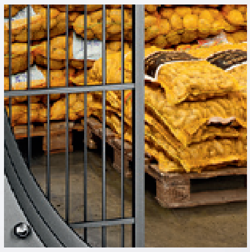
Annual Report 2011



Germany’s development agency for agribusiness

rentenbank

Key figures

In accordance with German Commercial Code (HGB)

Balance sheet in € billion (extract)	2011	2010
Total assets	**81.3**	**78.5**
Loans and advances to banks	51.8	49.5
Debt securities and other fixed-income securities	25.2	26.9
Liabilities to banks	3.8	3.1
Securitized liabilities	62.8	62.1
Total capital in € million	**3 639.0**	**3 074.6**

Income statement in € million (extract)	2011	2010
Net interest income	417.2	409.2
Administrative expenses	40.5	39.4
Operating result before risk provisioning and valuation adjustments	**369.8**	**366.2**
Risk provisioning and valuation adjustments	320.8	319.2
Net income for the year	49.0	47.0
Net profit	**12.3**	**11.8**

Selected key figures in %	2011	2010
Cost-income ratio	11.8	11.5
Total capital ratio (SolvV)	25.7	24.5
Employees	240	229

In accordance with International Financial Reporting Standards (IFRS)

Consolidated balance sheet in € billion (extract)	2011	2010
Total assets	88.9	83.8
Loans and advances to banks	51.4	49.3
Financial investments	24.7	26.5
Liabilities to banks	3.1	2.5
Securitized liabilities	68.2	65.1
Total equity	1.7	2.1

Consolidated statement of comprehensive income in € million (extract)		
Net interest income before provision for loan losses/ promotional contribution	361.9	350.9
Provision for loan losses/promotional contribution	15.6	5.0
Administrative expenses	48.0	49.2
Operating result before profit and loss from fair value measurement and hedge accounting	**283.1**	**296.2**
Result from fair value measurement and from hedge accounting	–352.4	–144.4
Change in the revaluation reserve	–359.8	–230.0
Group's total comprehensive income	**–429.1**	**–78.2**
Group's net profit	**12.3**	**11.8**

Rating

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

Annual Report 2011

Contents

The English edition of the Annual Report 2011 is an abridged version of the German edition, which was published in April 2012.

Brief Presentation: Landwirtschaftliche Rentenbank

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

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

The funds for the refinancing of promotional lending are raised through the issuance of securities or borrowings on domestic and international capital and interbank markets. Rentenbank's long-term obligations are rated with the best possible classifications either AAA or Aaa with a stable outlook.

Rentenbank was established by statute in 1949 as the central refinancing institution for the agricultural and food industry, with its registered office in Frankfurt/Main. Rentenbank is a public law institution directly accountable to the German federal government and operates under a legal promotional mandate. The bank is supervised by the German federal government and benefits from the institutional liability of the Federal Republic of Germany *(Anstaltslast).* Rentenbank is a member of the Association of German Public Sector Banks *(Bundesverband Öffentlicher Banken Deutschlands e.V.),* Berlin.

The basis of the bank's capital was formed by contributions raised from the German agricultural and forestry sector between 1949 and 1958. Accordingly, any unappropriated profits are used for the benefit of the agricultural sector and rural development through a variety of promotional activities.

Foreword from the Board of Managing Directors

We are all familiar with the fact that the value of a product, service or company is expressed through a price which is determined based on supply and demand on the market. However, many discussions in the agricultural and food industry in the past year showed that the value of a good may not be reflected by its market price. Therefore, society discusses why so much food is thrown away in Germany. The discussion not only centers around the protection of agricultural space against ground sealing, but also on the "food or fuel" debate. However, in a world where prices were based on values, sustainable conditions for production and responsible animal and consumer protection would be a given.


Hans Bernhardt

Finally, we assess the "value" of Rentenbank, and our promotional contribution in the past fiscal year. In 2011, we strived toward and succeeded in being a reliable provider of low-cost funds for the German agricultural sector. The volume of our special promotional loans reached new record levels and amounted to € 27 billion. The large increase of loans granted in the renewable energies sector and the financing of infrastructure projects shows that we were able to make a valuable contribution to the sustainable development of society. A detailed description of our activities can be found on the following pages. We hope that this report will provide you with valuable insights.


Dr. Horst Reinhardt

Hans Bernhardt

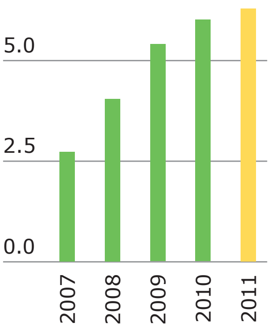
Dr. Horst Reinhardt

Information for fiscal year 2011

Promotional activities for the agricultural sector

New business in special promotional loans

7.5 € billion



Special promotional loans: lending reaches new record level

The special promotional loans provided to the agricultural sector and rural areas are the core of our promotional strategy. After continuously increasing in the prior years, the volume of loans granted reached again a new record level in the reporting year. In 2011, the agricultural businesses again capitalized on the favorable investment conditions, in particular for investments in the area of renewable energies. These investments focused on biogas projects, followed by financings for photovoltaics and wind turbine installations. The demand for loans in the core area – investments in food production – was also slightly above the prior-year level.

New business related to the promotion of rural development was characterized by high momentum. In this segment, we primarily offer loans for infrastructure measures, often in cooperation with the promotional banks of federal states (Landesförderinstitute).

New special promotional loans rise 5 %

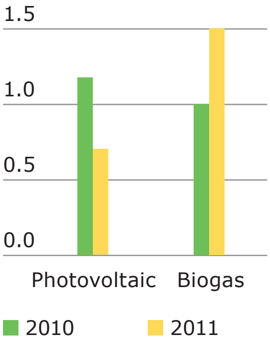
New business with special promotional loans continued to rise, reaching a volume of € 6.3 billion in 2011 (2010: € 6.0 billion). This was an increase by 5 % over the previous year. However, the number of loans granted fell as utilization of the typically small-volume liquidity assistance program declined substantially. In fiscal year 2011, the number of loans granted was 20 949 (2010: 26 234).

New business in special promotional lending

€ million	2011	2010
Agriculture	1 652	2 056
of which: at particularly low interest rates	*714*	*1 141*
Aquaculture and fish farming	3	–
Agribusiness	330	279
Renewable energies	2 456	2 322
Rural development	1 808	1 243
Other special promotional loans (incl. Special Purpose Fund)	7	80
Total	**6 256**	**5 980**

New business in photovoltaic and biogas

2.0 € billion



Supporting sustainable projects with funds amounting to € 2.7 billion

It is not only investments in renewable energies that contribute to sustainable development. In 2011, we also provided loans within the framework of our programs "Sustainability" and "Environmental and consumer protection" to support measures aimed at increasing energy efficiency, reducing emissions and supporting measures related to consumer protection and ecological cultivation. Including the promotion of renewable energies, we supported investments in sustainable projects with loans in a total amount of € 2.7 billion (2010: € 2.5 billion).

Focus of promotional lending "Rural Development" increases significantly

We support rural development largely through global refinancing agreements with federal state promotional banks. These funds are used to refinance loan programs of the individual federal states intended for the promotion of rural areas. The cooperation with the federal state promotional banks was expanded considerably. On the basis of corresponding framework agreements, we approved loans in a total amount of € 1.7 billion (2010: € 1.2 billion) in the reporting year, primarily for projects such as local infrastructure projects, residential construction, and water supply measures in rural areas.

Our "Rural Infrastructure" program is also used to provide funds for local infrastructure projects in rural areas. It is intended for local authorities and special purpose associations in rural areas, thus complementing the direct promotional activities of the agricultural business. In 2011, new business in this area increased from € 23.8 million to € 146.6 million.

Standard promotional loans below prior-year level

Apart from special promotional loans for specific promotional purposes, we also extend standard promotional loans for agricultural businesses. In this segment, the volume of loans granted declined to € 1.8 billion (2010: € 1.9 billion). The average term of standard promotional loans was 7.3 years (2010: 7.1 years), which is slightly above the average of 6.3 years (2010: 5.9 years) for newly approved special promotional loans. New business in the securitized lending segment fell to € 3.8 billion (2010: € 4.3 billion) in the year under review. In fiscal year 2011, new promotional loans were granted in a total amount of € 11.9 billion (2010: € 12.2 billion).

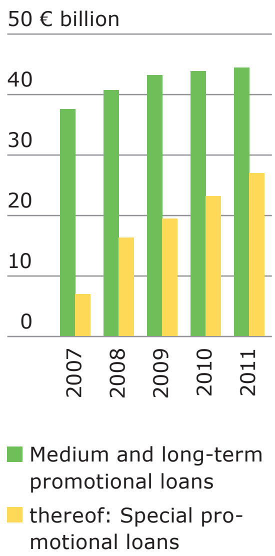
New business in promotional lending

€ million	2011	2010
Special promotional loans	6 256	5 980
Standard promotional loans	1 817	1 877
Securitized lending	3 845	4 347
Total	**11 918**	**12 204**

Balance sheet (HGB): Promotional lending volume rises

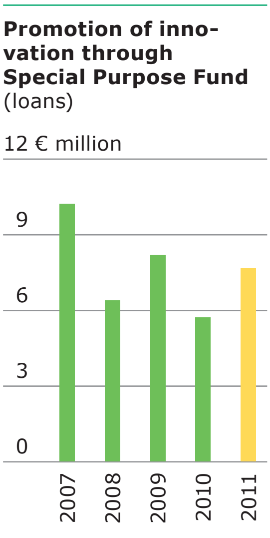
The buoyant demand for special loans resulted in a strong increase of the loans portfolio in this segment. As of December 31, 2011, special promotional loans amounted to € 26.8 billion (2010: € 23.0 billion), representing an increase by 16.5 % over the previous year. Their share in the total volume of promotional loans rose to 40 % (2010: 35 %). The portfolio of promotional loans as reported in the balance sheet increased by a total of 3.5 % to € 44.1 billion (2010: € 42.6 billion). Loan disbursements amounted to € 8.2 billion (2010: € 7.6 billion), while repayments totaled € 6.7 billion (2010: € 6.8 billion). Securitized lending, which is reported in the balance sheet item "Debt securities and other fixed-income securities," declined to € 22.6 billion (2010: € 23.9 billion). In aggregate, Rentenbank's total promotional lending volume amounted to € 66.7 billion in 2011 (2010: € 66.5 billion), representing an increase of 0.3 % over the previous year.

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



Appropriation of profits

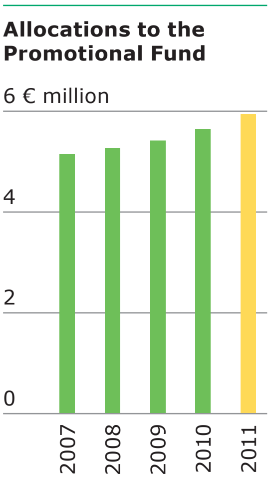
In accordance with the provisions of its constituting law, Landwirtschaftliche Rentenbank uses its net profit to promote agriculture and rural areas. One half of the net profit is transferred to the Special Purpose Fund *(Zweckvermögen)* and the other half to the Promotional Fund *(Förderungsfonds)*.



Promotion of innovation through the Special Purpose Fund

In addition to its special promotional loans, Rentenbank is engaged especially in the promotion of innovation by loans offered at very low interest rates raised from the Special Purpose Fund. The interest rates in the reporting year were 1.5 % p.a. (nominal). In 2011, 26 (2010: 16) loans were approved in a total amount of € 7.6 million (2010: € 5.7 million) after approval by the Federal Ministry of Food, Agriculture and Consumer Protection *(Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz, BMELV)*. In addition to low-interest loans, we promoted selected projects through grants in a total amount of € 2.3 million (2010: € 3.2 million) for feasibility studies as well as the construction of prototypes.

The Special Purpose Fund of Landwirtschaftliche Rentenbank was established in 1952 on the basis of the Law on Agricultural Disencumbrances *(Entschuldungsabwicklungsgesetz)*. The bank manages the fund on a trustee basis for the German federal government and makes annual contributions to the fund from its net profit. In 2011, we transferred € 5.9 million (2010: € 5.6 million) of the net profit of 2010 to the Special Purpose Fund. As of year-end, the capital stock of the Special Purpose Fund amounted to € 97.9 million (2010: € 94.5 million) in accordance with HGB.



Promotional Fund: research and further training in focus

An amount of € 6.2 million was available to the Promotional Fund in the year under review. These funds were used to support individual projects as well as institutions working for the agricultural sector and rural areas. Apart from agriculture-related research projects, targets include implementable pilot projects as well as advanced training measures and events. Rural youth work, work for elderly people in rural areas, and the Association of Women in Rural Areas *(LandFrauenverband)* have also been supported by the Promotional Fund for many years now.

Refinancing of Rentenbank

Refinancing at favorable conditions despite volatile markets

The sovereign debt crisis in the „peripheral" countries of the euro zone strengthened the risk awareness of investors and their flight into safe investments. As a promotional bank of the EU country with the highest financial power, Rentenbank is in a very good position with regard to refinancing possibilities. The increased demand by banks with regard to high-quality and liquid assets in the wake of the tightening of banking regulations („Basel III") also had a positive impact on our business. Finally, the positive trend was completed through the sustainably strong demand by central banks, which continued to see high inflows of foreign currency reserves and increasingly purchased securities of agencies with the highest credit quality, such as Rentenbank. After the European Central Bank (ECB) had raised its interest rates in April and July 2011, it cut its key lending rate twice in the fourth quarter and also injected large amounts of liquidity into the banking sector. We continued to raise funds at attractive rates via our Euro Commercial Paper (ECP) program.

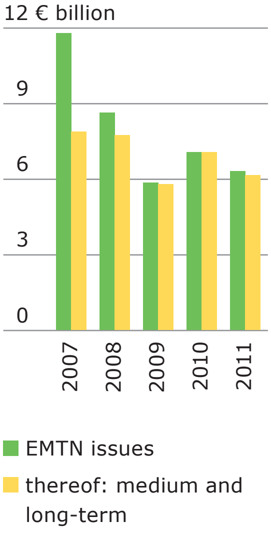
Volume of medium and long-term issues above plan

Funds raised on international and domestic capital markets with maturities of more than two years amounted to € 12.0 billion (2010: € 10.6 billion). This volume was above the planned volume of € 10 billion. Funds raised can be broken down as follows by refinancing instrument:

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

	2011	2010	2011	2010
	€ billion		Share in %	
EMTN	6.2	7.0	51.7	66.0
AUD-MTN	2.0	1.5	16.6	14.2
Global bonds	2.9	2.0	24.2	18.9
International loans/promissory notes	0.3	0.0	2.5	0.0
Domestic capital market instruments	0.6	0.1	5.0	0.9
Total	**12.0**	**10.6**	**100.0**	**100.0**

EMTN issues

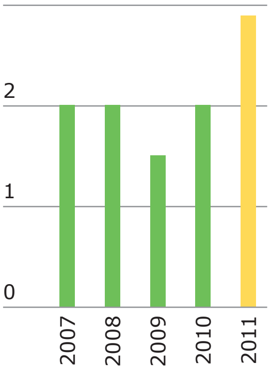


EMTN program remains most important instrument

Our Euro Medium Term Note (EMTN) program is the most important refinancing instrument with a volume of € 60 billion. Program utilization reached € 37.8 billion (2010: € 36.2 billion) at year-end. The EMTN program allows us to issue tranches in all prevalent currencies for different amounts and maturities using standard documentation. In the year under review, we used the program to raise funds for the whole range of maturities, with the main emphasis on the medium to long-term segment. The issuance in maturities of more than two years came to € 6.2 billion (2010: € 7.0 billion) including a benchmark issue we successfully placed in the amount of € 1.25 billion with a maturity of ten years. Funds raised via floating-rate euro issues came to € 1.0 billion. Transactions denominated in U.S. dollar contributed € 1.3 billion to the refinancing volume. In addition, we used the EMTN program to raise funds in eight other currencies. In the year under review, issues with short maturities of up to two years amounted to € 0.1 billion (2010: € 0.0).

Issues of global bonds

3 € billion



Successful U.S. dollar global bonds

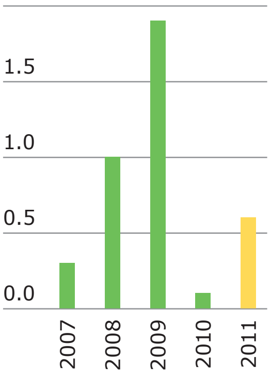
Since 2001, Rentenbank has utilized global bonds as a refinancing instrument. These bonds facilitate the access to the US market and underline our positioning as an „agency" on the international capital markets. In the year under review, global bonds accounted for € 2.9 billion (2010: € 2.0 billion) or 24.2 % (2010: 18.9 %) of total medium and long-term funds. Apart from two global bonds in the amount of USD 1.0 billion and USD 1.5 billion, respectively, each with a maturity of five years, we issued a global bond with a maturity of seven years in the amount of USD 1.5 billion in September. Our issues were placed primarily with central banks and other public-sector bodies.

Issue volume in the „Kangaroo" market reaches record levels

In the year under review, we placed "Kangaroo" bonds in the Australian domestic market in an amount of AUD 2.65 billion, equivalent to € 2.0 billion (2010: € 1.5 billion), under the AUD-MTN program. Both figures represented a new record level for us. With an outstanding volume of AUD 8.3 billion, Rentenbank remained the third-largest foreign issuer in that market segment. Thus, the „Kangaroo" market is an important strategic pillar in our funding activities.

Domestic capital market instruments

2.0 € billion



Domestic instruments on a low level

Our domestic capital market instruments are especially directed towards domestic insurance companies, which have a long-term investment horizon. However, we need funds with terms of more than ten years only to a small extent. Therefore, issuances of registered securities were only of minor significance for our refinancing purposes and amounted to € 0.6 billion (2010: € 0.1 billion).

Lower utilization of the ECP program

Issues under the € 20 billion ECP program continue to play a major role within the short-term refinancing segment. These issues comprise bearer notes with terms of less than one year and are issued in a discounted, compounded, or indexed form on the basis of a corresponding master documentation. The preference for borrowers with high credit quality enabled us to offer our ECP issues at particularly attractive conditions again in the reporting year. Average program utilization for the year under review was € 6.3 billion (2010: € 10.3 billion). Program utilization reached € 7.0 billion at year-end 2011 (2010: € 10.1 billion).

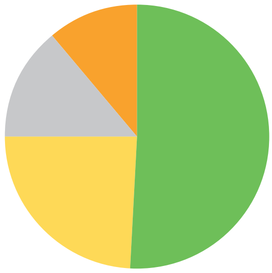
Zero-risk weight for Rentenbank issues

Since January 1, 2007, according to Section 28 of the German Solvency Regulation (Solvabilitätsverordnung), liabilities of Rentenbank have been treated equal to liabilities of the Federal Republic of Germany for risk weighting purposes. Pursuant to the Credit Risk Standardized Approach (CRSA), banks in Germany and other EU countries no longer have to back such claims with capital. Especially in times of the crisis in the financial markets, the zero-risk weight proves to be particularly helpful for our issuance activity as it opens up additional distribution channels with regard to domestic and international investors.

Banks as the most important investor group

In the year under review, the volume of issues placed with banks in relation to the total medium and long-term issue volume reached 44 % (2010: 47 %). This group of investors was seeking zero-risk weight securities offering highest credit quality and attractive spreads, in order to minimize capital and risk costs. The planned tightening of liquidity requirements within the framework of Basel III also tends to have a positive effect on the demand by banks as these are required in future to hold a certain amount of high-quality assets as a liquidity cushion. Central banks and other public-sector entities played an important role as well, accounting for a share of 30 % (2010: 32 %). While the share of central banks and other public-sector entities also experienced a slight decline, the share of insurance companies, corporations and pension funds rose to 10 % (2010: 8 %). The share of Asset Managers increased from 13 % to 16 %.

Medium and long-term issues 2011 – breakdown by regions



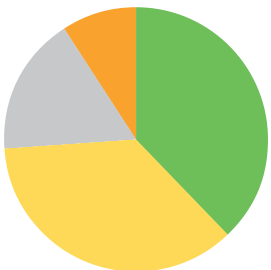
- Europe 51 %
- Asia 24 %
- America 14 %
- Other 11 %

The geographic distribution of our investors was characterized by a particularly broad range, with the share of foreign investors remaining at a high level of 77 % (2010: 82 %). The share of European-based investors was almost unchanged at 51 % (2010: 52 %). The demand of Asian and American investors also remained at prior-year levels, accounting for a share of 24 % and 14 %, respectively. A portion of 8 % (2010: 6 %) of our issues was placed with investors in New Zealand and Australia, while the remaining 3 % (2010: 4 %) were attributable to the Middle East.

Euro most important issuance currency

The medium and long-term issuance volume was spread among ten currencies in the reporting year. The euro was the most important issuance currency with a share of 38 % (2010: 35 %), ranking slightly above the U.S. dollar, which fell back to second place with a share of 36 % (2010: 42 %). The Australian dollar continues to rank in third place with a share of 17 % (2010: 16 %), representing a slight increase over the previous year. The remaining 9 % of the medium and long-term issuance volume refers to bonds denominated in Brazilian real, Norwegian krone, Pound Sterling, Swedish krona, New Zealand dollar, Turkish lira and South-African rand.

Medium and long-term issues 2011 – breakdown by currencies



- EUR 38 %
- USD 36 %
- AUD 17 %
- Other 9 %

Repo eligibility of Rentenbank's issues

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

Inclusion of Rentenbank in the most important fixed-income indices

Our liquid euro and dollar bonds and notes have been included in the most important bond indices, for example the "iBoxx Euro Index," the "Barclays Capital Euro Aggregate Bond Index," and the "Barclays Capital U.S. Aggregate Bond Index" as well as the "Morgan Stanley MSCI Eurodollar Credit Index." Indices measure the performance of domestic or international market segments. Inclusion in an index, therefore, improves the placement prospects of bonds and notes since many institutional investors are benchmarked against their performance, and therefore manage accordingly.

Portfolio of medium and long-term borrowings

The total amount of medium and long-term borrowings used for refinancing amounted to € 62.7 billion (2010: € 58.6 billion). The amount of bonds outstanding was € 60.2 billion (2010: € 56.4 billion), while the volume of promissory notes placed remained unchanged at € 1.2 billion (2010: € 1.2 billion). Other capital market funds increased to € 1.3 billion (2010: € 1.0 billion).

Money market funding

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

Share trading

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

Asset/liability management

Regulation of liquidity risk management intensified significantly

Against the background of the financial market crisis and the sovereign debt crisis, liquidity risks in the financial industry, above all, have come to the fore. Rentenbank has always attached much importance to managing such risks. Accordingly, Rentenbank's liquidity risks have been limited by the Board of Managing Directors. Liquidity risks related to foreign currencies are eliminated through hedges. Therefore, risk measurement is limited to payments denominated in euro. In the area of short-term liquidity, all scheduled euro inflows and outflows for the next two years are netted on a daily basis. Negative balances must always remain within the amount of our unused refinancing facilities. This is restricted further by additional requirements. This will ensure Rentenbank's liquidity at all times, even if market disruptions limit the normal access to funds. Within the scope of the strategic liquidity management, we apply additional risk scenarios to the short-term liquidity status.

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

We also evaluate the imminent changes in the regulatory environment e. g. arising from the introduction of new liquidity ratios within the framework of Basel III and are taking the relevant preparatory measures.

Management of interest rate risks

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

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

Our risk exposure from money market transactions and cash funds, as well as from our lending business, is monitored on the basis of a daily risk report, which also determines the market risk by means of a shift in the interest rate curve. Market price risks are assessed in compliance with the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement, MaRisk).

Derivatives used to hedge price risks

To hedge interest-rate and exchange-rate risks, swaps for an amount of € 27.4 billion (2010: € 27.0 billion) were utilized in the reporting year. Thereof, € 18.6 billion accounted for interest rate swaps and € 8.8 billion for cross-currency swaps (2010: € 16.6 billion and € 10.4 billion, respectively). In addition, we use EONIA swaps to hedge our short-term interest rate risks. We also use currency swaps to hedge foreign currency positions resulting from our ECP issue activities and from short-term loans denominated in foreign currencies.

We use derivatives as hedging instruments for existing or expected price risks on the basis of micro or macro hedges. In the case of micro hedges, every swap is matched with a specific balance-sheet position. In contrast, macro swaps are used to hedge aggregated market price risks. Swap options are also only used to hedge price risks.

Credit risks resulting from derivatives used are limited by entering into collateral agreements with our swap counterparties. These agreements cover our entire derivatives portfolio. Derivative transactions may only be entered into if such an agreement is in effect.

Sustainability

Sustainability is part of the mandate to promote agriculture

As a public law institution with a legal mandate to promote agriculture, Landwirtschaftliche Rentenbank has a distinct responsibility in the context of sustainability. This is all the more true since the term „sustainability" originally stems from the forestry sector. Sustainable entrepreneurial behavior is deeply entrenched in the agricultural and forestry sectors, as it focuses on generational thinking and the particularities of soil as a production factor that cannot be reproduced. In addition, the activities within the agricultural sector offer numerous starting points for fulfilling sustainability targets. This way, this sector can contribute to global climate protection.

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

Particularly low interest rates for sustainable investments

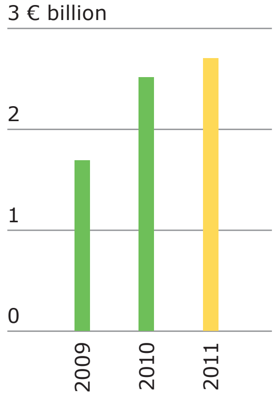
Rentenbank has offered promotional loans at low interest rates for sustainable investments for many years. In 2005, Rentenbank focused its promotional activities regarding agricultural investments on renewable energies, regenerative resources as well as agriculture-related environmental, animal and consumer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

In the context of the restructuring of the promotional programs in 2008, we introduced such programs for the food industry and upstream agricultural sector companies as well. Investments in projects such as emission reduction, energy efficiency, animal and consumer protection, ecological cultivation and regional marketing activities are the focus of these programs. We also promote these capital expenditures by granting loans at particularly low interest rates. The „Energy from the Countryside" program, which was also launched in 2008, additionally concentrates on the generation of renewable energies. In this context, the agricultural sector has played an important role in the implementation of the climate policy goals set by the German federal government and the EU. Rentenbank supports the sector on this path.

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

The volume of commitments for our special promotional loans focusing on sustainability aspects has been rising continuously in the past years. In fiscal year 2011, Rentenbank supported investments in the amount of € 2.7 billion (2010: € 2.5 billion) for sustainable projects. The continuous rise of the volume of loans granted also reflects the higher involvement of the promoted agricultural businesses in this area. The design of our programs will help us in the future to pursue our goal to support, in particular, investments of the agricultural sector in sustainable projects.

New financings for sustainable projects



Reduction of the resource consumption of internal banking operations

As a service provider, we help to conserve resources within our daily banking operations and consume energy and raw materials wisely. Furthermore, we assess whether there are any further savings potentials and take into consideration ecological aspects when making decisions and in our behavior. In the year under review, as part of our corporate environmental protection, the focus was on the renovation of employee housing which had been built in the late 1950s and early 1960s. The energy refurbishment of six multi-family complexes with a total of 31 residential units has been completed in the meantime. It is planned to complete the energy refurbishment of all of Rentenbank's residential buildings in the coming fiscal years in accordance with the German Energy Conservation Act (Energieeinsparverordnung, EnEV), thus reducing the use of resources to a considerable degree. We also intend to comprehensively refurbish our office building, which was built in the 1950s and is classified as a heritage building. The major characteristic features of the building will remain unchanged, such as the facade, the staircase and the entrance area. According to the plans, the building will be modernized to comply with state-of-the-art energy standards. Despite the extensive restrictions arising from the building's status as a heritage building, we intend to achieve a gold certification of the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen).

Sustainability also anchored in Rentenbank's mission statement

In the year under review, we developed a mission statement for Rentenbank which sets out our objectives and values. Initially, a cross-department task force made a draft which was then discussed and developed further on various management levels. Both sustainability issues of our promotional strategy and sustainability aspects of our internal banking operations have been firmly anchored in the final version. In this mission statement, we commit ourselves to our responsibility for the sustained improvement of economic, social and ecological living conditions.

Corporate Governance

Rentenbank declares its conformity with the German Public Corporate Governance Code

Effective corporate governance is of central importance for responsible and sustainable corporate management. Transparent and responsible behavior should also be made comprehensible. Therefore, Rentenbank adopted the Public Corporate Governance Kodex des Bundes (PCGK, as of June 30, 2009) as promulgated by the German federal government, by resolution of the Advisory Board dated July 16, 2009. The PCGK is mainly addressed to companies that are legal entities under private law. However, unless legal provisions (such as the Rentenbank law) require otherwise, application of the Code is also recommended for companies that are legal entities under public law. Rentenbank is a public law institution directly accountable to the German federal government.

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

Any deviations from the principles of the PCGK are disclosed and explained in the declaration of conformity.

Management and control of Rentenbank through the Board of Managing Directors and the Advisory Board

The Board of Managing Directors and the Advisory Board cooperate closely for the benefit of Rentenbank and observe the rules of good corporate governance. The Board of Managing Directors regularly contacts the Chairman and the Deputy Chairman of the Advisory Board to discuss important issues relating to corporate management and corporate strategy. In the reporting year, the Board of Managing Directors fully informed the Advisory Board about all of Rentenbank's issues regarding planning, risk situation, risk management, business development and financial position.

The Board of Managing Directors runs Rentenbank on its own responsibility according to the stipulations of the Governing Law of Landwirtschaftliche Rentenbank and its Statutes. Accordingly, it is bound by the interests of Rentenbank and its legal promotional mandate.

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

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

Avoidance of conflicts of interest

The members of the Board of Managing Directors and the Advisory Board are obliged to fulfill their tasks in accordance with the interests of Rentenbank. Potentially emerging conflicts of interest in connection with their activities must be brought before the Chairman of the Advisory Board or the Advisory Board by the members of the Board of Managing Directors or of the Advisory Board. During the reporting year, there were no conflicts of interest concerning the members of the Board of Managing Directors or the Advisory Board.

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

The remuneration for the Board of Managing Directors is determined by the Advisory Board. An assessment of performance is used to determine the appropriate amount. The total remuneration of the members of the Board of Managing Directors contains no incentives to enter into particular transactions or to enter into certain risks.

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

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

The individual remuneration of the members of the Board of Managing Directors and the Advisory Board can be found in the notes to the consolidated financial statements on pages 98 and 99.

Transparency and information

Rentenbank places high value on both transparency and information. Rentenbank follows the principle of equal treatment for investors and other interested parties for the distribution of information. The information published by Rentenbank is also accessible on its website (www.rentenbank.de). Important matters which may influence the market price of Rentenbank's listed securities are published without delay.

Accounting and auditing

The consolidated financial statements for fiscal year 2011 were prepared in accordance with IFRS. Rentenbank also prepares separate financial statements in accordance with the accounting principles set out in the German Commercial Code (HGB) that are relevant to large corporations and pursuant to the specific requirements of the German Accounting Directive for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV). The Advisory Board chooses the external auditors, awards the audit engagement and agrees the fee with the auditors. The Audit Committee, which is formed by the Advisory Board, ensures the independence of the auditor.

Deviations from the recommendations of the Public Corporate Governance Kodex

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

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

In fiscal year 2011, Landwirtschaftliche Rentenbank adopted the recommendations of the PCGK, as amended on June 30, 2009, with the following exceptions:

- The remuneration for the members of the Board of Managing Directors and the Advisory Board is not disclosed separately in the Corporate Governance Report as the individual remuneration, identifiable by name, is described in Rentenbank's Annual Report in a generally comprehensible form (Notes to the consolidated financial statements, pages 98 and 99).

- The recommendation with regard to severance payment caps in case of an early termination of the Board membership in accordance with section 4.3.2 of the PCGK refers to the conclusion of new contracts and has not yet been relevant for Landwirtschaftliche Rentenbank. If a new contract is concluded, the Advisory Board or the responsible Advisory Board Committee of Landwirtschaftliche Rentenbank will carry out a review of the recommendation.

Landwirtschaftliche Rentenbank also intends in future to comply with the PCGK, as amended on June 30, 2009, and as provided above.

Landwirtschaftliche Rentenbank
March 2012

The Board of Managing Directors
The Advisory Board

Financial statements in accordance with German Commercial Code (HGB)

Balance sheet and income statement

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

Total assets increase

Total assets grew by € 2.8 billion or 3.6 % to € 81.3 billion in 2011 (2010: € 78.5 billion). Due to the fact that we generally extend loans via other banks, in accordance with our competition neutrality, 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, representing an increase of € 2.3 billion compared to the prior year. The securities portfolio, which almost exclusively comprises bank bonds and notes, fell by € 1.7 billion to € 25.2 billion (2010: € 26.9 billion).

Liabilities to banks increased by € 0.7 billion to € 3.8 billion (2010: € 3.1 billion). 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 (2010: € 4.4 billion) at year-end. Securitized liabilities grew by € 0.7 billion to € 62.8 billion (2010: € 62.1 billion).

Operating result improves slightly

Both net interest income and operating result continue to be well above the levels achieved during the fiscal years before the financial market crisis. Net interest income rose by 2.0 % to € 417.2 million (2010: € 409.2 million). The operating result before measurement reached a new record level and amounted to € 369.8 million (2010: € 366.2 million).

Net income for 2011 amounted to € 49.0 million (2010: € 47.0 million), representing an increase of € 2.0 million against the previous year. Of this amount, Rentenbank transferred € 36.75 million (2010: € 35.25 million) to the principal reserve (Hauptrücklage). The net profit after the transfer to reserves amounts to € 12.25 million (2010: € 11.75 million) will be used to promote agriculture and rural areas.

Equity increases

In 2011, total capital reported on the balance sheet amounted to € 3 639.0 million (2010: € 3 074.6 million) after the transfers to the principal reserve and the additions to the fund covering general banking risks, representing an increase of € 564.4 million over the previous year. 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**

The fund covering general banking risks was increased by € 580.2 million to € 1 928.2 million. Subordinated liabilities decreased by € 52.5 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.

Balance sheet of Landwirtschaftliche Rentenbank,

ASSETS

	€ million	€ million	€ million	Dec. 31, 2010 € 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**

Group 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 % (compared with 3.7 % in 2010). 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 fiscal year 2011, the total volume of promotional loans amounted to € 66.7 billion (compared with € 66.5 billion in 2010), 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 (compared with € 42.6 billion in 2010). 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 loans were granted in the amount of € 11.9 billion in fiscal year 2011 (compared with € 12.2 billion in 2010).

In the year under review, Rentenbank borrowed funds in the amount of € 12.0 billion (compared with € 10.6 billion in 2010) on domestic and foreign capital markets. Refinancing transactions on the capital market used the following instruments:

	2011		2010	
	€ billion	%	€ billion	%
EMTN	6.2	51.7	7.0	66.0
Global bonds	2.9	24.2	2.0	18.9
AUD-MTN	2.0	16.6	1.5	14.2
International loans/promissory notes	0.3	2.5	0.0	0.0
Domnestic capital market instruments	0.6	5.0	0.1	0.9
Total	**12.0**	**100.0**	**10.6**	**100.0**

The total margin increased slightly during the year. The financial performance overall remained stable.

Total assets and business volume

Balance sheet (extract)	Dec. 31, 2011 € billion	Dec. 31, 2010 € billion	Change in € billion
Total assets	88.9	83.8	5.1
Loans and advances to banks	51.4	49.3	2.1
Loans and advances to customers	2.9	1.5	1.4
Positive fair values of derivative financial instruments	7.8	6.0	1.8
Financial investments	24.7	26.5	–1.8
Liabilities to banks	3.1	2.5	0.6
Liabilities to customers	6.1	5.6	0.5
Securitized liabilities	68.2	65.1	3.1
Negative fair values of derivative financial instruments	4.3	3.3	1.0
Provisions	0.1	0.1	0.0

Total assets increased by € 5.1 billion or 6.1 % to € 88.9 billion as of December 31, 2011, up from € 83.8 billion as of December 31, 2010. This growth was mainly attributable to the increased volume of special promotional loans. Total assets of the consolidated subsidiaries in accordance with HGB as of December 31, 2011, are as follows:

Subsidiary	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
LR Beteiligungsgesellschaft mbH, Frankfurt am Main	219.9	219.5	0.4
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	15.0	16.6	–1.6

Contingent liabilities excluding irrevocable loan commitments totaled € 3.1 million (compared with € 4.1 million in 2010).

In accordance with its competition neutrality, the Group basically extends its loans via other banks. This is reflected on the asset side of the balance sheet in the loans and advances to banks with a proportion in total assets of 57.8 % (compared with 58.8 % in 2010). As of December 31, 2011, this item amounted to € 51.4 billion (compared with € 49.3 billion in 2010). The change by € 2.1 billion was mainly a result of the significant rise of special promotional loans and a decline due to maturing promissory note loans.

Loans and advances to customers increased by € 1.4 billion to € 2.9 billion (compared with € 1.5 billion in 2010) as a result of new business with German federal states.

Financial investments, which consist almost exclusively of bank bonds, declined by € 1.8 billion to € 24.7 billion (compared with € 26.5 billion in 2010) as maturities exceeded new business. The Group is not exposed to securities or receivables with structured credit risks such as asset-backed securities, or collateralized debt obligations. Information related to the exposure in peripheral states is set out in the Risk Report in the section entitled “Credit risk.”

Liabilities to banks increased by € 0.6 billion to € 3.1 billion (compared with € 2.5 billion in 2010), primarily as a result of the increase of position in the short-term money market funding.

Liabilities to customers increased by € 0.5 billion to € 6.1 billion (compared with € 5.6 billion in 2010). This balance sheet item primarily comprises registered bonds and promissory note loans amounting to € 5.5 billion at year-end, unchanged from the previous year. The portfolio of securitized liabilities amounted to € 68.2 billion as of December 31, 2011 (compared with € 65.1 billion in 2010), representing a rise of € 3.1 billion or 4.8 %. This increase is attributable to new business and effects from currency translation. The Medium Term Note (MTN) programs are the most important refinancing source and amounted to € 47.3 billion (compared with € 43.0 billion in 2010). Global bonds totaled € 13.5 billion at year-end (compared with € 12.1 billion in 2010). The ECP program for money market funding was utilized to a lesser extent, with the volume declining by € 2.6 billion to € 7.4 billion (compared with € 10.0 billion in 2010).

The positive fair values of derivative financial instruments increased by € 1.8 billion to € 7.8 billion (compared with € 6.0 billion in 2010), while negative fair values rose by € 1.0 billion to € 4.3 billion (compared with € 3.3 billion in 2010). The changes resulted from mark-to-market valuations, especially due to effects from currency translation. Derivatives are exclusively entered into to hedge existing or expected market price risks. Rentenbank does not enter into credit default swaps (CDS).

Provisions slightly increased to € 104.2 million (compared with € 102.1 million in 2010). An amount of € 6.4 million was added to pension provisions (compared with € 6.6 million in 2010). The amount of provisions used for current payments for pensions amounted to € 5.6 million, unchanged from the previous year. The present value of the defined benefit obligations was determined on the basis of a discount rate of 4.8 % (compared with 4.8 % in 2010).

Financial performance

1) Income Statement	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Net interest income before provision for loan losses/ promotional contribution	361.9	350.9	11.0
Provision for loan losses/promotional contribution	15.6	5.0	10.6
Administrative expenses	48.0	49.2	–1.2
Net other income/expense	–15.2	–0.5	–14.7
Operating result	**283.1**	**296.2**	**–13.1**
Result from fair value measurement and from hedge accounting	–352.4	–144.4	–208.0
Group’s net income/loss	**–69.3**	**151.8**	**–221.1**
2) Other comprehensive income			
Change in the revaluation reserve	–359.8	–230.0	–129.8
3) Group’s total comprehensive income	**–429.1**	**–78.2**	**–350.9**

Operating result

Operating earnings have developed positively in the current fiscal year. Interest income, including contributions from fixed-income securities and equity investments, reached € 3 906.5 million (compared with € 4 019.3 million in 2010). After deducting interest expenses of € 3 544.6 million (compared with € 3 668.4 million in 2010), net interest income amounted to € 361.9 million (compared with € 350.9 million in 2010). Improved margins in the promotional lending business contributed primarily to the increase by € 11.0 million.

Only due to a gain realized in the previous year from the sale of a receivable previously written off, the item “provision for loan losses/promotional contribution” increased by € 10.6 million as of the balance sheet date. Measurement losses in the amount of € 11.3 million for a security recognized in the revaluation reserve directly in equity were reclassified to the net result from financial investments due to an impairment on the basis of expected defaults. These special items resulted in a decline of the operating result by € 13.1 million to € 283.1 million (compared with € 296.2 million in 2010).

Due to the special items mentioned above the operating result in the Promotional Business segment fell to € 120.0 million (compared with € 128.6 million in 2010), in spite of improved margins. Earnings in the Treasury Management segment fell to € 62.5 million (compared with € 74.9 million in 2010) due to tighter margins in the short-term interbank business. In the Capital Investment segment, earnings improved to € 100.6 million (compared with € 92.7 million in 2010).

Result from fair value measurement and from hedge accounting

All derivatives and certain balance sheet items are measured at fair value. Changes in the fair value are recorded as unrealized gains or losses in the result from fair value measurement and from hedge accounting. In the context of hedged items as part of hedging relationships, only those fair value changes are taken into account where these changes result from changes in the deposit/swap curves (benchmark curves for the interbank business).

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

As a result of the continuing debt crisis in Europe, the premiums based on changes in credit spreads were mixed in 2011. While risk premiums for the majority of issuers, above all from countries particularly affected by the debt crisis, continued to rise, premiums for Rentenbank issues declined. This led to measurement losses for our upward revaluated own issues, but also for downward revaluated assets.

As of December 31, 2011, overall measurement losses amounted to € -352.4 million, representing a significant increase compared to measurement losses of € –144.4 million in the prior year.

Measurement gains or losses are only of a temporary nature due to the buy and hold strategy of the Group as a non-trading book institution, provided that no counterparty default occurs. They are reversed in subsequent years until the maturity of the relevant transactions.

Group’s net income/loss for the year

The decline of the result from fair value measurement and from hedge accounting by € 208.0 million to € –352.4 million (compared with € -144.4 million in 2010) resulted in a Group net loss for the year of € –69.3 million (compared with a Group net income of € 151.8 million in 2010).

Other comprehensive income

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

The continuing rise of premiums based on changes in credit spreads led to a reduction in the securities’ market values. This resulted in a measurement loss of € –402.9 million (compared with a measurement loss of € –304.1 million in 2010) to be recognized in the revaluation reserve. Taking into account the amortization of the securities reclassified in 2008 in the amount of € 43.1 million (compared with € 74.1 million in 2010), the revaluation reserve decreased by a total of € –359.8 million in 2011 (compared with € –230.0 million in 2010).

Total comprehensive income of the Group

Total comprehensive income as of December 31, 2011 amounted to € –429.1 million (compared with € –78.2 million in 2010), representing a decrease of € 350.9 million against the previous year. This decline is almost exclusively attributable to the lower measurement result, which fell by € 337.8 million to a measurement loss of € –712.2 million (compared with a measurement loss of € –374.4 million in 2010), which comprises the changes in the revaluation reserve as well as the result from fair value measurement and from hedge accounting.

Reconciliation to the Group's net profit

Pursuant to Section 2 (3) Sentence 2 of the Law Governing the Landwirtschaftliche Rentenbank, the guarantee reserve (Deckungsrücklage) may not exceed 5 % of the nominal amount of the covered bonds outstanding at any time. As a result of a decline in the volume of covered bonds, an amount of € 21.4 million (compared with € 29.2 million in 2010) was withdrawn from the guarantee reserve and transferred to the principal reserve in the same amount.

Subject to the outstanding resolutions of the responsible corporate bodies regarding the appropriation of net income as reported under HGB, Rentenbank intends to transfer € 118.4 million from other retained earnings, of which an amount of € 58.2 million (compared with € 87.0 million in 2010) will be transferred to the principal reserve. Group's net profit remaining after the transfer to reserves will amount to € 12.3 million (compared with € 11.8 million in 2010).

Equity

Equity as reported in the balance sheet was € 1 705.7 million (compared with € 2 146.6 million in 2010).
It consists of the following:

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Subscribed capital	135.0	135.0	0.0
Retained earnings	2 321.8	2 403.4	–81.6
Revaluation reserve	–763.4	–403.6	–359.8
Group's net Profit	12.3	11.8	0.5
Total equity	**1 705.7**	**2 146.6**	**–440.9**

Operating result of € 283.1 million (compared with € 296.2 million in 2010) initially strengthened equity. However, the unrealized measurement losses in a total amount of € –712.2 million (compared with losses of € –374.4 million in 2010), which are reported in the revaluation reserve and in the Group's net income for the year, led to a reduction of equity.

Subordinated liabilities increased by € 22.9 million to € 912.4 million (compared with € 889.5 million in 2010) due to mark-to-market valuations. The terms and conditions of all subordinated liabilities fulfill the requirements of Section 10 (5a) of the German Banking Act and preclude early repayment or conversion.

The Group's regulatory capital as of December 31, 2011, amounts to € 3 533.1 million (compared with € 3 259.1 million in 2010), prior to the approval of the HGB 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 26.4 % on the reporting date (compared with 25.2 % in 2010), and thus exceeded the legal minimum requirements to a considerable extent. The core capital ratio was 17.2 % (compared with 16.0 % in 2010).

Financial reporting process

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

The objective of the 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.

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 complies with German Accepted Accounting Principles (Grundsätze ordnungsmäßiger Buchführung, GoB) and is presented in a manner comprehensible to knowledgeable third parties. The relevant records are kept while 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.

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

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

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 (compared with 229 people in 2010), 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 (compared with € 19.8 million in 2010) 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 (compared with € 3.1 million in 2010), 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 their 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 fiscal year 2011 (compared with € 2.5 billion in 2010). As a service provider, the Group helps to conserve resources within our daily banking operations and consumes raw materials wisely. In the Group, 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

All material risks are concentrated in Rentenbank and are managed by Rentenbank on a Group-wide basis. The business activities of subsidiaries are very limited, and Rentenbank has issued a letter of comfort to LR Beteiligungsgesellschaft mbH. Subsidiaries are funded exclusively within the Group.

As a promotional bank for the agricultural sector and rural areas, Rentenbank provides funds for a variety of investment projects. The range of products is geared towards production businesses in the agricultural and forestry sectors, 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.

The Group's corporate objective, derived from Rentenbank's legal mandate, is to promote the agricultural sector and rural areas on a sustainable basis. The Group's business activities are directed towards achieving this goal. In this context, care must be taken to ensure that the Group is able to fulfill this promotional mandate at all times. The Group's risk structure is 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 the Group's sustainable business strategy. Rentenbank's business strategy is defined above all by its promotional mandate and the measures to fulfill this mandate. In addition, targets are set for the 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, the Group 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 risks in the Group 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 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. 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 of Rentenbank acts at Group level, performing the function of a Group Audit department. Since none of the Group's companies has its own Internal Audit department, the Group Audit department conducts the necessary activities.

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

Risk-bearing capacity

All material risks of the Group 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 the Group'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 the Group has sufficient cash funds, and its triple A ratings, amongst other factors, enable it to obtain any additionally required cash funds on the interbank markets or, in case of market disruptions, from Eurex Clearing AG (securitized money market funding) and from the 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 the Group is based on the going concern approach. The observation period is one year.

Risk cover potential

The risk cover potential is derived from the consolidated financial statements in accordance with IFRS. Compared to the previous year, gains from the change in Rentenbank's own credit risk and hidden liabilities from securities measured at cost are deducted from the risk cover potential as of the balance sheet date, in line with the guidance on risk-bearing capacity published by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistunsaufsicht; BaFin) in December 2011.

	Dec. 31, 2011 € million	Dec. 31, 2010 € million
Available operating result	240.0	250.0
Retained earnings (proportionately)	116.0	110.0
Risk cover 1	**356.0**	**360.0**
Retained earnings (proportionately)	2 206.1	1 482.7
Own credit risk	−147.4	
Revaluation reserve	−763.5	−403.6
Hidden liabilities from securities	−76.4	
Risk cover 2	**1 574.8**	**1 439.1**
Retained earnings (proportionately)		810.8
Subscribed capital	135.0	135.0
Subordinated liabilities	912.3	889.5
Risk cover 3	**2 622.1**	**3 274.4**

The allocation of the risk cover potential to the individual risk types (credit, market price, and operational risk) is also used as the basis for the granting of global limits for credit risk and market price risk. It can be broken down as follows:

	Allocated risk cover			
	Dec. 31, 2011		Dec. 31, 2010	
	€ million	%	€ million	%
Credit risk	260.0	73.1	260.0	72.2
Market price risk	61.0	17.1	61.0	16.9
Operational risk	35.0	9.8	30.0	8.3
Total risk	**356.0**	**100.0**	**351.0**	**97.4**
Risk cover 1	**356.0**	**100.0**	**360.0**	**100.0**

Risk cover potential 1 amounts to € 356 million (compared with € 360 million in 2010). The available operating result amounts to € 240 million (compared with € 250 million in 2010). The available operating result can be derived from the plan result under IFRS calculated using a conservative approach. An amount of € 116 million (compared with € 110 million in 2010) of retained earnings was allocated to risk cover potential 1.

In view of the persisting financial crisis, the Group intends to use an amount of € 260 million from risk cover potential 1 to cover credit risks, unchanged compared to the previous year. Despite a risk-averse new business policy, it cannot be ruled out that additional information on the financial condition of the Group's counterparties will also become available in the course of 2012, which might have a negative effect on these counterparties' credit quality. This may lead to further rating migrations and hence to a higher utilization of the risk cover potential.

Risk cover potential 2 is allocated to the individual risk types. It is a global limit and amounts to € 1 575 million as of the reporting date (compared with € 1 439 million in 2010).

In order to fulfill the regulatory capital ratios pursuant to the going concern approach, subscribed capital and subordinated liabilities of risk cover potential 3 are available. The risk cover potential is modified according to the regulatory requirements.

Risk scenarios

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

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

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

The stress scenario for market price risks includes a non-parallel shift of the yield curves, a widening of risk premiums in the interbank market, an increase of the cost for the exchange of cash flows of interest payments between different interest periods and the cost for the exchange of liquidity between various currencies, and a reduction in credit spreads.

With regard to operational risk, we assume a loss amount that is twice as high under the stress scenario as under the standard scenario.

The risk exposures from the individual risk types (credit risk, market price risk, and operational risk) are aggregated and compared with risk cover potential 2. In the context of aggregating individual risks within the market price risk, in particular with spread risks, correlation effects will be taken into account from 2011.

The risk exposures of the different risk types from the standard and stress scenarios as well as the utilization if the relevant risk cover potential is presented in the following table:

	Standard scenario				Stress scenario			
	Dec. 31, 2011		Dec. 31, 2010		Dec. 31, 2011		Dec. 31, 2010	
	€ million	%	€ million	%	€ million	%	€ million	%
Credit risk	97.1	67.8	168.4	83.0	384.8	42.1	638.7	56.4
Market price risk	15.2	10.6	7.9	3.9	22.2	2.4	18.6	1.7
Market price risk (spread risk)	–	–	–	–	445.7	48.7	421.3	37.2
Operational risk	30.9	21.6	26.6	13.1	61.8	6.8	53.2	4.7
Total risk	**143.2**	**100.0**	**202.9**	**100.0**	**914.5**	**100.0**	**1 131.8**	**100.0**
Total risk limit	**356.0**		**351.0**		**–**		**–**	
Utilization of total risk limit		**40.2**		**57.8**		**–**		**–**
Risk cover 1 and 2 respectively	**356.0**		**360.0**		**1 574.8**		**1 439.1**	
Utilization of risk cover		**40.2**		**56.4**		**58.1**		**78.6**

As of December 31, 2011, 68 % of the overall risk exposure in the standard scenario and 42 % in the stress scenario related to credit risks. The utilization of the risk cover potential through credit risks decreased noticeably in comparison with December 31, 2010. The decrease in the standard scenario compared to the previous year is attributable to amounts maturing in the lower rating categories and the credit improvements of single bank business partners. The global and conservative assumptions made for the stress scenarios were refined in the current fiscal year in order to achieve a risk-adequate representation. For this purpose, amongst others, loss given default percentages as well as rating developments were modified on a country-specific basis. The reduction of the risk exposure in the stress scenario by € 254.0 million is largely attributable to the described transition. The risk-weighted assets are presented in a table and grouped by rating categories for the fiscal years 2010 and 2011 in the section entitled “Credit risk.”

Market price risks accounted for 11 % and 2 %, respectively, of the Group’s overall risk exposure in the standard scenario and stress scenario, while operational risks accounted for 22 % and 7 %, respectively, of the Group’s overall risk exposure. As correlations are taken into account in the context of the aggregation of stress scenarios for market price risks, a risk-adequate inclusion is achieved in the calculation of the risk-bearing capacity.

Assuming a standard scenario, the overall risk exposure was € 143.2 million (compared with € 202.9 million in 2010), and assuming a stress scenario, it was € 914.5 million (compared with € 1 131.8 million in 2010). The overall risk limit was utilized at 40 % (compared with 58 % in 2010) in the standard scenario. The utilization of risk cover potential 2 was 58 % (compared with 79 % in 2010).

Extreme scenarios are simulated in a further calculation for credit risks. These scenarios are quantified using strict risk measures and parameters based on rare loss events. The potential loss 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.

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

Furthermore, the effects of an economic downturn on the risk-bearing capacity are assessed. Due to the persisting financial market crisis, the current market situation is equivalent to an economic downturn. The valuation parameters used within the risk-bearing capacity concept were chosen against this background.

Going concern approach

After the inclusion of risk exposures under the stress scenarios, under the going concern approach (liable capital) there must be sufficient risk cover potential available in order to comply with the capital ratios calculated by reference to the Solvency Regulation. Liable capital is determined on the basis of modified risk cover potential 3 (mod. RCP 3), calculated from risk cover potential 3 less risk cover potential 2 and taking into account correlations, as well as so-called prudential filters prescribed by BaFin. Prudential filters mainly refer to the inclusion of the revaluation reserve and the effects of the entity’s own credit quality.

The capital ratios under the going concern approach were calculated as of December 31, 2011. They can be broken down as follows:

Pursuant to the regulatory requirements	Modified RCP 3	Risk weighted assets	Going concern (mod. RCP 3)	Solvency (total capital pursuant to KWG)
	€ million	€ million	Ratio in %	Ratio in %
Tier 1 capital	1 435.2	14 787	9.7	17.2
Total capital	2 152.8	14 787	14.6	26.4

* pursuant to the Credit Risk Standardized Approach in accordance with the Solvency Regulation

The results show that the minimum capital ratios of 4 % for core capital and 8 % for total capital were complied with even after taking into account risk exposures from stress scenarios.

The equity ratios of 17.2 % (compared with 16.0 % in 2010) and 26.4 % (compared with 25.2 % in 2010) calculated pursuant to the Solvency Regulation are based on Group accounting in accordance with HGB.

Risk categories – Individual risks

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 Group's business activities is largely defined by the Rentenbank Law and Statutes. Accordingly, loans for the promotion of the agricultural sector and rural areas 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 division 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. 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 division. 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 divisions 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 responsible 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 review of a business partner's credit ranking based on early warning indicators and, if necessary, an adjustment of the limit. The internal risk classification procedure is continuously developed and monitored annually.

The consequences of the international financial crisis are also reflected in the changes of the financial situation of the Group's counterparties. Individual counterparties were considered to have a high level of risk.

In spite of downgrades of some of the Group's counterparties, the average credit quality of the Group'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 the Group is exposed are Greece, Ireland, Italy, Portugal and Spain. For securities measured at fair value, write-downs are included implicitly in the income statement or in the revaluation reserve. The measurement losses recognized for one security in the revaluation reserve were reclassified to the income statement due to anticipated payment defaults.

As of December 31, 2011, the carrying amounts of securities held in peripheral euro zone countries were as follows:

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

As of December 31, 2010, the exposure to government bonds of peripheral euro zone countries amounted to € 637.7 million, while the exposure to bonds and promissory note loans was € 8 325.6 million.

There are no unused lines of credit or irrevocable loan commitments with counterparties in peripheral euro zone countries. Government bonds were classified to the "available for sale" category in the amount of € 290.9 million, to the "held to maturity" category in the amount of € 198.4 million, and to the "designated as at fair value" category in the amount of € 46.5 million. Bonds and promissory note loans were classified to the "available for sale" category in the amount of € 3 796.8 million, to the "designated as at fair value" category in the amount of € 1 573.8 million, to the "held to maturity" category in the amount of € 556.5 million, and to the "loans and receivables" category in the amount of € 21.6 million. Derivatives are only classified in the IFRS category "held for trading." They are only entered into in order to hedge against interest rate and exchange rate fluctuations. Collateral agreements were concluded with the counterparties of derivative transactions. The affected countries are monitored in the same manner as the corresponding counterparties where such monitoring is appropriate and is generally presented in the section entitled "risk report". There was no new business concluded with counterparties from peripheral euro zone countries in 2011, nor are they anticipated for 2012, except for derivatives collateralized with cash collateral.

The share of government bonds from peripheral euro zone countries of total assets as of December 31, 2011 was 0.6 % (compared with 0.8 % in 2010), while the share of bonds and promissory note loans amounted to 6.7 % (compared with 9.9 % in 2010). Approximately 46 % (compared with 66 % in 2010) 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. The Group 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 the Group'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, 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.

Current risk situation

The figures to illustrate the current risk situation relate to the gross carrying amount in accordance with IFRS 7.B9, which corresponds to the carrying amount of the relevant balance sheet item in the consolidated financial statements. Loans and advances to banks and to customers additionally include the corresponding portions from the item "fair value changes of hedged items in a portfolio hedge" as well as irrevocable credit commitments. Irrevocable loan commitments of € 177.5 million (compared with € 612.3 million in 2010) were recognized at their nominal amounts.

Gross lending volume

	Loans and advances to banks		Loans and advances to customers		Positive fair values of derivative financial instruments		Financial investments	
	Dec. 31, 11 € million	Dec. 31, 10 € million	Dec. 31, 11 € million	Dec. 31, 10 € million	Dec. 31, 11 € million	Dec. 31, 10 € million	Dec. 31, 11 € million	Dec. 31, 10 € million
Gross lending volume	**52 317.4**	**50 176.5**	**2 869.5**	**1 524.9**	**7 847.6**	**6 039.7**	**24 737.7**	**26 541.7**
Cash collateral	0.0	0.0	0.0	0.0	4 422.7	4 007.7	0.0	0.0
Covered bonds (Pfandbriefe)	771.8	650.9	0.0	0.0	0.0	0.0	7 858.2	6 428.6
Public-sector covered bonds (Öffentliche Pfandbriefe)	269.5	258.1	0.0	0.0	0.0	0.0	1 083.4	969.5
State guarantee (Gewährträgerhaftung)	11 421.0	10 936.7	2 797.7	1 414.2	0.0	0.0	7 517.7	7 912.5
Collateralized promotional lending business	309.3	262.6	0.0	1.1	0.0	0.0	1 589.5	1 187.3
Collateralized money market funding	5 927.3	5 056.6	0.0	0.0	0.0	0.0	0.0	0.0
Assignment of claims	18 471.7	15 850.6	0.0	0.0	0.0	0.0	0.0	0.0
Net lending volume	**15 146.8**	**17 161.0**	**71.8**	**109.6**	**3 424.9**	**2 032.0**	**6 688.9**	**10 043.8**

The net lending volume represents the uncollateralized portion of the relevant balance sheet item.

The collateralized promotional lending business mainly comprises covered bonds that do not qualify as mortgage bonds. The Group received securities as collateral within the scope of the collateralized money market funding business. The assignment of claims refers to claims of the ultimate borrower from the special promotional loan business.

The following tables present the credit risk exposures separately by region, currency, sectors, and internal rating categories, without taking credit risk mitigation techniques into account.

Risk concentration by country

December 31, 2011	Loans and advances to banks		Loans and advances to customers		Positive fair values of derivative financial instruments		Financial investments	
	€ million	%	€ million	%	€ million	%	€ million	%
Banks								
Germany	48 334.0	92.4	0.0	0.0	1 219.7	15.6	6 231.1	25.2
Other EU countries	3 983.3	7.6	0.0	0.0	4 481.6	57.1	17 006.9	68.7
OECD countries (excl. EU)	0.1	0.0	0.0	0.0	1 035.1	13.2	39.5	0.2
Total banks	**52 317.4**	**100.0**	**0.0**	**0.0**	**6 736.4**	**85.9**	**23 277.5**	**94.1**
Other counterparties								
Germany	0.0	0.0	2 869.5	100.0	0.0	0.0	614.2	2.5
Other EU countries	0.0	0.0	0.0	0.0	1 007.3	12.8	846.0	3.4
OECD countries (excl. EU)	0.0	0.0	0.0	0.0	103.9	1.3	0.0	0.0
Total other counterparties	**0.0**	**0.0**	**2 869.5**	**100.0**	**1 111.2**	**14.1**	**1 460.2**	**5.9**
Total	**52 317.4**	**100.0**	**2 869.5**	**100.0**	**7 847.6**	**100.0**	**24 737.7**	**100.0**

December 31, 2010	Loans and advances to banks		Loans and advances to customers		Positive fair values of derivative financial instruments		Financial investments	
	€ million	%	€ million	%	€ million	%	€ million	%
Banks								
Germany	44 632.6	89.0	0.0	0.0	802.3	13.3	6 508.0	24.5
Other EU countries	5 543.8	11.0	0.0	0.0	2 906.0	48.2	18 195.2	68.5
OECD countries (excl. EU)	0.1	0.0	0.0	0.0	1 040.8	17.2	40.8	0.2
Total banks	**50 176.5**	**100.0**	**0.0**	**0.0**	**4 749.1**	**78.7**	**24 744.0**	**93.2**
Other counterparties								
Germany	0.0	0.0	1 508.1	98.9	0.0	0.0	824.2	3.1
Other EU countries	0.0	0.0	16.8	1.1	1 065.6	17.6	973.5	3.7
OECD countries (excl. EU)	0.0	0.0	0.0	0.0	225.0	3.7	0.0	0.0
Total other counterparties	**0.0**	**0.0**	**1 524.9**	**100.0**	**1 290.6**	**21.3**	**1 797.7**	**6.8**
Total	**50 176.5**	**100.0**	**1 524.9**	**100.0**	**6 039.7**	**100.0**	**26 541.7**	**100.0**

Risk concentration by currency

December 31, 2011	Loans and advances to banks		Loans and advances to customers		Positive fair values of derivative financial instruments		Financial investments	
	€ million	%	€ million	%	€ million	%	€ million	%
EUR	52 223.6	99.8	2 869.5	100.0	–39 307.4	–500.9	23 459.8	94.8
CAD	0.0	0.0	0.0	0.0	1 163.5	14.8	184.7	0.8
JPY	0.0	0.0	0.0	0.0	3 036.5	38.7	258.1	1.0
USD	0.1	0.0	0.0	0.0	28 270.5	360.2	382.6	1.6
AUD	0.0	0.0	0.0	0.0	7 824.1	99.7	56.5	0.2
GBP	12.0	0.0	0.0	0.0	2 024.2	25.8	396.0	1.6
CHF	75.0	0.2	0.0	0.0	2 297.0	29.3	0.0	0.0
Other currencies	6.7	0.0	0.0	0.0	2 539.2	32.4	0.0	0.0
Total	**52 317.4**	**100.0**	**2 869.5**	**100.0**	**7 847.6**	**100.0**	**24 737.7**	**100.0**

December 31, 2010	Loans and advances to banks		Loans and advances to customers		Positive fair values of derivative financial instruments		Financial investments	
	€ million	%	€ million	%	€ million	%	€ million	%
EUR	50 059.6	99.8	1 524.9	100.0	–28 593.2	–473.4	25 361.3	95.6
CAD	0.0	0.0	0.0	0.0	1 180.4	19.5	170.8	0.6
JPY	0.0	0.0	0.0	0.0	3 019.1	50.0	286.9	1.1
USD	0.1	0.0	0.0	0.0	18 241.1	302.0	345.5	1.3
AUD	0.0	0.0	0.0	0.0	6 648.7	110.1	0.0	0.0
GBP	11.6	0.0	0.0	0.0	481.8	8.0	366.9	1.4
CHF	71.7	0.1	0.0	0.0	2 220.0	36.8	0.0	0.0
Other currencies	33.5	0.1	0.0	0.0	2 841.8	47.0	10.3	0.0
Total	**50 176.5**	**100.0**	**1 524.9**	**100.0**	**6 039.7**	**100.0**	**26 541.7**	**100.0**

Shifts between the currencies in comparison with the prior year are mainly influenced by the individual components of the cross-currency swaps. The positive fair values of derivative financial instruments have been allocated to the asset side of the balance sheet based on their positive fair value. Substantial changes to risk concentrations might occur if the fair value of an item changes from positive to negative, or vice versa.

Groups of counterparties

December 31, 2011	Loans and advances to banks		Loans and advances to customers		Positive fair values of derivative financial instruments		Financial investments	
	€ million	%	€ million	%	€ million	%	€ million	%
Private-sector banks/ other banks	11 595.2	22.2	0.0	0.0	884.1	11.3	1 751.1	7.1
Foreign banks	3 983.4	7.6	0.0	0.0	5 516.7	70.3	17 046.4	68.9
Public-sector banks	27 916.4	53.3	0.0	0.0	171.1	2.2	4 207.6	17.0
Cooperative banks	8 522.4	16.3	0.0	0.0	164.5	2.1	272.4	1.1
Central banks	300.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Non-banks	0.0	0.0	2 869.5	100.0	1 111.2	14.1	1 460.2	5.9
Total	**52 317.4**	**100.0**	**2 869.5**	**100.0**	**7 847.6**	**100.0**	**24 737.7**	**100.0**

Groups of counterparties

December 31, 2010	Loans and advances to banks		Loans and advances to customers		Positive fair values of derivative financial instruments		Financial investments	
	€ million	%	€ million	%	€ million	%	€ million	%
Private-sector banks/ other banks	10 951.1	21.8	0.0	0.0	622.7	10.3	1 841.8	6.9
Foreign banks	5 543.9	11.0	0.0	0.0	3 946.8	65.4	18 236.0	68.7
Public-sector banks	26 059.5	52.0	0.0	0.0	108.5	1.8	4 288.1	16.2
Cooperative banks	7 622.0	15.2	0.0	0.0	71.1	1.2	378.1	1.4
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-banks	0.0	0.0	1 524.9	100.0	1 290.6	21.3	1 797.7	6.8
Total	**50 176.5**	**100.0**	**1 524.9**	**100.0**	**6 039.7**	**100.0**	**26 541.7**	**100.0**

Assets by rating category (in € million)

December 31, 2011	Measurement method*	Rating categories AAA	AA	A	BBB	BB-B	CCC-C	DDD-D	**Total**
Loans and advances to banks									
Special loans	AC	80.2	6.1	9.1	1.6	0.0	0.0	0.0	**97.0**
	FV	8 373.6	5 285.4	10 782.8	2 413.0	0.0	0.0	0.0	**26 854.8**
Other	AC	583.1	1 861.8	350.6	160.6	5.2	0.0	0.0	**2 961.3**
	FV	989.6	15 525.2	4 236.6	1 103.2	476.4	73.3	0.0	**22 404.3**
Loans and advances	AC	274.0	115.0	1.2	0.0	0.0	0.4	0.0	**390.6**
to customers	FV	1 873.8	536.6	10.5	55.5	0.0	2.5	0.0	**2 478.9**
Positive fair values of derivative financial instruments	FV	0.0	3 176.1	4 467.9	164.2	37.8	1.6	0.0	**7 847.6**
Financial	AC	651.5	783.1	479.0	356.1	205.1	118.3	0.0	**2 593.1**
investments	FV	10 029.2	7 773.3	2 818.7	1 040.1	347.6	135.7	0.0	**22 144.6**
Total		**22 855.0**	**35 062.6**	**23 156.4**	**5 294.3**	**1 072.1**	**331.8**	**0.0**	**87 772.2**

December 31, 2010	Measurement method*	Rating categories AAA	AA	A	BBB	BB-B	CCC-C	DDD-D	**Total**
Loans and advances to banks									
Special loans	AC	80.2	1.4	13.3	2.1	0.0	0.0	0.0	**97.0**
	FV	6 708.4	2 055.0	11 559.8	2 263.2	0.0	0.0	0.0	**22 586.4**
Other	AC	971.6	1 343.7	438.9	141.9	1.8	12.0	0.0	**2 909.9**
	FV	592.3	16 013.7	5 920.8	1 735.6	147.6	173.2	0.0	**24 583.2**
Loans and advances	AC	312.6	104.8	3.4	24.4	9.9	0.5	0.0	**455.6**
to customers	FV	460.7	538.1	0.0	70.5	0.0	0.0	0.0	**1 069.3**
Positive fair values of derivative financial instruments	FV	13.6	2 939.5	2 967.4	102.4	15.7	1.1	0.0	**6 039.7**
Financial	AC	451.1	816.8	1 568.3	429.4	243.1	157.9	0.0	**3 666.6**
investments	FV	9 065.4	9 622.4	3 205.3	509.9	167.4	304.7	0.0	**22 875.1**
Total		**18 655.9**	**33 435.4**	**25 677.2**	**5 279.4**	**585.5**	**649.4**	**0.0**	**84 282.8**

* Amortized cost (AC) ≙ Measurement categories "loans and receivables" and "held to maturity"
Fair Value (FV) ≙ Hedge accounting as well as measurement categories "held for trading," "designated as at fair value," and "available for sale"

Comparison of the internal rating categories with the average external ratings of the agencies Standard & Poor's, Moody's, and Fitch (in € million)

December 31, 2011 — External rating category

Internal rating category	AAA	AA	A	BBB	BB-B	CCC-C	DDD-D	without external rating	**Total**
AAA	10 947.0	0.0	0.0	0.0	0.0	0.0	0.0	11 908.0	**22 855.0**
AA	1 830.3	15 571.5	10 274.0	0.0	0.0	0.0	0.0	7 386.8	**35 062.6**
A	0.0	4 544.2	15 865.8	139.6	0.0	0.0	0.0	2 606.8	**23 156.4**
BBB	0.0	0.0	975.1	1 495.5	0.0	0.0	0.0	2 823.7	**5 294.3**
BB-B	0.0	0.0	35.9	202.5	663.7	0.0	0.0	170.0	**1 072.1**
CCC-C	0.0	0.0	1.6	9.8	312.5	5.0	0.0	2.9	**331.8**
DDD-D	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total	**12 777.3**	**20 115.7**	**27 152.4**	**1 847.4**	**976.2**	**5.0**	**0.0**	**24 898.2**	**87 772.2**

December 31, 2010 — External rating category

Internal rating category	AAA	AA	A	BBB	BB-B	CCC-C	DDD-D	without external rating	**Total**
AAA	9 231.5	0.0	0.0	0.0	0.0	0.0	0.0	9 424.4	**18 655.9**
AA	3 166.4	15 121.6	8 496.5	0.0	0.0	0.0	0.0	6 650.9	**33 435.4**
A	0.0	1 356.4	21 469.9	462.3	0.0	0.0	0.0	2 388.6	**25 677.2**
BBB	0.0	600.0	1 777.6	598.1	0.0	0.0	0.0	2 303.7	**5 279.4**
BB-B	0.0	0.0	115.4	346.9	0.0	0.0	0.0	123.2	**585.5**
CCC-C	0.0	0.0	189.4	370.3	79.3	0.0	0.0	10.4	**649.4**
DDD-D	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total	**12 397.9**	**17 078.0**	**32 048.8**	**1 777.6**	**79.3**	**0.0**	**0.0**	**20 901.2**	**84 282.8**

(Under the previous presentation method, the rating categories were summarized in one particular grade.)

Provisions for losses on loans and advances

If exposures are at risk of default, Rentenbank recognizes provisions for loan losses. Measurement losses in the amount of € 11.3 million recognized for a security in the revaluation reserve directly in equity were reclassified to the net result from financial investments due to an impairment on the basis of expected defaults. In addition, a specific valuation allowance of € 0.1 million was recognized on loans and advances to customers. In the previous year, no specific valuation allowances needed to be recognized. The portfolio-based valuation allowance recognized in the previous year for risks occurred, but not identified was reversed in the amount of € 3.8 million.

Standard scenarios

The basis of the calculations for measuring potential credit defaults under the standard scenario is the annual potential default related to utilization, taking into account 1-year probabilities of default. As of December 31, 2011, the cumulative potential default amounted to € 97.0 million (compared with € 168.4 million in 2010). The significant decrease compared to the previous year is primarily attributable to amounts maturing in the lower rating categories and credit enhancements of single business partners from the banking sector. The average potential default in fiscal year 2011 amounted to € 117.7 million (compared with € 113.7 million in 2010). In relation to the allocated risk cover potential for credit risks as of the reporting date, the average potential default was 45.3 % (compared with 43.7 % in 2010). The highest utilization amounted to € 161.0 million (compared with € 168.4 million in 2010) and is below the limit approved by the Board of Managing Directors for the standard scenario of € 260 million. The lowest utilization was € 85.0 million (compared with € 92.2 million in 2010).

Stress scenarios

In a first stress scenario, the potential default is calculated based on a full utilization of all internally granted limits, taking into account 1-year probabilities of default. As of December 31, 2011, the cumulative potential default under this stress scenario amounted to € 133.9 million (compared with € 204.5 million in 2010). Under two further scenarios, we simulate increases of country-specific default probabilities (at least twice as high), deterioration of credit quality (by at least two notches), and higher loss ratios for potential defaults of collateralized transactions. The stress scenario associated with the highest risk exposure is used for inclusion within the context of the risk-bearing capacity. As of the reporting date, the maximum potential default calculated under the above mentioned stress scenarios was € 384.7 million (compared with € 638.7 million in 2010). The reduction compared to the previous year is largely attributable to the refinement of the scenario assumptions. Based on the current scenario assumptions, the maximum potential default would have amounted to € 445.0 million as of December 31, 2010. The difference between € 445.0 million and € 384.7 million is primarily attributable to amounts due in the lower rating categories and credit enhancements of single business partners from the banking sector.

Apart from stress scenarios, Rentenbank for the first time applied additional extreme scenarios in 2011 in order to analyse risk concentrations. Under the extreme scenario "default of the two borrower units with the largest risk exposure", the potential default calculated amounted to € 1.3 billion as of December 31, 2011. Under the extreme scenario "default of the two country exposures with the largest risk exposure" (excl. Germany), the potential default calculated amounted to € 2.9 billion as of December 31, 2011. These two scenarios support the monitoring of concentration risks.

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, as a sub-entity of the Group, does not maintain a trading book according to Section 2 (11) KWG. Open positions from transactions in the banking book are only entered into to a very 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

The Group limits interest rate risk largely 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 federal 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.

Risk cover potential

The risk cover potential allocated to the market price risk corresponds to the risk limit of € 61 million. This can be broken down as follows, unchanged from the previous year:

	Limit € million
Money market funding	30.0
Promotional lending	31.0
Total	**61.0**

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 (Bp) 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 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 Accounting Committee of 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.

Current risk situation

Standard scenarios

As of December 31, 2011, the amount included as risk cover potential for the market price risk in the "money market funding" and "promotional lending" segments was € 15.2 million (compared with € 7.9 million in 2010) in case of a parallel shift of the interest rate curves by 100 Bp. The average limit utilization in fiscal year 2011 was € 5.8 million (compared with € 13.4 million in 2010). This corresponded to an average utilization of 9.5 % (compared with 22 % in 2010). The maximum utilization resulted in a risk of € 17.6 million (compared with € 27.2 million in 2010), while the lowest utilization was € 0.1 million (compared with € 5.1 million in 2010) in the year under review. No limits were exceeded in the whole of 2010, nor in 2011.

Stress scenarios

Risk calculation in stress scenarios is made in the portfolios "money market funding" and "promotional lending." The "promotional lending" segment consists of the portfolios "lending business" and "securities business." For each portfolio, the interest rate curves are subjected to non-parallel shifts within the framework of two individual scenarios. The sum total of the scenarios is determined based on the maximum potential loss of the relevant portfolio. As of the reporting date, the risk exposure calculated assuming a shift of the interest rate curves by +150 Bp for the short end and of +50 Bp for the long end amounted to € 22.2 million (compared with € 18.6 million in 2010).

The sum of the market price risks in the "money market funding" segment and the "promotional lending" segment amounted to € 22.2 million (compared with € 18.6 million in 2010) and thus was below the € 61 million limit approved by the Board of Managing Directors for the standard scenario.

The risk premiums (spread risks) in "money market funding" in the scenario are based on the assumption of widened risk margins between the Eonia curve and the deposit curve of 30 Bp (compared with 60 Bp in 2010). In this context, the Eonia curve is subjected to a parallel shift of –15 Bp (compared with –30 Bp in 2010) and the deposit curve by +15 Bp (compared with +30 Bp in 2010). The resulting risk was € 2.1 million (compared with € 3.4 million in 2010).

The potential measurement loss for the swap of flows of interest payments between interest bases of different maturities using interest rate swaps in the same currency amounted to € 94.2 million based on a parallel increase of the basis swap spreads by +15 Bp. This scenario has been calculated since the beginning of 2011.

An increase of the CCY basis swap spread by 40 Bp (compared with 20 Bp in 2010) is assumed under the scenario in relation to the costs for the swap of flows of interest payments with the same fixed-interest period between different currencies. This resulted in a spread risk of € 429.2 million (compared with € 188.6 million in 2010).

For credit spreads, which reflect, among other things, the credit ranking of a debtor (structural credit quality), the underlying collateral, and the market liquidity, but potentially also market spreads for the swap of foreign currency liquidity into euro, government bond spreads of the corresponding country of domicile or the influence of arbitrage effects, a parallel shift of –120 Bp (compared with –40 Bp in 2010) for lending transactions and of –80 Bp (compared with –40 Bp in 2010) for deposit-taking transactions is assumed under the stress scenario within the relevant rating category. The credit spread sensitivity was € 245.5 million (compared with € 227.3 million in 2010).

Value-at-risk (VaR)

Value-at-risk shows the maximum loss from market-related developments in "money market funding," assuming a holding period of 10 ten days (compared with a holding period of one days in 2010) and a prediction accuracy of 99 %. The indicator amounted to € 2.6 million as of December 31, 2011 (compared with € 0.6 million in 2010).

Interest rate risk at the level of the entire bank

The quarterly analysis examines the effects of changes in market interest rates as of a particular date. By closing all open fixed-interest positions, the Group determines net interest income for all future periods on a calculatory basis. The present value is calculated on the basis of scenario analyses without taking into account equity components. An interest rate shock of +100 Bp would lead to a decline in value of € 179.6 million for the entire bank as of December 31, 2011 (compared with € 140.1 million in 2010).

Since December 2011, BaFin requires to simulate sudden and unexpected interest rate changes using a parallel shift of +(–) 200 Bp. As of the reporting date, the risk exposure in the case of rising interest rates amounts to € –325.8 million. In the previous year, the risk exposures for an interest rate shock of +130 Bp was € –136.8 million and for interest rate changes of –190 Bp € +299.1 million. Finally, the risk exposures determined based on the scenarios are analyzed in relation to regulatory equity in accordance with Section 10 of the German Banking Act. A notification pursuant to Section 24 (1) No. 14 KWG is required if the ratio exceeds the notification threshold of 20 %. This was not at all required throughout the years 2010 and 2011.

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 (compared with 2.16 and 3.30, respectively, in 2010) 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.

Current risk situation

Rentenbank's triple A ratings along with its short-term refinancing options on the money and capital markets indicate that in efficient markets, the liquidity risk is manageable in the event that principal and interest payments are not made when due. If a market disruption occurs, liquidity may be raised in the amount of the freely available refinancing facilities which have always exceeded the Bank's liquidity requirements by a period of up to two years.

The limit for medium- and long-term liquidity was not exceeded in fiscal year 2011.

Stress scenarios

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

Operational risk

Definition

Operational risk refers to risks arising from non-working or defective systems or processes, human failure or external events. Operational risk primarily includes legal risks, risks from 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

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

Legal risks from business transactions are reduced by the Group, 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 the Group 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 the Group'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 occurring in the Group 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

The Bank 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.

Current risk situation

The utilization of operational risk in standard scenarios amounted to € 30.9 million as of the reporting date (compared with € 26.6 million in 2010). Under the stress scenario, the risk exposure determined as of the reporting date amounted to € 61.8 million (compared with € 53.2 million in 2010).

In fiscal year 2011, four significant incidents (valued at more than € 5 thousand) were entered into the incident reporting database. The expected net loss of these incidents was € 284 thousand. No significant single losses resulting from operational risks were incurred in the prior year.

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-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 eurozone, 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 the Bank's financial position, profit or loss, and costs including cost budgets and stress scenarios. Unlike the multi-year plans, the annual plan examines individual factors in greater detail.

Within the framework of our current planning, the Group assumes that new business volume for fiscal years 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, we expect 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, the Group expects operating results to continue to decline in 2012 and 2013, though still above the level achieved before the crisis (€ 146 million in 2007). The satisfying earnings trend enables the Group 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 three different scenarios fluctuate within a range of approx. 25 %. They are above the pre-crisis level (2007), even under stress scenarios.

Due to the market-driven changes of measurement parameters in the first two months of 2012, in particular the costs for the swap of liquidity between various currencies, and as a result of the recovery of market prices, above all for bonds from the peripheral euro zone countries, the prior-year measurement losses have been offset to a large extent. Therefore, net income as reported in the income statement and the Group's total comprehensive income are positive within the low three-digit € million range as of the end of February. As a result of this high volatility of market parameters, the future development of measurement gains or losses cannot be estimated reliably.

The promotional business 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 in the medium and long-term promotional business and the planned results for 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.

Consolidated financial statements

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2011

1) Income statement	Notes	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million
Interest income		3 906.5	4 019.3
Interest expense		3 544.6	3 668.4
Net interest income	26	**361.9**	**350.9**
Provision for loan losses/promotional contribution	13, 27	15.6	5.0
thereof recognition for special loan programs		68.5	71.7
thereof amortization for special loan programs		48.6	44.1
Net interest income after provision for loan losses/ promotional contribution		**346.3**	**345.9**
Fee and commission income		0.3	2.7
Fee and commission expenses		2.6	2.7
Net fee and commission income	28	**–2.3**	**0.0**
Net result from financial investments	29	–11.3	–0.1
Administrative expenses	30	48.0	49.2
Net other operating result	31	–0.4	0.7
Result from fair value measurement and from hedge accounting	32	–352.4	–144.4
Net result from taxes	33	–1.2	–1.1
Group's net income/loss for the year		**–69.3**	**151.8**
2) Other comprehensive income			
Change in revaluation reserve	59	–359.8	–230.0
3) Group's total comprehensive income		**–429.1**	**–78.2**

Reconciliation to the Group's net profit

	Notes	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million
Group's net income/loss for the year		–69.3	151.8
Transfers from retained earnings			
a) from guarantee reserve pursuant to Section 2 (3) of the Law governing the Landwirtschaftliche Rentenbank	34	21.4	29.2
b) from other retained earnings	34	118.4	0.0
Transfers to retained earnings			
a) to principal reserve pursuant to Section 2 (2) of the Law governing the Landwirtschaftliche Rentenbank	34	58.2	87.0
b) to other retained earnings	34	0.0	82.2
Group's net profit		**12.3**	**11.8**

Consolidated balance sheet as of December 31, 2011

Assets	Notes	Dec. 31, 2011 € million	Dec. 31, 2010 € million
Cash and balances with central banks	37	778.6	53.5
Loans and advances to banks	38	51 383.0	49 286.5
thereof promotional contribution	*40*	*–270.7*	*–249.4*
Loans and advances to customers	39	2 853.9	1 517.4
thereof promotional contribution	*40*	*–0.1*	*–0.1*
Fair value changes of hedged items in a portfolio hedge	41	772.5	285.2
Positive fair values of derivative financial instruments	42	7 847.6	6 039.7
Financial investments	43	24 737.7	26 541.7
Non-current assets held for sale	14, 44	0.0	0.8
Investment property	15, 45	16.3	16.8
Property and equipment	16, 46	22.4	22.6
Intangible assets	17, 47	5.7	2.5
Current income tax assets	20, 48	2.0	1.7
Deferred tax assets	20, 49	0.5	1.5
Other assets	19, 50	456.9	13.1
Total assets		**88 877.1**	**83 783.0**

Liabilities and equity	Notes	Dec. 31, 2011 € million	Dec. 31, 2010 € million
Liabilities to banks	51	3 107.5	2 494.3
Liabilities to customers	52	6 147.6	5 628.9
Securitised Liabilities	53	68 161.8	65 101.8
Negative fair values of derivative financial instruments	54	4 262.5	3 341.8
Provisions	21, 22, 55	104.2	102.1
Subordinated Liabilities	56	912.4	889.5
Deferred tax liabilities	20, 57	0.1	0.0
Other liabilities	23, 58	4 475.3	4 078.0
Equity	24, 34, 59	1 705.7	2 146.6
Subscribed capital		*135.0*	*135.0*
Retained earnings		*2 321.8*	*2 403.4*
Revaluation reserve		*–763.4*	*–403.6*
Group's net profit		*12.3*	*11.8*
Total liabilities and equity		**88 877.1**	**83 783.0**

Consolidated statement of changes in equity

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

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

Changes in equity for the period from January 1 to December 31, 2010

€ million	Subscribed capital	Retained earnings	Revaluation reserve	Group's net profit	Total for 2010
Equity as of Jan. 1, 2010	**135.0**	**2 263.4**	**–173.6**	**11.3**	**2 236.1**
Net income/loss for the year		140.0		11.8	151.8
Change in unrealized gains and losses			–230.0		–230.0
Group's total comprehensive income	**0.0**	**140.0**	**–230.0**	**11.8**	**–78.2**
Appropriation of net profit				–11.3	–11.3
Equity as of Dec. 31, 2010	**135.0**	**2 403.4**	**–403.6**	**11.8**	**2 146.6**

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

Consolidated cash flow statement

	Notes	2011 € million	2010 € million
Net income/loss for the year		**–69**	**152**
Non-cash items included in net income/loss for the year and reconciliation to cash flow from operating activities			
Amortization, depreciation and impairment of intangible assets, property and equipment, and investment property	30	5	3
Provision for loan losses/promotional contribution	27	16	26
Impairment of financial investments	29	11	0
Changes in provisions	55	15	0
Gains from the disposal of property and equipment	44	0	0
Change in other non-cash items		1	0
Result from fair value measurement and from hedge accounting	32	352	144
Net interest income	26	–362	–351
Subtotal		**–31**	**–26**
Changes in assets and liabilities from operating activities after adjustment of non-cash items:			
Loans and advances to banks	38	–2 114	–3 473
Loans and advances to customers	39	–1 337	–904
Positive fair values of derivative financial instruments	42	–1 808	–3 167
Other assets from operating activities		–927	112
Liabilities to banks	51	613	–1 166
Liabilities to customers	52	519	–156
Securitized liabilities	53	3 060	4 839
Negative fair values of derivative financial instruments	54	921	–1 021
Other liabilities from operating activities		83	3 673
Interest received	26	3 901	4 015
Dividends received	26	5	4
Interest paid	26	–3 545	–3 668
Net other adjustments		–352	–144
Cash flow from operating activities		**–1 012**	**–1 082**
Proceeds from the disposal of:			
Financial investments	43	6 628	6 646
Property and equipment	44	1	0
Payments for the acquisition of:			
Financial investments	43	–4 828	–5 226
Intangible assets and property and equipment	46–47	–8	–1
Cash flow from investing activities		**1 793**	**1 419**
Subordinated liabilities	56	–44	–374
Payment of net profit		–12	–11
Cash flow from financing activities		**–56**	**–385**
Cash and cash equivalents at beginning of period		**54**	**102**
Cash flow from operating activities		–1 012	–1 082
Cash flow from investing activities		1 793	1 419
Cash flow from financing activities		–56	–385
Effect of exchange rate differences		0	0
Cash and cash equivalent at end of period		**779**	**54**

The consolidated cash flow statement shows the changes in cash and cash equivalents for fiscal years 2011 and 2010 from operating, investing and financing activities. Cash and cash equivalents correspond to the balance sheet item “cash and balances with central banks.”

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

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

Notes to the consolidated financial statements

Notes to the balance sheet 75

Notes to financial instruments 86

Other disclosures 94

Basis of accounting

The consolidated financial statements of Rentenbank were prepared in accordance with all International Financial Reporting Standards ("IFRS") required to be applied for fiscal year 2011 and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, "HGB"). They are based on Regulation No. 1606/ 2002 of the European Parliament and of the Council of July 19, 2002 and the regulations by way of which the IFRSs were endorsed by the EU. The IFRSs encompass the individual standards designated as IFRS as well as the International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC").

The consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements. The consolidated statement of comprehensive income is composed of the consolidated income statement and a reconciliation to the Group's total comprehensive income. The consolidated financial statements and the Group Management Report were prepared by the Board of Managing Directors of Landwirtschaftliche Rentenbank. The consolidated financial statements are expected to be authorized for publication on March 29, 2012, upon adoption of the consolidated financial statements and the Group Management Report by the Advisory Board.

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

The required information on credit, liquidity, and market price risks resulting from financial instruments in accordance with IFRS 7.31-42 are generally presented in the Risk Report, which is an integral part of the Group Management Report.

The disclosure requirements pursuant to the German Solvency Regulation (Solvabilitätsverordnung, SolvV) are met through the publication of a separate disclosure report. Among other things, this report refers to explanations in the Risk Report as part of the Group Management Report and in the notes to consolidated financial statements starting from Note (68).

Application of new or amended standards and interpretations

In the following, we describe, as required, standards and interpretations as well as amendments to these that were required to be applied by Rentenbank for the first time in fiscal year 2011. However, these had no effect on the present consolidated financial statements.

Standard/ interpretation	**Title**	**Required to be applied for fiscal years beginning on or after**
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
IAS 24	Related Party Disclosures	January 1, 2011
IAS 32	Classification of Rights Issues	February 1, 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement (for pension plans)	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
Various	Improvements to IFRSs (May 2010)	July 1, 2010 or January 1, 2011

The following amendment has already been published, but is required to be applied only for future fiscal years:

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

The amendments to IFRS 7 are not expected to have any effects on the consolidated financial statements. The provisions of the amended standard are not applied early.

The standards issued by the standard setter as of December 31, 2011, but not yet endorsed by the EU, are not applied early within the Group.

Accounting policies

(1) General information

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

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

(2) Estimates

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

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

(3) Scope of consolidation

The consolidated financial statements of Rentenbank for fiscal year 2011 include Rentenbank as the Group's parent company and its two subsidiaries, LR Beteiligungsgesellschaft mbH, Frankfurt/Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main, (DSV). A detailed list of Rentenbank's shareholdings in these companies is included in Note (72).

Two companies (Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main) were not included in the consolidated financial statements due to their minor significance for the assessment of the Group's financial position, cash flows, and profit or loss. The interests held in these companies are reported as financial investments. Based on the data from the financial statements of these two companies, their share in the Group's total assets and in the Group's net income for the year amounted to less than 1 % each. These data are based on the financial statements for the period ended December 31, 2011 for Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and on the financial statements for the period ended December 31, 2010 for Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main. The financial statements of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH for the fiscal year 2011 were not available, but will deviate only insignificantly from the previous year.

(4) Consolidation methods

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

As of December 31, 2011, total assets of LRB and DSV according to the annual financial statements prepared in accordance with German commercial law amounted to € 219.9 million (compared with € 219.5 million in 2010) and € 15.0 million (compared with € 15.1 million in 2010), respectively.

(5) Financial instruments

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

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

Categories of financial instruments

Financial assets/liabilities at fair value through profit or loss

This category comprises two sub-categories:

- financial assets or liabilities held for trading
- financial assets or liabilities of the "designated as at fair value" category

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

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

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

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

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

Loans and receivables

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

- not a derivative
- not quoted on an active market
- fixed or determinable payments

This category does not include the following:

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

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

Held to maturity

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

- not a derivative
- fixed or determinable payments
- positive intention and ability to hold these financial assets until final maturity

This category does not include the following:

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

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

Available for sale

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

Financial assets of this category are measured at fair value outside of profit or loss. Gains or losses from fair value changes are recognized directly in equity in the “revaluation reserve”.

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

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

Other liabilities

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

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

Overview of classes of financial instruments used within the Group

Financial assets

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

Financial liabilities

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

Reclassification of financial assets

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

Financial assets of the "available for sale" category may be reclassified to the "held to maturity" category if the Company has the intention and the ability to hold such financial assets until maturity. A reclassification the other way round, i.e. from the category "held to maturity" to "available for sale", is only possible if certain requirements are met.

(6) Determination of the fair value for financial instruments

The fair value is the amount for which a financial instrument could be exchanged between knowledgeable and willing market participants in an arm's length transaction. The fair value for financial instruments traded on active markets is determined based on quoted market prices. A financial instrument is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions. If the criteria set out above are not met, the market is regarded as inactive. Since sometimes there is a great number of market makers with various characteristics, the market prices are selected based on a documented set of criteria. The selected criteria and the underlying ranges are based on judgment. For example, a large bid-offer spread or a small number of transactions in the recent past are indications of an inactive market.

The fair value of all other financial instruments for which no prices are quoted on an active market is determined using valuation models accepted by regulatory authorities. The models are based on observable market parameters.

The fair value of non-option contracts is determined on the basis of the discounted expected future cash flows (discounted cash flow ["DCF"] method). In the case of non-derivative financial assets and liabilities, the deposit/swap curve plus a transaction-specific credit spread is used for discounting. The observable market data related to credit spreads are derived by distinguishing by rating, maturity, currency and degree of collateralization. Scope for discretion exists in deciding which sources of market data may be used to derive credit spreads. Changes in the market data sources used for credit spreads affect the fair values of the financial instruments presented in the consolidated financial statements. The discounting of derivatives is based on the Eonia or deposit/swap 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.

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

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.

The valuation techniques described here are allocated to various hierarchy levels in accordance with IFRS 7.27A et seq. (see Note (63)).

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

(7) Hedge accounting

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

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

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

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

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

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

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

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

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

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

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

(8) Hybrid financial instruments (embedded derivatives)

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

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

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

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

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

(9) Impairment of financial assets

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

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

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

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

Loans and advances and financial assets measured at (amortized) cost:

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

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

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

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

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

(10) Currency translation

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

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

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

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

In addition to collateralized loans (Pfandkredite) with Deutsche Bundesbank, the Group takes out or grants collateralized term and overnight deposits. Securities are deposited with or provided by Clearstream, as appropriate, as collateral for these deposits (see Note (70)). Genuine repurchase agreements are not carried out.

(12) Accounting for leases

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

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

(13) Provision for loan losses/promotional contribution

The item “provision for loan losses/promotional contribution” in the consolidated statement of comprehensive income primarily includes impairment losses as a result of the discounted promotional contribution of the special promotional loans as well as amortization of such impairment losses over the remaining term. In addition, this item comprises valuation allowances and write-downs of loans and advances as a result of payment defaults, as well as recoveries on loans and advances that were previously written off.

(14) Non-current assets held for sale

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

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

(15) Investment property

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

(16) Property and equipment

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

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

Low-value assets are expensed as incurred.

Depreciation is reported in general administrative expenses.

(17) Intangible assets

Intangible assets include internally generated and purchased software.

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

(18) Impairment of non-financial assets

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

(19) Other assets

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

(20) Tax receivables/liabilities

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

(21) Provisions for pensions and similar obligations

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

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

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

If, as of the balance sheet date, actuarial gains or losses exceed 10 % of the amount of the pension obligations, the difference is amortized over the expected average remaining working life and recognized in income. Gains or losses within the 10 % corridor are not taken into account. The notes to the balance sheet include separate disclosures in this context (see Note (55)).

(22) Other provisions

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

(23) Other liabilities

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

(24) Equity

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

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

Apart from the amortization of securities reclassified to the "held to maturity" category in 2008, the revaluation reserve primarily includes changes in the fair value of available-for-sale securities attributable to changes in credit spreads. Fair value changes attributable to changes in credit spreads result from changes to risk premiums. Fair value changes attributable to interest rate changes in relation to securities which are part of effective hedging relationships are reported in the "result from fair value measurement and from hedge accounting", together with the fair value changes of the related hedging derivatives.

(25) Contingent liabilities and other commitments

Contingent liabilities arise from past events that either

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

These obligations are not accounted for as liabilities in accordance with IAS 37.27. Contingent liabilities are disclosed in Note (60).

Notes to the consolidated statement of comprehensive income

(26) Net interest income

	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Change in € million
Interest income from			
Loans and advances to banks and customers	1 434.5	1 327.0	107.5
Derivative financial instruments	1 692.4	1 913.0	–220.6
Financial investments	773.1	771.7	1.4
Other	1.3	2.9	–1.6
Current income from			
Shares and other non-fixed-income securities	0.0	0.3	–0.3
Equity investments	5.2	4.4	0.8
Total interest income	**3 906.5**	**4 019.3**	**–112.8**
Interest expenses for			
Liabilities to banks and customers	316.4	314.6	1.8
Securitized liabilities	2 090.4	2 114.8	–24.4
Derivative financial instruments	1 102.7	1 190.5	–87.8
Subordinated liabilities	24.5	34.2	–9.7
Other	10.6	14.3	–3.7
Total interest expenses	**3 544.6**	**3 668.4**	**–123.8**
Net interest income	**361.9**	**350.9**	**11.0**

(27) Provision for loan losses/promotional contribution

	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Change in € million
Expenses for additions to promotional contribution	68.5	71.7	–3.2
Income from the amortization of promotional contribution	48.6	44.1	4.5
Impairment and write-offs of loans and advances	0.1	0.0	0.1
Reversal of portfolio valuation allowances	3.8	2.3	1.5
Recoveries on loans and advances previously written off	0.6	20.3	–19.7
Provision for loan losses/promotional contribution	**15.6**	**5.0**	**10.6**

The item "provision for loan losses/promotional contribution" primarily includes the discounting of future expenses for special promotional loans (additions to promotional contribution) as well as their amortization over the remaining term.

(28) Net fee and commission result	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Change in € million
Fee and commission income from			
Service fees	0.0	2.4	−2.4
Compensation for administrative expenses	0.2	0.2	0.0
Trustee loans and pass-through loans	0.1	0.1	0.0
Total fee and commission income	**0.3**	**2.7**	**−2.4**
Fee and commission expenses for			
Custody fees	2.2	2.2	0.0
Other	0.4	0.5	−0.1
Total fee and commission expenses	**2.6**	**2.7**	**−0.1**
Net fee and commission income	**−2.3**	**0.0**	**−2.3**

(29) Net result from financial investments	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Change in € million
Write-down of securities	−11.3	0.0	−11.3
Write-down of an equity investment	0.0	−0.1	0.1
Total	**−11.3**	**−0.1**	**−11.2**

Write-downs of securities relate to a covered security of the available-for-sale category from the Promotional Business segment with a carrying amount of € 13.0 million as of December 31, 2011. The measurement losses recognized in the revaluation reserve in the amount of € 11.3 million were reclassified to the net result from financial investments.

(30) Administrative expenses	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Change in € million
Other administrative expenses for			
Personnel	29.6	30.8	–1.2
IT licenses, fees, consulting services	5.0	3.8	1.2
Public relations	1.9	2.0	–0.1
Audit, contributions, donations	1.7	1.2	0.5
Refinancing	1.4	1.6	–0.2
Occupancy costs	1.0	1.5	–0.5
Maintenance of software	0.9	0.0	0.9
Miscellaneous	1.6	1.9	–0.3
Total other administrative expenses	**43.1**	**42.8**	**0.3**
Depreciation and amortization of			
Intangible assets	3.4	3.2	0.2
thereof internally generated software	*2.5*	*2.9*	*–0.4*
IT equipment	0.6	0.5	0.1
Residential and office buildings	0.5	2.2	–1.7
Office equipment and vehicles	0.2	0.2	0.0
Technical and other equipment	0.2	0.3	–0.1
Total depreciation and amortization	**4.9**	**6.4**	**–1.5**
Total administrative expenses	**48.0**	**49.2**	**–1.2**

Miscellaneous administrative expenses include lease expenses in the amount of € 95.0 thousand (compared with € 103.7 thousand in 2010). Future minimum lease payments due within one year totaled € 77.3 thousand (compared with € 76.0 thousand in 2010), payments due between one and five years amounted to € 60.2 thousand (compared with € 100.8 thousand in 2010). Contracts with payment obligations over a term of more than five years have not been entered into. The payments relate to minimum lease payments (fixed lease payments). There were no restrictions imposed by lease arrangements. As of year-end, the Group had 16 (compared with 23 in 2010) lease agreements, only six (compared with eight in 2010) of which have a renewal option to extend the lease term by one year.

(31) Net other operating result	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Change in € million
Other operating income			
Rental income	1.8	1.9	–0.1
Reimbursement of costs	0.4	0.3	0.1
Reversals of provisions/liabilities	2.3	0.0	2.3
Other income	1.2	1.7	–0.5
Total other operating income	**5.7**	**3.9**	**1.8**
Other operating expenses			
Increase of capital contribution to Edmund Rehwinkel Foundation	2.7	2.0	0.7
Additions to provisions	1.9	0.0	1.9
Bank-owned housing	0.8	0.7	0.1
Other expenses	0.7	0.5	0.2
Total other operating expenses	**6.1**	**3.2**	**2.9**
Net other operating income	**–0.4**	**0.7**	**–1.1**

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

	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Change in € million
Micro hedge accounting			
Hedged items	161.6	–34.5	196.1
Hedging instruments	–174.4	35.4	–209.8
Result from currency translation	0.0	–0.1	0.1
Micro hedge accounting, total	**–12.8**	**0.8**	**–13.6**
Macro hedge accounting			
Hedged items	487.3	–59.6	546.9
thereof amortization of fair value changes of hedged items in a portfolio hedge	*–45.1*	*–113.8*	*68.7*
Hedging instruments	–539.1	–62.8	–476.3
Macro hedge accounting, total	**–51.8**	**–122.4**	**70.6**
Fair value measurement			
Hedged items	–258.3	31.8	–290.1
Derivatives	–20.5	–50.9	30.4
Result from currency translation	–9.0	–3.7	–5.3
Fair value measurement, total	**–287.8**	**–22.8**	**–265.0**
Total	**–352.4**	**–144.4**	**–208.0**

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

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

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

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

The non-market-related changes included in the measured amounts are shown in the following table. The changes are due to changes in credit risk. Determination is based on the effects on measurement arising from changes in the credit ranking of business partners or Rentenbank's creditworthiness.

	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Accumulated until Dec. 31, 2011 € million	Accumulated until Dec. 31, 2010 € million
Loans and advances	–14.7	–6.9	–52.5	–37.8
Financial investments	–12.6	–28.6	–86.4	–73.8
Liabilities	0.0	0.0	0.0	0.0
Total	**–27.3**	**–35.5**	**–138.9**	**–111.6**

The risk-adjusted measurement of the liabilities, taking into account the credit spread, only included market-related changes for the year under review as well as for the prior years. The credit rating of Rentenbank and hence its liabilities did not change in either the year under review or in previous years.

(33) Net result from taxes	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Change in € million
Deferred taxes on tax loss carryforwards	–1.0	–0.9	–0.1
Deferred taxes on temporary differences	–0.1	0.0	–0.1
Current income taxes	–0.1	–0.1	0.0
Other taxes	0.0	–0.1	0.1
Total	**–1.2**	**–1.1**	**–0.1**

(34) Retained earnings	Jan. 1 to Dec. 31, 2011 € million	Jan. 1 to Dec. 31, 2010 € million	Change in € million
Transfers from retained earnings			
a) from guarantee reserve pursuant to Section 2 (3) of the Law Governing the Landwirtschaftliche Rentenbank	21.4	29.2	–7.8
b) from other retained earnings	118.4	0.0	118.4
Transfers to retained earnings			
a) to principal reserve pursuant to Section 2 (2) of the Law Governing the Landwirtschaftliche Rentenbank	58.2	87.0	–28.8
b) to other retained earnings	0.0	82.2	–82.2
Total	**–81.6**	**140.0**	**–221.6**

The principal reserve (Hauptrücklage) and the guarantee reserve (Deckungsrücklage) are recognized in Rentenbank's separate financial statements and transferred to the consolidated financial statements. In accordance with Section 2 (3) Sentence 2 of the Law Governing the Landwirtschaftliche Rentenbank, the guarantee reserve may at no time exceed 5 percent of the nominal amount of the covered bonds outstanding. The reduction of the bonds subject to cover requirements, which was due to maturing bonds, required a reduction of the guarantee reserve by € 21.4 million (compared with € 29.2 million in 2010). From an accounting perspective, this led to an increase of the principal reserve by the same amount.

In addition, an amount of € 36.8 million was transferred from retained earnings to the principal reserve (compared with € 57.8 million in 2010 from group's net income).

A further € 81.6 million was withdrawn from retained earnings, resulting in a Group net profit of € 12.3 million (compared with € 11.8 million in 2010).

Segment reporting

(35) Notes on segment reporting

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

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

- **Promotional Business:**
  This segment shows the promotional business other than capital investment transactions. The Promotional Business segment includes the earnings of Rentenbank and of all subsidiaries as well as those of the equity investments held by these subsidiaries.

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

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

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

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

Segment assets and liabilities are allocated to the individual segments in line with earnings contributions. The medium and long-term provisions and the invested capital are included in the Capital Investment segment.

(36) Operating business segments

	Treasury Management		Promotional Business		Capital Investment		Total	
from Jan. 1 to Dec. 31	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million
Net interest income	67.7	80.2	186.7	170.9	107.5	99.8	361.9	350.9
Provision for loan losses/ promotional contribution	0.0	0.0	15.6	5.0	0.0	0.0	15.6	5.0
Net fee and commission income	−0.1	−0.2	−2.2	0.2	0.0	0.0	−2.3	0.0
Net result from financial investments	0.0	0.0	−11.3	0.0	0.0	−0.1	−11.3	−0.1
Other administrative expenses	4.5	4.3	32.3	32.4	6.2	6.1	43.0	42.8
Depreciation and amortization	0.6	0.8	3.7	4.7	0.7	0.9	5.0	6.4
Net other operating result	0.0	0.0	−0.4	0.7	0.0	0.0	−0.4	0.7
Result from fair value measurement and from hedge accounting	−3.7	6.0	−348.7	−150.4	0.0	0.0	−352.4	−144.4
Net result from taxes	0.0	0.0	−1.2	−1.1	0.0	0.0	−1.2	−1.1
Net income/loss for the year	**58.8**	**80.9**	**−228.7**	**−21.8**	**100.6**	**92.7**	**−69.3**	**151.8**
	Dec. 31, 2011 € billion	Dec. 31, 2010 € billion	Dec. 31, 2011 € billion	Dec. 31, 2010 € billion	Dec. 31, 2011 € billion	Dec. 31, 2010 € billion	Dec. 31, 2011 € billion	Dec. 31, 2010 € billion
Segment assets	**13.1**	**10.4**	**72.8**	**70.8**	**3.0**	**2.6**	**88.9**	**83.8**
Segment liabilities (incl. equity)	**13.0**	**14.4**	**72.9**	**66.8**	**3.0**	**2.6**	**88.9**	**83.8**

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

Notes to the balance sheet

(37) Cash and balances with central banks	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Cash on hand	0.2	0.1	0.1
Balances with central banks	778.4	53.4	725.0
Total	**778.6**	**53.5**	**725.1**

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

(38) Loans and advances to banks	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Repayable on demand	10.2	3.3	6.9
Time deposits	7 618.2	7 515.5	102.7
Promissory note loans/registered bonds	16 616.5	18 495.2	–1 878.7
Special loans	26 194.9	22 405.7	3 789.2
thereof promotional contribution	*–270.7*	*–249.4*	*–21.3*
Open market operations	300.0	0.0	300.0
Global refinancing facility	407.0	540.7	–133.7
Other	236.2	326.1	–89.9
Total	**51 383.0**	**49 286.5**	**2 096.5**

(39) Loans and advances to customers	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Repayable on demand	0.1	0.1	0.0
Medium and long-term loans	1.2	38.2	–37.0
Promissory note loans	2 391.0	964.5	1 426.5
Special loans	459.6	512.8	–53.2
thereof promotional contribution	*–0.1*	*–0.1*	*0.0*
Other	2.0	1.8	0.2
Total	**2 853.9**	**1 517.4**	**1 336.5**

(40) Provision for loan losses/promotional contribution

	Promotional contribution		**Specific valuation allowances**		**Portfolio valuation allowances**		**Total**	
	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million
As of Jan. 1	267.4	239.8	0.0	0.0	3.8	6.1	271.2	245.9
Addition	68.5	71.7	0.1	0.0	0.0	0.0	68.6	71.7
Utilization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reversals	48.6	44.1	0.0	0.0	3.8	2.3	52.4	46.4
As of Dec. 31	**287.3**	**267.4**	**0.1**	**0.0**	**0.0**	**3.8**	**287.4**	**271.2**
thereof								
Loans and advances to banks	270.7	249.4	0.0	0.0	0.0	3.8	270.7	253.2
Loans and advances to customers	0.1	0.1	0.1	0.0	0.0	0.0	0.2	0.1
Loan commitments	16.5	17.9	0.0	0.0	0.0	0.0	16.5	17.9
Total	**287.3**	**267.4**	**0.1**	**0.0**	**0.0**	**3.8**	**287.4**	**271.2**

The specific valuation allowance refers to a loan with a carrying amount of € 0.4 million as of December 31, 2011. No recoverable collateral was provided for this loan.

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

The balance sheet item “fair value changes of hedged items in a portfolio hedge” includes the fair value changes attributable to interest rate changes in the amount of € 772.5 million (compared with € 285.2 million in 2010) related to loans allocated to macro hedge accounting. See Note (7) for further explanations.

(42) Positive fair values of derivative financial instruments

Derivatives are classified as follows according to economic hedging relationships:

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Hedge accounting			
Assets			
Loans and advances to banks	0.2	65.9	−65.7
Financial investments	0.1	9.3	−9.2
Liabilities			
Liabilities to banks	26.8	24.9	1.9
Liabilities to customers	366.1	181.2	184.9
Securitised liabilities	598.9	415.9	183.0
Subordinated liabilities	13.6	9.1	4.5
Hedge accounting, total	**1 005.7**	**706.3**	**299.4**
Instruments designated as at fair value			
Assets			
Loans and advances to banks	3.7	5.0	−1.3
Financial investments	0.0	10.6	−10.6
Liabilities			
Liabilities to banks	6.6	7.7	−1.1
Liabilities to customers	205.1	82.9	122.2
Securitised liabilities	5 994.7	4 952.3	1 042.4
Subordinated liabilities	254.8	198.3	56.5
Treasury Management	**323.9**	**48.4**	**275.5**
Instruments designated as at fair value, total	**6 788.8**	**5 305.2**	**1 483.6**
Other items			
Assets			
Loans and advances to banks	7.2	0.9	6.3
Financial investments	1.6	2.6	−1.0
Liabilities			
Liabilities to customers	2.4	0.0	2.4
Securitised liabilities	41.9	24.7	17.2
Total other items	**53.1**	**28.2**	**24.9**
Total	**7 847.6**	**6 039.7**	**1 807.9**

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

(43) Financial investments

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Bonds and other fixed-income securities			
Money market securities			
of public-sector issuers	0.0	133.6	−133.6
of other issuers	40.1	0.0	40.1
Bonds			
of public-sector issuers	1 403.0	1 606.3	−203.3
of other issuers	23 175.6	24 682.8	−1 507.2
Equity investments	118.8	118.8	0.0
Other financial investments	0.2	0.2	0.0
Total	**24 737.7**	**26 541.7**	**−1 804.0**

Bonds and other fixed-income securities can be classified as "eligible as collateral" or "not eligible as collateral:"

	Dec. 31, 2011 € million	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Dec. 31, 2010 € million
	eligible as collateral	not eligible as collateral	eligible as collateral	not eligible as collateral
Bonds and other fixed-income securities				
Money market securities				
of public-sector issuers	0.0	0.0	133.6	0.0
of other issuers	40.1	0.0	0.0	0.0
Bonds				
of public-sector issuers	1 213.1	189.9	1 464.0	142.3
of other issuers	21 279.8	1 895.8	23 721.9	960.9
Total	**22 533.0**	**2 085.7**	**25 319.5**	**1 103.2**

Non-current equity investments developed as follows:

	2011 € million	2010 € million
Historical cost as of Jan. 1	**223.4**	**223.3**
Additions	0.0	0.1
Disposals	0.0	0.0
Accumulated amortization/impairment	104.6	104.6
Amortization and impairment	0.0	0.1
Carrying amount as of Dec. 31	**118.8**	**118.8**

Investments were recognized at cost due to the absence of both an active market and relevant measurement parameters in accordance with IAS 39.46 (c). No write-downs were necessary as of December 31, 2011.

(44) Non-current assets held for sale

One property was sold in 2011, as resolved at the end of 2010. The sale resulted in a gain of € 0.3 million, which was reported in "net other operating result."

	2011 € million	2010 € million
Cost as of Jan. 1	**0.9**	**0.0**
Additions	0.0	0.0
Disposals	0.9	0.0
Reclassifications	0.0	0.9
Accumulated depreciation	0.0	0.1
Depreciation	*0.0*	*0.0*
Carrying amount as of Dec. 31	**0.0**	**0.8**

(45) Investment property

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

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

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

Investment property changed as follows:

	2011 € million	2010 € million
Cost as of Jan. 1	**19.7**	**19.7**
Additions	0.0	0.0
Disposals	0.0	0.0
Reclassifications	0.0	0.0
Accumulated depreciation	3.4	2.9
Depreciation	*0.5*	*0.5*
Carrying amount as of Dec. 31	**16.3**	**16.8**

The fair value of the property amounted to approx. € 18.9 million (compared with approx. € 18.9 million in 2010). The fair value was determined on the basis of the income capitalization approach taking into account a valuation opinion.

Other operating income included rental income of € 0.9 million (compared with € 1.0 million in 2010). Expenditures directly attributable to the property in the amount of € 45.8 thousand (compared with € 56.3 thousand in 2010) as well as real property tax in the amount of € 35.9 thousand (compared with € 35.9 thousand in 2010) were reported in "other operating expenses."

(46) Property and equipment

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

Property and equipment changed as follows:

	Land and buildings		Operating and office equipment		Total	
	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million
Cost as of Jan. 1	**23.1**	**24.0**	**10.2**	**11.5**	**33.3**	**35.5**
Additions	0.0	0.0	1.0	0.6	1.0	0.6
Disposals	0.0	0.0	1.6	1.9	1.6	1.9
Reclassifications	0.0	–0.9	0.0	0.0	0.0	–0.9
Accumulated depreciation	0.1	0.1	8.5	8.9	8.6	9.0
Depreciation	*0.0*	*0.0*	*1.0*	*1.0*	*1.0*	*1.0*
Accumulated impairment	1.7	1.7	0.0	0.0	1.7	1.7
Impairment	*0.0*	*1.7*	*0.0*	*0.0*	*0.0*	*1.7*
Carrying amount as of Dec. 31	**21.3**	**21.3**	**1.1**	**1.3**	**22.4**	**22.6**

Land was tested for impairment on the basis of current standard land values. The impairment test did not indicate any requirement to recognize impairment losses for 2011. In the previous year, an impairment loss in the amount of € 1.7 million was necessary, which was reported in "general administrative expenses."

(47) Intangible assets

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

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

Intangible assets changed as follows:

	Acquired software		Internally generated software		Total	
	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million
Cost as of Jan. 1	**1.7**	**1.5**	**11.7**	**12.4**	**13.4**	**13.9**
Additions	5.8	0.4	0.8	2.0	6.6	2.4
Disposals	0.1	0.2	2.1	2.7	2.2	2.9
Accumulated amortization	2.2	1.3	9.9	9.6	12.1	10.9
Amortization	*0.9*	*0.3*	*2.5*	*2.9*	*3.4*	*3.2*
Carrying amount as of Dec. 31	**5.2**	**0.4**	**0.5**	**2.1**	**5.7**	**2.5**

(48) Current income tax assets

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Tax refund claims	1.3	1.1	0.2
Income tax assets	0.7	0.6	0.1
Total	**2.0**	**1.7**	**0.3**

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

(49) Deferred tax assets

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Deferred tax assets	0.5	1.5	−1.0
Total	**0.5**	**1.5**	**−1.0**

The Group's consolidated subsidiaries are subject to taxes. Rentenbank is exempt from corporation taxes in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act *(Körperschaftssteuergesetz, KStG)* and municipal trade taxes in accordance with Section 3 No. 2 of the German Municipal Trade Tax Act *(Gewerbesteuergesetz, GewStG)*. The calculation of deferred taxes was generally based on a corporate income tax rate (including solidarity surcharge) of 15.8 % (compared with 15.8 % in 2010) and a uniform municipal trade tax rate of 16.1 % (compared with 16.0 % in 2010).

Deferred tax assets were calculated based on existing loss carryforwards within the Group.

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Tax loss carryforwards	0.5	1.5	−1.0
Temporary differences	0.0	0.0	0.0
Total	**0.5**	**1.5**	**−1.0**

According to the most recent tax assessments as of December 31, 2010, tax loss carryforwards existed within the Group at DSV in an amount of € 50.6 million (compared with € 50.2 million in 2010), € 26.3 million (compared with € 26.1 million in 2010) of which related to corporation tax and € 24.3 million (compared with € 24.1 million in 2010) to municipal trade tax. The loss carryforwards at DSV mainly resulted from impairment losses recognized in prior fiscal years.

LRB had tax loss carryforwards of € 72.3 million (compared with € 73.4 million in 2010), € 65.1 million (compared with € 64.0 million in 2010) of which related to corporation tax and € 7.2 million (compared with € 9.4 million in 2010) to municipal trade tax. The loss carryforwards of LRB primarily refer to the amortization of equity investments up until fiscal year 1999.

Deferred taxes on tax loss carryforwards were calculated at DSV on the basis of a planning horizon of 20 years (starting January 1, 2006) for the discharge of the company's pension obligations and the average earnings in recent years.

The planning horizon of LRB as an active company was set at five years due to the lack of visibility of its income, which is mainly generated from dividend payments. Based on the assumption of a breakeven result in the future, no deferred taxes were recognized on corporation tax or municipal trade tax.

Deferred tax assets	Dec. 31, 2010 € million	Utilization € million	Addition € million	Dec. 31, 2011 € million
DSV				
Corporation tax	0.7	0.5	0.0	0.2
Municipal trade tax	0.8	0.5	0.0	0.3
Total	**1.5**	**1.0**	**0.0**	**0.5**

(50) Other assets

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Cash collateral from collateral management	454.3	11.4	442.9
Prepaid expenses	1.4	1.3	0.1
Other	1.2	0.4	0.8
Total	**456.9**	**13.1**	**443.8**

(51) Liabilities to banks

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Repayable on demand	437.7	0.1	437.6
Time deposits	110.0	210.0	–100.0
Registered bonds and promissory note loans	1 336.2	1 344.0	–7.8
Global loans	1 223.6	940.2	283.4
Total	**3 107.5**	**2 494.3**	**613.2**

(52) Liabilities to customers

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Repayable on demand	416.7	62.5	354.2
Time deposits	24.8	14.9	9.9
Registered bonds and promissory note loans	5 601.7	5 453.9	147.8
Loan agreements	52.2	47.9	4.3
Other	52.2	49.7	2.5
Total	**6 147.6**	**5 628.9**	**518.7**

(53) Securitized liabilities

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Medium-term notes	47 261.4	42 963.0	4 298.4
Global bonds	13 500.4	12 056.5	1 443.9
Euro commercial papers	7 351.1	10 032.6	–2 681.5
Bearer Bonds	47.9	46.6	1.3
Rentenbank bonds	1.0	3.1	–2.1
Total	**68 161.8**	**65 101.8**	**3 060.0**

(54) Negative fair values of derivative financial instruments

Derivatives are classified as follows according to economic hedging relationships:

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Hedge accounting			
Assets			
Loans and advances to banks	1 859.0	1 295.8	563.2
Loans and advances to customers	186.9	60.6	126.3
Financial investments	931.3	673.0	258.3
Liabilities			
Liabilities to banks	0.0	2.2	–2.2
Liabilities to customers	0.1	0.0	0.1
Securitized liabilities	21.1	25.3	–4.2
Hedge accounting, total	**2 998.4**	**2 056.9**	**941.5**
Instruments designated as at fair value			
Assets			
Loans and advances to banks	18.7	23.7	–5.0
Financial investments	280.4	215.4	65.0
Liabilities			
Liabilities to banks	17.9	38.3	–20.4
Liabilities to customers	47.3	38.3	9.0
Securitized liabilities	587.2	779.8	–192.6
Subordinated liabilities	–21.8	–17.6	–4.2
Treasury Management	**0.4**	**85.2**	**–84.8**
Instruments designated as at fair value	**930.1**	**1 163.1**	**–233.0**
Other items			
Assets			
Loans and advances to banks	244.7	84.3	160.4
thereof embedded derivatives	*0.5*	*0.7*	*–0.2*
Loans and advances to customers	2.0	2.9	–0.9
Financial investments	62.6	20.8	41.8
Liabilities			
Securitized liabilities	24.7	13.8	10.9
Total other items	**334.5**	**122.5**	**212.0**
Total	**4 263.0**	**3 342.5**	**920.5**

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

(55) Provisions

	Dec. 31, 2010 € million	Utilization € million	Reversals € million	Additions € million	Dec. 31, 2011 € million
Pension provisions	90.0	5.6	0.0	6.4	90.8
Other provisions	12.1	6.9	0.1	8.3	13.4
Total	**102.1**	**12.5**	**0.1**	**14.7**	**104.2**

a) Provisions for pensions and similar obligations

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

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Present value of pension obligations as of January 1	**90.0**	**87.9**	**2.1**
Less unrecognized actuarial gains (–)/losses (+)	0.0	–1.5	1.5
Balance of provisions as of January 1	**90.0**	**89.4**	**0.6**
Current service cost	1.7	1.6	0.1
Interest cost	4.7	5.0	–0.3
Additions to pension provisions	**6.4**	**6.6**	**–0.2**
Pension benefits paid	–5.6	–5.6	0.0
Reversals	0.0	–0.4	0.4
Balance of provisions as of December 31	**90.8**	**90.0**	**0.8**
Plus unrecognized actuarial gains (–)/losses (+)	0.5	0.0	0.5
Present value of pension obligations as of December 31	**91.3**	**90.0**	**1.3**

Differences between the present value of pension obligations and the provision reported in the balance sheet result from the application of the corridor approach set out in IAS 19.92 et seq. Pursuant to this approach, gains and losses resulting from changes in measurement bases and parameters (so-called actuarial gains/losses) are recognized pro rata temporis only when such gains or losses exceed 10 % of the actual pension obligation. Actuarial gains or losses within the 10 % corridor are not taken into account. Unrecognized actuarial gains as of December 31, 2011, amounted to € 0.5 million (compared with € 0.0 million in 2010).

The additions to pension provisions of € 6.4 million (as compared with € 6.6 million in 2010) were reported in full under administrative expenses.

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

	Dec. 31, 2011	Dec. 31, 2010
Discount rate	4,8 %	4,8 %
Future salary increases		
Increase based on collective wage agreement	2,3 %	2,3 %
Career trend until the age of 45	1,0 %	1,0 %
Future pension increases	1,0 %–2,3 %	1,0 %–2,3 %
Rate of inflation	2,0 %	2,3 %
Staff turnover rate	2,0 %	2,0 %

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

The present value of pension obligations changed as follows:

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2008 € million	Dec. 31, 2007 € million
Present value of pension obligation	91.3	90.0	87.9	87.9	86.7
Experience adjustments of pension obligations	0.5	1.5	−1.8	1.1	−9.5

Experience adjustments of pension obligations are defined as the difference between the actual pension obligation and the expected pension obligation as determined on the basis of the measurement parameters of the previous reporting date. Therefore, the experience adjustment corresponds to the change in actuarial gains/losses.

b) Other provisions

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Administration of former equity investments	9.6	10.0	−0.4
Other provisions	3.8	2.1	1.7
Total	**13.4**	**12.1**	**1.3**

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

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

(56) Subordinated liabilities

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Medium-term notes	677.2	627.3	49.9
Loan agreements	171.2	202.8	−31.6
Promissory note loans	64.0	59.4	4.6
Total	**912.4**	**889.5**	**22.9**

(57) Deferred tax liabilities

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Deferred tax liabilities	0.1	0.0	0.1
Total	**0.1**	**0.0**	**0.1**

The Group's consolidated subsidiaries are subject to taxes. Rentenbank is exempt from corporation taxes in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (Körperschaftssteuergesetz, KStG) and municipal trade taxes in accordance with Section 3 No. 2 of the German Municipal Trade Tax Act (Gewerbesteuergesetz, GewStG). The calculation of deferred taxes was generally based on a corporate income tax rate (including solidarity surcharge) of 15.8 % (compared with 15.8 % in 2010) and a uniform municipal trade tax rate of 16.1 % (compared with 16.0 % in 2010).

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

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Temporary differences	0.1	0.0	0.1
Total	**0.1**	**0.0**	**0.1**

A deferred tax liability of € 125.7 thousand (compared with € 0.0 thousand in 2010) was recognized for the difference between the amounts reported for pension provisions in the tax accounts and the IFRS balance sheet in the amount of € 0.4 million (compared with € 0.0 million in 2010).

Deferred tax liabilities	Dec. 31, 2010 € '000	Utilisation € '000	Addition € '000	Dec. 31, 2011 € '000
DSV				
Corporation tax	0.0	0.0	62.3	62.3
Municipal trade tax	0.0	0.0	63.4	63.4
Total	**0.0**	**0.0**	**125.7**	**125.7**

(58) Other liabilities

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Cash collateral from collateral management	4 422.7	4 007.8	414.9
Deferred income	27.3	42.2	−14.9
Discounted promotional contribution	16.5	17.9	−1.4
Accruals	5.9	7.0	−1.1
Other liabilities	2.9	3.1	−0.2
Total	**4 475.3**	**4 078.0**	**397.3**

Cash collateral from collateral management refers to collateral received by Rentenbank to secure the positive fair values from derivatives exceeding the contractually agreed allowance amounts and minimum transfer amounts.

The deferred income item includes the prepayments of of interest subsidies, which are recorded at present value. These interest subsidies reduce interest cost and are granted by the German federal states within the framework of investment support programs. These interest subsidies are passed by Rentenbank on to the agricultural sector in connection with its promotional loans.

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

Accruals mainly include obligations related to provisions from new business concluded.

Other liabilities primarily include liabilities to the tax authorities amounting to € 1.1 million (compared with € 1.2 million in 2010).

(59) Equity

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Subscribed capital	135.0	135.0	0.0
Retained earnings			
Principal reserve	709.8	651.6	58.2
Guarantee reserve	137.7	159.1	–21.4
Other retained earnings	1 474.3	1 592.7	–118.4
Total retained earnings	2 321.8	2 403.4	–81.6
Revaluation reserve	–763.4	–403.6	–359.8
Group's net profit	12.3	11.8	0.5
Total	**1 705.7**	**2 146.6**	**–440.9**

The principal reserve (Hauptrücklage) and the guarantee reserve (Deckungsrücklage) are recognized in Rentenbank's separate financial statements and transferred to the consolidated financial statements. For the purposes of presenting the Group's distributable net profit, other retained earnings were reduced by a corresponding amount.

The changes in the revaluation reserve in a total amount of € –359.8 million (compared with € –230 million in 2010) include € 43.1 million (compared with € 74.0 million in 2010) for the amortization of the securities reclassified to the "held to maturity" category in 2008.

(60) Contingent liabilities and other commitments

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Contingent liabilities			
Liabilities from guarantees and indemnity agreements	3.1	4.1	–1.0
Other commitments			
Irrevocable loan commitments	177.5	612.3	–434.8
Total	**180.6**	**616.4**	**–435.8**

Contingent liabilities included default guarantees for capital market loans subject to interest subsidies in the amount of € 3.1 million (compared with € 3.5 million in 2010). Rentenbank has back-to-back guarantees granted by the government that fully collateralize the default guarantees.

Other commitments include irrevocable loan commitments from the lending business.

Notes to financial instruments

(61) Financial instruments by measurement categories

	Full fair Value		Hedge fair Value		(Amortized) cost	
	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Dec. 31, 2011 € million	Dec. 31, 2010 € million
Assets						
Held for Trading						
Positive fair values of derivative financial instruments	6 841.9	5 333.4	1 005.7	706.3		
Designated as at Fair Value						
Loans and advances to banks	18 030.9	19 707.0				
Loans and advances to customers	356.0	360.6				
Financial investments	8 212.5	10 265.1				
Loans and Receivables						
Balances with central banks					778.4	53.4
Loans and advances to banks			31 228.2	27 462.6	2 880.8	2 394.6
Loans and advances to customers			2 122.9	708.7	390.6	455.6
Other assets					454.3	11.4
Available for Sale						
Financial investments	1 571.6	810.0	12 360.5	11 800.0	118.8	118.8
Held to Maturity						
Financial investments					2 474.3	3 547.8
Total assets	**35 012.9**	**36 476.1**	**46 717.3**	**40 677.6**	**7 097.2**	**6 581.6**
Liabilities						
Held for Trading						
Negative fair values of derivative financial instruments	1 264.1	1 284.9	2 998.4	2 056.9		
Designated as at Fair Value						
Liabilities to banks	1 778.7	1 234.8				
Liabilities to customers	1 584.5	880.0				
Securitized liabilities	52 791.3	52 400.7				
Subordinated liabilities	848.4	830.2				
Other Liabilities						
Liabilities to banks			788.2	670.2	540.6	589.3
Liabilities to customers			2 706.0	2 616.9	1 857.1	2 132.0
Securitized liabilities			10 278.3	8 947.6	5 092.2	3 753.5
Subordinated liabilities			64.0	59.3	0.0	0.0
Other liabilities					4 422.9	4 008.1
Total liabilities	**58 267.0**	**56 630.6**	**16 834.9**	**14 350.9**	**11 912.8**	**10 482.9**

The “hedge fair value” column for the category “loans and receivables” includes, with respect to loans and advances to banks and to customers, the corresponding portions from the item “fair value changes of hedged items in a portfolio hedge.” Securities of the “available for sale” category and derivatives that were allocated to hedge accounting and whose fair value changes were recognized in the result from hedge accounting were included in the “hedge fair value” column, irrespective of their measurement at full fair value.

The difference between the carrying amounts and the contractually agreed repayment for liabilities designated as at fair value amounted to € -270.3 million (compared with € 37.7 million in 2010). This amount resulted from measurement at fair value and from differences between the cost and the repayment amount, particularly for zero coupon bonds.

The amount of the maximum credit risk exposure as of the balance sheet date (carrying amount) for loans and advances to banks and customers of the category "designated as at fair value" totaled € 18 386.9 million (compared with € 20 067.6 million in 2010).

(62) Result by measurement categories

The earnings contributions can be broken down by measurement category as follows:

	Interest income/ amortization		Interest expense/ amortization		Provision for loan losses / promotional contribution (LLP/PC)		Net interest income after LLP/PC	
	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million
Held for Trading	1 692.4	1 913.0	1 102.7	1 190.5	0.0	0.0	589.7	722.5
Designated as at Fair Value	376.7	373.1	1 791.7	1 831.2	3.1	4.5	–1 418.1	–1 462.6
Loans and Receivables	1 204.6	1 130.2	1.0	1.0	12.5	0.5	1 191.1	1 128.7
Available for Sale	564.4	541.9	7.8	7.7	0.0	0.0	556.6	534.2
Held to Maturity	68.4	61.1	1.6	1.6	0.0	0.0	66.8	59.5
Other Liabilities	0.0	0.0	639.8	636.4	0.0	0.0	–639.8	–636.4
No financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**3 906.5**	**4 019.3**	**3 544.6**	**3 668.4**	**15.6**	**5.0**	**346.3**	**345.9**

	Net interest income after LLP/PC		Fee and commission income		Fee and commission expenses		Net interest income after LLP/PC plus net fee and commission income	
	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million
Held for Trading	589.7	722.5	0.0	0.0	0.0	0.0	589.7	722.5
Designated as at Fair Value	–1 418.1	–1 462.6	0.0	0.4	1.0	1.3	–1 419.1	–1 463.5
Loans and Receivables	1 191.1	1 128.7	0.3	2.3	0.1	0.1	1 191.3	1 130.9
Available for Sale	556.6	534.2	0.0	0.0	1.3	1.0	555.3	533.2
Held to Maturity	66.8	59.5	0.0	0.0	0.2	0.3	66.6	59.2
Other Liabilities	–639.8	–636.4	0.0	0.0	0.0	0.0	–639.8	–636.4
No financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**346.3**	**345.9**	**0.3**	**2.7**	**2.6**	**2.7**	**344.0**	**345.9**

	Net interest income after LLP/PC plus net fee and commission income		Result from fair value measurement and from hedge accounting		Other		Total	
	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million
Held for Trading	589.7	722.5	–734.8	12.1	0.0	0.0	–145.1	734.6
Designated as at Fair Value	–1 419.1	–1 463.5	–245.9	–52.9	0.0	0.0	–1 665.0	–1 516.4
Loans and Receivables	1 191.3	1 130.9	754.7	–63.7	0.0	0.0	1 946.0	1 067.2
Available for Sale	555.3	533.2	311.8	45.4	–11.3	–0.1	855.8	578.5
Held to Maturity	66.6	59.2	0.0	0.0	0.0	0.0	66.6	59.2
Other Liabilities	–639.8	–636.4	–438.2	–85.3	0.0	0.0	–1 078.0	–721.7
No financial instruments	0.0	0.0	0.0	0.0	–49.6	–49.6	–49.6	–49.6
Total	**344.0**	**345.9**	**–352.4**	**–144.4**	**–60.9**	**–49.7**	**–69.3**	**151.8**

All significant results to be recognized in the income statement were presented separately for the financial instruments by category; these mainly included results from interest, fees, and commissions as well as from the measurement at fair value and from hedge accounting. As far as existing hedging relationships are concerned, the results from fair value measurement and from hedge accounting of hedging instruments were reported under the category "held for trading" and the results of hedged items under the categories "loans and receivables," "available for sale" or "other liabilities." Income and expenses not generated from financial instruments were reported in the line item "no financial instruments." Personnel expenses, administrative expenses, depreciation and write-downs of operating and office equipment, taxes, and other operating expenses and income are shown in the "other" column.

(63) Fair value measurement hierarchy

IFRS 7 defines a hierarchy of fair values determined using valuation techniques. This hierarchy is based on whether the inputs of the valuation models can be observed or not. Market data from independent sources is considered to be observable market data. The Group makes internal assumptions in the case of unobservable parameters. This results in the following hierarchy of measurement methods:

- Level 1: quoted prices in active markets for identical instruments
- Level 2: prices quoted for a similar asset or a similar liability on an active market or determined using valuation techniques based on observable market data
- Level 3: prices determined using valuation techniques where material inputs are not based on observable market data

	Level 1 as of Dec. 31,		Level 2 as of Dec. 31,		Level 3 as of Dec. 31,	
	2011 € million	2010 € million	2011 € million	2010 € million	2011 € million	2010 € million
Loans and advances to banks	0.0	0.0	18 030.9	19 707.0	0.0	0.0
Loans and advances to costumers	0.0	0.0	356.0	360.6	0.0	0.0
Positive fair values of derivative financial instruments	0.0	0.0	7 847.6	6 039.7	0.0	0.0
Financial investments	19 694.7	19 291.7	2 449.9	3 583.4	0.0	0.0
Total assets	**19 694.7**	**19 291.7**	**28 684.4**	**29 690.7**	**0.0**	**0.0**
Liabilities to banks	0.0	0.0	1 778.7	1 234.8	0.0	0.0
Liabilities to customers	0.0	0.0	1 584.5	880.0	0.0	0.0
Securitized liabilities	40 508.3	40 871.2	12 283.1	11 529.5	0.0	0.0
Negative fair values of derivative financial instruments	0.0	0.0	4 262.5	3 341.8	0.0	0.0
Subordinated liabilities	0.0	0.0	848.4	830.2	0.0	0.0
Total liabilities	**40 508.3**	**40 871.2**	**20 757.2**	**17 816.3**	**0.0**	**0.0**

The following transfers were made between Levels 1 and 2 as of December 31, 2011:

	Level 1 → Level 2		Level 2 → Level 1	
	2011 € million	2010 € million	2011 € million	2010 € million
Financial investments	1 074.0	2 723.7	1 507.8	394.8
Securitized liabilities	1 314.5	213.3	89.3	756.2
Total	**5 325.5**	**2 937.0**	**2 748.1**	**1 151.0**

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

(64) Additional disclosures on the fair value of financial instruments

The following table shows the fair values of all financial instruments that are not recognized at fair value in the balance sheet and their respective carrying amounts.

	Dec. 31, 2011			Dec. 31, 2010		
	Fair value € million	Carrying amount € million	Difference € million	Fair value € million	Carrying amount € million	Difference € million
Assets						
Cash and balances with central banks	778.4	778.4	0.0	53.4	53.4	0.0
Loans and advances to banks	34 938.4	34 109.1	829.3	30 490.1	29 857.2	632.9
Loans and advances to costumers	2 532.3	2 513.4	18.9	1 179.6	1 164.3	15.3
Financial investments	2 449.2	2 474.3	−25.1	3 508.8	3 547.8	−39.0
Total assets	**40 698.3**	**39 875.2**	**823.1**	**35 231.9**	**34 622.7**	**609.2**
Liabilities						
Liabilities to banks	1 364.0	1 328.8	35.2	1 295.6	1 259.5	36.1
Liabilities to customers	4 542.3	4 563.1	−20.8	4 871.5	4 748.9	122.6
Securitized liabilities	15 450.8	15 370.5	80.3	12 735.8	12 701.1	34.7
Subordinated liabilities	56.2	63.9	−7.7	56.8	59.3	−2.5
Total liabilities	**21 413.3**	**21 326.3**	**87.0**	**18 959.7**	**18 768.8**	**190.9**

Loans and advances to banks and to customers include the corresponding portions from the item “measurement of the portfolio of hedged items.”

Financial investments include an equity interest in a bank and several interests in companies at a total carrying amount of € 118.8 million (compared with € 118.8 million in 2010). The fair value of these equity investments could not be reliably determined. The equity investments are not traded on an active market so that no quoted prices are available. Also, a model-based measurement is not possible as the future cash flows cannot be reliably estimated. Rentenbank does not intend to dispose of these equity investments.

(65) Derivatives

Presentation of volumes	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Dec. 31, 2011 € million	Dec. 31, 2010 € million
Interest rate risks						
Interest rate swap	84 650	75 408	2 357	1 770	3 435	2 349
– *thereof EONIA-Swaps*	*200*	*0*	*0*	*0*	*0*	*0*
– *thereof termination and conversion rights embedded in swaps*	*715*	*753*	*38*	*18*	*12*	*33*
Swaptions						
– purchases	0	0	0	0	0	0
– sales	986	626	0	0	48	35
Other forward interest rate contracts	7	7	6	7	0	0
Total exposure to interest rate risks	**85 643**	**76 041**	**2 363**	**1 777**	**3 483**	**2 384**
Currency risks						
Cross-currency interest rate swaps	46 888	44 219	5 160	4 213	780	872
– *thereof currency options embedded in swaps*	*186*	*181*	*27*	*19*	*5*	*8*
– *thereof termination rights embedded in swaps*	*100*	*101*	*0*	*0*	*2*	*5*
Currency swaps	7 235	8 698	324	48	0	85
Total exposure to currency risks	**54 123**	**52 917**	**5 484**	**4 261**	**780**	**957**
Share price risk and other price risks						
Share index swaps	45	45	1	2	0	1
– *thereof stock options embedded in swaps*	*45*	*45*	*1*	*2*	*0*	*1*
Total exposure to share price risk and other price risks	**45**	**45**	**1**	**2**	**0**	**1**
Total	**139 811**	**129 003**	**7 848**	**6 040**	**4 263**	**3 342**

Structure of counterparties	Notional amounts		Fair value positive		Fair value negative	
	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Dec. 31, 2011 € million	Dec. 31, 2010 € million
Banks in the EU/OECD countries	127 976	109 249	6 737	4 749	4 093	2 961
Other counterparties in the EU/OECD countries	11 835	19 754	1 111	1 291	170	381
Total	**139 811**	**129 003**	**7 848**	**6 040**	**4 263**	**3 342**

(66) Liquidity analysis

Assets	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Loans and advances to banks			
up to 3 months	9 126.8	8 119.8	1 007.0
more than 3 months to 1 year	4 365.0	6 056.0	–1 691.0
more than 1 year to 5 years	18 299.0	16 650.4	1 648.6
more than 5 years	19 249.0	18 257.9	991.1
Loans and advances to customers			
up to 3 months	28.4	14.3	14.1
more than 3 months to 1 year	92.4	73.6	18.8
more than 1 year to 5 years	2 380.1	952.6	1 427.5
more than 5 years	181.0	417.0	–236.0
Positive fair values of derivative financial instruments			
up to 3 months	305.0	109.0	196.0
more than 3 months to 1 year	634.0	497.0	137.0
more than 1 year to 5 years	2 681.0	2 141.0	540.0
more than 5 years	847.0	618.0	229.0
Financial investments			
up to 3 months	1 865.9	2 674.5	–808.6
more than 3 months to 1 year	3 121.2	4 216.3	–1 095.1
more than 1 year to 5 years	14 598.3	14 429.6	168.7
more than 5 years or unspecified maturity	5 198.0	5 182.0	16.0
Irrevocable loan commitments			
up to 3 months	0.0	0.0	0.0
more than 3 months to 1 year	177.5	560.0	–382.5
more than 1 year to 5 years	0.0	52.3	–52.3
more than 5 years or unspecified maturity	0.0	0.0	0.0

Liabilities	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Liabilities to banks			
up to 3 months	553.8	294.1	259.7
more than 3 months to 1 year	85.4	138.3	–52.9
more than 1 year to 5 years	1 573.8	1 217.6	356.2
more than 5 years	880.0	820.0	60.0
Liabilities to customers			
up to 3 months	512.6	161.0	351.6
more than 3 months to 1 year	409.1	307.6	101.5
more than 1 year to 5 years	1 635.4	1 663.2	–27.8
more than 5 years	4 499.0	3 781.1	717.9
Securitized liabilities			
up to 3 months	10 314.1	10 108.0	206.1
more than 3 months to 1 year	6 620.0	7 858.1	–1 238.1
more than 1 year to 5 years	35 922.9	33 646.2	2 276.7
more than 5 years	13 424.3	12 923.8	500.5
Negative fair values of derivative financial instruments			
up to 3 months	271.0	225.0	46.0
more than 3 months to 1 year	51.0	173.0	–122.0
more than 1 year to 5 years	313.0	650.0	–337.0
more than 5 years	100.0	125.0	–25.0
Subordinated liabilities			
up to 3 months	5.5	5.9	–0.4
more than 3 months to 1 year	17.3	15.4	1.9
more than 1 year to 5 years	125.4	120.8	4.6
more than 5 years	759.4	789.4	–30.0

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

(67) Maturity analysis

Assets	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Loans and advances to banks			
up to 12 months	12 330.5	13 271.3	–940.8
more than 12 months	39 809.4	36 292.9	3 516.5
Loans and advances to customers			
up to 12 months	286.5	293.3	–6.8
more than 12 months	2 583.0	1 231.6	1 351.4
Positive fair values of derivative financial instruments			
up to 12 months	1 785.0	1 492.4	292.6
more than 12 months	6 062.6	4 547.3	1 515.3
Financial investments			
up to 12 months	5 458.6	6 980.4	–1 521.8
more than 12 months	19 279.1	19 561.3	–282.2

Liabilities	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Liabilities to banks			
up to 12 months	639.5	433.3	206.2
more than 12 months	2 468.0	2 061.0	407.0
Liabilities to customers			
up to 12 months	924.1	467.2	456.9
more than 12 months	5 223.5	5 161.7	61.8
Securitized liabilities			
up to 12 months	17 201.9	18 769.7	–1 567.8
more than 12 months	50 960.9	46 332.1	4 628.8
Negative fair values of derivative financial instruments			
up to 12 months	884.9	885.5	–0.6
more than 12 months	3 377.6	2 456.3	921.3
Subordinated liabilities			
up to 12 months	8.9	54.0	–45.1
more than 12 months	903.5	835.5	68.0

The maturity analysis includes the carrying amounts of all financial instruments, which are presented in groups by maturity (“up to 12 months” and “more than 12 months”). Transactions with an unspecified maturity (e. g. equity investments) were assumed to have a maturity of less than twelve months. Loans and advances to banks and to customers include the corresponding portions from the balance sheet item “measurement of the portfolio of hedged items.”

Cash collateral from collateral management reported under other assets or other liabilities in the amount of € 454.3 million (compared with € 11.4 million in 2010) and € 4 422.7 million (compared with € 4 007.8 million in 2010), respectively, have a maturity of up to twelve months. The other assets are not reflected as a result of their lack of materiality.

The liability items included financial instruments and immaterial other liability items as well as pension provisions, of which € 5.5 million (compared with € 5.6 million in 2010) have a maturity of up to twelve months and € 85.3 million (compared with € 84.4 million in 2010) have a maturity of more than twelve months.

Other disclosures

(68) Capital management

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

(69) Regulatory capital

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

The Group's regulatory capital was determined pursuant to the provisions of Sections 10 and 10a of the German Banking Act (Kreditwesengesetz, KWG). Pursuant to the option set out in Section 10a (7), we did not use the IFRS consolidated financial statements as the basis. The calculation of the amount of the Group's total capital was made in accordance with Section 64h (4) KWG using the aggregation method, on the basis of the HGB financial statements of the Group companies. Accordingly, there are differences in the amounts reported for the following items between both the IFRS consolidated financial statements and the HGB financial statements. Under the aggregation method, total capital of the companies included in the consolidated financial statements are not consolidated, but aggregated, while the carrying amounts of the equity investments are deducted. Total capital comprises liable capital – consisting of core capital (Tier 1) and supplementary capital (Tier 2) – plus third ranking capital funds (Tier 3).

The composition of the Group's aggregated regulatory capital as of December 31, 2011 on the basis of the HGB values is shown in the following table:

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Analysis of regulatory capital			
Subscribed capital	176	176	0
Disclosed reserves	842	782	60
Fund for general banking risks	1 304	1 126	178
Intangible assets	−6	−1	−5
Loss carryforward	−12	−12	0
Tier 1 capital	**2 304**	**2 071**	**233**
Subordinated liabilities	823	900	−77
Other components	406	289	117
Tier 2 capital	**1 229**	**1 189**	**40**
Liable capital	**3 533**	**3 260**	**273**
Tier 3 capital	0	0	0
thereof Tier 3 capital utilized	0	0	0
Total regulatory capital	**3 533**	**3 260**	**273**

(70) Assets pledged or accepted as security

Derivatives are entered into by the Group exclusively to hedge existing and foreseeable market price risks. Only counterparties from EU/OECD countries with top credit quality are chosen for such transactions. Rentenbank has concluded collateral agreements with all such counterparties. These agreements provide for cash deposits denominated exclusively in euros to secure the positive fair values from derivatives exceeding the contractually agreed allowance amounts and minimum transfer amounts, which depend on the credit quality. In return, Rentenbank undertakes to provide cash deposits denominated in euros in the case of negative fair values if these exceed the corresponding allowance and minimum transfer amounts. The interest applied to the collateral provided and accepted is the EONIA rate. Interest payments are made on a monthly basis. The carrying amounts of the cash collateral from the collateral management agreements amounted to € 454.3 million (compared with € 11.4 million in 2010) for collateral provided and € 4 422.7 million (compared with € 4 007.8 million in 2010) for collateral received.

The following assets are registered as collateral in the cover register for covered bonds in the amount of € 2 778.9 million (compared with € 3 236.2 million in 2010):

	Dec. 31, 2011 € million	Dec. 31, 2010 € million	Change in € million
Loans and advances to banks	8 046.9	9 814.4	–1 767.5
Loans and advances to customers	636.1	635.3	0.8

In order to ensure solvency, freely available collateral existed in the nominal amount of € 26 958 million (compared with € 28 717 million in 2010) as of the balance sheet date. As of December 31, 2011, Rentenbank took out secured overnight and time deposits in the amount of € 510 million (compared with € 0 million in 2010) from Deutsche Bundesbank. As in the prior year, no securities were deposited with Deutsche Bundesbank within the context of open market transactions at year-end 2011.

As of December 31, 2011, Rentenbank was owed receivables from money-market transactions of € 5.9 billion (compared with € 5.1 billion in 2010) from Eurex Clearing AG. Rentenbank had received securities as collateral in a nominal amount of € 7.0 billion (compared with € 5.5 billion in 2010). Within the scope of the collateral agreement, securities from Rentenbank's portfolio were provided as the initial margin in a nominal amount of € 1.2 billion (compared with € 1.2 billion in 2010).

(71) Volumes of foreign currency transactions

Due to the business strategy of the Group, there are generally no open currency positions. The currency risk is limited to the daily exchange rate changes to the balances in accounts held with correspondent banks denominated in foreign currencies.

The following table shows the related nominal foreign currency balances as of December 31, 2011:

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

The foreign exchange gain/loss resulting from the measurement of open currency positions in the year 2011 amounted to € 0.0 million and was reported in "net other operating result."

The following table shows the related nominal foreign currency balances as of December 31, 2010:

Nominal amounts in € million	USD	GBP	CHF	JPY	CAD	AUD	Other	Total
Assets								
Loans and advances to banks	0.1	5.8	72.0	0.0	0.0	0.0	33.6	111.5
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	969.5	322.5	0.0	267.5	210.5	0.0	10.3	1 780.3
Derivative financial instruments	32 727.8	2 530.5	2 163.3	3 475.7	1 242.9	6 696.4	3 202.9	52 039.5
Total assets	**33 697.4**	**2 858.8**	**2 235.3**	**3 743.2**	**1 453.4**	**6 696.4**	**3 246.8**	**53 931.3**
Liabilities								
Liabilities to banks	74.8	0.0	0.0	0.0	0.0	0.0	0.0	74.8
Liabilities to customers	82.3	0.0	0.0	46.0	0.0	0.0	0.0	128.3
Securitized liabilities	30 586.5	2 530.5	2 083.3	2 473.1	1 242.9	6 656.1	3 202.7	48 775.1
Subordinated liabilities	22.4	0.0	80.0	524.6	0.0	0.0	0.0	627.0
Derivative financial instruments	2 931.3	328.3	72.0	699.5	210.5	40.3	43.8	4 325.7
Total liabilities	**33 697.3**	**2 858.8**	**2 235.3**	**3 743.2**	**1 453.4**	**6 696.4**	**3 246.5**	**53 930.9**
Net currency position	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.4**

The foreign exchange gain/loss resulting from the measurement of open currency positions in the year 2010 amounted to € 0.0 million and was reported in "net other operating result."

(72) Equity investments	Dec. 31, 2011			Dec. 31, 2010		
	Subscribed capital in € million	Shareholding in %	Inclusion in the consolidated financial statements	Subscribed capital in € million	Shareholding in %	Inclusion in the consolidated financial statements
LR-Beteiligungsgesellschaft mbH, Frankfurt	28.6	100.0	Yes	28.6	100.0	Yes
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt	17.9	100.0	Yes	17.9	100.0	Yes
Getreide-Import-Gesellschaft mbH, Frankfurt	7.7	100.0	No	7.7	100.0	No
Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt	8.7	25.1	No	8.7	25.1	No
LAND-DATA Gesellschaft für Verarbeitung landwirtschaftlicher Daten GmbH, Hannover	0.8	10.9	No	0.8	10.9	No
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	10.2	9.8	No	10.2	9.8	No
Niedersächsische Landgesellschaft mbH, Hannover	0.8	6.3	No	0.8	6.3	No
Landgesellschaft Sachsen-Anhalt mbH, Magdeburg	9.2	5.6	No	9.2	5.6	No
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt	3 160.1	3.4	No	3 160.1	3.4	No
Landgesellschaft Schleswig-Holstein mbH, Kiel	27.5	3.2	No	27.5	3.2	No

The shares held in Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main, were not included in the consolidated financial statements for want of materiality. The remaining companies are neither controlled within the meaning of IFRS nor does Rentenbank exercise significant influence on these companies. Therefore, the interests held in these companies are reported as financial investments.

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

	Dec. 31, 2011 € '000	Dec. 31, 2010 € '000
Assets	8 994.9	9 259.5
Liabilities	1 012.5	1 028.0
Net income/loss for the year	–0.2	–0.4

(73) Related party disclosures

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

The following transactions were carried out with related parties:

	Board of Managing Directors		Subsidiaries		Associates	
€ '000	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Deposits	220.1	145.9	9 281.5	9 381.1	472.6	468.6

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

The Group has concluded a management service agreement (Geschäftsbesorgungsvertrag) with Getreide-Import-Gesellschaft mbH, Frankfurt/Main, (GiG). Income received from this agreement amounted to € 90.2 thousand (compared with € 87.1 thousand in 2010). In 2011, GiG paid an amount of € 2.5 thousand (compared with € 4.0 thousand in 2010) for internal audit services provided by the Group. GiG had a claim towards the Group for 2011 in the amount of € 153.3 thousand (compared with € 88.6 thousand in 2010) resulting from obligations related to pension plan deficits. Based on a profit and loss transfer agreement, the Group absorbed the net loss of GiG in the amount of € 11.7 thousand (compared with € 46.3 thousand in 2010).

In 2011, payments in the amount of € 26.6 thousand (compared with € 26.6 thousand in 2010) were made based on a service agreement (Dienstleistungsvertrag) concluded between Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main, and the Group.

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

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

As in the previous year, no significant transactions were carried out in 2011 with the supervisory authority or with companies that are controlled by the supervisory authority or where the supervisory authority exercises significant influence.

The following remuneration was determined for the individual members of the Board of Managing Directors for fiscal year 2011:

€ '000	Fixed remuneration 2011	Fixed remuneration 2010	Variable remuneration 2011	Variable remuneration 2010	Other remuneration 2011	Other remuneration 2010	Total 2011	Total 2010
Hans Bernhardt	485.0	300.0	235.0	355.0	34.7	32.0	754.7	687.0
Dr. Horst Reinhardt	485.0	300.0	235.0	355.0	23.9	22.0	743.9	677.0
Dr. Marcus Dahmen (until Feb. 8, 2010)	0.0	34.0	0.0	390.0	0.0	837.0	0.0	1 261.0
Total	**970.0**	**634.0**	**470.0**	**1 100.0**	**58.6**	**891.0**	**1 498.6**	**2 625.0**

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

The pension obligations due to members of the Board of Managing Directors amounted to € 3 745.1 thousand as of December 31, 2011 (compared with € 3 025.8 thousand in 2010). The portion of the additions to pension provisions related to members of the Board of Managing Directors to be classified as personnel expenses amounted to € 260.0 thousand in fiscal year 2011 (compared with € 242.6 thousand in 2010).

Pension and other obligations to former members of the Board of Managing Directors and former managing directors as well as their surviving dependants totaled € 16 174 thousand (compared with € 16 558 thousand in 2010) as of December 31, 2011. Benefits and other remuneration paid in the reporting period amounted to € 1 292 thousand (compared with € 1 269 thousand in 2010).

In accordance with the applicable remuneration arrangements, the Chairman/Chairwoman of the Advisory Board receives a fixed remuneration of € 25 thousand (compared with € 25 thousand in 2010) and the Deputy Chairman/Chairwoman € 12.5 thousand (compared with € 12.5 thousand in 2010). Members who chair a committee of the Advisory Board receive € 10 thousand (compared with € 10 thousand in 2010), unless they already receive a higher remuneration. Members of the Advisory Board working on a committee receive remuneration of € 8.5 thousand (compared with € 8.5 thousand in 2010), while members not working on a committee receive remuneration of € 7 thousand (compared with € 7 thousand in 2010). In addition, members of the Advisory Board receive attendance fees amounting to € 0.5 thousand (compared with € 0.5 thousand in 2010) per meeting attended.

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

	Membership		Remuneration		Attendance fees	
in € ’000	2011	2010	2011	2010	2011	2010
Gerd Sonnleitner (Chairman)	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	25.0	25.0	3.0	3.0
Ilse Aigner *	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	12.5	12.5	1.0	1.5
Dr. Helmut Born	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	8.5	8.5	1.5	2.5
Bruno Fehse	Jan. 1 - Nov. 15	Jan. 1 - Dec. 31	6.1	7.0	1.0	1.0
Udo Folgart	Jan. 1 - Jun. 30	Jan. 1 - Dec. 31	3.5	7.0	0.5	1.5
Heinrich Haasis	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	8.5	8.5	0.0	1.0
Dr. Werner Hildenbrand	Nov. 16 - Dec. 31	-	0.9	0.0	0.0	0.0
Werner Hilse	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	8.5	8.5	2.0	1.5
Dr. Benjamin-Immanuel Hoff	Jan. 1 - Dec. 6	Jan. 1 - Dec. 31	6.4	7.0	1.5	1.5
Dietrich Jahn	Jan. 1 - Jun. 30	Jan. 1 - Dec. 31	4.3	8.5	0.0	1.5
Wolfgang Kirsch	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	8.5	8.5	1.0	1.5
Dr. Robert Kloos	Jan. 1 - Dec. 31	Oct. 1 - Dec. 31	8.5	1.9	1.0	0.5
Franz-Josef Möllers	Jan. 1 - Dec. 31	Jul. 1 - Dec. 31	8.5	3.7	1.5	1.0
Klaus-Peter Müller	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	10.0	10.0	1.0	0.5
Manfred Nüssel	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	8.5	8.5	1.5	2.5
Johannes Remmel	Jan. 1 - Dec. 31	Jul. 15 - Dec. 31	7.0	3.2	0.5	0.5
Brigitte Scherb	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	8.5	8.5	2.0	2.0
Norbert Schindler	Aug. 9 - Dec. 31	Jan. 1 - Jun. 30	2.9	4.3	0.5	1.0
Dr. Klaus Stein	Jul. 1 - Dec. 31	-	3.7	0.0	1.0	0.0
Eckhard Uhlenberg	-	Jan. 1 - Jul. 13	0.0	3.8	0.0	1.0
Dr. Jörg Wendisch	-	Jan. 1 - Sep. 30	0.0	6.4	0.0	2.0
Klaus Wiesehügel	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	8.5	8.5	0.5	1.5
Herbert Wolff	Jan. 1 - Dec. 31	Jan. 1 - Dec. 31	7.0	7.0	1.0	1.5

* Donation to Kinderdorf Irschenberg

(74) Average number of employees

	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**

(75) Auditors’ fees

	2011		2010
	New auditing company € ’000	Previous auditing company € ’000	€ ’000
Auditing of financial statements	260.0	0.0	281.0
Other Audit services	0.0	83.6	104.3
Miscellaneous services	0.0	19.2	120.5

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

Responsibility Statement

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

Frankfurt am Main, March 9, 2012

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Hans Bernhardt   Dr. Horst Reinhardt

Auditor's Report

We have audited the consolidated financial statements prepared by Landwirtschaftliche Rentenbank, Frankfurt/Main, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt/Main, March 9, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bernhard
Wirtschaftsprüfer

Liebermann
Wirtschaftsprüfer

Organs (as of March 1, 2012)

Board of Managing Directors

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

Advisory Board

Chairman:

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

Deputy:

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

Representatives of the Deutscher Bauernverband e.V.:

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

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

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

Franz-Josef Möllers
Präsident des Westfälisch-Lippischen-Landwirtschaftsverbands e.V., Münster

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

Norbert Schindler, MdB
Präsident des Bauern- und Winzerverbands Rheinland-Pfalz Süd e.V., Mainz (since 09.08.2011)

Representative of the Deutscher Raiffeisenverband e.V.:

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

Representatives of the Food Industry:

Bruno Fehse
Präsident des Bundesverbands der Agrargewerblichen Wirtschaft e.V., Bonn (until 15.11.2011)

Dr. Werner Hildenbrand
stv. Vorsitzender des Vorstands der Bundesvereinigung der Deutschen Ernährungsindustrie e.V., Berlin (since 16.11.2011)

State Ministers of Agriculture:

Berlin:
Prof. Dr. Benjamin-Immanuel Hoff
Staatssekretär in der Senatsverwaltung für Gesundheit, Umwelt und Verbraucherschutz des Landes Berlin, Berlin (until 06.12.2011)

North Rine-Westphalia:
Johannes Remmel
Minister für Klimaschutz, Umwelt, Landwirtschaft, Natur- und Verbraucherschutz des Landes Nordrhein-Westfalen, Düsseldorf (until 31.12.2011)

Saxony:
Herbert Wolff
Staatssekretär im Sächsischen Staatsministerium für Umwelt und Landwirtschaft, Dresden (until 31.12.2011)

Saxony-Anhalt:
Dr. Hermann Onko Aeikens
Minister für Landwirtschaft und Umwelt des Landes Sachsen-Anhalt, Magdeburg (since 01.01.2012)

Rhineland-Palatinate:
Ulrike Höfken
Staatsministerin für Umwelt, Landwirtschaft, Ernährung, Weinbau und Forsten, Mainz (since 01.01.2012)

Schleswig-Holstein:
Dr. Juliane Rumpf
Ministerin für Landwirtschaft, Umwelt und ländliche Räume des Landes Schleswig-Holstein, Kiel (since 01.01.2012)

Representative of the Trade Unions:

Klaus Wiesehügel
Bundesvorsitzender der IG Bauen-Agrar-Umwelt, Frankfurt am Main

Representative of the Federal Ministry of Food, Agriculture and Consumer Protection:

Dr. Robert Kloos
Staatssekretär, Berlin

Representative 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

Heinrich Haasis
Präsident des Deutschen Sparkassen- und Giroverbands e.V., Berlin

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

General Meeting

Appointed by the Federal State of Baden-Wuerttemberg:

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

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

Appointed by the Free State of Bavaria:

Werner Reihl
Bezirkspräsident Oberfranken im Bayerischen Bauernverband, Arzberg-Bergnersreuth

Jürgen Ströbel
Vizepräsident des Bayerischen Bauernverbands, Rügland

Appointed by the Federal States of Berlin and Brandenburg:

Jürgen Ebel
Oberkrämer-Vehlefanz

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

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

Appointed by the Free Hanseatic City of Bremen:

Hermann Sündermann
Präsident der Landwirtschaftskammer Bremen,
Bremen

Appointed by the Free and Hanseatic City of Hamburg:

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

Appointed by the Federal State of Hesse:

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

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

Appointed by the Federal State of Mecklenburg-Western Pomerania:

Harald Nitschke
Geschäftsführer der Raminer Agrar GmbH, Ramin

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

Appointed by the Federal State of Lower Saxony:

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

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

Appointed by the Federal State of North Rhine-Westfalia:

Johannes Frizen
Präsident der Landwirtschaftskammer
Nordrhein-Westfalen, Alfter

Friedrich Ostendorff, MdB
Landwirt, Bergkamen

Appointed by the Federal State of Rhineland-Palatinate:

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

Michael Prinz zu Salm-Salm
Schloss Wallhausen

Appointed by the Federal State of Saarland:

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

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)

Forward-Looking Statements

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

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