscal year.

Of the net income of EUR 32,500,000 reported in the income statement, EUR 16,250,000 is being allocated to the principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law.

With respect to the remaining distributable profit of EUR 16,250,000 the Supervisory Board resolved to allocate EUR 8,125,000 to the German Federal Government's Special Purpose Fund and EUR 8,125,000 to the Promotional Fund.

The Supervisory Board is satisfied that the Management and Supervisory Boards have complied with the German Public Corporate Governance Code (PCGK) as amended on 30 June 2009. It will continually monitor compliance with and the implementation of the Code. The Supervisory Board approves the Corporate Governance Report, including the Declaration of Conformity.

Frankfurt am Main, 2 April 2020

THE SUPERVISORY BOARD OF
LANDWIRTSCHAFTLICHE RENTENBANK

Joachim Rukwied
(Chairman)

Forward-Looking Statements

This annual report contains certain forward-looking statements that are based on current expectations, estimates, forecasts and projections of the Management Board 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.

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