

# Annual Report 2010

## Key figures

In accordance with German Commercial Code (HGB)

<b>Balance sheet in € billion (extract)</b>	<b>2010</b>	<b>2009</b>
Total assets	78.5	75.8
Loans and advances to banks	49.5	46.4
Debt securities and other fixed-income securities	26.9	28.1
Liabilities to banks	3.1	4.3
Securitized liabilities	62.1	61.6
<b>Total capital in € million</b>	<b>3 074.6</b>	<b>3 125.7</b>

<b>Income statement in € million (extract)</b>		
Net interest income	409.2	423.4
Administrative expenses	39.4	75.0
<b>Operating result before risk provisioning and valuation adjustments</b>	<b>366.2</b>	<b>347.4</b>
Risk provisioning and valuation adjustments	319.2	302.4
Net income for the year	47.0	45.0
<b>Net profit</b>	<b>11.8</b>	<b>11.3</b>
Cost-income ratio in %	11.5	17.8
Total capital ratio (SolvV) in %	24.5	23.8
Employees	229	218

In accordance with International Financial Reporting Standards (IFRS)

<b>Consolidated balance sheet in € billion (extract)</b>	<b>2010</b>	<b>2009</b>
Total assets	83.8	77.8
Loans and advances to banks	49.3	45.8
Financial investments	26.5	27.9
Liabilities to banks	2.5	3.7
Securitized liabilities	65.1	60.3
Total equity	2.1	2.2

<b>Consolidated statement of comprehensive income in € million (extract)</b>		
Net interest income before provision for loan losses/promotional contribution	350.9	381.0
Provision for loan losses/promotional contribution	5.0	40.4
Administrative expenses	49.2	47.1
<b>Operating result before profit and loss from fair value measurement and hedge accounting</b>	<b>296.2</b>	<b>292.8</b>
Result from fair value measurement and from hedge accounting	-144.4	-369.7
Changes in the revaluation reserve	-230.0	267.3
<b>Group's total comprehensive income</b>	<b>-78.2</b>	<b>190.4</b>
<b>Group's net profit</b>	<b>11.8</b>	<b>11.3</b>

## Rating

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

# Annual Report 2010



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The English edition of the Annual Report 2010 is an abridged version of the German edition, which was published in April 2011.

## Brief Presentation: Landwirtschaftliche Rentenbank

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

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

The funds for the refinancing of promotional lending are raised through the issuance of securities or borrowings on domestic and international capital and interbank markets. Rentenbank's long-term obligations have either AAA or Aaa ratings.

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

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

## Foreword from the Board of Managing Directors

The usual way to assess the current status of a company is to conduct a scrupulous analysis of key figures. While this Annual Report does in fact present all the “usual suspects,” there were other figures in the past year which we are very excited about, but which are not mentioned in this report. Those figures clearly show that it is not only a company’s balance sheet that matters when conducting a thorough analysis. We are of course referring to brand value, established over a longer period of time, and to image, as well as to how the company is viewed and perceived by important stakeholders. In an online survey of the Association of German Public Sector Banks (*Bundesverband Öffentlicher Banken Deutschlands e.V.*) among 10 promotional banks, Rentenbank received the best score in as many as eight out of nine image ratings. These included credibility, competence, sympathy, model character and customer focus.

In a time when the entire banking sector was unsettled by a confidence crisis, we clearly managed to position Rentenbank as a reliable and professional business partner. In this context, it certainly was not by mere chance that we generated positive results from our business activities in 2010. For example, we expanded our promotional activities for the agricultural sector and achieved record levels in new business in our special promotional loans. In our funding business, we were once again able to rely on international investors, after having previously focused on the domestic market as a result of the crisis. In addition, our financial performance has returned, as expected, to normal positive levels after two exceptionally strong years.

Therefore, we believe that we are well positioned to face the challenges of the current fiscal year and the upcoming changes in the regulation of banks and financial markets.



Hans Bernhardt



Dr. Horst Reinhardt



Hans Bernhardt



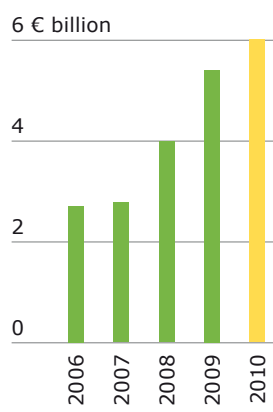
Dr. Horst Reinhardt

## Information on fiscal year 2010

### Promotional financing transactions for the agricultural sector

#### Special promotional loans: lending reaches new record levels

#### New business in special promotional loans

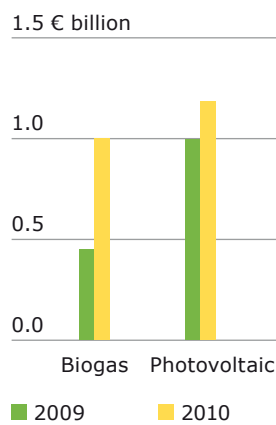


Our special promotional loans are a crucial part of our promotional strategy. In 2010, demand for these promotional loans reached all-time record levels. There are many reasons for this development: while parts of the agricultural sector were dependent on liquidity assistance at the beginning of the year, the improved general market conditions within the sector led to higher capital expenditures especially in the second half of the year. In order to meet the rising demand for loans, local banks relied more often on Rentenbank's promotional loans to finance projects of their agricultural customers. In combination with a low interest rate level, the favorable framework of the German Renewable Energies Act (*Erneuerbare-Energien-Gesetz, EEG*) resulted in a high demand for loans for alternative energy projects. The broad range of our loan products helped us to adjust seamlessly to changed conditions and financing needs in the agricultural sector. Our special promotional loans, granted at particularly low interest rates, have proven their quality during both crises and upswings as guarantors of stable credit supply within the agricultural sector. We completed our range of promotional loans in the year under review by offering promotional loan programs for aquaculture and fishery.

#### New business in special promotional lending

€ million	2010	2009
Agriculture	2 056	2 006
<i>of which: at particularly low interest rates</i>	<i>1 141</i>	<i>1 308</i>
Agribusiness	279	204
Renewable energies	2 322	1 554
Rural development	1 243	1 354
Other special promotional loans (incl. Special Purpose Fund)	80	268
<b>Total</b>	<b>5 980</b>	<b>5 387</b>

#### New business in biogas and photovoltaic



#### New business in special promotional loans rises by 11 %

Rentenbank granted € 6.0 billion in new special promotional loans in 2010 (2009: € 5.4 billion), representing an increase of 11 % over the previous year. Nevertheless, the number of loans granted actually declined since we extended significantly less loans under the liquidity assistance program, which is normally characterized by small loan amounts. In fiscal year 2010, the number of loans granted was 26 234 (2009: 32 786). Capital expenditures for renewable energies continued to be a key growth driver for our promotional business. A total amount of € 2.3 billion (2009: € 1.6 billion) was granted via our "Energy from the Countryside" program, which represents an increase of 49 % compared to the previous year. The most significant portion is attributable to the financing of photovoltaic installations, where new business amounted to € 1 175.8 million (2009: € 993.1 million). The biogas business showed particularly strong momentum with loans granted in the year under review at € 1 000.2 million (2009: € 449.0 million).

## Promotional lending for rural development almost reaches prior-year level

We support rural development largely through global refinancing agreements with federal state promotional banks. These funds are used to refinance loan programs of individual federal states intended for the promotion of rural areas. On the basis of corresponding framework agreements, we approved loans in a total amount of € 1.2 billion (2009: € 1.3 billion) in the reporting year, primarily for projects such as local infrastructure measures, residential construction, and water supply measures in rural areas.

Our “Rural Infrastructure” program is also used to provide funds for local infrastructure projects in rural areas. It is intended for local authorities and special purpose associations in rural areas, thus complementing the direct promotional activities for the agricultural business. In 2010, new business in this area decreased from € 70.1 million to € 23.8 million.

## Increased new business in standard promotional loans and securitized lending

In addition to the promotional loans for special promotional purposes, we also extend standard promotional loans for agribusiness. In this segment, loans granted rose significantly and amounted to € 1.9 billion (2009: € 1.5 billion). The average term of standard promotional loans was 7.1 years (2009: 6.8 years), which is slightly above the average of 5.9 years (2009: 5.7 years) for newly approved special promotional loans. New business in securitized lending increased to € 4.3 billion (2009: € 3.8 billion) in the year under review. In fiscal year 2010, new promotional loans were granted in a total amount of € 12.2 billion (2009: € 10.7 billion).

### New business in promotional lending

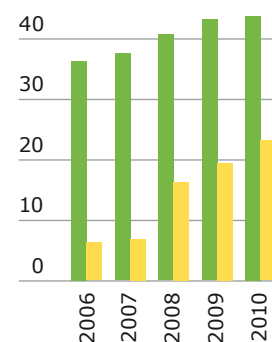
€ million	2010	2009
Special promotional loans	5 980	5 387
Standard promotional loans	1 877	1 507
Securitized lending	4 347	3 772
<b>Total</b>	<b>12 204</b>	<b>10 666</b>

## Balance sheet (HGB): Promotional lending volume rises

The buoyant demand for special loans resulted in a strong increase of our loan portfolio in this segment. As of December 31, 2010, special promotional loans amounted to € 23.0 billion (2009: € 19.6 billion), representing an increase of 17.3 % over the previous year. Their share in promotional lending volume rose to 35 % (2009: 30 %). The portfolio of promotional loans as reported in the balance sheet increased by a total of 1.9 % to € 42.6 billion (2009: € 41.8 billion). Loan disbursements amounted to € 7.6 billion (2009: € 6.6 billion), while repayments totaled € 6.8 billion (2009: € 5.2 billion). Despite the increased new business, securitized lending which is reported in the balance sheet item “Debt securities and other fixed-income securities” declined slightly to € 23.9 billion (2009: € 24.0 billion) due to maturities. In aggregate, Rentenbank’s promotional lending volume reached € 66.5 billion in 2010 (2009: € 65.8 billion), representing an increase of 1.1 % over the previous year.

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

50 € billion



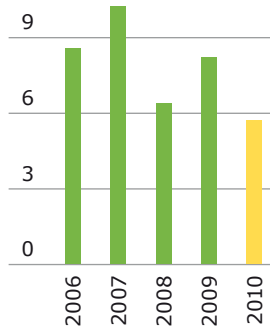
■ Medium and long-term promotional loans  
 ■ thereof: special promotional loans

## Appropriation of profits

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

### Promotion of innovation through Special Purpose Fund (loans)

12 € million



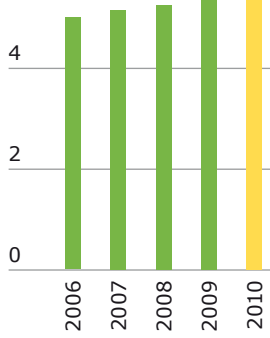
### Promotion of innovation through the Special Purpose Fund

In addition to its special promotional loans, Rentenbank is engaged especially in the promotion of innovation by loans offered at very low interest rates raised from the Special Purpose Fund. The interest rates in the reporting year were 1.5 % p. a. (nominal). In 2010, 16 (2009: 18) loans were approved in a total amount of € 5.7 million (2009: € 8.2 million) after approval by the Federal Ministry of Food, Agriculture and Consumer Protection (*Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz, BMELV*). In addition to low-interest loans, we promoted selected projects through grants in a total amount of € 3.2 million (2009: € 5.1 million) for feasibility studies as well as the construction of prototypes.

The Special Purpose Fund of Landwirtschaftliche Rentenbank was established in 1952 on the basis of the Law on Agricultural Disencumbrances (*Entschuldungsabwicklungsgesetz*). The bank manages the fund on a trustee basis for the German government and makes annual contributions to the fund from its net profit. In 2010, we transferred € 5.6 million (2009: € 5.4 million) from the net profit of 2009 to the Special Purpose Fund. As of year-end, the equity of the Special Purpose Fund amounted to € 94.5 million (2009: € 90.5 million) in accordance with HGB.

### Allocations to the Promotional Fund

6 € million



### Promotional Fund: research and further training in focus

An amount of € 5.7 million was available to the Promotional Fund in the year under review. These funds were used to support individual projects as well as institutions working for the agricultural sector and rural areas. Apart from agriculture-related research projects, targets include practice-oriented model projects as well as advanced training measures and events. Rural youth work, work for elderly people in rural areas, and the Association of Women in Rural Areas (*LandFrauenverband*) have also been supported by the Promotional Fund for many years now.

## Refinancing of Rentenbank

### Refinancing at favorable conditions despite volatile markets

The sovereign debt crisis in the „peripheral“ countries of the euro area led to an increased risk awareness of investors and flight into safe investments. As a promotional bank of the EU country with the most financial power, Rentenbank is in a very good position in view of these developments. The increased demand by banks with regard to high-quality and liquid assets in the wake of the tightening of banking regulations („Basel III“) also had a positive impact on our business. Finally, the positive trend was completed through the re-emerging demand by central banks, which continue to see high inflows of foreign currency reserves and increasingly purchased securities from agencies with the highest credit quality, such as Rentenbank. On the money markets, the European Central Bank (ECB) successively reduced the over-supply of short-term liquidity. However, we continued to raise funds at attractive rates via our Euro Commercial Paper (ECP) program.

### Medium and long-term issues slightly above plan

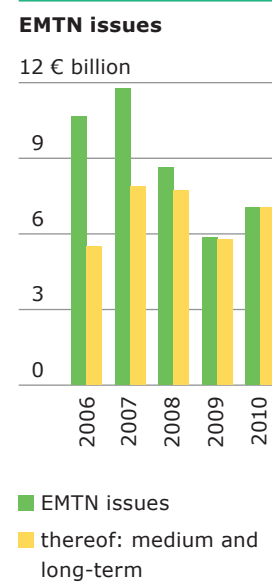
Funds raised on international and domestic capital markets with maturities of more than two years amounted to € 10.6 billion (2009: € 10.0 billion). This volume was slightly above the planned amount of € 10 billion. Funds raised can be broken down as follows by refinancing instruments:

#### Medium and long-term issues (more than 2 years)

	2010	2009	2010	2009
	€ billion		Share in %	
EMTN	7.0	5.8	66.0	58.0
AUD-MTN	1.5	0.6	14.2	6.0
Global bonds	2.0	1.5	18.9	15.0
International loans/promissory notes	0.0	0.2	0.0	2.0
Domestic capital market instruments	0.1	1.9	0.9	19.0
<b>Total</b>	<b>10.6</b>	<b>10.0</b>	<b>100.0</b>	<b>100.0</b>

### EMTN program remains most important instrument

The Euro Medium Term Note (EMTN) program is our most important refinancing instrument with a ceiling of € 60 billion. Program utilization reached € 36.2 billion (2009: € 38.7 billion) at year-end. The EMTN program allows us to issue tranches in all prevalent currencies for different amounts and maturities using standard documentation. In the year under review, we used the program to raise funds for the whole range of maturities, with the main emphasis being placed on the medium and long-term segment. The issuance in maturities of more than two years came to € 7.0 billion (2009: € 5.8 billion) including a benchmark issue we successfully placed in the amount of € 1 billion with a term of five years. Funds raised via floating-rate euro issues came to € 2.2 billion. Transactions denominated in U.S. dollars contributed € 2.4 billion to the refinancing volume. In addition, we used the EMTN program



to raise funds in Australian dollars, Brazilian reais and Swiss francs. There were no issues with short maturities up to two years in the year under review.

### Successful U.S. dollar global bonds

Since 2001, Rentenbank has used global bonds as a refinancing instrument. These bonds facilitate access to the U.S. market and underline our positioning as an „agency“ on the international capital markets. In the year under review, global bonds accounted for € 2.0 billion (2009: € 1.5 billion) or 18.9 % (2009: 15.0 %) of total medium and long-term funds. Apart from a global bond in the amount of USD 1.5 billion with a term of five years, we issued a global bond with a term of seven years in the amount of USD 1.25 billion for the first time in September. Both issues were placed primarily with central banks and other public-sector bodies.

### Issue volume in the „Kangaroo“ market reaches record levels

In the year under review, we placed „Kangaroo“ bonds in an amount of AUD 2.15 billion, an amount equivalent to € 1.5 billion (2009: € 0.6 billion), under the AUD-MTN program. Both figures represented a new record level for us. With an outstanding volume of AUD 7.4 billion, Rentenbank remained the third-largest issuer in the Australian domestic market. Thus, we have further strengthened the position of the „Kangaroo“ market as a strategic pillar of our refinancing.

### Significant decline of domestic instruments

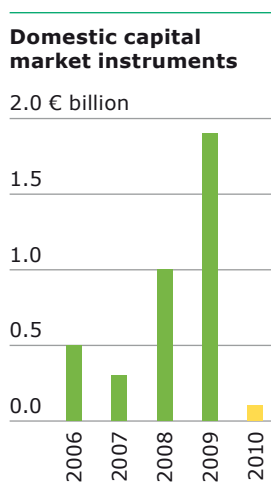
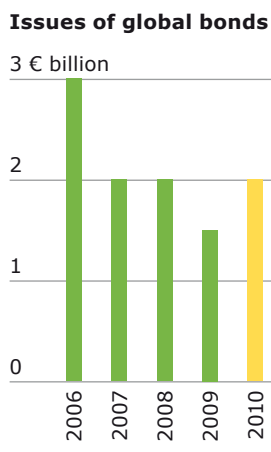
The re-emerging demand of international investors led to a significant decline of issuance activity in the domestic market. This trend was intensified both by the fact that we concentrated exclusively on maturities of up to seven years and considerably lower yields. Issuances of domestic registered securities, which are primarily directed to German insurance companies, were of only minor significance to our refinancing purposes and amounted to € 0.1 billion (2009: € 1.9 billion).

### Higher utilization of the ECP program

Issues under the € 20 billion ECP program continue to play a major role within the short-term refinancing segment. These issues comprise bearer notes with terms of less than one year and are issued in a discounted, compounded, or indexed format on the basis of corresponding master documentation. The preference for borrowers with high credit quality continued to fuel sales of our ECP issues and enabled us to achieve particularly attractive conditions. Average program utilization for the year under review was € 10.3 billion (2009: € 8.9 billion). Program utilization reached € 10.1 billion at year-end.

### Zero risk weight for Rentenbank issues

Since January 1, 2007, in accordance with Section 28 of the German Solvency Regulation (*Solvabilitätsverordnung*), receivables against Rentenbank have been treated equal to issues of the Federal Republic of Germany for risk weighting purposes. Pursuant to the Credit Risk Standardized Approach



(CRSA), German banks no longer have to back such receivables with equity. The adoption of this regulation by all other EU countries has been made mandatory by the amended EU Banking Directive. Especially in times of crisis in the financial markets, the zero-risk weight proves to be particularly helpful for our issuance activity as it opens up additional sales channels with regard to domestic and international bank investors.

### Demand by central banks rises significantly

In the year under review, the share of medium and long-term issues placed with banks of 47 % was slightly above the prior year of 42 %. This group of buyers was seeking zero-risk weight securities offering the highest credit quality and attractive spreads, in order to minimize capital and risk costs. The planned tightening of liquidity requirements within the framework of „Basel III“ increased demand by banks, too, as they will be required to hold a certain amount of high-quality assets as a liquidity cushion. Central banks and other official institutions played a larger role with a share of 32 % (2009: 12 %), which is attributable to the higher foreign currency portion of the funds raised. The share of insurance companies, corporations and pension funds declined considerably to 8 % (2009: 26 %), due to the reasons mentioned above. The share of Asset Managers also decreased from 20 % to 13 %.

The geographic distribution of our investors was characterized by a particularly broad range, with the share of foreign investors rising significantly to 82 % (2009: 48 %). As a result of the decline in domestic investors, the share of European-based investors fell to 52 % (2009: 76 %). However, the demand by Asian purchasers rose significantly to 24 % (2009: 8 %). The share of American investors continued to grow to 14 % (2009: 11 %). A portion of 6 % (2009: 4 %) of our issues was placed with investors in New Zealand and Australia, while the remaining 4 % (2009: 1 %) were attributable to the Middle East.

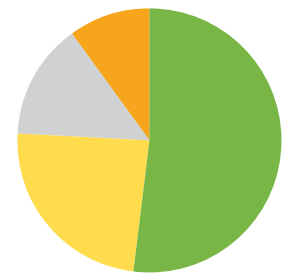
### U.S. dollar most important issue currency

The medium and long-term issue volume was distributed among seven currencies in the reporting year. The U.S. dollar regained its position as the most important issue currency with a share of 42 % (2009: 21 %), while the euro fell back to second place with a share of 35 % (2009: 65 %). The Australian dollar continues to rank in third place with a share of 16 % (2009: 7 %), more than doubling its portion. The remaining 7 % of the medium and long-term issues refers to bonds denominated in Swiss francs, Turkish lira, Brazilian reais, and Norwegian kroner.

### Repo eligibility of Rentenbank’s issues

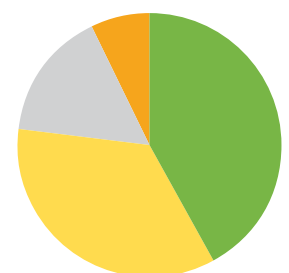
Our listed, euro-denominated unsecured issues fulfill the requirements of the European System of Central Banks (ESCB) with regard to creditworthiness for repo-eligible “tier-one” marketable debt instruments. Our bonds and notes have been classified in the second best liquidity category II. Only bonds and notes of central banks and central governments have been allocated to the higher category I. Liquidity category II includes bonds from supranational institutions and issues from institutions with a public promotional mandate, amongst others. In addition, the Reserve Bank of Australia accepts our “Kangaroo” bonds and the Reserve Bank of New Zealand

Medium and long-term issues 2010 – breakdown by regions



- Europe 52%
- Asia 24%
- America 14%
- Other 10%

Medium and long-term issues 2010 – breakdown by currencies



- USD 42%
- EUR 35%
- AUD 16%
- Other 7%

accepts our “Kauri” bonds as eligible collateral for repos. Our issues also enjoy a preferential position in the private repo markets. For example, EUREX accepts our issues as collateral for the GC Pooling ECB Basket, thus highlighting the exceptional security of our bonds.

### **Inclusion of Rentenbank in the most important indices for bonds**

Our liquid euro and dollar bonds and notes have been included in the most important bond indices, such as the “iBoxx Euro Index,” the “Barclays Capital Euro Aggregate Bond Index,” the “Barclays Capital U.S. Aggregate Bond Index,” and the “Morgan Stanley MSCI Eurodollar Credit Index.” Indices measure the performance of domestic or international markets. Inclusion in an index, therefore, improves the placement prospects of bonds and notes since many institutional investors are measured against their performance, which is used as a management and control factor.

### **Portfolio of medium and long-term borrowings**

The total amount of medium and long-term borrowings used for refinancing amounted to € 58.6 billion (2009: € 58.9 billion). The amount of bonds outstanding was € 56.4 billion (2009: € 56.4 billion), while the volume of promissory notes issued declined to € 1.2 billion (2009: € 1.4 billion). An amount of € 1.0 billion (2009: € 1.1 billion) related to other capital market funds.

### **Money market funding**

We use a variety of instruments to refinance our short-term lending business, for liquidity management, and to hedge short-term interest rate risks. The funds are raised via the ECP and EMTN programs, overnight and term deposits on the interbank market, and repo transactions with EUREX as well as freely available refinancing facilities with the ECB. Interest rate risks are additionally managed through derivatives. We generally do not take deposits from non-banks.

### **Share trading**

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

## **Asset/liability management**

### **Increasing importance of efficient liquidity risk management**

Against the backdrop of the financial market crisis and the sovereign debt crisis, in particular liquidity risks in the financial industry have come to the fore. Managing such risks has always been of high importance for Rentenbank. Accordingly, the Board of Managing Directors has set limits for the bank’s liquidity risks. In the area of short-term liquidity, all scheduled euro inflows and outflows for the next two years are netted on a daily basis. Negative balances must always be lower than our freely available refinancing facilities. This will ensure the bank’s liquidity at all times, even if market

disruptions limit the normal access to funds. As part of our strategic liquidity management, we consider additional risk scenarios with regard to our short-term liquidity status.

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

We will also evaluate the imminent regulatory changes arising from the introduction of new liquidity ratios within the framework of Basel III in a timely manner, and will take the relevant preparatory measures.

### **Management of interest rate risks**

Our fixed-rate lending business as well as euro denominated issues is mainly swapped into floating-rate positions using interest rate swaps. Proceeds from foreign currency denominated funding and lending business are swapped into floating rate positions denominated in euros almost exclusively through cross-currency swaps or a combination of interest rate and basis swaps in order to hedge interest rate and currency risks. We also hedge the market price risks (such as currency, share price and option risks) associated with the issue of structured bonds through derivative instruments. Short-term interest rate risks from floating-rate assets and liabilities are managed with money market transactions. Hence, we are able to manage market price risks separately from the bank's overall liquidity in a flexible and market-orientated manner.

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

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

### **Derivatives used to hedge market price risks**

To hedge interest-rate and exchange-rate risks, swaps for an amount of € 27.0 billion (2009: € 23.6 billion) were utilized in the reporting year. Of that amount, € 16.6 billion accounted for interest rate swaps and € 10.4 billion for cross-currency swaps (2009: € 18.2 billion and € 5.4 billion, respectively). In addition, we used EONIA swaps and interest-rate swaps to hedge short-term funding, currency swaps to hedge the proceeds in foreign currencies under the ECP program, and proceeds from short-term loans denominated in foreign currencies.

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

Any credit risks are limited by entering into collateral agreements with our swap counterparties. These agreements cover almost our entire derivative portfolio. Derivative transactions may only be entered into if such an agreement is in effect.

## Sustainability

### **Sustainability – part of our promotional mandate**

As a public law institution with a promotional mandate, Landwirtschaftliche Rentenbank has a distinct responsibility in the area of sustainability. This is all the more true as the term „sustainability“ originally stems from the forestry sector. Sustainable entrepreneurial behavior is deeply entrenched in the agricultural and forestry sectors as it focuses on thinking in generations and the particularities of soil as a production factor that cannot be reproduced. In addition, activities within the agricultural sector offer various starting points for realizing sustainability targets; for example, sustainable behavior can contribute to global climate protection. In contrast to other sectors of the economy, the activities of the agricultural and forestry sectors actually remove carbon dioxide from the atmosphere as a result of the chemical bonding process.

Corporate social responsibility and the protection of the environment have therefore long been given a high priority within Rentenbank. Rentenbank's business model, which is based on promotional activities and long-term considerations, represents the foundation of our commitment to an economically stable, ecological and socially fair-minded society. Moreover, as the Fifth Amendment to the Law Governing Landwirtschaftliche Rentenbank became effective on August 1, 2002, material aspects of sustainable behavior were explicitly included in the bank's promotional mandate.

### **Particularly low interest rates for sustainable investments**

Since 2005, Rentenbank has been supporting investments by agricultural businesses in renewable energies, regenerative energy sources, and agriculture-related environmental, animal and consumer protection at particularly low interest rates.

We continued on this path with the restructuring of our promotional lending offerings in 2008, by introducing corresponding promotional lending programs for the food industry and upstream sector companies. Investments in measures for emission reduction, energy saving, animal and consumer protection, ecological cultivation and regional marketing activities are the focus of these programs. Accordingly, we also promote these capital expenditures by granting loans at particularly low interest rates. Our „Energy from the Countryside“ program, which was also launched in 2008, additionally concentrates on the generation of renewable energies. In this context, the agricultural sector plays an important role with regard to the implementation of the climate policy goals set by the German federal government and the EU. Rentenbank supports the sector on this path. The investments in the production of biogas and solar power supported by Rentenbank in 2010 help to avoid annual emissions of 1.3 million tons of carbon dioxide.

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

Rentenbank's special promotional lending focusing on sustainability aspects has been rising continuously in the past years. In fiscal year 2010, Rentenbank supported investments in the amount of € 2.5 billion (2009: € 1.7 billion) for sustainable projects. The continuous rise of loans granted also reflects the higher involvement of the supported agricultural businesses in this area. By designing our promotional programs, we are aiming to support investments of the agricultural sector in sustainable projects also in the future.

### **Reduction of the resource consumption of internal banking operations**

As a service provider, we help to conserve resources within our daily banking operations and consume energy and raw materials wisely. Furthermore, we assess whether there is any further savings potential and take ecological aspects into consideration in our behavior or when making decisions. In the year under review, as part of our in-process environmental protection, our focus was on renovating employee flats that had been built in late 1950s and early 1960s. We plan to complete energy refurbishment of all residential buildings by fiscal year 2013 in accordance with the German Energy Conservation Act (*Energieeinsparverordnung, EnEV*), thus reducing our use of resources to a considerable degree. The renovation of the first three multi-family homes with a total of 15 residential units was already completed in the year under review.

Apart from these exemplary measures, we will increasingly consider sustainability aspects in our business activities and in our internal banking operations in the future. For this purpose, we established a working group in the year under review that will start to record already existing measures and, together with the responsible departments, develop proposals for further projects. One project will involve expanding the documentation relating to Rentenbank's sustainability efforts.

## Corporate Governance

### **Rentenbank declares its conformity with the German Public Corporate Governance Code**

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

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

### **Management and control of the bank through the Board of Managing Directors and the Advisory Board**

The Board of Managing Directors and the Advisory Board cooperate closely for the benefit of the bank and observe the rules of good corporate governance. The Board of Managing Directors runs the bank under its own responsibility according to the stipulations of the Law Governing Landwirtschaftliche Rentenbank and its Statutes. Accordingly, it is bound by the interests of the bank and its statutory promotional mandate. The Advisory Board advises and monitors the Board of Managing Directors in its management of the bank. It appoints the members of the Board of Managing Directors and, together with them, establishes long-term succession plans. In addition to the regulations contained in the Statutes, the Advisory Board can classify certain transactions as being subject to its consent. Rules of procedure are applicable to both the Board of Managing Directors and the Advisory Board.

### **Avoidance of conflicts of interest**

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

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

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

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

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

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

## **Transparency and information**

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

## **Accounting and auditing**

The consolidated financial statements for fiscal year 2010 were prepared in accordance with IFRS. The bank also prepares separate financial statements in accordance with the accounting principles set out in the German Commercial Code (HGB) that are relevant to large corporations and pursuant to the specific requirements of the German Accounting Directive for Banks and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKred V*). The Advisory Board chooses the external auditors, awards the audit engagement and agrees the fee with the auditors. The Audit Committee, which is formed by the Advisory Board, ensures the independence of the auditors.

### **Deviations from the recommendations of the Public Corporate Governance Code**

The PCGC is mainly addressed to corporations. In addition, the PCGC also addresses other legal entities under private or public law whose purpose is, or largely comprises, a commercial or other economic business. Companies are classified as a legal entities under public law are recommended to comply with the PCGC as long as statutory provisions (e. g. with regard to the structure of corporate bodies) do not require otherwise. The Law Governing Landwirtschaftliche Rentenbank rules out the application of some of the Code's requirements.

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

In fiscal year 2010, Landwirtschaftliche Rentenbank adopted the recommendations of the PCGC, as amended on June 30, 2009, with the following exceptions:

- The remuneration for members of the Board of Managing Directors and the Advisory Board is not disclosed separately in the Corporate Governance Report, as individual remuneration, identified by name, is described in Rentenbank's Annual Report in a generally comprehensible format (see the notes to the consolidated financial statements, pages 98 and 99).
- The new recommendation with regard to severance payment caps in the event of the premature termination of Board membership in accordance with section 4.2.3 of the PCGC refers to the conclusion of new contracts and has not yet been relevant for Landwirtschaftliche Rentenbank. If a new contract is concluded, the Advisory Board or the responsible Advisory Committee of Landwirtschaftliche Rentenbank will carry out a review of the recommendation.

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

Landwirtschaftliche Rentenbank  
March 2011

The Board of Managing Directors  
The Advisory Board

# Financial statements in accordance with German Commercial Code (HGB) 2010

## Balance sheet and income statement: Positive promotional business trend

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

### Increase in total assets

Total assets grew by € 2.7 billion or 3.6 % to € 78.5 billion in 2010 (2009: € 75.8 billion). Due to the fact that we generally extend loans via other banks, in accordance with our competitive neutrality, the asset side of the balance sheet primarily comprises loans and advances to banks. As of the balance sheet date, this line item amounted to € 49.5 billion (2009: € 46.4 billion) or a share of 63.1 % (2009: 61.2 %) in total assets, representing an increase of € 3.1 billion compared to the prior year. The securities portfolio, which almost exclusively comprises bank bonds and notes, fell by € 1.2 billion to € 26.9 billion (2009: € 28.1 billion).

Liabilities to banks decreased by € 1.2 billion to € 3.1 billion (2009: € 4.3 billion). Liabilities to customers fell by € 0.3 billion to € 5.6 billion (2009: € 5.9 billion). This balance sheet item primarily comprises registered bonds, which are reported with a volume of € 4.4 billion (2009: € 4.7 billion) at year-end. Securitized liabilities grew by € 0.5 billion to € 62.1 billion (2009: € 61.6 billion).

### Financial performance returns to normal levels

The bank's financial performance in fiscal year 2010 was characterized by a return to normal levels. After the exceptionally positive performance in both of the previous years, net interest income declined by 3.4 % to € 409.2 million (2009: € 423.4 million). However, the operating result before measurement reached a new record level and amounted to € 366.2 million (2009: € 347.4 million). This is attributable to a significant decline in administrative expenses from € 75.0 million to € 39.4 million, which was caused by the adjustment of the measurement of pension obligations to the provi-

sions set out in IAS 19 in the prior year, resulting in an extraordinary increase of this expense item in 2009.

Net income for 2010 amounted to € 47.0 million (2009: € 45.0 million), 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 (2009: € 33.75 million) from net income to the principal reserve. The net profit after the transfer to reserves will amount to € 11.75 million (2009: € 11.25 million), which will be used to promote agriculture and rural areas.

### Slight decrease in equity

In 2010, the total capital reported on the balance sheet amounted to € 3 074.6 million (2009: € 3 125.7 million) after the transfers to the principal reserve and the additions to the fund covering general banking risks, representing a decrease of € 51.1 million. Total capital can be broken down as follows:

	Dec. 31, 2010 € million	Dec. 31, 2009 € million
Capital stock	135.0	135.0
Principal reserve	651.7	564.7
Guarantee reserve	159.1	188.3
Fund covering general banking risks	1 348.0	1 170.0
Subordinated liabilities	780.8	1 067.7
<b>Total</b>	<b>3 074.6</b>	<b>3 125.7</b>

The fund covering general banking risks was increased by € 178.0 million to € 1 348.0 million. Subordinated liabilities decreased by € 286.9 million on a net basis due to maturing loans, taking into account exchange rate fluctuations. The share of liable capital reported on the balance sheet in total assets was 3.9 % (2009: 4.1 %).

The bank's regulatory capital as of December 31, 2010 amounts to € 3 246.1 million (2009: € 3 027.0 million) prior to the approval of the financial statements. The total capital ratio, calculated pursuant to Section 10 (1) of the German Banking Act based on the German Solvency Regulation (*Solvabilitätsverordnung, SolvV*), amounted to 24.5 % on the reporting date (2009: 23.8 %), and thus exceeded the legal minimum requirements to a considerable extent.

## ASSETS

	€ million	€ million	€ million	Dec. 31, 2009 € million
<b>1. Cash and balances with central banks</b>				
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)				
<b>2. Loans and advances to banks</b>				
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
<b>3. Loans and advances to customers</b>				
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
<b>4. Debt securities and other fixed-income securities</b>				
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
<b>5. Shares and other variable-income securities</b>			0.1	0.1
<b>6. Equity investments</b>				
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
<b>7. Interests in affiliated companies</b>				
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
<b>8. Trust assets</b>				
of which: Trustee loans				
€ m 104.8 (2009: € m 106.7)			104.8	106.7
<b>9. Intangible assets</b>			0.4	0.3
<b>10. Tangible assets</b>			19.0	19.8
<b>11. Other assets</b>			11.5	86.5
<b>12. Prepaid expenses</b>				
a) From new issues and lending		4.1		5.1
b) Other		1.3		1.2
			5.4	6.3
<b>Total assets</b>			<b>78 508.2</b>	<b>75 841.5</b>

as of December 31, 2010

## LIABILITIES AND EQUITY

	€ million	€ million	€ million	Dec. 31, 2009 € million
<b>1. Liabilities to banks</b>				
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
<b>2. Liabilities to customers</b>				
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
<b>3. Securitized liabilities</b>				
Debt securities issued			62 059.5	61 623.4
<b>4. Trust liabilities</b>				
of which: Trustee loans				
€ m	104.8	(2009: € m	104.8	106.7)
<b>5. Other liabilities</b>			4 020.7	283.5
<b>6. Prepaid expenses</b>				
a) From new issues and lending		1.3		0.7
b) Other		52.1		42.6
			53.4	43.3
<b>7. Provisions</b>				
a) Provisions for pensions and similar obligations		84.6		107.1
b) Other provisions		381.2		370.4
			465.8	477.5
<b>8. Subordinated liabilities</b>			780.8	1 067.7
<b>9. Fund covering general banking risks</b>			1 348.0	1 170.0
<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	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
<b>Total liabilities and equity</b>			<b>78 508.2</b>	<b>75 841.5</b>
<b>1. Contingent liabilities</b>				
Liabilities from guarantees and indemnity agreements			3.6	119.1
<b>2. Other commitments</b>				
Irrevocable loan commitments			1 370.8	1 322.2

# Income statement for the

## EXPENSES

	€ million	€ million	€ million	2009 € million
<b>1. Interest expenses</b>			2 425.1	2 663.0
<b>2. Fee and commission expenses</b>			2.7	2.3
<b>3. Net trading expenses</b>			0.0	0.0
<b>4. General administrative expenses</b>				
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
<b>5. Depreciation, amortization and write-downs of intangible and tangible fixed assets</b>			1.8	2.7
<b>6. Other operating expenses</b>			8.4	6.5
<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		168.4		191.6
b) Additions to the fund covering general banking risks		178.0		83.0
			346.4	274.6
<b>8. Amortization and write-downs of equity investments, interests in affiliated companies and securities treated like fixed assets</b>			0.0	27.8
<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>			47.0	45.0
<b>Total expenses</b>			<b>2 869.1</b>	<b>3 094.3</b>
<b>1. Net income for the year</b>			47.0	45.0
<b>2. Transfers from retained earnings</b>				
from guarantee reserve pursuant to Section 2 (3) of the Law Governing the Landwirtschaftliche Rentenbank			29.2	121.0
<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			29.2	121.0
from net income for the year			35.2	33.7
<b>4. Net profit</b>			11.8	11.3

## period from January 1 to December 31, 2010

### INCOME

	€ million	€ million	2009 € million
<b>1. Interest income from</b>			
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
<b>2. Current income from</b>			
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
<b>3. Fee and commission income</b>		2.7	4.4
<b>4. Net trading income</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>		27.2	0.0
<b>7. Other operating income</b>		4.9	3.5
<b>8. Extraordinary income</b>		0.0	0.0
<b>Total income</b>		<b>2 869.1</b>	<b>3 094.3</b>



**Consolidated financial statements in accordance with  
International Financial Reporting Standards (IFRS) 2010**

# Group 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 the 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 for 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.

## Total assets and business volume

Balance sheet (extract)	Dec. 31, 2010 € billion	Dec. 31, 2009 € billion
Total assets	83.8	77.8
Loans and advances to banks	49.3	45.8
Loans and advances to customers	1.5	0.6
Positive fair values of derivative financial instruments	6.0	2.9
Financial investments	26.5	27.9
Liabilities to banks	2.5	3.7
Liabilities to customers	5.6	5.8
Securitized liabilities	65.1	60.3
Negative fair values of derivative financial instruments	3.3	4.4
Provisions	0.1	0.1

Total assets increased by € 6.0 billion or 7.7 % to € 83.8 billion as of December 31, 2010, up from € 77.8 billion as of December 31, 2009. This growth was mainly attributable to the increased volume of promotional loans, the cash collateral received within the context of collateralization agreements and exchange rate fluctuations. Total assets of the consolidated subsidiary LR Beteiligungsgesellschaft mbH, Frankfurt/Main, were € 219.5 million as of December 31, 2010 (compared with € 232.2 million in December 31, 2009). Total assets of the consolidated subsidiary DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main, in which LR Beteiligungsgesellschaft mbH holds a 100 % stake, amounted to € 16.6 million in 2010 (compared with € 17.8 million in December 31, 2009). Contingent liabilities excluding irrevocable loan commitments totaled € 4.1 million (compared with € 119.1 million on December 31, 2009). A back-to-back guarantee from the German government in the amount of € 110 million was repaid in the year under review.

In accordance with its competitive neutrality, the Group generally extends credit via other banks. Therefore, the asset side of the balance sheet primarily consists of loans and advances to banks. As of December 31, 2010, this line item amounted to € 49.3 billion (compared with € 45.8 billion on December 31, 2009) or a share of 58.8 % (compared with 58.9 % on December 31, 2009) in total assets, representing an increase from the prior-year level of € 3.5 billion. This increase is attributable to the increase in the volume of special promotional loans and the investment of cash collateral received.

Loans and advances to customers grew by € 0.9 billion to € 1.5 billion (compared with € 0.6 billion on December 31, 2009).

Financial investments, which consist almost exclusively of bank bonds and notes, declined by € 1.4 billion to € 26.5 billion (compared with € 27.9 billion on December 31, 2009) primarily as amounts due exceeded the

new business volume. The Group is not exposed to securities or receivables with structured credit risks such as asset-backed securities, or collateralized debt obligations.

Liabilities to banks decreased by € 1.2 billion to € 2.5 billion (compared with € 3.7 billion on December 31, 2009), primarily as a result of the reduction in term deposits.

Liabilities to customers fell by € 0.2 billion to € 5.6 billion (compared with € 5.8 billion on December 31, 2009). This balance sheet item primarily comprises registered bonds and promissory note loans with a carrying amount of € 5.5 billion at year-end (compared with € 5.6 billion on December 31, 2009).

The portfolio of securitized liabilities increased by € 4.8 billion or 8.0 % compared to the preceding year. Their carrying amount as of December 31, 2010, reached € 65.1 billion (compared with € 60.3 billion on December 31, 2009). This growth is largely attributable to effects from currency translation in connection with USD issues, which had compensating effects on the derivatives entered into to hedge existing or expected market price risks. The Medium Term Note (MTN) programs represent the most important refinancing source and amounted to € 43.0 billion (compared with € 40.2 billion on December 31, 2009). Global bonds totaled € 12.1 billion (compared with € 9.9 billion on December 31, 2009) at year-end. The balance of instruments from the ECP program, which is part of money market funding, declined slightly to € 10.0 billion (compared with € 10.2 billion as of December 31, 2009).

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

Derivatives are exclusively entered into to hedge existing or expected market price risks. The Bank does not enter into credit default swaps (CDS). The positive fair

values of derivative financial instruments increased as a result of the business development in 2010 and market valuations – particularly the currency translation of USD items – by € 3.1 billion to € 6.0 billion (compared with € 2.9 billion on December 31, 2009). Negative fair values fell by € 1.1 billion to € 3.3 billion (compared with € 4.4 billion on December 31, 2009).

Provisions decreased slightly by € 0.4 million to € 102.1 million (compared with € 102.5 million on December 31, 2009). The gross amount of additions to pension provisions was € 6.6 million, and the amount of provisions used for current pension benefit payments was € 5.6 million. The present value of the defined benefit obligations was determined on the basis of a discount rate of 4.8 % (compared with 5.2 % in 2009).

## Financial performance

	Dec. 31, 2010 € million	Dec. 31, 2009 € million
<b>1) Income statement</b>		
Net interest income before provision for loan losses/ promotional contribution	350.9	381.0
Provision for loan losses/promotional contribution	5.0	40.4
Administrative expenses	49.2	47.1
Net other income/expense	-0.5	-0.7
<b>a) Operating result</b>	<b>296.2</b>	<b>292.8</b>
Result from fair value measurement and from hedge accounting	-144.4	-369.7
<b>b) Measurement result</b>	<b>-144.4</b>	<b>-369.7</b>
<b>c) Group's net income</b>	<b>151.8</b>	<b>-76.9</b>
<b>2) Other comprehensive income</b>		
Change in the revaluation reserve	-230.0	267.3
<b>3) Group's total comprehensive income</b>	<b>-78.2</b>	<b>190.4</b>

### Operating result

The Group's operating earnings before profit or loss from fair value measurement and hedge accounting developed positively in the year under review. Interest income, including contributions from fixed-income securities and equity investments, reached € 4 019.3 million (compared with € 3 854.5 million on December 31, 2009). After deducting interest expenses of € 3 668.4 million (compared with € 3 473.5 million on December 31, 2009), net interest income amounted to € 350.9 million (compared with € 381.0 million on December 31, 2009). This decrease of € 30.1 million or 7.9 % compared to the prior year is largely attributable to lower margins in the short-term interbank business. The item "Provision for loan losses/promotional contribution" declined by € 35.4 million to € 5.0 million (compared with € 40.4 million as of December 31, 2009) as no valuation allowances were necessary and a receivable previously written off was sold in 2010. Accordingly, operating earnings improved slightly by € 3.4 million to € 296.2 million (compared with € 292.8 million on December 31, 2009).

The operating result before profit or loss from fair value measurement and hedge accounting in the Promotional Business segment saw a marked increase to a profit of € 128.6 million, up from € 71.1 million on December 31, 2009, reflecting a higher promotional lending volume at increasing longer-term margins. In contrast, the result in the Treasury Management

segment fell to € 74.9 million (compared with € 136.2 million as of December 31, 2009) due to the reduction of net interest income. The Capital Investment segment improved earnings to € 92.7 million (compared with € 85.5 million as of December 31, 2009).

### Measurement result

The measurement result comprises the unrealized gains and losses from changes in the fair value of derivatives and economically hedged items accounted for under the fair value option. In addition, the changes in the fair value of hedged items of effective hedging relationships attributable to changes in interest rates as well as the amortization of such changes in the case of ineffective hedges are recognized in this item. Changes in the fair value of available-for-sale securities attributable to changes in credit risk are not recognized in the measurement result, but directly in equity in the revaluation reserve, to the extent that no impairment losses need to be taken into account.

The development of our measurement result in 2010 was affected by the consequences the sovereign debt crisis of some euro zone countries had on the financial markets. The development of risk premiums based on changes in credit ratings varied. Risk premiums for the Bank's own liabilities increased, resulting in measurement gains. Risk premiums also increased for assets from countries with excessive government debt,

while risk premiums for assets from other countries declined. In aggregate, the measurement of assets also resulted in measurement gains, which were recognized in the income statement. However, measurement losses due to a substantial widening of the basis swap spread (cost of foreign exchange as well as costs for the swap between interest bases in the same currency) more than compensated for the aforementioned measurement gains from assets and liabilities.

In addition, the amortization of fair value measurement gains recognized in profit or loss in prior periods in relation to hedged items from macro hedge accounting further reduced earnings by € 113.8 million.

As of December 31, 2010, overall measurement losses amounted to € 144.4 million, representing a decline compared to measurement losses of € 369.7 million in the prior year.

Due to the buy-and-hold strategy of the Group as a non-trading book institution (Nichthandelsbuchinstitut) within the meaning of the German Banking Act (Kreditwesengesetz, KWG), these measurement losses are merely of a temporary nature, provided there are no counterparty defaults. They will be partially reversed in 2011 and in the following years in the form of measurement gains as a result of a reduction of remaining terms to maturity.

#### *Group's net income for the year*

Measurement losses of € 144.4 million were more than compensated for by the operating result amounting to € 296.2 million. Net income thus amounted to € 151.8 million, representing an improvement of € 228.7 million compared to the prior year's net loss of € 76.9 million.

#### *Other comprehensive income*

Apart from the amortization of securities reclassified as "held to maturity" in 2008, other comprehensive income primarily includes changes in the fair value of available-for-sale securities attributable to changes in credit risk. Fair value changes attributable to changes in credit risk result from changes to risk premiums (credit spreads).

Higher credit spreads due to the sovereign debt crisis in some euro zone countries led to a reduction in securities' market values. This resulted in a decrease of the item "changes in the revaluation reserve" of € 230,0 million (compared with an increase of € 267.3 million as of December 31, 2009). In view of the Group's long-term investment strategy, these fluctuations are con-

sidered of a temporary nature, provided there are no counterparty defaults.

#### *Total comprehensive income of the Group*

Total comprehensive income as of December 31, 2010 amounted to a loss of € 78.2 million (compared with a profit of € 190.4 million on December 31, 2009), representing an decrease of € 268.6 million against the previous year. This decrease is almost exclusively attributable to the decline of other comprehensive income by € 497.3 million. The higher measurement result in the income statement, which increased by € 225.3 million, was only partially able to compensate for the decrease in other comprehensive income.

#### **Appropriation of profits**

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 (Hauptrücklage).

Subject to the outstanding resolutions of the responsible corporate bodies, the Bank intends to transfer € 57.8 million from net income to the principal reserve. The remaining operating results plus the measurement gains of € 82.2 million will be transferred to other retained earnings. The Group's net profit remaining after the transfer to reserves will amount to € 11.75 million (compared with € 11.25 million on December 31, 2009).

## Equity

Equity as reported on the balance sheet is € 2 146.6 million (compared with € 2 236.1 million on December 31, 2009), and can be broken down as follows.

	Dec. 31, 2010 € million	Dec. 31, 2009 € million
Subscribed capital	135.0	135.0
Retained earnings	2 403.4	2 263.4
Revaluation reserve	-403.6	-173.6
Group's net profit	11.8	11.3
<b>Total equity</b>	<b>2 146.6</b>	<b>2 236.1</b>

Equity declined by € 89.5 million compared to December 31, 2009. The increase in retained earnings of € 140.0 million could only partially compensate for the reduction in the revaluation reserve of € 230.0 million.

Subordinated liabilities decreased by € 232.4 million to € 889.5 million (compared with € 1 121.9 million on December 31, 2009) due to maturing instruments. The terms and conditions of all subordinated liabilities fulfill the requirements of Section 10 (5a) of the German Banking Act and preclude early repayment or conversion.

The Group's regulatory capital as of December 31, 2010 amounts to € 3 259.1 million (compared with € 3 040.1 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 (Solvabilitätsverordnung, SolvV), amounted to 25.2 % on the reporting date (compared with 23.9 % 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 and consolidated 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 the adherence of financial reporting to generally accepted accounting principles.

The consolidated financial statements of Rentenbank are prepared in accordance with all International Financial Reporting Standards ("IFRS") required to be applied for the reporting period and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, "HGB"). These regulations are 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.

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

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

Rentenbank uses internally developed financial accounting software. The granting of authorizations in line with the 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 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

Due to the limited business activities of subsidiaries and the letter of comfort issued by Rentenbank to LR Beteiligungsgesellschaft mbH, all material risks are concentrated in Rentenbank and are therefore managed by the Bank on a Group-wide basis. Subsidiaries are funded exclusively with Group resources.

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

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

At the end of 2010, the Group 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 in the Group on the basis of risk management and controlling processes. The inclusion of transactions in new products, business types, sales channels or new markets requires adherence to a New Product Process ("NPP"). Within the scope of the NPP, the organizational units involved analyze the risk level, the processes and the main consequences for 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 of Rentenbank is active at Group level, performing the function of a Group Audit department. Since none of the Group's companies has its own Internal Audit department, the Group Audit department conducts the necessary audit activities.

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

### Risk-bearing capacity

All material risks of the Group are identified and monitored to detect any concentration risks. 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 Group'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 Group has sufficient cash funds, and its triple A ratings, amongst other factors, enable it to obtain any additionally required cash funds on the interbank markets or, in case of market disruptions, within the framework of deposited collateral from Eurex Clearing AG (securitized money market funding) and from the German central bank (Deutsche Bundesbank; through collateralized loans or so-called "Pfandkredite").

The risk cover under IFRS as of December 31, 2010, which is relevant for the calculation of the risk-bearing capacity, is as follows:

	Dec. 31, 2010 € million	Dec. 31, 2009 € million
Available operating result	250.0	220.0
+ Retained earnings (other reserves)	110.0	5.0
<b>= Risk cover 1</b>	<b>360.0</b>	<b>225.0</b>
+ Retained earnings (other reserves)	1 482.7	1 505.4
+ Revaluation reserve	-403.6	-173.6
<b>= Risk cover 2</b>	<b>1 439.1</b>	<b>1 556.8</b>
+ Retained earnings (principal reserve, guarantee reserve)	810.8	753.0
+ Subscribed capital	135.0	135.0
+ Subordinated liabilities	889.5	1 121.9
<b>= Risk cover 3</b>	<b>3 274.4</b>	<b>3 566.7</b>

Risk cover 1 amounts to € 360 million (compared with € 225 million as of December 31, 2009). The available operating result amounts to € 250 million (compared with € 220 million on December 31, 2009), derived from current business development. € 110 million (compared with € 5 million on December 31, 2009) of other reserves as part of the retained earnings on the balance sheet was assigned to risk cover 1. An amount of € 351 million (compared with € 221 million on

December 31, 2009) was allocated to the individual risk types.

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. It can be broken down as follows:

	Allocated risk cover			
	Dec. 31, 2010		Dec. 31, 2009	
	€ million	%	€ million	%
Credit risk	260.0	72.2	130.0	57.8
Market price risk	61.0	16.9	61.0	27.1
Operational risk	30.0	8.3	30.0	13.3
<b>Total risk limit</b>	<b>351.0</b>	<b>97.4</b>	<b>221.0</b>	<b>98.2</b>
<b>Risk cover 1</b>	<b>360.0</b>	<b>100.0</b>	<b>225.0</b>	<b>100.0</b>

In view of the persisting financial crisis, the Group intends to use an amount of € 260 million from risk cover 1 to cover credit risks (compared with € 130 million as of December 31, 2009). It can be expected that additional information on the financial condition of the Group's counterparties will also become available in the course of 2011, which might have a negative effect on these counterparties' credit quality and will lead to further rating migrations in fiscal year 2011, resulting in a utilization of risk cover.

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

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

Risk scenario 2 (stress scenario) is used to analyze the effects of exceptional changes in parameters. The stress scenario for market price risks includes a non-parallel shift of the yield curve, a widening of risk premiums in the interbank market, a widening of the cost for the exchange of liquidity between various currencies, and a change in credit spreads.

As regards credit risk, we assume full utilization of all internally granted limits, deteriorations in credit quality, higher probabilities of default as well as a risk concentration within the overall loan portfolio under risk scenario 2. As regards operational risk, we assume twice as many incidents under risk scenario 2 as under risk scenario 1.

These risk values from the individual risk types are added and compared with risk cover 2. In addition, we reserve risk cover 2 for the purpose of hedging against potential measurement inaccuracies in relation to structured products. Principal and guarantee reserves, subscribed capital as well as subordinated liabilities (risk cover 3) should not be used in scenario 2.

Individual utilization by risk type in risk scenarios 1 and 2 is presented in the following table:

	Risk scenario 1				Risk scenario 2			
	Dec. 31, 2010		Dec. 31, 2009		Dec. 31, 2010		Dec. 31, 2009	
	€ million	%	€ million	%	€ million	%	€ million	%
Credit risk	168.4	83.0	54.0	59.8	638.7	56.5	138.9	31.4
Market price risk	7.9	3.9	14.8	16.4	18.6	1.7	21.1	4.8
Market price risk (spread risk)	-	-	-	-	419.3	37.1	239.0	54.1
Operational risk	26.6	13.1	21.5	23.8	53.2	4.7	43.0	9.7
<b>Total risk</b>	<b>202.9</b>	<b>100.0</b>	<b>90.3</b>	<b>100.0</b>	<b>1 129.8</b>	<b>100.0</b>	<b>442.0</b>	<b>100.0</b>
<b>Total risk limit</b>	<b>351.0</b>		<b>221.0</b>		-		-	
<b>Utilization of total risk limit</b>		<b>57.8</b>		<b>40.9</b>		-		-
<b>Risk cover 1 and 2, respectively</b>	<b>360.0</b>		<b>225.0</b>		<b>1 439.1</b>		<b>1 556.8</b>	
<b>Risk cover 2 less potential imprecision in measurement</b>					<b>1 437.1</b>		<b>1 554.8</b>	
<b>Utilization of risk cover</b>		<b>56.4</b>		<b>40.1</b>		<b>78.6</b>		<b>28.4</b>

Of the total risk exposure in risk scenario 1 and risk scenario 2, 83 % and 57 %, respectively, related to credit risks as of December 31, 2010. The utilization of risk cover through credit risks increased noticeably in comparison with December 31, 2009. This increase is mainly a result of a modification of the risk-bearing capacity concept as well as a deterioration in the credit quality of various business partners of the Bank. The risk-weighted assets are presented in a table and grouped by rating categories for the fiscal years 2009 and 2010 in the section on credit risks.

Market price risks accounted for 4 % of risk scenario 1 and 2 % of risk scenario 2, respectively, while operational risks accounted for 13 % and 5 %, respectively, of the total risk exposure of the Group. In fiscal year 2010, spread risks increased following a scenario adjustment for the "credit spread" risk parameter.

Assuming a standard scenario, the total risk exposure was € 202.9 million (compared with € 90.3 million on December 31, 2009) and assuming a stress scenario, it was € 1 129.8 million (compared with € 442.0 million on December 31, 2009). The overall risk limit was utilized at 58 % (compared with 41 % on December 31, 2009) in the standard scenario. For risk cover 2, which is mainly composed of other retained earnings, utilization was 79 % (compared with 28 % on December 31, 2009). An amount of € 2 million of risk cover 2 is intended to be used for potential inaccuracies in measurement due to model weaknesses.

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

## Risk categories - Individual risks

### Credit risk

#### Definition

The granting of loans and the associated assessment and assumption of credit risk is an essential element of 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 on regions, sectors or borrowers.

The scope of the Group'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 an 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. 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 control 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 Minimum Requirements for Risk Management ("MaRisk") certain tasks have to be performed outside of the front office. A number of these so-called back office functions is 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 of risk controlling and the departments Banks and Collateral & Equity Investments from 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 that have 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 of financial situation of the Group's counterparties. Individual counterparties were considered to have a high level of risk. In spite of downgrades of some of the Group's counterparties, the average credit quality of the Group's overall loan portfolio can be classified as "good", especially due to high-quality new business. Special attention is paid to the exposure of the Group 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 Group's total assets are directly invested in Portugal, Italy and Spain, of which one tenth becomes due by 2013. The Group holds bonds and promissory note loans issued by banks from the PIIGS countries at a proportion of 9.9% of total assets, main-

ly 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 potential 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 Group 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 by 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 Group's risk-bearing capacity. Within this context, limitation is made both at borrower level and at borrower unit level as well as at the level of the overall loan portfolio. The basis for limitation is the credit risk strategy from which strategy-consistent sub-limits are derived.

Based on the proportion of the risk cover 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 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 to these changes, and the performance of counterparties that are subject to special monitoring measures or with potential risk are also included in the reports.

### Current risk situation

The figures to illustrate the current risk situation relate to the gross carrying amount in accordance with IFRS

7.B9, which corresponds to the carrying amount of the relevant balance sheet item in the IFRS consolidated financial statements. Loans and advances to banks and to customers additionally include the corresponding portions from the item "fair value changes of hedged items in a portfolio hedge" as well as irrevocable credit commitments. Irrevocable loan commitments of € 612.3 million (compared with € 801.5 million on December 31, 2009) are recognized at their nominal amounts.

### Gross lending volume

	Loans and advances to banks		Loans and advances to customers		Derivatives		Financial investments	
	Dec. 31, 10 € million	Dec. 31, 09 € million	Dec. 31, 10 € million	Dec. 31, 09 € million	Dec. 31, 10 € million	Dec. 31, 09 € million	Dec. 31, 10 € million	Dec. 31, 09 € million
<b>Gross lending volume</b>	<b>50 176.5</b>	<b>46 986.7</b>	<b>1 524.9</b>	<b>612.9</b>	<b>6 039.7</b>	<b>2 872.4</b>	<b>26 541.7</b>	<b>27 937.3</b>
Cash collateral	0.0	0.0	0.0	0.0	4 007.7	262.9	0.0	0.0
Covered bonds (Pfandbriefe)	650.9	803.8	0.0	0.0	0.0	0.0	6 428.6	5 787.3
Public-sector covered bonds (Öffentliche Pfandbriefe)	258.1	264.2	0.0	0.0	0.0	0.0	969.5	816.7
State guarantee (Gewährträgerhaftung)	10 936.7	12 204.6	1 414.2	487.8	0.0	0.0	7 912.5	8 067.1
Covered promotional lending	262.6	257.4	1.1	3.4	0.0	0.0	1 187.3	511.2
Secured money market funding	5 056.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assignment of claims	15 850.6	13 390.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net lending volume</b>	<b>17 161.0</b>	<b>20 066.7</b>	<b>109.6</b>	<b>121.7</b>	<b>2 032.0</b>	<b>2 609.5</b>	<b>10 043.8</b>	<b>12 755.0</b>

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

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

### Risk concentration by country

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

December 31, 2009	Loans and advances to banks		Loans and advances to customers		Derivatives		Financial investments	
	€ million	%	€ million	%	€ million	%	€ million	%
<b>Banks</b>								
Germany	40 046.0	85.2	0.0	0.0	390.1	13.6	7 936.4	28.4
Other EU countries	6 940.6	14.8	0.0	0.0	1 435.2	50.0	18 846.5	67.5
OECD countries (excl. EU)	0.1	0.0	0.0	0.0	373.2	13.0	111.4	0.4
<b>Total banks</b>	<b>46 986.7</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2 198.5</b>	<b>76.6</b>	<b>26 894.3</b>	<b>96.3</b>
<b>Other counterparties</b>								
Germany	0.0	0.0	591.3	96.5	0.0	0.0	274.1	1.0
Other EU countries	0.0	0.0	21.6	3.5	592.3	20.6	768.9	2.7
OECD countries (excl. EU)	0.0	0.0	0.0	0.0	81.6	2.8	0.0	0.0
<b>Total other counterparties</b>	<b>0.0</b>	<b>0.0</b>	<b>612.9</b>	<b>100.0</b>	<b>673.9</b>	<b>23.4</b>	<b>1 043.0</b>	<b>3.7</b>
<b>Total</b>	<b>46 986.7</b>	<b>100.0</b>	<b>612.9</b>	<b>100.0</b>	<b>2 872.4</b>	<b>100.0</b>	<b>27 937.3</b>	<b>100.0</b>

### Risk concentration by currency

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

## Risk concentration by currency

December 31, 2009	Loans and advances to banks		Loans and advances to customers		Derivatives		Financial investments	
	€ million	%	€ million	%	€ million	%	€ million	%
EUR	46 830.1	99.7	612.9	100.0	-23 825.9	-829.5	27 026.0	96.7
CAD	0.0	0.0	0.0	0.0	634.3	22.1	143.4	0.5
JPY	72.9	0.2	0.0	0.0	2 439.4	84.9	300.6	1.1
USD	0.1	0.0	0.0	0.0	16 323.9	568.4	367.3	1.3
AUD	0.0	0.0	0.0	0.0	3 800.3	132.3	0.0	0.0
GBP	19.7	0.0	0.0	0.0	408.7	14.2	19.5	0.1
CHF	20.2	0.0	0.0	0.0	1 718.1	59.8	33.6	0.1
Other currencies	43.7	0.1	0.0	0.0	1 373.6	47.8	46.9	0.2
<b>Total</b>	<b>46 986.7</b>	<b>100.0</b>	<b>612.9</b>	<b>100.0</b>	<b>2 872.4</b>	<b>100.0</b>	<b>27 937.3</b>	<b>100.0</b>

Changes between the currencies in comparison with the prior year are mainly influenced by the individual components of the cross-currency swaps. The positive fair values of derivative financial instruments have

been allocated to the asset side of the balance sheet based on their fair value. Substantial changes to risk concentrations might occur if the fair value of an item changes from positive to negative, or vice versa.

## Groups of institutions

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

December 31, 2009	Loans and advances to banks		Loans and advances to customers		Derivatives		Financial investments	
	€ million	%	€ million	%	€ million	%	€ million	%
Private-sector banks/ other banks	8 132.3	17.3	0.0	0.0	287.8	10.0	2 916.2	10.4
Foreign banks	6 940.6	14.8	0.0	0.0	1 808.4	63.1	18 958.0	68.0
Public-sector banks	25 608.4	54.5	0.0	0.0	60.8	2.1	4 644.1	16.6
Cooperative banks	6 305.4	13.4	0.0	0.0	41.5	1.4	376.0	1.3
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-banks	0.0	0.0	612.9	100.0	673.9	23.4	1 043.0	3.7
<b>Total</b>	<b>46 986.7</b>	<b>100.0</b>	<b>612.9</b>	<b>100.0</b>	<b>2 872.4</b>	<b>100.0</b>	<b>27 937.3</b>	<b>100.0</b>

## Risk-weighted assets by rating category (in € million)

### December 31, 2010

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

### December 31, 2009

Measurement method*	Rating categories							Total	
	AAA	AA	A	BBB	BB-B	CCC-C	DDD-D		
Loans and advances to banks									
Special loans	Amortized cost	15.4	346.8	186.6	6.6	0.0	0.0	0.0	555.4
	Fair Value	3 886.7	3 329.4	10 078.8	1 503.3	0.0	0.0	0.0	18 798.2
Other	Amortized cost	763.8	2 182.3	1 072.5	143.7	9.9	198.2	0.0	4 370.4
	Fair Value	748.0	12 536.6	7 781.3	1 729.0	279.5	188.3	0.0	23 262.7
Loans and advances to customers									
	Amortized cost	16.0	1.1	9.5	39.9	0.0	0.0	0.0	66.5
	Fair Value	472.8	0.0	0.0	73.6	0.0	0.0	0.0	546.4
Derivatives	Fair Value	0.2	1 444.0	1 402.2	11.1	13.5	1.4	0.0	2 872.4
Financial investments	Amortized cost	436.2	1 040.6	2 049.0	460.7	159.6	89.0	0.0	4 235.1
	Fair Value	8 307.5	10 329.6	3 951.9	846.0	148.4	118.8	0.0	23 702.2
<b>Total</b>		<b>14 646.6</b>	<b>31 210.4</b>	<b>26 531.8</b>	<b>4 813.9</b>	<b>610.9</b>	<b>595.7</b>	<b>0.0</b>	<b>78 409.3</b>

\* Amortized cost = Measurement categories "loans and receivables" and "held to maturity"

Fair Value = Hedge accounting as well as measurement categories "held for trading," "designated as at fair value," and "available for sale"

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

### December 31, 2010

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

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

**December 31, 2009**

Internal rating category	External rating category							without external rating	<b>Total</b>
	AAA	AA	A	BBB	BB-B	CCC-C	DDD-D		
AAA	14 060.0	0.0	0.0	0.0	0.0	0.0	0.0	586.6	<b>14 646.6</b>
AA	2 489.6	18 409.9	364.0	0.0	0.0	0.0	0.0	9 946.9	<b>31 210.4</b>
A	0.0	2 624.6	20 161.1	817.5	0.0	0.0	0.0	2 928.6	<b>26 531.8</b>
BBB	0.0	290.5	1 420.2	934.0	0.0	0.0	0.0	2 169.2	<b>4 813.9</b>
BB-B	0.0	0.0	144.4	224.6	85.1	0.0	0.0	156.8	<b>610.9</b>
CCC-C	0.0	0.0	310.0	277.7	0.0	0.0	0.0	8.0	<b>595.7</b>
DDD-D	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Total</b>	<b>16 549.6</b>	<b>21 325.0</b>	<b>22 399.7</b>	<b>2 253.8</b>	<b>85.1</b>	<b>0.0</b>	<b>0.0</b>	<b>15 796.1</b>	<b>78 409.3</b>

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

*Provisions for losses on loans and advances*

If exposures are at risk of default, the Bank recognizes provisions for loan losses. As of December 31, 2010, no specific valuation allowances needed to be recognized, as in the previous year. Reversals of the portfolio-based valuation allowance recognized in the previous year for potential risks related to the portfolio of unsecured loans and advances amounted to € 2.3 million. Accordingly the balance of valuation allowances decreased to € 3.8 million as of December 31, 2010.

*Standard scenarios*

The basis of the calculations for measuring potential credit defaults under the standard scenario is the annual potential default related to utilization. As of December 31, 2010, the cumulative potential default amounted to € 168.4 million (compared with € 54.0 million on December 31, 2009). The significant increase compared to the prior year is attributable to the enhancement of the risk-bearing capacity concept pursuant to which higher probabilities of default are assumed, as well as the credit deterioration related to individual business partners of the Bank. The average potential default in fiscal year 2010 amounted to € 113.7 million (compared with € 52.9 million on December 31, 2009). In relation to the allocated risk cover for credit risks, the average potential default was 43.7% as of December 31, 2010 (compared with 40.7% on December 31, 2009). The highest utilization amounted to € 168.4 million (compared with € 71.9 million on December 31, 2009) and is below the limit approved by the Board of Managing Directors for the standard scenario of € 260 million. The lowest utilization was € 92.2 million (compared with € 43.4 million on December 31, 2009).

*Stress scenarios*

In a first stress scenario, the annual potential default is initially calculated based on utilization plus draw-down of all internally granted limits. As of December 31, 2010, the cumulative potential default under this stress scenario amounted to € 204.5 million (compared with € 69.8 million on December 31, 2009). Under two further scenarios, the annual potential default was assumed based on utilization plus drawdown of all internally granted limits and a doubling of the default probabilities or a negative development of the credit ranking, respectively. In a further stress scenario, the highest potential default resulting from stress scenarios is multiplied with a concentration indicator. The value of this stress scenario for the annual potential default amounts to € 638.7 million as of December 31, 2010. The maximum value of the stress scenarios in the prior year was € 138.9 million.

## 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

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

The objective of risk management is the identification, qualitative 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 Group 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 arising 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.

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

Foreign currency risks and other price risks are hedged exclusively 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.

## Risk cover

The risk cover allocated for market price risk corresponds to the risk limit of € 61 million, which can be broken down as follows as in the previous year:

	Limit € million
Money market funding	30.0
Promotional lending	31.0
<b>Total</b>	<b>61.0</b>

### Standard scenarios

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

### Stress scenarios

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

Potential risk premiums and risk discounts on the interbank market for money market funding are simulated to determine spread risks. In the “promotional lending” segment, we calculate an increase in costs for the swap of liquidity between various currencies on the derivatives market and risks from changes in credit spreads.

## Limitation and reporting

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 for an assessment of market price risks and the market parameters underlying the standard and stress scenarios are validated at least annually. The scenario parameters in “money market funding” and “promotional lending” are validated daily using historical interest rate trends. 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.

## Current risk situation

### Standard scenarios

As of December 31, 2010, the amount included as risk cover for the market price risk in the “money market funding” and “promotional lending” segments was € 7.9 million (compared with € 14.8 million on December 31, 2009) in case of a parallel shift of the interest rate curves by 100 Bp. The average limit utilization in fiscal year 2010 was € 13.4 million (compared with € 13.0 million on December 31, 2009). This corresponded to an average utilization of 22 % (compared with 21 % on December 31, 2009). The maximum utilization resulted in a risk of € 27.2 million (compared with € 21.0 million on December 31, 2009), while the lowest utilization was € 5.1 million in the year under review (compared with € 5.3 million on December 31, 2009). Limits were not exceeded in 2010 and 2009.

### Stress scenarios

Risk calculation in stress scenarios is made in the segments “money market funding” and “promotional lending.” The “promotional lending” segment consists of the sub-segments “lending business” and “securities business.” A non-parallel shift is assumed for each segment within the framework of two distinct scenarios. In the previous year, a parallel shift of the interest rate curves was assumed to determine risk in the “lending business.”

The present value sensitivity of the individual stress scenarios is as follows:

<b>Stress scenarios (€ million)</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
<i>"Money market funding"</i>		
Positive shift of 50 Bp at the short end and 150 Bp at the long end	5.1	-8.1
<i>"Money market funding"</i>		
Positive shift of 150 Bp at the short end and 50 Bp at the long end	-10.5	-12.7
<i>"Lending business"</i>		
Positive shift of 50 Bp at the short end and 150 Bp at the long end	-3.8	n/a
<i>"Lending business"</i>		
Positive shift of 150 Bp at the short end and 50 Bp at the long end	-8.0	n/a
<i>"Lending business"</i>		
Positive parallel shift of 200 Bp of the interest rate curve	n/a	-8.3
<i>"Securities business"</i>		
Positive shift of 50 Bp at the short end and 150 Bp at the long end	0.0	0.0
<i>"Securities business"</i>		
Positive shift of 150 Bp at the short end and 50 Bp at the long end	-0.1	-0.1
<b>Sum total of the relevant scenarios</b>	<b>-18.6</b>	<b>-21.1</b>

The sum total of the scenarios is determined based on the maximum potential loss of the relevant segment.

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

A variation of 60 Bp (compared with 20 Bp on December 31, 2009) is assumed under the scenario for risk premiums (spread risks) in "money market funding," which is equivalent to a downshift of the derivatives curve (EONIA) of 30 Bp (compared with 10 Bp on December 31, 2009) and an upshift of the interbank credit curve (EURIBOR) of 30 Bp (compared with 10 Bp on December 31, 2009). The resulting risk was € 3.4 million (compared with € 1.0 million on December 31, 2009).

Under the scenario, we assumed an increase of 20 Bp for the costs of the swap of liquidity between various currencies, resulting in a spread risk of € 188.6 million (compared with € 177.8 million on December 31, 2009).

A parallel shift of 40 Bp (compared with 20 Bp on December 31, 2009) is assumed within the relevant rating category in respect of credit spreads which represent risk premiums due to the credit ranking of a transaction. The credit spread sensitivity was € 227.3 million (compared with € 60.1 million on December 31, 2009).

#### *Value-at-risk (VaR)*

Value-at-risk shows the maximum loss from market-related developments in "money market funding," assuming a holding period of one day and a predic-

tion accuracy of 99%. The indicator amounted to € 0.6 million as of December 31, 2010 (compared with € 0.4 million on December 31, 2009).

#### *Interest rate risk at the level of the entire bank*

The quarterly analysis examines the effects of changes in market interest rates as of a particular date. By closing all open fixed-interest positions, we determine net interest income for all future periods on a calculatory basis. The present value is calculated on the basis of scenario analyses without taking into account equity components. An interest rate shock of +100 Bp would lead to a decline in value of € 140.1 million for the entire bank as of December 31, 2010 (compared with € 106.1 million as of December 31, 2009).

The fair value changes of sudden and unexpected interest rate changes, as currently prescribed by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) at +130 Bp, amount to € -180.5 million (compared with € -136.8 million); for interest rate changes of -190 BP the fair value changes amount to € +299.1 million (€ +219.8 million). Finally, the risk exposures determined based on the scenarios are analyzed in relation to regulatory equity in accordance with Section 10 of the German Banking Act. A notification pursuant to Section 24 (1) No. 14 of the German Banking Act is required if the present value declines by more than 20% of own funds. This was not the case in 2010.

## 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.

### Control 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.

### *Stress scenarios*

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.

### *Liquidity ratio pursuant to the German Liquidity Regulation*

Pursuant to regulatory requirements (German Liquidity Regulation, Liquiditätsverordnung), weighted cash is compared with the weighted payment obligations 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.

### Reporting

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

### Current risk situation

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

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 have always exceeded the Bank's liquidity requirements by a period of up to two years.

### *Stress scenarios*

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

## Operational risks

### 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

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

Legal risks from business transactions are reduced, 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 are 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.

### 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.

#### *Collection of loss data*

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 loss events as well as the methodological development of the instruments used is part of risk control.

#### *Self assessment*

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.

### Limitation and reporting

The utilization of operational risk in standard scenarios amounted to € 26.6 million as of the reporting date (compared with € 21.5 million on December 31, 2009). Reports are prepared on a quarterly basis and submitted to the Board of Managing Directors, the Advisory Board, and senior management.

## Current risk situation

No significant single losses (of more than € 5 thousand) resulting from operational risks occurred in fiscal year 2010. In fiscal year 2009, four significant incidents were entered into the incident reporting database. The expected net loss of these incidents was € 26 thousand.

## Outlook

International growth prospects generally evolved 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, moderating 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 Group'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 we assume 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 the Group 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, the Group will participate in the QIS.

In view of a further normalization of the achievable margins and the treasury result, we expect 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, we anticipate 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. We are confident that we will be able to achieve the planned volume for 2011 in our medium and long-term promotional business.

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

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

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



## Consolidated statement of comprehensive income (IFRS) for the period from January 1 to December 31, 2010

	Notes	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million
<b>1) Income statement</b>			
Interest income		4 019.3	3 854.5
Interest expense		3 668.4	3 473.5
<b>Net interest income</b>	24	<b>350.9</b>	<b>381.0</b>
Provision for loan losses/promotional contribution	12, 25	5.0	40.4
thereof recognition for special loan programs		71.7	75.4
thereof amortization for special loan programs		44.1	38.5
<b>Net interest income after provision for loan losses/ promotional contribution</b>		<b>345.9</b>	<b>340.6</b>
Fee and commission income		2.7	4.3
Fee and commission expenses		2.7	2.3
<b>Net fee and commission income</b>	26	<b>0.0</b>	<b>2.0</b>
Net trading result	27	0.0	0.0
Net result from financial investments	28	-0.1	0.0
Administrative expenses	29	49.2	47.1
Net other operating result	30	0.7	-3.7
Result from fair value measurement and from hedge accounting	31	-144.4	-369.7
Net result from taxes	32	-1.1	1.0
<b>Net income for the year</b>		<b>151.8</b>	<b>-76.9</b>
<b>2) Other comprehensive income</b>			
Change in the revaluation reserve		-230.0	267.3
<b>3) Group's total comprehensive income</b>		<b>-78.2</b>	<b>190.4</b>

## Appropriation of profits under IFRS for the period from January 1 to December 31, 2010

	Notes	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million
Net income for the year		151.8	-76.9
Transfers from retained earnings			
a) from guarantee reserve pursuant to Section 2 (3) of the Law Governing the Landwirtschaftliche Rentenbank	33	29.2	121.0
b) from other retained earnings	33	0.0	121.9
Transfers to retained earnings			
a) to principal reserve pursuant to Section 2 (2) of the Law Governing the Landwirtschaftliche Rentenbank	33	87.0	154.7
b) to other retained earnings	33	82.2	0.0
<b>Group's net profit</b>		<b>11.8</b>	<b>11.3</b>

## Consolidated balance sheet (IFRS) as of December 31, 2010

<b>Assets</b>	Notes	Dec. 31, 2010 € million	Dec. 31, 2009 € million
Cash and balances with central banks	36	53.5	102.2
Loans and advances to banks	37	49 286.5	45 840.5
<i>thereof promotional contribution</i>		-249.4	-229.0
Loans and advances to customers	38	1 517.4	612.8
<i>thereof promotional contribution</i>		-0.1	-0.1
Fair value changes of hedged items in a portfolio hedge	40	285.2	344.8
Positive fair values of derivative financial instruments	41	6 039.7	2 872.4
Financial investments	42	26 541.7	27 937.3
Non-current assets held for sale	13, 43	0.8	0.0
Investment property	14, 44	16.8	17.3
Property and equipment	15, 45	22.6	25.5
Intangible assets	16, 46	2.5	3.3
Current income tax assets	18, 47	1.7	1.0
Deferred tax assets	18, 48	1.5	2.3
Other assets	17, 49	13.1	88.4
<b>Total assets</b>		<b>83 783.0</b>	<b>77 847.8</b>

<b>Liabilities and equity</b>	Notes	Dec. 31, 2010 € million	Dec. 31, 2009 € million
Liabilities to banks	50	2 494.3	3 660.0
Liabilities to customers	51	5 628.9	5 784.8
Securitized liabilities	52	65 101.8	60 263.2
Negative fair values of derivative financial instruments	53	3 341.8	4 362.9
Provisions	19, 20, 54	102.1	102.5
Subordinated liabilities	55	889.5	1 121.9
Other liabilities	21, 56	4 078.0	316.4
Equity	22, 33, 57		
Subscribed capital		135.0	135.0
Retained earnings		2 403.4	2 263.4
Revaluation reserve		-403.6	-173.6
Group's net profit		11.8	11.3
<b>Total liabilities and equity</b>		<b>83 783.0</b>	<b>77 847.8</b>

## Consolidated statement of changes in equity

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

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

### Changes in equity for the period from January 1 to December 31, 2009

€ million	Subscribed capital	Retained earnings	Revaluation reserve	Group's net profit	Total for 2009
<b>Equity as of Jan. 1, 2009</b>	<b>135.0</b>	<b>2 351.6</b>	<b>-440.9</b>	<b>10.8</b>	<b>2 056.5</b>
Net income for the year		-88.2		11.3	-76.9
Change in unrealized gains and losses			267.3		267.3
<b>Group's total comprehensive income</b>	<b>0.0</b>	<b>-88.2</b>	<b>267.3</b>	<b>11.3</b>	<b>190.4</b>
Appropriation of net profit				-10.8	-10.8
<b>Equity as of Dec. 31, 2009</b>	<b>135.0</b>	<b>2 263.4</b>	<b>-173.6</b>	<b>11.3</b>	<b>2 236.1</b>

Further information as well as an analysis of equity is included in Notes (22) and (57).

## Consolidated cash flow statement

	2010 € million	2009 € million
<b>Net income for the year</b>	<b>152</b>	<b>-77</b>
Non-cash items included in net income for the year and reconciliation to cash flow from operating activities		
Depreciation, amortization, impairment and reversal of impairment of property and equipment, financial investments, and investment property	3	2
Expenses for specific securities and loans and advances	26	43
Changes in provisions	0	0
Result from fair value measurement and from hedge accounting	144	370
Net other adjustments	-351	-381
<b>Subtotal</b>	<b>-26</b>	<b>-43</b>
Changes in assets and liabilities from operating activities after adjustment of non-cash items:		
Loans and advances to banks	-3 473	6 903
Loans and advances to customers	-904	5 861
Positive fair values of derivative financial instruments	-3 167	22
Other assets from operating activities	112	-521
Liabilities to banks	-1 166	-6 837
Liabilities to customers	-156	1 509
Securitized liabilities	4 839	-6 326
Negative fair values of derivative financial instruments	-1 021	-941
Other liabilities from operating activities	3 673	455
Interest received	4 015	3 853
Dividends received	4	2
Interest paid	-3 668	-3 474
Net other adjustments	-144	-370
<b>Cash flow from operating activities</b>	<b>-1 082</b>	<b>93</b>
Proceeds from the disposal of:		
Financial investments	6 646	6 069
Payments for the acquisition of:		
Financial investments	-5 226	-6 049
Property and equipment	-1	-2
<b>Cash flow from investing activities</b>	<b>1 419</b>	<b>18</b>
Subordinated liabilities	-374	-26
Payments to the Special Purpose Fund and for other measures to promote agriculture protecting the general public interest	-11	-11
<b>Cash flow from financing activities</b>	<b>-385</b>	<b>-37</b>
<b>Cash and cash equivalents at end of prior period</b>	<b>102</b>	<b>28</b>
Cash flow from operating activities	-1 082	93
Cash flow from investing activities	1 419	18
Cash flow from financing activities	-385	-37
Effect of exchange rate differences	0	0
<b>Cash and cash equivalents at end of period</b>	<b>54</b>	<b>102</b>

The consolidated cash flow statement shows the changes in cash and cash equivalents for fiscal years 2010 compared to 2009 from operating, investing and financing activities. Cash and cash equivalents correspond to the balance sheet item “cash and balances with central banks.”

The cash flows from operating activities were calculated based on the indirect method, while the cash flows from investing and financing activities were determined using the direct method.

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

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## Basis of accounting

The consolidated financial statements of Rentenbank were prepared in accordance with all International Financial Reporting Standards (“IFRS”) required to be applied for fiscal year 2010 and the additional requirements of German commercial law under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, “HGB”). They are based on Regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 and the regulations by way of which the IFRSs were endorsed by the EU. The IFRSs encompass the individual standards designated as IFRS as well as the International Accounting Standards (“IAS”) and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and the Standing Interpretations Committee (“SIC”).

The consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements, as well as the Group Management Report. The consolidated statement of comprehensive income is composed of the consolidated income statement and a reconciliation to the Group’s total comprehensive

income. The consolidated financial statements and the Group Management Report were prepared by the Board of Managing Directors of Landwirtschaftliche Rentenbank. Authorization for issue is expected to be given on March 31, 2011, upon adoption of the consolidated financial statements and the Group Management Report by the Advisory Board.

The reporting currency is the euro. Figures are generally given in millions of euros.

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

The disclosure requirements pursuant to the German Solvency Regulation (Solvabilitätsverordnung, SolvV) are met through the publication of a separate Disclosure Report. The Disclosure Report refers to, among other things, disclosures in the consolidated financial statements and the Risk Report. The disclosures are made in the Risk Report as part of the Group Management Report as well as in the notes to the consolidated financial statements starting from Note (66) in order to avoid a significant change in the structure of our Annual Report.

## Application of new or amended standards and interpretations

The following standards and interpretations as well as amendments to these were required to be applied by Rentenbank for the first time in fiscal 2010:

<b>Standard/ interpretation</b>	<b>Title</b>	<b>Required to be applied for fiscal years beginning on or after*</b>
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 1, 2010
IFRS 1	Additional Exemptions for First-time Adopters	January 1, 2010
IFRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions	January 1, 2010
IFRS 3	Business Combinations	July 1, 2009
IAS 27	Consolidated and Separate Financial Statements	July 1, 2009
IAS 39	Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement	July 1, 2009
IFRIC 12	Service Concession Arrangements	March 29, 2009
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2010
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	July 1, 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	November 1, 2009
IFRIC 18	Transfers of Assets from Customers	November 1, 2009

\* pursuant to EU regulation. The date of application may differ from the date mentioned in the relevant standard or interpretation.

The above-mentioned standards and interpretations as well as the amendments to these are not relevant for Rentenbank and do not have any impact on the consolidated financial statements.

The following standards and interpretations as well as related amendments have been published, but are not required to be applied until future fiscal years:

<b>Standard/ interpretation</b>	<b>Title</b>	<b>Required to be applied for fiscal years beginning on or after*</b>
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	tbd
IFRS 7	Financial Instruments: Disclosures	tbd
IFRS 9	Financial Instruments	tbd
IAS 12	Deferred Tax: Recovery of Underlying Assets	tbd
IAS 24	Related Party Disclosures	January 1, 2011
IAS 32	Classification of Rights Issues	February 1, 2010
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction: Prepayments of a Minimum Funding Requirement	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

\* pursuant to EU regulation. The date of application may differ from the date mentioned in the relevant standard or interpretation.

IFRS 9 was expanded in 2010 by rules governing financial liabilities. The current status of IFRS 9 marks the end of the first phase of a three-phase project to replace IAS 39 with a new standard. IFRS 9 replaces the parts of IAS 39 relating to classification and measurement of financial assets and liabilities. The main rules of IFRS 9 are the following:

- Financial assets have to be allocated to one of the following measurement categories:
  - Measurement at fair value
  - Measurement at amortized cost
- A debt instrument may only be measured at amortized cost when it is held to collect contractual cash flows. Contractual cash flows may only be payments of principal and interest. All other debt instruments have to be measured at fair value through profit or loss.
- Equity instruments have to be measured at fair value. Fair value changes on equity instruments held for trading have to be recognized through profit or loss. For all other equity instruments, the entity may make an irrevocable election to present in other comprehensive income (i.e. equity) realized and unrealized changes in the fair value of an investment in an equity instrument.
- The rules for financial liabilities mainly remain unchanged compared to IAS 39, however, there will be changes in the application of the fair value option. Any change in the fair value arising from the change in own credit has to be recognized directly in other comprehensive income (i.e. equity) rather than in the income statement. However, if this

method results in an accounting mismatch, the entire fair value change has to be recognized in the income statement.

The two outstanding phases deal with hedge accounting and impairment of assets. The full standard is expected to be available in the second quarter of 2011. The EU has not yet indicated when it will adopt IFRS 9. The impact of the new IFRS 9 on Rentenbank's consolidated financial statements may only be assessed after all phases have been completed, as hedge accounting and classification are particularly intertwined.

The amended IAS 24 was endorsed by the EU on July 19, 2010. In accordance with IAS 24, government-related entities and companies controlled by the government are exempt from the detailed disclosure requirements set out in IAS 24. They are now required to make general disclosures about significant transactions with the government and other companies controlled by the government. Furthermore, the standard clarifies the definition of related parties. Application of the amended IAS 24 will only impact the disclosures in the notes, but will not influence the Group's net income/loss or the consolidated balance sheet.

The other standards and interpretations as well as the amendments to these are not relevant to Rentenbank and will not have any impact on the consolidated financial statements.

In addition to the new and amended standards and interpretations, the IASB regularly publishes a number of changes to IFRSs that are considered non-urgent but necessary. The Improvements to IFRSs published in

April 2009 were endorsed by the EU on March 23, 2010. These changes are required to be applied mainly for fiscal years beginning on or after January 1, 2010. The Improvements to IFRSs published in May 2010 were endorsed by the EU on February 18, 2011. These changes are required to be applied for fiscal years beginning on January 1, 2011.

The changes from both publications may have an impact on recognition, presentation or measurement. Sometimes, the improvements only involve terminology or editorial changes. Application of these changes has not had and is not expected to have any significant effect on Rentenbank's consolidated financial statements.

## Accounting policies

### (1) General information

Accounting and measurement are based on the going concern principle, which requires the disclosure of selling prices within the scope of fair value measurement. Selling prices have to be strictly differentiated from liquidation prices, which are used when the going concern assumption no longer applies. The accounting policies were applied consistently and uniformly to the reporting periods presented, unless otherwise indicated.

The measurement of items included in the consolidated financial statements is based on both fair values and (amortized) cost. Income and expenses are recognized on an accrual basis. They are recognized and reported in the period to which they relate. Premiums and discounts are amortized over the relevant term using the effective interest method and directly attributed to the underlying transaction. Accrued interest is reported in the balance sheet item in which the underlying financial instrument is recognized.

The preparation of the consolidated financial statements in accordance with IFRS requires certain estimates and assumptions. Changes to these estimates and assumptions within a period may have material consequences on the financial position and profit or loss of the period. Estimates and judgments that are material to the financial statements are explained in the accounting policies of the relevant items and, if necessary, in the notes to the items concerned.

### (2) Scope of consolidation

The consolidated financial statements of Rentenbank for fiscal year 2010 include the Bank as the Group's

parent company and its two subsidiaries, LR Beteiligungsgesellschaft mbH, Frankfurt/Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main, (DSV). A detailed list of the Bank's shareholdings in these companies is included in Note (74).

Two companies (Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main) were not included in the consolidated financial statements due to their minor significance for the assessment of the Group's financial position, cash flows, and profit or loss. The interests held in these companies are reported as financial investments. Based on the data from the financial statements of these two companies, their share in the Group's total assets and the Group's net income for the year amounted to less than 1 % each. The data is based on the financial statements as of December 31, 2009. The data for 2010 is not yet available, but we expect any changes to be insignificant.

### (3) Consolidation methods

The consolidated financial statements were prepared using uniform accounting policies applicable throughout the Bank.

LRB (a subsidiary) is included in the consolidated financial statements on the basis of the carrying amounts on the date of initial consolidation in accordance with the financial reporting principles applicable in 1993. Total assets as reported under the German Commercial Code (Handelsgesetzbuch, HGB) amounted to € 219.5 million as of December 31, 2010 (compared with € 232.2 million on December 31, 2009).

DSV (a subsidiary) is also included in the consolidated financial statements on the basis of the carrying amounts on the date of initial consolidation in accordance with the financial reporting principles applicable in 1998; the remaining shares in DSV were consolidated on the basis of the carrying amounts as of December 31, 2000 (the close of the month in which the shares were purchased). Total assets as reported under the German Commercial Code (Handelsgesetzbuch, HGB) amounted to € 15.1 million as of December 31, 2010 (compared with € 15.4 million on December 31, 2009).

### (4) Financial instruments

All financial assets and financial liabilities, including all derivative financial instruments, are recognized in the balance sheet in accordance with IAS 39. The date of recognition is based on the settlement date for spot transactions and on the trade date for derivatives.

Financial instruments are initially measured at fair value, which usually equals the sales or purchase price. Subsequent measurement of financial assets and liabilities is based on the IAS 39 category to which the items are allocated.

### Categories of financial instruments

#### **Financial assets/liabilities at fair value through profit or loss**

This category comprises two sub-categories:

- financial assets or liabilities held for trading
- financial assets or liabilities designated as at fair value

Derivatives and financial assets or liabilities entered into for the purpose of selling them in the near term are classified as held for trading. Only derivatives, including embedded derivatives required to be separated, are allocated to this category in the Group. Derivatives are only entered into in order to hedge existing or expected market price risks. These derivatives are reported in the items "positive/negative fair values of derivative financial instruments."

Certain financial assets or liabilities are designated as at fair value upon initial recognition (fair value option). In accordance with IAS 39, the fair value option may only be used in the following circumstances:

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

The Group uses the fair value option for financial assets and liabilities that are matched by derivative hedging instruments from an economic perspective, but where the restrictive hedge accounting principles cannot be applied. The related financial assets and liabilities would otherwise be measured at amortized cost or at fair value, with changes in fair value recognized in other comprehensive income, while derivative hedging instruments are measured at fair value through profit or loss. This potential accounting mismatch is eliminated by applying the fair value option.

Financial assets or liabilities of the category "financial assets/liabilities at fair value through profit or loss" are measured at fair value through profit or loss. Gains or losses from fair value changes are recognized in the "result from fair value measurement and from hedge accounting." Any impairments or reversals of impairment losses are implicitly taken into account

under this method. Interest income or expenses are recognized in net interest income.

#### **Loans and receivables**

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

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

Excluding the following financial assets:

- financial assets held for trading as well as financial assets for which the fair value option was used
- financial assets designated in the category "available for sale" upon initial recognition
- financial assets for which the holder may not substantially recover all of its initial investment, other than because of credit deterioration

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

#### **Held to maturity**

The "held to maturity" category includes all financial assets meeting the following criteria:

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

Excluding the following financial assets:

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

Financial assets of the "held to maturity" category are measured at amortized cost. Any premiums and discounts as well as other transaction costs are amortized using the effective interest method and directly added to or deducted from the relevant transaction. Income

or expenses from amortization and from accrued interest are reported in net interest income. Any impairment losses or reversals of impairment losses are offset directly with the carrying amount and recognized in the statement of comprehensive income in the item “net result from financial investments.”

### Available for sale

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

Financial assets classified as “available for sale” are measured at fair value. Gains or losses from fair value changes are recognized directly in equity in the “revaluation reserve”.

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

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

### Other liabilities

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

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

## Overview of measurement categories used in accordance with IAS 39

### Financial assets

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

### Financial liabilities

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

### Reclassification of financial assets

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

Financial assets of the “available for sale” category may be reclassified to the “held to maturity” category if the Company has the intention and the ability to hold such financial assets until maturity. A reverse reclassification is only permitted under certain circumstances.

There were no reclassifications of financial assets in fiscal year 2010.

## **(5) Determining the fair value of financial instruments**

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 for financial instruments traded on active markets is determined based on quoted market prices. A financial instrument is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions. If the criteria set out above are not met, the market is regarded as inactive. Amongst others, a large bid-offer spread or a small number of transactions in the recent past are indications of an inactive market.

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

The fair value of non-option contracts is determined on the basis of their discounted expected future cash flows (discounted cash flow ["DCF"] method). Discounting is based on the swap curve plus a transaction-specific credit spread or a basis swap spread. The credit spreads are derived from observable market data and distinguished by rating, maturity, currency and degree of collateralization. The credit spreads used to measure the Company's liabilities are determined using prices for state-guaranteed bonds on the secondary market. The basis swap spreads are obtained from an external market data provider, broken down by term and currency.

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

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

The valuation techniques described here are allocated to various hierarchy levels in accordance with IFRS 7.27A et seq. (see Note (61)).

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

## **(6) Hedge accounting**

The Bank exclusively enters into derivatives to hedge existing or expected market price risks. Derivatives are always measured at fair value through profit or loss. By contrast, the hedged items are initially measured either at amortized cost or at fair value, with changes in fair value recognized in other comprehensive income. The resulting accounting mismatch is compensated or reduced by applying hedge accounting provisions. If the requirements for hedge accounting are not met, the hedged items are designated as at fair value.

Within the framework of asset/liability management, fair value hedges within the meaning of IAS 39 are entered into in order to hedge interest rate risk, since only such instruments ensure sustainable and effective hedge accounting. In the case of a fair value hedge, the changes in the fair value of the hedged item attributable to the hedged interest rate risk are recognized in profit or loss, irrespective of the category used. The changes in the fair value of the derivatives recognized in profit or loss are compensated to a high degree in this way.

The Group does not use cash flow hedges.

The hedging instruments used under hedge accounting criteria are generally interest rate swaps that were entered into in order to hedge credit, securities or issuing transactions and that fulfill hedge accounting requirements. Large-volume transactions are generally hedged on an individual basis (micro hedges). The special loans granted under the promotional financing programs were mainly hedged on a portfolio basis (macro hedges) as a result of the small per-transaction volume.

When a transaction is entered into, Rentenbank documents the relationship between the hedged item and the hedging instrument as well as the nature of the risk being hedged. In addition, the judgment whether the hedge is highly effective is documented both at

inception (prospective effectiveness) and on a continuing basis (prospective and retrospective effectiveness).

**Micro hedges** involve one or more similar hedged items forming a hedging relationship with one or more derivative hedging instruments. Until June 30, 2010, the prospective effectiveness was determined on the basis of a sensitivity analysis involving a parallel shift of the relevant interest rate curve by 100 basis points. The hedge was deemed effective if the changes in the fair value of the hedged item offset the changes in the fair value of the hedging instrument within a range of 80 % to 125 %. Since July 1, 2010, prospective effectiveness is assumed from the beginning of the hedging period if the material features of the hedging derivative were in line with those of the hedged item (critical terms match). Retrospective effectiveness as well as prospective effectiveness during the hedging period are assessed on a half-yearly basis as of the reporting dates, using the regression analysis. A hedging relationship is deemed effective when the slope of the linear regression line, as determined on the basis of the changes in the fair value of hedged items and hedging instruments attributable to interest rate changes, is between -0.8 and -1.25, and the quality of the regression, measured by the coefficient of determination, amounts to 0.8 or more. The regression analysis is based on data from the last six months. In the case of effective hedges, the carrying amount of the hedged items is adjusted to reflect the change in the fair value attributable to interest rate changes and, together with the changes in the fair value of the hedging instrument, is recognized in the result from fair value measurement and from hedge accounting.

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

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

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

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

#### **(7) Hybrid financial instruments (embedded derivatives)**

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

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

The Group generally designates all structured products with embedded derivatives otherwise required to be separated as at fair value through profit or loss.

An exception to this are the liquidity assistance loans, which are callable daily and where the host contract is allocated to the “loans and receivables” category.

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

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

### **(8) Impairment of financial assets**

As of each balance sheet date, the Bank evaluates whether there is any objective evidence that interest and principal payments may not be made in the full amount as agreed. The evaluation is primarily based on the following criteria:

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

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

#### *Loans and advances:*

The Bank determines the recoverability on an individual basis for both large single exposures and exposures of minor significance (promotional business). If there is objective evidence of impairment, the valuation allowance is determined based on the difference between the carrying amount and the present value of expected cash flows. The discount factor used for fixed-interest loans and advances is the original effective interest, while the current effective interest is used for variable-interest loans and advances.

If no objective evidence for impairment is identified during the individual review, these loans and advances are also tested for impairment on a portfolio basis. For this purpose, loans and advances with similar

credit risk profiles are combined to form homogeneous portfolios. The amount to be recognized for impairment is calculated as follows: total volume of the relevant portfolio as of the balance sheet date multiplied by the portfolio-specific historical default rate.

#### *Financial investments:*

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

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

### **(9) Currency translation**

Monetary foreign currency items are translated daily at the closing rate on the balance sheet date. The Bank does not have any non-monetary items denominated in foreign currencies.

Currency translation differences are recorded in the consolidated statement of comprehensive income, i. e. in the result from fair value measurement and from hedge accounting (hedged currency exposures) and in net trading result (open currency positions from payment settlement accounts).

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

### **(10) Genuine repurchase agreements, collateralized loans, and securities lending transactions**

In addition to the collateralized loans (Pfandkredite) with Deutsche Bundesbank, the Group takes out or grants collateralized term and overnight deposits. Securities are deposited with or provided by Clearstream, as appropriate, as collateral for these collateralized term and overnight deposits (see Note (71)).

### **(11) Lease accounting**

Leases are classified as either finance leases and operating leases. A lease is a finance lease if it substantially

transfers all the risks and rewards incidental to the ownership of a leased asset to the lessee. In all other cases, the lease is classified as an operating lease.

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

#### **(12) Provision for loan losses/ promotional contribution**

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

#### **(13) Non-current assets held for sale**

The item "non-current assets held for sale" is used when non-current assets are intended to be disposed of within a year and their disposal is highly probable.

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

#### **(14) Investment property**

Investment property is held to earn rental income. Investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses, similar to property and equipment.

#### **(15) Property and equipment**

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

Property and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is made on a straight-line basis, using useful lives of 33 to 50 years for buildings and four years for operating and office equipment. Land is not subject to depreciation. Items of property and equipment are reviewed for impairment as of each balance sheet date.

Low-value assets worth up to € 5 000 are immediately recognized as expenses.

#### **(16) Intangible assets**

Intangible assets include internally generated and purchased software.

They are recognized at cost and amortized on a straight-line basis over a period of four years. Any impairment losses are recognized in the income statement.

#### **(17) Other assets**

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

#### **(18) Tax receivables/liabilities**

The tax receivables and tax liabilities comprise current income tax assets/liabilities and deferred tax assets/liabilities and almost exclusively relate to the consolidated subsidiaries LRB and DSV. Current tax assets are calculated using the currently applicable tax rates upon which the tax authorities base payment of the tax refund. Deferred tax assets and liabilities result from the difference between the carrying amounts of recognized assets and liabilities in the IFRS consolidated balance sheet and their tax base as well as from tax loss carryforwards. The calculation is based on the tax rates applicable to the subsidiaries.

#### **(19) Provisions for pensions and similar obligations**

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

The amount to be recognized as a provision for defined benefit obligations is based on the present value of the total pension obligations, taking into account unrecognized actuarial gains and losses, less any unrecognized past service cost, if applicable. The amount of the pen-

sion obligations is determined annually by an independent actuary according to the projected unit credit method. The rate used to discount the pension obligations is based on the interest rate applicable as of the balance sheet date for high quality corporate bonds denominated in euros with remaining terms to maturity matching those of the pension obligations.

Actuarial gains and losses arise from differences between the actual and the expected change in the measurement bases and the parameters. If, as of the balance sheet date, actuarial gains or losses exceed 10 % of the amount of the pension obligations, the difference is amortized over the expected average remaining working life and recognized in income. Actuarial gains or losses within the 10 % corridor are not taken into account. The notes to the balance sheet include separate disclosures (see Note (54)).

#### **(20) Other provisions**

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

#### **(21) Other liabilities**

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

#### **(22) Equity**

"Subscribed capital" represents paid-in capital. "Retained earnings" comprise the legally prescribed principal reserve (Hauptrücklage) and guarantee reserve (Deckungsrücklage), which were transferred from the HGB financial statements, as well as other retained earnings, which include the operating result under HGB and the gains and losses from the differing accounting policies under IFRS.

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

#### **(23) Contingent liabilities and other commitments**

Contingent liabilities arise from past events that either

- lead to possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- result in a present obligation which is not likely to result in an outflow of resources or where the settlement amount cannot be estimated with sufficient reliability.

These contingent liabilities are not recognized as liabilities in the balance sheet in accordance with IAS 37.27; however, they are disclosed in Note (58).

## Notes to the statement of comprehensive income

### (24) Net interest income

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
<b>Interest income from</b>			
Loans and advances to banks and customers	1 327.0	1 680.2	-353.2
Derivative financial instruments	1 913.0	1 283.8	629.2
Financial investments	771.7	876.7	-105.0
Other	2.9	10.9	-8.0
<b>Current income from</b>			
Shares and other non-fixed-income securities	0.3	0.7	-0.4
Equity investments	4.4	2.2	2.2
<b>Total interest income</b>	<b>4 019.3</b>	<b>3 854.5</b>	<b>164.8</b>
<b>Interest expenses for</b>			
Liabilities to banks and customers	314.6	379.9	-65.3
Securitized liabilities	2 114.8	2 197.1	-82.3
Derivative financial instruments	1 190.5	848.2	342.3
Subordinated liabilities	34.2	41.8	-7.6
Other	14.3	6.5	7.8
<b>Total interest expenses</b>	<b>3 668.4</b>	<b>3 473.5</b>	<b>194.9</b>
<b>Net interest income</b>	<b>350.9</b>	<b>381.0</b>	<b>-30.1</b>

### (25) Provision for loan losses/promotional contribution

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
Expenses for additions to promotional contribution	71.7	75.4	-3.7
Income from the amortization of promotional contribution	44.1	38.5	5.6
Impairment and write-offs of loans and advances	0.0	6.1	-6.1
Reversal of portfolio valuation allowances	2.3	0.0	2.3
Recoveries on loans and advances previously written off	20.3	2.6	17.7
<b>Provision for loan losses/promotional contribution</b>	<b>5.0</b>	<b>40.4</b>	<b>-35.4</b>

The item "provision for loan losses/promotional contribution" primarily includes the discounting of future expenses for special loans (additions to promotional contribution) made at the draw down date (recognition) as well as their amortization over the remaining term. No write-downs on loans and advances or

specific valuation allowances were necessary in 2010. The portfolio-based valuation allowance in the amount of € 6.1 million recognized in the prior year for potential risks decreased by € 2.3 million due to the reduction of the underlying portfolio.

**(26) Net fee and commission income**

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
<b>Fee and commission income from</b>			
Service fees	2.4	3.0	-0.6
Commissions on bank guarantees	0.0	0.8	-0.8
Trustee loans and pass-through loans	0.1	0.1	0.0
Other	0.2	0.4	-0.2
<b>Total fee and commission income</b>	<b>2.7</b>	<b>4.3</b>	<b>-1.6</b>
<b>Fee and commission expenses for</b>			
Custody fees	2.2	2.0	0.2
Other	0.5	0.3	0.2
<b>Total fee and commission expenses</b>	<b>2.7</b>	<b>2.3</b>	<b>0.4</b>
<b>Net fee and commission income</b>	<b>0.0</b>	<b>2.0</b>	<b>-2.0</b>

**(27) Net trading result**

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
Net trading result	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The Bank does not maintain a trading book within the meaning of regulatory provisions. The net trading result includes the gains and losses arising on the translation of open foreign currency positions, which result from the translation of balances on nostro

accounts into the reporting currency. The currency translation differences of closed foreign currency positions resulting from fair value measurement are reported in the "result from fair value measurement and hedge accounting."

**(28) Net result from financial investments**

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
Write-down of an equity investment	-0.1	0.0	-0.1
<b>Total</b>	<b>-0.1</b>	<b>0.0</b>	<b>-0.1</b>

## (29) Administrative expenses

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
<b>Other administrative expenses for</b>			
Personnel expenses	30.8	28.2	2.6
Public relations	2.0	3.6	-1.6
IT licenses, fees, consulting services	3.8	3.7	0.1
Audits, contributions, donations	1.2	1.2	0.0
Occupancy expenses	1.5	1.7	-0.2
Miscellaneous administrative expenses	3.5	2.9	0.6
<b>Total other administrative expenses</b>	<b>42.8</b>	<b>41.3</b>	<b>1.5</b>
<b>Depreciation and amortization of</b>			
Intangible assets	3.2	3.5	-0.3
<i>thereof internally generated software</i>	2.9	3.1	-0.2
Residential and office buildings	2.2	0.9	1.3
IT equipment	0.5	0.7	-0.2
Office equipment and vehicles	0.2	0.3	-0.1
Technical and other equipment	0.3	0.4	-0.1
<b>Total depreciation and amortization</b>	<b>6.4</b>	<b>5.8</b>	<b>0.6</b>
<b>Total administrative expenses</b>	<b>49.2</b>	<b>47.1</b>	<b>2.1</b>

Miscellaneous administrative expenses include lease expenses in the amount of € 103.7 thousand (compared with € 87.4 thousand on December 31, 2009). Future minimum lease payments due within one year totaled € 76.0 thousand (compared with € 56.6 thousand on December 31, 2009), payments due between one and five years amounted to € 100.8 thousand (compared with € 67.1 thousand on December 31, 2009). As in the prior year, there are no future minimum lease pay-

ments for a period of more than five years. The payments for leases relate to minimum lease payments (fixed lease payments). There were no restrictions imposed by lease arrangements. As of year-end, the Group had 23 (compared with 21 on December 31, 2009) lease agreements, only eight (compared with eight on December 31, 2009) of which have a renewal option to extend the lease term by one year.

## (30) Net other operating result

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
<b>Other operating income from</b>			
Rental income	1.9	1.8	0.1
Other income	2.0	1.2	0.8
<b>Total other operating income</b>	<b>3.9</b>	<b>3.0</b>	<b>0,9</b>
<b>Other operating expenses for</b>			
Increase of capital contribution to Edmund Rehwinkel Foundation	2.0	2.0	0.0
Handling costs from offsetting pecuniary claims	0.0	3.3	-3.3
Bank-owned housing	0.7	0.5	0,2
Other expenses	0.5	0.9	-0,4
<b>Total other operating expenses</b>	<b>3.2</b>	<b>6.7</b>	<b>-3.5</b>
<b>Net other operating result</b>	<b>0.7</b>	<b>-3.7</b>	<b>4.4</b>

**(31) Result from fair value measurement and from hedge accounting**

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
Micro hedge accounting			
Hedged items	-34.5	101.2	-135.7
Hedging instruments	35.4	-100.4	135.8
Result from currency translation	-0.1	0.1	-0.2
<b>Micro hedge accounting, total</b>	<b>0.8</b>	<b>0.9</b>	<b>-0.1</b>
Macro hedge accounting			
Hedged items	-59.6	23.4	-83.0
<i>thereof amortization of fair value changes of     hedged items in a portfolio hedge</i>	<i>-113.8</i>	<i>-95.5</i>	<i>-18.3</i>
Hedging instruments	-62.8	-138.2	75.4
<b>Macro hedge accounting, total</b>	<b>-122.4</b>	<b>-114.8</b>	<b>-7.6</b>
Fair value measurement			
Hedged items	31.8	703.3	-671.5
Derivatives	-50.9	-960.3	909.4
Result from currency translation	-3.7	1.2	-4.9
<b>Fair value measurement, total</b>	<b>-22.8</b>	<b>-255.8</b>	<b>233.0</b>
<b>Total</b>	<b>-144.4</b>	<b>-369.7</b>	<b>225.3</b>

The result from fair value measurement and from hedge accounting includes the unrealized gains and losses from changes in the fair value of derivatives and financial instruments classified as financial assets/liabilities at fair value through profit or loss. In addition, the changes in the fair value of hedged items under hedge accounting attributable to changes in interest rates as well as the amortization of such changes in the case of ineffective hedges are recognized in this item.

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

Measurement at fair value of notionally closed foreign currency positions leads to currency translation differences which are reported here.

The changes not attributable to changes in market conditions included in the measured amounts are shown in the following table. Changes of the fair value not attributable to changes in market conditions are attributable to changes in credit risk. Determination is based on the effects on measurement arising from changes in the credit ranking of business partners or the Bank's creditworthiness.

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Accumulated until Dec. 31, 2010 € million	Accumulated until Dec. 31, 2009 € million
Loans and advances	-6.9	2.5	-37.8	-30.9
Financial investments	-28.6	-22.2	-73.8	-45.2
Liabilities	0.0	0.0	0.0	0.0
<b>Total</b>	<b>-35.5</b>	<b>-19.7</b>	<b>-111.6</b>	<b>-76.1</b>

The risk-adjusted measurement of the liabilities, taking into account the credit spread, only included changes attributable to changes in market conditions for the year under review as well as for the prior

years. The credit rating of Rentenbank and hence its liabilities did not change in either the year under review or in previous years.

### (32) Net result from taxes

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
Deferred taxes	-0.9	1.2	-2.1
Current income taxes	-0.1	-0.1	0.0
Other taxes	-0.1	-0.1	0.0
<b>Total</b>	<b>-1.1</b>	<b>1.0</b>	<b>-2.1</b>

### (33) Retained earnings

	Jan. 1 to Dec. 31, 2010 € million	Jan. 1 to Dec. 31, 2009 € million	Change in € million
Transfers from retained earnings			
a) from guarantee reserve pursuant to Section 2 (3) of the Law Governing the Landwirtschaftliche Rentenbank	29.2	121.0	-91.8
b) from other retained earnings	0.0	121.9	-121.9
Transfers to retained earnings			
a) to principal reserve pursuant to Section 2 (2) of the Law Governing the Landwirtschaftliche Rentenbank	87	154.7	-67.7
b) to other retained earnings	82.2	0.0	82.2
<b>Total</b>	<b>140.0</b>	<b>-88.2</b>	<b>228.2</b>

The principal reserve (Hauptrücklage) and the guarantee reserve (Deckungsrücklage) are recognized in the Bank's separate financial statements and transferred to the consolidated financial statements. In accordance with Section 2 (3) Sentence 2 of the Law Governing the Landwirtschaftliche Rentenbank, the guarantee reserve may at no time exceed 5 percent of the nominal amount of the covered bonds outstanding. The reduction of the bonds subject to cover requirements (registered bonds, Rentenbank Bonds [Rentenbankbriefe], and Agricultural Bonds [Landwirtschaftsbriefe]; see Notes (50)-(52)), which was due to maturing bonds, required a reduction of the guarantee reserve by € 29.2 million (compared with € 121.0 million on December 31, 2009). From an accounting perspective, this led to an increase of the principal reserve by the same amount.

The transfer to the principal reserve from net income for the year amounted to € 57.8 million (compared with € 33.7 million on December 31, 2009).

The remaining operating results plus the measurement gains or losses in the amount of € 82.2 million were transferred to other retained earnings (compared with a withdrawal from retained earnings in the amount of € 88.2 million as of December 31, 2009), taking into account the Group's distributable net profit of € 11.8 million (compared with € 11.3 million as of December 31, 2009).

## Segment reporting

### (34) Notes on segment reporting

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

- **Treasury Management:** This segment shows the results of the Group's liquidity supply and management. Transactions made in this segment have a fixed-interest period of up to one year (e.g. overnight and term deposits, Euro Commercial Paper (ECP), derivatives).
- **Promotional Business:** This segment shows the promotional business other than capital investment transactions. The Promotional Business segment includes the earnings of the Bank and of all subsidiaries as well as those of the equity investments held by these subsidiaries.

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

A meaningful breakdown of segments by geographic location is not possible due to the fact that the Group is centrally managed from Frankfurt/Main and business activities are limited to EU/OECD member states. Therefore, we do not present regional segment information in accordance with IFRS 8 since a disclosure of such information would not provide additional information.

The results are presented on a net basis in the segment report in accordance with the margin-based management approach of the Bank. Segment assets and liabilities relate to transactions from third parties. Accordingly, segment results are generated exclusively from external counterparties. No intra-group transactions have been entered into between the segments. There are no material differences between internal reporting and financial reporting under IFRS. Due to the lack of intra-group transactions and material differences

between internal reporting lines and external financial reporting, we have not presented any further reconciliation statements.

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

The allocation of receivables and payables within the framework of segment assets and liabilities is made in a similar manner to the allocation of the earnings contributions of the individual segments. The medium and long-term provisions and the invested capital are allocated to the Capital Investment segment. The remaining balance sheet items are allocated to the Promotional Business segment.

### (35) Operating business segments

	Treasury Management		Promotional Business		Capital Investment		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
from Jan. 1 to Dec. 31	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net interest income	80.2	141.5	170.9	147.4	99.8	92.1	350.9	381.0
Provision for loan losses/ promotional contribution	0.0	0.0	5.0	40.4	0.0	0.0	5.0	40.4
Net fee and commission income	-0.2	0.1	0.2	1.9	0.0	0.0	0.0	2.0
Net result from financial investments	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0
Other administrative expenses	4.3	4.6	32.4	30.9	6.1	5.8	42.8	41.3
Depreciation and amortization	0.8	0.8	4.7	4.2	0.9	0.8	6.4	5.8
Net other operating result	0.0	0.0	0.7	-3.7	0.0	0.0	0.7	-3.7
Result from fair value measurement and from hedge accounting	6.0	-11.7	-150.4	-358.0	0.0	0.0	-144.4	-369.7
Net result from taxes	0.0	0.0	-1.1	1.0	0.0	0.0	-1.1	1.0
<b>Net income for the year</b>	<b>80.9</b>	<b>124.5</b>	<b>-21.8</b>	<b>-286.9</b>	<b>92.7</b>	<b>85.5</b>	<b>151.8</b>	<b>-76.9</b>
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
	€ billion	€ billion	€ billion	€ billion	€ billion	€ billion	€ billion	€ billion
<b>Segment assets</b>	<b>10.4</b>	<b>8.4</b>	<b>70.8</b>	<b>67.1</b>	<b>2.6</b>	<b>2.3</b>	<b>83.8</b>	<b>77.8</b>
<b>Segment liabilities (incl. equity)</b>	<b>14.4</b>	<b>12.6</b>	<b>66.8</b>	<b>62.9</b>	<b>2.6</b>	<b>2.3</b>	<b>83.8</b>	<b>77.8</b>

## Notes to the balance sheet

### (36) Cash and balances with central banks

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Cash on hand	0.1	0.1	0.0
Balances with central banks	53.4	102.1	-48.7
<b>Total</b>	<b>53.5</b>	<b>102.2</b>	<b>-48.7</b>

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

### (37) Loans and advances to banks

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Repayable on demand	3.3	2.5	0.8
Time deposits	7 515.5	4 215.2	3 300.3
Promissory note loans/registered bonds	18 495.2	21 370.6	-2 875.4
Special loans	22 405.7	19 008.8	3 396.9
<i>thereof promotional contribution</i>	-249.4	-229.0	-20.4
Global refinancing facility	540.7	741.8	-201.1
Other	326.1	501.6	-175.5
<b>Total</b>	<b>49 286.5</b>	<b>45 840.5</b>	<b>3 446.0</b>

### (38) Loans and advances to customers

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Repayable on demand	0.1	0.1	0.0
Medium and long-term loans	38.2	54.0	-15.8
Promissory note loans	964.5	69.7	894.8
Special loans	512.8	487.6	25.2
<i>thereof promotional contribution</i>	-0.1	-0.1	0.0
Other	1.8	1.4	0.4
<b>Total</b>	<b>1 517.4</b>	<b>612.8</b>	<b>904.6</b>

### (39) Provision for loan losses/promotional contribution

	Promotional contribution		Specific valuation allowances		Portfolio valuation allowances		Total	
	2010 € million	2009 € million	2010 € million	2009 € million	2010 € million	2009 € million	2010 € million	2009 € million
As of Jan. 1	239.8	202.9	0.0	0.0	6.1	0.0	245.9	202.9
Addition	71.7	75.4	0.0	8.4	0.0	9.2	71.7	93.0
Utilization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reversals	44.1	38.5	0.0	8.4	2.3	3.1	46.4	50.0
<b>As of Dec. 31</b>	<b>267.4</b>	<b>239.8</b>	<b>0.0</b>	<b>0.0</b>	<b>3.8</b>	<b>6.1</b>	<b>271.2</b>	<b>245.9</b>
<i>thereof</i>								
Loans and advances to banks	249.4	229.0	0.0	0.0	3.8	6.1	253.2	235.1
Loans and advances to customers	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Loan commitments	17.9	10.7	0.0	0.0	0.0	0.0	17.9	10.7
<b>Total</b>	<b>267.4</b>	<b>239.8</b>	<b>0.0</b>	<b>0.0</b>	<b>3.8</b>	<b>6.1</b>	<b>271.2</b>	<b>245.9</b>

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

The balance sheet item “fair value changes of hedged items in a portfolio hedge” includes fair value changes

in the amount of € 285.2 million (compared with € 344.8 million on December 31, 2009) related to loans allocated to macro hedge accounting, where such changes are attributable to interest rate changes. See Note (6) for further explanations.

**(41) Positive fair values of derivative financial instruments**

Derivatives are classified as follows in accordance with economic hedging relationships:

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
<b>Hedge accounting</b>			
<b>Assets</b>			
Loans and advances to banks	65.9	4.2	61.7
Loans and advances to customers	0.0	0.2	-0.2
Financial investments	9.3	2.3	7.0
<b>Liabilities</b>			
Liabilities to banks	24.9	22.9	2.0
Liabilities to customers	181.2	103.1	78.1
Securitized liabilities	415.9	408.8	7.1
Subordinated liabilities	9.1	7.4	1.7
<b>Hedge accounting, total</b>	<b>706.3</b>	<b>548.9</b>	<b>157.4</b>
<b>Instruments designated as at fair value</b>			
<b>Assets</b>			
Loans and advances to banks	5.0	5.9	-0.9
Financial investments	10.6	34.9	-24.3
<b>Liabilities</b>			
Liabilities to banks	7.7	7.7	0.0
Liabilities to customers	82.9	49.4	33.5
Securitized liabilities	4 952.3	1 899.7	3 052.6
Subordinated liabilities	198.3	103.7	94.6
<b>Treasury Management</b>	<b>48.4</b>	<b>181.0</b>	<b>-132.6</b>
<b>Instruments designated as at fair value</b>	<b>5 305.2</b>	<b>2 282.3</b>	<b>3 022.9</b>
<b>Other items</b>			
<b>Assets</b>			
Loans and advances to banks	0.9	1.3	-0.4
Financial investments	2.6	3.4	-0.8
<b>Liabilities</b>			
Securitized liabilities	24.7	36.5	-11.8
<b>Total other items</b>	<b>28.2</b>	<b>41.2</b>	<b>-13.0</b>
<b>Total</b>	<b>6 039.7</b>	<b>2 872.4</b>	<b>3 167.3</b>

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

**(42) Financial investments**

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Bonds and other fixed-income securities			
Money market securities			
of public-sector issuers	133.6	0.0	133.6
of other issuers	0.0	189.9	-189.9
Bonds			
of public-sector issuers	1 606.3	896.5	709.8
of other issuers	24 682.8	26 731.9	-2 049.1
Equity investments	118.8	118.8	0.0
Other financial investments	0.2	0.2	0.0
<b>Total</b>	<b>26 541.7</b>	<b>27 937.3</b>	<b>-1 395.6</b>

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

	Dec. 31, 2010 € million	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2009 € million
	eligible as collateral	not eligible as collateral	eligible as collateral	not eligible as collateral
Bonds and other fixed-income securities				
Money market securities				
of public-sector issuers	133.6	0.0	0.0	0.0
of other issuers	0.0	0.0	189.9	0.0
Bonds				
of public-sector issuers	1 464.0	142.3	745.3	151.2
of other issuers	23 721.9	960.9	25 883.0	848.9
<b>Total</b>	<b>25 319.5</b>	<b>1 103.2</b>	<b>26 818.2</b>	<b>1 000.1</b>

Financial investments are classified as follows:

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Assets at Fair Value through Profit or Loss	10 265.1	12 269.5	-2 004.4
Available for sale	12 728.8	11 551.5	1 177.3
Held to maturity	3 547.8	4 116.3	-568.5
<b>Total</b>	<b>26 541.7</b>	<b>27 937.3</b>	<b>-1 395.6</b>

Non-current equity investments changed as follows:

	2010 € million	2009 € million
<b>Historical cost as of Jan. 1</b>	<b>223.3</b>	<b>209.7</b>
Additions	0.1	13.7
Disposals	0.0	0.1
Accumulated amortization/impairment	104.6	104.5
<i>Amortization and impairment</i>	<i>0.1</i>	<i>0.0</i>
<b>Carrying amount as of Dec. 31</b>	<b>118.8</b>	<b>118.8</b>

Investments were recognized at cost due to the absence of an active market or relevant measurement parameters in accordance with IAS 39.46 (c). An equity investment acquired for promotional lending purposes was written off upon initial recognition. No further write-downs were necessary as of December 31, 2010.

#### (43) Non-current assets held for sale

At the end of 2010, we decided to sell a property in 2011. The sale is not expected to result in significant costs to sell. There was no impairment within the meaning of IFRS 5.20.

	2010 € million	2009 € million
<b>Cost as of Jan. 1</b>	<b>0.0</b>	<b>0.0</b>
Additions	0.0	0.0
Disposals	0.0	0.0
Reclassifications	0.9	0.0
Accumulated depreciation	0.1	0.0
<i>Depreciation</i>	<i>0.0</i>	<i>0.0</i>
<b>Carrying amount as of Dec. 31</b>	<b>0.8</b>	<b>0.0</b>

#### (44) Investment property

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

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

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

Investment property changed as follows:

	2010 € million	2009 € million
<b>Cost as of Jan. 1</b>	<b>19.7</b>	<b>19.7</b>
Additions	0.0	0.0
Disposals	0.0	0.0
Reclassifications	0.0	0.0
Accumulated depreciation	2.9	2.4
<i>Depreciation</i>	<i>0.5</i>	<i>0.9</i>
<b>Carrying amount as of Dec. 31</b>	<b>16.8</b>	<b>17.3</b>

The fair value of the property amounted to approx. € 18.9 million (compared with approx. € 18.3 million on December 31, 2009). The fair value was determined taking into account a valuation opinion prepared by an independent appraiser.

Other operating income included rental income of € 1.0 million (compared with € 0.9 million on December 31, 2009). Expenditures directly attributable to the property amounted to € 56.3 thousand (compared with € 138.4 thousand on December 31, 2009) and are reported in "other operating expenses." Real property tax amounting to € 35.9 thousand (compared with € 35.9 thousand) is reported in the net result from taxes.

#### (45) Property and equipment

Land and buildings include the owner-occupied office building at Hochstrasse 2, Frankfurt/Main, Germany. In addition, the Bank owns housing for employees that is not classified as investment property in accordance with IAS 40.9 (c), but is subject to the requirements of IAS 16. At the end of 2010, we decided to sell a property in 2011. This property was reclassified to the line item "non-current assets held for sale."

Property and equipment changed as follows:

	Land and buildings		Operating and office equipment		Total	
	2010 € million	2009 € million	2010 € million	2009 € million	2010 € million	2009 € million
<b>Cost as of Jan. 1</b>	<b>24.0</b>	<b>24.0</b>	<b>11.5</b>	<b>13.2</b>	<b>35.5</b>	<b>37.2</b>
Additions	0.0	0.0	0.6	1.9	0.6	1.9
Disposals	0.0	0.0	1.9	3.6	1.9	3.6
Reclassifications	-0.9	0.0	0.0	0.0	-0.9	0.0
Accumulated depreciation	1.8	0.2	8.9	9.8	10.7	10.0
<i>Depreciation</i>	<i>1.7</i>	<i>0.0</i>	<i>1.0</i>	<i>1.4</i>	<i>2.7</i>	<i>1.4</i>
<b>Carrying amount as of Dec. 31</b>	<b>21.3</b>	<b>23.8</b>	<b>1.3</b>	<b>1.7</b>	<b>22.6</b>	<b>25.5</b>

The impairment test related to the land (which was based on the standard land values for 2010) resulted in impairment losses to be recognized in the amount of

€ 1.7 million (compared with € 0.0 million as of December 31, 2009).

#### (46) Intangible assets

Intangible assets comprise purchased and internally generated software.

There was no impairment in accordance with IAS 36 that would have had to be recognized as a write-down in administrative expenses.

Intangible assets changed as follows:

	Acquired software		Internally generated software		Total	
	2010 € million	2009 € million	2010 € million	2009 € million	2010 € million	2009 € million
<b>Cost as of Jan. 1</b>	<b>1.5</b>	<b>1.2</b>	<b>12.4</b>	<b>10.2</b>	<b>13.9</b>	<b>11.4</b>
Additions	0.4	0.4	2.0	2.2	2.4	2.6
Disposals	0.2	0.1	2.7	0.0	2.9	0.1
Accumulated amortization	1.3	1.2	9.6	9.4	10.9	10.6
<i>Amortization</i>	<i>0.3</i>	<i>0.4</i>	<i>2.9</i>	<i>3.1</i>	<i>3.2</i>	<i>3.5</i>
<b>Carrying amount as of Dec. 31</b>	<b>0.4</b>	<b>0.3</b>	<b>2.1</b>	<b>3.0</b>	<b>2.5</b>	<b>3.3</b>

#### (47) Current tax assets

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Tax refund claims	1.1	0.7	0.4
Tax assets	0.6	0.3	0.3
<b>Total</b>	<b>1.7</b>	<b>1.0</b>	<b>0.7</b>

Tax refund claims against the tax authorities resulted from transactions which were subject to withholding tax on investment income. In addition, current income

tax assets resulted from offsetting the tax-related prepayments with the taxes owed as reported in the tax assessment notice.

**(48) Deferred tax assets**

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Deferred tax assets	1.5	2.3	-0.8
<b>Total</b>	<b>1.5</b>	<b>2.3</b>	<b>-0.8</b>

The Group's consolidated subsidiaries are subject to taxes. 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 (Gewerbesteuer-gesetz, GewStG). The calculation of deferred taxes was generally based on a corporate income tax rate (including solidarity surcharge) of

15.8 % (compared with 15.8 % on December 31, 2009) and a uniform municipal trade tax rate of 16 % (compared with 16 % on December 31, 2009).

Deferred tax assets were calculated on the basis of temporary differences between the IFRS balance sheet and the tax accounts as well as from existing loss carryforwards in the Group.

<b>December 31, 2010</b>	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Tax loss carryforwards	1.5	2.2	-0.7
Temporary differences	0.0	0.1	-0.1
<b>Total</b>	<b>1.5</b>	<b>2.3</b>	<b>-0.8</b>

<b>December 31, 2009</b>	Dec. 31, 2009 € million	Dec. 31, 2008 € million	Change in € million
Tax loss carryforwards	2.2	1.1	1.1
Temporary differences	0.1	0.0	0.1
<b>Total</b>	<b>2.3</b>	<b>1.1</b>	<b>1.2</b>

As of December 31, 2010, there was no difference between the tax accounts and the IFRS balance sheet. Therefore, no deferred tax assets had to be recognized for temporary differences. In the previous year, a deferred tax asset was recognized in the amount of € 68 thousand as a result of the pension provisions being measured in a different manner.

According to the most recent tax assessments for the Group as of December 31, 2009, DSV had tax loss carryforwards of € 50.2 million (compared with € 50.2 million on December 31, 2008), € 26.1 million (compared with € 26.1 million on December 31, 2008) of which related to corporation tax and € 24.1 million (compared with € 24.1 million on December 31, 2008) to municipal trade tax. The loss carryforwards at DSV mainly resulted from impairment recognized in prior fiscal years.

LRB had tax loss carryforwards of € 73.4 million (compared with € 72.5 million on December 31, 2008), € 64.0 million (compared with € 62.4 million on December 31, 2008) of which related to corporation tax and € 9.4 million (compared with € 10.1 million on December 31, 2008) to municipal trade tax. The loss carryforwards of LRB primarily refer to the amortization of equity investments up until fiscal 1999.

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

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

<b>December 31, 2010</b>	Dec. 31, 2009	Utilisation	Addition	Dec. 31, 2010
Deferred tax assets	€ million	€ million	€ million	€ million
<b>DSV</b>				
Corporation tax	1.1	0.4	0.0	0.7
Municipal trade tax	1.2	0.4	0.0	0.8
<b>Total</b>	<b>2.3</b>	<b>0.8</b>	<b>0.0</b>	<b>1.5</b>

<b>December 31, 2009</b>	Dec. 31, 2008	Utilisation	Addition	Dec. 31, 2009
Deferred tax assets	€ million	€ million	€ million	€ million
<b>DSV</b>				
Corporation tax	0.5	0.0	0.6	1.1
Municipal trade tax	0.6	0.0	0.6	1.2
<b>Total</b>	<b>1.1</b>	<b>0.0</b>	<b>1.2</b>	<b>2.3</b>

#### (49) Other assets

	Dec. 31, 2010	Dec. 31, 2009	Change in
	€ million	€ million	€ million
Cash collateral from collateral management	11.4	86.4	-75.0
Prepaid expenses	1.3	1.2	0.1
Other	0.4	0.8	-0.4
<b>Total</b>	<b>13.1</b>	<b>88.4</b>	<b>-75.3</b>

#### (50) Liabilities to banks

	Dec. 31, 2010	Dec. 31, 2009	Change in
	€ million	€ million	€ million
Repayable on demand	0.1	0.0	0.1
Time deposits	210.0	965.0	-755.0
Registered bonds and promissory note loans	1 344.0	1 676.6	-332.6
Global loans	940.2	1 018.4	-78.2
<b>Total</b>	<b>2 494.3</b>	<b>3 660.0</b>	<b>-1 165.7</b>

#### (51) Liabilities to customers

	Dec. 31, 2010	Dec. 31, 2009	Change in
	€ million	€ million	€ million
Repayable on demand	62.5	64.5	-2.0
Time deposits	14.9	9.2	5.7
Registered bonds and promissory note loans	5 453.9	5 605.7	-151.8
Loan agreements	47.9	59.7	-11.8
Other	49.7	45.7	4.0
<b>Total</b>	<b>5 628.9</b>	<b>5 784.8</b>	<b>-155.9</b>

#### (52) Securitized liabilities

	Dec. 31, 2010	Dec. 31, 2009	Change in
	€ million	€ million	€ million
Medium-term notes	42 963.0	40 152.5	2 810.5
Global bonds	12 056.5	9 886.2	2 170.3
Euro commercial paper	10 032.6	10 163.8	-131.2
Bearer bonds	46.6	56.9	-10.3
Rentenbank bonds	3.1	3.8	-0.7
<b>Total</b>	<b>65 101.8</b>	<b>60 263.2</b>	<b>4 838.6</b>

### (53) Negative fair values of derivative financial instruments

Derivatives are classified as follows in accordance with economic hedging relationships:

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
<b>Hedge accounting</b>			
<b>Assets</b>			
Loans and advances to banks	1 295.8	1 191.2	104.6
Loans and advances to customers	60.6	33.0	27.6
Financial investments	673.0	570.4	102.6
<b>Liabilities</b>			
Liabilities to banks	2.2	0.1	2.1
Liabilities to customers	0.0	1.0	-1.0
Securitized liabilities	25.3	19.3	6.0
<b>Hedge accounting, total</b>	<b>2 056.9</b>	<b>1 815.0</b>	<b>241.9</b>
<b>Instruments designated as at fair value</b>			
<b>Assets</b>			
Loans and advances to banks	23.7	22.8	0.9
Financial investments	215.4	133.8	81.6
<b>Liabilities</b>			
Liabilities to banks	38.3	68.3	-30.0
Liabilities to customers	38.3	45.2	-6.9
Securitized liabilities	779.8	2 135.5	-1 355.7
Subordinated liabilities	-17.6	-7.9	-9.7
<b>Treasury Management</b>	<b>85.2</b>	<b>36.2</b>	<b>49.0</b>
<b>Instruments designated as at fair value</b>	<b>1 163.1</b>	<b>2 433.9</b>	<b>-1 270.8</b>
<b>Other items</b>			
<b>Assets</b>			
Loans and advances to banks	84.3	71.6	12.7
Loans and advances to customers	2.9	0.7	2.2
Financial investments	20.8	41.7	-20.9
<b>Liabilities</b>			
Securitized liabilities	13.8	0.0	13.8
<b>Total other items</b>	<b>121.8</b>	<b>114.0</b>	<b>7.8</b>
<b>Total</b>	<b>3 341.8</b>	<b>4 362.9</b>	<b>-1 021.1</b>

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

Loans and advances to banks included in "total other items" comprise embedded derivatives (call rights from liquidity assistance loans) at a negative fair value of € 0.7 million (compared with € 0.7 million on December 31, 2009).

### (54) Provisions

	Dec. 31, 2009 € million	Utilization € million	Reversals € million	Additions € million	Dec. 31, 2010 € million
a) Pension provisions	89.4	5.6	0.4	6.6	90.0
b) Other provisions	13.1	2.0	0.5	1.5	12.1
<b>Total</b>	<b>102.5</b>	<b>7.6</b>	<b>0.9</b>	<b>8.1</b>	<b>102.1</b>

## a) Provisions for pensions and similar obligations

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

	2010 € million	2009 € million	Change in € million
<b>Present value of pension obligations as of January 1</b>	<b>87.9</b>	<b>87.9</b>	<b>0.0</b>
Less unrecognized actuarial gains (-)/losses (+)	-1.5	0.3	-1.8
<b>Balance of provisions as of January 1</b>	<b>89.4</b>	<b>87.6</b>	<b>1.8</b>
Current service cost	1.6	1.5	0.1
Interest cost	5.0	5.9	-0.9
<b>Additions to pension provisions</b>	<b>6.6</b>	<b>7.4</b>	<b>-0.8</b>
Pension benefits paid	-5.6	-5.6	0.0
Reversals	-0.4	0.0	-0.4
<b>Balance of provisions as of December 1</b>	<b>90.0</b>	<b>89.4</b>	<b>0.6</b>
Plus unrecognized actuarial gains (-)/losses (+)	0.0	-1.5	1.5
<b>Present value of pension obligations as of December 31</b>	<b>90.0</b>	<b>87.9</b>	<b>2.1</b>

Differences between the present value of pension obligations and the provision reported in the balance sheet resulted from the application of the corridor approach set out in IAS 19.92 et seq. Pursuant to this approach, gains and losses resulting from changes in measurement bases and parameters (so-called actuarial gains/losses) are recognized pro rata temporis only when such gains or losses exceed 10 % of the

actual pension obligation. Actuarial gains or losses within the 10 % corridor are not taken into account. As of December 31, 2010, there are no actuarial gains and losses to be taken into account in subsequent years.

The additions to pension provisions of € 6.6 million were reported in full under administrative expenses.

Pension obligations were calculated on the basis of the following actuarial assumptions:

	Dec. 31, 2010	Dec. 31, 2009
Discount rate	4.8 %	5.2 %
Future salary increases		
Increase based on collective wage agreements	2.3 %	2.5 %
Career trend until the age of 45	1.0 %	1.0 %
Future pension increases	1.0 %–2.3 %	1.0 %–2.5 %
Rate of inflation	2.3 %	2.5 %
Staff turnover rate	2.0 %	2.0 %

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

The present value of pension obligations changed as follows :

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2008 € million	Dec. 31, 2007 € million	Dec. 31, 2006 € million
Present value of pension obligations	90.0	87.9	87.9	86.7	95.5
Experience adjustments of pension obligations	1.5	-1.8	1.1	-9.5	8.2

Experience adjustments of pension obligations are defined as the difference between the actual pension obligation and the expected pension obligation as determined on the basis of the measurement param-

eters of the previous reporting date. Therefore, the experience adjustment corresponds to the change in actuarial gains/losses.

#### b) Other provisions

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Administration of former equity investments	10.0	10.2	-0.2
Other provisions	2.1	2.9	-0.8
<b>Total</b>	<b>12.1</b>	<b>13.1</b>	<b>-1.0</b>

Provisions for the administration of former equity investments were mainly recognized for outstanding pension obligations. Other provisions primarily

included provisions for potential payments for service anniversaries or early retirement.

#### (55) Subordinated liabilities

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Medium-term notes	627.3	899.4	-272.1
Loan agreements	202.8	164.8	38.0
Promissory note loans	59.4	57.7	1.7
<b>Total</b>	<b>889.5</b>	<b>1 121.9</b>	<b>-232.4</b>

The subordinated liabilities are structured as promissory note loans, loan agreements and bearer securities issued in the form of global certificates. The net expense after collateralization for subordinated liabilities in the amount of € 889.5 million (compared with € 1 121.9 million on December 31, 2009) totals € 9 million (compared with € 19 million on December 31, 2009). Three bonds account for more than 10 % each of the total carrying amount of subordinated liabilities; these bonds have the following features:

1. Nominal amount: JPY 25 billion; carrying amount: € 180.5 million; maturity: April 21, 2036; interest rate before collateralization: 2.8 %

2. Nominal amount: € 100 billion; carrying amount: € 103.0 million; maturity: August 18, 2021; interest rate before collateralization: 2.222 %

3. Nominal amount: € 100 billion; carrying amount: € 103.3 million; maturity: August 18, 2021; interest rate before collateralization: 2.252 %

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.

#### (56) Other liabilities

Other liabilities consisted of the following:

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Cash collateral from collateral management	4 007.8	262.9	3 744.9
Deferred income	42.2	33.2	9.0
Discounted promotional contribution	17.9	10.7	7.2
Accruals	7.0	6.0	1.0
Other liabilities	3.1	3.6	-0.5
<b>Total</b>	<b>4 078.0</b>	<b>316.4</b>	<b>3 761.6</b>

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

The German federal states (Bundesländer) grant interest subsidies within the framework of investment support programs, which the Bank passes on to the agricultural sector in connection with its promotional loans. The deferred income item includes the prepayments of these interest subsidies.

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

Accruals mainly include obligations from single salary payments.

Other liabilities primarily include liabilities to the tax authorities amounting to € 1.2 million (compared with € 2.0 million on December 31, 2009).

## (57) Equity

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Subscribed capital	135.0	135.0	0.0
Retained earnings			
Principal reserve	651.6	564.6	87.0
Guarantee reserve	159.1	188.3	-29.2
Other retained earnings	1 592.7	1 510.5	82.2
Total retained earnings	2 403.4	2 263.4	140.0
Revaluation reserve	-403.6	-173.6	-230.0
Group's net profit/loss	11.8	11.3	0.5
<b>Total</b>	<b>2 146.6</b>	<b>2 236.1</b>	<b>-89.5</b>

The principal reserve (Hauptrücklage) and the guarantee reserve (Deckungsrücklage) are recognized in the Bank's separate financial statements and transferred to the consolidated financial statements. The remaining net income for the year is transferred to other retained earnings, taking into account the Group's distributable net profit.

The decrease in the revaluation reserve of € 230 million was partially offset by the amortization of the securities reclassified to the "held-to-maturity" category in 2008 in the amount of € 74.0 million.

## (58) Contingent liabilities and other commitments

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
Contingent liabilities			
Liabilities from guarantees and indemnity agreements	4.1	119.1	-115.0
Other commitments			
Irrevocable loan commitments	612.3	801.5	-189.2
<b>Total</b>	<b>616.4</b>	<b>920.6</b>	<b>-304.2</b>

Contingent liabilities included default guarantees for capital market loans subject to interest subsidies in the amount of € 3.5 million (compared with € 3.8 million as of December 31, 2009). There are back-to-back guarantees granted by the government for capital market loans subject to interest subsidies that fully collateralize the default guarantees. The remaining contingent liabilities represent guarantees and indemnities based on the Bank's mandate to promote agriculture. These

liabilities were assumed from a public-sector institution; hence no financial effects are expected for the Bank. A back-to-back guarantee from the German government in the amount of € 110 million was repaid in the year under review.

Other commitments include irrevocable loan commitments from the lending business.

## Notes to financial instruments

### (59) Financial instruments by measurement categories

	Full fair Value		Hedge fair Value		Amortized cost	
	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2010 € million	Dec. 31, 2009 € million
<b>Assets</b>						
Held for Trading						
Positive fair values of derivative financial instruments	5 333.4	2 323.5	706.3	548.9		
Designated as at Fair Value						
Loans and advances to banks	19 707.0	18 112.0				
Loans and advances to customers	360.6	13.4				
Financial investments	10 265.1	12 269.5				
Loans and Receivables						
Balances with central banks					53.4	102.1
Loans and advances to banks			27 462.6	23 948.9	2 394.6	4 124.3
Loans and advances to customers			708.7	533.0	455.6	66.5
Other assets					11.4	116.3
Available for Sale						
Financial investments	810.0	872.6	11 800.0	10 560.1	118.8	118.8
Held to Maturity						
Financial investments					3 547.8	4 116.3
<b>Total assets</b>	<b>36 476.1</b>	<b>33 591.0</b>	<b>40 677.6</b>	<b>35 590.9</b>	<b>6 581.6</b>	<b>8 644.3</b>
<b>Liabilities</b>						
Held for Trading						
Negative fair values of derivative financial instruments	1 284.9	2 547.9	2 056.9	1 815.0		
Designated as at Fair Value						
Liabilities to banks	1 234.8	2 209.4				
Liabilities to customers	880.0	827.0				
Securitized liabilities	52 400.7	48 539.2				
Subordinated liabilities	830.2	1 064.2				
Other Liabilities						
Liabilities to banks			670.2	599.0	589.3	851.6
Liabilities to customers			2 616.9	2 588.6	2 132.0	2 369.2
Securitized liabilities			8 947.6	9 899.1	3 753.5	1 824.9
Subordinated liabilities			59.3	57.7	0.0	0.0
Other liabilities					4 008.1	263.1
<b>Total liabilities</b>	<b>56 630.6</b>	<b>55 187.7</b>	<b>14 350.9</b>	<b>14 959.4</b>	<b>10 482.9</b>	<b>5 308.8</b>

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

The difference between the carrying amounts and the contractually agreed repayment for liabilities designated as at fair value amounted to € 37.7 million (compared with € 392.5 million on December 31, 2009). This amount resulted from measurement at fair value and from differences between the cost and the repayment amount, particularly for zero coupon bonds.

The amount of the maximum credit risk exposure (carrying amount) for loans and advances to banks and customers of the category “designated as at fair

value” totaled € 20 067.6 million (compared with € 18 125.4 million on December 31, 2009).

#### (60) Result by measurement categories

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

	Interest income/ amortization		Interest expense/ amortization		Provision for loan losses / promotional contribution (LLP/PC)		Net interest income after LLP/PC	
	2010	2009	2010	2009	2010	2009	2010	2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Held for Trading	1 913.0	1 283.8	1 190.5	848.2	0.0	0.0	722.5	435.6
Designated as at Fair Value	373.1	849.0	1 831.2	1 904.3	4.5	6.2	-1 462.6	-1 061.5
Loans and Receivables	1 130.2	1 141.3	1.0	0.5	0.5	34.2	1 128.7	1 106.6
Available for Sale	541.9	476.8	7.7	4.0	0.0	0.0	534.2	472.8
Held to Maturity	61.1	97.4	1.6	0.2	0.0	0.0	59.5	97.2
Other Liabilities	0.0	6.2	636.4	716.3	0.0	0.0	-636.4	-710.1
No financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>4 019.3</b>	<b>3 854.5</b>	<b>3 668.4</b>	<b>3 473.5</b>	<b>5.0</b>	<b>40.4</b>	<b>345.9</b>	<b>340.6</b>

	Net interest income after LLP/PC		Fee and commission income		Fee and commission expenses		Net interest income after LLP/PC plus net fee and commission income	
	2010	2009	2010	2009	2010	2009	2010	2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Held for Trading	722.5	435.6	0.0	0.0	0.0	0.0	722.5	435.6
Designated as at Fair Value	-1 462.6	-1 061.5	0.4	0.5	1.3	1.2	-1 463.5	-1 062.2
Loans and Receivables	1 128.7	1 106.6	2.3	2.4	0.1	0.0	1 130.9	1 109.0
Available for Sale	534.2	472.8	0.0	0.0	1.0	0.8	533.2	472.0
Held to Maturity	59.5	97.2	0.0	0.0	0.3	0.3	59.2	96.9
Other Liabilities	-636.4	-710.1	0.0	0.0	0.0	0.0	-636.4	-710.1
No financial instruments	0.0	0.0	0.0	1.4	0.0	0.0	0.0	1.4
<b>Total</b>	<b>345.9</b>	<b>340.6</b>	<b>2.7</b>	<b>4.3</b>	<b>2.7</b>	<b>2.3</b>	<b>345.9</b>	<b>342.6</b>

	Net interest income after LLP/PC plus net fee and commission income		Result from fair value measurement and from hedge accounting		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Held for Trading	722.5	435.6	12.1	-1 196.7	0.0	0.0	734.6	-761.1
Designated as at Fair Value	-1 463.5	-1 062.2	-52.9	755.4	0.0	0.0	-1 516.4	-306.8
Loans and Receivables	1 130.9	1 109.0	-63.7	101.5	0.0	0.0	1 067.2	1 210.5
Available for Sale	533.2	472.0	45.4	108.8	-0.1	0.0	578.5	580.8
Held to Maturity	59.2	96.9	0.0	0.0	0.0	0.0	59.2	96.9
Other Liabilities	-636.4	-710.1	-85.3	-138.7	0.0	0.0	-721.7	-848.8
No financial instruments	0.0	1.4	0.0	0.0	-49.6	-49.8	-49.6	-48.4
<b>Total</b>	<b>345.9</b>	<b>342.6</b>	<b>-144.4</b>	<b>-369.7</b>	<b>-49.7</b>	<b>-49.8</b>	<b>151.8</b>	<b>-76.9</b>

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

### (61) Fair value measurement hierarchy

IFRS 7 defines a fair value measurement hierarchy which is based on whether the inputs of the valuation models can be observed or not. Market data from independent sources is considered to be observable market data. Unobservable inputs are based on Group-internal assumptions. This results in the following hierarchy of measurement methods:

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

	Level 1 as of Dec. 31,		Level 2 as of Dec. 31,		Level 3 as of Dec. 31,	
	2010 € million	2009 € million	2010 € million	2009 € million	2010 € million	2009 € million
Loans and advances to banks	0.0	0.0	19 707.0	18 112.0	0.0	0.0
Loans and advances to customers	0.0	0.0	360.6	13.4	0.0	0.0
Positive fair values of derivative financial instruments	0.0	0.0	6 039.7	2 872.4	0.0	0.0
Financial investments	19 291.7	22 256.6	3 583.4	1 445.6	0.0	0.0
<b>Total assets</b>	<b>19 291.7</b>	<b>22 256.6</b>	<b>29 690.7</b>	<b>22 443.4</b>	<b>0.0</b>	<b>0.0</b>
Liabilities to banks	0.0	0.0	1 234.8	2 209.4	0.0	0.0
Liabilities to customers	0.0	0.0	880.0	827.0	0.0	0.0
Securitized liabilities	40 871.2	36 171.0	11 529.5	12 368.2	0.0	0.0
Negative fair values of derivative financial instruments	0.0	0.0	3 341.8	4 362.9	0.0	0.0
Subordinated liabilities	0.0	0.0	830.2	1 064.2	0.0	0.0
<b>Total liabilities</b>	<b>40 871.2</b>	<b>36 171.0</b>	<b>17 816.3</b>	<b>20 831.7</b>	<b>0.0</b>	<b>0.0</b>

The following transfers were made between Levels 1 and 2 as of December 31, 2010:

	Level 1 → Level 2 € million	Level 2 → Level 1 € million
Financial investments	2 723.7	394.8
Securitized liabilities	213.3	756.2
<b>Total</b>	<b>2 937.0</b>	<b>1 151.0</b>

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

## (62) Additional disclosures on the fair value of financial instruments

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

	Dec. 31, 2010			Dec. 31, 2009		
	Fair value € million	Carrying amount € million	Difference € million	Fair value € million	Carrying amount € million	Difference € million
<b>Assets</b>						
Cash and balances with central banks	53.4	53.4	0.0	102.1	102.1	0.0
Loans and advances to banks	30 490.1	29 857.2	632.9	28 333.7	28 073.2	260.5
Loans and advances to customers	1 179.6	1 164.3	15.3	595.7	599.5	-3.8
Financial investments	3 508.8	3 547.8	-39.0	4 160.2	4 116.3	43.9
<b>Total assets</b>	<b>35 231.9</b>	<b>34 622.7</b>	<b>609.2</b>	<b>33 191.7</b>	<b>32 891.1</b>	<b>300.6</b>
<b>Liabilities</b>						
Liabilities to banks	1 295.6	1 259.5	36.1	1 486.4	1 450.6	35.8
Liabilities to customers	4 871.5	4 748.9	122.6	5 063.9	4 957.8	106.1
Securitized liabilities	12 735.8	12 701.1	34.7	11 755.2	11 724.0	31.2
Subordinated liabilities	56.8	59.3	-2.5	56.1	57.7	-1.6
<b>Total liabilities</b>	<b>18 959.7</b>	<b>18 768.8</b>	<b>190.9</b>	<b>18 361.6</b>	<b>18 190.1</b>	<b>171.5</b>

Loans and advances to banks and to customers include the corresponding portions from the item "measurement of the portfolio of hedged items." The fair value

of equity investments accounted for at cost could not be reliably determined.

### (63) Derivatives

#### Presentation of volumes

	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2010 € million	Dec. 31, 2009 € million
<b>Interest rate risks</b>						
Interest rate swaps	75 408	66 537	1 770	1 324	2 349	2 104
– <i>thereof termination and conversion rights embedded in swaps</i>	753	799	18	9	33	73
Swaptions						
– purchases	0	0	0	0	0	0
– sales	626	647	0	0	35	39
Other forward interest rate contracts	7	447	7	8	0	0
<b>Total exposure to interest rate risks</b>	<b>76 041</b>	<b>67 631</b>	<b>1 777</b>	<b>1 332</b>	<b>2 384</b>	<b>2 143</b>
<b>Currency risks</b>						
Cross-currency interest rate swaps	44 219	41 031	4 213	1 357	872	2 181
– <i>thereof currency options embedded in swaps</i>	181	187	19	11	8	8
– <i>thereof termination rights embedded in swaps</i>	101	83	0	0	5	5
Currency swaps	8 698	8 951	48	181	85	35
<b>Total exposure to currency risks</b>	<b>52 917</b>	<b>49 982</b>	<b>4 261</b>	<b>1 538</b>	<b>957</b>	<b>2 216</b>
<b>Share price risk and other price risks</b>						
Share index swaps	45	131	2	2	1	4
– <i>thereof stock options embedded in swaps</i>	45	131	2	2	1	4
<b>Total exposure to share price risk and other price risks</b>	<b>45</b>	<b>131</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>4</b>
<b>Total</b>	<b>129 003</b>	<b>117 744</b>	<b>6 040</b>	<b>2 872</b>	<b>3 342</b>	<b>4 363</b>

#### Structure of counterparties

	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Dec. 31, 2010 € million	Dec. 31, 2009 € million
Banks in the EU/OECD countries	109 249	100 566	4 749	2 198	2 961	3 658
Other counterparties in the EU/OECD countries	19 754	17 178	1 291	674	381	705
<b>Total</b>	<b>129 003</b>	<b>117 744</b>	<b>6 040</b>	<b>2 872</b>	<b>3 342</b>	<b>4 363</b>

**(64) Liquidity analysis**

<b>Assets</b>	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
<b>Loans and advances to banks</b>			
up to 3 months	8 120	5 189	2 931
more than 3 months to 1 year	6 056	5 601	455
more than 1 year to 5 years	16 650	16 286	364
more than 5 years	18 258	18 612	-354
<b>Loans and advances to customers</b>			
up to 3 months	14	14	0
more than 3 months to 1 year	74	63	11
more than 1 year to 5 years	953	334	619
more than 5 years	417	169	248
<b>Positive fair values of derivative financial instruments</b>			
up to 3 months	109	696	-587
more than 3 months to 1 year	497	80	417
more than 1 year to 5 years	2 141	337	1 804
more than 5 years	618	139	479
<b>Financial investments</b>			
up to 3 months	2 675	2 729	-55
more than 3 months to 1 year	4 216	4 242	-26
more than 1 year to 5 years	14 430	13 751	679
more than 5 years or unspecified maturity	5 182	7 093	-1 911
<b>Irrevocable loan commitments</b>			
up to 3 months	0	0	0
more than 3 months to 1 year	560	748	-188
more than 1 year to 5 years	52	54	-2
more than 5 years or unspecified maturity	0	0	0

<b>Liabilities</b>	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
<b>Liabilities to banks</b>			
up to 3 months	294	1 178	-884
more than 3 months to 1 year	138	434	-296
more than 1 year to 5 years	1 218	947	271
more than 5 years	820	1 117	-297
<b>Liabilities to customers</b>			
up to 3 months	161	120	41
more than 3 months to 1 year	308	247	61
more than 1 year to 5 years	1 663	1 829	-166
more than 5 years	3 781	3 960	-179
<b>Securitized liabilities</b>			
up to 3 months	10 108	13 033	-2 925
more than 3 months to 1 year	7 858	7 147	711
more than 1 year to 5 years	33 646	27 240	6 406
more than 5 years	12 924	12 613	311
<b>Negative fair values of derivative financial instruments</b>			
up to 3 months	225	570	-345
more than 3 months to 1 year	173	439	-266
more than 1 year to 5 years	650	1 521	-871
more than 5 years	125	387	-262
<b>Subordinated liabilities</b>			
up to 3 months	6	3	3
more than 3 months to 1 year	15	328	-313
more than 1 year to 5 years	121	103	18
more than 5 years	789	696	93

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

The cash flows from positive and negative fair values of derivative financial instruments have been allocated to the appropriate side of the balance sheet depending on their fair value. Accordingly, negative cash inflows may have a positive fair value and vice versa.

**(65) Maturity analysis**

<b>Assets</b>	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
<b>Loans and advances to banks</b>			
up to 12 months	13 271.3	10 862.8	2 408.5
more than 12 months	36 292.9	35 322.4	970.5
<b>Loans and advances to customers</b>			
up to 12 months	293.3	271.5	21.8
more than 12 months	1 231.6	341.4	890.2
<b>Positive fair values of derivative financial instruments</b>			
up to 12 months	1 492.4	1 100.2	392.2
more than 12 months	4 547.3	1 772.2	2 775.1
<b>Financial investments</b>			
up to 12 months	6 980.4	7 107.7	-127.3
more than 12 months	19 561.3	20 829.6	-1 268.3

<b>Liabilities</b>	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
<b>Liabilities to banks</b>			
up to 12 months	433.3	1 614.1	-1 180.8
more than 12 months	2 061.0	2 045.9	15.1
<b>Liabilities to customers</b>			
up to 12 months	467.2	422.9	44.3
more than 12 months	5 161.7	5 361.9	-200.2
<b>Securitized liabilities</b>			
up to 12 months	18 769.7	20 410.4	-1 640.7
more than 12 months	46 332.1	39 852.8	6 479.3
<b>Negative fair values of derivative financial instruments</b>			
up to 12 months	885.5	1 309.7	-424.2
more than 12 months	2 456.3	3 053.2	-596.9
<b>Subordinated liabilities</b>			
up to 12 months	54.0	336.3	-282.3
more than 12 months	835.5	785.6	49.9

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

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

The liability items included financial instruments and immaterial other liability items as well as pension provisions, of which € 5.6 million (compared with € 5.7 million on December 31, 2009) have a maturity of up to twelve months and € 84.4 million (compared with € 83.7 million on December 31, 2009) have a maturity of more than twelve months.

## Other disclosures

### (66) Capital management

The investment of capital is decided by the Board of Managing Directors after the preparation of the financial statements, following the proposal of the Liquidity Committee. The decision takes into account the forecasted interest trend as well as maturity structures. Further information on capital management is included in the following Notes.

### (67) Regulatory capital

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

The Group's regulatory capital was determined pursuant to the provisions of Sections 10 and 10a of the

German Banking Act (Kreditwesengesetz, KWG).

Pursuant to the option set out in Section 10a (7) KWG, we elected not to use the IFRS consolidated financial statements as the basis for calculating regulatory capital. The calculation of the amount of the Group's own funds was made in accordance with Section 64h (4) KWG using the aggregation method, on the basis of the separate HGB financial statements of the Group companies prior to the approval of the financial statements. Accordingly, there are differences in the amounts reported for the following items between both the IFRS consolidated financial statements and the HGB separate financial statements. Under the aggregation method, the own funds of the companies included in the consolidated financial statements are not consolidated, but aggregated, while the carrying amounts of the equity investments are deducted. Own funds comprise liable capital – consisting of core capital (Tier 1) and supplementary capital (Tier 2) – plus Tier 3 capital.

The composition of the Group's consolidated own funds as of December 31, 2010 on the basis of the HGB values is shown in the following table:

	Dec. 31, 2010 € million	Dec. 31, 2009 € million	Change in € million
<b>Analysis of own funds</b>			
Subscribed capital	176	176	0
Disclosed reserves	782	748	34
Fund for general banking risks	1 126	1 043	83
Intangible assets	-1	-1	0
Loss carryforward	-12	-12	0
<b>Tier 1 capital</b>	<b>2 071</b>	<b>1 954</b>	<b>117</b>
Subordinated liabilities	900	913	-13
Other components	289	173	116
<b>Tier 2 capital</b>	<b>1 189</b>	<b>1 086</b>	<b>103</b>
<b>Liable capital</b>	<b>3 260</b>	<b>3 040</b>	<b>220</b>
Tier 3 capital	0	0	0
thereof Tier 3 capital utilized	0	0	0
<b>Total own funds</b>	<b>3 260</b>	<b>3 040</b>	<b>220</b>

In accordance with the German Solvency Regulation (Solvabilitätsverordnung, SolvV), the core capital ratio (core capital/risk-weighted assets) may not be less than 4 % and the capital ratio (liable capital/risk-

weighted assets) as well as the total capital ratio (eligible own funds/total of risk-weighted assets and 12.5-times the capital charge for market risk positions) may not be less than 8 %.

	Dec. 31, 2010 € million	Dec. 31, 2009 € million
Risk-weighted assets	12 614	12 157
Capital requirements		
Credit risk	1 010	972
Market risk	0	1
Operational risk	25	46

The following ratios were calculated at Group level as of the reporting date:

	Dec. 31, 2010 %	Dec. 31, 2009 %
Tier 1 ratio pursuant to SolvV	16.0	15.3
Total capital ratio pursuant to SolvV	25.2	23.9

The Bank's ratios differ only marginally from the Group's ratios. The Bank fulfilled the regulatory capital requirements at all times in the year under review.

The Credit Risk Standardized Approach (CRSA) was used for all exposure classes to determine the regulatory capital requirements for credit risks.

## (68) Capital adequacy

### Capital requirements for credit risks and for equity exposures

As described in the overall banking strategy and the risk-bearing capacity concept (see Management Report), the risk cover is sufficient to cover current and future risks.

Specific risk weightings, as prescribed by the German regulatory authority, apply for capital requirements for credit risk. The risk weight for the exposure classes "Central governments" and "Corporates" depends on the external rating, while the risk weight of the "Institutions" class depends on the external rating of the country of domicile.

The following table shows the capital requirements for credit risk under CRSA by exposure class as of December 31, 2010:

	Dec. 31, 2010 € million	Dec. 31, 2009 € million
Central governments	4	0
Institutions	894	874
Corporates	24	22
Equity investments	14	14
Covered bonds issued by financial institutions	72	60
Other items	2	2
<b>Capital requirements for credit risks</b>	<b>1 010</b>	<b>972</b>

### Capital requirements for market risks

In order to determine the capital requirements for foreign currency risks, we calculate the total currency exposure, which amounted to € 0.3 million as of December 31, 2010 (compared to € 0.6 million on December 31, 2009), based on the standardized approach.

There were no commodity, trading book or other market risk exposures. The Bank did not use its own risk models.

### Capital requirements for operational risks

In the year under review, the exposure to operational risks was determined for regulatory purposes using the basic indicator approach. Capital requirements for operational risk amounted to € 25 million as of December 31, 2010 (compared with € 46 million on December 31, 2009).

### (69) Exposure amounts with risk weights prescribed by regulatory authorities

In the context of determining the capital requirements for credit risk exposures under CRSA, the Bank only uses external ratings by Moody's Investors Service in the exposure classes "Corporates," "Institutions" and "Central governments."

The following overview shows the amount of credit risk exposure before and after collateral of the regulatory risk weights applicable under CRSA as of December 31, 2010:

Risk weight in %	Total of amounts receivable outstanding	
	Before credit risk mitigation	After credit risk mitigation
	€ million	€ million
0	9 428	17 240
10	7 715	7 679
20	59 438	52 443
50	1 659	885
100	1 015	1 008
<b>CRSA, total</b>	<b>79 255</b>	<b>79 255</b>

Due to substitution effects, exposure amounts with originally higher risk weights are reported in expo-

sure with a risk weight of 0%. Therefore, the sum total of the exposure amounts does not change.

### (70) Credit risk mitigation techniques

Only warranties, especially guarantees and indemnities, as well as financial collateral, are used by the Bank to reduce the capital charge within the scope of the Solvency Regulation under the Financial Collat-

eral Simple Method. Only European countries, the German federal government, the German federal states and local authorities are recognized as eligible providers of credit protection.

Under the CRSA, the following collateral was used as of December 31, 2010:

Portfolio € million	Financial collateral	Guarantees
Central governments	-	1 216
Regional governments and local authorities	-	2 676
Institutions	2 992	-
Corporates	1 027	-
<b>Total</b>	<b>4 019</b>	<b>3 892</b>

Financial collateral is exclusively nettable collateral from collateralization agreements.

### (71) Assets pledged or accepted as security

Derivatives are entered into by the Group exclusively to hedge existing or expected market price risks. Only counterparties from EU/OECD countries with top credit quality are chosen for such transactions. 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 interest applied to the collateral provided and accepted is the EONIA rate. Interest payments are made on a monthly basis. The carrying amounts of the cash collateral from the collateral management agreements amounted to € 11.4 million (compared with € 86.4 million on December 31, 2009) for collateral provided and € 4 007.8 million (compared with € 262.9 million on December 31, 2009) for collateral received.

In order to ensure solvency, freely available collateral existed in the nominal amount of € 28 717 million (compared with € 26 944 million on December 31, 2009) as of the balance sheet date. As in the prior year, no securities were deposited with Deutsche Bundesbank within the context of open market transactions at year-end 2010.

As of December 31, 2010, the Bank was owed receivables from money-market transactions of € 5.1 billion (compared with € 1.8 billion as of December 31, 2009) from Eurex Clearing AG. The Bank had received securities as collateral in a nominal amount of € 5.5 billion (compared with € 1.9 billion as of December 31, 2009). Within the scope of the collateral agreement, securities from the Bank's portfolio were provided as the initial margin in a nominal amount of € 1.2 billion (compared with € 1.3 billion on December 31, 2009).

## **(72) Derivative credit risk exposures and netting positions**

The credit risk exposure from all derivative transactions amounted to € 5 807 million (credit equivalent value) as of December 31, 2010 (as compared with € 1 605 million on December 31, 2009). This exposure is determined using the mark-to-market method.

The use of netting options from standardized netting arrangements as well as netting arrangements generally accepted by regulatory authorities with all counterparties leads to a reduction of positive replacement values.

The following overview shows the positive replacement values from derivative transactions as of December 31, 2010, before and after application of netting arrangements and eligible collateral:

	€ million
<b>Positive fair values before netting and collateral arrangements</b>	<b>6 040</b>
Netting arrangements	2 652
Eligible collateral	4 008
<b>Positive fair values after netting and collateral arrangements</b>	<b>0</b>

The Bank does not enter into credit derivatives (credit default swaps or CDS) and therefore does not hold such instruments in its portfolio.

### (73) Volumes of foreign currency transactions

Due to the business strategy of the Group, there are generally no open currency positions. The currency risk is limited to the daily exchange rate changes to the

balances in accounts held with correspondent banks denominated in foreign currencies.

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

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

The foreign exchange gain/loss resulting from the measurement of open currency positions in the year

2010 amounted to € 0.0 million and was reported in "net trading result."

The following table shows the related nominal foreign currency balances as of December 31, 2009:

<b>Nominal amounts in € million</b>	<b>USD</b>	<b>GBP</b>	<b>CHF</b>	<b>JPY</b>	<b>CAD</b>	<b>AUD</b>	<b>Other</b>	<b>Total</b>
<b>Balance sheet assets</b>								
Loans and advances to banks	23.3	11.9	20.2	73.0	0.0	0.0	43.7	172.1
Loans and advances to customers	19.5	0.0	0.0	0.0	0.0	0.0	0.0	19.5
Financial investments	892.1	19.3	33.7	279.3	185.4	0.0	46.2	1 456.0
Derivative financial instruments	32 480.5	2 673.9	1 668.2	3 260.2	983.5	4 313.2	2 567.9	47 947.4
<b>Total assets</b>	<b>33 415.4</b>	<b>2 705.1</b>	<b>1 722.1</b>	<b>3 612.5</b>	<b>1 168.9</b>	<b>4 313.2</b>	<b>2 657.8</b>	<b>49 595.0</b>
<b>Balance sheet liabilities</b>								
Liabilities to banks	143.7	0.0	0.0	0.0	0.0	0.0	0.0	143.7
Liabilities to customers	76.3	0.0	0.0	60.1	0.0	0.0	0.0	136.4
Securitized liabilities	30 401.2	2 672.7	1 634.5	2 213.1	983.5	4 273.2	2 567.8	44 746.0
Subordinated liabilities	20.8	0.0	67.4	742.0	0.0	0.0	0.0	830.2
Derivative financial instruments	2 773.3	32.4	20.2	597.2	185.4	40.0	89.9	3 738.4
<b>Total liabilities</b>	<b>33 415.3</b>	<b>2 705.1</b>	<b>1 722.1</b>	<b>3 612.4</b>	<b>1 168.9</b>	<b>4 313.2</b>	<b>2 657.7</b>	<b>49 594.7</b>
<b>Net currency position</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>

The foreign exchange gain/loss resulting from the measurement of open currency positions in the year

2009 amounted to € 0.0 million and was reported in "net trading result."

#### (74) Equity investments

	Subscribed capital in € million 2010	Share- holding in % 2010	Consolidation
LR-Beteiligungsgesellschaft mbH, Frankfurt	28.6	100.0	consolidated
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt	17.9	100.0	consolidated
Getreide-Import-Gesellschaft mbH, Frankfurt	7.7	100.0	not consolidated
Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt	8.7	25.1	not consolidated
LAND-DATA Gesellschaft für Verarbeitung landwirtschaftlicher Daten GmbH, Hannover	0.8	10.9	not consolidated
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	10.2	9.8	not consolidated
Niedersächsische Landgesellschaft mbH, Hannover	0.8	6.3	not consolidated
Landgesellschaft Sachsen-Anhalt mbH, Magdeburg	9.2	5.6	not consolidated
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt	3 160.1	3.4	not consolidated
Landgesellschaft Schleswig-Holstein mbH, Kiel	27.5	3.2	not consolidated

We elected not to consolidate our shareholdings in Getreide-Import-Gesellschaft mbH, Frankfurt/Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/Main, for want of materiality. As a result of the small percentage of interests held in subscribed capital, the other companies were not required to be consolidated.

#### (75) Related party disclosures

In accordance with IAS 24, transactions between related parties and the Group of the Landwirtschaftliche Rentenbank must be disclosed. Related parties are the members of the Board of Managing Directors and of the Advisory Board as well as the unconsolidated

companies where the shareholding amounts to more than 10 % (Getreide-Import-Gesellschaft mbH, Frankfurt/Main, Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt/

Main, and LAND-DATA Gesellschaft für Verarbeitung landwirtschaftlicher Daten GmbH, Hannover). Related party transactions were entered into on an arm's length basis.

The following transactions were entered into with members of the Board of Managing Directors and unconsolidated companies:

in € million	Board of Managing Directors				Unconsolidated companies			
	Volume		Outstanding balances		Volume		Outstanding balances	
	2010	2009	2010	2009	2010	2009	2010	2009
Deposits	0.1	0.4	0.0	0.0	9.8	9.4	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.1</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>9.8</b>	<b>9.4</b>	<b>0.0</b>	<b>0.0</b>

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

The following remuneration was determined for the individual members of the Board of Managing Directors and the managing directors for fiscal year 2010:

in € '000s	Fixed remuneration		Variable remuneration		Other remuneration		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Hans Bernhardt	300.0	290.0	355.0	355.0	32.0	32.0	687.0	677.0
Dr. Horst Reinhardt	300.0	290.0	355.0	330.0	22.0	22.0	677.0	642.0
Dr. Marcus Dahmen (until February 8, 2010)	34.0	350.0	390.0	390.0	837.0	9.0	1 261.0	749.0
<b>Board of Management of LR, total</b>	<b>634.0</b>	<b>930.0</b>	<b>1 100.0</b>	<b>1 075.0</b>	<b>891.0</b>	<b>63.0</b>	<b>2 625.0</b>	<b>2 068.0</b>
Management of LRB and DSV								
Jens Kollmann	12.3	12.3	0.0	0.0	0.0	0.0	12.3	12.3
Lothar Kuhfahl (since November 1, 2009)	12.3	2.0	0.0	0.0	0.0	0.0	12.3	2.0
Hans Erich Waßmuth (until October 31, 2009)	0.0	10.3	0.0	0.0	0.0	0.0	0.0	10.3
<b>Management of LRB and DSV, total</b>	<b>24.6</b>	<b>24.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>24.6</b>	<b>24.6</b>

Post-employment benefits to members of the Board of Managing Directors were recognized as an expense in the amount of € 696 thousand (compared with € 195 thousand on December 31, 2009).

Pension obligations to former members of the Board of Managing Directors and former managing directors as well as their surviving dependants totaled € 16 279 thousand (compared with € 16 329 thousand on December 31, 2009) as of 31 December, 2010. Benefits paid in the reporting period amount to € 1 251 thousand (compared with € 1 465 thousand in 2009).

In accordance with the applicable remuneration arrangement, the Chairman/Chairwoman of the Advisory Board receives fixed remuneration of € 25 thousand and the Deputy Chairman/Chairwoman

€ 12.5 thousand. Members who chair a committee of the Advisory Board receive € 10 thousand, unless they already receive higher remuneration for another board position. Members of the Advisory Board working on a committee receive remuneration of € 8.5 thousand, while members not working on a committee receive 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:

in € '000s	Membership		Remuneration		Attendance fees	
	2010	2009	2010	2009	2010	2009
Gerd Sonnleitner (Chairman)	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	25.0	25.0	3.0	2.5
Ilse Aigner **	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.5	12.5	1.5	1.5
Dr. Till Backhaus	–	Jan. 1 – Dec. 31	0.0	7.0	0.0	0.0
Dr. Helmut Born	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	8.5	8.5	2.5	2.0
Dr. Rolf-E. Breuer	–	Jan. 1 – July 15	0.0	5.4	0.0	0.5
Wilhelm Dietzel	–	Jan. 1 – Feb. 5	0.0	0.6	0.0	0.0
Bruno Fehse	Jan. 1 – Dec. 31	July 16 – Dec. 31	7.0	3.2	1.0	1.0
Udo Folgert	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	7.0	7.0	1.5	0.0
Heinrich Haasis	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	8.5	8.5	1.0	1.0
Werner Hilse	Jan. 1 – Dec. 31	July 16 – Dec. 31	8.5	3.9	1.5	1.0
Dr. Benjamin-Immanuel Hoff	Jan. 1 – Dec. 31	–	7.0	0.0	1.5	0.0
Dietrich Jahn	Jan. 1 – Dec. 31	Apr. 2 – Dec. 31	8.5	8.1	1.5	1.5
Wolfgang Kirsch	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	8.5	8.5	1.5	1.5
Dr. Robert Kloos	Oct. 1 – Dec. 31	–	1.9	0.0	0.5	0.0
Silke Lautenschläger *	–	Feb. 6 – Dec. 31	0.0	6.4	0.0	1.5
Franz-Josef Möllers	July 1 – Dec. 31	Jan. 1 – July 15	3.7	4.6	1.0	0.5
Stefan Mörsdorf	–	Jan. 1 – Nov. 10	0.0	6.1	0.0	0.0
Klaus-Peter Müller	Jan. 1 – Dec. 31	July 16 – Dec. 31	10.0	4.6	0.5	0.5
Manfred Nüssel	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	8.5	8.5	2.5	1.0
Johannes Rimmel	July 15 – Dec. 31	–	3.2	0.0	0.5	0.0
Brigitte Scherb	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	8.5	8.5	2.0	1.5
Norbert Schindler	Jan. 1 – June 30	Jan. 1 – Dec. 31	4.3	8.5	1.0	1.5
Dr. Peter Traumann	–	Jan. 1 – July 15	0.0	3.8	0.0	0.5
Eckhard Uhlenberg*	Jan. 1 – July 13	–	3.8	0.0	1.0	0.0
Dr. Jörg Wendisch	Jan. 1 – Sep. 30	Jan. 1 – Dec. 31	6.4	8.5	2.0	2.0
Hans-Joachim Wilms	–	Jan. 1 – July 15	0.0	4.6	0.0	0.0
Klaus WieseHügel	Jan. 1 – Dec. 31	July 16 – Dec. 31	8.5	3.9	1.5	0.5
Herbert Wolff	Jan. 1 – Dec. 31	–	7.0	0.0	1.5	0.0

\* or representative

\*\* Donation to Deutsche Stiftung Verbraucherschutz

#### (76) Average number of employees

	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
<b>Total</b>	<b>123</b>	<b>104</b>	<b>227</b>	<b>117</b>	<b>101</b>	<b>218</b>

#### (77) Auditors' fees

	2010 € '000s	2009 € '000s
Auditing of financial statements	281	290
Other audit services	104	63
Other services	121	105

Frankfurt am Main, March 8, 2011

LANDWIRTSCHAFTLICHE RENTENBANK

The Board of Managing Directors



Hans Bernhardt



Dr. Horst Reinhardt

## Group Auditors' Report

We have audited the consolidated financial statements prepared by the Landwirtschaftliche Rentenbank, Frankfurt am Main, comprising the income statement, balance sheet, statement of changes in equity, statement of cash flows and the notes to the financial statements together with the group management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [„German Commercial Code“] as well as the additional regulations of the Statutes and the Rentenbank Law are the responsibility of the bank's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to

possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the bank's management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the Landwirtschaftliche Rentenbank, Frankfurt am Main, comply with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB as well as the additional regulations of 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 group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Frankfurt 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 for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the bank, and the manage-

ment report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Frankfurt am Main, March 8, 2011

LANDWIRTSCHAFTLICHE RENTENBANK  
The Board of Managing Directors



Hans Bernhardt



Dr. Horst Reinhardt

## Organs (as of March 1, 2011)

### Board of Managing Directors

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

### Advisory Board

#### Chairman:

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

#### Deputy:

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

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

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

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 Niedersachsen-Landesbauernverband e.V.,  
Hannover

Norbert Schindler, MdB  
Präsident des Bauern- und Winzerverbands Rheinland-Pfalz Süd e.V.,  
Mainz (until 30.06.2010)

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

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

### Representative of the Food Industry:

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

### State Ministers 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 Staatsministerium für Umwelt  
und Landwirtschaft, Dresden (since 01.01.2010)

### **Representative of the Trade Unions:**

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

### **Representative 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

## **General Meeting**

### **Appointed by the Federal State of Baden-Wuerttemberg:**

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

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

### **Appointed by the Free State of Bavaria:**

Werner Reihl  
Bezirkspräsident Oberfranken im  
Bayerischen Bauernverband,  
Arzberg-Bergnersreuth

Jürgen Ströbel  
Vizepräsident des  
Bayerischen Bauernverbands, Rügland

### **Appointed by the Federal States of Berlin and Brandenburg:**

Jürgen Ebel  
Oberkrämer-Vehlefanzen

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

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

**Appointed by the Free Hanseatic City of Bremen:**

Hermann Sündermann

Präsident der Landwirtschaftskammer Bremen,  
Bremen

**Appointed by the Free and Hanseatic City of Hamburg:**

Heinz Behrmann

Präsident des Bauernverbands Hamburg e.V.,  
Hamburg

**Appointed by the Federal State of Hesse:**

Jürgen Mertz

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

Friedhelm Schneider

Präsident des Hessischen Bauernverbands e.V.,  
Friedrichsdorf

**Appointed by the Federal State of Mecklenburg-Western Pomerania:**

Harald Nitschke

Geschäftsführer der Raminer Agrar GmbH, Ramin

Rainer Tietböhl

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

**Appointed by the Federal State of Lower Saxony:**

Heinz Korte

Vizepräsident des Landesvolks Niedersachsen  
Landesbauernverband e.V., Bremervörde

Helmut Meyer

Vizepräsident des Landesvolks Niedersachsen  
Landesbauernverband e.V., Betheln

**Appointed by the Federal State of North Rhine-Westfalia:**

Johannes Frizen

Präsident der Landwirtschaftskammer  
Nordrhein-Westfalen, Alfter

Friedrich Ostendorff, MdB

Landwirt, Bergkamen

**Appointed by the Federal State of Rhineland-Palatinate:**

Leonhard Blum

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

Michael Prinz zu Salm-Salm

Schloss Wallhausen

**Appointed by the Federal State of Saarland:**

Klaus Fontaine

Präsident des Bauernverbands Saar e.V.,  
Saarwellingen

**Appointed by the Free State of Saxony:**

Dietmar Berger

Verbandspräsident des Mitteldeutschen  
Genossenschaftsverbands e.V., Chemnitz

Roland Freiherr von Fritsch

1. Vizepräsident des Verbands der privaten Landwirte  
und Grundeigentümer Sachsen e.V. – VDL, Pfaffroda-Dittmannsdorf

**Appointed by the Federal State of Saxony-Anhalt:**

Jochen Dettmer  
Mitglied des Vorstands des  
Bauernbunds Sachsen-Anhalt e.V., Belsdorf

Torsten Wagner  
Mitglied des Vorstands des Landesbauernverbands  
Sachsen-Anhalt e.V., Sangerhausen

**Appointed by the Federal State of Schleswig-Holstein:**

Christoph Freiherr von Fürstenberg,  
Nehnten

Werner Schwarz  
Präsident des Schleswig-Holsteinischen  
Bauernverbands, Rethwisch

**Appointed by the Free State of Thuringia:**

Siegmar Arnoldt  
Thüringer Bauernverband e.V., Erfurt

Joachim Lissner  
Landesverband Gartenbau Thüringen e.V., Erfurt

**Trustee**

Wolfgang Reimer  
Leiter der Unterabteilung Strukturpolitik  
Bundesministerium für Ernährung,  
Landwirtschaft und Verbraucherschutz, Bonn

**Deputy:**

Karl-Heinz Tholen  
Regierungsdirektor  
Bundesministerium für Ernährung, Landwirtschaft  
und Verbraucherschutz, Bonn

## 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 86 291.89 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)

### **Forward-Looking Statements**

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



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This annual report was produced carbon neutral  
on paper from certified sustainably managed forests.

