

2010
Unconsolidated Financial Report

Financial Statements in accordance with
German Commercial Code (HGB) of
Landwirtschaftliche Rentenbank
as of 31.12.2010



rentenbank

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Management Report

Economic environment

In fiscal year 2010, the financial markets were characterized primarily by two trends: the recovery of the global economy and the sovereign debt crisis in some euro zone countries. After the most severe recession it had experienced since World War II, the global economy has surprised investors with an unexpectedly fast and strong upswing. Economic aid packages as well as dynamic growth in the emerging markets made important contributions to the upward movement in industrialized countries. The euro zone gross domestic product (GDP) grew by 1.7 % in 2010, after a decrease of 4.1 % in 2009. However, the differences among the euro zone economies were huge: while Greece and Ireland remained stuck in recession in 2010, the German GDP grew at an above-average rate of 3.6%, after the plunge of 4.7% a year earlier. Growth in Germany was not only fueled by the export sector, but also influenced by the slight recovery in domestic demand.

Inflation in the euro zone remained at a low level in 2010. Despite the economic recovery, the opportunities for price increases were held back by low capacity utilization and high levels of unemployment. Consumer prices increased in the euro zone by an average of 1.6%, after 0.3% a year earlier. However, as the increase of energy and raw material prices accelerated in view of the worldwide upswing, price pressures started to increase again during the course of the year. In December, for the first time in two years, the monthly inflation rate stood above the 2% threshold. The unemployment rate for the euro zone, as measured by the International Labour Organization, remained at approximately 10% during the whole of 2010, after a considerable rise during the recession of 2009. The development was much more positive in Germany, where the unemployment rate declined from 7.3% to 6.6% during the year under review.

The comprehensive economic aid packages to boost macroeconomic demand left their mark on public sector finances, as did the recession in the prior year. In 2010, the globally mushrooming levels of government debt were increasingly the focus of both investors and rating agencies. The euro zone countries primarily affected included Greece, Ireland and Portugal, and to a limited extent Spain and Italy. The spreads between the yields on European government bonds widened in line with this development. In May, the European Union (EU), together with the International Monetary Fund (IMF), set up a bailout package in the amount of €750 billion to save euro zone countries from national bankruptcy and to stabilize financial markets. The European Central Bank (ECB) also contributed to the rescue package by providing banks with unlimited liquidity within the framework of its regular refinancing transactions as well as by purchasing covered bonds and government bonds of endangered EU countries.

These measures helped to stabilize the financial markets temporarily. However, toward the end of the fiscal year, market participants were again unsettled due to the persisting debt crisis and the still fragile financial sector. The whole of fiscal 2010 was characterized by a high volatility in financial markets. Many investors

pulled out of high-risk asset classes, resulting in declining long-term yields of safer investments. At the same time, the yield curve flattened, with the yield on 10-year German government bonds falling to approximately 2% at the beginning of September 2010. Re-emerging fears of inflation, discussions around the introduction of eurobonds, and fears that the euro zone debt crisis might spread, led to an increase of the yield to approximately 3% at the end of 2010.

Company performance

The business trend of Rentenbank in 2010 saw persistently high demand for promotional financing transactions and a return to normal levels of financial performance. In fiscal year 2010, the total volume of promotional loans amounted to €66.5 billion (compared with €65.8 billion as of December 31, 2009), representing an increase of 1.1% over the prior year. As a result of the increase in new business for special promotional loans, the portfolio of promotional loans grew by €0.8 billion or 1.9% to €42.6 billion in 2010 (compared with €41.8 billion on December 31, 2009). The volume for securitized lending recognized in the balance sheet declined as amounts due exceeded the increased new business volume. New promotional loans were granted in a total amount of €12.2 billion in fiscal year 2010 (compared with €10.7 billion on December 31, 2009), while demand for funds from the capital market increased due to the higher volume of new business. In the year under review, Rentenbank borrowed funds in the amount of €10.6 billion (compared with €10.0 billion as of December 31, 2009) on domestic and foreign capital markets.

Balance sheet

Total assets increased by €2.7 billion or 3.6% to €78.5 billion as of December 31, 2010 (compared with a decline by €12.1 billion or 13.8% to €75.8 billion as of December 31, 2009). Contingent liabilities totaled €3.6 million (compared with €119.1 million on December 31, 2009). Irrevocable loan commitments increased by €0.1 billion to €1.4 billion (compared with €1.3 billion on December 31, 2009). In accordance with its competitive neutrality, the Bank generally extends credit via other banks. Therefore, the asset side of the balance sheet primarily comprises loans and advances to banks. As of the balance sheet date, this line item amounted to €49.5 billion (compared with €46.4 billion on December 31, 2009) or a share of 63.1% (compared with 61.2% on December 31, 2009) in total assets. Loans and advances to customers grew by €0.8 billion to €1.8 billion (compared with €1.0 billion on December 31, 2009). Loans to local authorities, which are included in loans and advances to customers, increased by €0.9 billion to €1.4 billion (compared with €0.5 billion on December 31, 2009). The Bank is not exposed to securities or receivables with structured credit risks such as asset-backed securities, or collateralized debt obligations. The securities portfolio, which almost exclusively comprises bank bonds and notes, fell by €1.2 billion to €26.9 billion (compared with €28.1 billion on December 31, 2009). This balance sheet item included bonds and notes of the banking book in a nominal amount of €26.6 billion (compared with €8.5 billion on December 31, 2009). Securities at a nominal amount of €0.1 billion (compared with €2.9 bil-

lion on December 31, 2009) were measured at the lower of cost or market pursuant to HGB "strenges Niederstwertprinzip").

Liabilities to banks decreased by €1.2 billion to €3.1 billion (compared with €4.3 billion on December 31, 2009). The carrying amount of overnight and term deposits as well as open market transactions declined by €0.8 billion to €0.2 billion (compared with €1.0 billion on December 31, 2009). The carrying amount of registered bonds and promissory note loans, which are also included in this item, was reduced by €0.4 billion to €1.3 billion (compared with €1.7 billion on December 31, 2009). Of the liabilities with an agreed maturity or period of notice, an amount of €1.2 billion is due between one and five years, and €0.8 billion after more than five years at year-end.

Liabilities to customers fell by €0.3 billion to €5.6 billion (compared with €5.9 billion on December 31, 2009). This balance sheet item primarily comprises registered bonds, which are reported with a volume of €4.4 billion at year-end (compared with €4.7 billion on December 31, 2009). Of the liabilities with an agreed maturity or period of notice, an amount of €1.7 billion was due within one to five years and an amount of €3.4 billion was due after more than five years as of the balance sheet date.

The portfolio of securitized liabilities increased by €0.5 billion or 0.8% compared to the preceding year. Their carrying amount as of December 31, 2010, reached €62.1 billion (compared with €61.6 billion on December 31, 2009). The Euro Medium Term Note (EMTN) program represents the most important refinancing instrument and amounted to €35.8 billion (compared with €37.8 billion on December 31, 2009). Global bonds totaled €11.5 billion (compared with €10.3 billion on December 31, 2009) at year-end. The balance of instruments from the ECP program, which is part of money market funding, rose to €10.1 billion (compared with €10.0 billion on December 31, 2009).

The funds borrowed on the money and capital markets for refinancing purposes were made available on an arm's length basis.

Provisions decreased by €11.7 million to €465.8 million (compared with €477.5 million on December 31, 2009). The gross amount of additions to provisions for pensions and similar obligations was €5.7 million (compared with €36.2 million on December 31, 2009). The decline compared to the previous year is attributable to the adjustment of the measurement bases for pension obligations to IAS 19, leading to a one-off increase of this line item in 2009. The amount of provisions used for current payments for pensions and similar obligations was €5.1 billion (compared with €5.8 million on December 31, 2009). As a result of the first-time application of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG), an amount of €22.5 million was transferred from the provisions for pensions and similar obligations to retained earnings, without affecting profit or loss. The provisions for pensions and similar obligations declined by €22.5 million (compared with €30.4 million on December 31, 2009). The cover amount was determined on the basis of a discount rate of 5.15% (compared with 3.5% in 2009).

The other provisions grew €10.9 million to €381.2 million (compared with €370.3 million on December 31, 2009). This balance sheet item mainly comprises the pro-

motional contribution of Rentenbank as well as provisions recognized to back an equity investment.

Financial performance

The Bank's financial performance was satisfying after the extraordinarily strong prior years. Interest income, including contributions from fixed-income securities and equity investments, amounted to €2,834.3 million (compared with €3,086.4 million on December 31, 2009). After deducting interest expenses of €2,425.1 million (compared with €2,663.0 million on December 31, 2009), net interest income amounted to €409.2 million (compared with €423.4 million on December 31, 2009). General administrative expenses fell by €35.6 million to €39.4 million (compared with €75.0 million) since the measurement basis for pension obligations was adjusted in the previous year, resulting in a one-off increase of this expense item.

The operating result before risk provisioning and measurement increased by 5.4% to €366.2 million, up from €347.4 million a year earlier.

Earnings in the Promotional Business and Capital Investment segments continued to develop positively. The financial performance within the Treasury Management segment returned to normal.

Amortization and write-downs of loans and advances and securities, equity investments and interests in affiliated companies as well as additions to provisions for possible loan losses have been recognized in sufficient amounts and take into account all identifiable risks. Write-downs of securities belonging to the liquidity reserve pursuant to Section 253 (4) of the HGB and of securities of the banking book pursuant to Section 253 (3) of the HGB did not have to be recognized as of the balance sheet date. In the previous year, write-downs of securities of the liquidity reserve amounted to €1.3 million, while write-downs of securities of the banking book came to €31.1 million. The reversals of write-downs required in accordance with Section 253 (5) of the HGB related to securities of the banking book amounted to €19.4 million and did not exceed the relevant write-downs recognized earlier. In the previous year, reversals of write-downs of securities of the liquidity reserve amounted to €9.3 million.

Net profit for the year

Net profit for 2010 amounted to €47.0 million (compared with €45.0 million on December 31, 2009), representing an increase of €2.0 million against the previous year. Subject to the outstanding resolutions of the responsible corporate bodies, the Bank intends to transfer €35.25 million (compared with €33.75 million on December 31, 2009) from net profit to the principal reserve (*Hauptrücklage*). Pursuant to Section 2 (3) Sentence 2 of the Law Governing the Landwirtschaftliche Rentenbank, the guarantee reserve (*Deckungsrücklage*) may not exceed 5% of the nominal amount of the covered bonds outstanding at any time. Accordingly, the decrease in the volume of the bonds subject to cover requirements resulted in a transfer from the guarantee reserve of €29.2 million (compared with €121.0 million

on December 31, 2009) to the principal reserve. The net profit after the transfer to reserves will amount to €11.75 million (compared with €11.25 million on December 31, 2009), which will be used to promote agriculture and rural areas.

Equity

Equity as reported on the balance sheet will amount to €3,074.6 million (compared with €3,125.7 million on December 31, 2009) after the transfers to the principal reserve and the additions to the fund for general banking risks.

Equity can be broken down as follows:

	Dec. 31, 2010 € million	Dec. 31, 2009 € million
Share capital	135.0	135.0
Principal reserve	651.7	564.7
Guarantee reserve	159.1	188.3
Fund for general banking risks	1,348.0	1,170.0
Subordinated liabilities	780.8	1,067.7
Total	3,074.6	3,125.7

Equity decreased by €51.1 million compared to 2009.

The fund for general banking risks was increased by €178.0 million to €1,348.0 million. As a result of maturing transactions, subordinated liabilities declined by €286.9 million on a net basis (compared with €38.3 million on December 31, 2009), taking into account exchange rate fluctuations. The share of liable capital reported on the balance sheet in total assets was 3.9% (compared with 4.1% on December 31, 2009).

The Bank's regulatory capital as of December 31, 2010, amounts to €3,246.1 million (compared with €3,027.0 million on December 31, 2009), 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 (Solva-bilitätsverordnung, SolvV), amounted to 24.5% on the reporting date (compared with 23.8% on December 31, 2009), and thus exceeded the legal minimum requirements to a considerable extent.

Financial reporting process

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

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

Rentenbank prepares its financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), as amended by the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG), and the German Accounting Directive for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV) in accordance with German Accepted Accounting Principles (Grundsätze ordnungsmäßiger Buchführung, GoB). The consolidated financial statements of Rentenbank are prepared in accordance with International Financial Reporting Standards (IFRS). These regulations are described for Rentenbank employees in manuals and procedural instructions. The Finance department 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 department in the New Product Process ("NPP") ensures that new products are correctly reflected in the financial reporting system.

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

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 is transmitted to the general ledgers via automated interfaces. The Finance department is responsible for general ledger accounting, the definition of account allocation rules, methodology for recording transactions, managing the accounting software, and the administration of the financial accounting system.

Rentenbank uses internally developed financial accounting software. The granting of authorizations in line with the authorities granted 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 and public auditors are conducted regularly to assess whether the accounting-related ICS/RMS is working efficiently.

Timely, reliable and relevant reports are submitted to management 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.

Risk report

General principles

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

The Bank's corporate objective, derived from the Bank's legal mandate, is to promote the agricultural sector and rural areas on a sustainable basis. The Bank's business activities are directed towards achieving this goal. In this context, care must be taken to ensure that the Bank is able to fulfill this promotional mandate at all times in the future.

The Bank aims at generating a sufficient, risk-adequate margin in its business activities in order to enable Rentenbank to achieve adequate profit. This is to ensure that any required capital increases from its own funds can be performed, thus guaranteeing that the promotional mandate is fulfilled. The Bank's risk structure is essentially defined by the framework established by the Rentenbank Law and its Statutes.

At the end of 2010, the Bank started to implement the requirements of the third amendment to the Minimum Requirements for Risk Management (MaRisk). In particular, the stress test will be enhanced to take into account risk concentrations and diversification effects within and between certain risk types, the presentation of a severe economic downswing and the conduct of so-called "inverse" stress tests.

Organization of risk management processes

Risk management

The Bank's Board of Managing Directors has the overall responsibility for risk management. It determines the Bank's sustainable overall risk strategy, taking into account the proposals of cross-divisional senior management. Risk management functions are primarily performed by the departments Treasury, Promotional Loan Business, Banks, and Collateral and Equity Investments. The Risk Manual provides a comprehensive overview of all business risks on the basis of risk management and controlling processes.

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

Risk controlling

Risk controlling is part of the Finance department from an organizational perspective and comprises the regular monitoring of the limits determined by the Board of Managing Directors as well as reporting on market price risks, operational risks, liquidity risks, and risk-bearing capacity; risk reporting is based on risk level and regulatory requirements. The Banks department monitors credit risks. 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 by the Board of Managing Directors to the Advisory Board.

The instruments used for risk management and monitoring are reviewed and updated on a constant basis.

Internal audit

The Internal Audit department reports directly 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 issue instructions to cause additional reviews to be performed.

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

Risk-bearing capacity

All of the Bank's material risks are identified and monitored to detect any concentration risks. An essential part of the risk management system is the definition and monitoring of risk limits, which are based on the Bank's risk-bearing capacity. The risk-bearing capacity concept ensures 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 Bank's credit, market price, and operational risks with a portion of the aggregate risk cover. Pursuant to the risk-bearing capacity concept, no liquidity risks have been taken into account, since the Bank is able to obtain any additionally required cash funds on the inter-bank markets or from the German central bank (Deutsche Bundesbank) and from Eurex Clearing AG.

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

The allocation of risk cover to the individual risk types (credit, market price, and operational risk) is also the basis for the granting of global limits for credit risk and market price risk. The limits were complied with at all times. The results from the calculations of the risk-bearing capacity reflect the risk strategy, which is based on sustainability and stability.

Credit risk

Definition

The granting of loans and the associated assessment and assumption of credit risk is an essential element of the Bank'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, and structural risk, as well as settlement and replacement risk.

Country risk is the risk that a foreign borrower – despite being solvent – may not be able to make interest and principal payments when they are due as a result of economic or political risks. Structural risks (i.e. cluster risks) are risks resulting from the concentration of the lending business in regions, sectors or borrowers.

The scope of the Bank's promotional business is largely defined by the Rentenbank Law and its 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 country of the European Union that is engaged in business with companies in the agricultural sector and with companies offering related upstream or downstream activities or activities in rural areas. The program-based 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 latter is conducted through general refinancing facilities, global loans, and specific refinancing loans. The credit risk related to the ultimate borrower is borne by the borrower's principal bank. Risks associated with the ultimate borrower are borne by Rentenbank only in the direct lending business (syndicate business with companies) as well as in the context of the venture capital fund for the agricultural sector. At the moment, the Bank does not enter into new business within its syndicate business with companies. The range of promotional activities also comprises the possibility to provide equity capital to suitable companies in the agricultural sector. For this purpose, the Bank launched a venture capital fund in the amount of €100 million in order to support established companies by acquiring minority shareholdings. For the purpose of diversifying credit risks, the Bank has intensified its lending business with the German federal states and individual EU countries.

The departments Promotional Loan Business, Banks and Treasury are responsible for new business with regard to promotional loans, depending on the type of transaction. The Treasury Department is responsible for new business with regard to securitized promotional lending as well as money market transactions 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. The Bank does not enter into credit default swaps (CDS). New business is only conducted with business partners where we have concluded a collateral agreement.

Organization of the transactions subject to credit risk

The Board of Managing Directors defines the Bank's credit risk strategy on an annual basis and presents this strategy to the Credit Committee, which is formed by the Advisory Board.

Credit risk monitoring and controlling is based on 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 by the Banks department. The Banks department is responsible for establishing and implementing a uniform credit risk strategy and for controlling the Bank'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 (or risk management) vote, and controlling credit risks. The Treasury department represents the front office (or market unit) within the loan business workflow.

In accordance with the MaRisk certain tasks have to be performed outside of the front office. Several of these so-called back office functions are performed by the departments Promotional Loan Business, Banks, and Collateral & Equity Investments. The departments issue the independent second vote for lending decisions, review certain collateral within the meaning of the MaRisk provisions, and are responsible for intensified loan management as well as for the management of non-performing loans. Any necessary measures are agreed in cooperation with the Board of Managing Directors. The Banks department 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 with regard to 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 between risk controlling, including the departments Banks and Collateral & Equity Investments, and the Treasury and Promotional Loan Business department guarantees independent risk assessment and monitoring. The management and monitoring of credit risks is performed for individual transactions at borrower level as well as at borrower unit level and the level of the overall loan portfolio. The overall loan portfolio is managed and monitored by breaking down the counterparty portfolio into its various features, with transactions having similar structures being summarized in several product groups.

Credit assessment

The rating category of Rentenbank, which is determined on the basis of the Bank'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 performed by the back office of the Banks department, with individual business partners or types of transactions being allocated to twenty 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"). The bank also introduced seven rating categories (BB+ to C) for

latent risks and three rating categories (DDD to D) for non-performing loans or exposures 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 mechanisms provided by the government. If available, the credit ratings of external rating agencies are also used for credit assessment purposes. Specific transaction types such as accepting Pfandbriefe (German covered bonds) are classified into a specific rating category. In addition, country risks are evaluated separately as a structural risk relevant to the Bank. Moreover, current information concerning negative financial data or a deterioration of the economic perspectives of a business partner may initiate a review or, if necessary, an adjustment of the credit ranking based on early warning indicators as well as 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 to the financial situation of Rentenbank's counterparties. Individual counterparties were considered to have a high level of risk. In spite of downgrades of some of the counterparties, the average credit quality of our overall loan portfolio can be classified as "good", especially due to high-quality new business. Special attention is paid to the exposure of Rentenbank in the so-called PIIGS countries (Portugal, Ireland, Italy, Greece and Spain). No valuation allowances had to be recognized for single exposures in these countries. A proportion of 0.8% of the Bank's total assets is directly invested in Portugal, Italy and Spain, of which one ninth becomes due in 2013. The Bank holds bonds and promissory note loans issued by banks from the PIIGS countries at a proportion of 10.9% of total assets, mainly from Portugal, Italy and Spain, of which two thirds become due by 2013.

Quantification of credit risk

In order to ensure that overall loan portfolio has good credit quality, risk management focuses on the credit risk strategy and risk-bearing capacity concept.

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 historical probabilities of default in the Bank cannot be relied upon 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 as well as increased probabilities of default). In a further stress scenario, the highest potential default resulting from stress scenarios is multiplied with a concentration indicator. 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.

During the year under review internally established limits were monitored daily to ensure compliance at all times.

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 Bank'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 made available for credit risks, an overall upper limit is set for all counterparty limits using statistical methods. In addition, 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 an upper limit for securitized promotional lending (product limit).

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 total amount of limits granted to a particular business partner is determined on the basis of various internal upper grid limits, depending on the current economic situation of such business partners and their resulting credit quality. In addition, an overall upper limit 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 back office. The utilization of the limits within the context of money market and promotional loan transactions is measured on the basis of the relevant carrying amounts. For securitized promotional lending, 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, taking into account collateral received, if any. Limit reserves are used as a cushion for market price fluctuations. The responsible member of the Board of Managing Directors 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.

The Bank has concluded collateral agreements with almost 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, which depend on the credit quality. In return, the Bank 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, the cover requirements for credit risks, and the utilization of limits for large loan exposures (Großkredite).

At the end of each quarter, a credit risk report is prepared by the Banks department (Back Office). 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 sales channels, new countries, and large loan exposures. Comparisons with prior years, changes and comments about these changes, and the performance of counterparties that are subject to special monitoring measures or exposed to potential risks, are also included in the reports.

In line with the risk-bearing capacity concept, as set out in the Risk Manual, an amount of €260 million (compared with €130 million on December 31, 2009) of the risk cover is allocated to credit risk. During the year under review internally established limits were monitored daily to ensure compliance at all times.

Market price risk

Definition

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

Organization of transactions subject to market price risk

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

The objective of risk management is the identification, qualitative 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.

Quantification of market price risks

Interest rate risks

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

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

Within the context of monitoring interest rate risks on the level of the entire bank, the Bank 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 the Bank 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. By closing all open fixed-interest positions, we determine net interest income for all future periods on a calculatory basis. Finally, the risk exposures determined for different interest rate change scenarios are analyzed in this context in relation to regulatory equity in accordance with Section 10 of the German Banking Act.

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.

For the purpose of monitoring interest rate risk, in order to achieve a positive asset-liability margin of the banking book, all allocated transactions are measured at fair value (based on interest rate changes) at the end of each month. Any negative amount resulting from measurement would have to be reported as provisions for anticipated losses.

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

Spread risks

Changes to market parameters in the form of spread premiums on the swap curve have a direct effect on the measurement of existing positions and influence risk cover. The potential effects of spread risks on profit or loss are simulated using scenario analyses and are covered with risk cover within the scope of the risk-bearing capacity analysis. Spread risk would only occur if the buy-and-hold strategy is breached, provided that no credit defaults occur.

Foreign currency risk

The Bank's general policy is to eliminate foreign currency risks and other price risks by means of hedging transactions. Open currency positions result from fractional amounts during settlement, but only to a very small extent. There is no material risk for any currency.

Limitation and reporting

The risk cover allocated for market price risk corresponds to the risk limit of €61 million (compared with €61 million on December 31, 2009).

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. Sensitivity, scenario and VaR analyses, and back-testing processes are part of risk management and risk controlling. The Advisory Board is informed about the results of the risk analyses on a quarterly basis.

Back testing

The procedures used to assess market price risks are validated at least once per year. The scenario parameters in "money market funding" and "promotional lending" are validated daily using historical interest rate trends. To this end risk-based thresholds are compared with changes in the short-term interest rate curves for interbank loans (EURIBOR) and derivatives (EONIA) as well as long-term swap rates occurring within 10, 20, and 30 days.

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

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

Liquidity risk

Definition

Liquidity risk is the risk of being unable to meet 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 of the Bank are determined using a limit for cash balances set by the Board of Management. The Finance department monitors liquidity risks daily and reports the results to the Board of Managing Directors and the responsible departments. Pursuant to the requirements of the third amendment to the Minimum Requirements for Risk Management (MaRisk), the Bank 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 Bank'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 must always exceed the Bank's liquidity requirements for a period of up to two years.

Stress scenarios are intended to examine the effects of unexpected events on the Bank'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.

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

Pursuant to regulatory requirements (German Liquidity Regulation, Liquiditätsverordnung), weighted cash is compared with the weighted payment obligations for the same payment period on a daily basis. The ratios calculated in this manner are then extrapolated to encompass the due dates to be observed for reporting purposes. In the 2010 reporting year, the monthly reported liquidity ratio for the period up to 30 days was between 2.16 and 3.30 (compared with 1.90 and 4.99, respectively, in 2009) and was thus significantly above the 1.0 ratio defined by regulatory requirements.

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

No liquidity risks have been taken into account in the calculation of the risk-bearing capacity, since the Bank has sufficient cash funds, and its triple A ratings, amongst other factors, enable it to obtain any additional 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").

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 and white-collar crime, risks from outsourcing risks, operating risks, and event or environmental risks, but does not comprise strategic risks, business risks, and reputational risks.

Organizational structure of operational risk

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

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

Based on a hazard analysis pursuant to Section 25c of the German Banking Act, risks from fraud to the detriment of Rentenbank and from white-collar crime within Rentenbank 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.

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 included in these emergency plans.

Reports are prepared on a quarterly basis and submitted to the Board of Managing Directors, the Advisory Board, and senior management.

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. The risk cover allocated for operational risk amounted to €30 million as of December 31, 2010 (compared with €30 million on December 31, 2009).

All incidents at the Bank 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. The management of operational risks is performed 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.

The Bank regularly carries out self-assessment procedures. The goal of such self-assessment is to make use of knowledge 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, also under consideration of fraud prevention aspects. Depending on the risk assessment, additional preventive measures are taken to reduce operational risk.

Outlook

The international growth prospects mainly developed positively at the beginning of 2011, with many economic indicators suggesting a sustained upward trend. Therefore, the recovery of the world economy will likely continue in 2011. The persisting sovereign debt crisis in the euro zone and the instability that still exists in the financial sector are hampering any further development. The economy is not continuing to stabilize in many countries because of high budget deficits. Unemployment, which remains at a high level, tends to have a subduing influence. Moreover, lower economic growth is looming in many emerging economies. Against this backdrop, the growth momentum of the global economy is likely to ease in the current year.

According to the forecasts of German economic research institutes, Germany is likely to generate above-average economic growth of more than 2%. As unemployment continues to decline, moderate export growth is offset by increasing momentum in domestic demand. According to projections, growth is currently expected to be at around just 1.5% for the entire euro zone.

There are signs that the average inflation rate will increase in the euro zone in 2011. It cannot be ruled out that the critical threshold for an average price increase of 2% per year, which is tolerated by the European Central Bank (ECB), will be exceeded for the first time since 2008. Above all, increasing price pressure is expected to come from energy and food prices, but various measures to consolidate budgets also contribute to increasing consumer prices in many EU countries. These measures primarily include higher value-added taxes and higher administrative prices.

The ECB's monetary easing will likely be discontinued as threats of inflation increase. A first hike of key interest rates is currently considered possible in the second quarter of the year. In view of rising inflation expectations, long-term interest rates are also likely to rise. Against the backdrop of the persisting weakness of some sub-sectors of the banking system, the ECB will probably continue its refinancing transactions aimed at stabilizing the banking sector for quite some time.

Rentenbank believes that it is well positioned to fulfill its promotional mandate thanks to its solid business model in connection with its triple A ratings, even in spite of the environment mentioned above.

In order to project the Bank's future financial position, cash flows, and profit or loss, we have prepared comprehensive annual and 3-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 3-year plans, the annual plan examines individual factors in greater detail.

Within the framework of our current planning the Bank assumes that new business volume for fiscal years 2011 and 2012 will be slightly below the 2010 level, or remain at that level, with respect to both promotional loan business and the refinancing of the Bank. Due to the anticipated large amount of maturing loans in the promotional lending business, we expect lower interest income. From today's perspective, net interest income of the "Treasury Management" segment will continue to return to normal levels and, as in 2010, will decline.

Cost planning for 2011 and 2012 takes into account future capital expenditures for data processing and buildings. Another factor in the rising administrative expenses in all areas, despite rigorous cost management, will continue to be the manifold changes in regulatory and accounting legislation.

The impact of Basel III requirements on Rentenbank were analyzed and taken into account in current planning. The required strengthening of the capital base is ensured through retention of profits. The Basel Committee on Banking Supervision will conduct another Quantitative Impact Study (QIS) for the new liquidity standards, primarily the new liquidity ratios, which are currently subject to an observation period. As in 2010, Rentenbank will participate in the QIS.

In view of a further normalization of the achievable margins and the treasury result, the Bank expects slightly declining operating earnings in 2011 and 2012, though still above the level achieved before the crisis.

For the full fiscal years 2011 and 2012, the Bank anticipates a satisfying earnings trend, which will enable the Bank to account for all identifiable risks and to continue to increase its capital base.

The promotional business again showed dynamic momentum in the first months of the current fiscal year. The Board of Managing Directors is confident that the Bank will be able to achieve the planned volume for 2011 in our medium and long-term promotional business.

Report on events after the balance sheet date

There were no events of material importance after the end of the fiscal year 2010.

ASSETS

	€ million	€ million	€ million	Dec. 31, 2009 € million
1. Cash and balances with central banks				
a) Cash on hand		0.1		0.1
b) Balances with central banks		53.4		102.1
			53.5	102.2
of which: with Deutsche Bundesbank				
€ m 53.4 (2009: € m 102.1)				
2. Loans and advances to banks				
a) Payable on demand		3.3		2.5
b) Other loans and advances		49 532.3		46 408.6
			49 535.6	46 411.1
3. Loans and advances to customers				
of which: Secured by charges on real property				
€ m 0.0 (2009: € m 0.0)				
Loans to local authorities				
€ m 1 379.9 (2009: € m 477.4)			1 834.3	978.0
4. Debt securities and other fixed-income securities				
a) Money market securities				
aa) Public-sector issuers	132.1			0.0
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 132.1 (2009: € m 0.0)				
ab) Other issuers	0.0	132.1		189.9
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 0.0 (2009: € m 189.9)				
b) Bonds and debt securities				
ba) Public-sector issuers	1 528.0			820.8
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 1 416.5 (2009: € m 690.8)				
bb) Other issuers	24 643.4	26 171.4		26 479.7
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 23 755.7 (2009: € m 25 783.4)				
c) Own debt securities		635.9		635.9
Nominal amount € m 694.2 (2009: € m 581.9)			26 939.4	28 126.3
5. Shares and other variable-income securities			0.1	0.1
6. Equity investments				
of which: in banks				
€ m 0.0 (2009: € m 0.0)				
in financial services institutions				
€ m 0.0 (2009: € m 0.0)			4.2	4.2
7. Interests in affiliated companies				
of which: in banks				
€ m 0.0 (2009: € m 0.0)				
in financial services institutions				
€ m 0.0 (2009: € m 0.0)			0.0	0.0
8. Trust assets				
of which: Trustee loans				
€ m 104.8 (2009: € m 106.7)			104.8	106.7
9. Intangible assets			0.4	0.3
10. Tangible assets			19.0	19.8
11. Other assets			11.5	86.5
12. Prepaid expenses				
a) From new issues and lending		4.1		5.1
b) Other		1.3		1.2
			5.4	6.3
Total assets			78 508.2	75 841.5

as of December 31, 2010

LIABILITIES AND EQUITY

	€ million	€ million	€ million	Dec. 31, 2009 € million
1. Liabilities to banks				
a) Payable on demand		0.1		0.0
b) With an agreed maturity or period of notice		3 124.3		4 308.6
			3 124.4	4 308.6
2. Liabilities to customers				
Other liabilities				
a) Payable on demand		63.1		65.4
b) With an agreed maturity or period of notice		5 530.1		5 796.2
			5 593.2	5 861.6
3. Securitized liabilities				
Debt securities issued			62 059.5	61 623.4
4. Trust liabilities				
of which: Trustee loans				
€ m	104.8	(2009: € m	106.7)	
			104.8	106.7
5. Other liabilities			4 020.7	283.5
6. Prepaid expenses				
a) From new issues and lending		1.3		0.7
b) Other		52.1		42.6
			53.4	43.3
7. Provisions				
a) Provisions for pensions and similar obligations		84.6		107.1
b) Other provisions		381.2		370.4
			465.8	477.5
8. Subordinated liabilities			780.8	1 067.7
9. Fund covering general banking risks			1 348.0	1 170.0
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	594.6			
Transfers from guarantee reserve	29.2			
Effect from first-time application of BilMoG	22.6			
Transfers from net income for the year	35.3	651.7		564.6
bb) Guarantee reserve pursuant to Section 2 (3) of the Law				
Governing the Landwirtschaftliche Rentenbank	188.3			
Appropriations pursuant to Section 2 (3) of the Rentenbank Law	29.2	159.1		188.3
c) Net profit		11.8		11.3
			957.6	899.2
Total liabilities and equity			78 508.2	75 841.5
1. Contingent liabilities				
Liabilities from guarantees and indemnity agreements			3.6	119.1
2. Other commitments				
Irrevocable loan commitments			1 370.8	1 322.2

Income statement for the

EXPENSES

	€ million	€ million	€ million	2009 € million
1. Interest expenses			2 425.1	2 663.0
2. Fee and commission expenses			2.7	2.3
3. Net trading expenses			0.0	0.0
4. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	19.8			18.6
ab) Social security contributions and expenses for pensions and other employee benefits	3.1			37.3
		22.9		55.9
of which: pension expenses € m 0.8 (2009: € m 35.0)				
b) Other administrative expenses		14.7		16.4
			37.6	72.3
5. Depreciation, amortization and write-downs of intangible and tangible fixed assets			1.8	2.7
6. Other operating expenses			8.4	6.5
7. Expenses for specific securities and loans and advances				
a) Depreciation, amortization and write-downs of loans and advances, and specific securities as well as additions to provisions for lending operations		168.4		191.6
b) Additions to the fund covering general banking risks		178.0		83.0
			346.4	274.6
8. Amortization and write-downs of equity investments, interests in affiliated companies and securities treated like fixed assets			0.0	27.8
9. Extraordinary expenses			0.0	0.0
10. Taxes on income			0.0	0.0
11. Other taxes not disclosed under item 6			0.1	0.1
12. Net income for the year			47.0	45.0
Total expenses			2 869.1	3 094.3
1. Net income for the year			47.0	45.0
2. Transfers from retained earnings				
from guarantee reserve pursuant to Section 2 (3) of the Law Governing the Landwirtschaftliche Rentenbank			29.2	121.0
3. Transfers to retained earnings				
to principal reserve pursuant to Section 2 (2) of the Law Governing the Landwirtschaftliche Rentenbank				
from guarantee reserve			29.2	121.0
from net income for the year			35.2	33.7
4. Net profit			11.8	11.3

period from January 1 to December 31, 2010

INCOME

	€ million	€ million	2009 € million
1. Interest income from			
a) Lending and money market transactions	2 061.0		2 204.9
b) Fixed-income securities and debt register claims	773.0		881.3
		2 834.0	3 086.2
2. Current income from			
a) Equities and other non-fixed-income securities	0.0		0.0
b) Equity investments	0.3		0.2
c) Interests in affiliated companies	0.0		0.0
		0.3	0.2
3. Fee and commission income		2.7	4.4
4. Net trading income		0.0	0.0
5. Income from write-ups on loans and advances and specific securities as well as the reversal of provisions for lending operations		0.0	0.0
6. Income from write-ups on equity investments, interests in affiliated companies and securities treated like fixed assets		27.2	0.0
7. Other operating income		4.9	3.5
8. Extraordinary income		0.0	0.0
Total income		2 869.1	3 094.3

Notes to the financial statements of Landwirtschaftliche Rentenbank for fiscal year ended December 31, 2010

Accounting policies

The annual financial statements of Landwirtschaftliche Rentenbank have been prepared in accordance with the legal provisions of the German Commercial Code (*Handelsgesetzbuch, HGB*), as amended by the German Accounting Law Modernization Act (*Bilanzrechtsmodernisierungsgesetz, BilMoG*) dated May 25, 2009, and the German Accounting Directive for Banks (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV*) dated December 11, 1998. The structure of the balance sheet and the income statement is based on the templates set out in the Accounting Directive for Banks.

The provisions amended by the Accounting Law Modernization Act were applied for the first time for the fiscal year 2010. The elections associated with the BilMoG as of the date of transition (January 1, 2010) were exercised as follows:

- Internally-generated intangible fixed assets were not capitalized in accordance with Section 248 (2) sentence 1 of the HGB.
- As a result of the first-time application of the BilMoG rules, provisions for pensions, jubilee payments and deferred compensation were reversed in part as of January 1, 2010. Pursuant to Section 67 (1) sentence 3 of the Introductory Act to the Commercial Code (*Einführungsgesetz zum Handelsgesetzbuch, EGHGB*), the amounts to be reversed were transferred to other retained earnings included in the principal reserve, without affecting profit or loss.
- Provisions for retirement benefit obligations are discounted pursuant to Section 253 (2) sentence 2 of the HGB using an average market interest rate, which is determined based on an assumed remaining term of 15 years.
- Pursuant to Section 67 (8) sentence 2 of the EGHGB, the prior-year figures were not adjusted to the new BilMoG provisions.

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

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

Zero bonds are measured at their issue price amount plus accrued interest based on the issue yield. Equity investments and interests in affiliated companies are recognized at their acquisition costs, less any write-downs, if applicable. Tangible assets with a definite useful life as well as intangible assets were depreciated or amortized over the determined useful life on a straight-line basis in accordance with commercial law.

Liabilities are recognized at the repayment amount. Premiums and discounts are amortized *pro rata temporis*.

Pension provisions are measured based on generally accepted actuarial principles, using the projected unit credit (PUC) method. The provision amount determined under the PUC method is defined as the actuarial present value of the pension obligations which has been earned by the employees as of the relevant date due to their periods of service in the past, based on the pension benefit formula and the vesting provisions. The 2005 G mortality tables by Klaus Heubeck, including the partial adjustment in 2010, were used as the biometric calculation parameters. The following parameters were used as the basis for the calculation:

- Interest rate pursuant to Section 253 (2) sentence 2 of the HGB 5.15% p.a.
- Career trend 1.00% p.a.
- Salary increase 2.25% p.a.
- Pension increase 2.00% p.a.
- Employee turnover 2.00% p.a.
- Development of contribution ceiling 2.25% p.a.

In the previous year, pension provisions were calculated in accordance with the methodology of International Accounting Standard 19, using a discount rate of 3.5%. Measurement of pension provisions was also based on the 2005 G mortality tables by Dr. K. Heubeck, including the partial adjustments in 2009.

Provisions for the Bank's own special promotional loans cover the promotional contribution for the whole term or until the repricing date. Adequate provisions were recorded for all identifiable credit risks. The relevant general valuation allowances were deducted from the assets' carrying amount.

General interest rate risks were taken into account using an overall assessment of all interest-bearing assets and liabilities of the banking book, including derivatives. Hedging relationships within the meaning of Section 254 of the HGB are only established to hedge currency risks.

Rentenbank uses currency swaps, cross-currency interest rate swaps and currency forward contracts to hedge such currency risks. In the balance sheet, currency risks are hedged using single valuation units pursuant to Section 254 of the HGB.

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

Deferred taxes in accordance with Section 285 (27) of the HGB do not have to be recognized in the single-entity financial statements of Rentenbank. The Bank is exempt from corporation taxes in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (*Körperschaftsteuergesetz, KStG*) and municipal trade taxes in accordance with Section 3 No. 2 of the German Municipal Trade Tax Act (*Gewerbesteuergesetz, GewStG*).

For the 2010 fiscal year, Landwirtschaftliche Rentenbank prepared IFRS consolidated financial statements which include LR Beteiligungsgesellschaft mbH, Frankfurt am Main, and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main, pursuant to Section 315a of the HGB.

Notes to the HGB balance sheet

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

Asset items in the balance sheet	2010 € million	2009 € million
Item 2: Loans and advances to banks Sub-item "b) Other loans and advances," classified by remaining time to maturity:		
• up to 3 months	8,016	5,052
• more than 3 months to 1 year	5,795	5,314
• more than 1 year to 5 years	16,448	16,221
• more than 5 years	18,062	18,551
Item 3: Loans and advances to customers This item includes:		
• Loans and advances to affiliated companies	155	169
• Loans and advances to equity investments	-	0
This item can be broken down by remaining time to maturity as follows:		
• up to 3 months	11	18
• more than 3 months to 1 year	74	65
• more than 1 year to 5 years	1,115	507
• more than 5 years	426	174
Item 4: Debt securities and other fixed-income securities The marketable securities include:		
• Listed securities	26,216	27,559
• Unlisted securities	423	324

Securities at a carrying amount of €26,448 million (compared with €8,449 million on December 31, 2009) were classified as fixed assets. Since it is planned to hold these securities over the long term, short-term fluctuations in value are not taken into account. The unrecognized write-downs amount to €388 million (compared with €91 million on December 31, 2009). They were determined using exchange or market prices. There were no permanent impairment losses to be taken into account for the securities held as fixed assets (compared with €31 million on December 31, 2009). Write-downs were not recognized when the identified impairment was only of a temporary nature with respect to future financial performance or the securities concerned were part of the European Financial Stabilisation Mechanism. No permanent impairment was identified in the case of five securities with a market value as of the balance sheet date of €61 million and a carrying amount of €71 million due to the collateralization and the expectation of a future improvement in the financial performance.

Asset items in the balance sheet	2010 € million	2009 € million
Item 4: Debt securities and other fixed-income securities maturing in the year following the balance sheet date can be broken down as follows:		
• from public-sector issuers	269	33
• from other issuers	6,249	6,595
Item 5: All "Shares and other variable-income securities" are marketable and listed.		
Items 6, 7: The balance sheet items "equity investments" and "interests in affiliated companies" do not include marketable securities.		
Item 8: Trust assets		
This item includes:		
• Special Purpose Fund	95	91
• Loans and advances to banks	10	16
Item 10: Tangible assets		
This item includes:		
• Owner-occupied land and buildings, flats	0	0
• Land and buildings used by third parties	18	18
• Operating and office equipment	1	2
Item 11: Other assets		
This item includes:		
• Cash collateral provided for derivatives	11	86
Assets denominated in foreign currencies	1,892	1,648

Fixed assets schedule

Fixed assets € million	Acquisition costs	Additions	Disposals	Write- ups	Cumul- ative Depre- ciation	Carrying amount Dec. 31, 2010	Carrying amount Dec. 31, 2009	Depre- ciation in 2010
Intangible assets	1	0	0	-	1	0	0	0
Tangible assets	34	1	2	-	14	19	20	2
Securities classified as fixed assets*	8,480	19,567	1,588	19	31	26,448	8,449	-
Equity investments	4	0	-	-	0	4	4	-
Interests in affiliated companies	27	-	-	-	27	0	0	-
Total	8,546	19,568	1,590	19	73	26,471	8,473	2

*) Reclassification of securities as fixed assets

Liability items in the balance sheet	2010 € million	2009 € million
Item 1: Liabilities to banks		
Sub-item "b) With an agreed maturity or period of notice," classified by remaining time to maturity:		
• up to 3 months	288	1,195
• more than 3 months to 1 year	139	414
• more than 1 year to 5 years	1,241	998
• more than 5 years	820	1,076
Total amount	2,488	3,683
Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	808	1,099
Item 2: Liabilities to customers		
This item includes:		
• Liabilities to equity investments	0	0
• Liabilities to affiliated companies	10	10
Sub-item "b) With an agreed maturity or period of notice," classified by remaining time to maturity:		
• up to 3 months	70	25
• more than 3 months to 1 year	224	159
• more than 1 year to 5 years	1,658	1,830
• more than 5 years	3,394	3,608
Total amount	5,346	5,622
Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	2,369	2,661
Item 3: Securitized liabilities		
Classification by remaining time to maturity:		
• up to 1 year	17,415	19,883
• more than 1 year to 5 years	31,951	28,720
• more than 5 years	11,723	12,021
Total amount	61,089	60,624
Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	6	6

Liability items in the balance sheet	2010 € million	2009 € million
Item 4: Trust liabilities		
This item includes:		
• Special Purpose Fund	95	91
• Liabilities to customers	10	16
Item 5: Other liabilities		
This item includes:		
• Cash collateral received for derivatives	4,008	263
• Accrued interest for subordinated liabilities (before collateralization)	9	17
• Taxes	1	1
• Option premiums received	1	1
Classification by remaining time to maturity:		
• up to 1 year	4,019	282
Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	-	-
Item 7: Provisions		
<p>Due to the first-time application of the BilMoG provisions, the measurement of provisions as of January 1, 2010 resulted in reversals in the amount of €23 million (thereof pension provisions of €22 million). This amount was transferred to retained earnings in accordance with Section 67 (1) sentence 3 of the EGHGB, without affecting profit or loss.</p>		
Item 8: Subordinated liabilities		
Classification by remaining time to maturity:		
• up to 1 year	-	300
• more than 1 year to 5 years	102	101
• more than 5 years	666	656
Total amount	768	1,057
Thereof hedged by assets in accordance with Section 13 (2) of the Rentenbank Law	-	-

Liability items in the balance sheet	2010 € million	2009 € million
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Item 8: Subordinated liabilities

The subordinated liabilities are structured as promissory note loans, loan agreements and bearer securities issued in the form of global certificates. The net expense for subordinated liabilities in the amount of €781 million (compared with €1,068 million on December 31, 2009) after collateralization totals €9 million (compared with €19 million on December 31, 2009).

The terms and conditions of all subordinated liabilities fulfill the requirements of Section 10 (5a) of the German Banking Act and do not provide for early repayment or conversion.

Disclosures pursuant to Section 35 (3) of the RechKredV in relation to funds raised in an amount exceeding 10% each of the total amount of subordinated liabilities:

1. Bond at a nominal amount of JPY 25 billion; carrying amount: €174 million; maturity: April 21, 2036; interest rate before collateralization: 2.8%
2. Bond at a nominal amount of €100 million; carrying amount: €100 million; maturity: August 18, 2021; interest rate before collateralization: 2.222%
3. Bond at a nominal amount of €100 million; carrying amount: €100 million; maturity: August 18, 2021; interest rate before collateralization: 2.252%

Liabilities denominated in foreign currencies	49,555	45,856
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Off-balance sheet liabilities	2010 € million	2009 € million
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Item 1: Contingent liabilities

- Default guarantees 4 119
- Guarantee of provision of collateral 0 0

Default guarantees are accepted for capital market loans subject to interest subsidies. There are back-to-back guarantees granted by the government for capital market loans subject to interest subsidies.

Item 2: Other commitments

The slight increase of irrevocable loan commitments by €49 million to a total amount of €1,371 million is exclusively attributable to the promotional loan business with credit institutions.

Contingent liabilities and other commitments include liabilities from promotional loans in a total amount of €1,374 million which the Bank entered into with various principal banks. According to the MaRisk, they are treated as loans and are subject to a continuous assessment of credit quality.

Computation of cover	2010 € million	2009 € million
The liabilities subject to cover requirements are allocated as follows:		
• Bearer securities	6	5
• Registered securities	3,177	3,761
The following assets are designated to cover bonds issued:		
• Loans and advances to banks	9,702	12,397
• Loans and advances to customers	616	2

Disclosures on the income statement

Income		€million	
Breakdown by geographical markets		Germany	Europe/OECD
Sub-items:			
Interest income	2010	1,330	1,504
	2009	1,594	1,492
Current income from equities and other non-fixed-income securities	2010	-	-
	2009	-	-
Current income from equity investments	2010	-	-
	2009	-	-
Fee and commission income	2010	3	-
	2009	4	-
Income from write-ups on securities treated like fixed assets	2010	4	23
	2009	-	-
Other operating income	2010	5	-
	2009	4	-

Interest income includes income from discounting provisions for the Bank's own special promotional loans in the amount of €1.6 thousand. Interest expenses include effects from unwinding the discount of provisions for the Bank's own special promotional loans in the amount of €110.7 thousand.

Disclosures on the most important individual items pursuant to Section 35 (1) No. 4 of the RechKredV	2010 € million	2009 € million
Item 6: Other operating expenses		
The main components included in this item are:		
• Capital contribution to Edmund-Rehwinkel Foundation	2	2
• Handling costs from offsetting pecuniary claims	-	3
• Interest expense from the measurement of pension provisions	5	-

Item 7: Other operating income	2010 € million	2009 € million
The main components included in this item are:		
• Rental income from the Bank's own buildings	2	2
• Other refunds	1	1
• Other income from the reversal of provisions	2	0
• Reimbursement payments for rights of use	-	0

Other operating expenses include currency translation losses in the amount of €0.4 thousand. Other operating income includes currency translation gains in the amount of €17.8 thousand. These currency translation gains/losses result exclusively from the currency translation of balances on payment transaction accounts in foreign countries. In the previous year, net currency gains/losses of €20.0 thousand were reported in the income statement item "net income from financial operations."

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

Other disclosures

Disclosures on market risk-related transactions

Derivatives are only used as hedging instruments for existing or expected market price risks. The volume of the transactions is capped through item-specific, counterparty-specific and product-specific limits and is continuously monitored by our risk management.

The fair value is deemed to be the amount for which a financial instrument could be exchanged between knowledgeable and willing market participants in an arm's length transaction at inception of a contract.

The fair value of derivatives is determined using accepted valuation models. The models are based on observable market parameters (inputs).

The fair value of non-option contracts is determined on the basis of their discounted expected future cash flows (discounted cash flow method). Discounting is based on the risk-free interest rate curve, if necessary plus a basis swap spread. The basis swap spreads are obtained from an external market data provider, broken down by term and currency.

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

Derivative transactions - presentation of volumes

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

€ million	Notional amounts		Fair value positive	Fair value negative
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010
<i>Interest rate risks</i>				
Interest rate swaps	75,408	66,537	1,770	2,349
• thereof termination and conversion rights embedded in swaps	753	799	18	33
Swaptions				
• Purchases	-	-	-	-
• Sales	626	647	-	34
Other forward interest rate contracts	7	447	7	-
Total exposure to interest rate risks	76,041	67,631	1,777	2,383
<i>Currency risks</i>				
Cross-currency interest rate swaps	44,219	41,031	4,213	872
• thereof currency options embedded in swaps	181	187	19	8
• thereof termination rights embedded in swaps	101	83	0	5
Currency swaps	8,698	8,951	48	85
Total exposure to currency risks	52,917	49,982	4,261	957
<i>Share price risk and other price risks</i>				
Stock index swaps	45	131	2	1
• thereof stock options embedded in swaps	45	131	2	1
Total exposure to share price risk and other price risks	45	131	2	1
Interest rate, currency, share price and other price risks	129,003	117,744	6,040	3,341

Derivative transactions – breakdown by maturities –

Notional amounts € million	Interest rate risks		Currency risks		Share price risk and other price risks	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Remaining time to maturity						
• up to 3 months	1,991	2,502	9,238	12,133	-	-
• more than 3 months to 1 year	8,907	8,789	7,185	5,343	-	86
• more than 1 year to 5 years	38,521	33,174	27,605	24,414	15	15
• more than 5 years	26,622	23,166	8,889	8,092	30	30
Total	76,041	67,631	52,917	49,982	45	131

Derivative transactions – breakdown by counterparties –

€ million	Notional amounts		Fair value positive	Fair value negative
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010
Banks in OECD countries	109,249	100,566	4,749	2,960
Other counterparties	19,754	17,178	1,291	381
Total	129,003	117,744	6,040	3,341

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

In addition to the measurement of derivatives based on hedge accounting, the carrying amounts resulting from the recognition of interest on an accrual basis are reported in the balance sheet items "loans and advances to banks" (€850 million), "loans and advances to customers" (€195 million), "liabilities to banks" (€609 million), and "liabilities to customers" (€71 million).

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

Rentenbank uses currency swaps, cross-currency interest rate swaps and currency forward contracts to hedge currency risks. Currency hedges are presented in the balance sheet using single valuation units pursuant to Section 254 of the HGB.

To measure the effectiveness of hedging relationships, the critical terms match/short cut method is used, where cash flows of hedged item and hedging instrument are compared. Exchange rate fluctuations of corresponding hedged items and hedging derivatives have an opposite effect and offset each other. Hedged items and hedging instruments are combined in hedging relationships using single valuation units and were recognized in the balance sheet as follows.

Disclosures on the carrying amount and the balance sheet items of the single valuation units:

Balance sheet item	Carrying amount after collateralization € million	Hedged risk
Loans and advances to banks	108	Currency
Debt securities and other fixed-income securities	1,657	Currency
Liabilities to banks	114	Currency
Liabilities to customers	115	Currency
Securitized liabilities	46,609	Currency
Subordinated liabilities	508	Currency

Other

In fiscal year 2010, the total remuneration of the Bank's Board of Managing Directors amounted to €2,625 thousand (compared with €2,069 thousand in 2009). The remuneration for the individual members of the Board of Managing Directors for fiscal year 2010 was set as follows:

€ thousand	Fixed remuneration	Variable remuneration	Other remuneration	Total
Hans Bernhardt	300	355	32	687
Dr. Horst Reinhardt	300	355	22	677
Dr. Marcus Dahmen (until February 8, 2010)	34	390	837	1,261

The other remuneration for the resigned Managing Director in the reporting year includes payments after the termination of their term in office.

As of December 31, 2010, provisions for pension obligations to former members of the Board of Managing Directors and their surviving dependants totaled €15,385 thousand (compared with €19,104 thousand on December 31, 2009). Current benefit payments amounted to €1,200 thousand (compared with €1,414 thousand on December 31, 2009). As in the previous year, there were no loans granted to the members Board of Managing Directors or members of the Advisory Board in fiscal year 2010.

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

The total remuneration for Advisory Board activities in the year under review amounted to €220 thousand (compared with €211 thousand on December 31, 2009), both figures including VAT. The following table shows the individual remuneration, not including VAT:

€ thousand	Membership	Remuneration	Attendance fees
Gerd Sonnleitner (Chairman)	Jan. 1 - Dec. 31	25.0	3.0
Ilse Aigner**	Jan. 1 - Dec. 31	12.5	1.5
Dr. Helmut Born	Jan. 1 - Dec. 31	8.5	2.5
Bruno Fehse	Jan. 1 - Dec. 31	7.0	1.0
Udo Folgart	Jan. 1 - Dec. 31	7.0	1.5
Heinrich Haasis	Jan. 1 - Dec. 31	8.5	1.0
Werner Hilse	Jan. 1 - Dec. 31	8.5	1.5
Dr. Benjamin-Immanuel Hoff	Jan. 1 - Dec. 31	7.0	1.5
Dietrich Jahn	Jan. 1 - Dec. 31	8.5	1.5
Wolfgang Kirsch	Jan. 1 - Dec. 31	8.5	1.5
Dr. Robert Kloos	Oct. 1 - Dec. 31	1.9	0.5
Franz-Josef Möllers	July 1 - Dec. 31	3.7	1.0
Klaus-Peter Müller	Jan. 1 - Dec. 31	10.0	0.5
Manfred Nüssel	Jan. 1 - Dec. 31	8.5	2.5
Johannes Remmel	July 15 - Dec. 31	3.2	0.5
Brigitte Scherb	Jan. 1 - Dec. 31	8.5	2.0
Norbert Schindler	Jan. 1 - June 30	4.3	1.0
Eckhard Uhlenberg*	Jan. 1 - July 13	3.8	1.0
Dr. Jörg Wendisch	Jan. 1 - Sep. 30	6.4	2.0
Klaus WieseHügel	Jan. 1 - Dec. 31	8.5	1.5
Herbert Wolff	Jan. 1 - Dec. 31	7.0	1.5

*) or representative

***) Donation to Deutsche Stiftung Verbraucherschutz

Number of employees - excluding members of the Board of Managing Directors - yearly average:

Headcount	2010			2009		
	Men	Women	Total	Men	Women	Total
Full-time employees	120	76	196	115	78	193
Part-time employees	3	28	31	2	23	25
Total	123	104	227	117	101	218

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

	Equity € million 2010	Shareholding %	Result € million 2010
LR Beteiligungsgesellschaft mbH, Frankfurt am Main	53.4	100.0	+2.6
Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main (in liquidation)	8.2*	25.1	-0.4*
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	12.2	100.0	-0.2

*) 2009

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

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

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

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

The annual financial statements are available on Rentenbank's website and may also be obtained at the Bank's registered office.

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

Hans Bernhardt	BVVG Bodenverwertungs- und -verwaltungs GmbH, Berlin (Member of the Supervisory Board since August 25, 2010)
Dr. Horst Reinhardt	VR-LEASING AG, Frankfurt am Main (Member of the Supervisory Board since September 2, 2010)
Lothar Kuhfahl	Niedersächsische Landgesellschaft mbH, Hannover (Member of the Supervisory Board)
Dr. Marcus Dahmen	BVVG Bodenverwertungs- und -verwaltungs GmbH, Berlin (Member of the Supervisory Board until August 24, 2010)

VR-LEASING AG, Frankfurt am Main
(Member of the Supervisory Board until June 30, 2010)

DZ BANK AG Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main (Member of the Advisory Board
until May 17, 2010)

The members of the Board of Managing Directors and of the Advisory Board in fiscal year 2010 are shown on the following pages.

Frankfurt/Main, March 8, 2011

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Bernhardt

Dr. Reinhardt

Organs

Board of Managing Directors

Dipl.-Kfm. Hans Bernhardt

Dipl.-Volksw. Dr. Horst Reinhardt

Dipl.-Volksw. Dr. Marcus Dahmen (until 08.02.2010)

Advisory Board

Chairman:

Gerd Sonnleitner

Präsident des Deutschen
Bauernverbands e.V., Berlin

Deputy:

Ilse Aigner

Bundesministerin für Ernährung, Land-
wirtschaft und Verbraucherschutz, Berlin

Representatives of the Deutscher Bauernverband e.V.:

Dr. Helmut Born

Generalsekretär des Deutschen
Bauernverbands e.V., Berlin

Franz-Josef Möllers

Präsident des Westfälisch-Lippischen-
Landwirtschaftsverbands e.V., Münster
(since 01.07.2010)

Udo Folgart

Präsident des Landesbauernverbands
Brandenburg e.V., Teltow/Ruhlsdorf

Brigitte Scherb

Präsidentin des Deutschen
LandFrauenverbands e.V., Berlin

Werner Hilse

Präsident des Landvolks Nieder-
sachsen-Landesbauernverband e.V.,
Hannover

Norbert Schindler, MdB

Präsident des Bauern- und Winzerver-
bands Rheinland-Pfalz Süd e.V., Mainz
(until 30.06.2010)

Representative of the Deutscher Raiffeisenverband e.V.:

Manfred Nüssel

Präsident des Deutschen Raiffeisen-
verbands e.V., Berlin

Representative of the Food Industry:

Bruno Fehse

Präsident des Bundesverbands der
Agrargewerblichen Wirtschaft e.V.,
Bonn

State Minister of Agriculture:

Berlin:

Prof. Dr. Benjamin-Immanuel Hoff

Staatssekretär in der
Senatsverwaltung für Gesundheit,
Umwelt und Verbraucherschutz
des Landes Berlin, Berlin
(since 01.01.2010)

North Rhine-Westphalia:

Eckhard Uhlenberg

Minister für Umwelt und Naturschutz,
Landwirtschaft und Verbraucherschutz
des Landes Nordrhein-Westfalen,
Düsseldorf (until 13.07.2010)

North Rhine-Westphalia:

Johannes Remmel

Minister für Klimaschutz, Umwelt,
Landwirtschaft, Natur- und
Verbraucherschutz des Landes
Nordrhein-Westfalen,
Düsseldorf (since 15.07.2010)

Saxony:

Herbert Wolff

Staatssekretär im Sächsischen Staats-
ministerium für Umwelt und Landwirt-
schaft, Dresden (since 01.01.2010)

Representative of the Trade Unions:

Klaus WieseHügel

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

**Representatives of the Federal Ministry of Food,
Agriculture and Consumer Protection:**

Dr. Jörg Wendisch

Ministerialdirektor, Bonn
(until 30.09.2010)

Dr. Robert Kloos

Staatssekretär, Berlin
(since 01.10.2010)

Representative of the Federal Ministry of Finance:

Dietrich Jahn

Ministerialdirigent, Berlin

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

Independent Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Landwirtschaftliche Rentenbank, Frankfurt am Main, for the business year from January 1 to December 31, 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (HGB) as well as the supplementary regulations in the Statutes and the Rentenbank Law are the responsibility of the Bank's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements of the Landwirtschaftliche Rentenbank, Frankfurt am Main, comply with the legal regulations and the supplementary regulations in the Statutes and the Rentenbank Law and give a true and fair view of the net assets, financial position and results of operations of the Bank in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, provides a suitable view of the Bank's position and suitably presents opportunities and risks of future development.

On January 17, 2011, we issued the following audit opinion for the balance sheet as of December 31, 2010 and the income statement for the period from January 1 to December 31, 2010 of the special-purpose fund in the version attached as an annex to Part III of our report:

“In our opinion, based on the finding of our audit, which we performed in accordance with our professional duties, the accounting records and the preparation of the annual statements of account of the special-purpose fund of Landwirtschaftliche Rentenbank, Frankfurt/Main, comply with generally accepted accounting principles.”

Frankfurt am Main, March 8, 2011

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Kläs
Wirtschaftsprüfer
[German Public Auditor]

Hansen
Wirtschaftsprüfer
[German Public Auditor]

Responsibility statement

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

Frankfurt am Main, March 8, 2011

LANDWIRTSCHAFTLICHE RENTENBANK

The Board of Managing Directors

Bernhardt

Dr. Reinhardt

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, 2010. The financial statements and the management report were audited by the auditors Deloitte & Touche GmbH - Wirtschaftsprüfungsgesellschaft -, 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, 2010 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 Deloitte & Touche GmbH - Wirtschaftsprüfungsgesellschaft -, 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 2010 and approves the consolidated financial statements and the complementary management reports for fiscal year 2010.

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 € 29 186 291.89 from the guarantee reserve and to increase the principal reserve (*Hauptrücklage*) by the same amount.

From the net income for the year of € 47 000 000.-- as reported in the income statement of the financial statements, € 35 250 000.-- 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 € 11 750 000.-- to provide € 5 875 000.-- to the Special Purpose Fund and € 5 875 000.-- 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 31, 2011

THE ADVISORY BOARD
OF LANDWIRTSCHAFTLICHE RENTENBANK

Gerd Sonnleitner (Chairman)