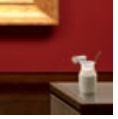


2015

Annual Report



rentenbank

Key Figures

in € billion	2005	2004
Total assets	77.0	72.1
Due from banks	54.8	52.7
Due from customers	1.7	1.9
Securities portfolio	20.2	17.3
Liabilities to banks	12.3	10.9
Liabilities to customers	4.2	4.5
Securitised liabilities	57.4	53.5
<hr/>		
Total capital in the balance sheet (in € million)	2 624.7	2 733.1
Net interest income (in € million)	219.3	209.9
<hr/>		
Employees	194	198

Moody's Investors Service
Standard & Poor's
Fitch

Long-term Rating:
Aaa
AAA
AAA

Short-term Rating:
P -1
A -1+
F1+

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4

Brief Presentation

Landwirtschaftliche Rentenbank, Frankfurt am Main, was set up by statute in 1949 to act as a central refinancing institution for agriculture and the food industry. It is a public law institution with a mandate to promote agriculture and rural areas. The bank operates under the legal supervision of the German federal government and the banking supervision of the Federal Financial Supervisory Authority (BaFin). The bank provides refinancing for all types of projects associated with agriculture or rural areas. Its loans which are principally channelled through other banks are granted in favour of producers in agriculture, businesses in the food industry as well as other companies associated with agriculture and food production.

Rentenbank provides refinancing to all banks within the European Union involved in financing agriculture, related sectors thereof and rural areas, irrespective of their legal form or association membership. The bank's main activity is the granting of medium and long-term promotional loans, around 31 % of which are granted at particularly favourable interest rates in the context of the bank's special loan programmes. Furthermore, the bank grants standard promotional loans for agriculture and rural areas as well as short-term loans to pre-finance payments to farmers, which are subsequently refunded by the European Union.

The funds for refinancing medium and long-term promotional lending are raised on domestic and international capital markets by borrowing or through the issue of securities. Within the framework of the bank's international activities, the Euro Medium Term Note Programme (EMTN), launched in March 1994, as well as the Euro Commercial Paper Programme (ECP), launched in 2000, play important roles. Meanwhile, the volume of the EMTN Programme amounts to € 50 bn. In 2001, the bank started the issuance of global bonds registered with the U.S. Securities and Exchange Commission (SEC). The SEC registration was achieved under the "Schedule B" of Section 7 of the 1933 Securities Act which is only available to sovereign and quasi-sovereign issuers. Samurai and Kangaroo Bonds supplement our international funding. In addition to unsecured bearer bonds, the bank issues covered Rentenbank Bonds (Rentenbankbriefe).

Rentenbank's long-term obligations are triple A-rated by Moody's Investors Service, Standard and Poor's and Fitch. The criteria which led to this rating were the low risk of the bank's loan portfolio, its stable profit, financial and asset position together with the bank's special public law status which includes a maintenance obligation (Anstaltslast) by the Federal Republic of Germany.

Rentenbank's short-term obligations were awarded A-1+ (Standard and Poor's), P-1 (Moody's Investors Service) respectively F1+ (Fitch).

As at 31 December 2005, the bank's total capital in the balance sheet amounted to € 2 624.7 m. Contributions paid in by the German agricultural and forestry sector between 1949 and 1958 formed the basis of this fund. It is for this reason that any unappropriated profits which remain after allocations to reserves may only be used to promote agriculture in the public interest.

Board of Managing Directors:

Dr. h.c. Uwe Zimpelmann (Chairman)

Hans Jürgen Ploog

Chairman of the Advisory Board:

Gerd Sonnleitner

Landwirtschaftliche Rentenbank is a member of the German Association of Public Sector Banks (Bundesverband Öffentlicher Banken Deutschlands e.V.).



Organs

(as at 06.04.2006)

■ **Board of Managing Directors**

Dipl.-Kfm. Dr. h. c. Uwe Zimpelmann (Chairman)
Hans Jürgen Ploog

■ **Advisory Board**

Chairman:

Präsident Gerd Sonnleitner
Deutscher Bauernverband e.V.,
Berlin

Deputy Chairman:

Horst Seehofer
Bundesminister für Ernährung, Landwirt-
schaft und Verbraucherschutz, Berlin

Representatives of the Deutscher Bauernverband e.V.:

Präsident Heinz Christian Bär
Hessischer Bauernverband e.V.,
Friedrichsdorf

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

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

Präsident Otto-Dietrich Steensen
Schleswig-Holsteinischer
Bauernverband e.V., Rendsburg

Präsidentin Erika Lenz
Deutscher Landfrauenverband e.V.,
Berlin

Representative of the Deutscher Raiffeisenverband e.V.:

Präsident Manfred Nüssel
Deutscher Raiffeisenverband e.V.,
Bonn

Representative of the Food Industry:

Präsident Dr. Johannes Ströh
Zentralausschuss der Agrargewerblichen
Wirtschaft e.V., Bonn

Representative of the Trade Unions:

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

State Ministers of Agriculture:*Baden-Wuerttemberg:*

Peter Hauck
Minister für Ernährung und Ländlichen
Raum des Landes Baden-Württemberg,
Stuttgart

Free State of Thuringia:

Dr. Volker Sklenar
Minister für Landwirtschaft, Naturschutz
und Umwelt des Freistaates Thüringen,
Erfurt

Lower-Saxony:

Hans-Heinrich Ehlen
Minister für den Ländlichen Raum, Ernährung,
Landwirtschaft und Verbraucherschutz
des Landes Niedersachsen, Hannover

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

Dr. Jörg Wendisch
Ministerialdirigent, Bonn

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

Berthold Leber
Ministerialdirigent, Berlin

Representatives of Banks and other Lending Experts:

Dr. Rolf-E. Breuer
Vorsitzender des Aufsichtsrates
der Deutschen Bank AG, Frankfurt am Main

Dr. Dietrich Hoppenstedt
Präsident des Deutschen Sparkassen-
und Giroverbandes e.V., Berlin

Dr. Ulrich Brixner
Vorsitzender des Vorstandes der
DZ Bank AG Deutsche Zentral-
Genossenschaftsbank, Frankfurt am Main



■ General Meeting

Appointed by the Federal State of Baden-Wuerttemberg:

Präsident Gerd Hockenberger
Landesbauernverband in
Baden-Württemberg e.V., Stuttgart

Präsident Werner Räßle
Badischer Landwirtschaftlicher
Hauptverband e.V., Freiburg

Appointed by the Free State of Bavaria:

Werner Reihl
Bezirkspräsident Oberfranken
im Bayerischen Bauernverband,
Arzberg-Bergnersreuth

Jürgen Ströbel, MdL
Vizepräsident des Bayerischen
Bauernverbandes, Rügland

Appointed by the Federal States of Berlin and Brandenburg:

Präsident Jürgen Ebel
Landesverband Gartenbau Brandenburg e.V.,
Oberkrämer-Vehlefan

Martin Krause
Vizepräsident des Landesbauernverbandes
Brandenburg e.V., Prenzlau-Seelübbe

Präsident Karsten Jennerjahn
Bauernbund Brandenburg e.V., Schrepkow

Appointed by the Free and Hanseatic City of Bremen:

Präsident Hermann Sündermann
Landwirtschaftskammer Bremen, Bremen

Appointed by the Free and Hanseatic City of Hamburg:

Präsident Wilhelm Grimm
Bauernverband Hamburg e.V., Hamburg

Appointed by the Federal State of Hesse:

Peter Förster
Landwirt, Darmstadt

Präsident Karl Zwermann
Zentralverband Gartenbau e.V.,
Usingen-Wernborn



Appointed by the Federal State of Mecklenburg-Western Pomerania:

Präsident Gerd-Heinrich Kröchert
Bauernverband Mecklenburg-
Vorpommern e.V., Neubrandenburg

Harald Nitschke
Raminer Agrar GmbH, Ramin

Appointed by the Federal State of Lower Saxony:

Otto Deppmeyer
Vizepräsident des Landesverbandes
des Niedersächsischen Landvolks e.V.,
Hess. Oldendorf-Hermeringen

Franz-Josef Holzenkamp
Vizepräsident des Landesverbandes
des Niedersächsischen Landvolks e.V.,
Garthe

Appointed by the Federal State of North Rhine-Westfalia:

Wilhelm Lieven, MdL
Landwirt, Titz

Friedrich Ostendorff, MdB
Landwirt, Bergkamen

Appointed by the Federal State of Rhineland-Palatinate:

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

Präsident Michael Prinz zu Salm-Salm
AG Deutscher Waldbesitzerverbände e.V.,
Schloss Wallhausen

Appointed by the Federal State of Saarland:

Präsident Klaus Fontaine
Bauernverband Saar e.V., Saarwellingen

Appointed by the Free State of Saxony:

Dietmar Berger
Verbandspräsident des Mitteldeutschen
Genossenschaftsverbandes e.V.,
Chemnitz

Roland Freiherr v. Fritsch
1. Vizepräsident des Verbandes
der privaten Landwirte und
Grundeigentümer Sachsen e.V. – VDL,
Pfaffroda-Dittmannsdorf

Appointed by the Federal State of Saxony-Anhalt:

Jochen Dettmer
Mitglied des Vorstandes
Landvolkverband Sachsen-Anhalt e.V.,
Belsdorf

Torsten Wagner
Mitglied des Vorstandes
Landesbauernverband Sachsen-Anhalt e.V.,
Riestedt

Appointed by the Federal State of Schleswig-Holstein:

Präsident Hermann Früchtenicht
Landwirtschaftskammer
Schleswig-Holstein,
Tornesch/Ahrenlohe

Christoph Freiherr von Fürstenberg
Nehnten

Appointed by the Free State of Thuringia:

Siegmar Arnoldt
Thüringer Bauernverband e.V., Erfurt

Dr. Jürgen Sachse
Gartenbauberatung, Ruttersdorf

■ 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

The economic environment: In the year 2005, European economic performance was again strongly influenced by a continuing robust global economic performance despite further increasing prices for energy and raw materials. The world-wide economic dynamic also favoured European exports. However, Gross Domestic Product (GDP) growth in the eurozone weakened to 1.3% compared to the previous year (2.1%). As a rising import volume increasingly over compensated for growing export activity, foreign trade, unlike 2004, was not able to contribute to growth. Domestic demand certainly increased but only hesitantly. After almost two years of stagnation, however, the unemployment rate fell slightly to 8.6% in 2005 compared to 8.9% in the previous year. Although the eurozone was affected by substantial price increases for oil and other raw materials, consumer prices increased with a rate of 2.2%, only marginally higher than in the previous year (2.1%). With a GDP growth of only 0.9% compared to 1.6% in the previous year, Germany was once again below the eurozone average. With an overall very weak growth in domestic demand, this result was first of all the consequence of continuing very dynamic export activity. The increase in consumer prices at 2% was higher than the previous year (1.6%).

During the year 2005, long-term interest rates on the capital markets remained overall at a continuing low level on a historic comparison. The yield on long-term bonds fell to an all-time low until the beginning of June as higher energy prices were perceived at first more as a brake on growth rather than a price booster. Economic performance data which indicated a predominantly solid economic development world-wide caused the yield on long-term bonds to increase. This trend was interrupted in late summer, following the hurricanes in the USA, which triggered increasing concerns over the further development of the economy. In the fourth quarter, long-term interest rates again weakened slightly because inflation-rate risk seemed to be tempered by falling oil prices. Against a background of solid economic performance and the increasing danger of inflation, the U.S. Federal Reserve attempted to further neutralise its monetary policy and gradually raised its key rate by several small steps to 4.25% at the year end. In December, the ECB also raised its key rate to 2.25%, which had been left unchanged at 2% since June 2003.

After a small increase in profit in the past year, the economic situation in German agriculture improved further during the financial year 2004/2005. Livestock farmers showed a particularly positive performance. On average, their profits doubled to € 55 884. But also increased profits in dairy farms and crop production farms contributed to higher profits of full-time farmers which increased by 23.9% to € 36 647 per farm. In the slightly improved economic environment of 2005, the German food industry was able to increase its sales by 1.4% (2.7%) to € 133.6 bn. Once again, export activity showed a clearly higher growth dynamic than domestic sales.

Business trends: Once again, Rentenbank's promotional activities in 2005 were characterised by lively new business and an increased volume of medium and long-term lending. According to the business structure of the bank, the balance sheet is characterised predominantly by the portfolio of medium and long-term loans which increased to € 34.2 bn (€ 32.2 bn) by the balance sheet date. Short-term loans which the bank lends in the form of cash loans, credits by way of bank guarantee and other short-term loans amounted to € 1.4 bn (€ 1.6 bn) at the year end. The rise in the volume of medium and long-term lending made it necessary for the bank to increase its use of capital market funds. Total medium and long-term external funds rose to € 62.6 bn (€ 57.6 bn) at the balance sheet date.

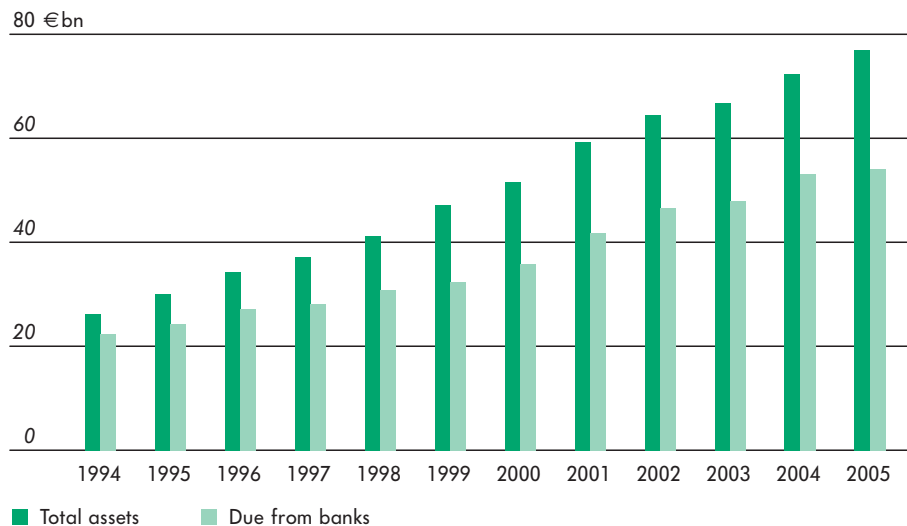
In 2005, total assets of LR Beteiligungsgesellschaft mbH amounted to € 232.7 m (€ 233 m). At DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main, owned 100% by LR Beteiligungsgesellschaft mbH, total assets decreased by € 0.6 m to € 16 m (€ 16.6 m).

The consolidated accounts of Landwirtschaftliche Rentenbank do not materially differ from the bank's individual financial accounts. Only the unified group valuation, especially in valuing the pension provisions, lead to noteworthy differences in reporting items between the individual and consolidated financial accounts.

For this reason, the explanations regarding trends in the balance sheet items are based on the results of the individual financial accounts.

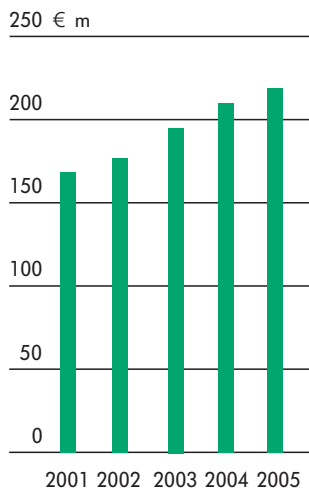
Total assets and business volume: Total assets in 2005 grew by € 4.9 bn (€ 5.3 bn) or by 6.8% (7.9%) to € 77 bn (€ 72.1 bn). Business volume – total assets plus contingent liabilities but excluding loans granted irrevocably – reached € 77 bn (€ 72.1 bn). In accordance with Rentenbank Law and the Statutes, our lending is principally channelled through other banks. Accordingly, amounts due from banks standing at 71.2% (73.1%) constitute the major part of the asset side of the balance sheet. At the year end, this item was valued at € 54.8 bn (€ 52.7 bn), thereby exceeding the previous year's level by € 2.1 bn (€ 4.9 bn). Amounts due from customers decreased by € 0.2 bn to € 1.7 bn (€ 1.9 bn) while the securities portfolio grew by € 2.9 bn to € 20.2 bn (€ 17.3 bn). This item includes bonds and debt instruments with variable interest rates, worth a nominal € 4.7 bn (€ 3.2 bn) and securities of around € 14.7 bn (€ 13.4 bn) which through appropriate hedging are to be regarded as non-fixed income securities.

Total assets and amounts due from banks



This chart does not form part of the statutory Management Report.

Liabilities to banks increased by € 1.4 bn or 12.8% to € 12.3 bn (€ 10.9 bn). Securitised liabilities increased by € 3.9 bn or 7.3% and amounted to € 57.4 bn (€ 53.5 bn) at the year end. Liabilities to customers decreased by € 0.3 bn to € 4.2 bn (€ 4.5 bn).

Net interest income

This chart does not form part of the statutory Management Report.

Provisions increased by € 21.3 m to € 254 m (€ 232.7 m). The gross transfer for pension provisions amounted to € 6.3 m (€ 7.8 m), while current pension payments were € 4.2 m (€ 4.2 m). This netted out to a pensions provision increase of € 2.1 m (€ 3.6 m). The amount of covering assets is calculated on the basis of an assumed interest rate of 3.5% (3.5%).

Other provisions increased by € 19.2 m.

Profitability: In 2005, the bank's profitability continued to develop in a satisfactory manner. Including income from shares, fixed-income securities and investment holdings, interest income totalled € 3 241.4 m (€ 2 784.9 m). After subtracting interest expenses of € 3 022.1 m (€ 2 575 m), net interest income amounted to € 219.3 m (€ 209.9 m).

Operating result before risk provisions and net valuation adjustments amounted to € 182.1 m compared to € 172.4 m in the previous year.

Write-downs and valuation adjustments to receivables and securities, investment holdings and affiliated companies as well as allocations to provisions on the lending side were adequately determined and cover all recognisable risks.

Net income: With a figure of € 40 m (€ 38 m), the bank's net income for the year 2005 exceeded the previous year's level by € 2 m. Pending decisions to be taken by the responsible organs of the bank, € 10 m (€ 9.5 m) of this is to be allocated to the principal reserve as provided for by § 2 (2) of the Rentenbank Law and € 20 m (€ 19 m) to the guarantee reserve covering bonds in circulation in accordance with § 2 (3). After these allocations have been made, the residual net profit for the year of € 10 m (€ 9.5 m) will be used for promoting agriculture in the public interest in accordance with § 9 of the Rentenbank Law.

In 2005, LR Beteiligungsgesellschaft mbH showed a net income for the year of € 0.1 m. Net income for the year of DSV Silo- und Verwaltungsgesellschaft mbH amounted to € 0.2 m.

Capital: After allocation to the reserves and contribution to the fund covering general banking risks, total capital in the balance sheet amounted to € 2 624.7 m (€ 2 733.1 m) and is made up as follows:

	€ million
Capital stock	135.0
Principal reserve	215.0
Guarantee reserve	409.7
Fund covering general banking risks	890.0
Subordinated liabilities	975.0
Total	2 624.7

Total capital in the balance sheet decreased by € 108.4 m in comparison to 2004.

Due to maturities, subordinated liabilities decreased on balance by € 228.5 m taking into account exchange rate related fluctuations. From the amount of subordinated liabilities, € 764.7 m (€ 705.6 m) is countable as capital in accordance with §10 (2b) 3 of the German Banking Law (KWG). The fund covering general banking risks was increased by € 90 m to € 890 m. The ratio of disclosed liable capital to total assets amounted to 3.4% (3.8%).

Taking into account the recommendations on capital adequacy made by the Basle Committee on Banking Supervision at the Bank for International Settlements (BIS), the core capital ratio of 10.1% (9%) and the total capital ratio of 15.9% (14.3%) as at 31 December 2005 were well above the requirements.

Risk report: The risk structure of the bank is essentially affected by the guidelines of Rentenbank Law and Statutes (promotional activities, restricted business opportunities). Compliance with limits for credit, market-price and liquidity risk set by the Board of Managing Directors and adjusted for the capability of risk taking is supervised by an appropriate risk-management system. In order to monitor all appreciable risks, the bank maintains a well-regulated reporting system. The instruments

used for risk management and supervision are subject to constant inspection and further development.

Credit risk: Credit risk is understood to be the risk of financial losses due to unexpected defaults in payment or the downgrading of counterparties' credit ratings. Credit risk contains the issuers' risk, the counterparty risk and the country risk.

Rentenbank's lending activity is almost exclusively limited to bank refinancing, using blanket or individual loans. Credit risk, in this case, always lies with the respective intermediary bank which has to take on the liability. Final borrower risk is only borne by Rentenbank in direct loan business (to non-banks) which is only allowed by prior approval of the relevant borrower by the Advisory Board and is generally limited by Rentenbank Law and Statutes.

A limit system regulates the level and the structure of all credit risks. In particular, the analyses of balance sheets and annual reports, respectively, together with external ratings – where available – is the basic pre-condition for granting loans and yearly prolongations to individual counterparties. All counterparties are correspondingly classified on the basis of an internal rating system. Together with our grid upper limits these ratings are the decision basis for setting limits.

Lending business is only transacted through banks in the Federal Republic of Germany and in the European Union. Derivative business which is exclusively used for hedging purposes is only transacted with counterparties in the OECD area which have an unimpeachable credit standing. With regard to limits, the criteria mentioned above are equally applicable. The country risk is limited through loan limits and transfer limits for each country which are checked yearly.

Compliance with all credit, counterparty and country limits is monitored on a daily basis.

Market-price risk: Market-price risks arise in the form of interest-rate changes, foreign exchange and other price risks. Rentenbank does not run a

trading book in the sense of § 1 (12) of the German Banking Law (KWG).

The bank limits interest-rate change risk by refinancing balance sheet assets through balance sheet liabilities of the same maturity as well as the use of derivative transactions to remove any mismatch of maturities.

The risk of interest-rate changes on open positions must not exceed the volume and risk limits fixed by decision of the Board of Managing Directors. Limit compliance is supervised daily, by measuring the utilisation of the risk limits cash-value oriented on the basis of 100 basis points sensitivity. Simulation analyses, back-testing processes and worst-case scenarios check the methods applied at regular intervals.

Performance from maturity transformation is achieved by short-term orientated, variable interest-bearing investments/refinancing and to a lesser extent by security and loan business. The volume limit for interest-rate change risk in loan and security business at 31.12.2005 constituted around 1.6% (1.7%) of the total assets of the bank and was utilised up to 41.1% (33.4%). The utilisation of risk limits of around € 61 m (€ 52 m) amounted to 31.9% (48.3%) by the year end.

Foreign exchange and other price risks are excluded in principle by balance sheet or off-balance sheet hedging transactions.

To record and manage the risk of long-term interest-rate changes for the whole bank, the bank prepares a balance of interest-rate maturities at regular intervals. To supplement this balance of interest-rate maturities, a cash value basis model to measure the interest-rate change risk is carried out. By means of this quarterly analysis, we can study the impact of market interest-rate changes on a daily call basis – by closing all open fixed income-rate positions – on all visible earnings amounts for all future periods. Finally, the calculated risk values of various interest-rate change scenarios are set in relation to liable capital according to § 10 of the German Banking Law (KWG).

Liquidity risk: Liquidity risk is defined as the risk of not being able to fulfil current or future payment commitments unconditionally or not being able to provide the required funds with the expected conditions.

Liquidity risk at Rentenbank is monitored by a daily liquidity status. A limit for liquidity balances set by the Board of Managing Directors, derived from historical time series and payment flow analyses, is to be complied with daily. Open liquidity balances for a period of up to 360 days have to be limited to the respective refinancing facilities with the European Central Bank.

To monitor medium and long-term liquidity, the scheduled maturities for the following 15 years are compared in quarterly maturity bands.

According to legal supervisory requirements (Principle II), the weighted means of payment were set against the weighted payment obligations of the same period of payment. Furthermore, the key numbers were projected to the due dates subject to registration. In the reporting year 2005, the monthly reported liquidity key number for the period of up to 30 days was between 1.46 and 3.02 and thereby clearly above the officially required value of 1.0.

Operational risk: Rentenbank's operational risk has been minimised by organisational precautions (separation of trading and settlement, dual control) together with detailed working practices and qualified personnel trained at regular intervals. Emergency plans regulate possible operational failures. In addition, general regulations have been created for the conception and configuration of a damage event data base.

Forecast: At the beginning of the year 2006, many economic indicators both in the USA as well as in the eurozone are pointing to continuing economic buoyancy. The eurozone is demonstrating a somewhat higher economic dynamic, on a lower level, however, when compared to the USA. In view of still yet high energy and raw material prices the ECB may, therefore, further raise its key rate in the course of the year, while the increasing key-rate cycle in the USA will gradually run out of steam against a background of an already high interest-rate level. In the first few weeks of the year, the development of long-term inter-

est rates was shaped by economic optimism on one side and increasing inflationary expectations on the other. Whether interest-rate increases continue through the rest of the year in the same way, however, seems questionable. In particular in the USA, the dependency of consumer demand on property-price developments is running high economic risks. The increase in foreign trade imbalances and energy price developments are also still presenting risks world-wide for the development of commodity, financial and foreign exchange markets. The modest European economic recovery and moderate increasing consumer prices combined with further gradually weakening US economic growth dynamic as well as the apparent ending of key-rate raises in the USA would appear to favour only a limited increase in yields. Even a somewhat slightly continuing increase in the euro exchange rate is tending to work against a potential increase in yields. We are, therefore, expecting continuing favourable conditions for our business activity.

In order to determine future profitability, net assets and financial position of the bank, the bank draws up a comprehensive yearly and three-yearly plan. Planning includes an asset portfolio plan, an income plan and cost planning including the drawing up of cost budgets as well as simulation calculations in which the yearly plan goes into details and the three-yearly plan indicates trends.

In line with the current planning assessment, the bank anticipates a further expansion of new business volume in 2006 and 2007, for both promotional as well as refinancing business. Against this background and taking into consideration future margin expectations, profit increases or stable profits, respectively, were calculated in individual segments within the framework of our income planning. The bank expects from this to increase both net interest income as well as operating result before risk provisions.

Within the framework of cost planning for 2006 and 2007, future investment measures have been taken into account, both on the basis of supervisory specifications as well as further operational development measures. Despite tight cost management, however, the bank anticipates cost increases in all functional areas.

In both the first months of the current business year, our medium and long-term promotional business was characterised by calmer demand. We are, however, confident that we will be able to increase medium and long-term lending also in 2006.

During the first weeks of the 2006 business year, net interest income was able to keep pace with the performance of the previous year. There is a high probability that this positive development will be maintained during the further course of the year enabling us to achieve the same level as the previous year. We are expecting to achieve an altogether satisfactory earnings trend for the current financial year which will enable us to make suitable provisions for all recognisable risks as well as further strengthening our capital base and allowing us to grant promotional loans at favourable interest rates to at least the same level as before.

At present, we estimate LR Beteiligungsgesellschaft mbH and DSV Silo- und Verwaltungsgesellschaft mbH will break even in 2006.

Supplementary report: There were no events of particular importance to be recorded which occurred after the close of the financial year.

Our promotional activities: Our main area of activity is granting medium and long-term promotional loans. Within the framework of our lending activity, we offer both standard promotional loans for agriculture and rural areas as well as special loans for specific promotional purposes and assistance measures granted at particularly favourable interest rates. Our promotional business also includes securitised lending. In addition to refinancing lending for individual projects, we offer blanket loans with packaged finance for medium and long-term loans. Rentenbank refinances almost all promotional loans by raising funds from the capital market at favourable conditions. Furthermore, some programmes and special purpose needs are discounted by federal and state funds. As a central refinancing institution, our lending is principally carried out through other banks (“Hausbankprinzip”). In principle, we refinance banks operating in European Union countries irrespective of their legal form or association membership.

Our loans can be used for all kinds of agriculture-related projects, as well as for providing finance in rural areas. The scope of our lending activity ranges from agriculture, forestry, wine-growing, horticulture and fishing as well as to the manufacturers of agricultural supplies together with commercial and service businesses that have close links with agriculture and forestry. In addition to financing businesses involved in the food industry as well as the production of food as a craft and the food trade, we also finance other businesses and institutions associated with agriculture and the food industry. We also grant loans to local authorities and other public bodies in rural areas. Possible areas of activity for our loans encompass investments of a general character, such as measures for upgrading rural infrastructure, environmental and animal protection as well as the promotion of renewable energies, organic farming and investments for the creation of jobs in rural areas.

■ Medium and Long-Term Promotional Loans

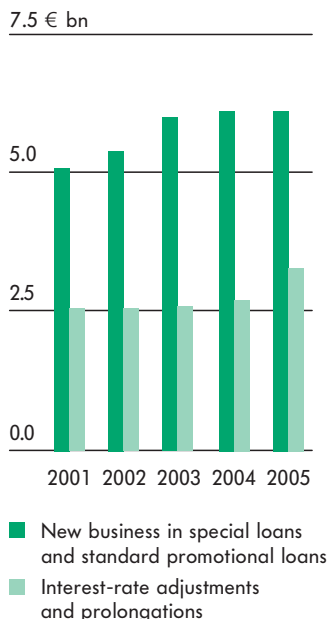
Promotional lending for agriculture and rural areas at a high level once again: Against a background of extremely low and at times even lower interest-rate levels, new business was characterised by an overall lively demand for our loans for agriculture and rural areas. Impulses for

Medium and long-term promotional loans

€ million	2005	2004
Special loans total	2 795	2 154
thereof:		
Young farmers	641	722
Agriculture	546	597
Environmental protection and sustainability	385	–
Village renewal	131	129
Rural structural development	653	679
Other	439	27
Standard promotional loans	3 353	3 987
Interest adjustments and prolongations	3 331	2 733
Securitised lending	3 427	2 856
Total	12 906	11 730

growth came from special loans for specific promotional purposes and assistance measures and a further rising demand for securitised lending. The higher level of new business in these promotional segments compensated for the weaker demand for standard promotional loans for agriculture and rural areas which showed recognisable fluctuations during the course of the year. A far above-average growth rate in the first and fourth quarters was contrasted by a very restrained performance in the second and third quarters. In total, we agreed € 3.4 bn (4) for standard promotional loans for agriculture and rural areas. From this amount € 2.2 bn (2.8) was granted to banks operating in the Federal Republic of Germany. Since demand for our special loan programmes expanded at the same time by almost 30%, the volume of newly agreed promotional lending totalling € 6.1 bn (6.1) reached the same high level as the previous year. The average term of standard promotional loans amounted to 6.1 years (6.1) with newly approved special loans to 7.3 years (6.5).

Loans granted total



During the reporting year, 2 813 (3 166) loans were prolonged for a total amount of € 3.3 bn (2.7). Interest-rate adjustments on loans agreed within the framework of medium and long-term lending as well as acceptances from the previous year predominantly affected maturities of up to one year. Interest-rate adjustments with a term of more than one year reached € 129.2 m (143.9). Taking into account promotional loans as well as interest-rate adjustments on loans agreed in

previous years and prolongations, the volume of all contracts for medium and long-term promotional lending during the reporting year increased by 6.7% (0.9) to € 9.5 bn (8.9).

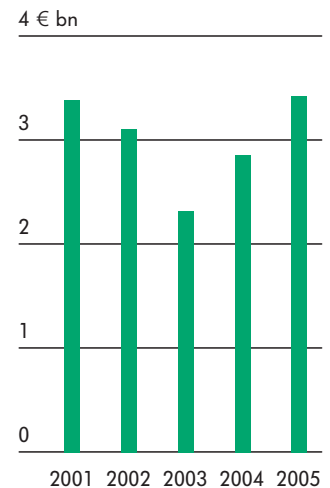
For years, we have seen structural changes in the lending business and capital markets away from traditional refinancing to securitised lending. This trend continued also in the reporting year. In 2005, demand for securitised lending increased from € 2.9 bn to € 3.4 bn. In this promotional area, growth accelerated particularly in the first half of the year and weakened clearly in the second half. Including securitised lending, interest-rate adjustments and prolongations, new medium and long-term promotional lending reached a total amount of € 12.9 bn (11.7).

Portfolio of medium and long-term loans grows by 6.2% (4.9): Due to increased business, particularly in special loans, and lower redemptions, the portfolio of medium and long-term promotional loans in the balance sheet for 2005 increased by € 2 bn (1.5) or by 6.2% (4.9) to € 34.2 bn (32.2). Amounts paid out of € 6.1 bn (6.1) contrasted with redemptions of € 4.1 bn (4.6). The details of medium and long-term loans as at 31 December 2005 are set out in the following table:

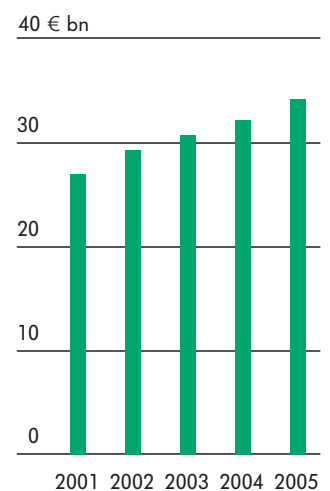
€ million	2005	2004
Loans from own funds and capital market funds	34 012.2	31 959.5
Loans for resettlement, building and extensions from funds with liability of federal government	36.1	47.7
Loans on a trust basis	118.3	166.7
of which: Special-Purpose Fund	71.1	110.1
Other loans on a trust basis	47.2	56.6
Portfolio of medium and long-term loans	34 166.6	32 173.9
Reported loan commitments	478.9	222.6

Insofar as open facilities are not covered by liquid assets, they can be met by financial instruments with an appropriate term.

New business in securitised lending



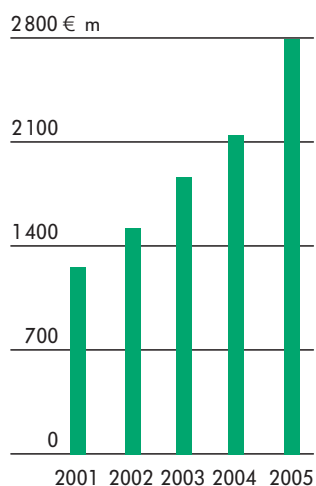
Portfolio of medium and long-term loans



In the balance sheet, securitised lending is included in the securities portfolio. At year end, the securities portfolio was valued at € 20.2 bn (17.3), 16.8% (5.5) higher than the previous year due to a higher level of new business in securitised lending. This amount contains asset swaps of nominal € 14.7 bn (13.4). By combining securities with swap transactions (asset swaps), we achieve two objectives: on the one hand the securities can be used for collateral with the European Central Bank to safeguard liquidity and on the other hand they make a contribution to the continuity of our interest income. By combining them with swaps, economic units are created, which are refinanced predominantly through Medium-Term-Notes (MTN) transactions and which are not subject to any substantial risk of interest-rate changes.

Our promotional mission: Overriding importance of special loans. Our special loan programmes play a fundamental role in carrying out our promotional mission. We grant these loans, which are distinguished by favourable interest rates, for specific promotional purposes and assistance measures. In 2005, the demand for our special loans increased strongly and exceeded the record figures achieved in the previous year once again. In total, we agreed € 2 795.2 m (2 154.4) of new special loans at favourable interest rates, 29.7% (15.3) more than in 2004. Including prolongations, the volume of loans agreed reached € 2 923.1 m (2 288.1). This amount was distributed over 20 798 (20 760) individual loans.

Special loans granted



Altogether, since their introduction in 1971, we have approved an amount of € 23.3 bn for special loans for specific promotional purposes and assistance measures. Nearly two thirds of this amount accounted for the programmes "Young farmers" and "Agriculture" with a total loan commitment of € 13.9 bn.

Due to continuing buoyant demand for special loans, the loan portfolio has been subject to a substantial increase in growth. On 31.12.2005, special loans were valued at € 10 460.1 m (8 822.1) and thereby exceeded the previous year's level by 18.6% (14.4). The ratio of special loans to the total medium and long-term loan portfolio reached 30.6% (27.4).

■ Special Commission for the Federal and State Governments

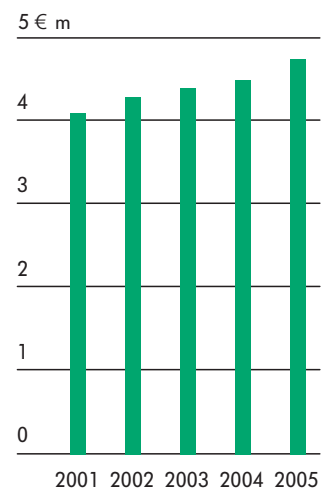
Promotion of innovations from the Special-Purpose Fund (Zweckvermögen)

restarted: Landwirtschaftliche Rentenbank's Special-Purpose Fund was set up in 1952 on the basis of the "Law on Agricultural Disencumbrances" (Entschuldungsabwicklungsgesetz). The bank administers the fund on a trustee basis for the federal government and endows it with yearly allocations from its net profit for the year. In the reporting year, € 4.75 m (4.5) was allocated to the Special-Purpose Fund from the net profit for the year 2004.

It was only possible to restart promotional activities from the Special-Purpose Fund in the last two months of the reporting year. Following the abrogation of the "Law on Agricultural Disencumbrances", lending was suspended in spring 2004 until the creation of a new legal basis. After completion of the legal process in August 2005 and the notification process by the EU Commission, it was possible to bring into force new guidelines for the use of the Special-Purpose Fund by the end of October. They regulate the use of loans at preferential interest rates from the Special-Purpose Fund for the promotion of the introduction of innovations in agriculture, forestry and horticulture in both the market and in practice. The newly created basis for the utilisation of the Special-Purpose Fund also provides for the possibility of both a release of liability and the granting of subordinated loans. In addition, there is a newly introduced possibility to promote studies of technical feasibility as well as defined development projects through allowances. During the reporting year, 6 (4) loans were approved from the Special-Purpose Fund for a total amount of € 3.7 m (4) with the prior approval of the Federal Ministry of Food, Agriculture and Consumer Protection (BMELV).

With the new implementation of the "Law on the Special-Purpose Fund of the Federal Republic set up at Landwirtschaftliche Rentenbank" (Gesetz über das Zweckvermögen des Bundes bei der Landwirtschaftlichen Rentenbank) and the respective modification of the "Governing Law of Landwirtschaftliche Rentenbank" (Gesetz über die Landwirtschaftliche Rentenbank), a one-off withdrawal for an amount of € 45 m from the Special-Purpose Fund was transferred to the federal budget

Allocations to the Special-Purpose Fund



for the year 2005 for the benefit of the agricultural accident insurance (landwirtschaftliche Unfallversicherung). At year end, the capital of the Special-Purpose Fund amounted to € 70.3 m.

“Animal keeping in a welfare oriented manner”: The federal programme “Animal keeping in a welfare oriented manner” promotes investment measures in connection with the conversion from battery cage systems to more animal-welfare oriented systems. These promotional loans are refinanced by capital market funds of Rentenbank, which interest rates are discounted by up to 3 percentage points by BMELV. Therefore, these loans achieve a particularly high promotional efficiency. This special programme, launched on behalf of the federal government in summer 2002 to promote animal-welfare oriented procedures for keeping laying hens, is time-limited until 31.12.2006. During the reporting year, loans of € 4.5 m (2.8) were approved. Since the programme started, we have granted loans amounting to € 11.9 m involving around 950 000 laying hens.

We continue to manage loans for the federal government for the financing of resettlement, building measures for old farms and the purchase of land, which were granted before the federal project for the improvement of the agrarian structure and coastal protection in 1973 came into force. In addition, we carry out interest-rate subsidy measures for the federal government for the promotion of sea fishing.

Special commission for the federal states: Since 1991, we have been involved in the settlement of the public promotional measures provided by the Free State of Thuringia. We administer the interest-rate subsidy to promote investments in agricultural businesses and take over guarantees on behalf of that state. Since 1997, the promotion is carried out by the agricultural investment programme (Agrarinvestitionsförderungsprogramm, AFP). In this context, our special loan programmes are also utilised with an additional discount on the interest rate by the Free State of Thuringia.

In the year 2001, the federal state of Baden-Wuerttemberg commissioned us to take over the further settlement of an interest-rate subsidy within the framework of promotional activity for individual agri-

cultural businesses. Furthermore, we are involved in the administration of the interest-rate subsidy for the federal states of Hesse and Hamburg.

In recent years, we were also involved in the administration of time-limited liquidity assistance programmes of federal states. In these cases, our special loans at particularly favourable interest rates were combined with federal interest-rate subsidies.

Other special loan programmes: In 2005, for the first time, we concluded blanket loan agreements with promotional banks from the federal states within the framework of our special loan programmes. They provide packaged refinancing loan programmes for the promotion of agriculture and rural areas in the respective federal state. In the reporting year, we agreed an overall loan volume of € 419.9 m for federal state promotional banks at preferential rates. Thereof, loans for an amount of € 400 m affected the Old Federal States for refinancing of communal structural measures in rural areas, amongst others. € 19.9 m was allocated to the New Federal States for refinancing of AFP measures.

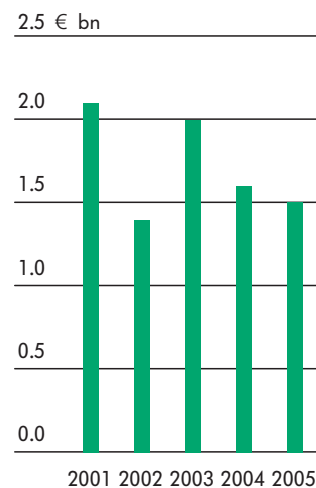
■ Short-Term Loans

In addition to our promotional medium and long-term loans, which are carried out through other banks, we also grant promotional short-term loans in the form of cash lending, credits by way of bank guarantee as well as other short-term loans. In this context, we focus on customers, who are of general importance for agriculture and the food industry.

Cash lending: Cash lending refers to current account advances, overnight money, time deposits and current account credit. At 31.12.2005, the amount of cash lending stood at € 1 394.6 m (1 535.7). These loan facilities have been mainly used by the Federal Office for Agriculture and Food, Bonn, (Bundesanstalt für Landwirtschaft und Ernährung, BLE) within the framework of a credit line.

In addition to cash lending from their available credit line, BLE finances its needs by promissory notes. We offer these BLE promissory

Short-term loans



notes to interested purchasers both in the name of and for the account of BLE. By the end of the year, the total of BLE promissory notes in circulation amounted to € 3.3 bn (3.2). With these funds, payments to farmers were pre-financed which are paid out at the end of December on behalf of the federal government and which are subsequently refunded by the European Union.

Credits by way of bank guarantee: Credits by way of bank guarantee refer to guarantees deposited on behalf of third parties and amounted to € 2.2 m (1.5) at the end of 2005. They are used predominantly for promoting sales of agricultural products through the Sales Promotion Funds (Absatzförderungsfonds) of the German agriculture and food industry in Bonn.

In addition to cash lending and credits by way of bank guarantee, we have granted loans in 2005 totalling € 57.6 m (46) with a term of less than one year within our short-term lending business.

Money market funding: We refinance short-term lending in the money market or through the European Central Bank. Rentenbank Law does not permit us to utilise other sources of short-term funds. Therefore, the position in the interbank market is of particular importance for the bank. Accordingly, our activities in the money market go beyond a mere financing of short-term lending and the adjustment of temporary liquidity imbalances and are directed at maintaining and expanding our corresponding market position.

■ Refinancing through Issue Programmes and other Capital Market Instruments

Medium and long-term issue volume at € 10 bn: To refinance our lending business in 2005, we raised an amount of € 10 bn (11.3) of medium and long-term funds from the international and domestic capital markets. The demand for our issues in these maturities corresponded to our expectations: At the beginning of the year, we estimated a medium and long-term issue volume of € 8 bn to € 10 bn. In the area of money-market related refinancing, funding with a term or period of notice between one and two years amounted to € 3.8 bn (4.1). On the

money market, issue volume with a term or period of notice of up to one year reached € 17.2 bn (19.8). In the past financial year, total funding amounted to € 31 bn (35.2). The funding structure according to maturities and refinancing instruments is shown as follows:

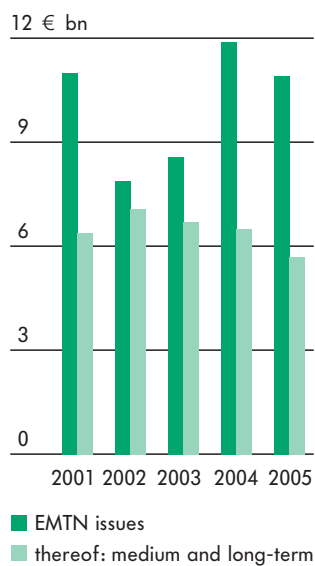
Issue volume

	2005	2005	2004	2004
	€ bn	%	€ bn	%
Money-market refinancing (up to one year)				
Euro-CP	15.8	91.9	17.7	89.4
Euro-MTN	1.4	8.1	1.3	6.6
Global bonds	0.0	0.0	0.8	4.0
Money market total	17.2	100.0	19.8	100.0
Money-market related refinancing (one up to two years)				
Euro-MTN	3.8	100.0	4.1	100.0
Money-market related total	3.8	100.0	4.1	100.0
Medium and long-term refinancing (more than two years)				
International market				
Euro-MTN	5.7	57.0	6.5	57.5
AUD-MTN	1.2	12.0	1.1	9.7
Global bonds	2.6	26.0	2.7	23.9
International loans/Promissory notes	0.0	0.0	0.1	0.9
<i>Subtotal</i>	9.5	95.0	10.4	92.0
Domestic market				
Rentenbank Bonds	0.0	0.0	0.0	0.0
Registered bonds	0.4	4.0	0.8	7.1
Promissory notes	0.1	1.0	0.1	0.9
<i>Subtotal</i>	0.5	5.0	0.9	8.0
Medium and long-term total	10.0	100.0	11.3	100.0
Total funding	31.0		35.2	

Share of ECP issuance increases while volume decreases: With a share of 91.9% (89.4%) of short-term funding, the Euro Commercial Paper Programme (ECP) still plays the dominant role within our money market refinancing. This master programme, set up in the year 2000, enables Rentenbank to issue short-term bearer notes with maturities below one year, which can be issued on a discounted, compounded or indexed basis. In the reporting year, issuance under the ECP Programme accounted for € 15.8 bn (17.7). The average maturity was

around two months. Due to the decrease in new business, the average outstanding volume declined to € 3.5 bn (4). The programme volume is unchanged and amounts to € 10 bn.

EMTN issues



EMTN Programme most import refinancing instrument: With a programme volume of € 50 bn up to now, the Euro Medium Term Note Programme (EMTN), launched in March 1994, has continued to play the most important role for our funding activities. Despite slightly lower new business, the utilisation of the programme further increased and reached € 34.5 bn (30.7) at the year end. This master programme allows us to issue tranches in all prevalent currencies for different amounts and terms using standard documentation and is predominantly used to raise medium and long-term funds. The issue of medium and long-term funds from the EMTN programme with maturities of more than two years amounted to € 5.7 bn (6.5) in the reporting year. Besides a benchmark issue of € 1.25 bn with a maturity of 5 years, we placed a US\$ 1 bn bond with a maturity of 7 years. EMTN issues were also the most important funding instrument in money-market related issuance with maturities of between one and two years. The total volume of € 3.8 bn (4.1) included three notes of US\$ 1 bn each and one Uridashi issue of NZ\$ 1 bn. The short-term issue volume within the EMTN Programme with maturities up to one year increased slightly in 2005 to € 1.4 bn (1.3). Altogether, we issued an equivalent of € 10.9 bn (11.9) from the EMTN Programme.

In the reporting year, we included an option in the EMTN master programme to issue bonds and notes in accordance with “Rule 144a” of the U.S. Securities Exchange Act. Thereby, we optimise our issue costs, increase flexibility and create the potential for a further extension of our refinancing base. In the medium term, we see potential for cost-efficient funding especially in the US private placement market which comprises a wide spectrum of institutional investors and corresponding liquidity.

The EU Prospectus Directive which became effective in July 2005 harmonised the different national regulations for both new issues and trading of securities in the EU. The prospectus’ approval by the German Federal Financial Supervisory Authority (BaFin) took several

weeks. Nevertheless, we were one of the first German issuers whose EMTN Programme has been accepted by the BaFin according to the new regulations.

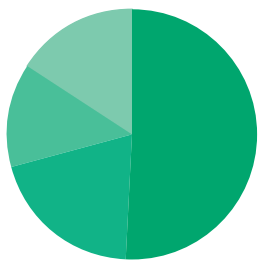
Further global bonds issued: Since autumn 2001, Rentenbank has issued global bonds. These are securities, which are registered with the U.S. Securities and Exchange Commission (SEC). Rentenbank registers under Section 7, Schedule B of the 1933 Securities Act, a regulation which is only available to sovereign or quasi-sovereign issuers. This results in a simplified registration process which reflects our status as a promotional bank of the federal government. The issue of global bonds strengthens our position in the "agency" segment of the international capital market. It also extends our refinancing base to one of the most important worldwide financial markets.

Global bonds accounted for about one quarter of medium and long-term funding in the reporting year. The euro equivalent of global bonds issued in 2005 totalled € 2.6 bn (2.7). Besides a bond of US\$ 1.25 bn, we placed two bonds of US\$ 1 bn each, for the first time including a 10 year maturity. At the year end, global bonds worth € 12.1 bn (9.5) were in circulation.

Further increased demand for issues under the AUD-MTN Programme: Since spring 2004, the Reserve Bank of Australia has accepted our bonds as eligible securities for repurchase transactions with the RBA. By this means, our securities have become more attractive in particular for Australian domestic banks. In the reporting year, this has encouraged the sale of bonds issued through the Australian dollar MTN Programme set up in the year 2000. Additionally, we benefited from the demand by Asian central banks. During the reporting year, we were able to place "Kangaroo"-bonds for a euro equivalent of € 1.2 bn (1.1).

Foreign currency ratio increased: In the reporting year, the medium and long-term issue volume was spread over 14 currencies. With a share of 50.8% (33.4), the US dollar remained the most important funding currency followed by the euro with a share of 20% (30.3). The Australian dollar with a share of 13.4% (19) took the third rank. The remaining

Medium and long-term issues – breakdown by currencies



- USD 50.8%
- EUR 20.0%
- AUD 13.4%
- Other 15.8%

15.8% was distributed over a further 11 currencies, including small-sized issues in Mexican peso and New Turkish lira for the first time.

The hedging of interest-rate and exchange-rate risks stemming from funding in foreign currency, as well as the issuance of structured capital market products, requires the use of derivative instruments. Derivatives are also used for asset-liability management purposes. Our lending business is denominated almost exclusively in euro. Therefore, in order to avoid any exchange-rate risk, we have swapped the proceeds from foreign currency denominated issues virtually exclusively into euro through cross-currency swaps. Only a small part is used to fund lending business in the original currency. With structured bonds, we react to the particular investment requirements of investors. These issues, therefore, just like the foreign currency issues enable us to re-finance at favourable costs.

To hedge interest-rate and exchange-rate risks, swaps for an amount of € 25.1 bn (19.3) were utilised in the reporting year. Thereof, € 8.5 bn (7.8) accounted for interest-rate swaps and € 16.6 bn (11.5) for cross-currency swaps. The above-average increase of cross-currency swaps is the result of the higher share of foreign currency-denominated bonds within the issue business in comparison to the previous year. In addition, we used EONIA swaps to hedge short-term funding as well as currency swaps to hedge the proceeds in foreign currencies under the ECP Programme.

Additional information on derivatives: We principally use swaps as pure hedging instruments, i.e. we match the specific balance-sheet transaction with a respective swap. Swap options and Forward Rate Agreements (FRA) are used in principle for hedging currency and interest-rate risks, too. By this method, we limit our risk to credit risk, a risk we run with every banking transaction. In derivative business we, therefore, also attach great importance to our choice of counterparties. Due to the stipulations of Rentenbank Law, we do not engage in customer business in the derivatives area.

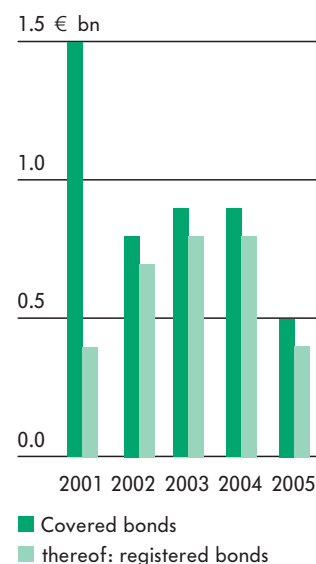
Apart from credit risk, our exposure to market risk is low. The monitoring of the overall risk position of our money-market business, liqui-

dity portfolio and lending activity is effected through a daily risk reporting system which, among other things, determines the market risk by means of a shift of the interest-rate curve. The methods we have chosen to evaluate market-price risk correspond to the prerequisites with regard to the minimum requirements for trading activities of credit institutions (Mindestanforderungen an das Betreiben von Handelsgeschäften (MaH)), taking into account the type and scope of cash and derivative transactions we handle. Moreover, for all counterparties and business areas there are limits which are monitored by a specially established department that is independent of the trading departments. This department is responsible for central control and supervision of all possible credit risks of the bank. The Board of Managing Directors decides on all limits for a specific period, including credit, market and transfer risks which are reviewed at regular intervals.

Use of domestic capital market instruments decreased: Funding through domestic capital market instruments decreased in the reporting year. With an amount of € 0.5 bn (0.9) these instruments contributed only 5% (8) to the overall medium and long-term issue volume. These are predominantly registered bonds, of which € 0.4 bn (0.8) were sold. Additionally, promissory notes for an amount of € 0.1 bn (0.1) could be placed. It is also possible for Rentenbank to issue covered bonds ("Rentenbank Bonds"). Due to the change of the Rentenbank Law in 2002, "Rentenbank Bonds" (Rentenbankbriefe) have been issued instead of "Agricultural Bonds" (Landwirtschaftsbriefe) and covered medium-term notes (Kassenobligationen).

In contrast to former stipulations, Rentenbank Bonds cover the whole spectrum of maturities. The cover assets for Rentenbank Bonds as well as Agricultural Bonds and covered medium-term notes in circulation only include those types of collateral that are eligible as cover assets for mortgage bonds and public-sector covered bonds (Kommunalschuldverschreibungen). For bonds with shorter maturities other guarantees customary in banking are also used. The total amount of the bonds issued by the bank must be covered to the amount of the nominal value and the interest at all times.

Issues of covered bonds



List of cover provided for bonds

	€	€
To cover the circulation of covered Agricultural Bonds, Rentenbank Bonds, covered medium-term notes and registered bonds for	9 601 114 032.10	
drawn and called securities for	206 453.16	
and for the guarantee reserve in accordance with § 2 (3) of Rentenbank Law for the amount of	409 680 936.23	10 011 001 421.49
coverable assets according to Rentenbank Law are entered in the cover register for the amount of:		18 313 220 348.17
The surplus of		8 302 218 926.68
ensures that the bonds issued are fully covered both in terms of volume in circulation and interest income; moreover, the excess cover is available for future issues.		

Acceptance of our issues as eligible collateral for repos: Rentenbank Bonds and Agricultural Bonds are trust fund eligible and eligible for investment in premium reserve stock. In addition, they are eligible collateral for repos with the European Central Bank (ECB). Our unsecured issues also fulfil the requirements of the European System of Central Banks (ESCB) with regard to credit-worthiness for repo-eligible “tier-one” marketable debt instruments. With the aim of improving risk control for eligible repos, the ECB additionally classifies them in four liquidity categories. Dependent on their remaining life, each liquidity category has different haircuts. 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 supra-national institutions and issues from institutions with a government guarantee, amongst others.

Since March 2004, the Reserve Bank of Australia (RBA) has accepted our AUD-MTN bonds as eligible securities for repurchase agreements with the RBA.

Inclusion of Rentenbank issues in the most important indices for euro-bonds:

Our liquid euro and dollar bonds and notes have been included in the most important bond indices, for example the “iBoxx Euro Index”, the “Lehman Brothers Euro Aggregate Index” or “Lehman Brothers U.S. Aggregate Index” as well as the “Morgan Stanley Eurodollar Credit Index”. Indices measure the performance of national or international markets, thereby making it possible for institutional or private investors to better classify relative performance. Inclusion in an index, therefore, has a positive effect on transparency and recognition of these bonds and thereby improves their placement prospects.

Market support: Despite the decreasing importance of our domestic issues, we continue to focus our attention on market making.

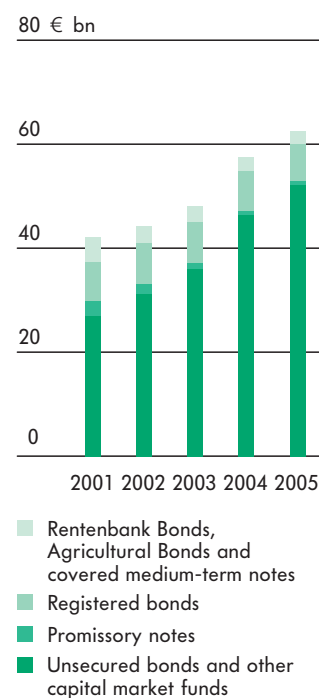
With the exception of just a few domestic issues, practically all of our bonds in circulation currently are listed on the Frankfurt Stock Exchange. Rentenbank Bonds, Agricultural Bonds, covered medium-term notes and unsecured bearer bonds in both euro and D-mark denominations are predominantly admitted to official trading.

During the year under review, we purchased own bonds for a total nominal value of around € 3.5 m (1.7) for the purposes of market regulation. We sold own bonds for a nominal amount of around € 1.6 m (3.1). In addition, a nominal amount of around € 3 m (2.7) was redeemed. The portfolio of own bonds thus decreased to a nominal € 5.3 m (6.3) by the balance sheet date.

Medium and long-term external funds in the balance sheet: The total amount of medium and long-term external funds for refinancing purposes amounted to € 62.6 bn (57.6) on the balance sheet date being 8.7% (19.8) above the previous year’s level. The volume of bonds in circulation grew by 9.4% (21) to € 61.7 bn (56.4). The volume of promissory notes fell by 22.2% (25) to € 0.7 bn (0.9). Other capital market funds accounted for € 208.5 m (323.2).

Share trading: In principle, we do not trade in shares. Our share portfolio, therefore, only concerns our investment holdings.

Medium and long-term external funds in the balance sheet



■ Miscellaneous Activities

Holdings: Our activity in investment holdings is predominantly driven by the legal mandate of the bank. In this area, therefore, our business strategy is guided by our promotional objectives rather than the maximising of profits. For this reason, investment holding income is of secondary importance for the total earnings of the bank.

At the end of the 2005 financial year, Landwirtschaftliche Rentenbank had significant investment holdings in the following companies:

Investment holdings:

a) more than 25%:

Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main (in liquidation)

b) less than 25%:

LAND-DATA Gesellschaft für Verarbeitung landwirtschaftlicher Daten mbH, Hannover

Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen

Landgesellschaft Sachsen-Anhalt mbH, Magdeburg

Thüringer Landgesellschaft mbH, Erfurt

Affiliated companies: The indicated holdings in affiliated companies of € 15.6 m (15.6) refer to the LR Beteiligungsgesellschaft mbH, Frankfurt am Main.

LR Beteiligungsgesellschaft mbH: LR Beteiligungsgesellschaft has a share capital of € 28.6 m which is held entirely by the bank. The reserves amount to € 21 m. The company's capital amounts to € 50.7 m which includes profits carried forward and net income for the year.

Affiliated companies of LR Beteiligungsgesellschaft mbH: The indicated holdings in affiliated companies of € 5.9 m refer to the DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main.

At the end of 2005, LR Beteiligungsgesellschaft mbH had investment holdings of 3.35% in DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main.

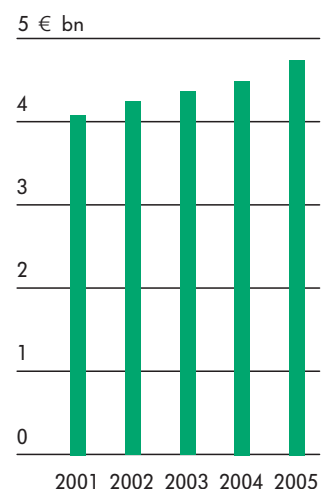
Furthermore, LR Beteiligungsgesellschaft mbH is a sleeping partner with an investment of € 25.6 m in a mortgage bank mainly focused on rural areas and holds participation certificates of various banks.

DSV Silo- und Verwaltungsgesellschaft mbH: DSV Silo- und Verwaltungsgesellschaft mbH has a share capital of € 17.9 m which is held entirely by LR Beteiligungsgesellschaft mbH. The company's business in the reporting year included the fulfilment of pension commitments to former own employees and employees of companies, respectively, of which DSV acts as legal successor. The company's capital amounts to € 11.5 m which included revenue reserves, losses carried forward and net income for the year.

Affiliated companies of DSV Silo- und Verwaltungsgesellschaft mbH: The indicated holdings in affiliated companies of € 2.9 m refer to the inactive Getreide-Import-Gesellschaft mbH, Frankfurt am Main (GIG).

Landwirtschaftliche Rentenbank's Promotional Fund: In accordance with § 9 of the Rentenbank Law, the net profit for the year is to be used for promoting agriculture in the public interest. This amount is distributed evenly between the Special-Purpose Fund (Zweckvermögen) and the Promotional Fund (Förderungsfonds). According to its guidelines, the General Meeting of Landwirtschaftliche Rentenbank decides on the allocation of the resources of the Promotional Fund. Applications must be submitted by 31 December to be applicable the following year. The General Meeting decides on the basis of an Advisory Board's proposal which is prepared by an expert committee. The expert committee consists of three members of the Advisory Board, one of which is a representative of the Ministry of Food, Agriculture and Consumer Protection (BMELV) and three members of the General Meeting. The Chairman of the Advisory Board acts as the chairman of the expert committee.

Allocations to the Promotional Fund



From the net profit for the year 2004, € 4.75 m was made available for the Promotional Fund in 2005 for which the General Meeting made an appropriate decision on 19.05.2005. A variety of individual projects and institutions, active for agriculture and rural areas, were financially supported by these funds, including agricultural related research as well as practice-orientated model projects, further education measures and special events. For many years, the rural youth work, the work for elderly people in rural areas and the association of women in rural areas have also been supported by the Promotional Fund.

■ Corporate Governance

Rentenbank assumes a voluntary commitment: Effective Corporate Governance is of central importance for a responsible and value-orientated management. In November 2004, Landwirtschaftliche Rentenbank's Advisory Board, therefore, decided on Corporate Governance Principles for the bank. The bank, thereby, entered into a voluntary commitment which is based substantially on the relevant stipulations of the German Corporate Governance Code for unlisted companies. The Corporate Governance Principles take into account Rentenbank's company-specific features as a public law institution. They are regularly adapted to new requirements and are published on the bank's internet site (www.rentenbank.de).

The Board of Managing Directors and the Advisory Board fully identify with these principles. Compliance with internationally and nationally recognised standards contained in the code for competent and responsible corporate management concerns specifically the federal interest in 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 orderly corporate management. The Board of Managing Directors runs the bank at its own responsibility according to the stipulations of the Rentenbank Law and the Statutes. It is, thereby, bound by the interests of the bank and its legal promotional mandate. The Advisory Board advises and monitors the Board of Managing

Directors' management activities. It appoints the members of the Board of Managing Directors and, together with them, arranges their long-term succession. In addition to the regulations contained in the Statutes, it can declare certain transactions dependent on its consent. There are rules of procedure for the Advisory Board.

Avoidance of conflicts of interest: The members of the Board of Managing Directors and the Advisory Board are obliged to fulfil their tasks according to the interests of the bank. Possible emerging conflicts of interest in connection with their activities are to be brought before the Chairman of the Advisory Board or the Advisory Board itself by the Board of Managing Directors or the Advisory Board. During the reporting year, there were no emerging conflicts of interest concerning the Board of Managing Directors and the Advisory Board.

Remuneration regulations for the Board of Managing Directors and the Advisory Board: Remuneration for the Board of Managing Directors is specified by the Advisory Board through its Advisory Committee for an appropriate amount on the basis of a performance assessment. Remuneration for the members of the Advisory Board is regulated by the Statutes. In this way, both the responsibility and the extent of the activity of Advisory Board members as well as the economic situation of Rentenbank are taken into account. The individual remuneration of the members of the Board of Managing Directors and of the Advisory Board is to be found in the Notes as well as the Notes for the Consolidated Financial Statements on page 61.

Transparency and information: The bank places a high value on both transparency and information. By the distribution of information, Rentenbank follows the principle of equal treatment for investors and other interested parties. The information published by the bank is also accessible on its internet site (www.rentenbank.de). Important matters which may suitably influence the quotation of Rentenbank's listed securities are published without delay.

Accounting and auditing: The individual and consolidated annual accounts are drawn up in accordance with the accounting requirements of the German Commercial Code (HGB) for major trading companies and the

specific regulations of banks and financial services companies accounting regulations. Accounting in accordance with IAS is scheduled for the financial year 2007 for the first time. The Advisory Board chooses the auditor, instructs the auditing and agrees the fee. The Audit Committee, formed from the Advisory Board, attends to the independence of the auditor.

Deviations from the recommendations of the Corporate Governance Code:

Landwirtschaftliche Rentenbank as a public law institution differs in essential respects from a stock corporation. This excludes the application of numerous stipulations of the Code. So for instance, the stipulation concerning shareholders and the general meeting of shareholders and the obligation to provide a declaration of conformity according to §161 of the German stock corporation law (AktG) are not applicable to Landwirtschaftliche Rentenbank. Furthermore, the Landwirtschaftliche Rentenbank Law excludes the application of some of the Code's stipulations.

For example, further exceptions are as follows:

- The existing Directors' & Officers' Liability Insurance for the Board of Managing Directors and the Advisory Board provides no deductibles for the members. The Board of Managing Directors and the Advisory Board are of the opinion, that deductibles would not be suitable to improve the motivation and awareness of responsibility with which members of the Board of Managing Directors and the Advisory Board perceive their tasks and functions.
- The total remuneration of the Board of Managing Directors contains no components with a long-term incentive effect or risk characteristic. The reason for this lies in the legal status of Rentenbank as a public law institution.
- The total remuneration of the Advisory Board members includes no performance-related remuneration. In view of the public law status and the role of the bank as a promotional bank, this instrument seems unsuitable to improve the awareness of responsibility by the Advisory Board members.

Tighter monetary policy leads... After a temporary weakening of economic growth in the last months of the past year, many economic indicators at the beginning of 2006 again demonstrated a higher economic activity. Correspondingly, developments in capital market interest rates were affected both by growing economic optimism as well as increasing inflation expectations. In the USA and the eurozone, central banks raised key rates. As long-term interest rates showed weaker growth compared to short and medium-term rates, the yield curve flattened out and, at times, even showed a slightly inverse trend in the USA. Moreover, in the USA the increasing interest-rate cycle gradually appeared to be running out of steam.

... to a flatter yield curve: The European Central Bank (ECB) had only just begun to reduce the monetary stimulus, but in view of the moderate economic and inflationary developments in Europe only had limited room for manoeuvre in monetary policy at its disposal, especially against the background of a still very weak domestic economic situation in many countries. The strong dependency of consumer demand on property price development together with higher interest rates should lead to a gradually weakening economic dynamic also in the USA over the course of the year. In addition, the still widening imbalances in foreign trade would again suggest a rather weaker US dollar. The stronger euro should then, just like the moderate economic recovery in the eurozone as well as the increase in inflation rates, limit the potential for interest-rate increases especially in long-term rates. In this way, further interest-rate hikes through the ECB should lead to a continuing flattening of the yield curve.

Satisfactory business and earnings performance: We anticipate that conditions for both our lending and issuing activity should, therefore, remain favourable for the year 2006. The amount of contracts concluded since the beginning of the year would seem to indicate continuing favourable refinancing opportunities on both the domestic and international markets and an overall buoyant demand for lending. We are confident that we should achieve the same high volume of medium and long-term promotional lending in the current year as in the reporting year. The year 2006 promises an entirely satisfactory business and earnings performance.

**Accounts and Consolidated Accounts
for the Year ended December 31, 2005**

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ASSETS

	€ thousand	€ thousand	€ thousand	31.12.2004 € million
1. Cash reserve				
a) Cash in hand		219.0		0.2
b) Balances at central banks		42 379.0		52.8
			42 598.0	53.0
including: At Deutsche Bundesbank				
€ thou 42 379.0 (2004: € 52.8 m)				
2. Due from banks				
a) On demand		2 949.7		8.4
b) Other claims		54 834 302.8		52 717.6
			54 837 252.5	52 726.0
3. Due from customers				
including: Secured by mortgages on real estate				
€ thou –.– (2004: € –.– m)				
Local governments loans				
€ thou 1 397 289.5 (2004: € 1 538.4 m)			1 727 713.8	1 852.8
4. Bonds and other fixed-income securities				
a) Debentures and bonds				
aa) From public issuers		634 207.5		395.3
including: Eligible as collateral with Deutsche Bundesbank				
€ thou 363 832.5 (2004: € 79.5 m)				
ab) From other issuers		19 539 982.2	20 174 189.7	16 885.8
including: Eligible as collateral with Deutsche Bundesbank				
€ thou 17 544 684.9 (2004: € 14 914.5 m)				
b) Own bonds				
Nominal value		5 290.5		6.3
€ thou 5 271.7 (2004: € 6.3 m)			20 179 480.2	17 287.4
5. Shares and other non-fixed income securities			0.0	0.0
6. Investment holdings				
including: In banks				
€ thou –.– (2004: € –.– m)				
In financial services companies				
€ thou –.– (2004: € –.– m)			789.3	0.8
7. Shares in affiliated companies				
including: In banks				
€ thou –.– (2004: € –.– m)				
In financial services companies				
€ thou –.– (2004: € –.– m)			15 587.2	15.6
8. Trust assets				
including: Loans on a trust basis				
€ thou 118 270.2 (2004: € 166.7 m)			118 270.2	166.7
9. Compensation claims on the government				
including bonds arising from their conversion			0.0	2.1
10. Intangible assets			263.4	0.1
11. Tangible assets			20 644.8	15.0
12. Other assets			2 579.2	0.2
13. Deferred items				
a) Relating to issuing and loan business		13 381.6		10.7
b) Others		1 071.3		1.3
			14 452.9	12.0
Total assets			76 959 631.5	72 131.7

LIABILITIES

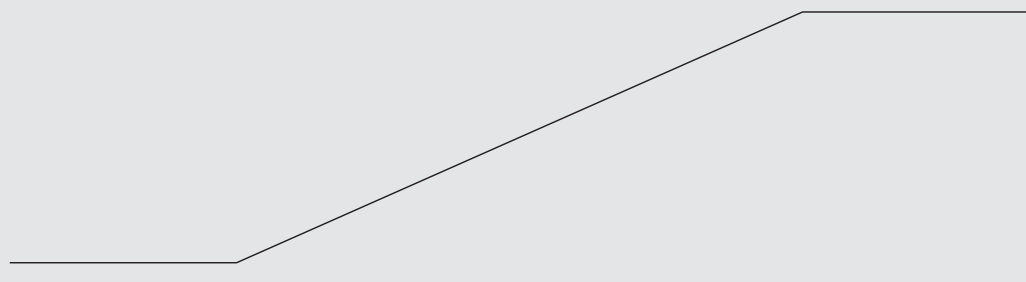
	€ thousand	€ thousand	€ thousand	31.12.2004 € million
1. Liabilities to banks				
a) On demand		739 155.7		0.5
b) With agreed term or period of notice		11 575 621.7		10 901.9
			12 314 777.4	10 902.4
2. Liabilities to customers				
Other liabilities				
a) On demand		68 422.7		33.4
b) With agreed term or period of notice		4 116 458.5		4 506.9
			4 184 881.2	4 540.3
3. Securitised liabilities				
Bonds issued			57 404 239.0	53 489.6
4. Trust liabilities				
including: Loans on a trust basis				
€ thou	118 270.2 (2004: €	166.7 m)		
			118 270.2	166.7
5. Other liabilities			19 805.2	26.0
6. Edmund Rehwinkel-Foundation			1 000.0	1.0
7. Deferred items				
a) Relating to issuing and loan business		1 894.9		2.8
b) Others		26 113.8		27.6
			28 008.7	30.4
8. Provisions				
a) Provisions for pensions and similar obligations		72 112.3		70.0
b) Taxation provisions		0.0		0.0
c) Other provisions		181 866.6		162.7
			253 978.9	232.7
9. Subordinated liabilities			974 960.5	1 203.4
10. Fund covering general banking risks			890 000.0	800.0
11. Capital and reserves				
a) Subscribed capital		135 000.0		135.0
b) Capital reserve		0.0		0.0
c) Revenue reserves				
ca) Principal reserve as per § 2 (2) of the Landwirtschaftliche Rentenbank Law		205 029.5		
Allocation from the net income for the year		10 000.0	215 029.5	205.0
cb) Guarantee reserve as per § 2 (3) of the Landwirtschaftliche Rentenbank Law		389 680.9		
Allocation from the net income for the year		20 000.0	409 680.9	389.7
cc) Other reserves		0.0		0.0
d) Net profit for the year		10 000.0		9.5
			769 710.4	739.2
Total liabilities			76 959 631.5	72 131.7
1. Contingent liabilities				
Liabilities resulting from guarantees and indemnity agreements			8 356.3	8.6
2. Other obligations				
Irrevocable loan commitments			1 561 455.2	1 322.4

EXPENSES

	€ thousand	€ thousand	€ thousand	2004 € million
1. Interest expenses			3 022 072.4	2 575.0
2. Commission expenses			1 580.8	1.6
3. Net expenses from financial operations			0.0	0.0
4. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	14 833.7			14.3
ab) Social security contributions and expenses on pensions and welfare benefits	8 365.3			10.2
		23 199.0		24.5
including: Pensions € thou 6 339.9 (2004: € 8.1 m)				
b) Other administrative expenses		12 592.4		10.8
			35 791.4	35.3
5. Depreciation and value adjustments on intangible and tangible assets			1 830.5	2.1
6. Other operating expenses			626.3	1.0
7. Expenses related to particular securities and loans				
a) Depreciation and value adjustments on loans and particular securities as well as allocations to provisions for lending operations		52 102.2		42.0
b) Allocation to the fund covering general banking risks		90 000.0		90.0
			142 102.2	132.0
8. Depreciation and value adjustments relating to investment holdings, shares in affiliated companies and securities treated as fixed assets			0.0	2.3
9. Extraordinary expenses			0.0	0.0
10. Taxes on income and earnings			1.5	0.1
11. Other taxes unless reported under item 6			89.3	0.1
12. Net income for the year			40 000.0	38.0
Total expenses			3 244 094.4	2 787.5
1. Net income for the year			40 000.0	38.0
2. Allocation to revenue reserves				
a) To the principal reserve as per § 2 (2) of the Landwirtschaftliche Rentenbank Law		10 000.0		9.5
b) To the guarantee reserve as per § 2 (3) of the Landwirtschaftliche Rentenbank Law		20 000.0		19.0
c) To other reserves		0.0		0.0
			30 000.0	28.5
3. Net profit for the year			10 000.0	9.5

INCOME

	€ thousand	€ thousand	2004 € million
1. Interest income from			
a) Lending and money-market operations	2 507 292.9		2 090.2
b) Fixed-income securities and Debt Register claims	734 027.7		693.9
		3 241 320.6	2 784.1
2. Current income from			
a) Shares and non-fixed income securities	0.0		0.0
b) Investment holdings	13.9		0.9
c) Shares in affiliated companies	0.0		0.0
		13.9	0.9
3. Comission income		614.0	0.7
4. Net revenue from financial operations		21.8	0.0
5. Income from write-ups on loans and particular securities and from write-backs of provisions for lending operations		0.0	0.0
6. Income from write-ups on investment holdings, shares in affiliated companies and securities treated as fixed assets		0.0	0.0
7. Other operating income		2 124.1	1.8
8. Extraordinary income		0.0	0.0
Total income		3 244 094.4	2 787.5



ASSETS

	€ thousand	€ thousand	€ thousand	31.12.2004 € million
1. Cash reserve				
a) Cash in hand		219.0		0.2
b) Balances at central banks		42 379.0		52.8
			42 598.0	53.0
including: At Deutsche Bundesbank				
€ thou 42 379.0 (2004: € 52.8 m)				
2. Due from banks				
a) On demand		2 949.7		8.4
b) Other claims		54 888 688.9		52 772.6
			54 891 638.6	52 781.0
3. Due from customers				
including: Secured by mortgages on real estate				
€ thou –.– (2004: € –.– m)				
Local governments loans				
€ thou 1 397 289.5 (2004: € 1 538.4 m)			1 548 529.1	1 672.9
4. Bonds and other fixed-income securities				
a) Debentures and bonds				
aa) From public issuers		634 207.5		395.3
including: Eligible as collateral with Deutsche Bundesbank				
€ thou 363 832.5 (2004: € 79.5 m)				
ab) From other issuers		19 539 982.2	20 174 189.7	16 885.8
including: Eligible as collateral with Deutsche Bundesbank				
€ thou 17 544 684.9 (2004: € 14 914.5 m)				
b) Own bonds				
Nominal value				
€ thou 5 271.7 (2004: € 6.3 m)		5 290.5		6.3
			20 179 480.2	17 287.4
5. Shares and other non-fixed income securities			2 556.5	2.6
6. Investment holdings				
including: In banks				
€ thou 153 322.4 (2004: € 153.3 m)				
In financial services companies				
€ thou –.– (2004: € –.– m)			154 111.8	154.1
7. Shares in affiliated companies				
including: In banks				
€ thou –.– (2004: € –.– m)				
In financial services companies				
€ thou –.– (2004: € –.– m)			2 895.0	2.9
8. Trust assets				
including: Loans on a trust basis				
€ thou 118 270.2 (2004: € 166.7 m)			118 270.2	166.7
9. Compensation claims on the government				
including bonds arising from their conversion			0.0	2.1
10. Intangible assets			263.4	0.1
11. Tangible assets			20 644.8	15.0
12. Other assets			3 934.9	3.8
13. Deferred items				
a) Relating to issuing and loan business		13 381.6		10.7
b) Others		1 091.3		1.3
			14 472.9	12.0
Total assets			76 979 395.4	72 153.6

LIABILITIES

	€ thousand	€ thousand	€ thousand	31.12.2004 € million
1. Liabilities to banks				
a) On demand		739 155.7		0.5
b) With agreed term or period of notice		11 575 621.7		10 901.9
			12 314 777.4	10 902.4
2. Liabilities to customers				
Other liabilities				
a) On demand		55 787.9		33.4
b) With agreed term or period of notice		4 116 458.5		4 495.9
			4 172 246.4	4 529.3
3. Securitised liabilities				
Bonds issued			57 404 239.0	53 489.6
4. Trust liabilities				
including: Loans on a trust basis				
€ thou	118 270.2 (2004: €	166.7 m)	118 270.2	166.7
5. Other liabilities			19 893.5	26.2
6. Edmund Rehwinkel-Foundation			1 000.0	1.0
7. Deferred items				
a) Relating to issuing and loan business		1 894.9		2.8
b) Others		26 113.8		27.6
			28 008.7	30.4
8. Provisions				
a) Provisions for pensions and similar obligations		76 991.9		75.9
b) Taxation provisions		432.0		0.2
c) Other provisions		181 884.6		162.3
			259 308.5	238.4
9. Subordinated liabilities			974 960.5	1 203.4
10. Fund covering general banking risks			890 000.0	800.0
11. Capital and reserves				
a) Subscribed capital		135 000.0		135.0
b) Capital reserve		0.0		0.0
c) Revenue reserves				
ca) Principal reserve as per § 2 (2) of the Landwirtschaftliche Rentenbank Law		205 029.5		
Allocation from the net income for the year		10 000.0	215 029.5	205.0
cb) Guarantee reserve as per § 2 (3) of the Landwirtschaftliche Rentenbank Law		389 680.9		
Allocation from the net income for the year		20 000.0	409 680.9	389.7
cc) Other reserves		3 134.0		3.2
d) Differences from capital consolidation		23 846.8		23.8
e) Net profit for the year		10 000.0		9.5
			796 691.2	766.2
Total liabilities			76 979 395.4	72 153.6
1. Contingent liabilities				
Liabilities resulting from guarantees and indemnity agreements			8 356.3	8.6
2. Other obligations				
Irrevocable loan commitments			1 551 944.7	1 314.0

EXPENSES

	€ thousand	€ thousand	€ thousand	2004 € million
1. Interest expenses			3 021 870.1	2 574.9
2. Commission expenses			1 580.8	1.6
3. Net expenses from financial operations			0.0	0.0
4. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	14 858.2			14.4
ab) Social security contributions and expenses on pensions and welfare benefits	9 200.5			11.0
		24 058.7		25.4
including:				
Pensions € thou 7 175.0 (2004: € 9.0 m)				
b) Other administrative expenses		12 804.8		11.0
			36 863.5	36.4
5. Depreciation and value adjustments on intangible and tangible assets			1 830.5	2.1
6. Other operating expenses			699.7	0.6
7. Expenses related to particular securities and loans				
a) Depreciation and value adjustments on loans and particular securities as well as allocations to provisions for lending operations		54 839.4		44.2
b) Allocation to the fund covering general banking risks		90 000.0		90.0
			144 839.4	134.2
8. Depreciation and value adjustments relating to investment holdings, shares in affiliated companies and securities treated as fixed assets			0.0	1.8
9. Extraordinary expenses			0.0	0.0
10. Taxes on income and earnings			221.5	0.6
11. Other taxes unless reported under item 6			89.3	0.1
12. Net income for the year			40 000.0	38.0
Total expenses			3 247 994.8	2 790.3

INCOME

	€ thousand	€ thousand	2004 € million
1. Interest income from			
a) Lending and money-market operations	2 505 197.5		2 087.6
b) Fixed-income securities and Debt Register claims	734 027.7		693.9
		3 239 225.2	2 781.5
2. Current income from			
a) Shares and non-fixed income securities	952.1		1.0
b) Investment holdings	4 114.3		4.6
c) Shares in affiliated companies	0.0		0.0
		5 066.4	5.6
3. Comission income		606.5	0.7
4. Net revenue from financial operations		21.8	0.0
5. Income from write-ups on loans and particular securities and from write-backs of provisions for lending operations		0.0	0.0
6. Income from write-ups on investment holdings, shares in affiliated companies and securities treated as fixed assets		0.0	0.0
7. Other operating income		3 074.9	2.5
8. Extraordinary income		0.0	0.0
Total income		3 247 994.8	2 790.3

■ Accounting and Valuation Methods

Both the annual accounts and consolidated accounts of Landwirtschaftliche Rentenbank have been prepared in accordance with the legal guidelines for bank balance sheets and the bank and financial services companies accounting regulations (RechKredV) effective from 11. 12. 1998.

The balance sheet and the profit and loss account have been adapted to the RechKredV and to the forms.

The valuation of asset and debit items follows the rules contained in §§ 252 ff and 340 (e) of the German Commercial Code (HGB). Securities were valued in strict accordance with the lower of cost or market value principle.

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

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

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

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

Pension provisions have been valued as previously, using an assumed annual rate of interest of 3.5%. The valuation of pension provisions has been based on the legal tables drawn up in 2005 G by Dr. K. Heubeck. Furthermore, for the first time, future career trends as well as expected developments in cost of living were considered as assessment parameters. Additional provisions have been included for anniversary bonuses and for early retirement in accordance with collective agreements.

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

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

In accordance with § 340 (h) of the German Commercial Code (HGB), foreign currency amounts were converted and valued on the balance sheet date. Where hedge transactions were used for foreign currency amounts, the items are valued as single valuation units.

In 2005, Landwirtschaftliche Rentenbank drew up consolidated accounts with LR Beteiligungsgesellschaft mbH, Frankfurt am Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main, (DSV). In view of the fact that all other companies affiliated to the bank or group are immaterial in terms of the bank's and the group's net worth, financial position and profitability, their inclusion has been waived in accordance with § 296 of the German Commercial Code (HGB).

The consolidated accounts were drawn up uniformly in accordance with the accounting and valuation methods authorised for the bank. The method used for capital consolidation was, as hitherto, the book value in accordance with § 301 (1) 1 of the German Commercial Code (HGB).

The capital consolidation of LRB is based on the asset value at the time the subsidiary has been first included in the consolidated accounts in 1993.

On 31 December 2005, LRB's total assets amounted to € 232.7 m.

The capital consolidation of DSV was in principle based on the asset value at the time this subsidiary has been first included in the consolidated accounts in 1998. The capital consolidation of the remaining shares of DSV was based on the asset value at 31 December 2000, the ultimo of the month of purchase.

On 31 December 2005, DSV's total assets amounted to € 16 m.

The consolidation of LRB and DSV (without the purchase of shares in 2000) has produced a total difference on the liability side of € 23.8 m, which has the character of a reserve. The purchase of the residual shares of DSV in 2000 has produced a total difference on the asset side of € 42.8 thou which was set against the other reserves.

■ Additional Specifications on the Balance Sheet and Consolidated Balance Sheet

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

Asset items in the balance sheet	Bank 2005 € million	Bank 2004 € million	Group 2005 € million	Group 2004 € million
Item 2: Due from banks				
This item includes:				
Due from companies in which the bank has investment holdings Subheading b) – other claims – divided according to the remaining time to maturity:	–	–	1 116	1 082
– Up to three months	7 819	6 802	7 819	6 802
– Longer than three months up to one year	16 584	16 722	16 584	16 722
– Longer than one year up to five years	16 606	16 355	16 640	16 389
– Longer than five years	12 507	11 674	12 528	11 695
Item 3: Due from customers				
This item includes:				
Due from affiliated companies	178	179	–	–
Due from companies in which the bank has investment holdings	2	1	31	36
This item divided according to the remaining time to maturity:				
– Up to three months	1 403	1 545	1 387	1 528
– Longer than three months up to one year	13	13	13	13
– Longer than one year up to five years	196	201	35	40
– Longer than five years	1	5	1	5
Item 4: Bonds and other fixed-income securities				
This item includes:				
Due from companies in which the bank has investment holdings	–	–	291	328
The marketable securities in this item are:				
– Listed	19 594	16 708	19 594	16 708
– Unlisted	313	320	313	320
Additionally, this item includes amounts which will be due in the year following the balance sheet date:				
Bonds and other fixed-income securities				
– From public issuers	–	52	–	52
– From other issuers	2 522	1 682	2 522	1 682

In accordance with § 10 (2b) 7 and in conjunction with (4a) and (4c) of the German Banking Law (KWG), the bank has validated non-realised reserves for an amount of € 16 m (2004: € 13 m) and for the group € 16 m (2004: € 13 m) as liable capital.

Asset items in the balance sheet

	Bank 2005 € million	Bank 2004 € million	Group 2005 € million	Group 2004 € million
Items 5, 6, 7: The balance sheet items Shares, Investment Holdings and Holdings in affiliated companies do not include marketable securities (bank and group).				
Item 8: Trust assets				
This item includes:				
– Special-Purpose Fund	71	110	71	110
– Due from banks	47	57	47	57
Item 11: Tangible assets				
This item includes:				
– Land and buildings used by the bank, flats	1	1	1	1
– Land and buildings scheduled for external use	19	12	19	12
– Equipment, furniture and fittings.	1	2	1	2
Item 12: Other assets				
This item includes:				
– Tax refunds	–	–	2	2
– Dividend claims	–	–	1	1
– Due from affiliated companies	2	–	–	–
Assets denominated in foreign currencies	2 112	2 320	2 112	2 320

Fixed Asset Summary – Bank and Group

Fixed assets € million	Bank/ Group	Acqui- sition costs	Addi- tions	Dis- posals	Cumulative depre- ciation	Balance sheet value 31.12.05	Balance sheet value 31.12.04	Depre- ciation 2005
Intangible assets	Bank and Group	0	0	–	0	0	0	0
Tangible assets	Bank and Group	27	7	1	12	21	15	1
Investment holdings	Bank	1	0	–	0	1	1	0
	Group	165	0	–	11	154	154	0
Holdings in affiliated companies	Bank	27	–	–	11	16	16	–
	Group	4	–	–	1	3	3	–
Total	Bank	55	7	1	23	38	32	1
	Group	196	7	1	24	178	172	1

Liability items in the balance sheet

	Bank 2005 € million	Bank 2004 € million	Group 2005 € million	Group 2004 € million
Item 1: Liabilities to banks				
This item includes:				
Liabilities to companies in which the bank has investment holdings	-	-	365	508
Subheading b) – with agreed term or period of notice – divided according to the remaining time to maturity:				
– Up to three months	6 134	4 368	6 134	4 368
– Longer than three months up to one year	1 307	1 931	1 307	1 931
– Longer than one year up to five years	2 809	2 821	2 809	2 821
– Longer than five years	787	1 210	787	1 210
Securities worth a total value of nominal € 17 552 m (2004: € 14 796 m bank and group) have been deposited at the Bundesbank for refinancing purposes.				
As a part of open market operations of the ECB, securities at a volume of € 1 400 m were credited at the branch office of the Deutsche Bundesbank in Frankfurt at the end of 2005 (2004: € 2 053 m bank and group).				
Item 2: Liabilities to customers				
This item includes:				
Liabilities to companies in which the bank has investment holdings	0	0	53	94
Liabilities to affiliated companies	22	20	9	-
Subheading b) – with agreed term or period of notice – divided according to the remaining time to maturity:				
– Up to three months	101	140	101	127
– Longer than three months up to one year	412	378	412	380
– Longer than one year up to five years	1 323	1 608	1 323	1 608
– Longer than five years	2 144	2 238	2 144	2 238
Item 3: Securitised liabilities				
This item includes following amount which will be due in the year following the balance sheet date:	12 020	12 209	12 020	12 209
Item 4: Trust liabilities				
This item includes:				
– Special-Purpose Fund	71	110	71	110
– Liabilities to customers	47	57	47	57
Item 5: Other liabilities				
This item includes pro rata interest for subordinated liabilities (before hedging):	17	24	17	24

Liability items in the balance sheet

	Bank 2005 € million	Bank 2004 € million	Group 2005 € million	Group 2004 € million
Item 9: Subordinated liabilities				
The subordinated liabilities were issued as note loans, loan agreements and bearer securities with global certificates. For the subordinated liabilities of € 975 m (2004: € 1 203 m) the net outlay after hedging was € 19 m (2004: € 14 m). Three individual transactions exceed 10% of the subordinated liabilities' total amount. A bond of JPY 15 bn (€ 99 m) is due on 09.06.2010. The outlay rate before hedging is 2.4%. Two further bonds of € 100 m each are due on 18.08.2021. The outlay rates before hedging are 2.6% and 2.7%, respectively. The subordinated liabilities' financing conditions fulfill the requirements of § 10 (5a) of the German Banking Law (KWG) and exclude premature repayment.				
Debts denominated in foreign currency	40 610	28 709	40 610	28 709
Liabilities below the line				
Item 1: Contingent liabilities				
– Deficiency guarantees	6	9	6	9
– Bailment of security furnishings	2	–	2	–
Item 2: Other liabilities				
The increase of irrevocable loan commitments predominantly is due to outstanding commitments in money market business with banks.				
Computation of cover				
Liabilities for which mandatory cover must be provided are:				
– Bearer securities	2 330	2 566	2 330	2 566
– Registered securities	7 271	7 589	7 271	7 589
The following assets are allocated to cover bonds issued:				
– Due from banks	18 294	18 299	18 294	18 299
– Due from customers	19	24	19	24

Explanations on the profit and loss account

Income

Breakdown by geographical markets Items in € million		Bank		Group	
		Germany	Europe/ OECD	Germany	Europe/ OECD
Interest income	2005	1 569	1 672	1 567	1 672
	2004	1 537	1 247	1 534	1 247
Current income from shares and other non-fixed income securities	2005	-	-	1	-
	2004	-	-	1	-
Current income from investment holdings	2005	-	-	4	-
	2004	1	-	5	-
Commission income	2005	1	-	1	-
	2004	1	-	1	-
Other operating income	2005	2	-	3	-
	2004	2	-	3	-

	Bank 2005 € million	Bank 2004 € million	Group 2005 € million	Group 2004 € million
Item 7: Other operating income				
The main components included in this item are:				
- Rental income from the bank's own buildings	1	1	1	1

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

■ Supplementary Information

Information on market risk-related transactions

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

Derivative transactions – volumes –

€ million	Nominal value		Fair value	Fair value
	31. 12. 2005	31. 12. 2004	positive 31. 12. 2005	negative 31. 12. 2005
Interest-rate risks				
Interest-rate swaps	125 470	102 598	748	1 704
– Thereof: claims of redemption and conversion embedded in swaps	1 532	1 604	3	33
Swaptions				
– Purchases	–	–	–	–
– Sales	1 544	1 590	–	19
Caps	–	–	–	–
Other interest-rate forward contracts	12	13	1	–
Interest-rate risk total	127 026	104 201	749	1 723
Currency risks				
Cross-currency swaps	39 455	26 950	1 661	1 959
– Thereof: currency options embedded in swaps	250	292	11	11
– Thereof: claims of redemption embedded in swaps	135	153	2	7
Currency swaps	1 585	2 572	50	1
Currency risk total	41 040	29 522	1 711	1 960
Stock and other price risks				
Stock index swaps	151	282	28	7
– Thereof: stock options embedded in swaps	52	176	3	7
Stock and other price risks total	151	282	28	7
Interest-rate, currency, stock and other price risks	168 217	134 005	2 488	3 690

Derivative transactions – breakdown by maturities –

Nominal value in € million	Interest-rate risk		Currency risk		Stock and other price risks	
	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04
Remaining time to maturity:						
– Up to three months	49 180	40 605	3 235	2 355	–	–
– Longer than three months up to one year	35 405	20 625	5 486	6 662	–	164
– Longer than one year up to five years	31 374	29 253	24 501	14 828	151	118
– Longer than five years	11 067	12 115	7 818	5 676	–	–
Total	127 026	102 598	41 040	29 521	151	282

Derivative transactions – breakdown by counterparties –*

€ million	Nominal value		Fair value positive	Fair value negative
	31.12.2005	31.12.2004	31.12.2005	31.12.2005
OECD banks	151 758	121 014	2 102	2 889
Other counterparties	14 904	11 388	384	782
Total	166 662	132 402	2 486	3 671

* exclusively Principle I (Grundsatz I) relevant transactions

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

Miscellaneous

During the 2005 financial year, the total remuneration of the Board of Managing Directors amounted to € 1 339 thou (2004: € 1 255 thou). For the individual members of the Board of Managing Directors the remuneration for 2005 was fixed as follows:

thou €	Fixed remuneration	Variable remuneration	Other remuneration	Total
Dr. h. c. Uwe Zimpelmann	400	280	16	696
Hans Jürgen Ploog	350	280	13	643

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

In 2005, total remuneration of the Advisory Board members amounted to € 201 thou (2004: € 244 thou) including travel expenses and VAT.

The following list shows the individual payments in 2005 to the members of the Advisory Board excluding reimbursed travel expenses and VAT.

thou €	Membership	Remuneration	Attendance fee
Gerd Sonnleitner (Chairman)	01.01.–31.12.	25.0	2.0
Matthias Berninger	01.01.–30.09.	9.4	0.5
Heinz Christian Bär	01.01.–31.12.	8.5	1.0
Dr. Helmut Born	01.01.–31.12.	8.5	1.5
Gunther Bonz	01.01.–31.12.	7.0	0.0
Dr. Rolf-E. Breuer	01.01.–31.12.	10.0	1.0
Dr. Ulrich Brixner	01.01.–31.12.	8.5	1.0
Dr. Dietrich Hoppenstedt	01.01.–31.12.	8.5	1.0
Dietrich Jahn	01.01.–31.12.	8.5	0.5
Herbert Küster	01.01.–31.12.	8.5	1.5
Erika Lenz	01.01.–31.12.	7.0	1.0
Josef Miller*	01.01.–31.12.	7.0	0.5
Manfred Nüssel	01.01.–31.12.	8.5	1.0
Norbert Schindler	01.01.–31.12.	8.5	1.0
Otto-Dietrich Steensen	01.01.–31.12.	8.5	1.0
Dr. Johannes Ströh	15.05.–31.12.	4.4	0.5
Dr. Peter Traumann	01.01.–14.05.	2.6	0.5
Jürgen Trittin*	04.10.–21.11.	2.1	0.5
Hans-Joachim Wilms	01.01.–31.12.	8.5	1.0
Dr. Dietmar Woidke	01.01.–31.12.	7.0	1.0

* Deputy, respectively

General Managers of LR Beteiligungsgesellschaft mbH and DSV Silo- und Verwaltungsgesellschaft mbH:

Jens Kollmann (since 01.12.2005)
 Christian von Stralendorff (until 30.11.2005)
 Hans Erich Waßmuth

The remuneration of the General Managers of the consolidated companies accounted for € 24.6 thou (2004: € 25 thou), that is € 12.3 thou for each manager, accordingly pro rata respectively.

As at 31 December 2005, there were provisions totalling € 6 359 thou (2004: € 6 968 thou) to meet pension commitments to former members of the Board of Managing Directors and their surviving dependants. Current benefit payments amounted to € 489 thou (2004: € 867 thou).

As in previous year, the members of the Board of Managing Directors borrowed no loans during financial year 2005.

Number of employees – excluding members of the Board of Managing Directors – yearly average

(identical for both bank and group):

	2005			2004		
	Male	Female	Total	Male	Female	Total
Full-time employees	104	70	174	105	76	181
Part-time employees	4	17	21	3	13	16
Total	108	87	195	108	89	197

Substantial shareholdings as defined by § 285 (11) of the German Commercial Code (HGB):

	Capital € million 2005	Share in the capital %	Result € million 2005
Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main (in liquidation)	9.7*	25.1	-0.1*
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	11.5	100.0	0.2
LR Beteiligungsgesellschaft mbH, Frankfurt am Main	50.7	100.0	0.1

* 2004

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

For the same reason, we have waived an equity consolidation of investment holdings according to § 311 (2) of the German Commercial Code (HGB).

Fees for auditing and consulting according to § 285 (1) 17 and § 314 (1) 9 of the German Commercial Code (HGB):

During the 2005 financial year, the expenses for auditing and consulting amounted to € 414 thou for the bank and € 440 thou for the group. These costs are made up of following amounts:

Items in € thou	Bank	Group
Final audit	264	277
Other audit or evaluation services	131	131
Other services	19	32

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

Hans Jürgen Ploog

Wüstenrot Bank AG, Ludwigsburg (Member of the Supervisory Board)

Dr. h.c. Uwe Zimpelmann

DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

(Member of the Supervisory Board)

Lohmann & Co. AG, Rechterfeld (Chairman of the Supervisory Board)

The members of the Board of Managing Directors and the Advisory Board for the 2005 financial year are to be found on pages 64 to 65.

Frankfurt am Main, March 2006

LANDWIRTSCHAFTLICHE RENTENBANK

The Board of Managing Directors

Dr. h. c. Zimpelmann

Ploog

■ Organs

Board of Managing Directors

Hans Jürgen Ploog
Dipl.-Kfm. Dr. h. c. Uwe Zimpelmann (Chairman)

Advisory Board

Chairman:

Präsident Gerd Sonnleitner, Deutscher Bauernverband e.V., Berlin

Deputy Chairman:

Renate Künast, Bundesministerium für Verbraucherschutz, Ernährung und
Landwirtschaft, Berlin (until 04.10.05)

Permanent deputy: Matthias Berninger, Parlamentarischer Staatssekretär,
Berlin (until 04.10.05)

Jürgen Trittin, Bundesminister für Umwelt, Naturschutz und
Reaktorsicherheit, Berlin (since 04.10.05 until 21.11.05)

Horst Seehofer, Bundesminister für Ernährung, Landwirtschaft und
Verbraucherschutz, Berlin (since 22.11.05)

Representatives of the Deutscher Bauernverband e.V.:

Präsident Heinz Christian Bär, Hessischer Bauernverband e.V., Friedrichsdorf

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

Präsidentin Erika Lenz, Deutscher Landfrauenverband e.V., Berlin

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

Präsident Otto-Dietrich Steensen, Schleswig-Holsteinischer Bauernverband
e.V., Rendsburg

Representative of the Deutscher Raiffeisenverband e.V.:

Präsident Manfred Nüssel, Deutscher Raiffeisenverband e.V., Bonn

Representatives of the Food Industry:

Dr. Peter Traumann, Vorsitzender des Vorstandes der Bundesvereinigung der Deutschen Ernährungsindustrie e.V., Bonn (until 14.05.05)

Präsident a. D. Dr. Johannes Ströh, Bundesverband der Agrargewerblichen Wirtschaft e.V., Bonn (since 15.05.05)

State Ministers of Agriculture:*Bavaria:*

Josef Miller, Staatsminister für Landwirtschaft und Forsten, München

Brandenburg:

Dr. Dietmar Woidke, Minister für Ländliche Entwicklung, Umwelt und Verbraucherschutz, Potsdam

Free and Hanseatic City of Hamburg:

Gunther Bonz, Staatsrat der Behörde für Wirtschaft und Arbeit, Hamburg

Representative of the Trade Unions:

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

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

Herbert Küster, Ministerialdirektor, Bonn

Representative of the Federal Ministry of Finance:

Dietrich Jahn, Ministerialdirigent, Berlin

Representatives of Banks or other Lending Experts:

Dr. Rolf-E. Breuer, Vorsitzender des Aufsichtsrates der Deutschen Bank AG, Frankfurt am Main

Dr. Ulrich Brixner, Vorsitzender des Vorstandes der DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

Dr. Dietrich Hoppenstedt, Präsident des Deutschen Sparkassen- und Giroverbandes e.V., Berlin

For the complete annual financial statements and the management report we have issued an unqualified Auditors' Report according to § 322 HGB ("German Commercial Code"). The translation of the Auditors' Report reads as follows:

■ Independent Auditors' Report

We have audited the annual financial statements – consisting of balance sheet, profit and loss account and notes – together with the bookkeeping system of the Landwirtschaftliche Rentenbank, Frankfurt am Main, as well as the consolidated financial statements – consisting of balance sheet, profit and loss account, notes, cash flow statement, segment report and capital development summary – and its management report and consolidated management report prepared by the Bank for the business year from 1 January 2005 to 31 December 2005. The preparation of these documents in accordance with German commercial law as well as the supplementary regulations in the Statutes and the Rentenbank Law, are the responsibility of the Board of Managing Directors. Based on our audit, our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, as well as on the consolidated financial statements and the management report and consolidated management report.

We conducted our audit of the annual and consolidated financial statements in accordance with § 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and profitability in the annual and the consolidated financial statements in accordance with German principles of proper accounting and in the management report and consolidated management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Bank and the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual and consolidated financial statements and the management report and consolidated management report are examined primarily on a test basis within the framework of the audit. The audit includes an opinion on the annual financial statements of the companies included in the consolidated financial statements, a classification of subsidiaries for capital consolidation, the used

accounting and consolidation principles and the significant estimates made by the Bank's management, as well as evaluating the overall presentation of the annual and the consolidated financial statements and the management report and consolidated 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, due to the conclusions received in the auditing process, the annual and the consolidated financial statements of the Landwirtschaftliche Rentenbank, Frankfurt am Main, comply with the legal regulations and the supplementary regulations in the Statutes and the Rentenbank Law and give a true and fair view of the net assets, financial position and profitability of the Bank and the Group in accordance with German principles of proper accounting. The management report and consolidated management report is consistent with the annual financial statements and the consolidated annual financial statements, provides a suitable understanding of the Bank's and the Group's position and suitably presents opportunities and risks of future development.

Düsseldorf, 15 March 2006

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Dr. Göttgens)
Wirtschaftsprüfer

(Theileis)
Wirtschaftsprüfer

■ Cash Flow Statement LR Group

€ million	2005	2004
Net income for the year	40	38
Contains non-cash components and transition to cash flow from operational business:		
Depreciations, value adjustments, write-ups to tangible and financial assets	2	13
Expenses related to particular securities and loans	145	134
Changes of provisions	20	15
Surplus from sale of financial assets	0	-9
Other adjustments (on balance)	-217	-206
Sub-total	-10	-15
Changes of assets and liabilities from operational business after adjustments of non-cash components:		
Due from banks	-2 111	-4 916
Due from customers	125	454
Securities	-2 892	-838
Other assets from operational business	-1	8
Liabilities to banks	1 413	-4 947
Liabilities to customers	-356	-167
Securitised liabilities	3 914	9 988
Other liabilities from operational business	-16	-20
Interest received	3 239	2 781
Interest paid out	-3 022	-2 575
Other adjustments (on balance)	-55	-46
Cash flow from operational business	228	-293
Receipt of payments from sale of:		
Financial assets	0	28
Payments for the purchase of:		
Tangible assets	-7	-6
Cash flow from investment business	-7	22
Subordinated liabilities	-221	322
Payments to Special-Purpose Fund and for measures to promote agriculture whilst protecting the public interest	-10	-9
Cash flow from financing business	-231	313
Stock of instruments of payment by the end of previous period	53	11
Cash flow from operational business	228	-293
Cash flow from investment business	-7	22
Cash flow from financing business	-231	313
Stock of instruments of payment by the end of period	43	53

The presented cash flow statement corresponds to the format regulations of DRS 2-10. It presents the composition of and changes in the stock of instruments of payment, divided into operational business, investment business and financing business. The cash flow statement has only a limited significance as an indicator for a bank's liquidity situation. In this context, we refer to the explanations in our Management Report on the liquidity management of the bank by means of internal liquidity calculations and the Principle II regulation management.

■ Segment Report LR Group

€ million	Business areas							
	Liquidity safeguarding and management		Promotional business		Capital investment		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Net interest income	22.2	25.2	129.3	121.9	70.9	65.0	222.4	212.1
Net commission income	0.0	0.0	-1.0	-0.9	0.0	0.0	-1.0	-0.9
General administrative expenses	-5.3	-5.2	-28.3	-28.3	-5.1	-5.0	-38.7	-38.5
Other operating expenses/income	0.0	0.0	2.3	1.9	0.0	0.0	2.3	1.9
Operating result before risk provisions	16.9	20.0	102.3	94.6	65.8	60.0	185.0	174.6
Risk provisions/net valuation adjustments								
– Provisions for loan business	0.0	0.0	-52.9	-44.0	0.0	0.0	-52.9	-44.0
– Reserves and others	-8.9	-12.4	-48.2	-46.3	-34.8	-33.3	-91.9	-92.0
Taxes on income and earnings	0.0	0.0	-0.2	-0.6	0.0	0.0	-0.2	-0.6
Consolidated net income for the year	8.0	7.6	1.0	3.7	31.0	26.7	40.0	38.0
Risk-weighted assets on the average	6 100.0	5 755.0	10 239.8	10 198.9	336.2	285.1	16 676.0	16 239.0
Allocated core capital on the average	545.5	480.4	915.7	851.4	30.1	23.8	1 491.3	1 355.6
Cost-income ratio in %	23.9	20.7	21.7	23.0	7.2	7.7	17.3	18.1

In accordance with the regulations of DRS 3 (Segment Reporting), particular year-end results are to be itemised according to operational business areas and regions. With the definition of the primary segments, we have taken into account Landwirtschaftliche Rentenbank's organisation and management structure as well as internal financial reporting. Our primary business areas (segments) include:

- **Liquidity safeguarding and management:** In this segment the results of Rentenbank's liquidity position and management are presented.
- **Promotional business:** This segment shows the results of promotional business.
- **Capital investment:** In this segment the contribution from results of the investment of own funds (interest-free capital and provisions) are shown in the form of promotional loans.

The vertical organisational schema for segment reporting conforms to the definition of the profit and loss reporting schema of the German Association of Public Sector Banks (VÖB). Items which do not report any results in euro million have not been itemised for the sake of clarity.

Some details recommended by DRS 3-10 have not been itemised, because, according to our understanding, they do not provide any or very little significance for assessing the results of the respective segments of Rentenbank.

■ Capital development LR Group

	Subscribed Capital	Principal reserve	Guaran- tee reserve	Other reserves	Diffe- rences from capital consoli- dation	Net profit for the year	Total 2005	Total 2004
in € million								
Capital by 01.01.	135.0	205.0	389.7	3.2	23.8	9.5	766.2	737.2
Use of the net profit for the year						-9.5	-9.5	-9.0
Net income for the year		10.0	20.0			10.0	40.0	38.0
Capital by 31.12.	135.0	215.0	409.7	3.2	23.8	10.0	796.7	766.2

On 31.12.2005, the subscribed capital of Landwirtschaftliche Rentenbank, in accordance with the Landwirtschaftliche Rentenbank Law, amounted to € 135 m (2004: € 135 m). Subject to the approval of the responsible organs, € 10 m (2004: € 9.5 m) will be transferred to the principle reserve and € 20 m (2004: € 19 m) to the guarantee reserve. We give an explanation for the item "Differences from capital consolidation" in the Notes.

The Advisory Board has kept itself informed as to the orderly conduct of business throughout the financial year.

The annual accounts and the consolidated accounts drawn up by the Board of Managing Directors for the year ended at 31 December 2005 and the joint management report for the Landwirtschaftliche Rentenbank and the group have been audited by the Deloitte & Touche GmbH – Wirtschaftsprüfungsgesellschaft –, Düsseldorf, who have issued an unqualified report. The Advisory Board has noted the results of the audit and concurs with them.

The Advisory Board has examined the annual accounts and the annual report, containing the joint management report for the Landwirtschaftliche Rentenbank and the group. It resolves the annual accounts for the 2005 financial year and approves the consolidated annual accounts for the 2005 financial year.

Furthermore, the Advisory Board resolved from the net profit for the year of € 10 000 000 to provide € 5 000 000 to the Special-Purpose Fund and € 5 000 000 to the Promotional Fund (§ 9 (2) of the Landwirtschaftliche Rentenbank Law) for other measures to promote agriculture and rural areas whilst protecting the public interest.

The Advisory Board assured oneself that the Board of Managing Directors and the Advisory Board observe the Corporate Governance Principles of the Landwirtschaftliche Rentenbank valid from 5 November 2004.

Frankfurt am Main, 6 April 2006

THE ADVISORY BOARD OF THE
LANDWIRTSCHAFTLICHE RENTENBANK

Chairman
Gerd Sonnleitner

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