2011
Unconsolidated Financial Report

Financial Statements in accordance with German Commercial Code (HGB) of Landwirtschaftliche Rentenbank as of 31.12.2011

rentenbank

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Management Report

Economic environment

The year 2011 was characterized by the continuing sovereign debt crisis in Europe, the consequences of which are now materializing in the real economy. From mid-year, economic momentum weakened again in the major developed countries. In the first half, the easing of monetary and fiscal policy introduced in the previous year had led to strong recoveries in many countries.

The euro zone gross domestic product (GDP) grew by 1.5% in 2011, after an increase of 1.9% in 2010. The situation in the individual euro zone countries was quite mixed. While Greece and Portugal were in a recession, Germany continued to outpace the euro zone average with GDP growth of 3.0% (2010: 3.7%). The major stimuli came from the strong export activities with emerging markets and a recovering domestic demand. The unemployment rate fell during the reporting year from 6.4% to 5.5%, as measured by the International Labour Organization. The situation was different in the euro zone: The unemployment rate rose from 10.0% to 10.6% as a result of the economic downswing in the second half. The average rate for the year of 10.1%, however, remained unchanged from the prior-year level.

Euro zone consumer prices increased more strongly in 2011 compared to the previous years. With a rate of 3%, a three-year high was achieved in the fall of the year. This was mainly caused by rising prices for raw materials and food. However, pressure on prices abated towards the end of the year against the background of weak economic prospects and base effects. The average for the year was 2.7%, after 1.6% in the prior year.

The European Central Bank (ECB) tightened its monetary policy by summer 2011, after having not changed its interest rate policy for almost two years. As the risks of inflation increased during the first half against the backdrop of the continuing economic recovery, the ECB increased its key lending rate in April and July by 0.25 percentage points each to 1.5%. In view of increasing risks to economic growth and the subsiding price pressure, the ECB cut its key rate again in November and December in two steps to 1.0%. The refinancing transactions to stabilize the banking system were continued by the ECB during the whole of the year. In August, the ECB also resumed its purchases of government bonds to support financially weak countries of the euro zone.

The European debt crisis was exacerbated again during 2011. On the international financial markets, Greece and other highly indebted countries such as Italy and Spain were granted loans very rarely or only at sharply increased interest rates. Therefore, the heads of states and governments of the European Union (EU) agreed on establishing a permanent rescue funding program (European Stability Mechanism, ESM) for debt-stricken euro zone countries, replacing the previous bailout fund EFSF (European Financial Stability Facility). As a result of the deteriorating situation in Greece, the EU and the International Monetary Fund (IMF) resolved to introduce additional bailout packages for Greece during the course of the year, involving the support of the private financial sector. Moreover, so-called "debt brakes" and more stringent deficit procedures for the EU member states are intended to sustainably reduce levels of government debt.

These measures, however, did not lead to the expected permanent stabilization of the financial markets. Accordingly, the year 2011 was characterized by a high volatility on the markets. Many investors pulled out of high-risk asset classes, especially starting from mid-year, and favored safe haven investments. This resulted in declining long-term yields. In September, the return on ten-year German federal government bonds fell below the 2% threshold for the first time and stood at 1.83% at year-end.

The economic conditions improved for the German agricultural sector in 2011. The low interest-rate level fueled investing activities, as did the prices for agricultural commodities, which rose sharply in some cases. Investments in biogas plants saw particularly high growth rates. Due to the more favorable background, the demand for liquidity assistance loans declined.

Company performance

The business trend of Rentenbank in 2011 saw persistently high demand for promotional financing transactions and stable development of financial performance, despite the continuing financial market crisis. Demand for special promotional loans was very high, especially due to the strong investment activity. Due to the still high preference of international investors for safe haven investments, the funding conditions remained positive.

In the fiscal year 2011, the total volume of promotional loans amounted to € 66.7 billion (2010: € 66.5 billion), representing an increase of 0.3% over the prior year. As a result of the increase in new business for special promotional loans, the portfolio of promotional loans grew by € 1.5 billion or 3.5% to € 44.1 billion in 2011 (2010: € 42.6 billion). This is primarily a consequence of the more favorable general economic conditions within the agricultural sector. The volume of securitized lending declined as a result of higher volume of amounts due and a lower new business volume. Overall, new promotional business were granted in the amount of € 11.9 billion in the fiscal year 2011 (2010: € 12.2 billion).

In the year under review, Rentenbank borrowed funds in the amount of € 12.0 billion (2010: € 10.6 billion) on domestic and foreign capital markets. The total margin increased slightly during the year. The financial performance overall remained stable.

Balance sheet

Total assets increased by € 2.8 billion or 3.6% to € 81.3 billion as of December 31, 2011 (2010: an increase by € 2.7 billion or 3.6% to € 78.5 billion). This growth was mainly attributable to the increased volume of special promotional loans. Contingent liabilities totaled € 3.1 million (2010: € 3.6 million). Irrevocable loan commitments decreased by € 0.4 billion to € 1.0 billion (2010: € 1.4 billion). In accordance with its competitive neutrality, Rentenbank generally extends its loans via other banks. Therefore, the asset side of the balance sheet primarily comprises loans and advances to banks. As of the balance sheet date, this line item amounted to € 51.8 billion (2010: € 49.5 billion) or a share of 63.7% (2010: 63.1%) in total assets. Loans and advances to customers grew by € 1.2 billion to € 3.0 billion (2010: € 1.8 billion). This item includes loans to local authorities, which increased by € 1.2 billion to € 2.6 billion (2010: € 1.4 billion). Rentenbank is not exposed to securities or receivables with structured credit risks such as asset-backed securities, or collateralized debt obligations. The securities portfolio, which almost exclusively comprises bank bonds and notes, fell by € 1.7 billion to € 25.2 billion (2010: € 26.9 billion). This balance sheet item included bonds and notes classified as fixed assets in a nominal amount of € 24.9 billion (2010: € 26.6 billion). Securities at a nominal amount of € 40.0 million (2010: € 132.1 million) were measured at the lower of cost or market pursuant to HGB ("strenges Niederstwertprinzip").

Liabilities to banks increased by € 0.7 billion to € 3.8 billion (2010: € 3.1 billion). The carrying amount of overnight and term deposits increased by € 0.3 billion to € 0.5 billion (2010: € 0.2 billion). The carrying amount of registered bonds and promissory note loans, which are also included in this item, amounted to € 1.3 billion (2010: € 1.3 billion). Of the liabilities with an agreed maturity or period of notice, an amount of € 1.6 billion is due between one and five years, and € 0.9 billion after more than five years at year-end.

Liabilities to customers increased by € 0.4 billion to € 6.0 billion (2010: € 5.6 billion). This balance sheet item primarily comprises registered bonds, which are reported with a volume of € 4.5 billion at year-end (2010: € 4.4 billion). Of the liabilities with an agreed maturity or period of notice, an amount of € 1.6 billion was due within one to five years and an amount of € 3.4 billion was due after more than five years as of the balance sheet date.

The portfolio of securitized liabilities increased by € 0.7 billion or 1.1% compared to the preceding year. Their carrying amount as of December 31, 2011, reached € 62.8 billion (2010: € 62.1 billion). The Euro Medium Term Note (EMTN) program represents the most important refinancing instrument and amounted to € 37.9 billion (2010: € 35.8 billion). Global bonds totaled € 12.2 billion (2010: € 11.5 billion) at year-end. The balance of instruments from the ECP program, which is part of money market funding, declined to € 7.0 billion (2010: € 10.1 billion).

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

Provisions decreased by € 67.6 million to € 398.2 million (2010: € 465.8 million). The gross amount of additions to provisions for pensions and similar obligations was € 5.3 million (2010: € 5.7 million). The amount of provisions used for current payments for pensions and similar obligations was € 5.1 million (2010: € 5.1 million). The provisions for pensions and similar obligations increased by € 0.2 million (2010: € -22.5 million). The cover amount was determined on the basis of a discount rate of 5.13% (2010: 5.15%).

Other provisions decreased by € 67.8 million to € 313.4 million (2010: € 381.2 million). This balance sheet item mainly comprises the promotional contribution of Rentenbank to reduce the interest rates of its special promotional loans.

Financial performance

The fiscal year 2011 was characterized by a stable financial performance. Interest income, including contributions from fixed-income securities and equity investments, amounted to € 2,831.9 million (2010: € 2,834.3 million). After deducting interest expenses of € 2,414.7 million (2010: € 2,425.1 million), net interest income amounted to € 417.2 million (2010: € 409.2 million). Administrative expenses increased to € 40.5 million (2010: € 39.4 million).

The operating result before risk provisioning and measurement increased by 1.0% to € 369.8 million, up from € 366.2 million a year earlier.

Earnings in the Promotional Business, Treasury Management and Capital Investment segments continued to develop positively.

Amortization and write-downs of loans and advances and securities, equity investments and interests in affiliated companies as well as additions to provisions for possible loan losses have been recognized in sufficient amounts and take into account all identifiable risks. As of December 31, 2011, general valuation allowances and provisions were recognized pursuant to section 252 (1) No. 4 of the German Commercial Code (HGB) to take account of potential default risks. The allowances amounted to € 68.5 million for loans and advances to banks and € 0.9 million for loans and advances to customers, while the amount of provisions recognized was € 0.7 million. Individual valuation allowances were recorded for loans and advances to banks (€ 5 million) and loans and advances to customers (€ 2.6 million). Write-downs of securities belonging to the liquidity reserve pursuant to Section 253 (4) of the HGB amounted € 0.1 million as of the balance sheet date. Write-downs of securities classified as fixed assets pursuant to Section 253 (3) of the HGB amounted to € 10.0 million. The reversals of write-downs required in accordance with Section 253 (5) of the HGB related to securities classified as fixed assets amounted to € 5.0 million and did not exceed the relevant write-downs recognized earlier.

Net profit for the year

Net profit for 2011 amounted to € 49.0 million (2010: € 47.0 million), representing an increase of € 2.0 million against the previous year. Subject to the outstanding resolutions of the responsible corporate bodies, Rentenbank intends to transfer € 36.75 million (2010: € 35.25 million) from net profit to the principal reserve (*Hauptrücklage*). Pursuant to Section 2 (3) sentence 2 of the Law Governing the Landwirtschaftliche Rentenbank, the guarantee reserve (*Deckungsrücklage*) may not exceed 5% of the nominal amount of the covered bonds outstanding at any time. Accordingly, the decrease in the volume of the bonds subject to cover requirements resulted in a transfer from the guarantee reserve of € 21.4 million (2010: € 29.2 million) to the principal reserve. The net profit after the transfer to reserves will amount to € 12.25 million (2010: € 11.75 million), which will be used to promote agriculture and rural areas.

Equity

Total capital reported on the balance sheet will amount to € 3,639.0 million (2010: € 3,074.6 million) after the transfers to the principal reserve and the additions to the fund for general banking risks.

Total capital can be broken down as follows:

	Dec. 31, 2011 € million	Dec. 31, 2010 € million
Capital stock	135.0	135.0
Principal reserve	709.8	651.7
Guarantee reserve	137.7	159.1
Fund covering general banking risks	1,928.2	1,348.0
Subordinated liabilities	728.3	780.8
Total	3,639.0	3,074.6

Total capital increased by € 564.4 million compared to 2010.

The fund for general banking risks was increased by € 580.2 million to € 1,928.2 million. Subordinated liabilities decreased by € 52.5 million (2010: € 286.9 million) due to maturing loans and exchange rate fluctuations. The share of liable capital reported on the balance sheet in total assets was 4.5% (2010: 3.9%).

Rentenbank's regulatory capital as of December 31, 2011, amounts to € 3,517.5 million (2010: € 3,246.1 million) prior to the approval of the financial statements. The total capital ratio, calculated pursuant to Section 10 (1) of the German Banking Act based on the German Solvency Regulation (Solvabilitätsverordnung, SolvV), amounted to 25.7% on the reporting date (2010: 24.5%), and thus exceeded the legal minimum requirements to a considerable extent.

Financial reporting process

The financial reporting process comprises all activities from account allocation and processing of transactions to preparation of single-entity financial statements.

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

Rentenbank prepares its financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), as amended by the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG), and the German Accounting Directive for Banks (Verordnung über die

Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV) in accordance with German Accepted Accounting Principles (Grundsätze ordnungsmäßiger Buchführung, GoB). The consolidated financial statements of Rentenbank are prepared in accordance with all International Financial Reporting Standards (IFRS) to be applied in the EU for the reporting period and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB). These regulations are documented in manuals and procedural instructions. The Finance division monitors these on a regular basis and adjusts them, if necessary, to take into account any changes in legal and regulatory requirements. The involvement of the Finance division in the New Product Process (NPP) ensures that new products are correctly reflected in the financial reporting system.

The documentation of the financial reporting process is presented in a manner comprehensible to knowledgeable third parties. The relevant records are kept while complying with the statutory retention periods.

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

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

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

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

Other performance indicators

Employees

At the end of 2011, Rentenbank employed 240 people (2010: 229 people), excluding employees on parental leave and members of the Board of Managing Directors.

The additional number of employees is the result of the further increasing legal and technical requirements in the back office functions.

Vacant positions were filled with highly qualified and motivated candidates. This underlines that the bank is considered an attractive employer at the "Finanzplatz Frankfurt." Apart from interesting and secure jobs, people appreciate above all the adoption of social responsibility as it is expressed in the promotional mandate and in the business model focusing on sustainability. In the year under review, all five trainees from the 2010 program were retained, and seven new trainees were offered the same perspective.

The expenses for wages and salaries in 2011 rose by € 0.5 million to € 20.3 million (2010: € 19.8 million) as a result of the higher number of employees and the pay rise from collective wage agreements. In contrast, social security contributions and expenses for pensions and other employee benefits declined to € 2.7 million (2010: € 3.1 million), because above all in 2010 an additional one-off provision was recognized in the amount of € 0.5 million due to the prolongation of early retirement under collective agreements.

Sustainability

Rentenbank's business model, which is based on promotional activities and sustainability, represents the foundation of its commitment to an economically stable, ecological and socially just society. Relevant aspects of sustainable behavior are explicitly set out in the Governing Law of Landwirtschaftliche Rentenbank. Within the framework of its promotional lending business, Rentenbank provides funds for investments in renewable energies, in measures for emission reduction and energy saving, regenerative energy sources, expansion of ecological farming and regional marketing as well as agriculture-related environmental, animal and consumer protection at particularly low interest rates. In the past years, the volume of special promotional loans granted for sustainable projects has risen steadily and reached € 2.7 billion in the fiscal year 2011 (2010: € 2.5 billion). As a service provider, the bank helps to conserve resources within its daily operations and consume raw materials wisely. In the bank, it is assessed whether there are any further savings potentials and ecological aspects are taken into consideration when making decisions and in the behavior, for example regarding the employee housing or the planned renovation of the office building.

Risk Report

General principles

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

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

Organization of risk management processes

Risk management

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

Within the framework of a risk inventory, Rentenbank analyzes which risks may have a material effect on its financial position and performance. The materiality of the risks is assessed on this basis. All risks are limited or managed through a risk management system, which has been implemented for this purpose, and on the basis of the calculation of the risk-bearing capacity.

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

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

Risk controlling

Risk controlling is part of the divisions Finance and Financial Institutions from an organizational perspective. In the Finance area, risk control comprises the regular monitoring of the limits determined by the Board of Managing Directors as well as reporting on market price risks, liquidity risks, operational risks, and risk-bearing capacity; risk reporting is based on risk level and regulatory requirements. The Financial Institutions division monitors the limits defined for credit risks and is responsible for reporting on credit risks, taking into account risk aspects and regulatory requirements. If material risk-relevant information or transactions become known and in the case of non-compliance with the Minimum Requirements for Risk Management (MaRisk), the entire Board of Managing Directors, Internal Audit department and, if necessary, the heads of areas or divisions concerned must be notified in writing immediately. In addition, the Board of Managing Directors and the Audit and Credit Committees of the Advisory Board are informed about the overall risk situation at least once per quarter. Information that is material in terms of risk is forwarded instantaneously by the Board of Managing Directors to the Advisory Board.

The instruments used for risk management and monitoring are constantly reviewed and updated.

Internal audit

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

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

Risk-bearing capacity

All material risks of Rentenbank are identified and monitored to detect any concentration risks in the context of the risk inventory, the NPP or the daily monitoring activities. An essential part of the risk management system is the definition, controlling and monitoring of risk limits, which are based on the Rentenbank’s risk-bearing capacity. The risk-bearing capacity concept is to ensure that the risk cover potential is sufficient to cover all material risks. For this purpose, various risk scenarios are used to compare the total sum of the capital charges resulting from Rentenbank’s credit, market price, and operational risks with a portion of the aggregate risk cover potential. Pursuant to the risk-bearing capacity concept, no liquidity risks have been taken into account, since Rentenbank has sufficient cash funds, and its triple A ratings, amongst other factors, enable it to obtain any additionally required cash funds on the interbank markets or, in case of market disruptions, from Eurex Clearing AG (securitized money market funding) and from the German central bank (Deutsche Bundesbank; through collateralized loans or so-called "Pfandkredite").

The risk-bearing capacity concept may either be based on a going concern approach or a liquidation approach.

The going concern approach assumes that business operations of the company will be continued. If the stress scenarios, which are defined using conservative parameters, occur, there must be available sufficient capital components to meet the regulatory capital requirements pursuant to the German Solvency Regulation (Solvabilitätsverordnung, SolvV) of currently 4% (core capital ratio) and 8% (total capital ratio).

Protection from creditors is the main priority of the liquidation approach. Therefore, all undisclosed reserves and liabilities are deducted from the risk cover potential. Accordingly, there must be sufficient risk cover potential to cover the effects from the even more conservative stress scenarios (fictitious liquidation).

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

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

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

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

Credit risk

Definition

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

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

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

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

Within the framework of the Rentenbank Law and Statutes, transactions may be entered into with countries, regions and government entities. In addition, general promotional business may be conducted with the German federal states.

Rentenbank enters into risks in corporate banking only in the direct lending business and in the syndicated lending business with companies. In line with our strategy, there were no new commitments made in the syndicated lending business with companies in 2011.

The range of promotional activities also comprises the possibility to provide equity capital to suitable companies in the agricultural industry (up to a limit of € 100 million) in order to support established companies by acquiring minority shareholdings. No transactions were made in this area yet.

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

The divisions Promotional Business, Treasury and Financial Institutions are responsible for new business with regard to promotional loans, depending on the type of transaction. The Treasury devision is responsible for the purchase of securities within the framework of the securitized lending business, the purchase of promissory note loans as well as new business with regard to money market funding and derivatives. Derivatives are only entered into as hedging instruments for existing or expected market price risks and only with business partners in EU or OECD countries. Rentenbank does not enter into credit default swaps (CDS). New business is only conducted with business partners where we have a collateral agreement in place.

Organization of transactions subject to credit risks

The Board of Managing Directors defines Rentenbank’s credit risk strategy on an annual basis and presents this strategy to the Credit Committee of the Advisory Board.

Credit risk monitoring and controlling is conducted on the basis of uniform principles and does not depend on the type of business from which these risks result. The relevant tasks are performed by the Board of Managing Directors and the Financial Institutions devision. The latter is responsible for establishing and implementing a uniform credit risk strategy and for controlling Rentenbank’s credit risks. In addition, its responsibilities also include analyzing credit risks, establishing internal rating categories, creating templates for credit approvals, issuing the back office function (or risk management) vote, and controlling credit risks. The Treasury division represents the front office (or market unit) within the credit business workflow.

In accordance with the MaRisk certain tasks have to be performed outside of the front office. These so-called back office functions are performed by the divisons Promotional Business, Financial Institutions, and Collateral & Equity Investments. The divisions issue the independent second vote for credit decisions and process and evaluate collateral. They are also responsible for intensified loan management as well as for the management of non-performing loans. Any necessary measures are agreed upon in cooperation with the Board of Managing Directors. The responsibility for the processes rests with the Board Member respobsible for back office functions.

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

Credit assessment

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

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

The credit ranking is carried out at least once per year within the context of the review of the counterparties’ financial situation, based on annual financial statements or annual reports. The analysis also takes key performance indicators into account, so-called soft facts, the background of the company, and additional supporting data such as membership in a protection scheme or liability support provided by the government. If available, credit ratings of external rating agencies are also used. As an additional criterion, collateral such as mortgage bonds is included in the assessment for certain transaction types. Furthermore, country risks are evaluated separately as a structural risk relevant to Rentenbank. Current information concerning negative financial data or a deterioration of the economic perspectives of a business partner also may trigger a rewiev of a business partner's credit ranking based on early warning indicators and, if necessary, an adjustment of the limit. The internal risk classification procedure is continuously developed and monitored annually.

The consequences of the international financial crisis are also reflected in the changes of the financial situation of Rentenbank's counterparties. Individual counterparties were considered to have a high level of risk. In spite of downgrades of some counterparties, the average credit quality of the Rentenbank's total loan portfolio can be classified as "good," not least due to the high-quality new business.

The peripheral countries of the eurozone are monitored specifically. These countries are selected based on internal rating classification, which corresponds to the market view, and the level of indebtedness. Currently, these countries to which we are exposed are Greece, Ireland, Italy, Portugal and Spain. There are no unused lines of credit or irrevocable loan commitments with counterparties in peripheral euro zone countries. There was no new business concluded with counterparties from peripheral euro zone countries in 2011, and are neither anticipated for 2012, except for derivatives collateralized with cash collateral. As of December 31, 2011, the carrying amounts of securities held in peripheral euro zone countries were as follows:

	Dec. 31, 2011 € million	Dec. 31, 2010 € million
Greece	18.2	33.2
Ireland	174.4	583.3
Italy	1,996.9	2,524.0
Portugal	1,017.5	1,399.3
Spain	3,643.3	4,823.1
Total	6,850.3	9,362.9

The share of government bonds from peripheral euro zone countries of total assets as of December 31, 2011 was 0.6% (2010: 0.8%), while the share of bonds and promissory note loans amounted to 6.7% (2010: 9.9%). Approximately 46% (2010: 66%) of the exposures in peripheral euro zone countries will become due by the end of 2013.

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

Quantification of credit risk

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

The internal rating category system forms the basis for measuring credit default risks with the help of statistical procedures. In order to determine the potential default, historical probabilities of default as published by external rating agencies are used. Rentenbank does not have historical internal probabilities of default due to the negligible number of defaults in the past decades. The calculations are made at the end of each month. In order to assess credit risks, a standard scenario (annual, potential default related to utilization) is supplemented by stress scenarios (annual, potential default related to internally granted limits, assuming deteriorations of credit quality, lower recovery rates, as well as increased probabilities of default).

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

The stress scenarios were enhanced by country-specific effects and take into account concentration risks within the loan portfolio. Under two extreme scenarios, a default of the borrower units or foreign exposures that are the largest based on the risk exposure level (taking into account loss given default percentages) is assumed. The potential default determined on the basis of these extreme scenarios is used to measure risk concentrations and does not have to be backed by risk cover potential. Priority is given in this context to the critical reflection of the results and the derivation of possible actions required (for example in the form of limit reductions or intensified risk monitoring).

Limitation and reporting

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

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

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

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

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

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

In line with the risk-bearing capacity concept, as set out in the Risk Manual, an amount of € 260 million (2010: € 260 million) of the risk cover potential was allocated to credit risk as of the balance sheet date. During the year under review internally established limits were monitored daily to ensure compliance at all times.

Market price risk

Definition

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

Organization of transactions subject to market price risk

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

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

Quantification of market price risks

Interest rate risks

Rentenbank limits interest rate risk by refinancing assets recognized in the balance sheet through liabilities recognized in the balance sheet with matching maturities and through hedges using derivatives. Derivatives are entered into on the basis of micro or macro hedge relationships.

Gains or losses from maturity transformation are realized from cash deposits and, to a lesser extent, from the promotional lending and securitized lending businesses.

Within the context of monitoring interest rate risks on the level of the entire bank, Rentenbank determines, on a daily basis, present value sensitivities for all transactions subject to interest rate risks of the "Promotional Business" and "Treasury Management" segments and additionally measures, on a quarterly basis, interest rate risks for all open positions of Rentenbank exposed to such interest rate risks using a model based on present values. The quarterly analysis examines the effects of changes in market interest rates as of a particular date. The relevant exposures are allocated to maturity buckets, separately for balance sheet assets and off-balance sheet asset as well as for balance sheet liabilities and off-balance sheet liabilities. Then, a net position is determined for each maturity bucket. Subsequently, the respective net positions are multiplied with the weighting factor for the maturity bucket concerned - as prescribed by the BaFin - and added up a weighted total net position. The result is the estimated change of the present value which has to be analyzed in relation to total regulatory capital. Pursuant to section 24 (1) No. 14 of the German Banking Act (Kreditwesengesetz, KWG), a negative change of the present value exceeding 20% of total regulatory capital must be notified immediately.

The interest-rate risks from open positions may not exceed the risk limits determined by resolution of the Board of Managing Directors. Compliance with the limits is monitored daily and reported to the Board of Managing Directors, with utilization of the risk limits being measured using present values on the basis of a sensitivity of 100 basis points.

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

Spread risks

Changes to market parameters in the form of spread premiums on the deposit/swap curve have a direct effect on the measurement of existing positions and influence risk cover potential. The potential effects of spread risks on the measurement result are simulated using scenario analyses and are covered with the risk cover potential within the scope of the risk-bearing capacity analysis. The spread risk would only materialize if the buy-and-hold strategy is breached or a business partner defaults. This is ruled out on the liability side as the settlement of Rentenbank's liabilities is secured by the so-called maintenance obligation (Anstaltslast) of the German government. Regardless of this fact, any measurement results are recorded in the consolidated statement of comprehensive income.

Foreign currency risk

Rentenbank’s general policy is to eliminate foreign currency risks and other price risks from transactions recorded on the balance sheet by means of hedging transactions. Open currency positions result from fractional amounts during settlement, but only to a very small extent. There was no material risk to be identified for any currency.

Standard scenarios

For all open interest rate-sensitive transactions related to the portfolios “money market funding” and “promotional lending,” the present value sensitivity is calculated daily, assuming a positive parallel shift of 100 basis points in the yield curves, and compared with the relevant limits (see table).

Stress scenarios

In order to estimate risks arising from extreme market developments, we regularly calculate additional scenarios of interest rate changes individually for the portfolios “money market funding” and “promotional lending.” Under the stress scenario, we do not assume a parallel shift of the interest rate curve (as in the standard scenario), but a non-parallel shift within the framework of two distinct scenarios.

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

Limitation and reporting

The risk cover potential allocated to the market price risk corresponds to the risk limit of € 61 million (2010: € 61 million).

The interest-rate risks from open positions may not exceed the risk limits. Compliance with the limits is monitored daily and reported to the Board of Managing Directors. Sensitivity, scenario and VaR analyses, and back-testing processes are part of risk management and risk control. The Advisory Board is informed about the results of the risk analyses on a quarterly basis.

Back testing

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

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

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

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

Liquidity risk

Definition

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

Controlling and monitoring

The liquidity risks resulting from Rentenbank's open cash balances are limited by a value defined by the Board of Managing Directors which is based on the refinancing options available. The Finance division monitors liquidity risks daily and reports the results to the Board of Managing Directors and the responsible divisions.

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

Pursuant to the requirements of the third amendment to the Minimum Requirements for Risk Management (MaRisk), Rentenbank has sufficient, sustainable highly liquid liquidity reserves to be able to meet any short-term refinancing requirements of at least one week and to cover any additionally required refinancing requirements from stress scenarios. In order to limit short-term liquidity risks, the liquidity requirements must not exceed the relevant freely available funding facilities for a period of up to two years.

For the purpose of monitoring medium and long-term liquidity, scheduled maturities are presented for the coming 15 years on a quarterly basis. A long-term liquidity limit has been set for all time bands. The cumulated cash flows may not exceed this limit.

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

Stress scenarios

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

Liquidity ratio pursuant to the German Liquidity Regulation

Pursuant to regulatory requirements (German Liquidity Regulation, Liquiditätsverordnung), weighted cash is compared with the weighted payment obligations with matching maturities on a daily basis. Moreover, these indicators are also determined for future reporting dates within the framework of an extrapolation. In the 2011 reporting year, the monthly reported liquidity ratio for the period up to 30 days was between 2.31 and 5.83 (2010: 2.16 and 3.30, respectively) and was thus significantly above the 1.0 ratio defined by regulatory requirements.

Reporting

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

Operational risk

Definition

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

Organizational structure of operational risk

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

Legal risks from business transactions are reduced, insofar as possible, by using standardized contracts. The legal department is consulted at an early stage regarding decisions that could result in legal obligations or benefits for Rentenbank and in case of deviations from standard agreement clauses.

Based on a hazard analysis pursuant to Section 25c KWG, risks from fraud which may endanger Rentenbank's assets are identified and actions to optimize fraud prevention are established. Compliance with general and bank-specific requirements with regard to effective fraud prevention is analyzed within fraud-relevant subject areas.

Outsourcing risks are generally considered under operational risks and are included in the risk-bearing capacity concept under this type of risk. A distinction is made between significant and insignificant outsourcing based on a standardized risk analysis. Significant outsourcing is incorporated in risk management and risk monitoring through decentralized outsourcing controlling.

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

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

Quantification of operational risk

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

Incident reporting database

All incidents at Rentenbank are systematically collected and analyzed in an incident reporting database. All current losses and near-losses are recorded in a decentralized manner by the relevant operational risk officers. Operational risks are managed in the individual business areas. This means that the measures to prevent and limit risks are primarily the responsibility of the organizational units. The analysis and aggregation of incidents as well as the methodological development of the instruments used is part of risk controlling.

Self assessment

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

Limitation and reporting

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

Report on events after the balance sheet date

There were no events of material importance after the end of the fiscal year 2011.

Outlook

The economic development of Rentenbank primarily depends on the conditions on the credit and financial markets. These are influenced, among other things, by the economy, the relevant monetary policy of the central banks, the development of prices and exchange rates as well as the development of public sector finances. The demand for promotional loans is particularly influenced by both the interest rate trend and the economic situation on the agricultural markets. The medium and long-term perspectives of the agricultural sector are very positive overall, above all in view of the growing world population. However, economic volatility also has an impact on the agricultural markets. The global weakening which started in mid-year 2011 is expected to continue in the first months of 2012. Mild economic recovery is anticipated to materialize only in the second half of the year. Both the persisting sovereign debt crisis in the euro zone and the instability that still exists in some parts of the financial sector are hampering any further development.

The economic research institutes expect the German economy to grow by less than one per cent in the current year, while they do not rule out that the euro zone, on average, might experience a slight recession. In many European countries, the efforts to consolidate government budgets will likely subdue macroeconomic demand. Furthermore, stimulus from foreign trade will probably weaken in the wake of an overall decline of the world economy.

For the year 2012, the average inflation rate is set to be lower, particularly due to the clouded economic prospects, but also due to base effects related to the prices for energy and food. The European Central Bank (ECB) expects prices to rise at a rate of between 1.5% and 2.5% in the current year.

Against this backdrop, the ECB will presumably not tighten its monetary policy for the foreseeable future and keep its key rate at 1.0% for the time being. If the sovereign debt crisis becomes worse again, further easing cannot be fully ruled out. The long-term yields of safe investments such as German government bonds will likely stay low as many investors continue to be risk-averse due to the sovereign debt crisis which still remains unsolved. No new business concluded with counterparties from peripheral euro zone countries is anticipated at the moment for 2012, except for derivatives collateralized with cash collateral. Approximately 46% of the exposures in peripheral euro zone countries will become due by the end of 2013.

Thanks to its solid business model in connection with its triple A ratings, Rentenbank expects to fulfill its promotional mandate, even in spite of the environment mentioned above.

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

Within the framework of our current planning, Rentenbank assumes that new business volume for the fiscal years 2012 and 2013 will be below the 2011 level with respect to both the promotional lending business and the refinancing of Rentenbank due to the development on the credit and capital markets. Due to the anticipated large amount of maturing loans in the promotional lending business, Rentenbank expects a reduction in 2012 and 2013 of both the portfolio volume and, accordingly, income. Special promotional loans will remain the focus of the lending business. All issue programs will still be available to refinance new business. From today's perspective, net interest income of the "Treasury Management" segment will decline in 2012 and 2013 compared to the previous years' levels. In contrast, income generated in the "Capital Investment" segment will increase slightly.

Cost planning for 2012 and 2013 takes into account future capital expenditures for data processing and buildings. Investments in data processing also include the implementation of the new trading system as well as the purchase of new reporting software which has already been put out to tender. Another factor in the rising administrative expenses in the relevant areas, despite rigorous cost management, will continue to be the manifold changes in regulatory and accounting legislation.

Against this backdrop, Rentenbank expects operating results before risk provisioning to continue to decline in 2012 and 2013, though still above the level achieved before the crisis (€ 201 million in 2007). The satisfying earnings trend enables Rentenbank to account for all identifiable risks as well as to further increase Rentenbank's capital base.

The operating results for 2012 and 2013 determined based on the scenarios fluctuate within a range of approx. 25%. They are above the pre-crisis level (2007), even under stress scenarios.

The promotional business again developed as anticipated in the first months of the current fiscal year. The Board of Managing Directors is confident that Rentenbank will be able to achieve the planned volume for 2012 in the medium and long-term promotional business and the planned results for the fiscal year 2012.

This outlook contains forward-looking statements that are based on current expectations, estimates, forecasts and projections of Rentenbank's management and currently available information. Such statements include, in particular, statements about our plans, strategies and prospects. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", variations of such words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. Except as required by law, Rentenbank does not have any intention or obligation to update publicly any forward-looking statements after they are made, whether as a result of new information, future events or otherwise.

Balance sheet of Landwirtschaftliche Rentenbank,

ASSETS

				Dec. 31, 2010
	€ million	€ million	€ million	€ million
1. Cash and balances with central banks				
a) Cash on hand		0.2		0.1
b) Balances with central banks		778.4		53.4
			778.6	53.5
of which: with Deutsche Bundesbank				
€ 778.4 million (2010: € 53.4 million)				
2. Loans and advances to banks				
a) Payable on demand		10.1		3.3
b) Other loans and advances		51 740.1		49 532.3
			51 750.2	49 535.6
3. Loans and advances to customers				
of which: Secured by charges on real property				
€ 0.0 million (2010: € 0.0 million)				
Loans to local authorities				
€ 2 645.5 million (2010: € 1 379.9 million)			2 984.7	1 834.3
4. Debt securities and other fixed-income securities				
a) Money market securities				
aa) Public-sector issuers	0.0			132.1
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ 0.0 million (2010: € 132.1 million)				
ab) Other issuers	40.1	40.1		0.0
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ 40.1 million (2010: € 0.0 million)				
b) Bonds and debt securities				
ba) Public-sector issuers	1 392.0			1 528.0
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ 1 211.1 million (2010: € 1 416.5 million)				
bb) Other issuers	23 117.2	24 509.2		24 643.4
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ 21 399.2 million (2010: € 23 755.7 million)				
c) Own debt securities		633.6		635.9
Nominal amount € 713.3 million (2010: € 694.2 million)			25 182.9	26 939.4
5. Shares and other variable-income securities			0.1	0.1
6. Equity investments				
of which: in banks				
€ 0.0 million (2010: € 0.0 million)				
in financial services institutions				
€ 0.0 million (2010: € 0.0 million)			4.2	4.2
7. Interests in affiliated companies				
of which: in banks				
€ 0.0 million (2010: € 0.0 million)				
in financial services institutions				
€ 0.0 million (2010: € 0.0 million)			0.0	0.0
8. Trust assets				
of which: Trustee loans				
€ 103.7 million (2010: € 104.8 million)			103.7	104.8
9. Intangible assets				
a) Concessions, industrial property rights and similar rights				
and values, as well as licenses to such rights and values			5.2	0.4
10. Tangible assets			17.5	19.0
11. Other assets			455.0	11.5
12. Prepaid expenses				
a) From new issues and lending		3.1		4.1
b) Other		1.4		1.3
			4.5	5.4
Total assets			**81 286.6**	**78 508.2**

Frankfurt am Main, as of December 31, 2011

LIABILITIES AND EQUITY

				Dec. 31, 2010
	€ million	€ million	€ million	€ million
1. Liabilities to banks				
a) Payable on demand		437.7		0.1
b) With an agreed maturity or period of notice		3 368.7		3 124.3
			3 806.4	3 124.4
2. Liabilities to customers				
a) Other liabilities				
aa) Payable on demand		417.0		63.1
ab) With an agreed maturity or period of notice		5 615.0		5 530.1
			6 032.0	5 593.2
3. Securitized liabilities				
a) Debt securities issued			62 820.6	62 059.5
4. Trust liabilities				
of which: Trustee loans				
€ 103.7 million (2010: € 104.8 million)			103.7	104.8
5. Other liabilities			4 435.6	4 020.7
6. Prepaid expenses				
a) From new issues and lending		1.1		1.3
b) Other		37.7		52.1
			38.8	53.4
7. Provisions				
a) Provisions for pensions and similar obligations		84.8		84.6
b) Other provisions		313.4		381.2
			398.2	465.8
8. Subordinated liabilities			728.3	780.8
9. Fund covering general banking risks			1 928.2	1 348.0
10. Equity				
a) Subscribed capital		135.0		135.0
b) Retained earnings				
ba) Principal reserve pursuant to Section 2 (2) of the Law				
Governing the Landwirtschaftliche Rentenbank	651.7			
Transfers from guarantee reserve	21.4			
Transfers from net income for the year	36.7	709.8		651.7
bb) Guarantee reserve pursuant to Section 2 (3) of the Law				
Governing the Landwirtschaftliche Rentenbank	159.1			
Appropriations pursuant to Section 2 (3) of the				
Rentenbank Law	21.4	137.7		159.1
c) Net profit		12.3		11.8
			994.8	957.6
Total liabilities and equity			**81 286.6**	**78 508.2**
1. Contingent liabilities				
a) Liabilities from guarantees and indemnity agreements			3.1	3.6
2. Other commitments				
a) Irrevocable loan commitments			950.1	1 370.8

Income statement of Landwirtschaftliche Rentenbank, Frankfurt am Main,

EXPENSES

				2010
	€ million	€ million	€ million	€ million
1. Interest expenses			2 414.7	2 425.1
2. Fee and commission expenses			2.6	2.7
3. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	20.3			19.8
ab) Social security contributions and expenses				
for pensions and other employee benefits	2.7			3.1
of which:		23.0		22.9
pension expenses € 0.3 million (2010: € 0.8 million)				
b) Other administrative expenses		15.0		14.7
			38.0	37.6
4. Depreciation, amortization and write-downs				
of intangible and tangible fixed assets			2.5	1.8
5. Other operating expenses			9.2	8.4
6. Depreciation, amortization and write-downs of				
loans and advances, and specific securities as well as				
additions to provisions for lending operations			0.0	168.4
7. Additions to the fund covering general banking risks			580.2	178.0
8. Amortization and write-downs of				
equity investments, interests in affiliated companies				
and securities treated like fixed assets			1.8	0.0
9. Taxes on income			0.0	0.0
10. Other taxes not disclosed under item 5			0.1	0.1
11. Net income for the year			49.0	47.0
Total expenses			**3 098.1**	**2 869.1**

1. Net income for the year	49.0	47.0
2. Transfers from retained earnings		
from guarantee reserve pursuant to Section 2 (3) of the Law		
Governing the Landwirtschaftliche Rentenbank	21.4	29.2
3. Transfers to retained earnings		
to principal reserve pursuant to Section 2 (2) of the Law		
Governing the Landwirtschaftliche Rentenbank		
from guarantee reserve	21.4	29.2
from net income for the year	36.7	35.2
4. Net profit	12.3	11.8

for the period from January 1 to December 31, 2011

INCOME

			2010
	€ million	€ million	€ million
1. Interest income from			
a) Lending and money market transactions	2 058.0		2 061.0
b) Fixed-income securities			
and debt register claims	773.6		773.0
		2 831.6	2 834.0
2. Current income from			
a) Equity investments		0.3	0.3
3. Fee and commission income		0.3	2.7
4. Income from write-ups on loans and advances			
and specific securities as well as the			
reversal of provisions for lending operations		261.2	0.0
5. Income from write-ups on equity investments,			
interests in affiliated companies and			
securities treated like fixed assets		0.0	27.2
6. Other operating income		4.7	4.9
Total income		**3 098.1**	**2 869.1**

Notes to the Financial Statements

Accounting policies

The annual financial statements of Landwirtschaftliche Rentenbank have been prepared in accordance with the legal provisions of the German Commercial Code (*Handelsgesetzbuch*, *HGB*) and the German Accounting Directive for Banks (*Verordnung 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 the Accounting Directive for Banks.

Assets and liabilities are measured pursuant to the provisions of Sections 252 et seq. and 340e of the HGB. Equities as well as debt securities and other fixed-income securities, to the extent to which they are allocated to the liquidity reserve, are measured at the lower of cost or market (section 253 (4) of the HGB in conjunction with section 253 (5) of the HGB). Fixed-income securities, which are allocated to fixed assets, are carried at amortized cost less permanent impairment.

Equity investments and interests in affiliated companies are recognized at their acquisition costs, less any write-downs, if applicable.

Internally-generated intangible fixed assets were not capitalized in accordance with Section 248 (2) sentence 1 of the HGB. Tangible assets with a definite useful life as well as intangible assets were depreciated or amortized over the determined useful life on a straight-line basis in accordance with commercial law.

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

Provisions are recognized as liabilities at the settlement amount determined based on prudent business judgment, taking into account future price and cost increases. Provisions with a remaining term of more than one year are discounted to the balance sheet date. The discount rates used are the average market interest rates for the past seven fiscal years corresponding to the remaining term of the provisions, as determined and published by the German central bank pursuant to the German Regulation on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung*).
Provisions for deferred compensation benefits are discounted pursuant to Section 253 (2) sentence 2 of the HGB using an average market interest rate, which is determined based on an assumed remaining term of 15 years.

As in the previous year, pension provisions are measured based on generally accepted actuarial principles, using the projected unit credit (PUC) method. The provision amount determined under the PUC method is defined as the actuarial present value of the pension obligations which has been earned by the employees as of the relevant date due to their periods of service in the past, based on the pension benefit formula and the vesting provisions. The 2005 G mortality tables by Prof. Dr. Klaus Heubeck, including the full adjustment in 2011, were used as the biometric calculation parameters. The following parameters were used as the basis for the calculation:

• Interest rate pursuant to Section 253 (2) sentence 2 of the HGB	5.13% p.a.
• Career trend	1.00% p.a.
• Salary increase	2.25% p.a.
• Pension increase (range of adjustments)	1.0–2.25% p.a.
• Employee turnover	averaged 2.00% p.a.
• Development of contribution ceiling	2.25% p.a.

Provisions for Rentenbank's own special promotional loans cover the promotional contribution for the whole term or until the repricing date. The provisions recorded prior to the adjustment pursuant to the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) for the promotional contribution related to the special promotional loans were maintained by reference to the election in accordance with Section 67 (1) sentence 2 Introductory Act to the Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB).

Adequate provisions were recorded for all identifiable credit risks. The relevant general valuation allowances were deducted from the assets' carrying amount. Starting in the year under review, the general valuation allowances are determined using an expected loss approach based on internal ratings.

The following parameters were used for the calculation of the amount required to be recognized as a provision within the context of the fair value measurement (verlustfreie Bewertung) of interest rate instruments included in the other banking book (interest-rate book), on the basis of an income statement approach:

- Discounted margins
- Future expected losses (risk costs = standard scenario for credit risks)
- Future administrative expenses incurred for the settlement of the exposures

Hedging relationships within the meaning of Section 254 of the HGB are only established to hedge currency risks. Rentenbank uses currency swaps and cross-currency interest rate swaps

to hedge such currency risks. Currency risks are hedged using available currency pairs pursuant to Section 254 of the HGB.
Currency translation and the presentation of the transactions in the balance sheet without currency hedging is made within the meaning of Section 340h in conjunction with Section 256a of the HGB and Section 252 (1) No. 4 of the HGB. In accordance with Section 277 (5) sentence 2 of the HGB, gains from currency translation are recorded in the item "other operating income," while losses from currency translation are recorded in the item "other operating expenses."

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

For the fiscal year 2011, Landwirtschaftliche Rentenbank prepared IFRS consolidated financial statements which include LR Beteiligungsgesellschaft mbH, Frankfurt am Main, and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main, pursuant to Section 315a of the HGB.

Notes to the HGB balance sheet

The disclosures and explanations on individual balance sheet items are presented in the order in which they appear in the balance sheet. The balance sheet items are presented excluding accrued interest.

Asset items in the balance sheet		2011 € million	2010 € million
Item 2:	Loans and advances to banks		
	Sub-item "b) Other loans and advances,"		
	classified by remaining time to maturity:		
	• up to 3 months	**9,011**	**8,016**
	• more than 3 months to 1 year	**4,089**	**5,795**
	• more than 1 year to 5 years	**18,222**	**16,448**
	• more than 5 years	**19,181**	**18,062**
Item 3:	Loans and advances to customers		
	This item includes:		
	• Loans and advances to affiliated companies	**153**	**155**
	This item can be broken down by remaining time to maturity as follows:		
	• up to 3 months	**19**	**11**
	• more than 3 months to 1 year	**80**	**74**
	• more than 1 year to 5 years	**2,394**	**1,115**
	• more than 5 years	**345**	**426**
Item 4:	Debt securities and other fixed-income securities		
	All of these are marketable securities and can be broken down as follows:		
	• Listed securities	**24,465**	**26,216**
	• Unlisted securities	**405**	**423**

Securities at a carrying amount of € 24,751 million (2010: € 26,448 million) were classified as fixed assets and were not measured at the lower of cost or market pursuant to HGB (strenges Niederstwertprinzip).

Since it is planned to hold these securities over the long term, no write-downs to fair value are recorded in case of an impairment that is expected to be of a temporary nature. In particular, write-downs are not recognized when the identified impairment is only of a temporary nature with respect to future financial performance and it is expected that the securities are fully repaid when due.

The unrecognized write-downs amount to € 560 million (2010: € 388 million). They were determined using exchange or market prices. Write-downs for permanent impairment of securities classified as fixed assets were recognized in the amount of € 10 million (2010: € 0 million).

Asset items in the balance sheet		2011 € million	2010 € million
Item 4:	Debt securities and other fixed-income securities maturing in the year following the balance sheet date can be broken down as follows:		
	• from public-sector issuers	**45**	**269**
	• from other issuers	**4,536**	**6,249**
Item 5:	All of the equities and other non-fixed-income securities held are marketable and listed.		
Items 6, 7:	The balance sheet items "equity investments" and "interests in affiliated companies" do not include marketable securities.		
Item 8:	Trust assets		
	This item includes:		
	• Special Purpose Fund of the German government held at Rentenbank	**99**	**95**
	• Loans and advances to banks	**5**	**10**
Item 9:	Intangible assets		
	This item includes:		
	• Software and licenses acquired for a consideration	**5**	**0**
Item 10:	Tangible assets		
	This item includes:		
	• Owner-occupied land and buildings, flats	**0**	**0**
	• Land and buildings used by third parties	**16**	**18**
	• Operating and office equipment	**1**	**1**
Item 11:	Other assets		
	This item includes:		
	• Cash collateral provided for derivatives	**454**	**11**

Fixed assets schedule

Fixed assets € million	Cost	Additions	Dispo-sals	Write-ups	Cumula-tive amor-tization/ deprecia-tion/write-downs	Carrying amount Dec. 31, 2011	Carrying amount Dec. 31, 2010	Amor-tization/ depreci-ation/ write-downs 2011
Intangible assets	**2**	**5**	**0**	**-**	**2**	**5**	**0**	**0**
Tangible assets	**33**	**1**	**1**	**-**	**16**	**17**	**19**	**2**
Securities classified as fixed assets	**26,479**	**4,806**	**6,498**	**5**	**41**	**24,751**	**26,448**	**10**
Equity investments	**4**	**0**	**-**	**-**	**0**	**4**	**4**	**-**
Interests in affiliated companies	**27**	**-**	**-**	**-**	**27**	**0**	**0**	**-**
Total	**26,545**	**4,812**	**6,499**	**5**	**86**	**24,777**	**26,471**	**12**

Liability items in the balance sheet		2011 € million	2010 € million
Item 1:	Liabilities to banks		
	Sub-item "b) With an agreed maturity or period of notice," classified by remaining time to maturity:		
	• up to 3 months	110	288
	• more than 3 months to 1 year	64	139
	• more than 1 year to 5 years	1,595	1,241
	• more than 5 years	880	820
	Total amount	2,649	2,488
	Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	764	808
Item 2:	Liabilities to customers		
	This item includes:		
	• Liabilities to equity investments	0	0
	• Liabilities to affiliated companies	10	10
	Sub-item "b) With an agreed maturity or period of notice," classified by remaining time to maturity:		
	• up to 3 months	68	70
	• more than 3 months to 1 year	331	224
	• more than 1 year to 5 years	1,628	1,658
	• more than 5 years	3,445	3,394
	Total amount	5,472	5,346
	Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	1,988	2,369
Item 3:	Securitized liabilities		
	Classification by remaining time to maturity:		
	• up to 1 year	15,356	17,415
	• more than 1 year to 5 years	33,933	31,951
	• more than 5 years	12,552	11,723
	Total amount	61,841	61,089
	Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	2	6

Liability items in the balance sheet	2011 € million	2010 € million
Item 4: Trust liabilities		
This item includes:		
• Liabilities from Special Purpose Fund of the German government held at Rentenbank	99	95
• Liabilities to customers	5	10
Item 5: Other liabilities		
This item includes:		
• Cash collateral received for derivatives	4,423	4,008
• Accrued interest for subordinated liabilities (before collateralization)	9	9
• Taxes due	1	1
• Option premiums received	2	1
Classification by remaining time to maturity:		
• up to 1 year	4,435	4,019
Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	-	-
Item 8: Subordinated liabilities		
Classification by remaining time to maturity:		
• up to 1 year	-	-
• more than 1 year to 5 years	103	102
• more than 5 years	625	666
Total amount	728	768
Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	-	-

Liability items in the balance sheet	2011 € million	2010 € million

Item 8: Subordinated liabilities

The subordinated liabilities are structured as promissory note loans, loan agreements and bearer securities issued in the form of global certificates. The net expense for subordinated liabilities in the amount of € 728 million (2010: € 781 million) after collateralization totals € 10 million (2010: € 9 million).

The terms and conditions of all subordinated liabilities fulfill the requirements of Section 10 (5a) of the German Banking Act and do not provide for early repayment or conversion. Disclosures pursuant to Section 35 (3) of the RechKredV in relation to funds raised in an amount exceeding 10% each of the total amount of subordinated liabilities:

1. Bond at a nominal amount of JPY 25 billion; carrying amount: € 174 million; maturity: April 21, 2036; interest rate before collateralization: 2.8%
2. Bond at a nominal amount of € 100 million; carrying amount: € 100 million; maturity: August 18, 2021; interest rate before collateralization: 2.645%
3. Bond at a nominal amount of € 100 million; carrying amount: € 100 million; maturity: August 18, 2021; interest rate before collateralization: 2.675%

Off-balance sheet liabilities	2011 € million	2010 € million
Item 1: Contingent liabilities		
• Default guarantees	3	4
• Guarantee of provision of collateral	0	0
Default guarantees are accepted for capital market loans subject to interest subsidies. We currently do not expect that these default guarantees will be utilized. There are back-to-back guarantees granted by the government for capital market loans subject to interest subsidies.		

Item 2: Other commitments

The decrease of irrevocable loan commitments by € 421 million to a total amount of € 950 million is exclusively attributable to a decline of commitments in the promotional loan business. Drawdowns on these commitments will be made primarily in 2012.

	2011 € million	2010 € million
Assets and liabilities in foreign currencies		
Assets and liabilities denominated in a foreign currency are recorded in the following amounts:		
• Assets	1,975	1,892
• Liabilities	50,877	49,555
Computation of cover		
The liabilities subject to cover requirements are allocated as follows:		
• Bearer securities	2	6
• Registered securities	2,752	3,177
The following assets are designated to cover bonds issued:		
• Loans and advances to banks	7,955	9,702
• Loans and advances to customers	616	616

Notes to the income statement

Income

Breakdown by geographical markets Sub-items:		€ million Germany	 Europe / OECD
Interest income	2011	1,515	1,317
	2010	1,330	1,504
Fee and commission income	2011	-	-
	2010	3	-
Income from write-ups on loans and advances and specific securities as well as the reversal of provisions for lending operations	2011	261	-
	2010	-	-
Income from write-ups on securities treated like fixed assets	2011	-	-
	2010	4	23
Other operating income	2011	5	-
	2010	5	-

Disclosures on the most important individual items pursuant to Section 35 (1) No. 4 of the RechKredV	2011 € million	2010 € million
Item 5: Other operating expenses		
The major expenses included in this item are:		
• Capital contribution to Edmund-Rehwinkel Foundation	3	2
• Provision for litigation costs and interest charges related to a current proceeding	1	-
• Interest expense from the measurement of pension provisions	4	5
Item 6: Other operating income		
This item includes the following significant income items:		
• Rental income from Rentenbank's own buildings	2	2
• Other refunds	2	1
• Other income from the reversal of provisions	1	2

The interest income includes the amount of € 65.6 million (2010: € 59.8 million) for the pro rata temporis utilisation of the provisions for the promotional contribution of Rentenbank's own special promotional loans. The item “income from write-ups on loans and advances and specific securities as well as the reversal of provisions for lending operations” includes additions to provisions for the promotional contribution in an amount of € 69.2 million (2010: € 72.0 million).

Pursuant to Section 277 (5) of the HGB, the item "interest income" includes effects from the discounting of provisions for Rentenbank's own special promotional loans in the amount of € 29.2 thousand (2010: € 1.6 thousand). Interest expenses include effects from unwinding the discount of provisions for the Rentenbank's own special promotional loans in the amount of € 4,423.7 thousand (2010: € 110.7 thousand).

Other operating expenses include currency translation losses in the amount of € 2.5 thousand (2010: € 0.4 thousand). Other operating income includes currency translation gains in the amount of € 8.5 thousand (2010: € 17.8 thousand). These currency translation gains/losses result exclusively from the currency translation of balances on payment transaction accounts in foreign countries.

Expenses and income do not include any significant amounts relating to prior years.

Other disclosures

Derivative financial instruments

Derivatives are only used as hedging instruments for existing or expected market price risks. The volume of the transactions is capped through counterparty-specific and product-specific limits and is continuously monitored within the framework of our risk management.
The fair value is deemed to be the amount for which a financial instrument could be exchanged between knowledgeable and willing market participants in an arm’s length transaction at inception of a contract. The fair value of derivatives is determined using accepted valuation models. The models are based on observable market parameters (inputs).

The fair value of non-option contracts is determined on the basis of their discounted expected future cash flows (discounted cash flow method). The discounting of derivatives is based on the Eonia or deposit curve as well as on so-called basis swap spreads and cross-currency (CCY) basis swap spreads. The interest rate curves, basis swap spreads and CCY basis swap spreads are obtained from an external market data provider, broken down by term and currency.

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

Derivative transactions - presentation of volumes

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

	Notional amounts		Fair value positive	Fair value negative
€ million	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2011**
Interest rate risks				
Interest rate swaps	**84,650**	**75,408**	**2,357**	**3,436**
• thereof termination and conversion rights embedded in swaps	**715**	**753**	**38**	**12**
Swaptions				
• Purchases	**-**	**-**	**-**	**-**
• Sales	**986**	**626**	**-**	**46**
Other forward interest rate contracts	**5**	**7**	**6**	**-**
Total exposure to interest rate risks	**85,641**	**76,041**	**2,363**	**3,482**
Currency risks				
Cross-currency interest rate swaps	**46,888**	**44,219**	**5,160**	**780**
• thereof currency options embedded in swaps	**186**	**181**	**27**	**5**
• thereof termination rights embedded in swaps	**100**	**101**	**0**	**2**
Currency swaps	**7,235**	**8,698**	**324**	**0**
Total exposure to currency risks	**54,123**	**52,917**	**5,484**	**780**
Share price risk and other price risks				
Stock index swaps	**45**	**45**	**1**	**0**
• thereof stock options embedded in swaps	**45**	**45**	**1**	**0**
Total exposure to share price risk and other price risks	**45**	**45**	**1**	**0**
Interest rate, currency, share price and other price risks	**139,809**	**129,003**	**7,848**	**4,262**

Derivative transactions – breakdown by maturities –

Notional amounts € million	Interest rate risks		Currency risks		Share price risk and other price risks	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Remaining time to maturity						
• up to 3 months	3,170	1,991	8,874	9,238	-	-
• more than 3 months to 1 year	8,762	8,907	6,694	7,185	15	-
• more than 1 year to 5 years	43,881	38,521	29,359	27,605	30	15
• more than 5 years	29,828	26,622	9,196	8,889	-	30
Total	85,641	76,041	54,123	52,917	45	45

Derivative transactions – breakdown by counterparties –

€ million	Notional amounts		Fair value positive	Fair value negative
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2011
Banks in OECD countries	127,975	109,249	6,737	4,092
Other counterparties	11,834	19,754	1,111	170
Total	139,809	129,003	7,848	4,262

Forward transactions, particularly those in foreign currencies, not yet settled by the balance sheet date, are entered into by Rentenbank to cover market price risk. Commitments for pending transactions existing at year-end comprise interest-rate swaps, currency swaps, cross-currency interest rate swaps, interest-rate forward contracts as well as option transactions.

Information pursuant to Section 285 No. 23 of the HGB on hedging relationships

Rentenbank uses currency swaps, cross-currency interest rate swaps and currency forward contracts to hedge currency risks. Currency hedges are presented in the balance sheet using available currency pairs pursuant to Section 254 of the HGB.
To measure the effectiveness of hedging relationships, the critical terms match/short cut method is used, where cash flows of hedged item and hedging instrument are compared. Exchange rate fluctuations of corresponding hedged items and hedging derivatives have an opposite effect and offset each other. Hedged items and hedging instruments are combined in hedging relationships of available currency pairs and were recognized in Rentenbank's balance sheet as follows.

Disclosures on the carrying amount and the balance sheet items of the hedging relationships of available currency pairs:

Balance sheet item	Carrying amount in € million		Hedged risk
	2011	**2010**	
Loans and advances to banks	**77**	108	Currency
Debt securities and other fixed-income securities	**1,717**	1,657	Currency
Liabilities to banks	**55**	114	Currency
Liabilities to customers	**200**	115	Currency
Securitized liabilities	**46,281**	46,609	Currency
Subordinated liabilities	**454**	508	Currency

In addition to the measurement and the recognition of hedging relationships in the balance sheet in accordance with Section 254 of the HGB, accrued interest related to the derivative transactions is reported in the balance sheet items "loans and advances to banks" (€ 861 million), "loans and advances to customers" (€ 116 million), "liabilities to banks" (€ 692 million), and "liabilities to customers" (€ 36 million).

Other

In fiscal year 2011, the total remuneration of Rentenbank's Board of Managing Directors amounted to € 1,499 thousand (2010: € 2,625 thousand). The remuneration for the individual members of the Board of Managing Directors for fiscal year 2011 was set as follows:

€ thousand	Fixed remuneration	Variable remuneration	Other remuneration	Total
Hans Bernhardt	**485**	**235**	**35**	**755**
Dr. Horst Reinhardt	**485**	**235**	**24**	**744**

As of December 31, 2011, provisions for pension obligations to former members of the Board of Managing Directors and their surviving dependants totaled € 15,007 thousand (2010: € 15,385 thousand). Current benefit payments amounted to € 1,216 thousand (2010: € 1,200 thousand). As in the previous year, there were no loans granted to the members Board of Managing Directors or members of the Advisory Board in fiscal year 2011.

In accordance with the applicable remuneration arrangements, the Chairman of the Advisory Board receives a fixed remuneration of € 25 thousand and the Deputy Chairman € 12.5 thousand. Members who chair a committee of the Advisory Board receive € 10 thousand, unless they already receive a higher remuneration. Members of the Advisory Board working on a committee receive a remuneration of € 8.5 thousand, while members not working on a committee receive a remuneration of € 7 thousand. In addition, members of the Advisory Board receive attendance fees amounting to € 0.5 thousand per meeting attended.

The total remuneration for Advisory Board activities in the year under review amounted to € 211 thousand (2010: € 220 thousand), both figures including VAT. The following table shows the individual remuneration, not including VAT:

€ thousand	Membership	Remuneration	Attendance fees
Gerd Sonnleitner (Chairman)	Jan. 1 - Dec. 31	**25.0**	**3.0**
Ilse Aigner*	Jan. 1 - Dec. 31	**12.5**	**1.0**
Dr. Helmut Born	Jan. 1 - Dec. 31	**8.5**	**1.5**
Bruno Fehse	Jan. 1 - Nov. 15	**6.1**	**1.0**
Udo Folgart	Jan. 1 - June 30	**3.5**	**0.5**
Heinrich Haasis	Jan. 1 - Dec. 31	**8.5**	**0.0**
Dr. Werner Hildenbrand	Nov. 16 - Dec. 31	**0.9**	**0.0**
Werner Hilse	Jan. 1 - Dec. 31	**8.5**	**2.0**
Dr. Benjamin-Immanuel Hoff	Jan. 1 - Dec. 6	**6.4**	**1.5**
Dietrich Jahn	Jan. 1 - June 30	**4.3**	**0.0**
Wolfgang Kirsch	Jan. 1 - Dec. 31	**8.5**	**1.0**
Dr. Robert Kloos	Jan. 1 - Dec. 31	**8.5**	**1.0**
Franz-Josef Möllers	Jan. 1 - Dec. 31	**8.5**	**1.5**
Klaus-Peter Müller	Jan. 1 - Dec. 31	**10.0**	**1.0**
Manfred Nüssel	Jan. 1 - Dec. 31	**8.5**	**1.5**
Johannes Remmel	Jan. 1 - Dec. 31	**7.0**	**0.5**
Brigitte Scherb	Jan. 1 - Dec. 31	**8.5**	**2.0**
Norbert Schindler	Aug. 9 - Dec. 31	**2.9**	**0.5**
Dr. Klaus Stein	July 1 - Dec. 31	**3.7**	**1.0**
Klaus Wiesehügel	Jan. 1 - Dec. 31	**8.5**	**0.5**
Herbert Wolff	Jan. 1 – Dec. 31	**7.0**	**1.0**
Sum total		**165.8**	**22.0**

*) Donation to Kinderdorf Irschenberg

Average number of employees for the fiscal year (in accordance with Section 267 (5) of the HGB, excluding members of the Board of Managing Directors):

Headcount	2011			2010		
	Men	Women	Total	Men	Women	Total
Full-time employees	**127**	**77**	**204**	**120**	**76**	**196**
Part-time employees	**4**	**31**	**35**	**3**	**28**	**31**
Total	**131**	**108**	**239**	**123**	**104**	**227**

List of significant shareholdings pursuant to Section 285 No. 11 of the HGB:

	Equity € million Dec. 31, 2011	Share-holding %	Result € million 2011
LR Beteiligungsgesellschaft mbH, Frankfurt/Main	**55.5**	**100.0**	**+2.0**
Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main (in liquidation)	**8.0***	**25.1**	**-0.2***
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	**12.2**	**100.0**	**-0.1**

*) Dec. 31, 2010

As long as Landwirtschaftliche Rentenbank holds 100% of the shares in LR Beteiligungsgesellschaft mbH, Rentenbank has committed itself in a letter of comfort to provide financial resources to LR Beteiligungsgesellschaft mbH allowing it to fulfill its obligations on time at any time.

In accordance with Section 286 (3) No. 1 of the HGB, we did not list further companies pursuant to Section 285 No. 11 of the HGB as they are of minor significance for the assessment of Rentenbank's financial position, financial performance and cash flows.

Disclosures related to auditor's fees are included in the notes to the consolidated financial statements.

The Declaration of Compliance with the German Public Corporate Governance Code is available to the public on Rentenbank's website under www.rentenbank.de.

The separate financial statements and the consolidated financial statements are available on Rentenbank's website as well as in the electronic Federal Gazette (elektronischer Bundesanzeiger) and may also be requested at Rentenbank's registered office.

The following table shows offices held in statutory supervisory boards of large corporations (Section 267 (3) of the HGB) by legal representatives or other members of staff, pursuant to Section 340a (4) No. 1 of the HGB):

Hans Bernhardt	BVVG Bodenverwertungs- und -verwaltungs GmbH, Berlin (Member of the Supervisory Board)
Dr. Horst Reinhardt	VR-LEASING AG, Frankfurt am Main (Member of the Supervisory Board)
Lothar Kuhfahl	Niedersächsische Landgesellschaft mbH, Hannover (Member of the Supervisory Board)

Organs

Board of Managing Directors

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

Advisory Board

Chairman:

Präsident Gerd Sonnleitner
Deutscher Bauernverband e.V., Berlin

Deputy:

Ilse Aigner
Bundesministerin für Ernährung, Landwirtschaft und Verbraucherschutz, Berlin

Representatives of the Deutscher Bauernverband e.V.:

Generalsekretär Dr. Helmut Born
Deutscher Bauernverband e.V., Berlin

Präsident Udo Folgart
Landesbauernverband Brandenburg e.V., Teltow/Ruhlsdorf
(until 30.06.2011)

Präsident Werner Hilse
Landvolk Niedersachsen-Landesbauernverband e.V., Hannover

Präsident Franz-Josef Möllers
Westfälisch-Lippischer-Landwirtschaftsverband e.V., Münster

Präsidentin Brigitte Scherb
Deutscher Landfrauenverband e.V., Berlin

Präsident Norbert Schindler, MdB
Bauern- und Winzerverband, Rheinland-Pfalz Süd e.V.,
Berlin, (since 09.08.2011)

Representative of the Deutscher Raiffeisenverband e.V.:	Präsident Manfred Nüssel Deutscher Raiffeisenverband e.V., Berlin
Representatives of the Food Industry:	Präsident Bruno Fehse Bundesverband der Agrargewerblichen Wirtschaft e.V., Bonn (until 15.11.2011) Dr. Werner Hildenbrand Sprecher GF Hengstenberg GmbH & Co KG stv. Vorsitzender der BVE, Esslingen (since 16.11.2011)
State Ministers of Agriculture:	
Berlin:	Professor Dr. Benjamin-Immanuel Hoff Staatssekretär Senatsverwaltung für Gesundheit, Umwelt und Verbraucherschutz des Landes Berlin, Berlin (until 06.12.2011)
North Rhine-Westphalia:	Minister Johannes Remmel Ministerium für Klimaschutz, Umwelt, Landwirtschaft, Natur- und Verbraucherschutz des Landes Nordrhein-Westfalen, Düsseldorf
Saxony:	Herbert Wolff Staatssekretär Sächsisches Staatsministerium für Umwelt und Landwirtschaft, Dresden
Representative of the Trade Unions:	Klaus Wiesehügel Bundesvorsitzender der IG Bauen-Agrar-Umwelt, Frankfurt am Main

Representative of the Federal Ministry of Food, Agriculture and Consumer Protection:	Dr. Robert Kloos Staatssekretär, Berlin
Representatives of the Federal Ministry of Finance:	Dietrich Jahn Ministerialdirigent, Berlin (until 30.06.2011) Dr. Klaus Stein Ministerialdirigent, Berlin (since 01.07.2011)
Representatives of banks or other lending experts:	Klaus-Peter Müller Vorsitzender des Aufsichtsrats der Commerzbank AG, Frankfurt am Main Präsident Heinrich Haasis Deutscher Sparkassen- und Giroverband e.V., Berlin Wolfgang Kirsch Vorsitzender des Vorstandes DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank, and the management report of the bank includes a fair review of the development and performance of the business and the position of the bank, together with a description of the principal opportunities and risks associated with the expected development of the bank.

Frankfurt am Main, March 9, 2012

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Bernhardt Dr. Reinhardt

This is an English translation of the German text, which is the sole authoritative version.

Auditor’s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Landwirtschaftliche Rentenbank, Frankfurt/Main, for the business year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the Governing Law of Landwirtschaftliche Rentenbank [Gesetz über die Landwirtschaftliche Rentenbank] are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the Governing Law of Landwirtschaftliche Rentenbank [Gesetz über die Landwirtschaftliche Rentenbank] and give a true and fair view of the net assets, financial position and results of operations of Landwirtschaftliche Rentenbank, Frankfurt/Main, in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the bank's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, March 9, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bernhard	Liebermann
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Advisory Board

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

The separate financial statements as well as the complementary management report were prepared by the Board of Managing Directors in accordance with the accounting principles of the German Commercial Code *(Handelsgesetzbuch, HGB)* as of December 31, 2011. The financial statements and the management report were audited by the auditors KPMG AG, Frankfurt am Main, who issued an unqualified audit opinion. The consolidated financial statements as well as the complementary group management report as of December 31, 2011 were prepared by the Board of Managing Directors in accordance with the International Financial Reporting Standards (IFRS) and the additional requirements of German commercial law as defined in Section 315a (1) of the HGB. The consolidated financial statements and the group management report were audited by the auditors KPMG AG, Frankfurt am Main, who issued an unqualified audit opinion. The Advisory Board acknowledged and approved the findings of the audit.

The Advisory Board reviewed the separate financial statements and the consolidated financial statements, including the complementary management reports, as well as the annual report of Landwirtschaftliche Rentenbank. The Advisory Board adopts the bank's separate financial statements for fiscal year 2011 and approves the consolidated financial statements and the complementary management reports for fiscal year 2011.

In accordance with the regulation that the guarantee reserve *(Deckungsrücklage)* may not exceed 5 % of the amount of the outstanding covered bonds pursuant to Section 2 (3) of the Law Governing Landwirtschaftliche Rentenbank, the Advisory Board resolved to remove € 21 400 000.- from the guarantee reserve and to increase the principal reserve *(Hauptrücklage)* by the same amount.

From the net income for the year of € 49 000 000.- as reported in the income statement of the financial statements, € 36 750 000.- is made available for the principal reserve pursuant to Section 2 (2) of the Law Governing Landwirtschaftliche Rentenbank.

Furthermore, the Advisory Board resolved from the net profit for the year of € 12 250 000.- to provide € 6 125 000.- to the Special Purpose Fund and € 6 125 000.- to the Promotional Fund (Section 9 (2) of the Law Governing Landwirtschaftliche Rentenbank) for other measures to promote agriculture and rural areas in the public interest.

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

Berlin, March 29, 2012

THE ADVISORY BOARD
OF LANDWIRTSCHAFTLICHE RENTENBANK

Gerd Sonnleitner (Chairman)