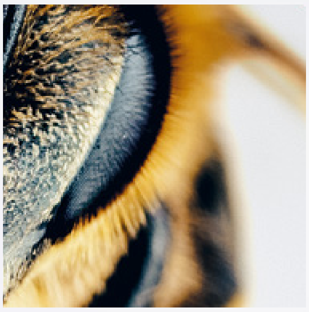
Annual Report 2020



Germany's development agency
for agribusiness and rural areas

rentenbank

Key figures

Balance sheet in EUR billion	2020	2019
Total assets	95.3	90.9
Loans and advances to banks	61.8	60.4
Loans and advances to customers	7.0	6.5
Bonds and other fixed-income securities	17.6	17.2
Liabilities to banks	2.2	2.3
Securitised liabilities	81.8	77.5
Equity reported on the balance sheet	4.7	4.6

Income statement in EUR million	2020	2019
Net interest income	296.9	300.6
Administrative expenses	75.9	72.9
Operating profit before provision for loan losses and valuation	**208.9**	**210.1**
Provision for loan losses and valuation	175.4	177.6
Net income	33.5	32.5
Distributable profit	**16.8**	**16.3**
Cost/income ratio (%)	28.2	27.8
Employees (year end)	343	303

Capital ratios (%)	2020	2019
Common Equity Tier 1 capital ratio	31.0	30.1
Tier 1 capital ratio	31.0	30.1
Total capital ratio	31.5	31.1

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 2020

Contents

The English edition of the Annual Report 2020 is an abridged version of the German edition which was published in April 2021.

Company Profile – Landwirtschaftliche Rentenbank

Landwirtschaftliche Rentenbank is Germany's development agency for agribusiness and rural areas. Due to its status as a central financing institution, it always operates in a competitively neutral way. 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 private initiatives and public-sector investments in rural areas. We attach particular importance to promoting innovation and sustainable investments including renewable energy.

As part of our promotional business, we provide special promotional loans to end borrowers via their local banks. We also finance savings banks and local authorities which are connected to rural areas. Furthermore, we award grants for innovations and applied research projects, as well as for projects and institutions that are of particular importance to agribusiness and rural areas. Rentenbank's foundation Edmund Rehwinkel-Stiftung encourages research on current issues affecting agribusiness through its annual call for research papers. In addition, the foundation provides grants to outstanding students (studying for their master's degree at a German university) focusing on agriculture or food sciences.

We fund our promotional business in the capital markets by issuing securities and raising 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 financing institution with a statutory promotional mandate. Rentenbank's capital stock was raised between 1949 and 1958 by German agriculture and forestry. The Bank is a federal institution under public law with its registered office in Frankfurt am Main. The Federal Republic of Germany guarantees for the Bank's liabilities and bears the institutional liability.

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) and the European Association of Public Banks (EAPB).

Foreword from the Management Board

When we first heard about the mysterious lung disease emerging in China in January 2020, hardly anyone could have imagined the drastic changes it would inflict on our entire economy and society. The COVID-19 pandemic has caused a great deal of human suffering and one of the worst economic downturns since the Second World War. As in all times of crisis, no end of creative thinking has also been unleashed. Necessity is the mother of invention! In the best-case scenario, the inventive spirit will remain after the hardship has been overcome. Of course, we hope that it will be rather sooner than later.


Dr Horst Reinhardt

The COVID-19 pandemic has also presented parts of the agricultural economy with major challenges. We responded swiftly and agilely to this by launching our Liquidity Assistance Programme. It is particularly during times of crisis that Rentenbank presents itself as a reliable funding partner for agriculture and rural areas.

The COVID-19 pandemic has dominated politics, society, the economy and the media in 2020. As a result, other issues have suffered from a lack of attention for the time being. However, they are no less important; take sustainability for example. In 2020, we issued our first public benchmark Green bond – a milestone for our funding.


Dietmar Ilg

We are convinced that the agricultural and forestry sectors will play a crucial role in the transition towards an economy that is no longer based on fossil but renewable resources. Ultimately, there's no going back to pre-industrial times; on the contrary, we need state-of-the-art technology, innovations and, last but not least, considerable investment to align economic efficiency with ecological sustainability.

Creating the right conditions for agribusiness and rural areas to flourish is our mission at Rentenbank.

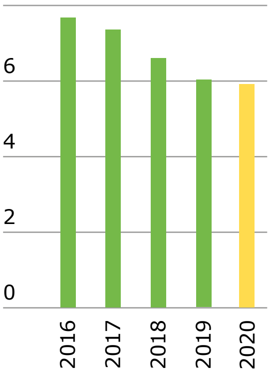
Dr Horst Reinhardt   Dietmar Ilg   Dr Marc Kaninke


Dr Marc Kaninke

The 2020 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 to banks, savings banks and local authorities in rural areas by means of registered bonds, promissory notes and securities. In 2020, our new business in promotional loans amounted to EUR 11.2 billion which is 3.5% above the prior-year level of EUR 10.8 billion.

Special promotional loans new business at a constantly high level

With our special promotional loans, we support the entire value chain in agribusiness. Furthermore, we back the expansion of renewable energy and the development of rural areas.

In this area, new promotional business was at the prior-year level of EUR 6.0 billion in the reporting year. The number of approved special promotional loans increased by 6.1% to 19,967 (18,818 in 2019). In view of the general economic situation, this exceeded our expectations.

New business in special promotional loans in EUR million	**2020**	**2019**
Agriculture	2,072	2,174
of which: at best rates	*867*	*901*
Forestry	77	25
Aquaculture and Fisheries	1	7
Agribusiness	1,075	1,167
Renewable Energy	878	894
Rural Development	1,869	1,745
Overall*	**5,973**	**6,011**

*Totals may include differences due to rounding.

Agriculture promotional line sees slight downturn

At EUR 2.1 billion, our Agriculture promotional line saw the lion's share of new promotional business. New business was down by 4.7% compared with the prior-year level (EUR 2.2 billion in 2019). We approved EUR 0.9 billion (EUR 0.9 billion in 2019) at our best rates. They are available for young farmers and applicants investing in sustainable projects. We also offer the same interest rate bonus within our Liquidity Assistance Programme.

Rentenbank Corona relief - Launch of Liquidity Assistance Programme

The economic situation within agriculture is to a large extent impacted by external factors, such as livestock epidemics, weather-related crop failures or the increasing volatility of agricultural prices. They can all trigger a need for more liquidity within agribusiness. In such cases as these, we can support those affected with our Liquidity Assistance Programme.

On 11 March 2020, the World Health Organization (WHO) categorised the spread of Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) as a global pandemic. From this moment on, it became apparent that the restrictions in public life such as travel restrictions and social distancing would lead to disruption in the markets and a lack of seasonal workers in German agriculture, horticulture and viticulture.

For this reason, we opened up our Liquidity Assistance Programme on 18 March 2020. Businesses operating within agriculture, horticulture, forestry and viticulture which have experienced difficulties resulting from the COVID-19 pandemic can apply for our liquidity assistance loans through a local bank of their choosing. From 16 April 2020, Rentenbank has also been providing guaranteed loans to safeguard liquidity on behalf of the Federal Ministry of Food and Agriculture (*Bundesministerium für Ernährung und Landwirtschaft,* BMEL). In the year under review, we approved 102 guaranteed loans in the amount of EUR 31.3 million. Overall, we issued 347 (98 in 2019) Liquidity Assistance loans in the amount of EUR 55.2 million (EUR 10.2 million in 2019).

New Forestry promotional line making dynamic progress

In May 2019, activities to promote forestry were removed from the Agribusiness promotional line. Instead, we created the standalone Forestry promotional line. In this line we support forest owners, forestry commissions and forestry cooperatives as well as leaseholders of forest areas with preserving their forests and making relevant adjustments for climate change in an even more targeted way. So, we can provide funds at our best rates for expenditure for transforming forests in order to make climate or site-oriented adjustments or reforestation after damage.

By the end of December 2020, we had awarded 2,264 loans (100 in 2019) amounting to EUR 76.5 million (EUR 25.0 million in 2019) in this promotional line. The largest part of this was apportioned to the loan elements within the 'Grants towards digitalisation and technology for the federal sustainable forestry management' programme with 2,148 loans totalling EUR 52.3 million. At the beginning of November 2020, BMEL commissioned Rentenbank to implement this programme.

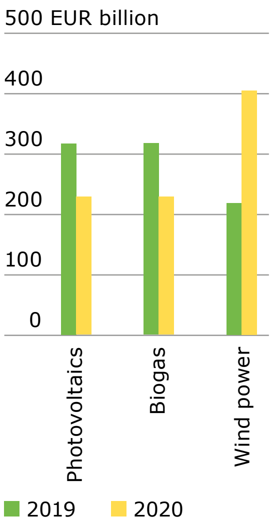
Agribusiness promotional line declines

In our agribusiness promotional line, we support businesses along the entire agribusiness value chain. This includes contractors as service providers to agriculture and agricultural trade and companies operating within agribusiness such as mills and dairy factories or craft-based food suppliers such as butchers and bakers, for instance. In 2020, new business in this promotional line, although still at a high level, experienced a decline to EUR 1.1 billion (EUR 1.2 billion in 2019).

Renewable energy promotional line sees robust new business

Investments in renewable energy are essentially influenced by the applicable legal 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.

New business in Renewable Energy



In the year under review, new business was stable. The volume of new business in promotional loans almost reached the previous year's level at EUR 877.9 million (EUR 893.9 million in 2019).

The demand for wind farm financing increased sharply. At EUR 408.1 million, new business in this area was 83.1% above the prior-year figure (EUR 222.9 million in 2019). The main reason for this was the introduction of promotional loans with fixed interest rates of more than ten years, over and above the increase in the building of wind farms. Since we introduced this type of loan on 1 September 2020, we have approved loans in the amount of EUR 166.6 million, of which EUR 127.6 million was allocated to community wind farms where local residents and farmers are involved (EUR 108.9 million in 2019). This business model will ensure that a large proportion of the value added will remain in rural areas and that turbines will be met with greater approval there.

We financed photovoltaic plants in the amount of EUR 233.6 million (EUR 324.3 million in 2019). This corresponds to a decline of 28.0% when compared with the previous year. The marked drop in module prices lead to a sharp increase in constructing photovoltaic plants nationwide, although this was predominantly made up of funding for projects for non-farmers. In agriculture, by contrast a tendency towards saturation emerged. The roofs of many agricultural enterprises have already had photovoltaic plants installed.

A decline in demand was also apparent with funding for biogas power plants in the reporting year. New business here fell by 28.1% to EUR 234.2 million (EUR 325.7 million in 2019). The construction of new installations slowed at a low level. We tended to finance replacements of old plants and investments aimed at making existing biogas plants more adaptable.

Promotion of sustainable projects steady at EUR 1.2 billion

We promote sustainable projects with particularly attractive loans. This includes investments in environmental, animal and consumer protection as well as in renewable energy. As part of the Sustainability, Environmental and Consumer Protection and Forestry programmes, we support initiatives aimed at improving animal welfare, energy efficiency and at reducing emissions. In addition, we back direct and regional marketing of agricultural products, especially humane systems of husbandry, organic farming and measures for converting existing forests into mixed deciduous and coniferous forests that are especially resilient to climate change.

In 2020, we funded investments in environmental, animal and consumer protection in the amount of EUR 337.3 million in total (EUR 321.0 million in 2019). This comprised investments in organic farming amounting to EUR 83.6 million (EUR 84.0 million in 2019). At EUR 81.7 million we funded investments in humane systems of husbandry (EUR 118.8 million in 2019). We funded sustainable projects totalling EUR 1.2 billion (EUR 1.2 billion in 2019) which included our funding for renewable energy. As a result, a fifth of our new business in special promotional loans went into sustainable investments.

Growth in the Rural Development promotional line

In 2020, new business in the Rural Development promotional line was 7.1% above the prior-year level at EUR 1.9 billion (EUR 1.7 billion in 2019). We promote rural development with our Rural Infrastructure and Living in the Country lines as well as global funding agreements with the federal states' development banks (*Landesförderinstitute*).

In the year under review, new business was very much determined by activity with them. In response to the low interest rate environment, we introduced a premium on 1 October 2019 as a promotional tool. As a result, the demand for global funding increased significantly. In 2020, we provided global loans in the total amount of EUR 1.7 billion (EUR 1.4 billion in 2019), focusing on community investments in rural areas.

In the Rural Infrastructure line, we support local authorities such as villages, rural districts and towns of up to 50,000 residents in the funding of infrastructure in rural areas. The funds are used for local authority buildings and educational facilities, to assist the provision of water and waste water facilities and the building of roads and pathways, for example. In this programme, the funding volume dropped to EUR 5.9 million (EUR 104.7 million in 2019).

Implementing federal programmes on behalf of the Federal Ministry of Food and Agriculture (BMEL)

BMEL may commission Rentenbank in accordance with Section 3 of Rentenbank's Governing Law with carrying out promotional measures. In April 2020, in collaboration with BMEL, we launched a guarantee programme for Liquidity Assistance Loans. The programme combines Rentenbank Liquidity Assistance Loans, granted in light of the COVID-19 pandemic, with a surety. Companies operating within agriculture including viticulture, horticulture and forestry as well as fisheries and aquaculture are eligible to apply. The programme, which had originally been limited to the end of the reporting year, has been extended by BMEL until 30 June 2021.

In addition, BMEL has commissioned Rentenbank with implementing two additional federal programmes. The 'Digitalisation and Technology for the Sustainable Forestry Management' programme started on 2 November 2020. The programme aims to preserve forests and make relevant adjustments for climate change. With grants of up to 40% of the sum invested, BMEL is promoting the modernisation and digitalisation of forestry management.

The 'Promotion of Investment as part of the Investment and Future Programme for (German) Agriculture' started on 11 January 2021. Overall, EUR 816 million is available for the duration of the programme up to 2024. The aim is to promote more environmentally-friendly techniques for land cultivation in order to protect the climate and improve biodiversity. The programme allows for a grant amounting up to 40% of the sum invested to be combined with a Rentenbank low-interest promotional loan to finance the remaining amount.

Slight increase in overall new promotional activity

In addition, new promotional business at Rentenbank includes the promotion of banks, savings banks and local authorities serving rural areas.

This is achieved by means of registered bonds, promissory notes and securities. Here we increased our new promotional activity in 2020 by 8.7% to EUR 5.2 billion (EUR 4.8 billion in 2019). This means that overall new promotional business rose by 3.5% to EUR 11.2 billion (EUR 10.8 billion in 2019).

New promotional business in EUR billion	2020	2019
Special promotional loans	6.0	6.0
Registered bonds/promissory notes/securities	5.2	4.8 *
Overall	**11.2**	**10.8 ***

* Please note that due to the consideration of new transactions with business partners in EU member states as promotional business within Treasury Management, the amounts are not identical to the data published in the 2019 Annual Report.

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 grants from the Special Purpose Fund. Rentenbank endows and 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 8.7 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.

Promoting innovation

Support for research and development

Innovations harness new discoveries in order to solve practical problems. In this way, they can make a considerable contribution to overcoming the major challenges of our economy and society. Therefore, Rentenbank emphasises the importance of promoting innovative projects and new technologies for future-oriented, sustainable agribusiness. Our promotional programmes provide grants to practice-oriented research projects involving partners from the business community. We support the entire innovation process from development to delivery and the wider use of these innovative processes and products.

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 endowed and administered by Rentenbank and from our 'Research on Agricultural Innovation' programme (Innovation Fund).

Promoting innovation has received a significant boost

In 2020, we provided grants to 75 project partners in the amount of EUR 20.5 million. The number and the volume of grants for innovation projects approved by the Special Purpose Fund therefore increased significantly (49 innovation projects with EUR 10.4 million volume of grants in 2019).

The Deutscher Bundestag's Audit Committee decided on a new direction for the Special Purpose Fund on 19 June 2020. In future, the funds should be used to expedite market entry for new business models, products, processes and services. The funding will comprise two priorities: first, promoting new business models especially for start-ups within agribusiness and, secondly, expediting market entry for tried and tested innovations using loans-based support.

In addition, we supported 15 project partners with grants from our Innovation Fund in the amount of EUR 3.6 million (12 project partners with EUR 4.0 million in 2019). Overall, in the year under review, 90 project partners were supported with grants amounting to EUR 24.1 million (61 project partners with EUR 14.4 million in 2019) from the Special Purpose Fund and the Innovation Fund. Furthermore, we approved additional funds in the amount of EUR 2.7 million (EUR 0.6 million in 2019) for on-going projects which had already been initiated in previous years.

Sustainability

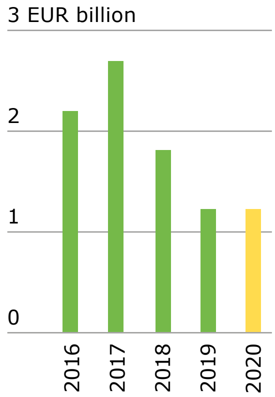
Sustainability is a guiding principle across our promotional mandate

In fact, the term 'sustainability', in the sense of the continued use of natural resources, was originally coined within German forestry in the 18th century. Sustainability has always been a guiding principle for Rentenbank. Considerable aspects of ecological sustainability are enshrined in Rentenbank's Governing Law and are reflected in our promotional offering.

Special rates of interest for sustainable investments

We support sustainable investments in agriculture with special promotional programmes and an interest rate bonus (best rates). As part of our Sustainability, Forestry and Environmental and Consumer Protection programmes, we support a broad spectrum of measures to improve animal welfare, energy efficiency and to reduce emissions. These programmes aim to promote organic farming, sustainable forest management, such as transforming forests

New commitments for sustainable projects



into mixed deciduous and coniferous forests which are suited to climate change and the direct or regional marketing of agricultural products. Another 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 addition, the programme targets projects which turn renewable raw materials or manure from agriculture and forestry into energy at biomass heating plants and biogas plants, for instance. In this programme, we also promote community wind farms, which are mostly owned by local citizens, enterprises and property owners.

In the year under review, we supported sustainable projects in the total amount of EUR 1.2 billion (EUR 1.2 billion in 2019); EUR 0.9 billion of this figure is accounted for by the promotion of renewable energy (EUR 0.9 billion in 2019).

Sustainability is at the heart of our promotion of innovation

Innovations and technical progress are key to tackling the challenges agribusiness faces in becoming more sustainable. These factors will safeguard the sector's competitiveness and facilitate the careful use of resources at the same time, particularly where more stringent standards are being imposed as regards animal welfare, product quality and environmental protection. We support the entire innovation process from development to delivery and the wider use of these innovative processes and products.

The innovative projects we financed include those which are aimed at improving animal welfare, reducing the use of pesticides through an increased use of state-of-the-art mechanical weed control, increasing the biodiversity of agricultural landscapes and reducing microplastics.

Award for commitment to climate and species protection through ecological forest management

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 loan business and our support for innovations.

Rentenbank's forest project which started in 2016 in collaboration with the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*, BImA) is such an example. The long-term ecological cultivation of 550 hectares of forest in the district of Wetterau in Hesse is at the heart of a framework agreement. In addition, BImA runs several projects on this land to further enhance habitats. Six projects have already been launched. They were awarded the 'Tree of Diversity' prize for what they have already achieved as a 'UN Decade Project' on 13 October 2020.

In 2020, two additional projects were launched. The 'Dracula's larder' project is about improving the living conditions of bats. All species of bat native to Germany are critically endangered. BImA deliberately removes saplings from a mature beech forest over a surface area of 0.8 hectares. The resulting mix of old trees and clearings allows bats to hunt at night. The availability of hollows and splits (bat roosts) increases as the trees mature. The amount of deadwood also increases, providing numerous insects for the bats to feed on with a habitat. As bats often change their roosts, bat boxes are also being installed.

The 'Insects' Stag' project is all about protecting Europe's largest species of beetle, the stag beetle. It is on Germany's 'red list' and is critically endangered. The stag beetle spends most of its life underground in rotting stumps of wood as larvae. It feeds on rotten and damp wood there. Stocks of deadwood are maintained over a surface area of one hectare where there are many oak trees which are 180 years old or older. In order to create the best conditions for eggs to be laid and larvae to develop, 'stag beetle cradles' are being installed, i.e. buried, rotten oak logs, in which the beetle can lay its eggs.

Rentenbank issues benchmark Green bond

Rentenbank issued its first public Green bond in September 2020. We allocated the benchmark bond's entire issuance volume of EUR 1.75 billion to promoting renewable energy. Rentenbank's Green Bond Framework is consistent with the ICMA Green Bond Principles (International Capital Market Association). The Framework is backed by a loan portfolio which comprises more than 2,000 wind power and around 21,500 photovoltaic projects. It is mostly agricultural companies which make these investments. In 2020 alone, the Center for Solar Energy and Hydrogen Research (*Zentrum für Sonnenenergie- und Wasserstoff-Forschung Baden-Württemberg,* ZSW) calculated a saving in CO_2 of almost 5 million tonnes through the investments we supported within the loan portfolio of our Green Bond Framework.

Our sustainable HR policy

At Rentenbank, we reconcile professional lives with home lives and caring responsibilities. We tailor personal development plans to our employees' needs and provide our managers with special training courses as the need arises. 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.

Our involvement in the community and cultural life

As a federal public law institution, we recognise our obligation to serve the common good in a committed and conscientious way in addition to our commitment to our statutory promotional mandate. As a good corporate citizen, Rentenbank supports local cultural institutions and selected projects located near its office in Frankfurt am Main. We regularly support Oper Frankfurt, Schirn Kunsthalle, Städel Museum, the English Theatre and the Städelschule (State Academy of Fine Arts), among others. We nurture young talent at the Städelschule through our annual donation of a group prize.

We supported the Alte Oper Frankfurt's PEGASUS programme for children and young people in addition to our regular donation. For the academic year 2020/21, we awarded a one-year scholarship (extended by the same amount by the Federal Republic of Germany) to six students at the Goethe University Frankfurt and awarded a one-year scholarship to the Frankfurt University of Music and Performing Arts.

Our local Christmas donations have supported the Goethe Corona Fund jointly run by the Goethe University Frankfurt and the University Hospital, Maltese Aid Service Frankfurt, St Katherine's Hospice, the food provided throughout the winter by St Katherine's community, Human Rights Watch Frankfurt Committee and the reforestation of the Frankfurt City Forest which has been damaged by drought.

Reducing the consumption of resources within our internal banking operations

As a service provider, we also contribute to protecting resources in our regular banking operations and consume energy and natural resources in an economical way. As part of Rentenbank's environmental management, our attention is currently focused on the comprehensive modernisation, expansion and energy-oriented refurbishment of our listed building at Hochstrasse in Frankfurt. We have set ourselves the goal of preserving our building as an architectural monument for many years to come. It was built in the 1950s and creates a striking architectural ensemble along with the current Fleming's Hotel and Eschenheimer Tor. The main style-defining elements of the building – 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, we are prioritising energy efficiency and lowering the consumption of resources in the future. Rentenbank moved its entire staff to the 'Goldenes Haus' to the west of the city centre in the autumn of 2020. With the move now complete, we can start the essential preparatory work required in the building at Hochstrasse before we can renovate.

Funding

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

Our credit ratings (Aaa/AAA/AAA Moody's/S&P/Fitch; all stable) and the special regulatory treatment by virtue of the Federal Republic of Germany's guarantee for Rentenbank's obligations allow 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, despite the yields on our euro bonds being predominantly negative for the first time. At the start of the Covid-19 pandemic, the spreads of our euro bonds initially widened to a significant extent. However, a reversal set in in April which was not least due to the ECB's major purchase programmes. During the course of the year, US dollar credit spreads narrowed. In addition, the cost advantage to our funding from currency exchange from US dollars to euros increased. Therefore in 2020, our funding volume was predominantly raised in US dollars. In the short-term funding segment, we continued to raise funds at very attractive negative yields under our Euro Commercial Paper (ECP) Programme.

Issuance volume increased

We raised EUR 11.4 billion (EUR 10.3 billion in 2019) in the capital markets with maturities of more than two years. The breakdown by funding instruments is shown in the table below:

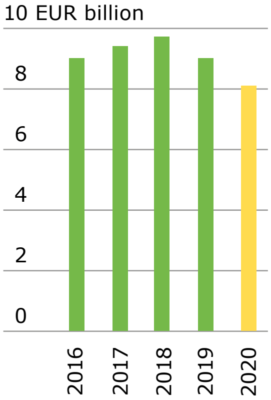
Medium and long-term issuance volume (maturities of more than 2 years)

	EUR billion		% Share	
	2020	**2019**	**2020**	**2019**
EMTN	8.1	9.0	70.8	87.1
of which Green bonds	*1.85*	*0.0*	*16.2*	*0.0*
Global bonds	3.1	0.9	27.1	8.8
AUD-MTN	0.2	0.4	2.1	4.1
Total	**11.4**	**10.3**	**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 70 billion. The programme capacity used was in the order of EUR 51.8 billion at year end 2020 (EUR 54.0 billion in 2019). The EMTN Programme allows us to issue securities denominated in numerous currencies with different amounts, 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 8.1 billion (EUR 9.0 billion in 2019). This includes our first Green bond as a public benchmark bond totalling EUR 1.75 billion as well as US dollar-denominated transactions equivalent to EUR 2.2 billion. In addition, we placed bonds denominated in four other currencies under this programme.

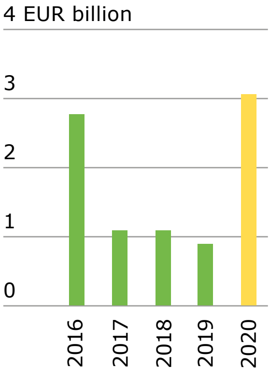
EMTN issues
(medium and long-term)



Successful US dollar-denominated global bonds

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 2020, we issued 5-year and 10-year global bonds with volumes in excess of USD 2 billion and USD 1.5 billion respectively.

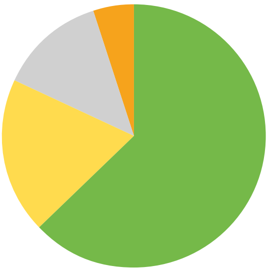
Issues of global bonds



Lower issuance volume in the Kangaroo market

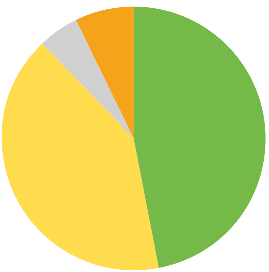
In 2020, we issued a bond totalling AUD 0.4 billion under our Australian Dollar Medium Term Note (AUD MTN) Programme, which is equivalent to EUR 0.2 billion (EUR 0.4 billion in 2019). At year end 2020, Rentenbank was the second largest issuer among foreign borrowers in this market segment with a volume of AUD 10.6 billion notes outstanding.

Medium and long-term issues 2020 – breakdown by region



- Europe 63%
- Asia 19%
- America 13%
- Other 5%

Medium and long-term issues 2020 – breakdown by currency



- USD 47%
- EUR 41%
- GBP 5%
- Other 7%

Increased capacity used in the ECP Programme

Issuance 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 causing significantly negative yields. However, we were able to continue to place our currency-hedged debt instruments, which were predominantly US dollar-denominated, at more attractive terms in the year under review. The average capacity used in 2020 was EUR 7.3 billion (EUR 5.8 billion in 2019). At year end 2020, the programme capacity used was EUR 9.5 billion (EUR 4.4 billion in 2019).

Zero per cent 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, the zero per cent risk weighting also applies in many non-EU countries, such as Norway, Canada, Australia and New Zealand.

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 49% (44% in 2019). This group of investors is looking for highly liquid, zero per cent risk-weighted securities of the best credit quality which offer 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 a major role in our funding. Their share narrowed to 30% (38% in 2019). The proportion of asset managers remained unchanged at 15% (14% in 2019). The share of insurance companies, corporations and pension funds increased slightly to 6% (4% in 2019). The yields from bonds of the highest quality, which had sharply decreased and were often negative do not make them so attractive to this investor group.

The share of German investors decreased from 15% in 2019 to 12% while 51% of our bonds and notes were placed with other European investors (46% in 2019). Demand from Asian investors was at 19%, well below the prior year level of 26%, whereas the share of investors from the Americas increased to 13% (7% in 2019). We moved an additional 3% (5% in 2019) of our issuances to the Middle East and Africa as well as 2% (1% in 2019) to New Zealand and Australia.

USD most important currency of issuance

Our medium and long-term funding volume is distributed across seven currencies. The most important issuing currency was the US dollar, which at 47%, contributed significantly more to the funding volume raised than in the previous year (16% in 2019). It was followed by the euro whose share fell to 41% (59% in 2019). Third place was held by the pound sterling with 5% (17% in 2019). The remaining 7% was divided between the Australian dollar, the New Zealand dollar, the Norwegian krone and the Swedish krona.

Rentenbank issuances recognised as liquid assets …

In accordance with CRR, bonds provided by promotional banks are categorised in the EU as 'liquid assets' in regulatory reports. Therefore, they meet the regulatory requirements for Level 1 liquid assets in the EU due to the guarantee of the Federal Republic of Germany. Corresponding provisions also apply in Canada and Switzerland.

… and as repo-eligible assets

Our listed euro-denominated bonds 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 the higher category I. Liquidity category II includes bonds issued by supranational institutions and bonds issued by banks classified as having a promotional mandate. 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 bonds as collateral for the GC Pooling ECB Basket.

Rentenbank bonds unchanged in key bond indices

Our large-volume euro and US dollar-denominated bonds are included in the most important bond indices. These comprise the Markit iBoxx EUR Benchmark Index, the Bloomberg Barclays Euro Aggregate Bond Index, the Bloomberg Barclays Capital US Aggregate Bond Index and the ICE BofAML U.S. Broad Market Index. These indices measure the performance of national or international market segments. Being included into such an index improves the demand for our bonds because many institutional investors are measured by their performance and, as a result, also manage and invest 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 equity participations.

Market risk hedged by derivatives

In 2020, we entered into swaps with a value of EUR 23.3 billion (EUR 20.7 billion in 2019) to hedge interest rate and currency risk. Of the total amount, EUR 16.2 billion (EUR 16.0 billion in 2019) related to interest rate swaps, while EUR 7.1 billion (EUR 4.7 billion in 2019) 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 by using collateral agreements with all our swap partners.

Rentenbank remains a non-trading book institution

Rentenbank does not keep a trading book as defined in the German Banking Act (KWG) and 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 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 Board and Supervisory Board

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, Chief Markets Officer)
– Dietmar Ilg (Chief Risk Officer)
– Dr Marc Kaninke (Chief Financial and IT Officer)

On 9 July 2020, the Supervisory Board decided to reappoint Dr Horst Reinhardt to serve on the Management Board from 1 January 2021 until 31 December 2021. On 19 November 2020, the Supervisory Board decided to reappoint Dietmar Ilg to serve on the Management Board from 1 July 2021 until 30 June 2026.

Since 1 August 2020, Nikola Steinbock has taken on responsibility as divisional board member for Rentenbank's Promotional Business and Treasury. From 1 February 2022 at the latest she will be a full member of the Management Board.

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 completion of duties. 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 reporting year, there were five women on the Supervisory Board.

One member 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, the Bank 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 the Bank's statutes.

Efficiency review of the Supervisory Board

In accordance with Section 25d (11) sentence 1 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 Board and the Supervisory Board as a whole. This includes an assessment of their knowledge, capabilities and the experience of each individual board member as well as those of 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, 15 of whom took part in the evaluation. The participation level therefore was 83.3%. 14 members of the Supervisory Board took part in the assessment of the Management Board. In this case, the participation level was 77.8%. The outcome of the efficiency review as well as possible options for improvement were discussed by the Supervisory Board at its meeting on 2 April 2020.

Avoiding conflicts of interest

The members of the Management Board and the Supervisory Board 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 and the members of the Supervisory Board. No conflicts of interest involving members of the Management Board or Supervisory Board arose during the reporting year.

Remuneration arrangements for the Management and Supervisory Board members

The Supervisory Board determines and regularly monitors 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 Board and Supervisory Board is disclosed in the notes to the financial statements on pages 71 and 72.

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 (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 2020 fiscal year in accordance with the provisions of the German Commercial Code (HGB) applicable to large corporations and 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 2020 fiscal year, 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 71 and 72), these disclosures are not included in this Corporate Governance report in accordance with clauses 6.2.1. and 6.2.2 of the PCGK.
- 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.
- There is no set age as defined in 5.1.2 PCGK by which board members must retire.
- Deviating from clause 3.4 PCGK, members of management bodies can avail themselves of special promotional loans provided through Rentenbank's promotional programmes. Due to the extensive standardisation of bank lending and the fact that local banks make all arrangements, there is no risk of conflicts of interest for our special promotional loans.

Landwirtschaftliche Rentenbank intends to continue to comply with the PCGK as set out above.

Landwirtschaftliche Rentenbank
March 2021

Management Board
Supervisory Board

Management Report

Contents

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. Our 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, we provide funds for a variety of investments. Rentenbank grants its special promotional loans to projects in Germany via local banks in a competitively neutral way (on-lending). The range of products is geared towards businesses in the agriculture, forestry, viticulture and horticulture and aquaculture/fisheries sectors. We also finance projects in the food industry and agriculture-related upstream and downstream industries, investments in renewable energy and rural infrastructure. In addition, we provide funding for other banks, savings banks and local authorities operating in rural areas through registered bonds, promissory notes and securities.

Management system

We pursue the following goals as part of our business strategy:

- performing a self-supporting promotional activity,
- the sustainability of which 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 changed 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, we promote investments in agribusiness and rural areas. The loans are granted in accordance with the terms and conditions applicable to our special promotional loans for supporting eligible projects in Germany. Through interest rate terms, we promote our preferred promotional targets, such as animal welfare, environmental protection or investments made by young farmers.

In addition, we fulfil our promotional mandate by acting as a funding partner to banks with business activities in agribusiness and rural areas as well as to 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 the regulatory liquidity requirements. We manage 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 own capital 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

Rentenbank's business activities are aimed at fulfilling its promotional mandate, rather than primarily at generating profits. However, in order to be able to provide a self-supporting promotional activity, the Bank has to take business principles into account. This specifically includes acting in an efficient 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, the operating profit is used to strengthen the Bank's capital base through the retention of profits. In doing so, we use our high credit quality as a public law institution, combined with an appropriate capital market strategy, to borrow funds at favourable rates.

- Cost/income ratio

As a key performance indicator for measuring cost versus income, the cost-income ratio specifies the efficient use of the Bank's resources. This performance indicator is influenced by both changes in expenses and income, and is derived from administrative expenses divided by income. To improve operational transparency, allocations to promotional contributions and dispersals of promotional grants from previous years are excluded. The cost/income ratio is monitored on an ongoing basis over a longer period of time. In addition, we regularly analyse changes in expenses.

- Promotional contribution

Promotional contribution is the key performance indicator reflecting the total quantitative promotional activity within one fiscal year. It includes income used for reducing interest rates on special promotional loans. It also comprises the distributable profit and other promotional measures, such as funds we provide as grants for the Research on Agricultural Innovation programme.

The three financial key performance indicators and their main components are determined and are compared with targets within the framework of monthly reporting. They are also included as separate figures in the 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 include corporate citizenship as well as our responsibility to our 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 prepared a comfort letter for LR Beteiligungsgesellschaft mbH.

The Federal Republic of Germany's 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

In 2020, the measures to contain the COVID-19 pandemic plunged the world into recession. This induced the US Federal Reserve (the Fed) to ease its monetary policy once again.[1] It reduced the federal funds rate in March in two stages by overall 1.5 basis points to a level ranging from 0.0% to 0.25%. The Fed launched additional credit programmes for the economy and expanded its bond purchases to USD 120 billion per month.

In addition, the European Central Bank (ECB) further eased its expansionary monetary policy.[2] In March, it launched the Pandemic Emergency Purchase Programme (PEPP) and increased its volume until December to a total of EUR 1.85 trillion. In addition, the ECB offered banks favourable long-term financing operations (LTRO). The central bank continued its net purchases as part of the Asset Purchase Programme (APP) in monthly instalments of EUR 20 billion. Moreover, the ECB left the interest rate on the deposit facility of – 0.50% and the interest rate on the main refinancing operations unchanged at 0.00% during the course of the year.

Furthermore, it introduced a two-tier system for funds held at the central bank remuneration which exceed the minimum reserve requirements (excess reserves).

[1] Press releases from the Fed from 3 March and 15 March 2020.

[2] ECB press releases from 12 March, 30 April, 4 June, 16 July, 10 September, 29 October and 10 December 2020 on its monetary policy.

Interest is paid at the rate for the main refinancing operation (0.0% in 2020) on the excess reserve amounts of up to six times the minimum reserve requirement.

The euro gained in value compared to the US dollar during 2020. At the end of 2020, the ECB set the reference rate for the EUR/USD exchange rate at 1.23, just 10% more than the rate at the end of 2019 of 1.12[3].

Movements in long-term interest rates

As a result of the global pandemic, the yield from ten-year bunds fell from –0.19% at the end of 2019 to a record low of –0.85% in March 2020. After a subsequent sharp increase, yields tailed off again during the course of the year and were at –0.57% at the end of 2020[4].

Trends in the economic environment for our promotional business

Our promotional loans are largely used for investments by the German agribusiness sector, in renewable energy, rural development and forestry.

During the year under review, agriculture was less impacted by the COVID-19 pandemic than other commercial sectors of the economy. Nevertheless, individual areas and enterprises were severely affected. Companies whose channels of distribution disappeared were initially impacted by closures caused by the pandemic. This included companies reliant on direct customer contact, such as viticulturists and fruit and vegetable growers. Diversified companies with dining or options for tourists (such as holidays on a farm) fell into this category as well. Furthermore, companies which are largely dependent on seasonal workers (fruit and vegetable growers and viticulturists) were particularly affected by restrictions to workers entering the country (border closures) due to the pandemic. The situation eased up due to the removal of restrictions on seasonal workers and options for opening up the catering trade and tourism. However, the new lockdown from November 2020 has hit this sector hard.

Due to numerous COVID-19 infections among employees, there were closures and reduced processing capacities in abattoirs and meat processing plants. A backlog of hundreds of thousands of pigs which were ready for slaughter built up in pigsties from August 2020. In the reporting year, producer prices for pork and piglets fell. They were at a high level in the first half of 2020 and reached a historic low in the second half. The outbreak of African swine fever virus (ASFV) in Germany exerted pressure on producer prices due to the lack of export options for pork.

Overall, the economic situation in Germany for agricultural companies recovered again in the fiscal 2019/2020 (1 July 2019 until 30 June 2020) after a downturn beset by drought. The fiscal years in agriculture (1 July until 30 June) differ from calendar years. According to the 2020/2021 situation report from German Farmers' Association (*Deutscher Bauernverband*, DBV), average earnings of agricultural enterprises increased versus 2018/2019 by 13% to EUR 64,500 (EUR 57,000 in 2019)[5]. Due to the trends which emerged in the last six months of 2020 on the agricultural markets, earnings are likely to be lower for the 2020/2021 fiscal year. This is down to the fact that producer prices for piglets and slaughter pigs plummeted because of the pandemic.

Business development

In 2020, new business in special promotional loans achieved a high level of EUR 6.0 billion as in 2019.

New promotional business in our Agriculture promotional line was slightly down on the prior-year level by 4.7% at EUR 2.1 billion (EUR 2.2 billion in 2019). The demand for funding for machinery increased due to attractive terms and tax incentives. The demand for funding for the purchase of land declined because of increasing prices for land. The funding for stalls for animals was also down. The on-going wrangling in society about how animals are kept, ambiguous building regulations and discussions about the new regulation on fertilisers was behind this.

In March 2020, we launched our liquidity assistance programme for agricultural companies working within horticulture, forestry and viticulture which are being impacted by the repercussions of the COVID-19 pandemic. From April 2020, we have also been providing guaranteed loans to safeguard liquidity on behalf of the Federal Ministry of Food and Agriculture (*Bundesministerium für Ernährung und Landwirtschaft*, BMEL).

[3] *Börsen-Zeitung*, 31 December 2020.
[4] *Börsen-Zeitung*, 31 December 2020.
[5] Situation report 2020/2021 from the German Farmers' Association (*Deutscher Bauernverband*, DBV).

In our Agribusiness promotional line, we saw a decline in demand for our promotional loans versus the previous year. At EUR 1.1 billion, we granted 7.8% less funding in this promotional line. Indeed, agribusiness remained healthy due to an increase in domestic sales. However, exports fell due to the COVID-19 pandemic and African swine fever virus[6]. According to the German Export Association for Food and Agriproducts e. V. (GEFA), the export of agricultural products and food was 2.3% below the prior-year level at EUR 78.4 billion[7].

Investments in the production of renewable energy are very much influenced by the legal 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, diminished incentive to invest in renewable energy. Legal proceedings against projects and lengthy planning approval procedures also had a negative effect. After decreasing demand in 2018 and 2019, our new business in wind and photovoltaic power stations and biogas plant funding stabilised at the prior-year level in 2020.

The funding from our Rural Development promotional line is used by companies and local authorities to finance infrastructure in rural areas. In the current fiscal year, we saw high volume in this promotional line. The reason for this was a significant increase in demand for global funding agreements with the federal states' development banks.

In addition, BMEL has commissioned Rentenbank with implementing two additional federal programmes. The Digitalisation and Technology for Sustainable Forestry Management programme began on 2 November 2020. The programme aims to preserve forests and make them more resilient to climate change. The Investment and Future Programme for Agriculture started on 11 January 2021. The aims are to promote more environmentally-friendly techniques for land cultivation, to protect the environment and climate and to improve biodiversity. Both programmes combine grants from the federal government with loans from Rentenbank.

The nominal amounts for new promotional business are as follows:

	1 Jan to 31 Dec 2020 EUR billion	1 Jan to 31 Dec 2019* EUR billion	Change EUR billion
Special promotional loans	6.0	6.0	0.0
Registered bonds/promissory notes	3.5	3.0	0.5
Securities	1.7	1.8	−0.1
Total	**11.2**	**10.8**	**0.4**

* Please note that due to the consideration of new transactions with business partners in EU member states as promotional business within Treasury Management, the amounts are not identical to the data published in the 2019 Annual Report.

[6] Press release from the Federation of German Food and Drink Industries (*Bundesvereinigung der Deutschen Ernährungsindustrie*, BVE) from 20 January 2021.

[7] Press release from the German Export Association for Food and Agriproducts (GEFA) from 14 January 2021.

In the year under review, total new promotional business amounted to EUR 11.2 billion and was above the level of the previous year (EUR 10.8 billion in 2019).

We raised the necessary funds again at favourable rates. In the reporting year, we raised a nominal amount of EUR 11.4 billion (EUR 10.3 billion in 2019) 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 2020 EUR billion	1 Jan to 31 Dec 2019 EUR billion	Change EUR billion
Euro Medium Term Notes (EMTN)	8.1	9.0	−0.9
Global bonds	3.1	0.9	2.2
AUD Medium Term Notes (MTN)	0.2	0.4	−0.2
Total	**11.4**	**10.3**	**1.1**

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 2020 EUR million	1 Jan to 31 Dec 2019 EUR million	Change EUR million
Net interest income [1]	296.9	300.6	−3.7
Net commission income	−1.6	−1.9	0.3
Administrative expenses	75.9	72.9	3.0
Other operating results	−10.5	−14.5	4.0
Taxes on income	0.0	1.2	−1.2
Operating result before loan losses/valuation	**208.9**	**210.1**	**−1.2**
Loan losses/valuation	175.4	177.6	−2.2
Net income	**33.5**	**32.5**	**1.0**

[1] Net interest income including income from participations

Operating profit before provision for loan losses and valuation

Operating profit before provision for loan losses and valuation amounted to EUR 208.9 million. It was in the order of the previous year (EUR 210.1 million in 2019) and was therefore better than expected.

Net interest income

Interest income, including income from participations, was EUR 2,437.1 million, (EUR 2,974.7 million in 2019). After deducting interest expenses of EUR 2,140.2 million (EUR 2,674.1 million in 2019), net interest income amounted to EUR 296.9 million (EUR 300.6 million in 2019).

Net interest income by segment:

	1 Jan to 31 Dec 2020 EUR million	1 Jan to 31 Dec 2019 EUR million	Change EUR million
Net interest income			
Promotional Business	196.5	189.8	6.7
Capital Investment	86.2	94.3	−8.1
Treasury Management	14.2	16.5	−2.3
Total net interest income	**296.9**	**300.6**	**−3.7**

Net interest income for **Promotional Business** was EUR 196.5 million which was above the level of the previous year (EUR 189.8 million in 2019), substantially exceeding our expectations at the planning stage. Due to the de facto floor of 0% for the interest rate within our lending business, we could not completely pass on our own negative funding rates. In addition, we achieved significantly higher new business volumes in registered bonds and promissory notes at slightly increased average margins.

In **Capital Investment**, net interest income fell short of our expectations and dropped in comparison with the previous year by 8.6% to EUR 86.2 million. The reason for this was that DZ BANK did not pay a dividend. It fell in line with the ECB's urgent recommendation to banks to withhold their dividends in light of the COVID-19 pandemic. 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 made of own funds.

Net interest income from **Treasury Management** was EUR 14.2 million which is below the prior-year level of EUR 16.5 million. This was due to the fact that there were higher funding rates in the second quarter due to universal liquidity log jams on the money market after the outbreak of the COVID-19 pandemic. Furthermore, the segment's average volume was also slightly down on the prior year. Nevertheless, we seized market opportunities at the end of the year and our result exceeded our expectations.

Administrative expenses

Administrative expenses increased by 4.1%, i.e. less than expected. They amounted to EUR 75.9 million overall (EUR 72.9 million in 2019).

Personnel expenses were at EUR 34.7 million, EUR 1.0 million above the prior-year level (EUR 33.7 million in 2019). The increase was largely due to recruiting an average of 15 employees (calculated in accordance with Section 267 (5) HGB) and collectively agreed pay increases as well as special COVID-19 payments. On the contrary, retirement provisions fell by EUR 1.5 million due to reduced expenditure for early retirements, as well as a lower allocation to pension provisions.

Material expenses reduced slightly by EUR 0.9 million (2.7%) to EUR 32.2 million (EUR 33.1 million in 2019). This was for the most part due to the removal of the bank levy in the amount of EUR 3.5 million, as well as the ECB supervision fees in the amount of EUR 1.2 million. Conversely, expenditure for IT increased by EUR 2.4 million. Additionally, there were initial rental expenses relating to the interim building 'Goldenes Haus' in the amount of EUR 1.2 million.

The depreciation, amortisation and write-downs of intangible assets and property and equipment increased in line with expectations by 45.9% to EUR 8.9 million. The increase mainly results from higher scheduled amortisation for Murex software (IT application for presenting derivatives, registered bonds and promissory note loans transactions) and SAP software (IT application for Finance).

Other operating results

The **other operating results** improved inter alia because of a drop in interest effect from the valuation of pensions reserves from – EUR 14.5 million to – EUR 10.5 million.

Provision for loan losses and valuation

In connection with the provision for loan losses and valuation, a net amount of EUR 175.4 million was allocated to the contingency reserve. We mainly used operating profit for this purpose. EUR 49.9 million of this was allocated to the fund for general banking risks and therefore our regulatory own funds were further expanded.

Net income/distributable profit

In 2020, net income increased according to plan from EUR 32.5 million for 2019 to EUR 33.5 million.

A total of EUR 16.7 million was allocated from net income to the principal reserve (EUR 16.2 million in 2019).

The distributable profit, after allocating funds to the principal reserve, amounts to EUR 16.8 million which is slightly above the level of the previous year, as planned (EUR 16.3 million in 2019). One half of the distributable profit is allocated to the Federal Government's Special Purpose Fund which is administered by Rentenbank, and the other half goes to Rentenbank's Promotional Fund.

Financial key performance indicators

In 2020, the operating profit before provision for loan losses amounted to EUR 208.9 million (EUR 210.1 million in 2019) and was only slightly below the previous year's. Net interest income fell by 1.2% on the previous year and administrative expenses increased by 4.1%.

The aforementioned developments in income and administrative expenses also had an impact on the cost/income ratio, one of our key performance indicators. The cost/income ratio was up slightly to 28.2% (27.8% in 2019). Overall, when compared with other large German promotional banks, our cost/income ratio remains at a very low 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 EUR 20.9 million from our own earnings (EUR 19.3 million in 2019) for this purpose. In addition, we provided our Research on Agricultural Innovation Programme with grants of EUR 5.0 million as in 2019. Our overall promotional contribution, including the distributable profit of EUR 16.8 million intended for distribution and additional promotional allowances increased to EUR 43.2 million in 2020 (EUR 41.3 million in 2019).

<u>*Net assets*</u>

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

Changes in the main asset categories

	31 Dec 2020 EUR million	31 Dec 2019 EUR million	Change EUR million
Loans and advances to banks	61,801.6	60,417.3	1,384.3
Loans and advances to customers	6,967.9	6,486.5	481.4
Bonds and other fixed-income securities	17,617.4	17,162.0	455.4

Loans and advances to banks amounted to a year-end total of EUR 61.8 billion (EUR 60.4 billion in 2019). Their share of total assets was 64.9% and declined marginally versus 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. The balance sheet item rose by EUR 0.5 billion to EUR 7.0 billion.

The portfolio of bonds and other fixed-income securities rose by EUR 0.4 billion to EUR 17.6 billion. As in the prior year, they were held exclusively in the banking book.

Changes in the main equity and liabilities categories

	31 Dec 2020 EUR million	31 Dec 2019 EUR million	Change EUR million
External funds			
Liabilities to banks	2,172.0	2,256.8	–84.8
Liabilities to customers	2,670.8	2,774.8	–104.0
Securitised liabilities	81,759.3	77,499.0	4,260.3
Subordinated liabilities	302.7	302.7	0.0
Own funds (including fund for general banking risks)			
Subscribed capital	135.0	135.0	0.0
Retained earnings	1,179.7	1,163.0	16.7
Distributable profit	16.8	16.3	0.5
Fund for general banking risks	3,344.4	3,294.5	49.9

External funds

Liabilities to banks and customers decreased slightly by EUR 0.1 billion to EUR 2.2 and EUR 2.7 billion, respectively.

Securitised liabilities increased by EUR 4.3 billion or 5.5% to EUR 81.8 billion. The most important funding instruments remained the Medium Term Note Programmes (MTN) at EUR 58.9 billion (EUR 62.8 billion in 2019). The portfolio of global bonds increased to EUR 12.9 billion (EUR 9.8 billion in 2019) and the portfolio of Euro Commercial Papers (ECP) increased to EUR 9.5 billion (EUR 4.4 billion in 2019).

Subordinated liabilities were at the previous year's level of EUR 0.3 billion.

Equity

Equity including the fund for general banking risks in accordance with Section 340g HGB rose by a total of EUR 67.1 million to EUR 4,675.9 million. One half of our net income of EUR 33.5 million was allocated to retained earnings, while the other half was recognised as distributable profit. The fund for general banking risks was increased by EUR 49.9 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 with 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 31.5% (31.1% in 2019) and 31.0% (30.1% in 2019) were well above the minimum regulatory requirements specific to the Group.

<u>Financial position</u>

Capital structure

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

Capital expenditure

In the year under review, we progressed the modernisation of our IT systems and decided to expedite the replacement of the iSeries core banking system which we developed ourselves over the course of the next few years. The gradual modernisation of the electronic processing of loans in promotional business as well as the technical implementation of new products was driven forward. A new portal was launched for applying online for a grant as part of the federal programmes for Forestry and Agriculture which combines a grant with a loan. Our internal systems for processing this type of combination product were also expanded.

The COVID-19 pandemic made specific demands on IT as remote working was set up rapidly for our employees and effectively enhanced with modern solutions for working together. Furthermore, all workstations including the technical infrastructure were relocated to the 'Goldenes Haus' in October and November due to the pending renovation of our building at Hochstrasse.

Liquidity

The Federal Republic of Germany bears the institutional liability and guarantees all Rentenbank's obligations (statutory guarantee).

As a result, we enjoy AAA ratings and can access liquidity 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 please see the presentation of liquidity risks in the risk report which forms part of this management report.

<u>Summary presentation of business development and position</u>

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

<u>Corporate citizenship</u>

As a federal institution under public law, we recognise our obligation to serve the common good over and above our statutory promotional mandate. We first and foremost support 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. In light of the COVID-19 pandemic, we notably increased our Christmas donation significantly in the year under review. Furthermore, the Bank supports numerous institutions, societies and foundations from the cultural, science and business worlds through memberships.

Rentenbank's additional community projects are closely linked with the promotional mandate. We support individual projects and institutions serving agriculture and rural areas from the Bank's promotional fund which is fed into from distributable profit. This includes agribusiness-orientated research projects, practical pilot projects, educational programmes and events. Our foundation Edmund Rehwinkel Stiftung awards grants and promotes agronomic research activities and projects of practical use to agriculture. As part of our sponsoring activities, we support inter-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 aged under 35, if they have demonstrated their commitment to the reconciliation of interests within rural areas.

<u>Employees</u>

At year-end 2020, we employed 343 (303 in 2019) employees (excluding apprentices, interns, employees on parental leave and members of the Management Board). Qualified and committed employees are key to our long-term success. The HR strategy required to achieve this is derived from our 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.

Our HR policy is oriented to the long term. As a federal institution under public law with a proven business model, we offer our employees a great deal of job security. The (low) rate of employee turnover is contained in the risk inventory as a risk ratio. The average length of service is around 10.6 years.

In order to ensure we have appropriate staff levels, we position ourselves as an attractive employer for current and future employees. To recruit and develop university graduates, Rentenbank benefits from its successful trainee programme. The programme consists of 'training on the job' in different departments at the Bank, cross-divisional seminars and tailored training sessions. In 2020, eight new trainees commenced their traineeships.

An appropriate level of qualification is ensured by providing training as the need arises. The number of training days per employee is one of the aims contained in the business strategy. In 2020, the average number of training days was 1.4 days per employee.

The gender equality plan, which is accessible to all employees, contains targeted measures for improving equality between men and women, family friendliness and reconciling working and 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. Furthermore, the equality plan contains specific key figures regarding the proportion of women in management positions and the allocation of remuneration for men and women according to the pay group they are in. The proportion of women in management positions was at 22% in 2020. The overall ratio between male and female employees was almost level at 54% to 46% respectively. 77% 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 in the promotional lines is particularly influenced by a variety of different factors, one of which is the general economic situation which can affect demand and prices on the agricultural markets. We will expand upon these below.

Macroeconomic outlook

Global economic recovery in 2021 will essentially depend on how successfully the COVID-19 pandemic is contained through lockdown measures and vaccinations. Industrial output has already given significant indications of recovery in the last six months of 2020 which is likely to continue during the course of 2021. However, the recovery for the service sector which has been severely affected (specifically catering, tourism and events) will be rather sluggish. Government relief and a backlog of spending are also likely to stimulate private consumption in 2021 overall.

Inflation will rise again particularly in Germany in 2021 due to higher oil prices, the new carbon levy and VAT rising on 1 January [8]. The ECB also predicts higher prices in the short term but does not believe such an increase in inflation will persist. Therefore, neither a tightening nor a further easing of monetary policy is to be expected. Accordingly, we anticipate that interest rates will stay at a low level for the current year.

Economic forecast for our promotional business

Agriculture is an integral part of the global economy and is affected by many factors such as pandemics, trade conflicts, plant and animal diseases, as well as extreme weather events and climate change. These factors mean that sudden price volatilities on domestic and international agricultural markets are increasingly more likely. In the Agricultural Outlook 2020 – 2029, the Organisation for Economic Cooperation and Development (OECD) and the Food and Agriculture Organization of the United Nations (FAO) anticipate overall steady to slightly falling agricultural commodity prices in the ten years up to 2029. Trends differ according to commodity. For instance, the OECD and FAO expect increasing producer prices for sugar. By contrast, prices for milk are expected to remain stable whereas prices for grain, meat and oil fruits are to drop in the longer term [9].

The agricultural indicator *Konjunktur- und Investitionsbarometer Agrar* which we support, contains estimates on the current and future economic situation for farmers in Germany and their willingness to invest in the next six months. In order to assess this, farmers are sent surveys four times a year. In December 2020, the sample comprised 1,500 farmers. According to the survey, the estimated investment volume of EUR 3.6 billion for the next six months was 4% below the prior-year level (EUR 3.8 billion for 2020). While the planned investment volumes for purchases of machinery and equipment rose slightly in comparison with the previous year, plans for investments in premises and stable technology remain behind the prior-year level [10]. We attribute this to expected low producer prices and increasing costs due to higher environmental and animal welfare standards.

Exports are of the utmost importance to German agribusiness over and above domestic demand. The OECD and the FAO are forecasting slowdown in growth in demand for food up to 2029. At the same time, international trade relations are becoming increasingly important for more and more countries with regard to food security. Export trends in 2021 will be shaped by how the COVID-19 pandemic pans out, ASFV and the impact of Brexit.

The pandemic and the subsequent impact will also be challenging for agribusiness in 2021. Future developments will depend on the course of the pandemic and the headway effective vaccines can make. Further uncertainty relates to the emergence of market disruptions due to extensive restrictions to public life (lockdowns and travel restrictions), disrupted supply chains because of restrictions in international trade and a persistent global recession.

Restrictions in many third countries to exports of German pork due to the outbreak of ASFV in Germany have been in place since September 2020. We do not expect an improvement to the situation over the next few months based on numerous new cases. Restrictions will only be eased once Germany has had at least 12 months with no new cases of ASFV. The BMEL is committed to limiting the ban on exports to the areas directly affected by the outbreak.

At the end of December 2020, it became clear that the United Kingdom (UK) would be leaving the EU with a trade deal. As a result, administrative expenses involved in trade will increase which will place a strain on German agribusiness exporting into the UK.

The federal government expects a stagnation in the number of people in work, but a significant increase in personal income according to its 2021 economic report. This could have a stabilising effect on the domestic economy and investment activity. The forecast is based on the assumption that it will not come to another lockdown in 2021 [11].

The federal government would like expedite the expansion of renewable energy on the back of the amended EEG 2021. The German Wind Energy Association

[8] Statistisches Bundesamt, Press release 057 from 10 February 2021.
[9] OECD FAO Agricultural Outlook 2020 – 2029.
[10] Konjunktur- und Investitionsbarometer Agrar, December 2020.
[11] Jahreswirtschaftsbericht 2021 der Bundesregierung.

(*Bundesverband Windenergie*, BWE) and VDMA Power Systems expect an increase in installations of new wind parks in 2021. Following 1,431 MW in 2020, around 2,000 to 2,500 MW of new capacity is expected to be added in 2021[12].

The promotional volume agreed for the individual promotional lines essentially depends on the low interest rate environment. Within our special promotional loans for 2021, we intend to make product adjustments in order to maintain the attractiveness of our promotional products in the given interest environment. The introduction of negative interest rates for our local intermediary banks, initially planned for 2020, is a priority here. This means that our negative funding costs will then be adequately taken into account. Due to the planned adjustments, we estimate a slight increase in new business volumes.

Forecast for business development

The 2020 fiscal year has shown that the impact of the COVID-19 pandemic has overall not had any major impact on Rentenbank's results.

We only perceived increased provision for loan losses during 2020 among some of our banking business partners. Commercial banks are likely to have increased credit defaults and a continued rise in risk provisioning expenditure from 2021. We are assuming that the credit ratings of some of our banking business partners will tend to deteriorate depending on the anticipated economic recovery. The low unsecured portion of our lending portfolio of under 10% will however limit this effect. In addition, the unsecured lending portfolio is mainly apportioned to credit institutions in domestic credit cooperatives and savings banks joint liability schemes in Germany (*Haftungsverbünde*) of satisfactory credit quality. Overall, banks were able to significantly increase their capital ratios in recent years and therefore show greater resilience.

We continually monitor our business partners' financial situations. In 2020, we had no need for specific valuation allowances. Furthermore, based on the good quality of our lending portfolio, we do not anticipate any specific valuation allowances in our planning for 2021 either. Due to the deterioration in credit quality forecast, we are assuming there will be a small increase in our general valuation allowances for 2021.

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 adverse 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 2021 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. The ECB expanded its Asset Purchase Programme (APP) because of the pandemic so we anticipate slightly falling asset and liability margins for new business. As the planned new business margins are also slightly below the margins of the maturities in 2021, this will lead to a moderate decline in 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 2020, we expect that the new business volume will increase somewhat in 2021, 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. In 2021, we anticipate a portfolio more or less at the previous year's level.

Within the Capital Investment segment, we expect interest income in 2021 to be well below the level of 2020. The persistent low or negative interest rate environment for investment yields on our own funds as well as the high volume of maturities in 2021 are putting significant strain on our Capital Investment.

Net interest income within Treasury Management is expected to be marginally below the prior-year level in 2021, as we anticipate slightly lower margins during the course of the year compared to 2020.

As far as net interest income for the three segments is concerned, we expect a moderate decrease in 2021 overall.

Cost planning for 2021 specifically takes into account the necessary, long-term investments in the Bank's

[12] *Bundesverband Windenergie* (BWE) press release from 26 January 2021.

infrastructure. Costs for IT projects will increase due to the prioritising of the replacement of legacy applications. In addition, the renting of our temporary building (Goldenes Haus) is effectively increasing our costs to within a mid-range single-digit million figure. Overall, we anticipate a tangible 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 2021 to decline significantly overall. 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 an appropriate level. Due to the planned introduction of negative refinancing rates for local banks and the resultant adequate taking into account of our negative funding costs, we are forecasting a value well above the prior-year level for 2021.

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

Opportunities and risks

In contrast to the planned results for 2021, additional opportunities and risks may arise for our business development due to changes in market conditions.

How the COVID-19 pandemic runs its course will be crucial to economic developments. If there is no swift end in sight to the pandemic and a subsequent economic recovery, a sustained recession could further intensify the sovereign debt crisis in the euro area. This would have a detrimental effect on our assets in terms of new business volumes and the risk situation in the lending business, and it could also have the 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 federal guarantee that enables us 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, it also encumbers earnings in the Capital Investment segment. Measures introduced by the ECB as part of ongoing expansionary monetary policy could lead to an additional negative impact on earnings due to falling asset yields and margins. A change in the low interest rate environment, e.g. in the wake of a strong rate hike, would entail both risks and opportunities for us 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.

We are currently working on options for facilitating passing on negative interest rates to local banks. We have already undertaken initial product adjustments (e.g. promotional grant and premium) and others are being prepared.

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 renovation of our listed building, there could be unexpected 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

At the start of the year, net interest income for our three segments was overall ahead of plan as well as slightly above the previous year’s level. Treasury Management was the only one which managed to make a contribution to our income by seizing market opportunities.

Given the new business volumes in our promotional business to date and the financial environment, the Management Board considers the planned operating earnings for the 2021 fiscal year to be currently achievable.

This forecast contains certain forward-looking statements that are based on current expectations, estimates, forecasts and projections 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

We have implemented a risk management system (RMS) to manage risks resulting from our 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,
- the roles of Risk Controlling, Compliance, Information Security and Internal Audit.

Rentenbank is no longer subject to CRR within the meaning of Section 1 (3) d KWG and falls under the remit 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. We do not keep 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 as required on an ad-hoc basis about the risk situation.

The Supervisory Board Audit and Risk Committees as well as the responsible supervisory authority 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 or ad hoc in the event of a material risk.

In accordance with MaRisk, we have 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. They include supporting the management team in all risk-policy matters, particularly with the drafting and implementation 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 facilities, 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 function is performed by the Credit division because it casts an independent second vote in accordance with MaRisk BTO item 2b) for credit decisions. In addition, transactions involving purchased promissory notes and registered bonds are handled here. Furthermore, the Credit division develops the credit risk strategy in conjunction with the Risk Controlling department before it is passed to the Management Board for their decision. The Credit division evaluates the collateral and administers payment instructions in the special promotional loans business and is also responsible for the intensive monitoring and management of non-performing loans.

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 as well as currency transfer 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 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 manage trading transactions in accordance with MaRisk. Risk Controlling is responsible for market conformity checks.

Independent risk assessment and monitoring is maintained because they are an inherent part of how Rentenbank is organised.

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 as well as the relevant legislation and requirements for Rentenbank as well as corresponding mechanisms for control. In addition, Compliance supports and advises the management team with regard to adhering to legal regulations and specifications. It reports directly to the Management Board.

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 implementation within the Bank and that the issues are dealt with in a timely manner.

The Information Security Department (ISO) is responsible for executing and safeguarding all matters relating to information security. The head of department carries out the role of Information Security Officer (ISO) in accordance with the Supervisory Requirements for IT in Financial Institutions (*Bankaufsichtliche Anforderungen an die IT*, BAIT) and MaRisk. They are required to prepare and further develop processes and methods as well as manage and monitor the Information Security Management System (ISMS), Information Risk Management (IRM) system as well as the Disaster Management system.

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.

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. Our business activities are not primarily geared towards generating profits, but towards fulfilling our 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.

Our Risk Appetite Framework comprises all strategies and guidelines, methods, processes, responsibilities, controls and systems from which we derive, communicate and monitor our 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.

Our risk strategy is derived from and is consistent with our 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.

We define risk appetite as the overall risk which we are willing to assume within the scope of the allocated risk coverage potential in order to achieve our strategic objectives. It is determined on the basis of quantitative requirements and qualitative assertions. The quantitative requirements are specified 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, we can acquire participations and provide funding via promissory notes, registered bonds or bearer securities issued by the German states as well as local authorities. Rentenbank's lending business is therefore limited to the funding of banks and institutions as defined in Article 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 one of Rentenbank's subsidiaries. No corresponding new business was transacted in 2020.

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

Our credit risk strategy requires prudent selection of business partners and products in all business activities. In accordance with our core competencies and business model, we focus on banks and public sector borrowers. We have sectoral concentration risk with regard to the banking sector which emanates from our promotional mandate. 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 our ability to pay at any time.

The management of operational risks focuses on preventing damages and, consequently, on ensuring the quality of all Rentenbank's operational 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 defined risk appetite as part of the risk-bearing capacity calculation.

Risk culture

Our risk culture is characterised by 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

Our risk inventory offers us 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.

Our risk profile encompasses the following as material types of risk: credit risks, market risks, liquidity risks, operational risks, as well as strategic risks.

We define non-financial risk (NFR) as risks within operational and strategic risks.

More and more attention is being paid to opportunities and risks resulting from changes within environmental, social and governance (ESG) risk. We incorporate this by analysing scenarios in our risk management system among other things.

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 used and models used for risk measurement, their parameters and assumptions employing 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.

The COVID-19 pandemic

The supervisory authorities passed comprehensive and regulatory measures in response to the COVID-19 pandemic in order to safeguard the operability of the banking sector during the crisis. They comprise various reliefs for the capital and liquidity markets. We are not currently availing ourselves of them and have not introduced any changes to our risk strategy in light of the pandemic.

After the outbreak of the pandemic in the spring of 2020, we adjusted our risk reporting to our relevant stakeholders to a more frequent reporting cycle. In addition to current information on the course of the pandemic and relevant economic information, the reporting comprises a dashboard with the material key risk figures.

Furthermore, various pandemic scenarios were developed with different degrees of severity and their impact on our risk situation was simulated. The results are featured in the stress testing and the capital plan.

Risk-bearing capacity

The risk-bearing capacity of Rentenbank (as a group) is the core element of our internal capital adequacy assessment process (ICAAP) and constitutes the basis for operational implementation of our 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, 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 our 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. Regular stress tests supplement the monitoring of the limits within the risk-bearing capacity. The potential impact of the COVID-19 pandemic is taken into account in the basis and adverse scenarios of the capital plan as well as in the stress tests and are regularly discussed by the Management Board and by the Risk Committee.

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 can ensure the Bank can continue as a going concern in the basis 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 scenarios.

The following table shows regulatory own funds within the normative approach at the balance sheet date versus 2019.

	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Subscribed capital	135.0	163.6
Retained earnings	1,178.8	1,131.3
Fund for general banking risks	3,168.4	3,115.0
Intangible assets	– 20.9	– 22.6
Tier 2 capital	73.5	138.9
Regulatory own funds	**4,534.8**	**4,526.2**

The changes from the previous year result from a methodical adjustment of consolidation (offsetting between subscribed capital and retained earnings), 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 2020 EUR million	Risk value 31 Dec 2019 EUR million
Credit risk	13,180.8	13,298.2
CVA charge	671.9	710.4
Operational risk	555.3	570.9
Overall RWAs	**14,408.0**	**14,579.5**

The RWAs which are slightly below the previous year's value and the appropriation of profit resulted in marginally improved capital ratios. 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 2020	2021	2022	2023
Total capital ratio in %	31.5	29.1	28.9	29.0
Tier 1 capital ratio in %	31.0	28.9	28.9	29.0
Common Equity Tier 1 capital ratio in %	31.0	28.9	28.9	29.0
Leverage ratio	4.9	5.0	5.0	5.0

The smaller capital ratios in the basis scenario reflect expected negative effects of the COVID-19 pandemic for 2021 to 2023. The regulatory requirements have been met to the reporting date and in the basis scenario of the capital plan for all periods observed. The regulatory provisions were also always 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 for 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 the HGB 340f reserves. 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 on the reporting date compared to 2019:

	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Subscribed capital	135.0	163.6
Reserves	1,195.0	1,150.2
Fund for general banking risks	3,218.3	3,168.4
Hidden liabilities/reserves	988.9	872.1
Risk coverage potential	**5,537.2**	**5,354.3**

The planned appropriation of profits achieved for 2020 is factored into the risk coverage potential. The economic risk coverage potential 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:

	Risk value 31 Dec 2020 EUR million	Risk value 31 Dec 2019 EUR million
Credit risk	422.9	330.7
Market risk	1,243.8	1,212.1
of which risk from interest rate changes	*427.5*	*469.6*
of which CVS risk from derivatives	*83.3*	*77.0*
of which spread and other risks	*718.0*	*650.5*
of which risk buffer	*15.0*	*15.0*
Operational risk	88.8	88.9
Strategic risk	82.0	74.0
Total risk	**1,837.5**	**1,705.7**

The risk-bearing capacity under the economic approach was maintained at a comfortable level in 2020. All limits were maintained. Utilisation of the risk coverage potential is slightly higher at 33.18% versus the previous year (31.85%) at the balance sheet date. The increase in risk exposures for credit risk essentially varies in line with the risk parameters.

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 scenarios. For instance, we simulate a hypothetical scenario (an even more severe economic collapse including a bank-specific increase in costs versus the COVID-19 basis scenario) as well as a historical scenario (financial market crisis and subsequent sovereign debt crisis). In such scenarios as these, both market-wide and bank-specific aspects are examined. 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 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 without using regulatory reliefs with regard to the capital and liquidity requirements which reinforces our comfortable capital situation.

In addition to these stress scenarios, an inverse stress test examines which events would lead to a situation whereby the risk-bearing capacity could no longer being maintained.

In 2020, we introduced an ESG scenario for the first time centering around environmental risks. Here, the potential impact of climate change on Rentenbank's capital and risk situation were examined. For instance, if we had an extreme weather event during the course of a given year, both periods of persistent drought or heavy rainfall would cause extensive damage in many regions. In this scenario, counterparty credit risk would increase indirectly. Nevertheless, in this scenario the risk-bearing capacity would be comfortably 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.

Our lending business is by and large limited to the funding of banks or financial institutions as defined in Article 4 CRR as well as to other interbank transactions. The credit risk associated with the end borrower with regard to special promotional loans is borne by their local bank. In addition, we fund German federal states and local authorities.

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' credit ratings determine their probability of default. We gauge credit quality by carrying out an internal risk classification process. This involves allocating one of twenty credit rating categories to individual business partners or types of transactions.

The ten best rating categories AAA to BBB- are assigned to business partners who are subject to low credit risk (investment grade). The seven other rating categories (BB+ to C) denote latent or increased latent risks and the final three 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. The analysis takes into account key performance indicators, qualitative characteristics, the owner's background and other supporting 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 quantifies the proportion of the exposure that is not recoverable after the default of a business partner and the liquidation of collateral provided. We use loss given defaults 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 regard, the liquidation chain related to the special promotional loans (which are granted within the scope of the 'on-lending procedure') are specifically taken into account in measurement and parameterisation of the loss ratio for special promotional loans. Specific processes were further developed to estimate loss ratios. This resulted in slightly higher risk values. In addition, we use 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. In the case of derivatives, the exposure value is based on the mark-to-market method plus a premium for market value fluctuations, 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, by factoring in correlations between business partners and, additionally, migration risks.

The method described enables us to assess, monitor and control 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 and therefore limit the risk of credit risks. Concentration risks are managed and limited within the Bank at various levels by means of target-oriented concepts. Country credit limits exist in order to limit risks and currency transfer limits can be set up.

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 loans portfolio.

Portfolio Overview

We have received collateral for over 60% of our risk exposures in the form of assignments of the receivables funded for end borrowers and government guarantees. The remaining risk exposures mostly include collateralised products such as German mortgage bonds (*Pfandbriefe*) or covered bonds. 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 88.1 billion (EUR 85.3 billion in 2019) comprises the nominal amounts of the risk exposures in euros. These include special promotional loans including the assignment of the end borrowers' receivables, special promotional loans guaranteed by the Federal Republic of Germany, purchased registered bonds, promissory notes and securities, money market and derivatives transactions, participations as well as any lines of credit agreed with external bodies. However, they do not include loans granted from the federal Special Purpose Fund.

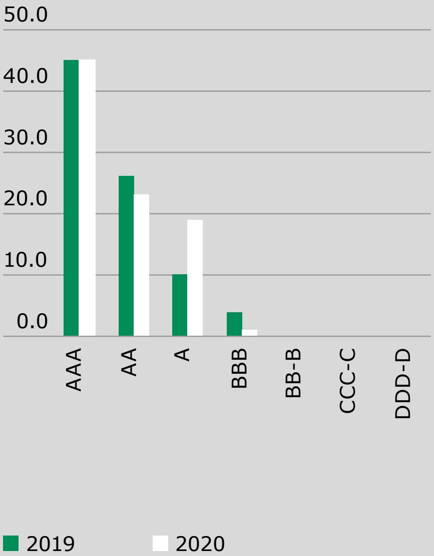
Participations include the risk exposures associated with Rentenbank's direct participations.

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

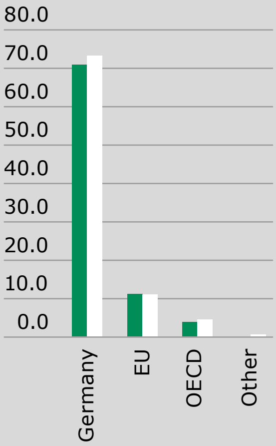
The aggregation in the following three tables is based on the country of incorporation and on the level of the legally independent business partner, without taking group relationships into account. The allocation to credit quality categories is effected using the product rating. The figures presented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

The portfolio is over 90% collateralised or guaranteed by state (government and federal state) liability mechanisms and allocated as follows:

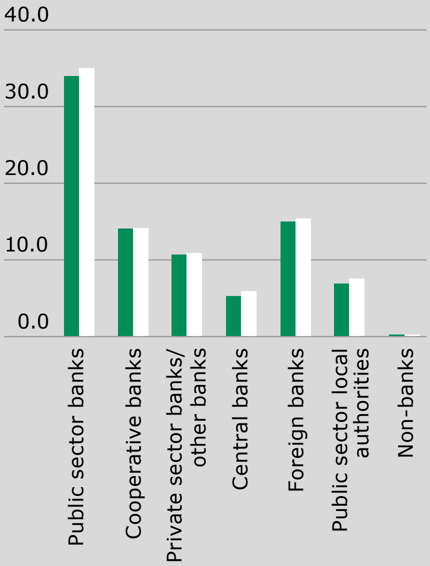
Rating categories
EUR billion



Country groups
EUR billion



Customer groups
EUR billion



Our portfolio does not contain any securities or promissory notes issued by banks from the 'peripheral' countries of the eurozone.

In addition, there are repayment claims from cash collateral provided to Spanish and Irish counterparties for derivatives transactions in the amount of EUR 3.4 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.

An assessment of the recoverability of both significant individual exposures and securities and exposures of amounts of minor significance is carried out 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, we have not recognised any specific valuation allowances as 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.

General valuation allowances amount to EUR 3.0 million for exposures, securities and irrevocable loan commitments (EUR 2.5 million in 2019). The increase versus the previous year is essentially due to developments relating to our estimate of the loss ratios.

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). We have allocated all transactions to the investment book and calculate 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 cover 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 the closed 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 on account of our 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 for the Treasury Management and Promotional Business segments and on a monthly basis at the level of the entire Bank. Equity is not included as a liability item in line with the regulatory accounting method used.

The income-related measurement of interest rates 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 the 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 rate 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.

We also calculate 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 from 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 at the reporting date.

Generating material income by entering into interest rate risks is not one of our strategic aims.

We very much limit our exposure to interest rates 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 in counterparty credit quality. 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

We quantify spread risks using a VaR model based on a historical simulation. The present value sensitivities regarding the spreads of the transactions included 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 ten years. Credit spread risks are calculated for securities and highly liquid promissory notes.

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

Risk buffer

Model inaccuracies and simplifications are also 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 buffers. Compliance with the limits for interest rate risks within the Treasury Management and Promotional Business segments is monitored daily and reported. Reporting of the remaining market risks is on a monthly basis.

Liquidity risks

Definition

The liquidity risk mainly comprises the liquidity risk in the narrower sense and the risk involved in the costs of funding.

As such, we define liquidity risk as the risk of being completely or partly unable to meet current or future payment obligations without restriction. This includes the intraday liquidity risk, the market liquidity risk as well as the funding risk.

The risk involved in the costs of funding denotes the risk that future funding can only be acquired at unexpectedly poor costs.

Quantification and management

The aims of the liquidity risk strategy are to secure constant solvency even under stress conditions, optimise the funding structure and coordinate our own issuances on the money and capital markets. We manage the liquidity risk centrally.

Rentenbank's funding gaps are limited by an amount defined by the Management Board on the basis of the funding opportunities available to Rentenbank both from a normative as well as an economic perspective. 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, ECP issuances and open-market transactions with the Bundesbank. Furthermore, securities can be bought to manage liquidity and funds can be borrowed with terms of up to two years via the Euro Medium Term Note (EMTN) programme or by issuing promissory notes, global bonds and domestic capital market instruments. Incoming or outgoing payments in foreign currencies from hedged items are matched by payments from hedging derivatives.

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

Bonds issued by us are categorised in the EU as liquid assets in line with the Liquidity Coverage Ratio (LCR) guidelines. Our 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 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 (HQLAs) to total net cash outflows under stress scenarios) must amount to 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 stable funding required) will be 1.0 from June 2021.

Limitation and reporting

The liquidity requirement calculated up to 30 days under stress assumptions has to be less than the portfolio of liquid assets pursuant to the Liquidity Coverage Ratio (LCR) or 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 into quarterly segments 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 period 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 secured even within stress assumptions at every point in time analysed. All liquidity limits and regulatory liquidity key figures were comfortably adhered to. On average, the LCR amounted to 5.69 (5.29 in 2019) and the NSFR to 1.28 (1.32 in 2019).

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, compliance risk, terrorist financing or other criminal acts, behavioural risks, risks from outsourcing, operating risks and event or environmental risks. We do not include entrepreneurial risks, such as business risks, regulatory risks, reputational risks or pension risks here.

Quantification and management

Under the risk-bearing capacity concept, operational risks are quantified for the economic approach at double the figure in 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. Risk Controlling analyses and aggregates loss events and is responsible for developing the methodology 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 units.

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 agreed 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, we have set up a central unit for the prevention of money laundering, terrorist financing and other criminal acts. Such risks, which could jeopardise the Bank’s assets, are identified on the basis of a risk analysis in accordance with Section 25h KWG. Organisational measures are then derived from the risk analysis to maximise risk prevention. For this purpose, we also analyse whether general and bank-specific requirements for an effective organisation are being complied with.

Risks associated with outsourcing are captured as operational risks. We have introduced a centralised outsourcing management system. The monitoring is carried out on a decentralised basis. This 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.

We have put in place an information security management system (ISMS) to protect data, systems, networks and its site. Our 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 threats relating to cyber risks. Service providers are tasked with carrying 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.

To safeguard day-to-day operations during the COVID-19 pandemic, the established emergency and crises mechanisms were used and comprehensive measures were swiftly implemented. This means that operational risk which had increased significantly because of the pandemic was reduced. Part of the costs associated with these measures was recorded as operational risk in line with expectation of regulatory authorities.

Limitation and reporting

The limits for operational risks are set at the amount of the risk exposure. In 2020, there were no loss events for which the potential loss could have exceeded EUR 100 thousand other than the aforementioned operational risk costs for the COVID-19 pandemic. Reporting is carried out as part of the risk report.

Strategic risks

Definition

The strategic risk describes the risk of a detrimental development within our operations which prevents the objectives defined in the business strategy from being achieved. Regulatory, reputational and pension risks are defined within strategic risks and are distinct from business 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 any damage to our reputation which has a negative effect on our business operations. Transactions which would cause reputational risk for us 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

Strategic risks are quantified using a scenario as part of medium-term planning (capital plan). To this end, these risks are assumed to have monetary effects (e.g. increased funding costs or unexpected operating and HR 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 a scenario in the capital plan.

Losses incurred are monitored in the loss event database as well as in the monthly report from the Finance division.

Regulatory risks are managed by actively monitoring of regulatory projects as well as other legislative initiatives affecting Rentenbank and by identifying any implications for the Bank. The regulatory working group (ART) plays a central role in this process. In particular, it is responsible for monitoring and evaluating regulatory and other legal initiatives, as well as for enhancing compliance. 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

The limit for strategic risks is 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 preparation of the required annual financial statements.

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 roles of the key 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 financial accounting software developed internally. 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, quality-assured 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 2019 EUR million
1. Cash					
a) Cash on hand			0.3		0.3
b) Balances with central banks			23.5		20.0
of which: with the Bundesbank				**23.8**	20.3
EUR 23.5 million (EUR 20.0 million in 2019)					
2. Loans and advances to banks	11				
a) Payable on demand			5,775.8		5,144.3
b) Other loans and receivables			56,025.8		55,273.0
				61,801.6	60,417.3
3. Loans and advances to customers	12				
of which: collateralised by mortgages					
EUR –.– million (EUR –.– million in 2019)					
Municipal loans					
EUR 6,933.6 million (EUR 6,417.1 million in 2019)				**6,967.9**	6,486.5
4. Bonds and other fixed-income securities	13/17				
a) Bonds and notes					
aa) Public sector issuers		832.8			654.8
of which: eligible as collateral					
with the Bundesbank					
EUR 678.5 million (EUR 525.3 million in 2019)					
ab) other issuers		16,784.6	17,617.4		16,479.7
of which: eligible as collateral					
with the Bundesbank					
EUR 13,219.8 million (EUR 12,747.5 million in 2019)					
b) own debt securities			0.0		27.5
Nominal amount					
EUR –.– million (EUR 29.0 million in 2019)				**17,617.4**	17,162.0
5. Shares and other variable-yield securities	14			**0.1**	0.1
6. Participations	15/17				
of which: in banks					
EUR 321.9 million (EUR 321.9 million in 2019)					
in financial services institutions					
EUR –.– million (EUR –.– million in 2019)				**327.9**	327.9
7. Investments in affiliated companies	15/17				
of which: in banks					
EUR –.– million (EUR –.– million in 2019)					
in financial services institutions					
EUR –.– million (EUR –.– million in 2019)				**49.6**	49.6
8. Assets held in trust	16				
of which: Loans held in trust					
EUR 175.1 million (EUR 108.9 million in 2019)				**175.1**	108.9
9. Intangible assets	17				
a) Purchased concessions, industrial property rights and similar rights				**13.7**	18.2
10. Property and equipment	17			**16.4**	13.5
11. Other assets	18			**5,867.1**	4,291.0
12. Prepaid expenses	19				
a) From issuing and lending business			1,958.8		1,717.3
b) Other			467.1		291.3
				2,425.9	2,008.6
Total assets				**95,286.5**	90,903.9

as at 31 December 2020

LIABILITIES AND EQUITY

	Notes	EUR million	EUR million	EUR million	31 Dec 2019 EUR million
1. Liabilities to banks	20				
a) Payable on demand			1.6		0.3
b) With agreed term or notice period			2,170.4		2,256.5
				2,172.0	2,256.8
2. Liabilities to customers	21/31				
a) Other liabilities					
aa) Payable on demand			158.9		227.4
ab) With agreed term or notice period			2,511.9		2,547.4
				2,670.8	2,774.8
3. Securitized liabilities	22				
a) Debt securities issued				**81,759.3**	77,499.0
4. Liabilities held in trust	23				
of which: Loans held in trust					
EUR 175.1 million (EUR 108.9 million in 2019)				**175.1**	108.9
5. Other liabilities	24			**668.4**	861.9
6. Deferred income	25				
a) From issuing and lending business			459.5		284.1
b) Other			2,012.2		1,764.8
				2,471.7	2,048.9
7. Provisions	26				
a) Provisions for pensions and similar obligations			130.9		126.4
b) Other provisions			259.7		315.7
				390.6	442.1
8. Subordinated liabilities	27			**302.7**	302.7
9. Fund for general banking risks				**3,344.4**	3,294.5
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		1,162.0			
Allocations from net income		16.7	1,178.7		1,162.0
bb) Guarantee reserve pursuant to Section 2 (3)					
of Rentenbank's Governing Law			1.0		1.0
c) Distributable profit			16.8		16.3
				1,331.5	1,314.3
Total liabilities and equity				**95,286.5**	90,903.9
1. Contingent liabilities	29				
a) Liabilities from guarantees and indemnity agreements				**25.4**	0.4
2. Other commitments	30				
a) Irrevocable loan commitments				**756.7**	717.8

Income Statement of Landwirtschaftliche Rentenbank for the period from 1 January to 31 December 2020

	Notes	2020 EUR million	2020 EUR million	2020 EUR million	2019 EUR million
1. Interest income from	32				
a) Lending and money market transactions		2,148.5			2,665.2
b) Fixed-income securities and debt register claims		288.2			301.7
			2,436.7		2,966.9
less negative interest of EUR 46.4 million					(43.5)
2. Interest expense	33		2,140.2		2,674.1
less positive interest of EUR 9.2 million					(5.1)
				296.5	292.8
3. Current income from					
a) Shares and other variable-yield securities			0.0		0.0
b) Participations			0.4		7.8
				0.4	7.8
4. Fee and commission income			0.3		0.1
5. Fee and commission expense			1.9		2.0
				−1.6	−1.9
6. Other operating income	34			**6.1**	6.0
7. Administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		30.0			27.8
ab) Social security contributions and expenses for pensions and other employee benefits		4.7			5.9
			34.7		33.7
of which: EUR 0.7 million for pensions					(2.2)
b) Other administrative expenses			32.3		33.1
				67.0	66.8
8. Depreciation, amortisation and write-downs of intangible assets as well as property and equipment				**8.9**	6.1
9. Other operating expenses	35			**16.6**	20.5
10. Write-downs of and allowances for loans and advances and certain securities as well as additions to loan loss provisions				**125.2**	124.4
11. Write-downs of and allowances for participations, investments in affiliated companies and securities held as fixed assets				**0.3**	
12. Income from reversals of write-downs of participations, investments in affiliated companies and securities held as fixed assets					0.2
13. Additions to the fund for general banking risks				**49.9**	53.4
14. Profit on ordinary activities				**33.6**	33.7
15. Taxes on income and profit			0.0		1.1
16. Other taxes not included in ‘Other operating expenses’			0.1		0.1
				0.1	1.2
17. Net income				**33.5**	32.5
18. Allocations to retained earnings					
to principal reserve pursuant to Section 2 (2) of Rentenbank’s Governing Law from net income				**16.7**	16.2
19. Distributable profit				**16.8**	16.3

Cash flow statement for the period ending 31 December 2020

EUR million	2020	2019
Net income/loss for the period	34	33
Depreciation and write-downs, allowances for and reversals of write-downs of loans and advances and fixed assets	9	7
Increase/decrease in provisions	– 51	– 35
Other non-cash expenses/income	175	178
Other adjustments (net)	– 243	– 231
Increase/decrease in loans and advances to banks	– 1,510	– 404
Increase/decrease in loans and advances to customers	– 481	0
Increase/decrease in other assets from operating activities	– 2,058	182
Increase/decrease in liabilities to banks	– 85	– 203
Increase/decrease in liabilities to customers	– 104	– 715
Increase/decrease in securitised liabilities	4,260	922
Increase/decrease in other liabilities from operating activities	295	777
Interest expense/interest income	– 297	– 293
Income tax expense/income	0	1
Interest and dividends received	2,735	3,210
Interest paid	– 2,195	– 2,686
Income tax payments	0	– 1
Cash flow from operating activities	**484**	**742**
Proceeds from disposal of financial investments	1,748	1,699
Payments for investments in financial investments	– 2,204	– 2,341
Proceeds from disposal of property and equipment	0	0
Payments for investments in property an equipment	– 4	– 1
Payments for investments in intangible fixed assets	– 4	– 9
Cash flow from investing activities	**– 464**	**– 652**
Appropriation of distributable profit pursuant to Section 9 of Rentenbank's Governing Law	– 16	– 16
Net change resulting from other financing activities	0	– 72
Cash flow from financing activities	**– 16**	**– 88**
Net change in cash and cash equivalents	4	2
Cash and cash equivalents at beginning of period	20	18
Cash and cash equivalents at end of period	**24**	**20**

The cash flow statement shows the changes in cash and cash equivalents for the 2020 and 2019 fiscal years from operating, investing and financing activities. Cash and cash equivalents correspond to 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 net change 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 the liquidity management, please refer to the information in the management report.

Statement of changes in equity as at 31 December 2020

EUR million	Subscribed capital	Principal reserve	Guarantee reserve	Distributable profit	Total 2020
Equity as at 1 Jan	135.0	1,162.0	1.0	16.3	1,314.3
Profit distribution	–	–	–	– 16.3	– 16.3
Net income	–	16.7	–	16.8	33.5
Equity as at 31 Dec	**135.0**	**1,178.7**	**1.0**	**16.8**	**1,331.5**

Statement of changes in equity as at 31 December 2019

EUR million	Subscribed capital	Principal reserve	Guarantee reserve	Distributable profit	Total 2019
Equity as at 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
Equity as at 31 Dec	**135.0**	**1,162.0**	**1.0**	**16.3**	**1,314.3**

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.

Rentenbank has prepared its annual financial statements for the 2020 fiscal year in accordance with the provisions of the German Commercial Code (HGB) applicable to large corporations and 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 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 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 (*Körperschaftsteuergesetz, KStG*) and trade tax in accordance with section 3 (2) (*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 2020 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 keep 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.

<u>Loans and advances/liabilities</u>

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.

<u>Securities held as fixed assets</u>

All securities are carried at amortised cost 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) was below the fair value 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 identified 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 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 either as assets or liabilities. The reversal amounts from upfront payments from swap transactions are offset with the nominal interest income or expenses depending on the contract.

Other assets/liabilities

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

(3) Provision for loan losses

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.

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.

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 creditworthiness of the respective business partner.

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

(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). Contracts with option features (option-based contracts) are valued using standard option pricing models. 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) swap curve as well as on basis spreads and cross-currency (CCY) basis swap spreads. These are distinguished by maturity and currency and obtained from external market data providers. Apart from the interest rate curves and spreads mentioned above, volatilities and correlations are also taken into account in the calculations.

(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 of 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 at 31 December 2020, there was no need for provisions on the basis of this calculation.

(6) Assets held in trust/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, RückAbzinsV*). 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 2020 (EUR 14 million in 2019).

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 2018 G mortality tables by Professor Dr Klaus Heubeck were used as the biometric calculation parameters.

The following parameters were used as the basis for the calculation as at 31 December 2020:

	2020	2019
Discount rate pursuant to Section 253 (2) sentence 2 HGB	2.30% p.a.	2.71% p.a.
Career trend	1.00% p.a.	1.00% p.a.
Expected rate of salary increases	2.00% p.a.	2.25% p.a.
Expected rate of pension increases (range of adjustments)	1.0 – 2.00% p.a.	1.0 – 2.25% p.a.
Employee turnover	average 5.00% p.a.	average 5.00% p.a.
Increase in Consumer Price Index (CPI)	1.75% p.a.	1.75% p.a.
Development of contribution assessment 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 terms match method, which continually 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 at 31 December 2020. 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 2020 EUR million	31 Dec 2019 EUR million
Payable on demand	5,776	5,144
Other loans and receivables		
– up to 3 months	1,802	1,799
– more than 3 months to 1 year	5,094	5,270
– more than 1 year to 5 years	24,336	23,545
– more than 5 years	24,129	23,970
Total amount	**61,137**	**59,728**

Loans and advances to companies in which participating interests are held amount to EUR 4,303 million (EUR 4,325 million in 2019).

(12) Loans and advances to customers

Breakdown by residual maturity	31 Dec 2020 EUR million	31 Dec 2019 EUR million
– up to 3 months	124	28
– more than 3 months to 1 year	122	192
– more than 1 year to 5 years	2,313	2,049
– more than 5 years	4,200	3,984
Total amount	**6,759**	**6,253**

As at 31 December 2020, 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 17,437 million (EUR 16,981 million in 2019). The carrying amount for securities amounting to EUR 108.8 million is below the fair value of EUR 108.5 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 0.3 million (EUR 4.8 million in 2019).

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 2020 EUR million	31 Dec 2019 EUR million
– Listed securities	16,995	16,633
– Unlisted securities	442	348
Total amount	**17,437**	**16,981**

Residual maturity of up to 1 year	31 Dec 2020 EUR million	31 Dec 2019 EUR million
from public sector issuers	–	–
from other issuers	3,136	1,687
Total amount	**3,136**	**1,687**

(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 328 million in 2019) and investments in affiliated companies in the amount of EUR 50 million (EUR 50 million in 2019). As in the previous year, participations and investments in affiliated companies do not include marketable securities.

(16) Assets held in trust

Breakdown	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Receivables from the Federal Republic's Special Purpose Fund held at Rentenbank	175	109
Loans and advances to banks	0	0
Total amount	**175**	**109**

(17) Fixed assets

Statement of changes in fixed assets in EUR million

	Intangible Assets	**Property and equipment**			**Financial investments**		
	Software and Licences	Land and Buildings	BGA	Assets under construction	Securities	Partici-pations	Investments in affiliated companies
Historical cost							
1 January 2020	50	20	15	–	16,981	328	50
Additions	3	–	2	3			
Disposals	–	–	0	–		456*	
Transfers	–	–	–	–			
31 December 2020	53	20	17	3	17,437	328	50
Depreciation, amortisation and write-downs							
Accumulated depre-ciation, amortisation and write-downs as at 1 January 2020	−32	−8	−14	–	–	0	–
Accumulated depre-ciation, amortisation and write-downs from disposals	–	–	–	–			
Depreciation, amortisation and write downs 2020	−7	−1	−1	–			
Accumulated depreciation, amortisation and write-downs as at 31 December 2020	−39	−9	−15	–	–	0	–
Reversals of write-downs	–	–	–	–	–	0	–
Carrying amount as at 31 Decem-ber 2020	**14**	**11**	**2**	**3**	**17,437**	**328**	**50**
Carrying amount as at 31 Decem-ber 2019	18	12	1	–	16,981	328	50

*Net change pursuant to Section 34 (3) sentence 2 HGB

(18) Other assets

Breakdown	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Cash collateral provided for derivatives	5,865	4,290
Other items	2	1
Total amount	**5,867**	**4,291**

(19) Deferred income

Breakdown	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Premium from lending business	1,677	1,393
Discount from issuing business	282	324
Upfront payments from derivative transactions	465	289
Other items	2	3
Total amount	**2,426**	**2,009**

(20) Liabilities to banks

Breakdown by residual maturity	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Payable on demand	2	0
Other liabilities		
– up to 3 months	4	1
– more than 3 months to 1 year	330	120
– more than 1 year to 5 years	1,140	885
– more than 5 years	50	635
Total amount	**1,526**	**1,641**

(21) Liabilities to customers

Breakdown by residual maturity	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Payable on demand	159	227
Other liabilities		
– up to 3 months	67	59
– more than 3 months to 1 year	76	13
– more than 1 year to 5 years	584	570
– more than 5 years	1,757	1,830
Total amount	**2,643**	**2,699**

Liabilities to customers include liabilities to affiliated companies in the amount of EUR 99 million (EUR 100 million in 2019). Liabilities to companies in which participating interests are held amount to EUR 0 million (EUR 1 million in 2019).

(22) Securitised liabilities

Breakdown by residual maturity	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Debt securities issued		
– up to 1 year	20,580	16,636
– more than 1 year to 5 years	35,179	34,672
– more than 5 years	25,636	25,764
Total amount	**81,395**	**77,072**

(23) Liabilities held in trust

Breakdown	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Liabilities from the Federal Republic's Special Purpose Fund held at Rentenbank	175	109
Liabilities to customers	0	0
Total amount	**175**	**109**

(24) Other liabilities

Breakdown	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Cash collateral received for derivative contracts	663	858
Other items	5	4
Total amount	**668**	**862**

(25) Deferred income

Breakdown	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Discount from lending business	3	3
Premium from issuing business	457	281
Upfront payments received from derivative transactions	2,012	1,764
Other items	0	1
Total amount	**2,472**	**2,049**

(26) Provisions

This balance sheet item includes provisions for pension obligations of EUR 131 million (EUR 126 million in 2019) to employees who are contractually entitled to receive pension benefits. Other provisions consist of the following:

Other provisions	31 Dec 2020 EUR million	31 Dec 2019 EUR million
Shortfall in interest payments from special promotional loans	226	286
Promotion of Research on Agricultural Innovation	15	13
Promotion of agriculture (Promotional Fund)	6	5
Other provisions	13	12
Total amount	**260**	**316**

(27) Subordinated liabilities

Breakdown by residual maturity	31 Dec 2020 EUR million	31 Dec 2019 EUR million
– up to 1 year	200	–
– more than 1 year to 5 years	103	303
– more than 5 years	–	–
Total amount	**303**	**303**

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 5 million (EUR 8 million in 2019).

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: 0.00%
2. Bond of EUR 100 million;
carrying amount: EUR 100 million;
Maturity: 18 August 2021; interest rate: 0.00%
3. Bond of JPY 5 billion;
carrying amount: EUR 40 million;
Maturity: 28 March 2022; interest rate: 5.78%
4. Bond of JPY 5 billion;
carrying amount: EUR 40 million;
Maturity: 30 September 2022; interest rate: 5.005%

An early repayment may be effected to the four aforementioned subordinated bonds except in the event of changes or amendments 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 at the balance sheet date, assets denominated in foreign currency amounted to EUR 5,016 million (EUR 5,198 million in 2019) and liabilities denominated in foreign currency stood at EUR 49,141 million (EUR 45,096 million in 2019). Foreign currency balances were hedged almost entirely through derivatives.

(29) Contingent liabilities

The contingent liabilities in the amount of EUR 25 million (EUR 0 million in 2019) 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 757 million (EUR 718 million in 2019) 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 2021.

(31) Cover calculation

The outstanding liabilities requiring cover include registered bonds only in the amount of EUR 19 million (EUR 19 million in 2019).

An amount of EUR 37 million (EUR 39 million in 2019) 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 46.4 million (i.e. reducing income by this amount). Interest income includes the pro rata utilisation of the corresponding provisions of EUR 70.6 million (EUR 80.1 million in 2019).

(33) Interest expense

Interest expense is reported net of positive interest of EUR 9.2 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 6.2 million in 2020 (EUR 26.4 million in 2019). In addition, interest expense includes effects in the amount of EUR 3.7 million from the unwinding of the discount on these provisions (EUR 7.1 million 2019).

(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 2020 EUR million	31 Dec 2019 EUR million
Rental income from residential buildings and properties	2	2
Income from reversals of provisions	1	1
Capitalisation of project work carried out by Rentenbank employees	1	1
Refunds	1	–
Other refunds	1	1

Other expenses include currency translation losses of EUR 0.7 thousand (EUR 0.8 thousand in 2019). These currency translation losses 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 2020 EUR million	31 Dec 2019 EUR million
Interest expense from the valuation of pension provisions	11	12
Grants for the Research on innovation in agribusiness	5	5

Other operating income includes currency translation gains of EUR 7.6 thousand (EUR 14.9 thousand in 2019). 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 2020, framework agreements were concluded with promotional institutions of the federal states in relation to the granting of promotional loans for the 2021 fiscal year in the amount of EUR 1,530 million (EUR 1,100 million in 2019).

(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 2020 EUR million	31 Dec 2019 EUR million	31 Dec 2020 EUR million	31 Dec 2020 EUR million
Interest rate risks				
Interest rate swaps	110,888	108,065	2,425	5,604
– of which termination and conversion rights embedded in swaps	1,100	952	100	0
Swaptions				
– Sales	376	396	–	0
Total exposure to interest rate risks	**111,264**	**108,461**	**2,425**	**5,604**
Currency risks				
Cross-currency swaps	42,046	45,544	1,165	2,933
– of which currency options embedded in swaps	16	16	1	–
Currency swaps	9,321	4,353	5	201
Total exposure to currency risks	**51,367**	**49,897**	**1,170**	**3,134**
Total exposure to interest rate and currency risks	**162,631**	**158,358**	**3,595**	**8,738**

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 2020 EUR million	31 Dec 2019 EUR million	31 Dec 2020 EUR million	31 Dec 2019 EUR million
– up to 3 months	4,615	2,553	10,127	8,678
– more than 3 months to 1 year	10,460	10,178	7,716	4,023
– more than 1 year to 5 years	54,309	51,035	21,293	23,281
– more than 5 years	41,880	44,695	12,231	13,915
Overall	**111,264**	**108,461**	**51,367**	**49,897**

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 2020 EUR million	31 Dec 2019 EUR million	31 Dec 2020 EUR million	31 Dec 2020 EUR million
OECD banks	153,399	141,323	3,174	8,532
Other counterparties in OECD countries	8,924	16,704	421	188
Banks in non-OECD countries	308	331	0	18
Overall	**162,631**	**158,358**	**3,595**	**8,738**

(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 at the balance sheet date:

Balance sheet item	Hedged risk	Carrying amount 2020 EUR million	Carrying amount 2019 EUR million
Other loans to banks	Currency	54	54
Bonds and other fixed-income securities	Currency	5,016	4,900
Liabilities to customers	Currency	114	126
Securitised liabilities	Currency	48,964	45,257
Subordinated liabilities	Currency	63	63

(39) Management Board and Supervisory Board Remuneration

In the 2020 fiscal year, the total remuneration paid to the members of the Management Board of Rentenbank in accordance with Section 285 No 9b HGB amounted to EUR 1,782 thousand (EUR 1,875 thousand in 2019).

The following remuneration was paid to the individual members of the Management Board during the 2020 fiscal year:

Breakdown	Fixed renumeration EUR thousand	Other renumeration EUR thousand	Overall EUR thousand
Dr Horst Reinhardt	760	30	790
Dietmar Ilg	480	15	495
Dr Marc Kaninke	480	17	497
Management Board overall	**1,720**	**62**	**1,782**

As at 31 December 2020, provisions for pension obligations to the former members of the Management Board and their surviving dependants totalled EUR 19,489 thousand (EUR 19,724 thousand in 2019). Current benefit payments amounted to EUR 1,446 thousand (EUR 1,411 thousand in 2019).

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 292 thousand (EUR 295 thousand in 2019), partly including VAT.

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

Member	Time period		Remuneration in EUR thousand	
	2020	2019	2020	2019
Joachim Rukwied	1 Jan – 31 Dec	1 Jan – 31 Dec	46.0	46.0
Julia Klöckner	1 Jan – 31 Dec	1 Jan – 31 Dec	0.0	0.0
Bernhard Krüsken	1 Jan – 31 Dec	1 Jan – 31 Dec	18.0	18.0
Michael Reuther	1 Jan – 31 Dec	1 Jan – 31 Dec	16.0	15.0
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	10.0	11.0
Harald Schaum	1 Jan – 31 Dec	1 Jan – 31 Dec	14.0	14.0
Dr Marcus Pleyer	1 Jan – 31 Dec	1 Jan – 31 Dec	18.0	18.0
Werner Schwarz	1 Jan – 31 Dec	1 Jan – 31 Dec	14.0	13.0
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	14.0	13.0
Franz-Josef Holzenkamp	1 Jan – 31 Dec	4 July – 31 Dec	13.0	6.0
Karsten Schmal	1 Jan – 31 Dec	4 July – 31 Dec	12.0	6.0
Rainer Schuler	1 Jan – 31 Dec	4 July – 31 Dec	10.0	5.0
Brigitte Scherb	1 Jan – 30 Apr	1 Jan – 31 Dec	4.0	12.0
Wolfram Günther	1 Jan – 31 Dec	–	10.0	–
Ursula Heinen-Esser	1 Jan – 31 Dec	–	10.0	–
Sebastian Thul	1 Jan – 31 Dec	–	10.0	–
Petra Bentkämper	1 May – 31 Dec	–	6.7	–
Priska Hinz	–	1 Jan – 31 Dec	–	10.0
Dr Till Backhaus	–	1 Jan – 31 Dec	–	10.0
Barbara Otte-Kinast	–	1 Jan – 31 Dec	–	10.0
Udo Folgart	–	1 Jan – 4 July	–	7.0
Dr Werner Hildenbrand	–	1 Jan – 4 July	–	5.0
Manfred Nüssel	–	1 Jan – 4 July	–	7.0
Overall remuneration			**255.7**	**256.0**

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

Employees	2020			2019		
	Men	Women	Total	Men	Women	Total
Full-time staff	162	80	242	156	81	237
Part-time staff	14	64	78	10	58	68
Overall	**176**	**144**	**320**	**166**	**139**	**305**

Overall, Rentenbank employed an annual average of 144 female employees (139 in 2019) and 176 male employees (166 in 2019) 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*	2020 EUR thousand	2019 EUR thousand
Audit services	324.9	406.6
Other certification services	114.5	54.2
Other services	34.0	0.0
Overall	**473.4**	**460.8**

* Of the auditors' fees for 2020, the following amounts were attributable to the prior-year period:
–EUR 53.2 thousand for audit services and EUR 1.7 thousand for other certification services.

(44) 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.

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

The preparation of the annual financial statements for the fiscal year 2020 with respect to profit appropriation is subject to the approval of the Supervisory Board. The proposal for the 2020 appropriation of net income and profit presents the following resolutions:

- Of the net income of EUR 33,500,000 reported in the income statement, EUR 16,750,000 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 16,750,000, EUR 8,375,000 is provided for the Federal Republic's Special Purpose Fund and EUR 8,375,000 for the Promotional Fund.

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

The mandates listed below are represented in statutory supervisory boards of large corporations (Section 267 (3) HGB), and are held by legal representatives or other Rentenbank employees, in accordance with Section 340a (4) No 1 HGB:

Dietmar Ilg	VR Smart Finanz AG, Eschborn (Member of the Supervisory Board) BVVG Bodenverwertungs- und -verwaltungs GmbH, Berlin (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 1 January 2020 – 2 March 2021)

Management Board

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

Supervisory Board

Chairman:

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

Deputy chairperson:

Julia Klöckner
Federal Minister of Food and Agriculture

Representatives of the German Farmers' Association:

Werner Hilse
Rural Community of Lower Saxony – The Farmers' Association

Karsten Schmal
President of the Farmers' Association of Hesse

Bernhard Krüsken
Secretary General of the German Farmers' Association

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

Petra Bentkämper
German Rural Women's Association (from 1 May 2020)

Brigitte Scherb
German Rural Women's Association (until 30 April 2020)

Representatives 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

State Ministers of Agriculture:

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

Saarland:
Sebastian Thul
State Secretary of the Ministry of Environment and Consumer Protection, 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 Federal Chairman of the Industrial Union for Construction, Agriculture and Environment

Representative of the Federal Ministry of 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
Managing Director Keppler Mediengruppe

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

Dr Birgit Roos
Chairwoman of the Management Board of Sparkasse Krefeld

Frankfurt am Main, 2 March 2021

LANDWIRTSCHAFTLICHE RENTENBANK
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, 2 March 2021

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 2020, 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 2020 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 2020. 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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 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 2020.

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 2020, 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 87.2 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 95.3, we considered the provisions for credit losses to be a key audit matter. The provisions for credit losses as at 31 December 2020 are as follows:

Rentenbank has set up general allowances of mEUR 3.0 and general provisions of kEUR 15 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 and the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- 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 pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB, respectively, regarding the annual financial statements and the management report, and
- all other parts of the annual report, with the exception of the audited annual financial statements and the audited content of the management report as well as the auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the declaration of compliance concerning the Public Corporate Governance Code of the German Federal Government. Apart from that the executive directors are responsible for the other information.

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 stated above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the audited content of 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

Report on the Audit of the Electronic Files of the Annual Financial Statements and of the Management Report prepared for Publication pursuant to Section 317 (3b) HGB

Audit Opinion

In accordance with Section 317 (3b) HGB, we have assessed with reasonable assurance whether the electronic files of the annual financial statements and of the management report (hereafter referred to as "ESEF files") prepared for publication, contained in the accompanying file SHA256: 9009FF311989DA1D383E 5297313B9F1AEB559F44989A43F663241517F49B9240, meet, in all material respects, the requirements concerning the electronic reporting format ("ESEF format") pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the annual financial statements' and the management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

In our opinion, the electronic files of the annual financial statements and of the management report prepared for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying management report for the financial year from 1 January to 31 December 2020 contained in the above "Report on the Audit of the Annual Financial Statements and of the Management Report", we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

Basis for the Audit Opinion

We conducted our audit of the electronic files of the annual financial statements and of the management report contained in the accompanying file stated above in accordance with Section 317 (3b) HGB and on the basis of the IDW Draft Auditing Standard: Audit of the Electronic Files of the Annual Financial Statements and of the Management Report prepared for Publication pursuant to Section 317 (3b) HGB (IDW Draft AuS 410). Our responsibilities in this context are further described in the section "Auditor's Responsibilities for the Audit of the ESEF Files". Our audit firm has applied the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Files

The executive directors of the Company are responsible for the preparation of the ESEF files based on the electronic files of the annual financial statements and of the management report according to Section 328 (1) sentence 4 no. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF files that are free from material violations against the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF files together with the auditor's report and the accompanying audited annual financial statements and the audited management report as well as other documents to be filed with the publisher of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of the ESEF files as part of the financial reporting process.

Auditor's Responsibilities for the Audit of the ESEF Files

Our objectives are to obtain reasonable assurance about whether the ESEF files are free from material violations, whether due to fraud or error, against the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material violations against the requirements pursuant to Section 328 (1) HGB, 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 opinion.

- obtain an understanding of internal control relevant to the audit of the ESEF files 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 controls.

- assess the technical validity of the ESEF files, i.e. whether the file containing the ESEF files meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date as to the technical specification of this file.

- evaluate whether the ESEF files enable a XHTML copy of the audited annual financial statements and of the audited management report whose content is identical with these documents.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by resolution of the supervisory board on 2 April 2020. We were engaged by the supervisory board on 20 May 2020. We have been the auditor of Landwirtschaftliche Rentenbank, Frankfurt am Main/Germany, without interruption 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 comfort letters and other related assurance services,

- quality assessment of the internal audit function,

- audit of the use of credit claims as collateral for central bank loans (Credit claims – submission and administration),

- confirmation of the questionnaire for contributions to the deposit guarantee fund of the Association of German Public Banks (Bundesverband Öffentlicher Banken Deutschlands e. V.),

- general presentation of applicable requirements for the consolidation of venture capital funds,

- training of board members.

German Public Auditor Responsible for the Engagement

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

Frankfurt am Main/Germany, 2 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

Management Bodies (as at 2 March 2021)

Management Board and Supervisory Board

Details relating to the members of the Management Board and Supervisory Board are included on pages 74 and 75 of this annual report.

General Meeting

Appointed by the State of Baden-Württemberg:

Werner Räpple
President of the Agricultural Main 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 and 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
President of the Rural Women's Association of Lower Saxony

Dr Holger Hennies
President of the Rural Community of Lower Saxony – The Farmers' Association

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 of 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 Management Board 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
Farmer

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 2020 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 2020 annual report on Landwirtschaftliche Rentenbank. The Supervisory Board adopts the Bank's annual financial statements including the management report for the 2020 fiscal year.

Of the net income of EUR 33,500,000 reported in the income statement, EUR 16,750,000 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 16,750,000 the Supervisory Board resolved to allocate EUR 8,375,000 to the German Federal Government's Special Purpose Fund and EUR 8,375,000 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, 25 March 2021

THE SUPERVISORY BOARD OF
LANDWIRTSCHAFTLICHE RENTENBANK

Chairman
Joachim Rukwied

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.

Landwirtschaftliche Rentenbank
Theodor-Heuss-Allee 80 / 60486 Frankfurt am Main / Germany
P.O. Box 10 14 45 / 60014 Frankfurt am Main / Germany

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

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