

2008  
Unconsolidated Financial Report

Financial Statements in accordance with  
German Commercial Code (HGB) of  
Landwirtschaftliche Rentenbank  
as of 31.12.2008

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## Management report

### Economic environment

A significantly declining momentum affected the economy worldwide in year 2008.

The euro zone gross domestic product (GDP) grew only 0.7% in 2008, down from 2.6% in 2007. As early as spring, the economic downswing also impacted the labor market, with the unemployment rate increasing from 7.1% to 8.0% at year-end, while the average unemployment for the year under review was 7.5%, up from 7.4% in 2007. The increase in consumer prices, 4.0% in both June and July, reached its highest level since the introduction of the euro. Against the backdrop of the substantial deceleration of the economy, raw material prices declined in the second half of 2008. In December, the inflation rate amounted to just 1.6%. The average increase of the harmonized consumer price index still came to 3.3%, up from 2.1% over the prior year.

In Germany, growth also decelerated in 2008, albeit less pronounced than in the euro zone. GDP growth rate declined by almost one half to 1.3%, down from 2.5% in the prior year. Growth stimuli exclusively came from within Germany, supported by gross investment and government spending, while private consumption remained flat. However, growth was depressed by the trade balance as imports rose more strongly than exports.

The international monetary policy was characterized by record interest rate cuts, above all in the last months of the year under review. This was the central banks' response to the financial crisis, declining economic momentum and rapidly falling inflation rates. The U.S. Federal Reserve cut its key lending rate to 0.5% and the European Central Bank, which had raised its main refinancing rate to 4.25% by mid-year, reduced its target rate in several steps to 2.5% by December. Further rate cuts have been implemented during the first quarter of 2009.

Accordingly, the development on the bond markets in the first half of 2008 was characterized by fears of inflation. By mid-year, the yield for ten-year German government bonds had climbed to its 2008 high of around 4.6%. The second half was dominated by apprehension of a collapse in the financial sector and a global recession, leading investors to increasingly favor government bonds as safe haven securities. As a result, the yields for ten-year government bonds decreased to below 3%.

In the wake of the crisis in the financial markets and the increasing reluctance on the part of the banks to lend to each other on the interbank market, short-term interest rates in particular rose considerably. To avoid any resulting distortions, central banks intervened worldwide by providing substantial liquidity assistance facilities. In addition, governments introduced protective shields for the banking sector. Primarily in the U.S., balance sheets of banks were relieved through the purchase of mortgage-backed securities and corporate bonds by the Fed. Full or partial nationalization of some institutions prevented the collapse of several major banks. Furthermore, many governments introduced comprehensive economic aid packages in the billion dollar range to mitigate the effects of the global economy's downswing.

### Business trend

During the crisis in the financial markets, Rentenbank made an important contribution to the stabilization of the interbank market. The Group is not exposed to securities or receivables with structured credit risks such as ABS (asset-backed securities) or CDO (collateralized debt obligations). However, the financial crisis did have an impact on both lending and refinancing conditions. The margins in the lending business widened in line with the return to a more risk-based pricing of financings. At the same time, the bank benefited from the sometimes very favorable refinancing conditions for issuers of top credit quality. This also had a positive effect on the banks' operating results. However, this was occasionally offset by significant measurement losses. The political measures taken to manage the financial crisis, however, led to a reduction of the measurement losses at the end of 2008.

The business trend of Rentenbank in 2008 saw buoyant new business activity and further improved operating earnings before profit or loss from fair value measurement and hedge accounting as well as before taxes. The bank's promotional business continued to be marked by a higher lending volume with respect to medium and long-term loans. In line with the bank's business structure, the balance sheet is predominantly characterized by the portfolio of medium and long-term loans. New promotional loans were granted in an amount of € 12.0 billion (2007: € 11.6 billion), while demand for funds from the capital market remained flat in spite of the increased volume. New refinancing

transactions in the medium to long-term segment amounted to € 11.2 billion (2007: € 11.2 billion) in the year under review.

### Total assets and business volume

Total assets fell by € 0.9 billion (2007: increase of € 6.3 billion) or 1.0% (2007: increase of 7.6%) to € 87.9 billion (2007: € 88.8 billion) in 2008. Contingent liabilities excluding irrevocable credit commitments amounted to € 117.6 million (2007: € 9.0 million). The bank generally extends credit via other banks, in accordance with its competitive neutrality. 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 € 53.3 billion (2007: € 61.1 billion) or a share of 60.6% (2007: 68.8%) in total assets, representing a decline from the prior-year level of € 7.8 billion (2007: increase of € 2.7 billion).

Liabilities to customers grew by € 5.1 billion to € 6.7 billion (2007: € 1.6 billion). This increase is mainly the result of an increase in time deposits and promissory note loans granted to government-backed companies. The securities portfolio, which almost exclusively comprises bank bonds and notes, increased by € 1.8 billion to € 27.7 billion (2007: € 25.9 billion). This balance sheet item includes bonds and debt securities of the non-trading book in a nominal amount of € 9.6 billion as well as securities amounting to € 13.5 billion (2007: € 15.3 billion) that, in substance, may be classified as non-fixed-income securities due to corresponding hedges. Securities in a nominal amount of € 4.2 million were measured at the lower of cost or market.

On the liability side of the balance sheet, liabilities to banks decreased by € 0.7 billion to € 11.0 billion (2007: € 11.7 billion). The carrying amount of overnight and term deposits as well as open-market transactions declined by € 0.6 billion to € 6.7 billion (2007: € 7.3 billion). The carrying amount of registered bonds and promissory note loans, which are also included in this item, was reduced by € 0.4 billion to € 2.7 billion (2007: € 3.1 billion). Of the liabilities with an agreed maturity or period of notice, an amount of € 5.4 billion is due within the next three months and an amount of € 1.7 billion is due after more than five years at year-end.

Liabilities to customers increased by € 0.5 billion to € 4.3 billion (2007: € 3.8 billion). This balance sheet item primarily comprises registered bonds, which are

reported with a volume of € 3.4 billion (2007: € 3.3 billion) at year-end. 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 € 1.7 billion was due after more than five years as of the balance sheet date.

The portfolio of securitized liabilities fell by € 1.1 billion or 1.6%. Their carrying amount as of the balance sheet date came to € 68.9 billion (2007: € 70.0 billion). The Euro Medium Term Note (EMTN) program, which is the most important refinancing instrument, amounted to € 38.0 billion (2007: € 41.2 billion). Global bonds registered with the U.S. Securities and Exchange Commission (SEC) totaled € 11.4 billion (2007: € 12.2 billion) at year-end. The balance of instruments from the ECP program, which is part of money market refinancing, increased to € 13.2 billion (2007: € 10.5 billion).

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

Provisions grew € 111.8 million to € 410.5 million (2007: € 298.7 million). The gross amount of additions to provisions for pensions and similar obligations was € 7.0 million (2007: € 4.3 million), and the use of the provisions for current pension benefit payments also amounted to € 4.8 million (2007: € 4.4 million). Accordingly, the balance of provisions for pensions and similar obligations increased by € 2.2 million (2007: decrease of € 0.1 million). The cover amount was determined on the basis of a discount rate of 3.5% (2007: 3.5%).

Other provisions grew by € 109.6 million to € 333.8 million (2007: € 224.2 million). This balance sheet item mainly comprises the promotional contribution of Rentenbank as well as provisions recognized to back an equity investment.

### Financial performance

The bank's financial performance was very good in 2008, especially in view of the turbulent market environment. Interest income, including contributions from fixed-income securities and equity investments, reached € 4,256.5 million (2007: € 4,385.5 million). After deducting interest expenses of € 3,864.5 million (2007: 4,146.8 million), net interest income came to € 392.0 million (2007: € 238.7 million).

The operating result before risk provisioning and valuation adjustments increased by 73.8% (2007: 8.6%) to € 349.6 million, up from € 201.2 million in 2007.

The results of all operating segments – Treasury Management, Promotional Business, and Capital Investment – also improved over the previous year.

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 amounted to € 5.3 million (2007: € 21.5 million). The reversals of write-downs required in accordance with Section 280 (1) of the HGB related to securities of the liquidity reserve amounted to € 5.8 million (2007: € 23 thousand) and did not exceed the relevant write-downs recognized earlier.

#### Net income for the year

Net income for 2008 amounted to € 43.0 million (2007: € 42.0 million), an increase of € 1.0 million against the previous year. Subject to the outstanding resolutions of the responsible corporate bodies, the bank intends to transfer € 32.25 million (2007: € 31.5 million) from net income to the principal reserve (*Hauptrücklage*) in accordance with Section 2 of the Law Governing the Landwirtschaftliche Rentenbank. In accordance with the provision that the guarantee reserve (*Deckungsrücklage*) may not exceed 5% of the principal amount of the covered bonds outstanding at any time pursuant to Section 2 (3) Sentence 2 of the Law Governing the Landwirtschaftliche Rentenbank, the decrease in the volume of the bonds subject to cover requirements resulted in a reduction of the guarantee reserve of € 60.3 million (2007: € 40.0 million). In order to maintain the bank's capital base, the same amount was transferred to the guarantee reserve. The net profit remaining after the transfer to reserves will amount to € 10.75 million (2007: € 10.5 million), which will be used to promote agriculture and rural areas protecting the general public interest pursuant to Section 9 of the Law Governing the Landwirtschaftliche Rentenbank.

## Equity

The total capital as reported on the balance sheet amounts to € 3,047.2 million (2007: € 2,901.3 million) after the transfers to the principal reserve and the additions to the fund for general banking risks. Total capital can be broken down as follows:

	Dec. 31, 2008	Dec. 31, 2007
	€ million	€ million
Capital stock	135.0	135.0
Principal reserve	409.9	317.3
Guarantee reserve	309.3	369.7
Fund for general banking risks	1,087.0	1,057.0
Subordinated liabilities	1,106.0	1,022.3
Total	3,047.2	2,901.3

Total capital as reported on the balance sheet increased by € 145.9 million compared to 2007.

Subordinated liabilities rose by € 83.7 million on a net basis (2007: decrease of € 48.8 million), taking into account exchange rate fluctuations. Of the subordinated liabilities, an amount of € 939.3 million (2007: € 885.4 million) can be classified as equity pursuant to Section 10 (2b) Sentence 5 of the German Banking Act. The fund for general banking risks was increased by € 30.0 million to € 1,087.0 million. The share of liable capital reported on the balance sheet in total assets was 3.5% (2007: 3.3%).

The total capital ratio, calculated pursuant to Section 10 (1) of the Banking Act based on the German Solvency Regulation (*Solvabilitätsverordnung, SolvV*) amounted to 19.1% (2007: 16.1%) as of December 31, 2008, and thus continued to well exceed the legal minimum requirements.

## Risk report

The corporate objective of the bank, derived from the bank's legal mandate, is the promotion of agriculture sector, the food industry, and rural areas. The business activities of the bank are geared towards achieving this goal. It must be ensured that the bank is able to fulfill its promotional mandate at all times in the future.

For the purpose of achieving its corporate objective, the bank must also generate an adequate and, above all, consistent profit in order to fulfill its mandate and increase its own funds from the bank's earnings because no other sources are available. The bank's risk structure is essentially defined by the framework set by the Rentenbank Law and its Statutes.

## Risk management

The Board of Managing Directors of the bank has the overall responsibility for risk management. It determines the bank's overall risk strategy, taking into account the proposals of the Risk Management Committee, which consists of the cross-divisional organizational units. Risk management functions are also performed by the Treasury Department and the Department for Promotional Loan Business/Banks/Corporates. The Risk Manual provides a comprehensive overview of all business risks on the basis of risk management and controlling processes.

Whenever transactions are added that involve new products, business types, sales channels, or new markets, a New Product Process (NPP) must be carried out. Within the scope of the NPP, the organizational units concerned analyze the risk level and the main consequences of these transactions for the bank.

## Risk controlling

Risk controlling, which is part of the organizational unit of Accounting and Controlling, 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 Department for Promotional Loan Business/Banks/Corporates is responsible for monitoring credit risks. The Board

of Managing Directors and the Advisory Board are informed about the overall risk situation at least once per quarter. The instruments used for risk management and monitoring are subject to constant review and updates.

#### Internal audit

The Internal Audit Department is an instrument of, and reports directly to, the Board of Managing Directors. Notwithstanding the Board of Managing Directors authority to issue instructions to cause additional reviews to be performed, the Internal Audit Department carries out its duties on its own and independently.

Based on a risk-based review planning, the Internal Audit Department generally reviews and assesses all activities and processes of the bank, including risk management and the internal controlling system, on a risk-based and process-independent basis.

#### Risk-bearing capacity

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 concept of risk-bearing capacity was developed in order to provide a statement on the risk situation that takes into account all material risks of the bank. It ensures that the risk-bearing capacity for credit, market price, liquidity, and operational risks is guaranteed at all times. Various risk scenarios are used to compare the total sum of the capital charges resulting from the bank's credit, market price, liquidity, and operational risks with a portion of the aggregate risk cover.

The allocated risk cover for credit, market price and operational risks corresponds to the global limits as approved by the Board of Managing Directors. The results from the calculations of the risk-bearing capacity reflect the risk strategy, which is based on sustainability and stability.

#### Credit risk

The granting of loans and the associated assessment and assumption of credit risk is an essential element of our business activity.

## Definition

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.

Accordingly, loans for the promotion of the agricultural sector, the food industry, and rural areas are generally granted only to banks in the Federal Republic of Germany or in another country of the European Union that are engaged in business with companies in the agricultural sector or the food industry and with companies offering related upstream or downstream activities as well as activities in rural areas. The program-based loans, which require particularly large promotional resources, are limited to Germany as an investment location. Accordingly, the lending business of Rentenbank is almost exclusively limited to the refinancing of banks and other interbank business. Instruments used are global loans, general refinancing facilities, and specific refinancing loans. The credit risk related to the ultimate borrower is borne by such borrower's principal bank. Risks associated with the ultimate borrower are borne by Rentenbank only in the case of direct lending business (business with corporates).

The range of promotional activities within the scope of the existing legal restrictions also comprises the possibility of providing equity capital to suitable companies in the food and agricultural industries. For this purpose, the bank launched a private equity fund in the amount of € 100 million in order to support established companies by acquiring minority shareholdings. These funds are granted to a very limited degree only and in compliance with the competitive neutrality toward the principal banks.

The Treasury Department is responsible for new business with regard to standard promotional loans and securitized promotional lending as well as money market transactions and derivatives. Derivatives are only entered into for hedging purposes and only with counterparties from OECD and EU countries. 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 credit risk strategy on an annual basis and informs the Credit Committee, which is formed by the Advisory Board, about this strategy.

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 Department for Promotional Loan Business/Banks/Corporates. The Department for Promotional Loan Business/Banks/Corporates is responsible for establishing and implementing a uniform credit risk strategy and for controlling the bank's credit risks. This includes, among other things, 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 Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement, MaRisk*), certain tasks have to be performed outside the front office. A number of these "back office" functions is performed by the Department for Promotional Loan Business/Banks/Corporates, which issues the independent second vote for lending decisions, reviews certain collateral within the meaning of the MaRisk provisions, and is responsible for intensified loan management as well as for the management of non-performing loans. Any necessary measures are agreed upon in cooperation with the Board of Managing Directors. The department monitors credit risks on the level of the overall loan portfolio as well as on borrower unit level and is responsible for risk reporting with regard to credit risks. In addition, it is responsible for methodological development, quality assurance, and monitoring the procedures used to identify and quantify credit risk. The functional and organizational separation of risk controlling and the Department for Promotional Loan Business/Banks/Corporates from the Treasury 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-internal credit ranking and takes into consideration external ratings, is a key risk management instrument for credit risks, which are reflected in the limit system. In addition, current information concerning negative financial data or a deterioration of the economic perspectives of a business partner may initiate a review or an adjustment of the credit ranking as well as an adjustment of the limit.

The internal credit ranking is performed by the Department for Promotional Loan Business/Banks/Corporates, which represents the back office. Individual business partners or types of transactions are allocated to one of the 12 current rating categories using an internally determined procedure. LR rating category 1+ is the category with the highest credit quality, and LR rating category 5- is the category with the lowest credit quality. In addition, the bank introduced the rating category 6+ for higher levels of risk and the rating category 6- for exposures that are highly likely to default 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 into account key performance indicators, so-called soft factors, 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 the external rating agencies Standard & Poor's, Moody's, and Fitch are used to determine credit rankings. Specific types of transactions such as accepting *Pfandbriefe* (covered bonds) are classified into a specific rating category. In addition, country risks are evaluated separately as a structural risk relevant to the bank. The internal credit ranking procedure is continuously developed and monitored annually.

The consequences of the international financial crisis are reflected in changes of the credit quality of the bank's counterparties. Various counterparties received a 6+ rating for the first time and the related exposures were considered to have a high level of risk. In spite of several downgrades in response to the substantial

write-downs required to be recognized by our counterparties, the average credit quality of our overall loan portfolio can still be classified as “good.” In this context, two direct write-offs had to be recognized in fiscal year 2008 for loans and advances as well as for one equity investment.

### Quantification of credit risk

To ensure the good credit quality of the overall loan portfolio, the bank uses adequate securitization instruments that focus on the credit risk strategy in connection with the risk-bearing capacity concept.

The internal rating category system forms the basis of calculation for measuring potential credit default risks with the help of statistical procedures. In order to determine the cumulative potential default, historical probabilities of default as published by the rating agencies Standard & Poor’s and Moody’s are used. The historical probabilities of default experienced within the bank cannot be relied upon due to the negligible number of defaults in the decades preceding the current financial crisis. The calculations are made at the end of each quarter. In order to assess credit risk, a standard scenario (annual, cumulative, potential default related to utilization) is supplemented by stress scenarios (annual, cumulative, potential default related to limits, assuming deteriorations in credit quality as well as increased probabilities of default). In line with the risk-bearing capacity concept, as set out in the Risk Manual, an amount of € 130 million (2007: € 90 million) 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.

### Limitation and reporting

Risk assumption and risk limitation is a key element of the management of 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 consistent sub-limits are derived.

Based on the proportion of the risk cover made available for credit risks as determined in the Risk Manual (risk-bearing capacity concept), an overall upper limit is calculated for all counterparty limits using statistical methods. In addition, country-based credit and transfer limits, an overall upper limit for securitized promotional lending, and upper limits for unsecured facilities for each rating category have been established.

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 by product and maturity. The internal credit ranking procedure represents the central basis for decisions related to the definition of limits. The restriction of the total number of limits granted to a particular business partner is determined on the basis of various internal upper grid limits, depending on the financial position of such business partner. 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.

The limits granted are monitored on a daily basis by the back office. The utilization of the limits granted 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 provided, if any. 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 the majority of 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 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 amount. The collateral agreements reduce the utilization of the limits, the cover

requirements for credit risks, and the utilization of the limits for large loan exposures (*Großkredite*).

At the end of each quarter, a credit risk report is prepared by the Credit Risk Management desk, which is part of the Department for Promotional Loan Business/Banks/Corporates (Back Office). The report is submitted to the Board of Managing Directors and to the Credit Committee established by 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 category, collateral, size class, and maturity. In addition, the reports include statements on the extent of limits granted internally, new business development, foreign promotional business, direct lending business and equity investments, new products, new markets, new sales channels, new countries, and large loan exposures. Comparisons with prior years, changes and comments to these changes, and the performance of counterparties that are subject to special monitoring measures or with potential risk are also included in the reports.

## Market price risk

### Definition

Market price risk arises in the form of interest rate risks, foreign exchange risks, and other price risks. Interest rate risks comprise risks from the widening of risk premiums (spread 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 the 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 focuses on quantifying market price risk, monitoring limits, reporting and controlling.

#### Quantification of market price risks

The bank limits interest rate risk by refinancing assets recognized in the balance sheets through liabilities recognized in the balance sheet with matching maturities and by using derivatives to account for any maturity mismatches. Derivatives are generally entered into for hedging purposes on the basis of micro or macro hedge relationships.

Profit or losses from maturity transformation are realized from short-term cash deposits and refinancing and, to a lesser extent, from securities transactions and the lending business. The risk cover allocated for the market price risk corresponds to the risk limit of € 61 million.

Changes in spreads have a direct effect on the measurement of existing positions and influence the risk cover. The future 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.

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

The interest-rate risks from open positions may not exceed the tight 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.

A risk indicator is calculated daily for "money market funding" on the basis of a VaR analysis in accordance with the variance/co-variance approach. The indicator shows the maximum loss from market-related developments assuming a holding period of one day and a prediction accuracy of 99%. The key risk factors for

“money market funding” are euro interest rates. The value of the portfolio is determined by the interest rate curve for interbank loans (Euribor) and the interest rate curve for derivatives (EONIA). In addition to these interest rate curves, the corresponding volatilities of interest rates and correlations between the interest rates are also taken into account in the VaR calculation. These data are determined using a weighted 250-day history.

The quality of our VaR model is reviewed daily using a back testing procedure. For this purpose, the daily results arising from the market trend observed on the following day are compared with the forecasted VaR indicator, under the assumption of unchanged positions.

Sensitivity, scenario, and VaR analyses as well as back-testing processes are all part of risk management and risk controlling. Additional interest rate change scenarios (stress scenarios) are calculated assuming different interest rates for “money market funding”, the securities business, and the lending business. The scenarios in the “money market funding” and “promotional lending” are regularly validated using historical interest rate trends. To do so, risk-based thresholds are compared with changes in the interest rate curves for short-term interbank loans (Euribor) and derivatives (EONIA) as well as long-term swap rates occurring within 10, 20, and 30 days.

The bank regularly calculates all interest rate-sensitive items for the purpose of validating the interest rate risks at the level of the entire bank. The interest rate risks are determined using a calculation based on the present value. This analysis is performed on a quarterly basis and examines the effects of changes in market interest rates as of a particular date on the visible net income contributions for all future periods by closing all open fixed-interest positions. Finally, the risk exposures determined for different interest rate change scenarios are analyzed in relation to regulatory equity in accordance with Section 10 of the German Banking Act. This does not result in any material capital charges.

## 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 monitored daily using a limit for cash balances set by the Board of Managing Directors and are reported to the responsible departments. Open cash balances for a period of up to one year must remain within the limits of the relevant unused refinancing facilities. Our triple A ratings along with our short-term refinancing possibilities on the money and capital markets indicate that in efficient markets, the liquidity risk is manageable in the event principal and interest payments are not made when due. In case of a market disruption, liquidity may be raised in the amount the freely available collateral which always exceeds the bank's liquidity requirements for a period of up to one year.

For the purpose of monitoring medium and long-term liquidity, the scheduled maturities are presented for the following 15 years on a quarterly basis.

Stress scenarios are intended to examine the effects of unexpected events on the bank's cash position. The liquidity scenarios are an integral part of the internal controlling model. They are calculated and monitored on a monthly basis. The scenario analyses take into account either a price decline in securities belonging to the liquidity reserve, a simultaneous drawdown of all irrevocable loan commitments, or default by a major borrower in the sense of performance risks. For this purpose, the liquidity requirement resulting from the scenarios is added to already known cash flows in order to examine the effects on the solvency of the bank.

The scenarios are regularly reviewed with respect to their significance for the bank and their presentation within the scope of strategic liquidity management.

Pursuant to the 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 are then extrapolated to encompass the due dates to be observed for reporting purposes. In the 2008 reporting year, the monthly reported liquidity ratio for the period of up to 30 days was between 1.59 and 2.90 and was thus significantly above the 1.0 ratio defined by regulatory requirements.

The Board of Managing Directors receives monthly information on the short-term liquidity projection, the scenarios, and the medium to long-term liquidity within the scope of the liquidity risk report. The Advisory Board is informed about the results of the risk analyses on a quarterly basis.

Due to the bank's financial position, no liquidity risks are taken into account when determining risk-bearing capacity.

## 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, outsourcing risks, operating risks, and event or environmental risks, but does not comprise strategic risks, business risks, or reputational risks.

### Organizational structure of operational risk

The general framework for managing and controlling operational risk governs the procedures to be followed for handling operational risk at the bank.

Rentenbank minimizes 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 and principle of dual control), detailed procedural instructions, and qualified personnel. An emergency manual describes the procedures to be followed to prevent disaster

and in case of an actual disaster event. Further emergency plans govern the procedures to be followed in the event of business disruptions. 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.

Reports are prepared on a quarterly basis and submitted to the Risk Management Committee, the Board of Managing Directors, and the Advisory Board.

#### Quantification of operational risk

Operational risks are quantified within the scope of the risk-bearing capacity concept using a process based on the basic indicator approach as set forth in the Solvency Regulation. The risk cover allocated for operational risk amounted to € 12 million as of December 31, 2008.

All losses incurred by the bank are systematically collected and analyzed in a loss reporting database. All current losses and near-losses are recorded on a decentralized basis by the relevant operational risk officers. Operational risk management is performed by the individual business areas. This means that the measures to prevent and limit risk are primarily the responsibility of the organizational units. The analysis and aggregation of losses 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 these risks materialize. Workshops are held in which potential operational risk scenarios for material business processes are identified, based on a company-wide process map, and then assessed with respect to amount and frequency of loss. Depending on the risk assessment, additional preventive measures are taken to reduce operational risk.

#### Outlook

At the beginning of 2009, the most important industrialized nations, including Germany, faced a continuing economic downswing. International trade, capital expenditures, and industrial production are expected to decline further on a

global basis as unemployment rises. Germany, as an export-oriented economy, will be particularly impacted by this trend. A decline of the gross domestic product (GDP) by more than 2% can no longer be ruled out. The economy is not expected to recover until year-end or even 2010.

The recession trends of the global economy might be mitigated by the steep decline in prices for raw materials, especially crude oil, as this decrease will result in a reduction of costs for companies and an increase in purchasing power of consumers. Higher government spending in connection with the comprehensive economic aid packages in the billion dollar range introduced in many countries will have a similar effect. The probability of a broad-based price decline continuing over a longer period of time (deflation) is currently considered low since monetary easing and significantly increased government spending rather mitigate the risk of deflation, just like wages and salaries, which normally tend to not be revised downwards in the majority of industrialized nations.

The most important international central banks have implemented substantial interest rate cuts to the extent that, at the moment, there is not much scope for any further interest rate policy measures. Due to the persisting strong monetary easing, long-term interest rates will only have little upside potential. It remains to be seen to what extent strongly rising government debt leads to an increase in interest rates, and whether monetary policy measures will also result in an increase in interest rates in the medium term. Finally, the development of short-term interest rates depends on whether the confidence between banks and, consequently, the interbank market business will return to normal levels.

In spite of this challenging background, Rentenbank believes that it has a solid foundation for the further development of its promotional business thanks to its solid business structure in connection with its triple A ratings.

In order to project the future financial position and performance, we have prepared comprehensive annual and 3-year plans. The plans consist of forecasts related to the Group's financial position, financial performance, and costs including cost budgets and simulations. Unlike the 3-year plans, the annual plan examines in greater detail individual factors.

Current planning is based on the assumption that new business volume will decline in fiscal years 2009 and 2010 with respect to both the promotional loan business and refinancing of the Group as a result of the limit reductions. Financial performance planning assumes stable earnings trends in all segments, albeit below the level of the exceptionally good 2008 fiscal year. This includes both net interest income and operating result before the result from fair value measurement and hedge accounting and before taxes. The level of net income for the year will be influenced by the performance of market parameters and measurement gains or losses. The credit spreads have continued to widen in the first months of the year so that we expect further charges for the loan portfolio.

Within the scope of the cost planning for the years 2009 and 2010, we took into account future capital expenditures, among other things, due to regulatory requirements as well as strategic and operational development measures. Despite rigorous cost management, we expect costs to increase in all areas.

The promotional business again showed dynamic momentum in the first two months of the current fiscal year. The Group believes that it will reach in 2009 the medium and long-term promotional lending volumes of 2008, provided general market conditions will stay the same.

In the first weeks of fiscal year 2009, net interest income exceeded the prior-year level. For the full fiscal year 2009, we anticipate a satisfying earnings trend, which will enable the Group to account for all identifiable risks as well as to further increase the bank's capital base and to extend promotional loans at low interest rates in the prior year's amount.

#### Report on events after the balance sheet date

There were no events of material importance after the end of the fiscal year 2008.



## ASSETS

	€ million	€ million	€ million	31.12.2007 € million
<b>1. Cash and balances with central banks</b>				
a) Cash on hand		0.1		0.1
b) Balances with central banks		28.0		90.7
			28.1	90.8
of which: with Deutsche Bundesbank				
€ m 28.0 (2007: € m 90.7)				
<b>2. Loans and advances to banks</b>				
a) Payable on demand		220.0		706.3
b) Other loans and advances		53 082.7		60 405.6
			53 302.7	61 111.9
<b>3. Loans and advances to customers</b>				
of which: Secured by charges on real property				
€ m 0.0 (2007: € m 0.0)				
Loans to local authorities				
€ m 5 349.3 (2007: € m 960.7)			6 731.1	1 579.7
<b>4. Debt securities and other fixed-income securities</b>				
a) Money market securities				
aa) Other issuers		463.0		254.3
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 463.0 (2007: € m 102.0)				
b) Bonds and debt securities				
ba) Public-sector issuers		347.9		593.5
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 208.8 (2007: € m 363.8)				
bb) Other issuers		26 865.9	27 213.8	25 021.3
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 26 067.4 (2007: € m 23 064.8)				
c) Own debt securities		1.5		2.9
Nominal amount € m 1.6 (2007: € m 3.0)			27 678.3	25 872.0
<b>5. Equity investments</b>				
of which: in banks				
€ m 0.0 (2007: € m 0.0)				
in financial services institutions				
€ m 0.0 (2007: € m 0.0)			4.2	0.8
<b>6. Interests in affiliated companies</b>				
of which: in banks				
€ m 0.0 (2007: € m 0.0)				
in financial services institutions				
€ m 0.0 (2007: € m 0.0)			0.0	15.6
<b>7. Trust assets</b>				
of which: Trustee loans				
€ m 109.4 (2007: € m 112.2)			109.4	112.2
<b>8. Intangible assets</b>			0.2	0.4
<b>9. Tangible assets</b>			20.3	20.4
<b>10. Other assets</b>			0.1	0.1
<b>11. Prepaid expenses</b>				
a) From new issues and lending		6.4		8.7
b) Other		1.2		1.2
			7.6	9.9
<b>Total assets</b>			<b>87 882.0</b>	<b>88 813.8</b>

LIABILITIES AND EQUITY

	€ million	€ million	€ million	31. 12. 2007 € million
<b>1. Liabilities to banks</b>				
a) Payable on demand		1 654.0		76.8
b) With an agreed maturity or period of notice		9 332.0		11 595.5
			10 986.0	11 672.3
<b>2. Liabilities to customers</b>				
Other liabilities				
a) Payable on demand		142.4		41.9
b) With an agreed maturity or period of notice		4 154.5		3 715.7
			4 296.9	3 757.6
<b>3. Securitized liabilities</b>				
Debt securities issued			68 945.8	70 010.2
<b>4. Trust liabilities</b>				
of which: Trustee loans				
€ m 109.4 (2007: € m 112.2)			109.4	112.2
<b>5. Other liabilities</b>			49.7	22.4
<b>6. Prepaid expenses</b>				
a) From new issues and lending		0.5		0.8
b) Other		25.2		27.8
			25.7	28.6
<b>7. Provisions</b>				
a) Provisions for pensions and similar obligations		76.7		74.5
b) Provisions for taxes		0.0		0.0
c) Other provisions		333.8		224.2
			410.5	298.7
<b>8. Subordinated liabilities</b>			1 106.0	1 022.3
<b>9. Fund covering general banking risks</b>			1 087.0	1 057.0
<b>10. Equity</b>				
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	317.3			
Transfers from guarantee reserve	60.4			
Transfers from net income for the year	32.2	409.9		317.3
bb) Guarantee reserve pursuant to Section 2 (3) of the Law				
Governing the Landwirtschaftliche Rentenbank	369.7			
Appropriations pursuant to Section 2 (3) of the Rentenbank Law	60.4	309.3		369.7
c) Net profit		10.8		10.5
			865.0	832.5
<b>Total liabilities and equity</b>			<b>87 882.0</b>	<b>88 813.8</b>
<b>1. Contingent liabilities</b>				
Liabilities from guarantees and indemnity agreements			117.6	9.0
<b>2. Other commitments</b>				
Irrevocable loan commitments			1 360.3	2 963.2

## EXPENSES

	€ million	€ million	€ million	2007 € million
<b>1. Interest expenses</b>			3 864.5	4 146.8
<b>2. Fee and commission expenses</b>			2.2	2.0
<b>3. Net expense from financial operations</b>			0.0	0.0
<b>4. General administrative expenses</b>				
a) Personnel expenses				
aa) Wages and salaries	17.8			17.3
ab) Social security contributions and expenses for pensions and other employee benefits	9.2			6.3
		27.0		23.6
of which:				
pension expenses € m 7.1 (2007: € m 4.3)				
b) Other administrative expenses		14.1		14.0
			41.1	37.6
<b>5. Depreciation, amortization and write-downs of intangible and tangible fixed assets</b>			1.7	1.5
<b>6. Other operating expenses</b>			2.0	0.8
<b>7. Expenses for specific securities and loans and advances</b>				
a) Depreciation, amortization and write-downs of loans and advances, and specific securities as well as additions to provisions for lending operations		261.0		83.2
b) Additions to the fund covering general banking risks		30.0		76.0
			291.0	159.2
<b>8. Amortization and write-downs of equity investments, interests in affiliated companies and securities treated like fixed assets</b>			15.6	0.0
<b>9. Extraordinary expenses</b>			0.0	0.0
<b>10. Taxes on income</b>			0.0	0.0
<b>11. Other taxes not disclosed under item 6</b>			0.1	0.1
<b>12. Net income for the year</b>			43.0	42.0
<b>Total expenses</b>			<b>4 261.2</b>	<b>4 390.0</b>
<b>1. Net income for the year</b>			43.0	42.0
<b>2. Transfers from retained earnings</b> from guarantee reserve pursuant to Section 2 (3) of the Law Governing the Landwirtschaftliche Rentenbank			60.3	40.0
<b>3. Transfers to retained earnings</b> to principal reserve pursuant to Section 2 (2) of the Law Governing the Landwirtschaftliche Rentenbank				
from guarantee reserve			60.3	40.0
from net income for the year			32.2	31.5
<b>4. Net profit</b>			10.8	10.5

## period from January 1 to December 31, 2008

### INCOME

	€ million	€ million	2007 € million
<b>1. Interest income from</b>			
a) Lending and money market transactions	2 875.5		3 295.0
b) Fixed-income securities and debt register claims	1 380.6		1 090.4
		4 256.1	4 385.4
<b>2. Current income from</b>			
a) Equities and other non-fixed-income securities	0.0		0.0
b) Equity investments	0.4		0.1
c) Interests in affiliated companies	0.0		0.0
		0.4	0.1
<b>3. Fee and commission income</b>		1.1	1.0
<b>4. Net income from financial operations</b>		0.0	0.0
<b>5. Income from write-ups on loans and advances and specific securities as well as the reversal of provisions for lending operations</b>		0.0	0.0
<b>6. Income from write-ups on equity investments, interests in affiliated companies and securities treated like fixed assets</b>		0.0	0.0
<b>7. Other operating income</b>		3.6	3.5
<b>8. Extraordinary income</b>		0.0	0.0
<b>Total income</b>		<b>4 261.2</b>	<b>4 390.0</b>

## Notes according to German Commercial Law (HGB)

### Accounting and Valuation Methods

The annual accounts of Landwirtschaftliche Rentenbank have been prepared in accordance with the legal guidelines for bank balance sheets and the bank and financial services companies accounting regulations (RechKredV) effective from 11.12.1998. The structure of the balance sheet and the income statement is based on the templates set out in the Accounting Directive for Banks.

Assets and liabilities are measured pursuant to the provisions of sections 252 et seq. and 340e of the German Commercial Code (*Handelsgesetzbuch, HGB*). Bonds and other fixed-income securities, to the extent allocated to the liquidity reserve, are measured at lower of cost or market (section 253 (3) of the HGB in conjunction with section 280 of the HGB). Fixed-income securities classified as fixed assets (a portfolio of unsecured floaters of the Promotional Business segment) are measured at amortized cost.

Off-balance sheet financial instruments, used as hedging for balance-sheet items, are treated like secured transactions (with the necessary documentation) for the purposes of valuation. Zero bonds were valued at their issue price plus accrued rata interest based on the issue yield.

Investments in subsidiaries and affiliated companies are stated at their acquisition costs, where required less write-downs.

According to their expected useful life, tangible assets as well as intangible assets have been depreciated on a straight-line basis in accordance with commercial law.

Liabilities have been valued with the repayment sum or the nominal amount of the debt. Agio and disagio have been marked down pro rata temporis.

Pension provisions continue to be calculated using a discount rate of 3.5% in accordance with the provisions under tax laws. The valuation of pension provisions has been based on the legal tables drawn up in 2005 G by Dr. K. Heubeck. Furthermore, future career trends were considered as assessment parameters. Additional provisions were recognized for early retirement under collective agreements, and for jubilee payments and deferred compensation. Additional provisions were recognized as of December 31, 2008 to back an equity investment.

Provisions for the bank's own special loan programmes cover the interest subsidy in its entirety for the whole contracted term and the term of interest rate adjustment, respectively.

Adequate provisions were taken for all discernible credit risks. A general credit risk provision has been also deducted from the assets concerned.

In accordance with section 340h of the German Commercial Code (HGB), foreign currency amounts were converted and valued on the balance sheet date. Where hedge transactions

have been used for foreign currency amounts, the items are valued as single valuation units.

For the 2008 financial year, Landwirtschaftliche Rentenbank drew up IFRS based consolidated accounts with LR Beteiligungsgesellschaft mbH, Frankfurt am Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main, (DSV) in accordance with section 315a of the German Commercial Code (HGB).

## Additional Specifications on the Balance Sheet

The additional specifications and explanations on individual items were drawn up in the order they appear in the balance sheet. The balance sheet items show no accrued interest.

Asset items in the balance sheet	2008 € million	2007 € million
Item 2: Due from banks		
This item includes:		
Subheading b) - other claims -		
divided according to the remaining time to maturity:		
- Up to three months	7 581	10 846
- Longer than three months up to one year	8 870	15 468
- Longer than one year up to five years	17 381	16 315
- Longer than five years	17 762	16 003
Item 3: Due from customers		
This item includes:		
- Due from affiliated companies	159	180
- Due from companies in which the bank has investment holdings	0	2
This item divided according to the remaining time to maturity:		
- Up to three months	6 223	1 246
- Longer than three months up to one year	22	169
- Longer than one year up to five years	373	56
- Longer than five years	3	1
Item 4: Bonds and other fixed-income securities		
This item includes:		
The marketable securities in this item are:		
- Listed	27 070	25 243
- Unlisted	282	293
<p>Securities at a carrying amount of €9 604 million 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.</p> <p>The unrecognized write-downs amount to €222 million, based on (quoted) market prices.</p>		
<p>Additionally, this item includes amounts which will be due in the year following the balance sheet date:</p>		
Bonds and other fixed-income securities		
- From public issuers	87	29
- From other issuers	5 963	3 791
<p>Securities with a carrying amount of €884 million (2007: €0 million) were sold under genuine repurchase agreements.</p>		

<b>Asset items in the balance sheet</b>	2008 € million	2007 € million
Items 5, 6: The balance sheet items Shares, Investment Holdings and Holdings in affiliated companies do not include marketable securities.		
Item 7: Trust assets This item includes:		
- Special-Purpose Fund	87	82
- Due from banks	22	30
Item 9: Tangible assets This item includes:		
- Land and buildings used by the bank, flats	0	1
- Land and buildings scheduled for external use	19	19
- Equipment, furniture and fittings	1	1
Assets denominated in foreign currencies	1 133	1 212

### Fixed Asset Summary

Fixed assets € million	Acquisition costs	Additions (Transfers*)	Disposals	Cumulative depreciation	Balance sheet value 31.12.08	Balance sheet value 31.12.07	Depreciation 2008
Intangible assets	1	0	—	1	0	0	0
Tangible assets	33	1	2	12	20	20	1
Securities classified as fixed assets	—	9 604	—	—	9 604	—	—
Investment holdings	1	3	—	0	4	1	—
Holdings in affiliated companies	27	—	—	27	0	16	16
<b>Total</b>	<b>62</b>	<b>9 608</b>	<b>2</b>	<b>40</b>	<b>9 628</b>	<b>37</b>	<b>17</b>

\*) Reclassification of securities as fixed assets

<b>Liability items in the balance sheet</b>	2008	2007
	€ million	€ million
<b>Item 1: Liabilities to banks</b>		
Subheading b) - with agreed term or period of notice – divided according to the remaining time to maturity:		
- Up to three months	5 389	7 372
- Longer than three months up to one year	746	647
- Longer than one year up to five years	1 017	1 655
- Longer than five years	1 688	1 439
<p>Securities worth a total value of nominal € 24 161 million (2007: € 23 246 million) have been deposited at the Bundesbank for refinancing purposes. As a part of open market operations of the ECB, securities at a volume of € 1 000 million were credited at the branch office of the Deutsche Bundesbank in Frankfurt at the end of 2008 (2007: € 5 000 million).</p>		
<b>Item 2: Liabilities to customers</b>		
This item includes:		
- Liabilities to companies in which the bank has investment holdings	0	0
- Liabilities to affiliated companies	11	10
Subheading b) - with agreed term or period of notice - divided according to the remaining time to maturity:		
- Up to three months	380	160
- Longer than three months up to one year	238	344
- Longer than one year up to five years	1 708	1 234
- Longer than five years	1 715	1 858
<b>Item 3: Securitized liabilities</b>		
This item includes following amount which will be due in the year following the balance sheet date:		
	24 855	23 729
<b>Item 4: Trust liabilities</b>		
This item includes:		
- Special-Purpose Fund	87	82
- Liabilities to customers	22	30
<b>Item 5: Other liabilities</b>		
This item includes:		
• pro-rata interest for subordinated liabilities (before collateralization)	17	18
• Security deposits retained	28	—
• Option premiums received	1	—

<b>Liability items in the balance sheet</b>	2008	2007
	€ million	€ million
<b>Item 8: Subordinated Liabilities</b>		
The subordinated liabilities were issued as note loans, loan agreements and bearer securities with global certificates. For the subordinated liabilities of € 1 106 million (as compared with € 1 022 million in 2007) the net outlay after hedging was € 42 million (as compared with € 37 million in 2007). A 16 % share of the subordinated liabilities' total amount accounts for a bond of JPY 25 billion equivalent to € 174 million after hedging. The bond is due on 21.04.2036. The related outlay rate before hedging is 2.8 %. The subordinated liabilities' financing conditions fulfill the requirements of section 10 (5a) of the German Banking Law (KWG) and exclude premature repayment.		
Debts denominated in foreign currency	49 165	44 866
<b>Liabilities below the line</b>		
<b>Item 1: Contingent liabilities</b>		
- Deficiency guarantees	115	5
- Bailment of security furnishings	3	4
<b>Item 2: Other liabilities</b>		
The decrease of irrevocable loan commitments predominantly is due to outstanding commitments in money market business with banks.		
<b>Computation of cover</b>		
Liabilities for which mandatory cover must be provided are:		
- Bearer securities	1 315	1 398
- Registered securities	4 872	5 995
The following assets are allocated to cover bonds issued:		
- Due from banks	14 007	14 821
- Due from customers	3	5

## Explanations on the profit and loss account

### Income

#### Breakdown by geographical markets

Items in € million		Germany	Europe/OECD
Interest income	2008	2 224	2 032
	2007	1 878	2 507
Current income from shares and other non-fixed income securities	2008	—	—
	2007	—	—
Current income from investment Holdings	2008	—	—
	2007	—	—
Commission Income	2008	1	—
	2007	1	—
Other operating Income	2008	4	—
	2007	4	—
		2008	2007
		€ million	€ million
<b>Item 7: Other operating income</b>			
The main components included in this item are:			
- Rental income from the bank's own buildings		1.8	1.8
- Other refunds		0.5	0.5
- Sale of owneroccupied flats		0.2	0.5

Expenses and income include no material amounts relating to prior years.

## Supplementary Information

### Information on market risk-related transactions

In principle, derivative business is only transacted to hedge balance-sheet effective transactions. The volume of this business is limited through position, counterparty and product-related limits and is constantly monitored within the framework of our risk management system.

### Derivative transactions - volumes -

The following table shows the derivatives measured at market value in accordance with section 285 (1) No. 18 of the HGB (netting and collateral agreements have not been taken into account):

€ million	Nominal value		Fair value positive	Fair value negative
	31.12.2008	31.12.2007	31.12.2008	31.12.2008
<b>Interest-rate risks</b>				
Interest-rate swaps	68 546	115 431	1 327	1 370
- Thereof: claims of redemption and conversion embedded in swaps	689	1 670	25	14
Swaptions				
- Purchases	—	—	—	—
- Sales	399	276	—	7
Other interest-rate forward contracts	9	2 008	9	—
<b>Interest-rate risk total</b>	<b>68 954</b>	<b>117 715</b>	<b>1 336</b>	<b>1 377</b>
<b>Currency risks</b>				
Cross-currency swaps	41 455	38 167	1 472	3 371
- Thereof: currency options embedded in swaps	205	158	13	10
- Thereof: claims of redemption embedded in swaps	87	67	0	7
Currency swaps	10 091	7 162	81	552
<b>Currency risk total</b>	<b>51 546</b>	<b>45 329</b>	<b>1 553</b>	<b>3 923</b>
<b>Stock and other price risks</b>				
Stock index swaps	101	101	2	4
- Thereof: stock options embedded in swaps	101	101	2	4
<b>Stock and other price risks total</b>	<b>101</b>	<b>101</b>	<b>2</b>	<b>4</b>
<b>Interest-rate, currency, stock and other price risks</b>	<b>120 601</b>	<b>163 145</b>	<b>2 891</b>	<b>5 304</b>

**Derivative transactions - breakdown by maturities -**

Nominal value in € million	Interest-rate risk		Currency risk		Stock and other price risks	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Remaining time to maturity:						
- Up to three months	9 553	52 249	8 655	8 760	—	—
- Longer than three months up to one year	11 291	18 642	7 626	6 773	—	—
- Longer than one year up to five years	31 744	31 284	26 030	18 502	101	101
- Longer than five years	16 366	15 540	9 235	11 294	—	—
<b>Total</b>	<b>68 954</b>	<b>117 715</b>	<b>51 546</b>	<b>45 329</b>	<b>101</b>	<b>101</b>

**Derivative transactions - breakdown by counterparties -**

€ million	Nominal value		Fair value positive	Fair value negative
	31.12.2008	31.12.2007	31.12.2008	31.12.2008
OECD banks	110 940	148 944	2 454	4 917
Other counterparties	9 661	14 201	437	387
<b>Total</b>	<b>120 601</b>	<b>163 145</b>	<b>2 891</b>	<b>5 304</b>

Forward transactions, particularly those in foreign currencies, not yet completed by the balance sheet date, were concluded to cover market price risk. Commitments for pending transactions at the year's end comprise interest-rate swaps, currency swaps, cross-currency 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" (€ 735 million), "loans and advances to customers" (€ 107 million), "liabilities to banks" (€ 433 million), and "liabilities to customers" (€ 43 million).

## Miscellaneous

During the 2008 financial year, the total remuneration of the Board of Managing Directors amounted to € 2 289 thousand (as compared with € 2 371 thousand in 2007). For the individual members of the Board of Managing Directors the remuneration for 2008 was fixed as follows:

€ thousand	Fixed remuneration	Variable remuneration	Other remuneration	Total
Hans Bernhardt	275	275	31	581
Dr. Marcus Dahmen	330	300	9	639
Hans Jürgen Ploog (until 30.06.2008)	200	340	7	547
Dr. Horst Reinhardt	275	225	22	522

As at 31.12.2008, there were provisions totaling € 14 836 thousand (as compared with € 10 986 thousand in 2007) to meet pension commitments to former members of the Board of Managing Directors and their surviving dependants. Current benefit payments amounted to € 1 039 thousand (as compared with € 677 thousand in 2007). As in previous year, there were no loans granted to the Board of Managing Directors or members of the Advisory Board in fiscal year 2008.

According to current regulations of remuneration, the Chairman of the Advisory Board obtains a fixed remuneration in the amount of € 25 thousand and his deputy in the amount of € 12.5 thousand. Members who are chairmen of an Advisory Board's committee, obtain a remuneration of € 10 thousand, unless their remuneration is already higher. Members of the Advisory Board functioning within a committee obtain € 8.5 thousand, members of the Advisory Board who do not function within a committee obtain € 7 thousand. Additionally, members of the Advisory Board get an attendance fee of € 0.5 thousand for each Advisory Board meeting.

The total remuneration granted to members of our Advisory Board for their activity during the financial year amounted to € 208 thousand (as compared with € 211 thousand in 2007), both including VAT. Individual remuneration is listed in the following table (excluding VAT):

€ thousand	Membership	Remuneration	Attendance fee
Gerd Sonnleitner (Chairman of the Advisory Board)	01.01. - 31.12.	<b>25.0</b>	<b>2.5</b>
Ilse Aigner *	31.10. - 31.12.	<b>2.1</b>	<b>0.5</b>
Dr. Till Backhaus	01.01. - 31.12.	<b>7.0</b>	<b>1.0</b>
Dr. Helmut Born	01.01. - 31.12.	<b>8.5</b>	<b>2.0</b>
Dr. Rolf-E. Breuer	01.01. - 31.12.	<b>10.0</b>	<b>1.0</b>
Dr. Ulrich Brixner	01.01. - 30.06.	<b>4.3</b>	<b>0.5</b>
Wilhelm Dietzel	01.01. - 31.12.	<b>7.0</b>	<b>1.5</b>
Bruno Fehse	01.01. - 14.05.	<b>2.6</b>	<b>0.5</b>
Udo Folgart	01.07. - 31.12.	<b>3.5</b>	<b>1.0</b>
Heinrich Haasis	01.01. - 31.12.	<b>8.5</b>	<b>1.0</b>
Werner Hilse	01.01. - 30.06.	<b>4.3</b>	<b>0.5</b>
Dietrich Jahn	11.12. - 31.12.	<b>0.6</b>	—
Wolfgang Kirsch	06.11. - 31.12.	<b>1.4</b>	<b>0.5</b>
Berthold Leber	01.01. - 24.10.	<b>7.1</b>	<b>0.5</b>
Franz-Josef Möllers	01.01. - 31.12.	<b>8.5</b>	<b>1.0</b>
Stefan Mörsdorf	01.01. - 31.12.	<b>7.0</b>	<b>0.5</b>
Manfred Nüssel	01.01. - 31.12.	<b>8.5</b>	<b>1.0</b>
Brigitte Scherb	01.01. - 31.12.	<b>8.1</b>	<b>0.5</b>
Horst Seehofer	01.01. - 27.10.	<b>10.4</b>	<b>0.5</b>
Norbert Schindler	01.01. - 31.12.	<b>7.3</b>	<b>1.5</b>
Dr. Peter Traumann	15.05. - 31.12.	<b>4.4</b>	<b>1.0</b>
Dr. Jörg Wendisch	01.01. - 31.12.	<b>8.5</b>	<b>2.0</b>
Hans-Joachim Wilms	01.01. - 31.12.	<b>8.5</b>	<b>1.0</b>

\*) or attorney

**Number of employees – excluding members of the Board of Managing Directors –  
yearly average** (identical for both bank and group)

	2008			2007		
	Male	Female	Total	Male	Female	Total
Full-time employees	111	74	185	106	73	179
Part-time employees	1	20	21	2	18	20
<b>Total</b>	<b>112</b>	<b>94</b>	<b>206</b>	<b>108</b>	<b>91</b>	<b>199</b>

**Substantial shareholdings as defined by section 285 (1) 11 of the German Commercial Code (HGB)**

	Capital € million 2008	Share in the capital %	Result € million 2008
LR Beteiligungsgesellschaft mbH, Frankfurt am Main	50.8	100.0	-0.5
Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main (in liquidation)	8.9*	25.1	-0.4*
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	12.4	100.0	0.4

\*) 2007

As long as Landwirtschaftliche Rentenbank is a 100 % shareholder of 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.

The listing of further companies according to section 285 (1) 11 of the German Commercial Code (HGB) we have waived according to section 286 (3) 1 of the German Commercial Code (HGB) as they are of minor significance for the net assets, financial position and profitability of the bank.

**Fees for auditing and consulting according to section 285 (1) 17 of the German Commercial Code (HGB)**

During the 2008 financial year, the expenses for auditing and consulting amounted to € 520 thousand (as compared with € 359 thousand in 2007). These costs are made up of following amounts:

Items in € thousand	2008	2007
Final audit	312	265
Other audit or evaluation services	104	78
Other services	104	16

The following table shows mandates for the legal constitution of the supervisory committees of large incorporated enterprises (section 267 (3) German Commercial Code (HGB)) held by legal representatives or other members of staff, under section 340a (4) 1 German Commercial Code (HGB):

Hans Bernhardt	Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen (Member of the Supervisory Board)
Dr. Marcus Dahmen	Landgesellschaft Sachsen-Anhalt mbH, Magdeburg (Member of the Supervisory Board)
	VR-Leasing AG, Eschborn (Member of the Supervisory Board)
	BVVG Bodenverwertungs- und -verwaltungs GmbH, Berlin (Member of the Supervisory Board)
	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (Member of the Advisory Council)
	VÖB-Service GmbH, Bonn (Member of the Advisory Council)
Dr. Horst Reinhardt	LAND-DATA Gesellschaft für Verarbeitung landwirtschaftlicher Daten mbH, Hannover (Member of the Supervisory Board)
	Landgesellschaft Schleswig-Holstein, Kiel (Member of the Supervisory Board)

The members of the Board of Managing Directors and the Advisory Board for the 2008 financial year are to be found on pages 40 to 42.

Frankfurt am Main, March 9, 2009

LANDWIRTSCHAFTLICHE RENTENBANK  
The Board of Managing Directors

Dr. Dahmen  
Bernhardt

Dr. Reinhardt

## Organs

### **Board of Managing Directors**

Dipl.-Volksw. Dr. Marcus Dahmen (Chairman)  
Dipl.-Kfm. Hans Bernhardt  
Hans Jürgen Ploog (until 30.06.2008)  
Dipl.-Volksw. Dr. Horst Reinhardt

### **Advisory Board**

#### **Chairman:**

Präsident Gerd Sonnleitner  
Deutscher Bauernverband e.V., Berlin

#### **Deputy Chairman:**

Ilse Aigner  
Bundesministerin für Ernährung, Land-  
wirtschaft und Verbraucherschutz, Berlin  
(since 31.10.2008)

Horst Seehofer  
Ehem. Bundesminister für Ernährung, Land-  
wirtschaft und Verbraucherschutz, Berlin  
(until 27.10.2008)

### **Representatives of the Deutscher Bauernverband e.V.:**

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

Präsident Udo Folgart  
Landesbauernverband Brandenburg e.V., Teltow/Ruhlsdorf  
(since 01.07.2008)

Präsident Werner Hilse  
Landvolk Niedersachsen-Landesbauernverband e.V., Hannover  
(until 30.06.2008)

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

Präsidentin Brigitte Scherb  
Deutscher LandFrauenverband e.V., Berlin

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

### **Representative of the Deutscher Raiffeisenverband e.V.:**

Präsident Manfred Nüssel  
Deutscher Raiffeisenverband e.V., Berlin

**Representative of the Food Industry:**

Präsident Bruno Fehse  
Bundesverband der Agrargewerblichen  
Wirtschaft e.V., Bonn (until 14.05.2008)

Dr. Peter Traumann  
Mitglied des Vorstandes Bundesvereinigung  
der Deutschen Ernährungsindustrie e.V., Berlin  
(since 15.05.2008)

**State Ministers of Agriculture:**

**Hessen:**

Wilhelm Dietzel  
Minister für Umwelt, Ländlicher Raum  
und Verbraucherschutz des Landes Hessen, Wiesbaden

**Mecklenburg-Vorpommern:**

Dr. Till Backhaus  
Minister für Landwirtschaft, Umwelt  
und Verbraucherschutz des Landes Mecklenburg-Vorpommern,  
Schwerin

**Saarland:**

Stefan Mörsdorf  
Minister für Umwelt des Saarlandes, Saarbrücken

**Representative of the Trade Unions:**

Hans-Joachim Wilms  
Stellvertretender Bundesvorsitzender der  
IG Bauen-Agrar-Umwelt, Berlin

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

Dr. Jörg Wendisch  
Ministerialdirektor, Bonn

**Representative of the Federal Ministry of Finance:**

Dietrich Jahn  
Ministerialdirigent, Berlin  
(since 11.12.2008)

Berthold Leber  
Ministerialdirigent, Berlin  
(until 24.10.2008)

**Representatives of Banks  
and other Lending Experts:**

Dr. Rolf-E. Breuer  
Ehem. Sprecher des Vorstands und  
früherer Vorsitzender des Aufsichtsrates der  
Deutschen Bank AG, Frankfurt am Main

Dr. Ulrich Brixner  
Vorsitzender des Beirats der  
DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main  
(until 30.06.2008)

Präsident Heinrich Haasis  
Deutscher Sparkassen- und Giroverband e.V., Berlin

Wolfgang Kirsch  
Vorsitzender des Vorstandes  
DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main  
(since 06.11.2008)

## 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 the Landwirtschaftliche Rentenbank, Frankfurt am Main, for the business year from January 1 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law 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 HGB [„German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany]. 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.

We have issued the following Auditors' Report for the balance sheet as of December 31, 2008 and the income statement for the period from January 1 to December 31, 2008 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 9, 2009

**Deloitte & Touche** GmbH  
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Kläs  
Wirtschaftsprüfer  
[German Public Auditor]

Dr. Theileis  
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, 9. März 2009

LANDWIRTSCHAFTLICHE RENTENBANK  
The Board of Managing Directors

Dr. Dahmen

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, 2008. 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, 2008 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 2008 and approves the consolidated financial statements and the complementary management reports for fiscal year 2008.

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 the Landwirtschaftliche Rentenbank, the Advisory Board resolved to remove € 60 339 535.28 from the guarantee reserve and to increase the principal reserve (Hauptrücklage) by the same amount.

From the net income for the year of € 43 000 000.-- as reported in the income statement of the financial statements, € 32 250 000.-- is made available for the principal reserve pursuant to Section 2 (2) of the Law Governing the Landwirtschaftliche Rentenbank.

Furthermore, the Advisory Board resolved from the net profit for the year of € 10 750 000.-- to provide € 5 375 000.-- to the Special Purpose Fund and € 5 375 000.-- to the Promotional Fund (Section 9 (2) of the Law Governing the 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 corporate governance principles of Landwirtschaftliche Rentenbank as amended on 29 March 2007.

Frankfurt am Main, April 2, 2009

THE ADVISORY BOARD  
OF LANDWIRTSCHAFTLICHE RENTENBANK

Gerd Sonnleitner  
(Chairman)