

2009  
Unconsolidated Financial Report

Financial Statements in accordance with  
German Commercial Code (HGB) of  
Landwirtschaftliche Rentenbank  
as of 31.12.2009



rentenbank



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# Management Report

## Economic environment

The year 2009 saw the most severe recession of the global economy since World War II and a persisting crisis on the financial markets. By mid-year, however, the economy had started to recover slightly, above all due to comprehensive economic aid packages introduced by governments and financed through additional borrowings. Global trade, new orders and production activities picked up during the second half of 2008. The situation on the global financial markets also improved, which was attributable to the easing of monetary policy as well as significant government guarantees and support measures. The weakness of the economy led to subdued prices. Inflation rates declined substantially in 2009, primarily due to the fact that the prices for oil and other raw materials were significantly below the levels of the previous year. However, expectations of an economic recovery, but also speculative trading resulted in an increase of raw materials prices and consequently consumer prices in late 2009.

The euro zone gross domestic product (GDP) declined by 4.0 % in 2009, after an increase of 0.6 % in 2008. The recession clearly left its mark on the European labor market with the unemployment rate increasing from 8.5 % in January to 10.0 % in December, while the average unemployment rate for the year under review was 9.4 %, up from 7.5 % in 2008. Because of falling prices for raw materials in the euro zone, inflation rates were even negative in some cases. In July, the inflation rate was -0.7 % (compared with prices in July 2008), which was the lowest rate since the introduction of the euro. It was not until November that the inflation rate returned to above zero. The average increase of the harmonized consumer price index amounted to just 0.3 % in fiscal 2009, down from 3.3 % in 2008.

As an export-oriented economy Germany was hit particularly hard by the global decline in demand. Germany's gross domestic product declined by 5.0 % in 2009, after growth of as much as 1.3 % a year earlier. Thanks to the recovery of global trade and the economic aid packages instituted by governments, the economic trend stabilized in Germany on a low level starting in the summer. Measures supporting the economy such as the German car allowance rebate system (Abwrackprämie) and labor market instruments such as short-time working resulted in a significantly lower increase of the unemployment rate in Germany as compared with the average rate in Europe.

The European Central Bank (ECB) cut its key lending rate to an historical low of 1.0 % until mid-2009 as a measure to address the aggravated economic and financial crisis. In addition, the ECB took additional unconventional monetary policy measures to ensure liquidity within the banking sector. For example, the ECB extended the maturities of its refinancing

transactions with banks to up to twelve months and accepted a wide range of collateral with significantly lower credit quality requirements. Banks were offered unlimited liquidity at a fixed interest rate within the scope of full allotment tenders. Furthermore, the ECB initiated a purchase program for mortgage bonds (Pfandbriefe) and other covered bank bonds with a volume of € 60 billion. As a result of these monetary policy measures, the ECB was able to reduce the money market rates to a level considerably below the main refinancing rate. The interest rate curve steepened accordingly. Long-term interest rates also remained on a low level during fiscal 2009. The yield for ten-year German government bonds was between 3 % and 3.5 % for the most part of the year. Against the background of this increasing stabilization of the banking sector, the central banks increasingly focused on potential exit strategies towards the end of the year. The main aspect to be considered by central banks in this context is how excess liquidity, which was the result of monetary easing, can be absorbed in order to prevent long-term threats of inflation without negatively impacting the stability of the financial markets.

## Company performance

The Bank is not exposed to securities or receivables with structured credit risks such as asset-backed securities, or collateralized debt obligations. However, the financial crisis did have an impact on both lending and refinancing conditions. The pricing of lending continues to be influenced by a stronger focus on risk. The credit margin trend had a positive effect on the Bank's operating results.

The business trend of Rentenbank in 2009 was influenced by a positive development in earnings with above-average growth rates. The Bank's promotional business continued to be marked in 2009 by a higher lending volume with respect to medium and long-term loans, despite the considerable decline in total assets. In line with the Bank's business structure, the balance sheet is mainly characterized by the portfolio of medium and long-term promotional loans. As a result of the increase in new business for special promotional loans, the volume of the loan portfolio grew by € 1.4 billion or 3.5 % to reach € 41.8 billion in 2009 (as compared with € 40.4 billion on December 31, 2008). New promotional loans were granted in a total amount of € 10.7 billion in 2009 (as compared with € 12.0 billion on December 31, 2008), while demand for funds from the capital market declined due to the reduced volume of loans granted. New refinancing transactions in the medium to long-term segment amounted to € 10.0 billion (as compared with € 11.2 billion on December 31, 2008) in the year under review.

## Total assets and business volume

In 2009, total assets fell by € 12.1 billion or 13.8 % to € 75.8 billion (as compared with a decline by € 0.9 billion or 1.0 % to € 87.9 billion in 2008). Contingent liabilities excluding irrevocable credit commitments totaled € 119.1 million (as compared with € 117.6 million on December 31, 2008). In accordance with its competitive neutrality, the Bank generally extends credit via other banks. Therefore, the asset side of the balance sheet primarily consists of loans and advances to banks. As of December 31, 2009, this line item amounted to € 46.4 billion (as compared with € 53.3 billion on December 31, 2008) or a share of 61.2 % (as compared with 60.6 % on December 31, 2008) in total assets, representing a € 6.9 billion decline from the level of the previous year (as compared with a decline of € 7.8 billion on December 31, 2008). This decline is mainly attributable to the reduction in term deposits. Loans and advances to customers declined by € 5.7 billion to € 1.0 billion (as compared with € 6.7 billion on December 31, 2008). This decrease is fully attributable to the repayment of short-term government-backed drawdowns. The securities portfolio, which almost exclusively comprises bank bonds and notes, increased by € 0.4 billion to € 28.1 billion (as compared with € 27.7 billion on December 31, 2008). This balance sheet item includes bonds and notes of the banking book in a nominal amount of € 8.5 billion (as compared with € 9.6 billion on December 31, 2008) as well as securities amounting to € 16.0 billion (as compared with € 13.5 billion on December 31, 2008) which, from an economic perspective, can be considered as non-fixed income securities due to corresponding hedges. Securities at a nominal amount of € 2.9 billion (as compared with € 4.2 billion on December 31, 2008) were measured at the lower of cost or market pursuant to HGB "strenges Niederstwertprinzip").

Liabilities to banks decreased by € 6.8 billion to € 4.3 billion (as compared with € 11.0 billion on December 31, 2008). The carrying amount of overnight and term deposits as well as open market transactions declined by € 5.7 billion to € 1.0 billion (as compared with € 6.7 billion on December 31, 2008). The carrying amount of registered bonds and promissory note loans, which are also included in this item, was reduced by € 1.0 billion to € 1.7 billion (as compared with € 2.7 billion on December 31, 2008). Of the liabilities with an agreed maturity or period of notice, an amount of € 1.2 billion is due within the next three months, € 1.0 billion between one and five years, and € 1.1 billion after more than five years at year-end.

Liabilities to customers increased by € 1.6 billion to € 5.9 billion (as compared with € 4.3 billion on December 31, 2008). This balance sheet item primarily comprises registered bond, which are reported with a volume of € 4.7 billion at year-end (as compared with € 3.4 billion on December 31, 2008). Of the liabilities with an agreed maturity or period of notice, an amount of € 1.8 billion was due within one to five years and an amount of € 3.6 billion was due after more than five years as of the balance sheet date.

The portfolio of securitized liabilities declined by € 7.3 billion or 10.6 % compared to the preceding year. Their carrying amount as of December 31, 2009, reached € 61.6 billion (as compared with € 68.9 billion on December 31, 2008). The Euro Medium Term Note (EMTN) program represents the most important refinancing instrument and amounted to € 37.8 billion (as compared with € 38.0 billion on December 31, 2008). Global bonds totaled € 10.3 billion (as compared with € 11.4 billion on December 31, 2008) at year-end. The balance of instruments from the ECP program, which is part of money market funding, declined to € 10.0 billion (as compared with € 13.2 billion on December 31, 2008).

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

Provisions increased by € 67.0 million to € 477.5 million (as compared with € 410.5 million on December 31, 2008). The gross amount of additions to provisions for pensions and similar obligations was € 36.2 million (as compared with € 7.0 million on December 31, 2008). The measurement of pension provisions was changed in line with IFRS methodology, i.e. further measurement parameters such as future wage and salary increases, career trends and inflation were used for the first time as of December 31, 2009. The amount of provisions used for current payments for pensions and similar obligations was € 5.8 billion (as compared with € 4.8 million on December 31, 2008). Accordingly, the balance of provisions for pensions and similar obligations increased by € 30.4 million (as compared with € 2.2 million on December 31, 2008). The cover amount was determined on the basis of a discount rate of 3.5 % (as compared with 3.5 % in 2008).

The other provisions grew € 36.5 million to € 370.3 million (as compared with € 333.8 million on December 31, 2008). This balance sheet item mainly comprises the promotional contribution of Rentenbank as well as provisions recognized to back an equity investment.

## Financial performance

Due to an improved asset-liability margin, the Bank's financial performance once again experienced a positive trend. Interest income, including contributions from fixed-income securities and equity investments, reached € 3,086.4 million (as compared with € 4,256.5 million on December 31, 2008). After deducting interest expenses of € 2,663.0 million (as compared with € 3,864.5 million on December 31, 2008), net interest income amounted to € 423.4 million (as compared with € 392.0 million on December 31, 2008).

The operating result before risk provisioning and measurement slightly declined by 0.6 % (as compared with an increase of 73.8 % on December 31, 2008) and amounted to € 347.4 million, up from € 349.6 million a year earlier.

Earnings in all segments, i.e. Treasury Management, Promotional Business, and Capital Investment, also developed positively.

Amortization and write-downs of loans and advances and securities, equity investments and interests in affiliated companies as well as additions to provisions for possible loan losses have been recognized in sufficient amounts and take into account all identifiable risks. Write-downs of securities belonging to the liquidity reserve amounted to € 1.3 million (as compared with € 5.3 million on December 31, 2008). The reversals of write-downs required in accordance with Section 280 (1) HGB related to securities of the liquidity reserve amounted to € 9.3 million (as compared with € 5.8 million) and did not exceed the relevant write-downs recognized earlier. Write-downs on securities of the banking book came to € 31.1 million (as compared with € 0 million on December 31, 2008).

Net income for the year

Net income for 2009 amounted to € 45.0 million (as compared with € 43.0 million on December 31, 2008), representing an increase of € 2.0 million against the previous year. Subject to the outstanding resolutions of the responsible corporate bodies, the Bank intends to transfer € 33.75 million (as compared with € 32.25 million on December 31, 2008) from net income to the reserves. In accordance with the provision that the guarantee reserve (Deckungsrücklage) may not exceed 5 % of the nominal amount of the covered bonds outstanding at any time pursuant to Section 2 (3) Sentence 2 of the Law Governing the Landwirtschaftliche Rentenbank, the decrease in the volume of the bonds subject to cover requirements resulted in a transfer from the guarantee reserve of € 121.0 million (as compared with € 60.3 million on December 31, 2008) to the principal reserve in order to maintain the Bank's capital base. The net profit after the transfer to reserves will amount to € 11.25 million (as compared with € 10.75 million on December 31, 2008), which will be used to promote agriculture and rural areas.

Equity

Equity as reported on the balance sheet will amount to € 3,125.7 million (as compared with € 3,047.2 million on December 31, 2008) after the transfers to the principal reserve and the additions to the fund for general banking risks.

Equity can be broken down as follows:

	Dec. 31, 2009	Dec. 31, 2008
	€ million	€ million
Capital stock	135.0	135.0
Principal reserve	564.7	409.9
Guarantee reserve	188.3	309.3
Fund covering general banking risks	1,170.0	1,087.0
Subordinated liabilities	1,067.7	1,106.0
Total	3,125.7	3,047.2

Equity increased by € 78.5 million compared to 2008.

Subordinated liabilities declined by € 38.3 million on a net basis (as compared with € 83.7 million on December 31, 2008), taking into account exchange rate fluctuations. Of the subordinated liabilities, an amount of € 913.3 million (as compared with € 939.3 million on December 31, 2008) can be classified as equity pursuant to Section 10 (2b) Sentence 5 of the German Banking Act (KWG). The fund for general banking risks was increased by € 83.0 million to € 1,170.0 million. The share of liable capital reported on the balance sheet in total assets was 4.1 % (as compared with 3.5 % on December 31, 2008).

The total capital ratio, calculated pursuant to Section 10 (1) of the German Banking Act based on the German Solvency Regulation (Solvabilitätsverordnung, SolvV), amounted to 23.8 % as of December 31, 2009 (as compared with 19.1 % on December 31, 2008), and thus exceeded the legal minimum requirements to a considerable extent.

## Risk report

### General principles

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

To achieve its corporate objective, the Bank must also generate an adequate and, above all, consistent profit, so that it can fulfill its mandate and increase its own funds from the Bank's

earnings in the absence of other available sources. The Bank's risk structure is essentially defined by the framework established by the Rentenbank Law and its Statutes.

#### Financial reporting process

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

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

Rentenbank prepares its financial statements in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch, HGB*) and the *German Accounting Directive for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV)* in accordance with German Accepted Accounting Principles (*Grundsätze ordnungsmäßiger Buchführung, GoB*). The consolidated financial statements of Rentenbank are prepared in accordance with International Financial Reporting Standards (IFRS). These regulations are described in Rentenbank-specific manuals and procedural instructions. The regular monitoring and adjustment to statutory and regulatory changes is performed by the Finance department. The Finance department is involved in the New Product Process ("NPP") in order to ensure that new products are correctly reflected in the financial reporting system.

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

There is a clear separation of functions of the units primarily involved in the financial reporting process. Accounting for loans, securities, and liabilities is made in separate sub-ledgers in different departments. The data are transmitted to the general ledgers via an automated interface. The Finance department is responsible for general ledger accounting, the definition of account allocation rules, methodology for recording transactions, managing the accounting software, and the administration of the financial accounting system.

Rentenbank uses internally developed financial accounting software which protects the financial reporting system against unauthorized access through authorizations in line with the authorities granted. Errors are avoided through plausibility checks; identification of errors is ensured through the principle of dual control, standardized reconciliation routines as well as comparisons of plan data and actual figures within the financial accounting software. These measures also ensure the correct recognition, presentation and measurement of assets and liabilities.

Process-independent reviews performed by the Internal Audit department as well as external reviews (e.g. carried out by public auditors) are conducted regularly to assess whether the accounting-related ICS/RMS is working efficiently.

Timely, reliable and relevant reports are submitted to corporate management as well as to the heads of departments within the framework of the management information system. The Advisory Board and its committees are regularly informed by the Board of Managing Directors about current business development. In addition, information about extraordinary events is provided in due time.

## Organization of risk management processes

### *Risk management*

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

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

### *Risk controlling*

Risk controlling, which is part of the Finance department from an organizational perspective, comprises the regular monitoring of the limits determined by the Board of Managing Directors as well as reporting on market price risks, operational risks, liquidity risks, and risk-bearing capacity; risk reporting is based on risk level and regulatory requirements. The Banks department is responsible for monitoring credit risks. The Board of Managing Directors and the Audit and Credit Committees, which are formed by the Advisory Board, are informed about the overall risk situation at least quarterly. The instruments used for risk management and monitoring are subject to constant review and updates.

### *Internal audit*

The Internal Audit department is an instrument of, and reports directly to, the Board of Managing Directors. Notwithstanding the Board of Managing Director's authority to issue instructions to have additional reviews performed, the Internal Audit department carries out its duties both on its own and independently.

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

### *Risk-bearing capacity*

All of the Bank's material risks are identified and monitored to detect any concentration risks. An essential part of the risk management system is the definition and monitoring of risk limits, which are based on the Bank's risk-bearing capacity. The risk-bearing capacity concept ensures that the risk cover potential is sufficient to cover all material risks. For this purpose, various risk scenarios are used to compare the total sum of the capital charges resulting from the Bank's credit, market price, liquidity, and operational risks with a share of the aggregate risk cover.

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

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

### *Credit risk*

#### *Definition*

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

Credit risk is defined as the risk of a potential loss as a result of default or a deterioration in the credit quality of business partners. The credit risk subsumes credit default risk, which comprises counterparty risk, issuer risk, country risk, and structural risk, as well as settlement and replacement risk.

Accordingly, loans for the promotion of the agricultural sector and rural areas are generally granted only to banks in the Federal Republic of Germany or in another country in the

European Union engaged in business with companies in the agricultural sector and with companies offering related upstream or downstream activities as well as activities in rural areas. The program-based loans, which require particularly large promotional resources, are currently limited to Germany as an investment location. Accordingly, the lending business of Rentenbank is almost exclusively limited to the refinancing of banks and other interbank business. The instruments used include global loans, general refinancing facilities, and specific refinancing loans. The credit risk related to the ultimate borrower is borne by such borrower's principal bank. Risks associated with the ultimate borrower are borne by Rentenbank only in the case of transactions with companies (direct lending business), which are normally entered into through or together with other banks.

The range of promotional activities also comprises the possibility to provide equity capital to suitable companies in the agricultural sector. For this purpose, the Bank launched a venture capital fund in the amount of € 100 million in order to support established companies by acquiring minority shareholdings.

The Treasury department is responsible for new business with regard to standard promotional loans and securitized promotional lending as well as money market transactions and derivatives. Derivatives are only entered into for hedging purposes and only with counterparties from EU and OECD countries. New business is only conducted with business partners where we have concluded a collateral agreement.

#### *Organization of the transactions subject to credit risk*

The Board of Managing Directors defines the credit risk strategy on an annual basis and informs the Credit Committee, which is formed by the Advisory Board, about this strategy.

Credit risk monitoring and controlling is based on uniform principles and does not depend on the type of business from which these risks result. The relevant tasks are performed by the Board of Managing Directors and by the Banks and Corporates departments. The Banks department is responsible for establishing and implementing a uniform credit risk strategy and for controlling the Bank's credit risks. This includes, among other things, analyzing credit risks, establishing internal rating categories, creating templates for credit approvals, issuing the back office (or risk management) vote, and controlling credit risks. The Treasury department represents the front office (or market unit) within the loan business workflow.

In accordance with the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement, "MaRisk") certain tasks have to be performed outside the front office. A number of these so-called back office functions is performed by the departments Promotional Loan Business, Banks, and Corporates. The departments issue the independent second vote for lending decisions, review certain collateral within the meaning of the MaRisk provisions, and are responsible for intensified loan management as well as for the

management of non-performing loans. Any necessary measures are agreed in cooperation with the Board of Managing Directors. The Banks department monitors credit risks on the level of the overall loan portfolio as well as on borrower level and is responsible for risk reporting with regard to credit risks. In addition, it is responsible for methodological development, quality assurance, and monitoring the procedures used to identify and quantify credit risk. The functional and organizational separation of risk controlling and the departments Banks and Corporates from the Treasury department guarantees independent risk assessment and monitoring. The management and monitoring of credit risks is performed for individual transactions at borrower level as well as at borrower unit level and the level of the overall loan portfolio. The overall loan portfolio is managed and monitored by breaking down the counterparty portfolio into its various features, with transactions having similar structures being summarized in several product groups.

### *Credit assessment*

The rating category of Rentenbank, which is determined on the basis of the Bank's internal credit ranking while taking external ratings into consideration, is a key risk management instrument for credit risks, as reflected in the limit system. In addition, current information concerning negative financial data or a deterioration of the economic perspectives of a business partner may initiate a review or, if necessary, an adjustment of the credit ranking based on early warning indicators as well as an adjustment of the limit.

The internal credit ranking is performed by the departments Banks and Corporates, which represents the back office. Individual business partners or types of transactions are allocated to different rating categories using an internally established procedure. The rating category system was expanded in March 2009 from twelve to its present number of 20 rating categories, thus allowing for better differentiation of business partners with a lower credit quality. The ten best rating categories AAA to BBB- are used for business partners with few risks ("Investment Grade"). The Bank also introduced seven rating categories (BB+ to C) for latent risks and three rating categories (DDD to D) for exposures that are highly likely to default or exposures already in default.

The credit ranking is carried out at least once per year within the context of the review of the counterparties' financial situation, based on annual financial statements or annual reports. The analysis also takes key performance indicators into account, so-called soft facts, the background of the company, and additional supporting data such as membership in a protection scheme or liability mechanisms provided by the government. If available, the credit ratings of the external rating agencies Standard & Poor's, Moody's, and Fitch are used to determine credit rankings. Specific business types such as accepting Pfandbriefe (covered bonds) are classified into a specific rating category. In addition, country risks are evaluated

separately as a structural risk relevant to the Bank. The internal risk classification procedure is continuously developed and monitored annually.

The consequences of the international financial crisis are also reflected in the changes to the financial situation of Rentenbank's counterparties. Individual counterparties were considered to have a high level of risk. In spite of downgrades of some of the counterparties, the average credit quality of our overall loan portfolio can be classified as "good", especially against the backdrop of a high-quality new business.

#### *Quantification of credit risk*

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

The internal rating category system forms the basis for measuring potential credit default risks with the help of statistical procedures. In order to determine the cumulative potential default, historical probabilities of default as published by the rating agencies Standard & Poor's and Moody's are used. The historical probabilities of default in the Bank cannot be relied upon due to the negligible number of defaults in the decades before the current financial crisis. The calculations are made at the end of each month. In order to assess credit risks, a standard scenario (annual, cumulative, potential default related to utilization) is supplemented by stress scenarios (annual, cumulative, potential default related to limits, assuming deteriorations of credit quality as well as increased probabilities of default). In line with the risk-bearing capacity concept, as set out in the Risk Manual, an amount of € 130 million (as compared with € 130 million on December 31, 2008) of the risk cover is allocated to credit risk. During the year under review internally established limits were monitored daily to ensure compliance at all times.

#### *Limitation and reporting*

Risk assumption and risk limitation is a key element of the management of credit risk. Risk limitation ensures that the risk actually assumed is in line with the risk strategy determined in the Risk Manual and the Bank's risk-bearing capacity. Within this context, limitation is made both at borrower level and at borrower unit level as well as at the level of the overall loan portfolio. The basis for limitation is the credit risk strategy from which consistent sub-limits are derived.

Based on the proportion of the risk cover made available for credit risks as determined in the Risk Manual (risk-bearing capacity concept), an overall upper limit is set for all counterparty limits using statistical methods. In addition, country-based credit and transfer limits, an

upper limit for unsecured facilities as well as an upper limit for securitized promotional lending (product limit) have been established.

A limit system governs the level and the structure of all credit risks. Limits are recorded for all borrowers, issuers, and counterparties and sub-divided into groups by products and maturities. The internal credit ranking procedure represents the central basis for decisions related to the definition of limits. The total amount of limits granted to a particular business partner is determined on the basis of various internal upper grid limits, depending on the financial position of such business partner. In addition, an overall upper limit has been established, the utilization of which is determined depending on the individual types of business transactions. Furthermore, a certain minimum credit quality is required for particular types of business or limits.

All limits are monitored on a daily basis by the back office. The utilization of the limits within the context of money market and promotional loan transactions is measured on the basis of the relevant carrying amounts. For securitized promotional lending, the level of utilization of the limits is calculated on the basis of current market prices and, in the case of derivatives, the positive fair values, taking into account collateral provided, if any. The responsible member of the Board of Managing Directors receives a daily report on the risk-relevant limits as well as their utilization. The Board of Managing Directors is informed promptly if limits are exceeded.

The Bank has concluded collateral agreements with almost all counterparties with which it enters into derivative transactions. These agreements provide for cash deposits denominated exclusively in euros to secure the positive fair values from derivatives exceeding the contractually agreed allowance amounts and minimum transfer amounts, which depend on the credit quality. In return, the Bank undertakes to provide cash deposits denominated in euros in the case of negative fair values if these exceed the corresponding allowance and minimum transfer amounts. The collateral agreements reduce the utilization of the limits, the cover requirements for credit risks, and the utilization of the limits for large loan exposures (Großkredite).

At the end of each quarter, a credit risk report is prepared by the Credit Risk desk, which is part of the Banks department (Back Office). The report is submitted to the Board of Managing Directors and to the Credit Committee established by the Advisory Board and complies with MaRisk requirements. Among other things, the report includes quantitative and qualitative information about the performance of the overall loan portfolio, which is monitored on the basis of structural features such as rating categories, collateral, size classes, and maturities. In addition, the reports include statements on the extent of limits granted internally, new business development, direct business with companies, equity investments, the development of potential defaults from credit risks, new products, new markets, new sales channels, new countries, and large loan exposures. Comparisons with prior years, changes and comments

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

## Market price risk

### *Definition*

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

### *Organization of the transactions subject to market price risk*

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

The objective of risk management is the identification, qualitative assessment, and controlling of market price risks. Risk controlling focuses on quantifying market price risk, monitoring limits, controlling and reporting. The Operations department is responsible for reviewing the market conformity of transactions.

### *Quantification of market price risks*

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

Profit or losses from maturity transformation are realized from short-term cash deposits and refinancing and, to a lesser extent, from securities transactions and the lending business. The risk cover allocated for market price risk corresponds to the risk limit of € 61 million (as compared with € 61 million on December 31, 2008).

Within the context of monitoring interest rate risks on the level of the entire bank, the Bank determines, on a daily basis, present value sensitivities for all transactions subject to interest rate risks of the "Promotional Business" and "Treasury Management" segments and additionally measures, on a quarterly basis, interest rate risks for all open positions of the Bank exposed to such interest rate risks using a present-value-based model. The quarterly

analysis examines the effects of changes in market interest rates as of a particular date. By closing all open fixed-interest positions, we determine net interest income for all future periods on a calculatory basis. Finally, the risk exposures determined for different interest rate change scenarios are analyzed in this context in relation to regulatory equity in accordance with Section 10 of the German Banking Act.

The interest-rate risks from open positions may not exceed the risk limits determined by resolution of the Board of Managing Directors. Compliance with the limits is monitored daily and reported to the Board of Managing Directors, with utilization of the risk limits being measured using present values on the basis of a sensitivity of 100 basis points.

Changes of market parameters in the form of spread premiums have a direct effect on the measurement of existing positions and influence the risk cover. The potential effects of spread risks on profit or loss are simulated using scenario analyses and are covered with risk cover within the scope of the risk-bearing capacity analysis.

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

A risk indicator is calculated daily for the "money market funding" on the basis of a VaR analysis in accordance with the variance/co-variance approach. The indicator shows the maximum loss from market-related developments assuming a holding period of one day and a prediction accuracy of 99 %. The key risk factors for money market funding are euro interest rates. The value of the portfolio is determined by the interest rate curve for interbank loans (EURIBOR) and the interest rate curve for derivatives (EONIA). In addition to these interest rate curves, the corresponding volatilities of interest rates and correlations between the interest rates are also taken into account for the VaR calculation. These data are determined using a weighted 250 day history.

Sensitivity-, scenario- and VaR-analyses as well as back-testing processes are part of risk management and risk controlling.

### *Back testing*

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

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

## Liquidity risk

### *Definition*

Liquidity risk is the risk of being unable to meet current or future payment obligations without restrictions or of being unable to raise the required funds under the expected terms and conditions.

### *Controlling and monitoring*

The liquidity risks of the Bank are monitored daily by the Finance department using a limit for cash balances set by the Board of Managing Directors and are reported to the Board of Managing Directors and the responsible departments. In order to limit short-term liquidity risks, the liquidity requirements must not exceed the relevant freely available funding facilities for a period of up to two years. For the purpose of monitoring medium and long-term liquidity, the scheduled maturities are presented for the following 15 years on a quarterly basis. A long-term liquidity limit has been set for all time bands. The cumulated cash flows may not exceed this limit.

The Bank's triple A ratings along with its short-term refinancing options on the money and capital markets indicate that in efficient markets, the liquidity risk is manageable in the event that principal and interest payments are not made when due. If a market disruption occurs, liquidity may be raised in the amount of the freely available refinancing facilities which must always exceed the Bank's liquidity requirements for a period of up to two years.

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

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

Pursuant to the regulatory requirements (German Liquidity Regulation, Liquiditätsverordnung), weighted cash is compared with the weighted payment obligations for the same payment period on a daily basis. The ratios so calculated are then extrapolated to encompass the due dates to be observed for reporting purposes. In the 2009 reporting year, the monthly reported liquidity ratio for the period of up to 30 days was between 1.90 and 4.99 (as compared with 1.59 and 2.90 respectively, in 2008) and was thus significantly above the 1.0 ratio defined by regulatory requirements.

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

Liquidity risks have not been taken into account for the calculation of the risk-bearing capacity, since the Bank has sufficient cash funds, and its triple A ratings and other advantages enable it to obtain sufficient funds at any time on the money market or from the German central bank (Deutsche Bundesbank).

## Operational risk

### *Definition*

Operational risk refers to risks arising from non-working or defective systems or processes, human failure or external events. Operational risk primarily includes legal risks, outsourcing risks, operating risks, and event or environmental risks, but does not comprise strategic risks, business risks, and reputational risks.

### *Organizational structure of operational risk*

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

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

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

deviations from the standard clauses. Outsourcing risks are generally considered under operational risks and are included in the risk-bearing capacity concept under this type of risk. A distinction is made between significant and insignificant outsourcing based on a standardized risk analysis. Significant outsourcings are incorporated in risk management and risk monitoring through decentralized outsourcing controlling.

An emergency manual describes the procedures to be followed for disaster prevention measures and in case of an actual disaster event. Further emergency plans govern the procedures to be used for potential business disruptions. The outsourcing of time-critical activities and processes are included in these emergency plans.

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

#### *Quantification of operational risk*

Operational risks are quantified as part of the risk-bearing capacity plan, using a process based upon the basic indicator approach in accordance with the Solvency Regulation. Because of the business volume, the factors underlying the approach were re-defined in both the standard and the stress scenario in fiscal year 2009. The risk cover allocated for operational risk amounted to € 30 million as of December 31, 2009 (as compared with € 12 million on December 31, 2008).

All incidents of the Bank are systematically collected and analyzed in an incident reporting database. All current incidents and near-incidents are recorded on a decentralized basis by the relevant operational risk officers. The management of operational risks is performed in the individual business areas. This means that the measures to prevent and limit risks are primarily the responsibility of the organizational units. The analysis and aggregation of incidents as well as the methodological development of the instruments used is part of risk controlling.

The Bank regularly carries out self-assessment procedures. The goal of such self assessment is to make use of knowledge to identify and evaluate risks in the business units in which these risks materialize. Workshops are held at least annually in which significant potential operational risk scenarios for all material business processes are identified, based on a company-wide process map, and then assessed with respect to amount and frequency of incidents. Depending on the risk assessment, additional preventive measures are taken to reduce operational risk.

## Outlook

The beginning of the current fiscal year has shown that the crisis on the financial markets will dominate the course of 2010, both from an economic and a political perspective. The bail-out packages for the banking sector introduced by governments as well as additional government spending and tax cuts aimed at stabilizing the economy have led to a dramatic increase of government debt. Thus national insolvencies of individual countries with an especially large rise in debt can no longer be ruled out and would have considerable knock-on effects on other countries. In the euro zone the solvency of Greece, above all, was thrown into doubt. Hence, new shocks to the international financial system are looming. In addition, more restrictive financing conditions and the unemployment rate, which is likely to rise further, may threaten to hamper economic recovery.

Despite these risks, the global economic recovery which started in mid-2009 should continue on a low level. Germany, as an export-oriented economy, will benefit more strongly from a pick-up in global trade than other euro zone countries. Economic growth of up to 1.5 % seems possible for 2010.

Consumer prices will rise only modestly as a result of the low capacity utilization of the economy as a whole, although raw materials prices have climbed considerably. International organizations such as the IMF forecast inflation rates of less than 2 % in all major developed countries for 2010.

The policy of strong monetary easing has removed some of the pressure from the international money and capital markets. As the economy slightly recovered, the European Central Bank (ECB) announced a moderate gradual tightening of monetary policy for the first months of the year by introducing more restrictive terms for its refinancing transactions. The market does not expect interest to be raised until the second half of the year, thus leading to moderate increases especially of short-term interest rates. Interests at the long end should also be raised only slightly.

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

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

Within the framework of our current planning we assume that new business volume for fiscal years 2010 and 2011 will remain on the 2009 level with respect to both the promotional loan

business and refinancing of the Bank. Financial performance planning assumes solid operating earnings trends in all segments, however income and results will be below the level of the exceptionally good 2008 and 2009 fiscal years. This includes net interest income as well as the operating result before measurement and taxes.

Cost planning for the years 2010 and 2011 takes into account future capital expenditures, among other things, due to regulatory requirements as well as strategic and operational development measures. Despite rigorous cost management, we expect costs to increase in all areas.

The promotional business again showed dynamic momentum in the first months of the current fiscal year. The Group believes that it will reach in 2010 the medium and long-term "promotional lending" volumes of 2009, provided general market conditions will stay the same.

For the full fiscal year 2010, we anticipate a satisfying earnings trend, which will enable the Bank to account for all identifiable risks as well as to further increase the Bank's capital base.

## Report on events after the balance sheet date

On January 15, 2010, a back-to-back guarantee from the German government expired. The guarantee amounted to € 110 million and was classified as a contingent liability. The Bank did not incur any expenses from this guarantee.

On February 8, 2010, the Advisory Board of Rentenbank released Dr. Marcus Dahmen from his duties as spokesman for the Board of Managing Directors. Until further notice Dr. Dahmen's duties will be carried out by Hans Bernhardt and Dr. Horst Reinhardt, both members of the Board of Managing Directors.

# Balance sheet

## ASSETS

	€ million	€ million	€ million	Dec. 31, 2008 € million
<b>1. Cash and balances with central banks</b>				
a) Cash on hand		0.1		0.1
b) Balances with central banks		102.1		28.0
			102.2	28.1
of which: with Deutsche Bundesbank				
€ m 102.1 (2008: € m 28.0)				
<b>2. Loans and advances to banks</b>				
a) Payable on demand		2.5		220.0
b) Other loans and advances		46 408.6		53 082.7
			46 411.1	53 302.7
<b>3. Loans and advances to customers</b>				
of which: Secured by charges on real property				
€ m 0.0 (2008: € m 0.0)				
Loans to local authorities				
€ m 477.4 (2008: € m 5 349.3)			978.0	6 731.1
<b>4. Debt securities and other fixed-income securities</b>				
a) Money market securities				
aa) Other issuers		189.9		463.0
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 189.9 (2008: € m 463.0)				
b) Bonds and debt securities				
ba) Public-sector issuers		820.8		347.9
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 690.8 (2008: € m 208.8)				
bb) Other issuers		26 479.7	27 300.5	26 865.9
of which: Securities eligible as collateral with Deutsche Bundesbank				
€ m 25 783.4 (2008: € m 26 067.4)				
c) Own debt securities		635.9		1.5
Nominal amount € m 581.9 (2008: € m 1.6)			28 126.3	27 678.3
<b>5. Shares and other variable-income securities</b>			0.1	-
<b>6. Equity investments</b>				
of which: in banks				
€ m 0.0 (2008: € m 0.0)				
in financial services institutions				
€ m 0.0 (2008: € m 0.0)			4.2	4.2
<b>7. Interests in affiliated companies</b>				
of which: in banks				
€ m 0.0 (2008: € m 0.0)				
in financial services institutions				
€ m 0.0 (2008: € m 0.0)			0.0	0.0
<b>8. Trust assets</b>				
of which: Trustee loans				
€ m 106.7 (2008: € m 109.4)			106.7	109.4
<b>9. Intangible assets</b>			0.3	0.2
<b>10. Tangible assets</b>			19.8	20.3
<b>11. Other assets</b>			86.5	0.1
<b>12. Prepaid expenses</b>				
a) From new issues and lending		5.1		6.4
b) Other		1.2		1.2
			6.3	7.6
<b>Total assets</b>			<b>75 841.5</b>	<b>87 882.0</b>

as of December 31, 2009

## LIABILITIES AND EQUITY

	€ million	€ million	€ million	Dec. 31, 2008 € million
<b>1. Liabilities to banks</b>				
a) Payable on demand		0.0		1 654.0
b) With an agreed maturity or period of notice		4 308.6		9 332.0
			4 308.6	10 986.0
<b>2. Liabilities to customers</b>				
Other liabilities				
a) Payable on demand		65.4		142.4
b) With an agreed maturity or period of notice		5 796.2		4 154.5
			5 861.6	4 296.9
<b>3. Securitized liabilities</b>				
Debt securities issued			61 623.4	68 945.8
<b>4. Trust liabilities</b>				
of which: Trustee loans				
€ m	106.7 (2008: € m 109.4)		106.7	109.4
<b>5. Other liabilities</b>			283.5	49.7
<b>6. Prepaid expenses</b>				
a) From new issues and lending		0.7		0.5
b) Other		42.6		25.2
			43.3	25.7
<b>7. Provisions</b>				
a) Provisions for pensions and similar obligations		107.1		76.7
b) Other provisions		370.4		333.8
			477.5	410.5
<b>8. Subordinated liabilities</b>			1 067.7	1 106.0
<b>9. Fund covering general banking risks</b>			1 170.0	1 087.0
<b>10. Equity</b>				
a) Subscribed capital		135.0		135.0
b) Retained earnings				
ba) Principal reserve pursuant to Section 2 (2) of the Law				
Governing the Landwirtschaftliche Rentenbank		409.9		
Transfers from guarantee reserve		121.0		
Transfers from net income for the year		33.7	564.6	409.9
bb) Guarantee reserve pursuant to Section 2 (3) of the Law				
Governing the Landwirtschaftliche Rentenbank		309.3		
Appropriations pursuant to Section 2 (3) of the				
Rentenbank Law		121.0	188.3	309.3
c) Net profit			11.3	10.8
			899.2	865.0
<b>Total liabilities and equity</b>			<b>75 841.5</b>	<b>87 882.0</b>
<b>1. Contingent liabilities</b>				
Liabilities from guarantees and indemnity agreements			119.1	117.6
<b>2. Other commitments</b>				
Irrevocable loan commitments			1 322.2	1 360.3

## Income statement for the

### EXPENSES

	€ million	€ million	€ million	2008 € million
<b>1. Interest expenses</b>			2 663.0	3 864.5
<b>2. Fee and commission expenses</b>			2.3	2.2
<b>3. Net expense from financial operations</b>			0.0	0.0
<b>4. General administrative expenses</b>				
a) Personnel expenses				
aa) Wages and salaries	18.6			17.8
ab) Social security contributions and expenses for pensions and other employee benefits	37.3			9.2
		55.9		27.0
of which: pension expenses € m 35.0 (2008: € m 7.1)				
b) Other administrative expenses		16.4		14.1
			72.3	41.1
<b>5. Depreciation, amortization and write-downs of intangible and tangible fixed assets</b>			2.7	1.7
<b>6. Other operating expenses</b>			6.5	2.0
<b>7. Expenses for specific securities and loans and advances</b>				
a) Depreciation, amortization and write-downs of loans and advances, and specific securities as well as additions to provisions for lending operations		191.6		261.0
b) Additions to the fund covering general banking risks		83.0		30.0
			274.6	291.0
<b>8. Amortization and write-downs of equity investments, interests in affiliated companies and securities treated like fixed assets</b>			27.8	15.6
<b>9. Extraordinary expenses</b>			0.0	0.0
<b>10. Taxes on income</b>			0.0	0.0
<b>11. Other taxes not disclosed under item 6</b>			0.1	0.1
<b>12. Net income for the year</b>			45.0	43.0
<b>Total expenses</b>			<b>3 094.3</b>	<b>4 261.2</b>
<b>1. Net income for the year</b>			45.0	43.0
<b>2. Transfers from retained earnings</b>				
from guarantee reserve pursuant to Section 2 (3) of the Law Governing the Landwirtschaftliche Rentenbank			121.0	60.3
<b>3. Transfers to retained earnings</b>				
to principal reserve pursuant to Section 2 (2) of the Law Governing the Landwirtschaftliche Rentenbank				
from guarantee reserve			121.0	60.3
from net income for the year			33.7	32.2
<b>4. Net profit</b>			11.3	10.8

## period from January 1 to December 31, 2009

### INCOME

	€ million	€ million	2008 € million
<b>1. Interest income from</b>			
a) Lending and money market transactions	2 204.9		2 875.5
b) Fixed-income securities and debt register claims	881.3		1 380.6
		3 086.2	4 256.1
<b>2. Current income from</b>			
a) Equities and other non-fixed-income securities	0.0		0.0
b) Equity investments	0.2		0.4
c) Interests in affiliated companies	0.0		0.0
		0.2	0.4
<b>3. Fee and commission income</b>		4.4	1.1
<b>4. Net income from financial operations</b>		0.0	0.0
<b>5. Income from write-ups on loans and advances and specific securities as well as the reversal of provisions for lending operations</b>		0.0	0.0
<b>6. Income from write-ups on equity investments, interests in affiliated companies and securities treated like fixed assets</b>		0.0	0.0
<b>7. Other operating income</b>		3.5	3.6
<b>8. Extraordinary income</b>		0.0	0.0
<b>Total income</b>		<b>3 094.3</b>	<b>4 261.2</b>

# Notes in accordance with German Commercial Law (HGB)

## Accounting and Valuation Methods

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

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

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

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

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

Liabilities have been valued with the repayment sum or the nominal amount of the debt.

Agio and disagio have been marked down pro rata temporis.

Pension provisions continue to be calculated using a discount rate of 3.5% in accordance with the provisions under tax laws. The valuation of pension provisions has been based on the 2005 G mortality tables by Dr. K. Heubeck. In contrast to the prior year, valuation was performed in accordance with the methodology of International Accounting Standards, i.e. assessment parameters such as future wage and salary increases, career trends and inflation were taken into account for the first time. Additional provisions were recognized for early retirement under collective agreements, and for jubilee payments and deferred compensation.

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

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

In accordance with section 340h of the German Commercial Code (HGB), foreign currency amounts were converted and valued on the balance sheet date. Where hedge transactions have been used for foreign currency amounts, the items are valued as single valuation units. For the 2009 financial year, Landwirtschaftliche Rentenbank drew up IFRS based consolidated accounts with LR Beteiligungsgesellschaft mbH, Frankfurt am Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main, (DSV) in accordance with section 315a of the German Commercial Code (HGB).

## Additional Specifications on the Balance Sheet

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

<b>Asset items in the balance sheet</b>	2009 € million	2008 € million
Item 2: Due from banks		
This item includes:		
Subheading b) - other claims -		
divided according to the remaining time to maturity:		
- Up to three months	5 052	7 581
- Longer than three months up to one year	5 314	8 870
- Longer than one year up to five years	16 221	17 381
- Longer than five years	18 551	17 762
Item 3: Due from customers		
This item includes:		
- Due from affiliated companies	169	159
- Due from companies in which the bank has investment holdings	0	0
This item divided according to the remaining time to maturity:		
- Up to three months	18	6 223
- Longer than three months up to one year	65	22
- Longer than one year up to five years	507	373
- Longer than five years	174	3
Item 4: Bonds and other fixed-income securities		
This item includes:		
The marketable securities in this item are:		
- Listed	27 559	27 070
- Unlisted	324	282

<b>Asset items in the balance sheet</b>	2009 € million	2008 € million
Securities at a carrying amount of € 8 449 million (2008: € 9 604 million) were classified as fixed assets. Since it is planned to hold these securities over the long term, short-term fluctuations in value are not taken into account. The unrecognized write-downs amount to € 91 million (2008: € 222 million), based on (quoted) market prices. Permanent impairment in the amount of € 31 million (2008: € 0 million) were taken into account. Write-downs were not recognized when the identified impairment was only of a temporary nature with respect to future financial performance.		
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	33	87
- From other issuers	6 595	5 963
Securities with a carrying amount of € 0 million (2008: € 884 million) were sold under genuine repurchase agreements.		
Items 5:		
All the items in the portfolio of equities and other non-fixed income securities are marketable and listed.		
Items 6, 7:		
The balance sheet items Shares, Investment Holdings and Holdings in affiliated companies do not include marketable securities.		
Item 8: Trust assets		
This item includes:		
- Special-Purpose Fund	91	87
- Due from banks	16	22
Item 10: Tangible assets		
This item includes:		
- Land and buildings used by the bank, flats	0	0
- Land and buildings scheduled for external use	18	19
- Equipment, furniture and fittings	2	1
Item 11: Other assets		
This item includes:	86	-
- Cash collateral provided for derivatives		
In the prior year, cash collateral provided was reported in the balance sheet items "loans and advances to banks/to customers"		
Assets denominated in foreign currencies	1 648	1 133

## Fixed Asset Summary

Fixed assets € million	Acquisition costs	Additions	Disposals	Cumulative depreciation	Balance sheet value 31.12.09	Balance sheet value 31.12.08	Depreciation 2009
Intangible assets	1	0	0	1	0	0	0
Tangible assets	32	2	2	12	20	20	2
Securities classified as fixed assets	9 604	0	1 124	31	8 449	9 604	31
Investment holdings	4	-	0	0	4	4	-
Holdings in affiliated companies	27	-	-	27	0	0	-
<b>Total</b>	<b>9 668</b>	<b>2</b>	<b>1 126</b>	<b>71</b>	<b>8 473</b>	<b>9 628</b>	<b>33</b>

### Liability items in the balance sheet

2009  
€ million

2008  
€ million

#### Item 1: Liabilities to banks

Subheading b) - with agreed term or period of notice – divided according to the remaining time to maturity:

- Up to three months	1 195	5 389
- Longer than three months up to one year	414	746
- Longer than one year up to five years	998	1 017
- Longer than five years	1 076	1 688

As a part of open market operations of the ECB, securities at a volume of € 0 million were credited at the branch office of the Deutsche Bundesbank in Frankfurt at the end of 2009 (2008: € 1 000 million).

#### Item 2: Liabilities to customers

This item includes:

- Liabilities to companies in which the bank has investment holdings	0	0
- Liabilities to affiliated companies	10	11
Subheading b) - with agreed term or period of notice - divided according to the remaining time to maturity:		
- Up to three months	25	380
- Longer than three months up to one year	159	238
- Longer than one year up to five years	1 830	1 708
- Longer than five years	3 608	1 715

#### Item 3: Securitized liabilities

This item includes following amount which will be due in the year following the balance sheet date:

19 883

24 855

#### Item 4: Trust liabilities

This item includes:

- Special-Purpose Fund	91	87
- Liabilities to customers	16	22

<b>Liability items in the balance sheet</b>	2009 € million	2008 € million
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Item 5: Other liabilities

This item includes:

•Cash collateral received for derivatives	263	-
•pro-rata interest for subordinated liabilities (before collateralization)	17	17
•Security deposits retained	-	28
•Option premiums received	1	1

In the prior year, cash collateral received was reported in the balance sheet items "liabilities to banks/to customers"

Item 8: Subordinated Liabilities

The subordinated liabilities were issued as note loans, loan agreements and bearer securities with global certificates. For the subordinated liabilities of € 1 068 million (as compared with € 1 106 million in 2008) the net outlay after hedging was € 19 million (as compared with € 42 million in 2008). A 16 % share of the subordinated liabilities' total amount accounts for a bond of JPY 25 billion equivalent to € 174 million after hedging. The bond is due on 21.04.2036. The related outlay rate before hedging is 2.8 %. The subordinated liabilities' financing conditions fulfil the requirements of section 10 (5a) of the German Banking Law (KWG) and exclude premature repayment.

Debts denominated in foreign currency	45 856	49 165
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**Liabilities below the line**

Item 1: Contingent liabilities

- Deficiency guarantees	119	115
- Bailment of security furnishings	0	3

Item 2: Other liabilities

The decrease 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	5	1 315
- Registered securities	3 761	4 872

The following assets are allocated to cover bonds issued:

- Due from banks	12 397	14 007
- Due from customers	2	3

## Explanations on the profit and loss account:

### *Income*

Breakdown by geographical markets

Items in € million		Germany	Europe/OECD
Interest income	2009	1 594	1 492
	2008	2 224	2 032
Current income from shares and other non-fixed income securities	2009	-	-
	2008	-	-
Current income from investment Holdings	2009	-	-
	2008	-	-
Commission Income	2009	4	-
	2008	1	-
Other operating Income	2009	4	-
	2008	4	-

### Explanations on the most significant individual items pursuant to section 35 (1) 4

#### RechKredV

Item 6: Other operating expenses	2009 € million	2008 € million
The main components included in this item are:		
• Capital contribution to Edmund-Rehwinkel Foundation	2	1
• Settlement costs from offsetting payment claims	3	0

Item 7: Other operating income	2009 € million	2008 € million
- Rental income from the bank's own buildings	1.8	1.8
- Other refunds	0.7	0.5
- Sale of owner-occupied flats	0.0	0.2
- Reimbursement payments for rights of use	0.4	0.0

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

## Supplementary Information

### Information on market risk-related transactions

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

## Derivative transactions - volumes -

The following table shows the derivatives measured at market value in accordance with section 285 (1) 19 of the HGB (netting and collateral agreements have not been taken into account):

€ million	Nominal value		Fair value	Fair value
	31.12.2009	31.12.2008	positive 31.12.2009	negative 31.12.2009
<b>Interest-rate risks</b>				
Interest-rate swaps	66 537	68 546	1 324	2 104
- Thereof: claims of redemption and conversion embedded in swaps	799	689	9	73
Swaptions				
- Purchases	-	-	-	-
- Sales	647	399	-	38
Other interest-rate forward contracts	447	9	8	-
<b>Interest-rate risk total</b>	<b>67 631</b>	<b>68 954</b>	<b>1 332</b>	<b>2 142</b>
<b>Currency risks</b>				
Cross-currency swaps	41 031	41 455	1 357	2 181
- Thereof: currency options embedded in swaps	187	205	11	8
- Thereof: claims of redemption embedded in swaps	83	87	0	5
Currency swaps	8 951	10 091	181	35
<b>Currency risk total</b>	<b>49 982</b>	<b>51 546</b>	<b>1 538</b>	<b>2 216</b>
<b>Stock and other price risks</b>				
Stock index swaps	131	101	2	4
- Thereof: stock options embedded in swaps	131	101	2	4
<b>Stock and other price risks total</b>	<b>131</b>	<b>101</b>	<b>2</b>	<b>4</b>
<b>Interest-rate, currency, stock and other price risks</b>	<b>117 744</b>	<b>120 601</b>	<b>2 872</b>	<b>4 362</b>

## Derivative transactions - breakdown by maturities -

Nominal value in € million	Interest-rate risk		Currency risk		Stock and other price risks	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Remaining time to maturity:						
- Up to three months	2 502	9 553	12 133	8 655	-	-
- Longer than three months up to one year	8 789	11 291	5 343	7 626	86	-
- Longer than one year up to five years	33 174	31 744	24 414	26 030	15	101
- Longer than five years	23 166	16 366	8 092	9 235	30	-
<b>Total</b>	<b>67 631</b>	<b>68 954</b>	<b>49 982</b>	<b>51 546</b>	<b>131</b>	<b>101</b>

## Derivative transactions - breakdown by counterparties -

€ million	Nominal value		Fair value positive	Fair value negative
	31.12.2009	31.12.2008	31.12.2009	31.12.2009
OECD banks	100 566	110 940	2 198	3 657
Other counterparties	17 178	9 661	674	705
Total	117 744	120 601	2 872	4 362

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

In addition to the measurement of derivatives based on hedge accounting, the carrying amounts resulting from the recognition of interest on an accrual basis are reported in the balance sheet items "loans and advances to banks" (€ 862 million), "loans and advances to customers" (€ 212 million), "liabilities to banks" (€ 589 million), and "liabilities to customers" (€ 56 million).

## Miscellaneous

During the 2009 financial year, the total remuneration of the Board of Managing Directors amounted to € 2 069 thousand (as compared with € 2 289 thousand in 2008). For the individual members of the Board of Managing Directors the remuneration for 2009 was fixed as follows:

€ thousand	Fixed remuneration	Variable remuneration	Other remuneration	Total
Hans Bernhardt	290	355	32	677
Dr. Marcus Dahmen	350	390	9	749
Dr. Horst Reinhardt	290	330	22	642

As at 31.12.2009, there were provisions totaling € 19 104 thousand (as compared with € 14 836 thousand in 2008) to meet pension commitments to former members of the Board of Managing Directors and their surviving dependants. Current benefit payments amounted to € 1 414 thousand (as compared with € 1 039 thousand in 2008). As in previous year, there were no loans granted to the Board of Managing Directors or members of the Advisory Board in fiscal year 2009.

According to current regulations of remuneration, the Chairman of the Advisory Board obtains a fixed remuneration in the amount of € 25 thousand and his deputy in the amount of € 12.5 thousand. Members who are chairmen of an Advisory Board's committee, obtain a remuneration of € 10 thousand, unless their remuneration is already higher. Members of the

Advisory Board functioning within a committee obtain € 8.5 thousand, members of the Advisory Board who do not function within a committee obtain € 7 thousand. Additionally, members of the Advisory Board get an attendance fee of € 0.5 thousand for each Advisory Board meeting.

The total remuneration granted to members of our Advisory Board for their activity during the financial year amounted to € 211 thousand (as compared with € 208 thousand in 2008), both including VAT. Individual remuneration is listed in the following table (excluding VAT):

€ thousand	Membership	Remuneration	Attendance fee
Gerd Sonnleitner (Chairman of the Advisory Board)	01.01. - 31.12.	<b>25,0</b>	<b>2,5</b>
Ilse Aigner *	01.01. - 31.12.	<b>12,5</b>	<b>1,5</b>
Dr. Till Backhaus	01.01. - 31.12.	<b>7,0</b>	<b>0,0</b>
Dr. Helmut Born	01.01. - 31.12.	<b>8,5</b>	<b>2,0</b>
Dr. Rolf-E. Breuer	01.01. - 15.07.	<b>5,4</b>	<b>0,5</b>
Wilhelm Dietzel	01.01. - 05.02.	<b>0,6</b>	<b>0,0</b>
Bruno Fehse	16.07. - 31.12.	<b>3,2</b>	<b>1,0</b>
Udo Folgart	01.01. - 31.12.	<b>7,0</b>	<b>0,0</b>
Heinrich Haasis	01.01. - 31.12.	<b>8,5</b>	<b>1,0</b>
Werner Hilse	16.07. - 31.12.	<b>3,9</b>	<b>1,0</b>
Dietrich Jahn	02.04. - 31.12.	<b>8,1</b>	<b>1,5</b>
Wolfgang Kirsch	01.01. - 31.12.	<b>8,5</b>	<b>1,5</b>
Silke Lautenschläger *	06.02. - 31.12.	<b>6,4</b>	<b>1,5</b>
Franz-Josef Möllers	01.01. - 15.07.	<b>4,6</b>	<b>0,5</b>
Stefan Mörsdorf	01.01. - 10.11.	<b>6,1</b>	<b>0,0</b>
Klaus-Peter Müller	16.07. - 31.12.	<b>4,6</b>	<b>0,5</b>
Manfred Nüssel	01.01. - 31.12.	<b>8,5</b>	<b>1,0</b>
Brigitte Scherb	01.01. - 31.12.	<b>8,5</b>	<b>1,5</b>
Norbert Schindler	01.01. - 31.12.	<b>8,5</b>	<b>1,5</b>
Dr. Peter Traumann	01.01. - 15.07.	<b>3,8</b>	<b>0,5</b>
Dr. Jörg Wendisch	01.01. - 31.12.	<b>8,5</b>	<b>2,0</b>
Hans-Joachim Wilms	01.01. - 15.07.	<b>4,6</b>	<b>0,0</b>
Klaus WieseHügel	16.07. - 31.12.	<b>3,9</b>	<b>0,5</b>

\*) or attorney

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

	2009			2008		
	Male	Female	Total	Male	Female	Total
Full-time employees	115	78	193	111	74	185
Part-time employees	2	23	25	1	20	21
<b>Total</b>	<b>117</b>	<b>101</b>	<b>218</b>	<b>112</b>	<b>94</b>	<b>206</b>

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

	Capital € million 2009	Share in the capital %	Result € million 2009
LR Beteiligungsgesellschaft mbH, Frankfurt am Main	<b>50.9</b>	<b>100.0</b>	<b>+0.1</b>
Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main (in liquidation)	<b>8.7*</b>	<b>25.1</b>	<b>-0.2*</b>
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	<b>12.4</b>	<b>100.0</b>	<b>0.0</b>

\*) 2008

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

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

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

The Declaration of Conformity with the German Public Corporate Governance Code is available to the public on Rentenbank's website under [www.rentenbank.de](http://www.rentenbank.de).

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

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

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

The members of the Board of Managing Directors and the Advisory Board for the 2009 financial year are to be found on pages 37 to 39.

Frankfurt am Main, March 5, 2010

LANDWIRTSCHAFTLICHE RENTENBANK  
The Board of Managing Directors

Bernhardt

Dr. Reinhardt

## ■ Organs

### **Board of Managing Directors**

Dipl.-Volksw. Dr. Marcus Dahmen (Chairman)

Dipl.-Kfm. Hans Bernhardt

Dipl.-Volksw. Dr. Horst Reinhardt

### **Advisory Board**

#### **Chairman:**

Präsident Gerd Sonnleitner  
Deutscher Bauernverband e.V., Berlin

#### **Deputy Chairman:**

Ilse Aigner  
Bundesministerin für Ernährung, Land-  
wirtschaft und Verbraucherschutz, Berlin

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

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

Präsident Udo Folgart  
Landesbauernverband Brandenburg e.V., Teltow/Ruhlsdorf

Präsident Werner Hilse  
Landvolk Niedersachsen-Landesbauernverband e.V.,  
Hannover  
(since 16.07.2009)

Präsident Franz-Josef Möllers  
Westfälisch-Lippischer-Landwirtschaftsverband e.V.,  
Münster  
(until 22.04.2009)

Präsidentin Brigitte Scherb  
Deutscher Landfrauenverband e.V., Berlin

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

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

Präsident Manfred Nüssel  
Deutscher Raiffeisenverband e.V., Berlin

**Representative of the Food Industry:**

Präsident Bruno Fehse  
Bundesverband der Agrargewerblichen  
Wirtschaft e.V., Bonn  
(since 16.07.2009)

Dr. Peter Traumann  
Mitglied des Vorstandes Bundesvereinigung  
der Deutschen Ernährungsindustrie e.V., Berlin  
(until 22.04.2009)

**State Ministers of Agriculture:**

**Hessen:**

Wilhelm Dietzel  
Minister für Umwelt, Ländlicher Raum  
und Verbraucherschutz des Landes Hessen, Wiesbaden  
(until 05.02.2009)

Silke Lautenschläger  
Ministerin für Umwelt, Energie, Landwirtschaft  
und Verbraucherschutz des Landes Hessen, Wiesbaden  
(since 05.02.2009)

**Mecklenburg-Vorpommern:**

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

**Saarland:**

Stefan Mörsdorf  
Minister für Umwelt des Saarlandes, Saarbrücken  
(until 10.11.2009)

**Representative of the Trade Unions:**

Hans-Joachim Wilms  
Stellvertretender Bundesvorsitzender der  
IG Bauen-Agrar-Umwelt, Berlin  
(until 22.04.2009)

Klaus WieseHügel  
Bundesvorsitzender der  
IG Bauen-Agrar-Umwelt, Frankfurt am Main  
(since 16.07.2009)

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

Dr. Jörg Wendisch  
Ministerialdirektor, Bonn

**Representative of the  
Federal Ministry of Finance:** Dietrich Jahn  
Ministerialdirigent, Berlin

**Representatives of Banks  
and other Lending Experts:** Dr. Rolf-E. Breuer  
Ehem. Sprecher des Vorstands und  
früherer Vorsitzender des Aufsichtsrates der  
Deutschen Bank AG, Frankfurt am Main  
(until 22.04.2009)

Klaus-Peter Müller  
Vorsitzender des Aufsichtsrats der  
Commerzbank AG, Frankfurt am Main  
(since 16.07.2009)

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

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

## **Independent Auditors' Report**

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Landwirtschaftliche Rentenbank, Frankfurt am Main, for the business year from January 1 to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (HGB) as well as the supplementary regulations in the Statutes and the Rentenbank Law are the responsibility of the Bank's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

On January 15, 2010, we issued the following audit opinion for the balance sheet as of December 31, 2009 and the income statement for the period from January 1 to December 31, 2009 of the special-purpose fund in the version attached as an annex to Part III of our report:

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

Frankfurt am Main, March 5, 2010

**Deloitte & Touche** GmbH  
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Kläs  
Wirtschaftsprüfer  
[German Public Auditor]

Hansen  
Wirtschaftsprüfer  
[German Public Auditor]

## **Responsibility statement**

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

Frankfurt am Main, March 5, 2010

LANDWIRTSCHAFTLICHE RENTENBANK  
The Board of Managing Directors

Bernhardt

Dr. Reinhardt

## Report of the Advisory Board

The Advisory Board and its committees performed its duties delegated to them in accordance with the law, the Statutes and Rentenbank's corporate governance principles, and advised and monitored the Board of Management in its orderly conduct of business throughout the fiscal year.

The separate financial statements as well as the complementary management report were prepared by the Board of Management in accordance with the accounting principles of the German Commercial Code (Handelsgesetzbuch, HGB) as of December 31, 2009. The financial statements and the management report were audited by the auditors Deloitte & Touche GmbH - Wirtschaftsprüfungsgesellschaft -, Frankfurt am Main, who issued an unqualified audit opinion. The consolidated financial statements as well as the complementary group management report as of December 31, 2009 were prepared by the Board of Management in accordance with the International Financial Reporting Standards (IFRS) and the additional requirements of German commercial law as defined in Section 315a (1) of the HGB. The consolidated financial statements and the group management report were audited by the auditors Deloitte & Touche GmbH - Wirtschaftsprüfungsgesellschaft -, Frankfurt am Main, who issued an unqualified audit opinion. The Advisory Board acknowledged and approved the findings of the audit.

The Advisory Board reviewed the separate financial statements and the consolidated financial statements, including the complementary management reports, as well as the annual report of Landwirtschaftliche Rentenbank. The Advisory Board adopts the bank's separate financial statements for fiscal year 2009 and approves the consolidated financial statements and the complementary management reports for fiscal year 2009.

In accordance with the regulation that the guarantee reserve (*Deckungsrücklage*) may not exceed 5 % of the amount of the outstanding covered bonds pursuant to Section 2 (3) of the Law Governing the Landwirtschaftliche Rentenbank, the Advisory Board resolved to remove € 121 014 321.84 from the guarantee reserve and to increase the principal reserve (*Hauptrücklage*) by the same amount.

From the net income for the year of € 45 000 000.-- as reported in the income statement of the financial statements, € 33 750 000.-- is made available for the principal reserve pursuant to Section 2 (2) of the Law Governing the Landwirtschaftliche Rentenbank.

Furthermore, the Advisory Board resolved from the net profit for the year of € 11 250 000.-- to provide € 5 625 000.-- to the Special Purpose Fund and € 5 625 000.-- to the Promotional Fund (Section 9 (2) of the Law Governing the Landwirtschaftliche Rentenbank) for other measures to promote agriculture and rural areas in the public interest.

The Advisory Board has satisfied itself that the Board of Management and the Advisory Board have complied with the German Public Corporate Governance Code as amended on June 30, 2009.

Frankfurt am Main, March 25, 2010

THE ADVISORY BOARD  
OF LANDWIRTSCHAFTLICHE RENTENBANK

Gerd Sonnleitner  
(Chairman)