

## Landwirtschaftliche Rentenbank

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# Landwirtschaftliche Rentenbank

## Major Rating Factors

### Strengths:

- Our view of an "almost certain" likelihood of extraordinary support from the German government in times of financial stress.
- "Critical" role in the pursuit of government policies and an "integral" link with the government.
- Low-risk operational strategy, a stable financial profile, and strong capitalization.

### Counterparty Credit Rating

AAA/Stable/A-1+

### Weaknesses:

- Near impossibility of raising additional shareholder capital due to ownership structure.

## Rationale

The ratings on Landwirtschaftliche Rentenbank (Rentenbank), a specialized development bank with a public policy mandate to promote German agriculture (including forestry and fisheries) and rural areas, are based on our assessment of an "almost certain" likelihood of extraordinary support from the government of the Federal Republic of Germany (AAA/Stable/A-1+).

In line with our criteria for rating government-related entities, our assessment of an "almost certain" likelihood of support is based on our view of:

- Rentenbank's "integral" link with the government. Although the government is not Rentenbank's legal owner, the legal concept of "Anstaltslast" (maintenance obligation) means that the government, as the creator of Rentenbank, is obliged to safeguard Rentenbank's economic foundation for the duration of its existence, providing support when necessary. The government not only supervises the bank through the Ministry of Food, Agriculture, and Consumer Protection--as well as the Ministry of Finance--it also effectively determines Rentenbank's policies. This was demonstrated in 2009 when the government tasked Rentenbank with implementing and financing an agricultural stimulus program, which involved direct federal budgetary contributions.
- Rentenbank's "critical" public policy role, which includes promoting Germany's rural areas and contributing to ensure the constitutional mandate of equal living opportunities across the territory of the Federal Republic.

Rentenbank's operational strategy is low risk, in our opinion. Intermediate banks assume credit risk and provide collateral to Rentenbank. In addition, we believe Rentenbank benefits from an outstanding track record of loan recovery, conservative capitalization, and a stable financial profile characterized by prudent strategies for comprehensively hedging currency and interest rate risks.

With total assets of €77 billion, as of June 30, 2011, Rentenbank has supported the government's agricultural and rural policy objectives since 1949 through the provision of financing to the agriculture and food sectors. The bank predominantly raises its funds in the international capital markets. It provides resources through intermediate banks, which onlend to the ultimate borrower, assume the credit risk, and provide collateral. Standard promotional loans

are offered at competitive rates, including to banks in other EU member states. Special loans with favorable financial conditions are Rentenbank's key promotional instrument, but their use is restricted to financing programs and investments benefiting the German rural sector. Given the bank's public policy mandate, profitability is consciously low; however, its stable and risk-weighted capitalization remains comfortable, in our view.

Government support for Rentenbank complies with the EU's rules on state aid, unlike the now defunct guarantees for German Landesbanks (abolished in mid-2005). In March 2002, an agreement between Germany and the European Commission confirmed this status. The agreement stated that German development banks could continue to benefit from state support to the extent that they are entrusted with promotional tasks in compliance with the EU's state aid rules. Rentenbank's obligations will continue to be fully and unconditionally supported by the German government under Anstaltslast.

## Outlook

The stable outlook reflects our expectation that Rentenbank will remain an integral part of the government's economic development policies. This should enable the bank to maintain its public law status and secure ongoing federal government support through Anstaltslast.

We expect that Rentenbank will continue to generate modest but stable operating profits, consistent with its public policy mandate. In addition, we expect risk-adjusted capital ratios to remain very comfortable. We believe that Rentenbank's stand-alone credit profile will continue to be supported by its stable, low-risk business and prudent risk-management practices.

We think it highly unlikely that Rentenbank will undergo a change in its legal status over the medium term. Although the bank's capital was raised through a special levy on German farmers between 1949 and 1958, no natural or legal person possesses property rights over Rentenbank (rather, the bank belongs to "the agricultural sector"). Accordingly, a merger or takeover by another publicly owned development bank is not viable. On the downside, the ownership structure makes it almost impossible for the bank to raise additional shareholder capital, meaning capital can only increase through retained earnings.

## Profile And Strategy: Mandate To Promote German Agriculture

- Rentenbank's public policy mandate to promote Germany's agricultural and rural sectors characterizes its lending activities.
- Rentenbank does not lend directly to rural investors, but channels its resources through the banking system, which assumes the credit risk.

Rentenbank was founded in 1949 by the government of the Federal Republic of Germany through the Rentenbank Act (Gesetz über die Landwirtschaftliche Rentenbank), which defines its mandate and permitted operational activities. It established Rentenbank as the central public refinancing agency for the agricultural sector, the food industry, and rural areas. The bank's mandate is the promotion and development of German agriculture, including forestry and fishing. Rentenbank raises financial resources, which are then channeled through the banking sector. The onlending banks bear the credit risk and charge a spread for channeling funds to the final beneficiary. Rentenbank does not normally receive any funds from the federal or Länder (state) governments for its promotional activities. Nor does it accept deposits, or operate a direct credit window. With minor exceptions related to its

promotional nonprofit mandate, Rentenbank does not take equity stakes, nor does it provide guarantees. The business model means that Rentenbank does not compete with, but rather complements, the activities of the commercial banking sector. Onlending banks are entrusted with credit risk appraisal and collateralization, and are liable for repayment to Rentenbank. This allows it to operate in a centralized fashion as a relatively small institution, with about 230 staff at its Frankfurt headquarters. Broadly speaking, Rentenbank operates two loan windows:

- Standard promotional loans window. These loans are provided to banks at competitive rates, which in turn onlend the resources to borrowers in rural areas. Loans are also granted to banks outside Germany as long as they are domiciled in an EU member state. New lending commitments outside Germany accounted for 35% of total lending in 2010. Standard promotional loans used to be Rentenbank's largest loan window. However, in a bid to refocus on the bank's core activities and to reduce its credit risk, Rentenbank significantly reduced standard promotional lending in 2009. €1.9 billion was granted in standard promotional loans in 2010, slightly above the €1.5 billion in 2009, but still well below the €4.2 billion lent in 2008. In addition, the bank has in recent years increasingly relied on the purchase of fixed-income securities as an alternative to the standard promotional loan business. In 2010, it purchased such securities in line with its promotional mandate amounting to €4.3 billion (€3.8 billion in 2009). Since 2009 the focus has shifted toward a larger share of collateralized securities, such as covered bonds; and
- A special loans window (Programmkredite). This is the main promotional lever at Rentenbank's disposal. It provides loans at preferential interest rates to recipients or purposes that have been identified as particularly worthy. Borrowers not resident in Germany are ineligible for these loans. This window is also used to mitigate the economic impact of agricultural crises. Recent examples include responses to drought in 2003, floods in 2002, and an outbreak of bovine spongiform encephalopathy (mad cow disease) in 2001. In 2009, the bank granted another all-time high of special loans, at €6.0 billion, up from €5.4 billion in 2009 and €4 billion in 2008. The first half of 2011 saw a further increase in special promotional loans (up 7% versus first half of 2009). The supply of special loans depends on Rentenbank's income from other areas, such as income from the standard promotional loan window and interest income from securities, and does not entail budgetary layouts by the federal or Länder governments. Occasionally, however, the federal government opts to provide interest subsidies to support Rentenbank's lending activity. It did this in 2010 (€20 million) and 2009 (€25 million) in the context of the government's agricultural stimulus package. Similarly, individual Länder governments have repeatedly provided similar interest subsidies for the agricultural sector within their jurisdictional boundaries.

Rentenbank reduced its balance sheet by almost 14% in 2009, after it had experienced rapid and consistent lending growth in recent years, despite a shrinking agricultural sector. The reduction was a deliberate move to lower credit risk. In turn, special promotional lending has accelerated markedly, in a sign that Rentenbank is refocusing its activities closer to its core mission. We believe that the bank's loan portfolio will continue to grow, as it did again in 2010, but at an overall slower pace.

We think the ongoing restructuring and consolidation in Germany's banking sector could affect Rentenbank's future business growth, because large universal banks tend to use its refinancing facilities less intensively than the more regionally focused and client-oriented savings and cooperative banks. However, Rentenbank has coped well with the German Landesbanks' loss of guarantees from federal states, which occurred in mid-2005; the loss negatively affected the Landesbanks' creditworthiness and in response Rentenbank reduced their share of channeling new loans to 5% in 2010, down from 31% in 2004. We note, however, that increased onlending through savings banks (15%

in 2009), cooperative banks (13%), and development banks (16%) has largely compensated for the falling share of new loans channeled by the Landesbanks.

Rentenbank's ingrained institutional and operational conservativeness was underlined in February 2010, when the bank's Advisory Board decided to prematurely cancel the contract with its then-spokesman of the Management Board. This followed a push by the spokesman to change the bank's operational strategy toward increased direct lending to the agricultural sector and for the bank to assume greater risks. A successor has not yet been appointed.

## **Ownership And Legal Status: All Obligations Supported By The Federal Republic**

- Although the German agricultural sector built up Rentenbank's capital, no natural or legal entity, including the federal and Länder governments, holds any property rights over the bank.
- Rentenbank does not benefit from a statutory federal guarantee, but its obligations are fully and unconditionally supported by the creditworthiness of the sovereign, through the Anstaltslast.
- The amendments to the Rentenbank Act in July 2002 and August 2003 did not alter the bank's legal status, but rather were predominantly an initiative to define permitted promotional activities more clearly in law.

Rentenbank's equity was raised through direct contributions from the agricultural and forestry sectors until 1958, rather than through government injections. This capitalization scheme distinguishes Rentenbank from other public development banks in Germany--such as KfW (AAA/Stable/A-1+)--where the government formally owns the bank(s). In Rentenbank's case, the Advisory Board (Verwaltungsrat) appoints the members of the Management Board, which is in charge of day-to-day operations. The Advisory Board is presided over by a member elected from the ranks of the German Farmers' Association and includes representatives of agricultural interest groups, Länder governments, trade unions, and other banks. The Federal Banking Supervisory Authority and the federal government supervise Rentenbank through the Ministry of Food, Agriculture, and Consumer Protection, together with the Ministry of Finance.

Although the government is not a shareholder in Rentenbank, it was its founder. Under German public law, this means that the Federal Republic has to safeguard Rentenbank's economic foundation and maintain the bank's ability to honor its obligations as they fall due. The material effect of Anstaltslast is that its obligations are fully and unconditionally supported by the creditworthiness of the sovereign.

Anstaltslast is a legal principle that obliges the guarantor (Anstaltsträger) to secure the economic basis of the entity (Anstalt), to maintain its functioning for the duration of its existence, and to cover possible financial gaps through the use of subsidies or other appropriate means. As a consequence, bankruptcy is practically impossible. From a strictly legal point of view, Anstaltslast only creates a liability in the internal relationship (Innenverhältnis) between Rentenbank and the sovereign, and creditors do not have a legal claim against the sovereign. Anstaltslast is limited neither in time nor in amount. The Anstalt is not required to pay remuneration for the state's maintenance obligation.

Under Anstaltslast, funds could be made available without parliamentary appropriation or consent. Rentenbank does not benefit from a statutory federal guarantee, but we consider the lack of formal guarantees to be inconsequential with regard to its credit standing, because obligations are already fully backed through Anstaltslast.

As a public law institution serving public policy objectives rather than pursuing profits, Rentenbank is exempt from

corporate taxation, and the Rentenbank Act explicitly prohibits the payment of dividends. Earnings are allocated to reserves or are used for the promotion of German agriculture through special loans or other means. The dissolution of Rentenbank would require legislation, and any net assets would have to be used in accordance with its public policy mandate.

## Asset Quality: Excellent Asset Quality Remains A Hallmark Of Rentenbank's Financial Profile

- Asset quality remains excellent, in our opinion, despite rapid asset growth till 2008 and weakening creditworthiness of intermediating commercial banks since then.
- 2008 witnessed the first credit losses for Rentenbank in many years, amounting to €35 million. There are currently no impaired assets, however.
- Development-related assets represent some 90% of total balance-sheet assets.

The clearly defined and low-risk operations of Rentenbank fostered a period of steady and rapid growth in its balance sheet, which surpassed €90 billion in 2008. In 2009, however, the bank actively reduced its balance sheet to €79 billion, which then grew back to €84 billion in 2010. The principal asset components are receivables from intermediate banks (€49 billion) and fixed-income securities (€26 billion) that are almost exclusively from financial entities within the EU. The remainder is in cash and receivables from nonbanks.

Direct loans from Rentenbank to the agricultural sector require explicit approval from the Advisory Board. During a brief period in 2008-2009, the bank undertook a limited amount of direct lending to the agricultural sector, which was reflected in the 2009 balance sheet stock of €513 million, made up of special promotional loans extended directly to the agricultural sector. In the main, however, direct lending to the sector has remained at minimal levels.

Rentenbank's accounts have traditionally been drawn up according to the German commercial code (Handelsgesetzbuch, HGB). The adoption of International Financial Reporting Standards (IFRS) in 2007--alongside HGB reporting, which will continue--makes year-on-year comparisons more complicated. In particular, the valuation changes of financial investments make the financial performance of Rentenbank appear much more volatile than in the past (for more details see "Profitability" below). On the other hand, because the bank has no financially important subsidiaries, the consolidation principle under IFRS has had only negligible effects.

Asset quality remains excellent, in our view, even though assets have increased by more than 60% since 2000. Nevertheless, in 2008, the financial crisis led to the bank suffering its first credit losses in many years: as a result, it wrote off an exposure of €35 million. Rentenbank currently does not have any impaired assets, however. Two policy guidelines aim to mitigate borrower default risk:

- The intermediate banks, particularly in the special loans window, not only routinely assume all credit risk related to the borrower, but often provide and assign collateral to secure Rentenbank exposure; and
- Rentenbank limits its exposure to any single bank by monitoring its onlending through an internal bank risk rating system. When banks' creditworthiness suffered during the financial crisis, Rentenbank curtailed its unsecured lending in order to mitigate rising counterparty risk.

We expect both the domestic and EU-wide expansion of Rentenbank's operations to continue in a gradual and financially prudent manner. This, together with its conservative risk management, should ensure continued strong

asset quality.

Rentenbank's balance sheet is almost entirely geared toward its developmental purpose. Development-related assets in the wider sense (comprising promotional and special loans, and the majority of bonds and fixed-income securities held) account for almost 90% of balance-sheet assets, with special loans, Rentenbank's main promotional instrument, accounting for some 36% of development-related assets.

## Profitability: Rentenbank Weathered The Storm Well

- Rentenbank posted €152 million net income in 2010, after suffering its first net loss under IFRS reporting in 2009, as a result of valuation losses.
- The stability of loan demand, effective control over rates on special loans, prudent asset-liability management, and a strong record of loan recovery make future operational losses unlikely, in our view.
- The switch to IFRS has made financial results more volatile.

In compliance with its promotional policy and not-for-profit mandate, Rentenbank operates a special loans window at the expense of overall profitability (its operating income typically amounts to 7%-14% of average shareholder equity). IFRS accounting, particularly in connection with the financial crisis, has created volatility in net income and comprehensive income as a result of fair value measurement and hedge accounting. After negative net income (-€77 million) but positive comprehensive income (€190 million) in 2009, in 2010 Rentenbank posted positive net income (€152 million) and negative comprehensive income (-€78 million). In both cases valuation changes were the main driver behind negative income.

Operational results have remained fairly stable, though, but experienced a peak in 2009 and 2010 when interest spreads widened. Rentenbank's interest rate spread over the entire balance sheet has increased, because its own refinancing costs remained largely unaffected. As a result, the level of operating income over average assets increased to 37 basis points (bps) in 2010, compared to 17bps in 2007. We expect this to be a temporary peak, however, and spreads are likely to decline again in the future. We do not consider a decline in net interest margin and other profitability indicators to be a major concern, however. Rentenbank is in the unusual position of being able, within strict limits, to set its own margin by managing the financial conditions and volumes of its special loans program. As a result, we think the underlying reasons for comparatively low profitability should be regarded as part of a deliberate strategy to enhance the bank's public policy role.

Operating expenses have increased at similar rates to profits, locking the cost-to-income ratio into a tight corridor that is substantially lower than 20%. This level is below that of KfW, and much lower than those of most banks.

Under IFRS, negative results from fair value measurement and hedge accounting of €144 million in 2010 and €370 million in 2009 reduced net income in 2010 and resulted in negative net income in 2009. The inverse effect was observed in 2008, when net income was boosted by €262 million to €463 million. In turn, changes in Rentenbank's revaluation reserve of -€230 million resulted in negative comprehensive income in 2010, while a positive change of €267 million resulted in positive comprehensive income in 2009, despite negative net income.

Because Rentenbank has no trading book and holds securities and hedges until maturity, the valuation changes are not economically meaningful concepts, in our opinion. As financial securities and swaps mature, the valuation losses or gains will be reversed, unless counterparties actually default during the term of the contract. In short, we believe

that Rentenbank's exposure to market risk is exaggerated by IFRS accounting conventions.

Over the medium term, we understand that Rentenbank's management aims to deliver a predictable and broadly stable level of operating income, and, at the same time, aims to strengthen balance-sheet capital. Short of a deterioration in counterparty risk beyond our current expectations, we think Rentenbank's strong track record in loan recovery, its effective control over rates on special loans, and the stability of demand for its products give it sufficient maneuverability to maintain operational profits at low levels without incurring sustained losses. Our view remains despite the potential for IFRS-mandated valuation effects masking the underlying stability of its operations.

## Asset And Liability Management and Liquidity: Untouched by the Crisis

- Debt issuance has expanded quickly. In 2010, medium- and long-term issuance totaled €11 billion and total outstanding stock reached €59 billion.
- Currency risk is fully hedged; remaining interest and maturity risks are kept within conservatively set risk limits.
- Rentenbank's zero-risk weighting should secure low financing costs.
- Rentenbank has had ample access to liquidity throughout the duration of the financial crisis.
- Beyond its liquid assets, the bank has a large portfolio of securities eligible for repurchase agreements (repos).

Rentenbank raises all of its required resources on the financial markets. With balance-sheet assets having increased rapidly in recent years, its refinancing needs have grown accordingly.

Rentenbank is a well-established issuer on the international capital markets. As a result of increasing risk aversion among investors, demand for highly-rated "safe haven" securities has risen markedly, which has been particularly beneficial for the bank. The bank runs a €20 billion commercial paper (CP) program, with outstanding volume of close to €6 billion in mid-2011.

Medium- and long-term financing amounted to €11 billion in 2010, broadly in line with levels since 2001. The bank continues to demonstrate a globally diversified funding strategy. Its €60 billion euro medium-term note (EMTN) program remains the principal refinancing vehicle, and the EMTN program accounted for almost two thirds of refinancing in 2010. This was complemented by increasing issuance of global bonds, and issuance under an Australian dollar 10 billion medium-term note program.

Rentenbank's loans are almost exclusively denominated in, or swapped into, euros. The share of euro-denominated issuance has typically hovered between 25%-50%. Accordingly, Rentenbank follows a policy of hedging all foreign currency exposure. In addition, it uses interest rate and cross-currency swaps to eliminate risk. Derivatives are used strictly to eradicate balance-sheet risk, and speculative trading is prohibited. Similarly, and as a matter of principle, Rentenbank does not trade in equities. The comprehensive hedging strategy reduces the bank's exposure to default by swap counterparties and intermediate banks on lending its funds.

Rentenbank's issuance was assigned a zero risk weighting in January 2007, under Germany's new Solvency Ordinance (Solvabilitätsverordnung), which implements the capital requirements of Basel II. This also implies zero risk weighting in all the other EU countries, in line with the EU banking directive.

The growth of outstanding euro-denominated CP, which briefly surged to over €16 billion in mid-2008, demonstrates forcefully, in our view, that access to liquidity is not a concern for Rentenbank, even under a scenario of adverse market conditions. Cash and balances with central banks are low (€14 million in mid-2011). As a

registered bank, Rentenbank has access to European Central Bank liquidity and at mid-2010 had eligible repo collateral of €30 billion, which could be used to access funds to service CP obligations if the liquidity buffer proved insufficient or if CP could not be refinanced.

## Capitalization: Comfortably Above Legal Requirements

- Headline capitalization appears low. The risk weighting of the bank's assets shows capital adequacy indicators have increased considerably over the past two years, exceeding legal requirements.
- We believe its core capital and total equity ratios will comfortably remain above legal requirements.

We regard Rentenbank as comfortably capitalized, once the low-risk profile of its business is taken into account. Shareholders' equity amounted to €2.1 billion at year-end 2010 (under IFRS), not including subordinate liabilities (€0.9 billion). The core capital ratio was 16.0%, and increased further to 18.6% in mid-2011, well above the required 4%. Similarly, the total equity ratio of 25.2% at year-end 2010 (28.0% at mid-2011) substantially exceeds the required 8%. We do not expect the tighter capital requirements envisaged under Basel III to pose a problem for Rentenbank.

We expect the bank's capital endowment to remain robust, with core capital ratios staying well above legally required levels. Consequently, it has no need to raise fresh capital. Moreover, management is conscious that a conservative approach to capitalization is required because its idiosyncratic ownership structure makes it almost impossible to raise additional shareholder equity.

**Table 1**

Rentenbank--Key Financial results*							
--Year-ended Dec.31--							
(Mil. €)	2011¶	2010	2009	2008	2007	2006	2005
Assets	77,337.9	83,783.0	77,847.8	90,101.0	88,677.7	82,719.4	77,116.3
Loans to banks	45,052.8	48,742.5	45,096.2	51,615.2	58,395.8	55,450.1	54,837.2
Equity§	2,313.2	2,146.6	2,236.1	2,055.9	2,000.5	2,035.9	1,659.7
Operating Result**	144.0	296.2	292.8	202.3	145.9	135.9	182.0
Net Income	153.2	151.8	(76.9)	463.4	51.0	174.4	40.0
Comprehensive income¶¶	178.4	(78.2)	190.4	66.5	N.A	N.A	N.A

\*From 2006 onwards IFRS accounting standards. ¶As of June 30, 2011. §To allow comparability excluding fund for general banking risks in 2005 and earlier years, which is no longer applicable under IFRS accounting. The fund for general banking risks had reached €981 million under German Accounting standards (HGB). \*\*Before risk provision and valuation. ¶¶Data available only from 2008. N.A.--Not available.

**Table 2**

Rentenbank--Key Financials*							
--Year-ended Dec.31--							
(Mil. €)	2011¶	2010	2009	2008	2007	2006	2005
<b>Assets</b>							
Cash, due on demand from banks and customers	484.6	56.9	104.8	1,992.3	2,026.0	2,381.8	1,950.3
Bonds and other fixed income securities	24,983.1	26,422.7	27,818.3	27,425.6	25,835.8	22,079.1	20,179.5
Of which gross development securities§	22,000.0	23,100.0	23,600.0	22,700.0	21,095.9	18,812.6	18,274.7

Table 2

<b>Rentenbank--Key Financials* (cont.)</b>							
Of which eligible as repossession collateral**	22,974.3	25,319.5	26,818.2	26,391.3	23,465.9	20,418.6	17,908.5
Gross development loans	47,048.4	50,800.5	46,450.7	57,294.8	59,526.9	57,179.4	56,562.0
Of which to banks	45,052.8	48,742.5	45,096.2	51,615.2	58,395.8	55,450.1	54,837.2
Gross equity investments	118.8	118.8	118.8	105.1	150.6	150.6	156.7
Other assets	7,686.1	9,706.8	7,573.5	8,008.8	6,028.9	4,345.3	172.6
Total assets	77,337.9	83,783.0	77,847.8	90,101.0	88,677.7	82,719.4	77,116.3
<b>Liabilities</b>							
Other short-term funding¶¶	N.A.	20,609.7	24,093.4	35,343.9	35,196.6	32,053.4	20,781.6
Long-term funding¶¶	N.A.	56,846.6	51,099.4	52,538.2	50,288.9	47,384.0	53,240.6
Other liabilities	N.A.	5,069.6	1,540.8	1,377.1	1,266.1	1,324.4	1,277.8
Total liabilities	75,024.7	81,636.4	75,611.7	88,045.1	86,677.2	80,683.5	75,456.6
<b>Capital</b>							
Paid-in capital	135.0	135.0	135.0	135.0	135.0	135.0	135.0
Other capital	2,178.2	2,011.6	2,101.1	1,920.9	1,865.5	1,900.9	1,524.7
Total shareholders' equity	2,313.2	2,146.6	2,236.1	2,055.9	2,000.5	2,035.9	1,659.7
<b>Other items</b>							
Guarantees	3.6	4.1	119.1	117.6	9.0	9.7	8.4
Operating Income§§	144.0	296.2	292.8	202.3	145.9	135.9	182.0
Net income	153.2	151.8	(76.9)	463.4	51.0	174.4	40.0
Comprehensive income***	178.4	(78.2)	190.4	66.5	N.A.	N.A.	N.A.

\*From 2006 onwards IFRS accounting standards. Up to 2005 unconsolidated according to German Accounting Standards (HGB). ¶¶As of June 30, 2011. §Securities purchased for policy purposes. \*\*For repossession transaction with Deutsche Bundesbank. ¶¶At residual maturity; from 2006 onwards including negative fair value of derivative financial instruments. §§Before risk provision and valuation. \*\*\*Data available only from 2008. N.A.--Not available.

Table 3

<b>Rentenbank--Key Ratios*</b>							
(%)	<b>--Year-ended Dec.31--</b>						
	<b>2011¶</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Gearing</b>							
Development securities, outstanding loans, equity investments/total assets	89.4	88.3	90.1	88.9	91.1	92.0	97.2
Provisions for losses plus shareholders' equity/total assets plus guarantees	32.7	32.8	37.3	31.5	28.7	27.1	2.2
Tier I equity ratio	18.6	16.0	15.3	12.4	10.4	10.7	10.1
Tier II equity ratio	28.0	25.2	23.9	19.3	16.8	16.8	15.9
<b>Funding and Liquidity</b>							
Liquid assets/total assets	0.6	0.1	0.1	2.2	2.3	2.9	2.5
Liquid assets/gross debt		0.1	0.1	2.3	2.4	3.0	2.6
<b>Profitability</b>							
Operating income/average assets and guarantees (basis points [bps])*	18.5	36.6	34.8	22.6	17.0	17.0	24.4
Net income/average assets and guarantees (bps)*	19.7	18.8	(9.1)	51.8	6.0	21.8	5.4
Comprehensive income/average assets and guarantees (bps)*	23.0	(9.7)	22.6	7.4			
Operating income/average shareholders' equity*	6.5	13.5	13.6	10.0	7.2	7.4	11.4

Table 3

<b>Rentenbank--Key Ratios* (cont.)</b>							
Net income/average shareholders' equity*	6.9	6.9	(3.6)	22.8	2.5	9.4	2.5
Comprehensive income/average shareholders' equity*	8.0	(3.6)	8.9	3.3	N.A.	N.A.	N.A.
Operating expenses/net income	11.3	11.5	17.8	10.9	16.3	17.2	17.1
<b>Other credit indicators</b>							
Growth in development securities, loans, equity investments, and guarantees	(13.8)	5.3	(12.4)	(0.7)	6.1	1.5	5.1

\*From 2006 onwards IFRS accounting standards. Up to 2005 unconsolidated according to German Accounting Standards (HGB). †As of June 30, 2011. N.A.--Not available.

## Related Criteria And Research

Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010

<b>Ratings Detail</b> (As Of November 1, 2011)		
<b>Landwirtschaftliche Rentenbank</b>		
Counterparty Credit Rating		AAA/Stable/A-1+
Certificate Of Deposit		
<i>Foreign Currency</i>		AAA
Commercial Paper		
<i>Local Currency</i>		A-1+
Senior Unsecured (272 Issues)		AAA
Short-Term Debt (2 Issues)		A-1+
Subordinated (3 Issues)		AAA
<b>Counterparty Credit Ratings History</b>		
01-Sep-1999	<i>Foreign Currency</i>	AAA/Stable/A-1+
13-Jan-1994		AAA/Stable/--
01-Sep-1999	<i>Local Currency</i>	AAA/Stable/A-1+
15-Nov-1994		AAA/Stable/--
<b>Sovereign Rating</b>		
Germany (Federal Republic of) (Unsolicited Ratings)		AAA/Stable/A-1+
<b>Related Entities</b>		
<b>Bundes-Pensions-Service fuer Post und Telekommunikation e.V.</b>		
Issuer Credit Rating		AAA/Stable/A-1+
<b>DFS Deutsche Flugsicherung GmbH</b>		
Issuer Credit Rating		AAA/Stable/A-1+
Commercial Paper		
<i>Local Currency</i>		A-1+
Senior Unsecured (2 Issues)		AAA
<b>FMS Wertmanagement Anstalt des oeffentlichen Rechts</b>		
Issuer Credit Rating		AAA/Stable/A-1+
Certificate Of Deposit		AAA/A-1+
<b>Germany (Federal Republic of) (Unsolicited Ratings)</b>		
Issuer Credit Rating		AAA/Stable/A-1+
Transfer & Convertibility Assessment		AAA

<b>Ratings Detail</b> (As Of November 1, 2011) <b>(cont.)</b>	
Commercial Paper	A-1+
Senior Unsecured (0 Issues)	A-1+
Senior Unsecured (2341 Issues)	AAA
Short-Term Debt (7 Issues)	A-1+
Short-Term Debt (1 Issue)	AAA
<b>KfW</b>	
Issuer Credit Rating	AAA/Stable/A-1+
Commercial Paper	A-1+
Senior Unsecured (724 Issues)	AAA
Short-Term Debt (2 Issues)	A-1+
<b>KfW International Finance Inc.</b>	
Senior Unsecured (2 Issues)	AAA
Short-Term Debt (1 Issue)	A-1+
<b>KfW IPEX-Bank GmbH</b>	
Issuer Credit Rating	AA/Stable/A-1+
Certificate Of Deposit	AA/A-1+

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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